



2019 Annual Report

Building on Our Strengths





Kings Club in Liberty Village, Toronto, ON

CAPREIT Profile

Canadian Apartment Properties REIT (“CAPREIT”) is one of Canada’s largest real estate investment trusts. CAPREIT owns approximately 55,100 suites, including townhomes and manufacturing housing sites, in Canada and, indirectly through its investment in ERES, approximately 5,600 suites in the Netherlands. CAPREIT manages approximately 59,200 of its owned suites in Canada and the Netherlands, and additionally 3,700 suites in Ireland as at December 31, 2019.

2019 Highlights and Objectives

Highlights

- Strong accretive portfolio growth and diversification
- Now country’s second largest participant in strong and stable MHC business
- Modernizing portfolio with acquisition of newer properties
- Accretive development and intensification projects begun
- Increased returns from investments in Irish and Netherlands markets
- Revenues up on continuing high occupancies and increases in average monthly rents
- Solid organic growth with same property NOI up 4.9%
- NFFO up 17.2% on revenue growth, increased NOI
- Strong accretive growth as NFFO per Unit up 5.7%
- Maintaining strong and flexible balance sheet and financial position to facilitate future growth

Objectives

- To provide Unitholders with long-term, stable and predictable monthly cash distributions;
- To grow NFFO, sustainable distributions and Unit value through the active management of its properties, accretive acquisitions, developments, intensifications and strong financial management; and
- To invest capital within the property portfolio in order to maximize earnings and cash flow potential and to help ensure life safety of residents.

For more than 21 years, CAPREIT has delivered strong and accretive growth for its Unitholders. 2019 was yet another record year as we achieved solid increases in all of our key performance benchmarks.

For the Year Ended December 31	2019	2018
Portfolio Performance		
Overall portfolio occupancy ⁽¹⁾	98.2%	98.9%
Overall portfolio net Average Monthly Rents ⁽¹⁾	\$ 1,084	\$ 1,103
Operating revenues (000s)	\$ 777,884	\$ 688,585
NOI (000s) ⁽²⁾	\$ 508,150	\$ 440,565
NOI margin ⁽²⁾	65.3%	64.0%
Financial Performance		
FFO per Unit – basic ⁽³⁾	\$ 2.111	\$ 1.995
NFFO per Unit – basic ⁽³⁾	\$ 2.139	\$ 2.024
Cash distributions per Unit	\$ 1.372	\$ 1.313
FFO payout ratio ⁽³⁾	65.5%	66.7%
NFFO payout ratio ⁽³⁾	64.6%	65.7%
Liquidity and Leverage		
Total debt to gross book value ⁽¹⁾	34.99%	39.37%
Total debt to gross historical cost ⁽¹⁾	48.24%	54.54%
Weighted average mortgage interest rate ⁽¹⁾	2.78%	3.05%
Weighted average mortgage term (years) ⁽¹⁾	5.13	5.10
Debt service coverage (times) ⁽⁴⁾	1.87	1.75
Interest coverage (times) ⁽⁴⁾	3.69	3.44
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾	\$ 146,170	\$ 66,325
Available cash and cash equivalents (000s) ⁽¹⁾	\$ 477,329	\$ 25,713

⁽¹⁾ As at December 31.

⁽²⁾ 2018 comparative balances have been adjusted to conform with the current period due to the adoption of IFRS 16, which is effective January 1, 2019. For details, see NOI in Section III.

⁽³⁾ These measures are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies (see Section I – Non-IFRS Financial Measures).

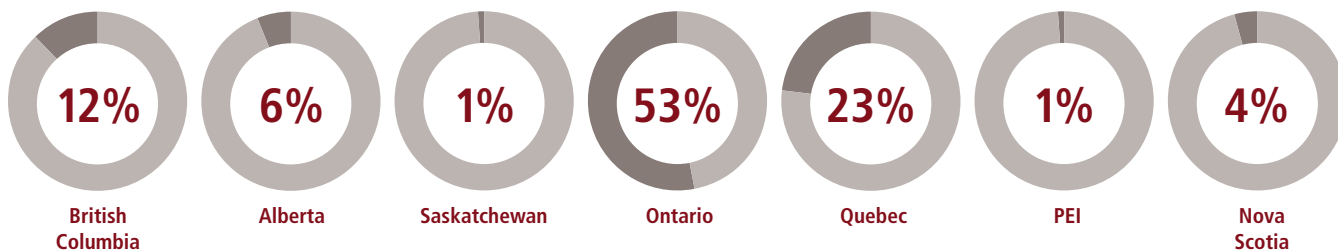
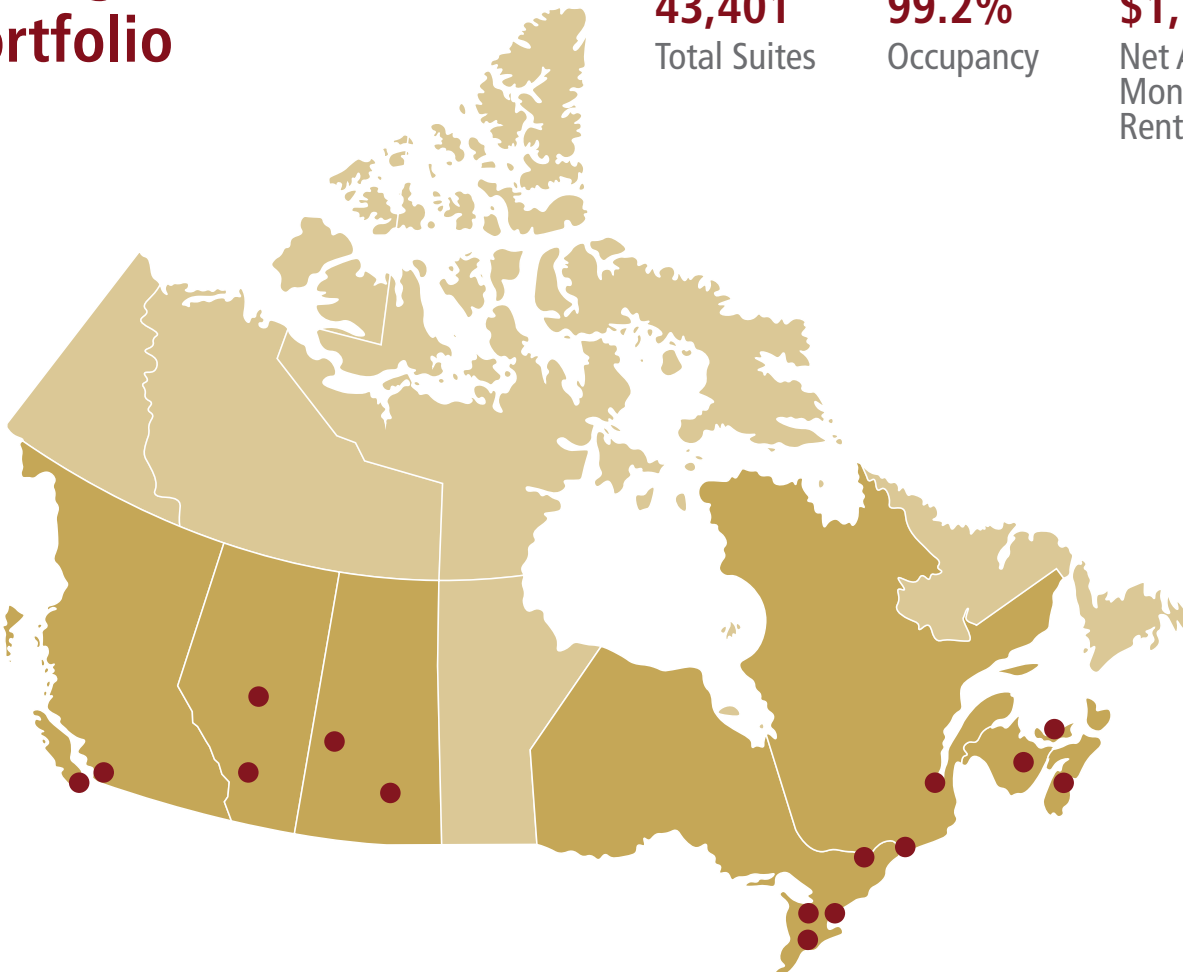
⁽⁴⁾ Based on the trailing four quarters.

Strong & Diversified Portfolio

43,401
Total Suites

99.2%
Occupancy

\$1,260
Net Average Monthly Rent



British Columbia		Alberta		Saskatchewan		Ontario	
Total Suites	5,101	Total Suites	2,398	Total Suites	234	Total Suites	23,194
Occupancy	99.1%	Occupancy	97.3%	Occupancy	97.9%	Occupancy	99.2%
Net Avg Rent	\$1,403	Net Avg Rent	\$1,113	Net Avg Rent	\$1,035	Net Avg Rent	\$1,375

Quebec		Nova Scotia		P.E.I.	
Total Suites	10,172	Total Suites	1,659	Total Suites	643
Occupancy	99.2%	Occupancy	98.1%	Occupancy	99.1%
Net Avg Rent	\$1,006	Net Avg Rent	\$1,184	Net Avg Rent	\$1,083



*De Kameleon Amsterdam Karspeldreef
Netherlands*

Netherlands

Through our ownership interest in European Residential REIT (ERES), we are generating a growing base of fee revenues for our asset and property management services in the vibrant Netherlands market.

5,632
Total Suites

97.2%
Occupancy

\$1,231
Net Average
Monthly Rent



*Beacon South Quarter
Sandyford Dublin*

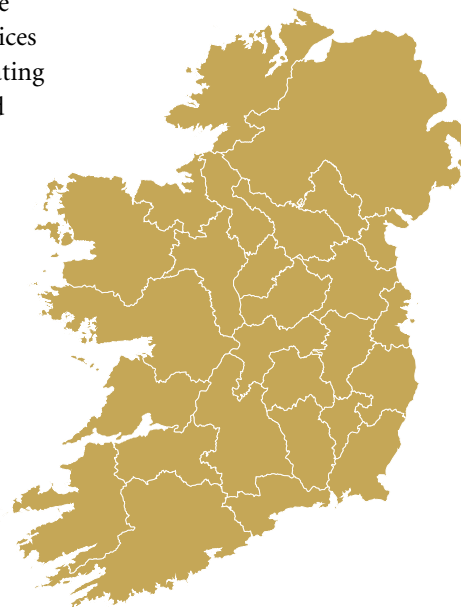
Ireland

In 2019 we increased our ownership in Irish Residential REIT (IRES). We provide property management services to IRES' portfolio in Ireland, generating a 10.3% increase in fees in 2019 and over \$7.2 million in dividends.

3,666
Total Suites

98.3%
Occupancy

\$2,327
Net Average
Monthly Rent





(Clockwise from left)

Mark Kenney, President and Chief Executive Officer • Scott Cryer, Chief Financial Officer
Corinne Pruzanski, General Counsel and Corporate Secretary • Jodi Lieberman, Chief Human Resources Officer

Looking ahead, we will continue to deliver on the programs and strategies that have generated such strong growth and performance since CAPREIT's founding in 1997, focusing on our long-term mission of making CAPREIT the best place to Live, Work and Invest.



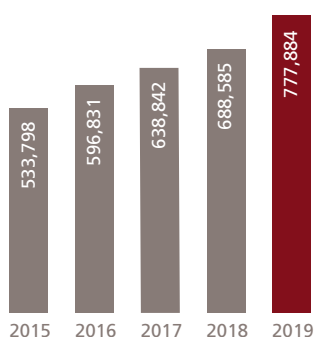
Nursery Heights, 301 Nursery Hill, Victoria, BC

Report to Unitholders

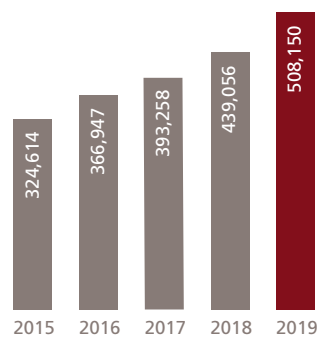
2019 was another record year for CAPREIT as strong and accretive portfolio growth, combined with our proven and successful property management programs, drove solid increases in all our key performance benchmarks, while at the same time we maintained a strong and conservative balance sheet. Looking ahead, we are confident our continued growth and strong operating performance will achieve our goal of making CAPREIT the best place to live for our residents, the best place to work for our people, and the best place to invest for our Unitholders.

Key Metrics

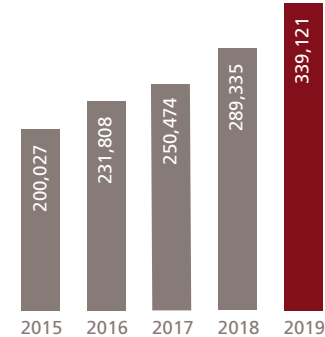
Operating Revenue
(000s)



NOI
(000s)



NFFO
(000s)



Another Record Year

Operating revenues for the year ended December 31, 2019 rose 13.0% to \$777.9 million, driven by our strong portfolio growth during the year, our continuing near-full occupancies, and a solid 4.1% increase in stabilized average monthly rents. With this revenue growth, combined with our proven and successful property management programs, Net Operating Income (NOI) rose a very strong 15.3% to \$508.2 million for the year. We also generated another year of industry-leading organic growth as NOI for our stabilized property portfolio increased 4.9%.

Normalized Funds from Operations (NFFO), our key performance benchmark, increased 17.2% in 2019 to \$339.1 million, resulting in another year of accretive growth as NFFO per Unit rose 5.7% to \$2.139 despite the 10.9% increase in the weighted average number of Units outstanding. Our payout ratio of distributions declared to NFFO remained very conservative at 64.6%.

Importantly, we continue to maintain one of the strongest balance sheets in our business. Total debt to gross book value was a conservative 34.99% at year end, well within our guidelines and providing the resources and flexibility to maintain our track record of growth. Our mortgage portfolio remained well-balanced with a weighted average term to maturity of 5.13 years, adding to the stability of our long-term cash flows. We also continue to benefit from a low cost of debt with a weighted average interest rate of only 2.78% at December 31, 2019.

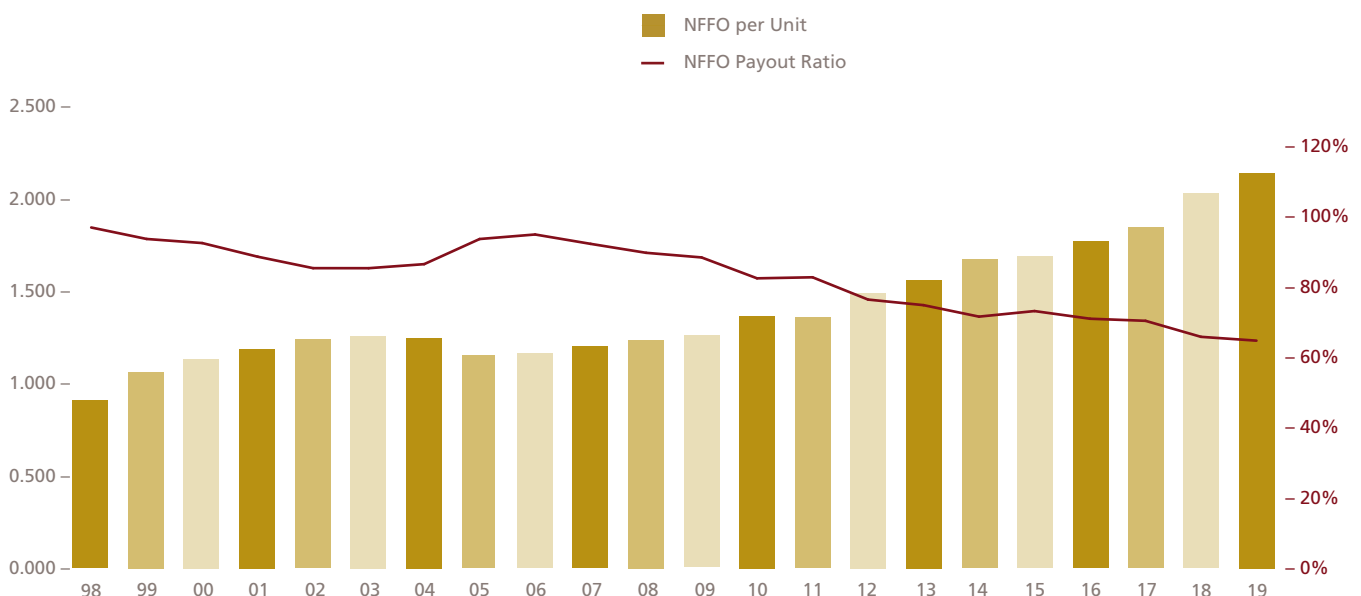
Looking ahead, we are confident we will continue to generate enhanced value for our Unitholders over the long term. By capitalizing on our strengths and building on the solid foundation established since our founding in 1997, we see an exciting future ahead.

BUILDING ON OUR STRENGTHS Growing and Diversifying our Portfolio

During 2019, we acquired 9,241 residential suites and MHC sites well-located in our target markets for a total purchase price of \$1.4 billion. With this growth, our total portfolio consisted of 60,713 suites and sites with a book value of \$13.1 billion at year end, maintaining our position as Canada's largest multi-family residential REIT.

Building on the solid foundation established since our founding in 1997, we see an exciting future ahead.

NFFO per Unit – Inception to 2019





Fraser Flats Apartments, 3618–3688 Sawmill Crescent, Vancouver, BC

BUILDING ON OUR STRENGTHS **Modernizing Our Portfolio**

Approximately 27% of our residential property purchases in 2019 were newer properties, further modernizing our asset base. As an example, six of our acquisitions were brand new and highly attractive properties with features and amenities in high demand in the market. Our purchase of a 33.3% ownership interest in downtown Toronto's Kings Club was another example. These three residential towers containing 506 high-quality luxury rental suites are located over 160,000 square feet of high-end retail space and 10,000 square feet of office space. The suites range across a number of sizes with many designed for families.

These newer and more modern properties generate higher rents, attract stronger residents, require much less ongoing maintenance and capital spending, and serve to further strengthen and diversify our overall portfolio. Looking ahead, we will continue to focus on purchasing newer properties that further enhance our asset base.



Kings Club, 1100 King Street West, Toronto, ON

BUILDING ON OUR STRENGTHS Capitalizing on Accretive Development Opportunities

To further achieve our goal of modernizing our property portfolio, we are prudently evaluating development and expansion projects at our owned properties. We currently have two active applications for new developments in downtown Toronto that will add 274 suites in brand new buildings. In Montreal, we have been issued a building permit to add 52 new suites within an existing property to better utilize vacant commercial space.

Over the long term, we believe we can add more than 8,800 new rental suites, primarily in the strong Toronto, Vancouver and Montreal markets where demand remains high and monthly rents support profitable development. Additionally, these investments generate very accretive returns for our Unitholders as the projects are on land that we already own.



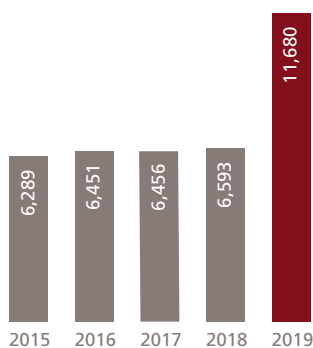
Davisville, Toronto, ON

BUILDING ON OUR STRENGTHS Expanding Presence in the MHC Business

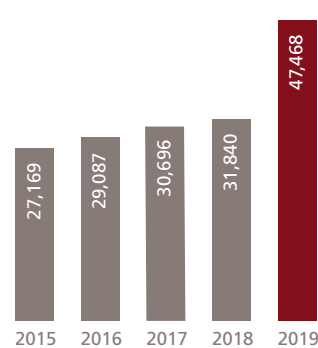
In 2019, we acquired 5,183 Manufactured Home Community (MHC) sites, increasing our total MHC portfolio to 11,680 sites in 72 properties well-located across the country. With this growth, CAPREIT is now the second largest owner of MHC properties in Canada, accounting for approximately 19.2% of our total portfolio by suite count at year end.

We really like the MHC business. Revenues are highly stable, and since residents own their homes, capital requirements and maintenance needs are significantly reduced. From a geographic standpoint, MHCs enable us to have a presence in smaller markets we wouldn't normally enter. They also provide another level of diversification within our portfolio and allow for great operational efficiency as we leverage the same platforms and people used at our other properties. Finally, we can boost future revenues by selling homes to residents looking to upgrade or move to one of our MHC properties. We look for the strong and stable returns generated by our MHC investments to continue going forward.

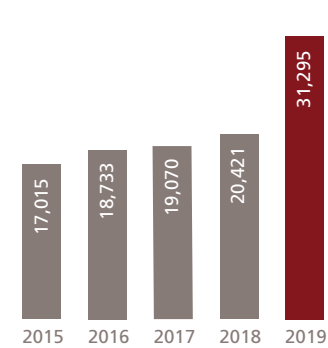
Total Sites



Operating Revenue (000s)



NOI (000s)





Antoni van Leeuwenhoekhof 1-6, Huizen, Netherlands

BUILDING ON OUR STRENGTHS **Capitalizing on Geographic Diversification**

In addition to our presence as one of Canada's largest residential landlords, we have further diversified our asset base with investments in the strong Ireland and Netherlands markets.

During 2019, we increased our ownership interest to 18.3% in Irish Residential REIT (IRES), a publicly traded residential REIT owning a portfolio of 3,666 high-quality residential suites in Ireland. CAPREIT provides property management services to IRES, generating \$8.0 million in fees in 2019, up 10.3% from the prior year. Dividends from our investment in IRES have totalled over \$7.2 million in 2019, and we expect to see further growth in fee revenues and dividend income as IRES continues to grow and expand its highly profitable presence in the Irish residential rental market.

We continue to grow in the strong Ireland and Netherlands markets.

Our presence in the Netherlands through our 66.0% ownership interest in European Residential REIT (ERES) also continues to drive value for our Unitholders. During 2019, we sold a total of 2,710 residential suites to ERES for over \$742.4 million, and at year end we had transferred ownership of all our Netherlands properties to ERES, generating a growing base of fee revenues for our asset and property management services. Through 2019, we earned a total of \$56.2 million in NOI from these European properties. Looking ahead, ERES' strong presence in the vibrant Netherlands market further diversifies our business and provides the opportunity for additional growth going forward.

Our presence in Ireland and the Netherlands also allows us to capitalize on the attractive spreads between capitalization rates and interest rates in these markets, estimated at approximately 3.04% and 2.35%, respectively. These strong spreads compare very favourably to the estimated 1.04% in Canada, and we expect they will remain strong for the foreseeable future.

BUILDING ON OUR STRENGTHS A Focus on Growing Urban Markets

Our growth and success over the last 22 years is also the result of strong fundamentals in the residential rental sector. Our focus remains on large urban centres that are experiencing strong population growth and rising demand for the quality rental properties provided by CAPREIT.

Many factors are driving this strong demand. First, natural population growth around the world, combined with immigration trends that largely favour moving to cities, are increasing demand. The global trend to urbanization with families and young people gravitating to urban centres for jobs and a quality lifestyle is another factor, as is the trend for younger people to delay having families and remain in apartments and townhouses longer before purchasing a home. Toronto, Montreal and Vancouver, three of our key target markets, have become hotspots for global tech talent, further driving demand. Seniors are also downsizing their homes and finding rental properties more affordable and desirable. They are also looking to live on one floor and avoid stairs as they age, a perfect market for an apartment. Finally, there continues to be a lack of much new rental property development in most urban centres. We believe these fundamentals will continue to drive demand in all our target markets going forward.



BUILDING ON OUR STRENGTHS The Best Place to Live, Work and Invest

Looking ahead, we will continue to deliver on the programs and strategies that have generated such strong growth and performance since CAPREIT's founding in 1997, focusing on our long-term goal of making CAPREIT the best place to Live, Work and Invest.

We will continue to enhance the lives of our residents by building strong relationships through our hands-on approach to management, a relentless focus on attracting and retaining the best residents, and the use of new and innovative technologies to keep them connected to us. To ensure we attract and retain the best people, we are introducing new solutions to help everyone on our team stay in touch and up to date on CAPREIT and the industry. We have developed innovative leadership training programs to engage and help advance their careers, while implementing state-of-the-art technologies to become more efficient. Most importantly, our ultimate goal remains to enhance Unitholder value, and CAPREIT has been one of the best places to invest for more than 22 years. Many of our initiatives in all these areas are described in the ESG Report attached to this year's Annual Report.

In closing, we thank everyone at CAPREIT for their ongoing commitment and effort over the last year. It is the hard work of our people that has led to our track record of profitable growth over the last two decades and will continue to drive our success in the years ahead.

Mark Kenney
President and Chief
Executive Officer

Michael Stein
Chairman



Financial Reporting

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Management's Discussion and Analysis

SECTION I: OVERVIEW AND DISCLAIMER

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of Canadian Apartment Properties Real Estate Investment Trust's ("CAPREIT") results of operations and financial condition for the year ended December 31, 2019, dated February 26, 2020, should be read in conjunction with CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2019.

Forward-Looking Disclaimer

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, occupancy rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of or involving CAPREIT. Particularly, statements regarding CAPREIT's future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, Dutch, German and Belgian economies will generally experience growth, which, however, may be adversely impacted by the global economy; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation ("CMHC") mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates on renewals will grow at levels similar to the rate of inflation; that rental rates on turnovers will grow; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT's financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT's investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this MD&A are based on assumptions, management believes they are reasonable as of the date hereof; however, there can be no assurance actual results will be consistent with these forward-looking statements, and they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: reporting investment properties at fair value, real property ownership, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, taxation-related risks, government regulations, controls over financial reporting, other legal and regulatory risks, the nature of units of CAPREIT ("Trust Units"), unitholder liability, liquidity and price fluctuation of Trust Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, cyber security risk and foreign operation and currency risks. There can be no assurance that the expectations of CAPREIT's management will prove to be correct. For a detailed discussion of risk factors, refer to CAPREIT's MD&A contained in CAPREIT's 2019 Annual Report in the Risks and Uncertainties section in Section VI of this MD&A. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

Non-IFRS Financial Measures

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, earnings releases and investor conference calls, CAPREIT discloses financial measures not recognized under IFRS which do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("Stabilized NOI"), Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO"), Adjusted Cash Flow from Operations ("ACFO"), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios, and Adjusted Cash Generated from Operating Activities (collectively, the "Non-IFRS Measures"). Since these measures are not recognized under IFRS, they may not be comparable to similar measures reported by other issuers. CAPREIT presents Non-IFRS measures because management believes Non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate its performance and cash flows. A reconciliation of these Non-IFRS measures to the comparable IFRS measures, along with further definitions and discussion, is provided in Section IV under Non-IFRS Financial Measures. The Non-IFRS measures should not be construed as alternatives to net income or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or the sustainability of our distributions.

Overview

CAPREIT is one of Canada's largest real estate investment trusts. CAPREIT owns approximately 55,100 suites, including townhomes and manufacturing housing sites, in Canada and, indirectly through its investment in ERES, approximately 5,600 suites in the Netherlands. CAPREIT manages approximately 59,200 of its owned suites in Canada and the Netherlands, and additionally 3,700 suites in Ireland as at December 31, 2019.

CAPREIT's concentration on the residential real estate market is aimed at solid year-over-year income growth in a portfolio with stable occupancy. In addition, CAPREIT mitigates risk through demographic diversification by operating properties across the affordable, mid-tier and luxury sectors as well as through geographic diversification.

CAPREIT was established under the laws of the Province of Ontario by a declaration of trust (the "DOT") dated February 3, 1997, as most recently amended and restated on May 24, 2017. As at December 31, 2019, CAPREIT had 1,026 employees (897 employees as at December 31, 2018).

Objectives and Business Strategy

CAPREIT's objectives are to:

- Provide Unitholders with long-term, stable and predictable monthly cash distributions;
- Grow NFFO, sustainable distributions and Unit value through the active management of its properties, accretive acquisitions, developments and intensifications and strong financial management; and
- Invest capital within the property portfolio in order to maximize earnings and cash flow potential and to help ensure life safety and satisfaction of residents.

To meet its objectives, CAPREIT has established the following strategies:

Customer Service – CAPREIT recognizes that it is in a "people business" and strives to be recognized as the landlord of choice in all of its chosen markets by providing its residents with safe, secure and comfortable homes. It takes a hands-on approach to managing its properties, stressing open and frequent communications to ensure residents' needs are met efficiently and effectively, thereby maintaining a high occupancy level. Numerous initiatives, such as newsletters, special events, resident committees and other initiatives, are aimed at building a true sense of community at its properties. CAPREIT's strong sales and marketing team continues to execute innovative and highly effective strategies to help attract and retain residents and adapt to changing conditions in specific markets. In addition, CAPREIT's lease administration system improves control of rent-setting by suite, increasing resident service and enhancing the overall profile of its resident base. These initiatives are further enhanced by CAPREIT's strong information technology platform.

Cost Management – While ensuring the needs of its residents are met, CAPREIT also carefully monitors operating costs to ensure it is delivering services to residents both efficiently and cost-effectively. CAPREIT strives to capture potential economies of scale and cost synergies generated by the growth in its property portfolio. CAPREIT's enterprise-wide procurement system streamlines and centralizes purchasing controls and procedures and is realizing reduced costs through national master sourcing contracts, improved pricing and enhanced operating efficiencies.

Capital Investments – CAPREIT strives to acquire both newer properties or value-add properties at prices below their current replacement costs and is committed to improving its operating performance by investing in appropriate capital investments in order to maintain the productive capacity of its property portfolio and sustain the portfolio's rental income-generating potential over its useful life. CAPREIT continues to invest in innovative technology solutions that enhance productivity as well as environment-friendly and energy-saving initiatives that improve net operating income. CAPREIT completes a review of its portfolio and revises its long-term capital investment plan on an annual basis, which allows management to ensure capital investments extend the useful economic life of CAPREIT's properties, enhance life safety, maximize earnings and improve the long-term cash flow potential of its portfolio.

Portfolio Growth – CAPREIT aims to grow and modernize its portfolio over the long term through accretive acquisitions of newer or value add properties that meet its strategic criteria and, where possible, enhance geographic diversification and reduce the average age of the portfolio while capturing economies of scale and cost synergies, thereby increasing net operating income. As a component of this growth strategy, CAPREIT will monitor its portfolio and, from time to time, identify certain non-core, older properties for divestiture. The funds from these divestitures will primarily be used to acquire additional, more modern strategic assets better suited to CAPREIT's portfolio composition and property management objectives or to pay down existing debt. Management believes the continued realization and reinvestment of capital is a fundamental component of its growth strategy and demonstrates the success of CAPREIT's capital investment programs and its ability to maximize and manage the earnings and cash flow potential of its property portfolio. Furthermore, management continues to seek development opportunities within its portfolio to ensure existing assets are put towards their most accretive use and to further modernize the overall portfolio. In addition, management investigates opportunities to enter into joint venture relationships which could potentially develop new multi-unit rental residential properties on excess land owned by CAPREIT.

Financial Management – CAPREIT takes a conservative approach and strives to manage its exposure to interest rate volatility by proactively managing its mortgage debt portfolio to fix and, where possible, reduce average interest rates, effectively manage the average term to maturity and stagger maturity dates. In addition, CAPREIT strives to maintain a conservative overall liquidity position and achieve a balance in its overall capital resource requirements between debt and equity.

Environmental, Social and Governance ("ESG") Strategy Integration – CAPREIT ensures it remains a responsible steward of the environment, attracts and retains the best people in its business, builds strong relationships with its residents and the communities in which they live, adopts best practice programs in corporate governance, and maintains open and transparent communication with its investors. In CAPREIT's continued commitment to be ESG conscious, CAPREIT incorporates ESG factors into our day-to-day operations and explores opportunities for longer-term value creation across our managed real estate assets. CAPREIT focuses on a number of ESG-specific deliverables. Building the in-house ESG subject matter expertise by onboarding our ESG Strategy Integration team in early 2019, we established the necessary foundation to better understand our exposure to ESG-related risks and opportunities, while also looking to advance projects supportive of our vision to be the landlord, employer and investment of choice in our industry sector. For a detailed discussion, refer to CAPREIT's ESG Report contained in CAPREIT's 2019 Annual Report.

Business Combinations, Acquisitions and Dispositions

European Residential Real Estate Investment Trust

The ERES Acquisition

On March 29, 2019, CAPREIT NL Holding B.V. ("Holding BV") completed the reverse acquisition (the "Acquisition") of European Commercial Real Estate Investment Trust ("ECEIT"), and the ongoing entity adopted the name European Residential Real Estate Investment Trust ("ERES"), creating Canada's first Europe-focused multi-residential real estate investment trust ("REIT"). Pursuant to the Acquisition, CAPREIT, the sole shareholder of Holding BV, exchanged all its shares of Holding BV for Class B Limited Partnership units ("Class B LP Units") of ERES Limited Partnership ("ERES LP"). The purchase price for the initial properties of approximately \$633.5 million was satisfied with \$326.5 million through the issuance of 81.6 million Class B LP Units of ERES LP, a subsidiary of ERES, plus approximately \$307.0 million in assumed mortgages. CAPREIT determined that ECEIT meets the definition of a business and the Acquisition has been accounted for as a business combination.

Pipeline Transactions

Pursuant to the terms of the pipeline agreement dated March 29, 2019 (the "Pipeline Agreement"), on May 31, 2019, wholly-owned subsidiaries of CAPREIT sold to ERES 26 properties representing an aggregate of 1,257 residential suites, ancillary commercial space and parking facilities, located in 24 cities and towns across the Netherlands. The sale price of the portfolio was at the original acquisition cost of \$350.3 million adjusted for working capital, satisfied through the transfer of \$146.5 million in mortgages plus \$203.8 million satisfied through the receipt of 50.6 million Class B LP Units of ERES LP.

On June 28, 2019, wholly-owned subsidiaries of CAPREIT sold to ERES 21 properties representing an aggregate of 511 residential suites located in 6 locations across the Netherlands at the original acquisition cost of \$145.9 million adjusted for working capital, and earned an underwriting fee of \$1.6 million. ERES paid \$123.7 million in cash and \$23.8 million through the issuance of 8.3 million Class B LP Units of ERES LP.

On September 30, 2019, wholly-owned subsidiaries of CAPREIT sold to ERES 18 properties representing an aggregate of 942 residential suites located in 7 locations across the Netherlands at the original acquisition cost of \$246.2 million, and earned an underwriting fee of \$2.4 million. ERES paid \$243.6 million in cash and \$5.0 million through the issuance of 1.1 million Class B LP Units of ERES LP.

As at December 31, 2019, all of the Netherlands properties are held through ERES and their results are consolidated with CAPREIT's results.

Ownership

The Class B LP Units are exchangeable to ERES units on a one-to-one basis. Upon exchange and together with CAPREIT's holding of ERES units, CAPREIT will own approximately 66.0% of the issued and outstanding ERES units, with the remaining 34.0% held by non-controlling unitholders ("ERES units held by non-controlling interest").

Acquisitions and Dispositions

The tables below summarize property acquisitions for the year ended December 31, 2019 and the property acquisitions and dispositions for the year ended 2018. There were no property dispositions for the year ended December 31, 2019. The below tables do not include \$14.7 million of CAPREIT's operating lease buyouts.

Acquisitions Completed During the Year Ended December 31, 2019

(\$ thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
February 26, 2019	511	The Netherlands	\$ 153,424	\$ —	\$ 89,586	0.97%	4.00
March 14, 2019	1,104	Various ⁽⁴⁾	66,866	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
April 15, 2019	191	Langley, BC	70,000	—	44,222	2.90%	15.00
May 27, 2019	181	Various ⁽⁵⁾	11,317	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
May 28, 2019	3,898	Various ⁽⁶⁾	204,955	74,345	—	3.38%	2.39
June 7, 2019	72	Victoria, BC	26,558	—	18,368	2.44%	10.00
June 20, 2019	98	Langley, BC	39,045	—	22,839	2.92%	15.00
July 31, 2019 ⁽⁷⁾	506	Toronto, Ontario	63,790	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 1, 2019	942	The Netherlands	246,602	—	143,367	1.28%	7.00
August 30, 2019	553	London, Ontario	70,301	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 30, 2019	42	Charlottetown, PEI	7,430	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
September 30, 2019	315	The Netherlands	95,076	—	77,639	1.45%	7.00
October 15, 2019	64	Summerside, PEI	11,844	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
October 31, 2019	294	The Netherlands	98,295	—	58,220	1.55%	7.00
November 21, 2019	121	Montreal, QC	33,990	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 12, 2019	79	Calgary, AB	19,578	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 16, 2019	222	The Netherlands	152,362	— ⁽⁸⁾	—	— ⁽⁸⁾	— ⁽⁸⁾
December 19, 2019	48	New Westminster, BC	13,475	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
Total	9,241		\$ 1,384,908	\$ 74,345	\$ 454,241		
Acquisition financing					\$ 73,719⁽⁹⁾	3.00%⁽⁹⁾	10.00⁽⁹⁾

⁽¹⁾ Weighted average stated interest rate on mortgage funding.

⁽²⁾ Weighted average term to maturity on mortgage funding.

⁽³⁾ The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).

⁽⁴⁾ The acquisition comprised 13 properties consisting of 407 sites in Ontario, 615 sites in Alberta, and 82 sites in British Columbia.

⁽⁵⁾ The acquisition comprised 3 properties consisting of 56 sites in Ontario and 125 sites in British Columbia.

⁽⁶⁾ The acquisition comprised 24 properties consisting of 800 sites in Ontario, 1,050 sites in Alberta, 1,211 sites in New Brunswick, 128 sites in Nova Scotia, 280 sites in Prince Edward Island, and 429 sites in Quebec.

⁽⁷⁾ In 2015, CAPREIT entered into an agreement to acquire one-third undivided interest in the residential component of a property upon completion. On July 31, 2019, CAPREIT acquired a 19.8% interest in the property, with an additional 5.3% interest acquired on each August 31, 2019 and September 30, 2019, and a final interest of 3% acquired on October 31, 2019. As at December 31, 2019, CAPREIT's interest stood at 33.3%.

⁽⁸⁾ The acquisition was primarily funded from the ERES Credit Facility with the balance funded from CAPREIT's Acquisition and Operating Facility.

⁽⁹⁾ Subsequent acquisition financing of \$73.7 million with a weighted average interest rate of 3.00% and a weighted average term to maturity of 10.0 years relates to a property acquired in 2018.

Acquisitions Completed During the Year Ended December 31, 2018

(\$ thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
April 24, 2018	134	Swift Current, SK	\$ 5,744	\$ — ⁽³⁾	\$ —	— ⁽³⁾	— ⁽³⁾
April 30, 2018	2	Burlington, ON	2,404	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 7, 2018	90	Langley, BC	34,310	21,088	—	2.56	8.83
August 15, 2018	3	New Westminster, BC	2,536	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
September 27, 2018	269	Vancouver, BC	103,169	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
November 13, 2018	11	New Westminster, BC	3,373	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 3, 2018	881	The Netherlands	253,410	—	104,796 ⁽⁴⁾	1.98 ⁽⁴⁾	7.00 ⁽⁴⁾
December 5, 2018	376	The Netherlands	93,396	—	46,456 ⁽⁵⁾	1.98 ⁽⁵⁾	7.00 ⁽⁵⁾
December 5, 2018	25	New Westminster, BC	6,368	1,827	—	2.49	6.17
Total	1,791		\$ 504,710	\$ 22,915	\$ 151,252		
Acquisition financing					\$ 26,766⁽⁶⁾	3.49%⁽⁶⁾	10.00⁽⁶⁾

⁽¹⁾ Weighted average stated interest rate on mortgage funding.

⁽²⁾ Weighted average term to maturity on mortgage funding.

⁽³⁾ The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).

⁽⁴⁾ The acquisition, comprising 881 suites, was financed by a new non-amortizing mortgage of €67.6 million (\$104.8 million) with a term to maturity of 7.0 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

⁽⁵⁾ The acquisition, comprising 376 suites, was financed by a new non-amortizing mortgage of €29.9 million (\$46.5 million) with a term to maturity of 7.0 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

⁽⁶⁾ Subsequent acquisition financing of \$26.8 million with a weighted average interest rate of 3.49% and a weighted average term to maturity of 10.0 years relates to properties acquired in 2016 and 2017.

Dispositions Completed During the Year Ended December 31, 2018

(\$ thousands)	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
August 15, 2018	102	Saskatoon, SK	\$ 10,195	\$ 2,425	\$ 7,476
September 6, 2018	162	Vancouver, BC	70,000	49,900	19,948
October 11, 2018	419	Longueuil, QC	35,831	15,168	20,564
December 12, 2018	217	Québec City, QC	24,900	14,404	10,224
Total	900		\$ 140,926	\$ 81,897	\$ 58,212

SECTION II: KEY HIGHLIGHTS

Summary of Year End 2019 Results of Operations

Key Transactions

- During the year, CAPREIT closed on three equity offerings for the issuance and sale of 22,488,250 Units for gross proceeds of \$1.1 billion
- On March 29, 2019, CAPREIT closed on the ERES Acquisition; for details, see Section I – The ERES Acquisition
- During the year, ERES completed two equity offerings for the issuance and sale of 71,100,400 ERES units for proceeds of \$310.5 million. CAPREIT purchased 10,197,000 ERES units amounting to \$45.0 million
- During the year, CAPREIT completed the early buyouts of two existing operating leases at a net purchase price of \$14.7 million. The operating lease buyouts resulted in the conversion from operating leasehold interests to traditional fee simple property interests
- On December 10, 2019, CAPREIT announced it has entered into an agreement to acquire a portfolio of eight properties containing 14 apartment buildings totalling 1,503 rental suites in Halifax, Nova Scotia, for a purchase price of \$391.0 million. The acquisition closed subsequent to year end
- Total acquisitions for the year ended December 31, 2019 of 9,241 suites and sites for a total of \$1.4 billion of which 1,453 suites were subsequently sold to ERES. As at December 31, 2019, all of the Netherlands properties are held through ERES

Strong Operating Results Supported by Strong Market Fundamentals

- Growth in revenue and net operating income (“NOI”) from stabilized properties driven by higher monthly rents compared to last year
- On turnovers, monthly residential rents for the year ended December 31, 2019 increased by 13.5% on 19.0% of the Canadian portfolio, compared to an increase of 11.4% on 21.5% of the Canadian portfolio for the year ended December 31, 2018
- On renewals, monthly residential rents for the year ended December 31, 2019 increased by 2.1% on 85.9% of the Canadian portfolio, compared to an increase of 2.2% on 85.4% of the Canadian portfolio for the year ended December 31, 2018
- Net Average Monthly Rent (“Net AMR”) for the stabilized portfolio as at December 31, 2019 increased by 4.1% compared to December 31, 2018, while occupancies remained stable at 98.9%
- Net AMR increased due to the strong rents on turnovers in Ontario, British Columbia and Nova Scotia and above guideline increases in Ontario
- Year-over-year NOI increased significantly by 4.9% for the stabilized portfolio for the year ended December 31, 2019, compared to a year-over-year NOI increase of 8.0% for the stabilized portfolio for the year ended December 31, 2018
- NOI for the total portfolio increased by 15.3% for the year ended December 31, 2019 compared to last year, primarily due to contributions from acquisitions and increased same property monthly rents
- NOI margin for the total portfolio increased to 65.3% for the year ended December 31, 2019 from 64.0% for the year ended December 31, 2018 due to organic margin growth and acquisitions of high margin properties.

Continued Fair Value Increases in Investment Properties

- For the year ended December 31, 2019, the fair value of investment properties increased by \$892.2 million, primarily as a result of (i) rental increases on turnover and renewals, (ii) continued cap rate compression, and (iii) progress on CAPREIT’s strategy to buy out and convert operating leasehold interests to traditional fee simple property interests

Strong and Flexible Balance Sheet

- CAPREIT’s financial position continues to strengthen, with reduced leverage ratios
- Debt to gross book value (“GBV”) reduced to 34.99% as at December 31, 2019 from 39.37% as at December 31, 2018, due to increases in fair value of investment properties and proceeds of the equity raise used to repay debt
- Debt Service Coverage (“DSC”) ratio improved to 1.87 as at December 31, 2019 compared to 1.75 as at December 31, 2018
- In addition to \$477.3 million of cash and cash equivalent, liquidity available on our Credit Facilities is \$146.2 million as at December 31, 2019. In addition, there is \$200.0 million of borrowing capacity under the Bridge Facility and \$108.6 million available under the ERES Credit Facility and the ERES Bridge Facility
- Closed mortgage refinancing of \$300.5 million for the year ended December 31, 2019, with top-up of \$68.2 million, a weighted average term to maturity of 8.3 years and a weighted average interest rate of 2.73%
- CAPREIT’s mortgage weighted average term to maturity and the weighted average interest rate as at December 31, 2019 are 5.1 years and 2.78%, respectively. CAPREIT continues to fix long-term mortgages to defend against the risk of rising interest rates

Delivering Unitholder Value

- NFFO was up 17.2% for the year ended December 31, 2019
- NFFO per Unit was up 5.7% for the year ended December 31, 2019 despite an increase of 10.9% weighted average number of Units outstanding

Key Performance Indicators

To assist management and investors in monitoring and evaluating CAPREIT’s achievement of its objectives, CAPREIT has defined a number of key operating and performance indicators (“KPIs”) to measure the success of its operating and financial strategies:

Occupancy – Through a focused, hands-on approach, CAPREIT strives to achieve occupancies at or greater than market conditions in each of the geographic regions where it operates. Management believes annual occupancies can be maintained between 97% to 99% over the long term, and same property Net AMR will continue to gradually increase; thus, providing the basis for sustainable year-over-year increases in revenue.

Net AMR (previously defined as "AMR") – Through its active property management strategies, lease administration system and proactive capital investment programs, CAPREIT strives to achieve the highest possible Net AMR in accordance with local market conditions.

Net Operating Income ("NOI") – NOI is a widely used operating performance indicator in the real estate industry, and is presented in the consolidated statements of income and comprehensive income as net rental income. Management has chosen to refer to net rental income as NOI in all instances in its MD&A. As a measure of its operating performance, CAPREIT currently expects to achieve an annual NOI margin in the range of 62% to 66% of operating revenues. CAPREIT has increased its target range from 60% to 64%, to 62% to 66% as a result of organic margin growth and acquisitions of higher margin properties.

FFO and NFFO – CAPREIT is focused on achieving steady increases in these metrics. Management believes these measures are indicative of CAPREIT's operating performance.

Payout Ratio – CAPREIT anticipates a long-term annual NFFO payout ratio of between 65% and 75%. This ratio is not meant to be a measure of the sustainability of CAPREIT's distributions. Although CAPREIT intends to continue to sustain and grow distributions, the actual amount of distributions in respect of the CAPREIT Units will depend upon numerous factors including, but not limited to, the amount of debt refinancings, tenant inducements, capital expenditures and other factors that may be beyond the control of CAPREIT.

Portfolio Growth – Management's objective is to pursue acquisitions and development opportunities to accretively increase NFFO and continue to further diversify the portfolio by geography and demographic sector. In addition, management investigates opportunities to add new suites and sites and to enter into joint venture relationships, which could potentially develop new multi-unit rental residential properties on excess land owned by CAPREIT.

Leverage Ratios and Terms – CAPREIT takes a proactive approach with its mortgage portfolio, striving to manage interest expense volatility risk by fixing the lowest possible average interest rates for long-term mortgages, while mitigating refinancing risk by prudently managing the portfolio's average term to maturity and staggering the maturity dates. For this purpose, CAPREIT strives to ensure its overall leverage ratios and interest and debt service coverage ratios are maintained at a sustainable level. CAPREIT focuses on maintaining capital adequacy by complying with investment and debt restrictions in its DOT, Large Borrower Agreement with CMHC ("LBA") and the financial covenants in its credit agreements. CAPREIT's credit agreements consist of an acquisition and operating facility which includes Euro LIBOR and US LIBOR borrowings ("Acquisition and Operating Facility"), a non-revolving term credit facility, and the ERES Credit Facility (collectively, the "Credit Facilities"), as described under Liquidity and Financial Condition in Section V.

Performance Measures

The following table presents an overview of certain IFRS and non-IFRS financial measures of CAPREIT for the years ended December 31, 2019 and 2018. Management believes these measures are useful in assessing CAPREIT's performance in relation to its objectives and business strategy. Effective March 2019, monthly cash distributions declared to Unitholders increased to \$0.1150 per unit (\$1.38 annually) compared to \$0.1108 per unit (\$1.33 annually) effective May 2018 and \$0.1067 per unit (\$1.28 annually) effective March 2017.

For the Year Ended December 31,	2019	2018
Portfolio Performance		
Overall portfolio occupancy ⁽¹⁾	98.2%	98.9%
Overall portfolio net Average Monthly Rents ⁽¹⁾	\$ 1,084	\$ 1,103
Operating revenues (000s)	\$ 777,884	\$ 688,585
NOI (000s) ⁽²⁾	\$ 508,150	\$ 440,565
NOI margin ⁽²⁾	65.3%	64.0%
Financial Performance		
FFO per Unit – basic ⁽³⁾	\$ 2.111	\$ 1.995
NFFO per Unit – basic ⁽³⁾	\$ 2.139	\$ 2.024
Cash distributions per Unit	\$ 1.372	\$ 1.313
FFO payout ratio ⁽³⁾	65.5%	66.7%
NFFO payout ratio ⁽³⁾	64.6%	65.7%
Liquidity and Leverage		
Total debt to gross book value ⁽¹⁾	34.99%	39.37%
Total debt to gross historical cost ⁽¹⁾	48.24%	54.54%
Weighted average mortgage interest rate ⁽¹⁾	2.78%	3.05%
Weighted average mortgage term (years) ⁽¹⁾	5.13	5.10
Debt service coverage (times) ⁽⁴⁾	1.87	1.75
Interest coverage (times) ⁽⁴⁾	3.69	3.44
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾	146,170	66,325
Available cash and cash equivalents (000s) ⁽¹⁾	\$ 477,329	\$ 25,713

⁽¹⁾ As at December 31.

⁽²⁾ 2018 comparative balances have been adjusted to conform with the current period due to the adoption of IFRS 16, which is effective January 1, 2019. For details, see NOI in Section III.

⁽³⁾ These measures are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies (see Section I – Non-IFRS Financial Measures). For a reconciliation to IFRS, see Section IV – Non-IFRS Financial Measures.

⁽⁴⁾ Based on the trailing four quarters.

For the Year Ended December 31,	2019	2018
Other Measures		
Weighted average number of Units – basic (000s)	158,553	142,974
Number of residential suites and sites acquired	9,241	1,791
Number of suites disposed	–	900
Closing price of Trust Units ⁽¹⁾	\$ 53.01	\$ 44.30
Market capitalization (millions) ⁽¹⁾	\$ 9,013	\$ 6,491

⁽¹⁾ As at December 31.

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

Net and Occupied Average Monthly Rents and Occupancy

Net AMR is defined as actual residential rents, excluding vacant units, divided by the total number of suites or sites in the property, and does not include revenues from parking, laundry or other sources. Occupied AMR is defined as actual residential rents, excluding vacant units, divided by the total number of occupied suites or sites in the property, and does not include revenues from parking, laundry or other sources. Stabilized AMR includes all properties held as at December 31, 2018 and are not disposed of.

Total Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

As at December 31,	Net AMR			Occupied AMR			Occupancy %	
	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019	2018
Residential Suites								
Ontario								
Greater Toronto Area	1,451	1,383	4.9	1,464	1,390	5.3	99.1	99.5
Ottawa	1,325	1,260	5.2	1,327	1,261	5.2	99.9	99.9
London / Kitchener / Waterloo	1,023	998	2.5	1,034	1,013	2.1	99.0	98.5
Other Ontario	1,353	1,284	5.4	1,357	1,295	4.8	99.7	99.1
	1,375	1,321	4.1	1,387	1,329	4.4	99.2	99.4
Québec								
Greater Montréal Region	981	941	4.3	989	948	4.3	99.3	99.3
Québec City	1,080	1,054	2.5	1,092	1,065	2.5	98.9	99.0
	1,006	970	3.7	1,014	977	3.8	99.2	99.2
British Columbia								
Greater Vancouver Region	1,448	1,336	8.4	1,462	1,356	7.8	99.0	98.5
Victoria	1,301	1,211	7.4	1,309	1,220	7.3	99.4	99.3
	1,403	1,297	8.2	1,415	1,313	7.8	99.1	98.7
Alberta								
Edmonton	1,192	1,165	2.3	1,217	1,181	3.0	97.9	98.6
Calgary	1,096	1,068	2.6	1,128	1,088	3.7	97.2	98.2
	1,113	1,086	2.5	1,144	1,105	3.5	97.3	98.3
Nova Scotia								
Halifax	1,184	1,125	5.2	1,207	1,141	5.8	98.1	98.6
Saskatchewan								
Regina	1,035	1,035	–	1,057	1,076	(1.8)	97.9	96.2
Prince Edward Island								
Charlottetown	1,083	1,027	5.5	1,093	1,038	5.3	99.1	98.9
Europe								
The Netherlands ^{(1),(2)}	1,231	1,268	(2.9)	1,267	1,295	(2.2)	97.2	97.9
Total Residential Suites	1,257	1,209	4.0	1,272	1,221	4.2	98.8	99.1
MHC Sites								
Ontario	489	537	(8.9)	489	538	(9.1)	99.8	99.9
Québec	260	–	100.0	260	–	100.0	100.0	–
British Columbia	477	455	4.8	478	455	5.1	99.8	100.0
Alberta	451	436	3.4	490	439	11.6	91.9	99.3
Nova Scotia	248	–	100.0	250	–	100.0	99.2	–
Saskatchewan	426	400	6.5	427	401	6.5	99.7	99.7
Prince Edward Island	165	149	10.7	165	149	10.7	99.9	99.6
New Brunswick	273	268	1.9	298	287	3.8	91.5	93.5
Total MHC sites	383	395	(3.0)	399	405	(1.5)	96.0	97.6
Total suites and sites	1,084	1,103	(1.7)	1,104	1,115	(1.0)	98.2	98.9

⁽¹⁾ Includes foreign exchange impact and service charge income. The amounts in Euros for the total portfolio for Net AMR are €844 and €812 as at December 31, 2019 and December 31, 2018, respectively, and for Occupied AMR are €869 and €829 as at December 31, 2019 and December 31, 2018, respectively.

⁽²⁾ Includes all residential properties owned by ERES.

Stabilized Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

As at December 31,	Net AMR			Occupied AMR			Occupancy %	
	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019	2018
Residential Suites								
Ontario								
Greater Toronto Area	1,454	1,383	5.1	1,459	1,390	5.0	99.7	99.5
Ottawa	1,325	1,260	5.2	1,327	1,261	5.2	99.9	100.0
London / Kitchener / Waterloo	1,052	998	5.4	1,063	1,013	4.9	98.9	98.5
Other Ontario	1,353	1,284	5.4	1,357	1,295	4.8	99.7	99.1
	1,390	1,321	5.2	1,395	1,329	5.0	99.6	99.4
Québec								
Greater Montréal Region	978	941	3.9	983	948	3.7	99.5	99.3
Québec City	1,080	1,054	2.5	1,092	1,065	2.5	98.9	99.0
	1,003	970	3.4	1,010	977	3.4	99.3	99.2
British Columbia								
Greater Vancouver Region	1,414	1,336	5.8	1,428	1,356	5.3	99.0	98.5
Victoria	1,279	1,211	5.6	1,287	1,220	5.5	99.4	99.3
	1,372	1,297	5.8	1,383	1,313	5.3	99.2	98.7
Alberta								
Edmonton	1,192	1,165	2.3	1,217	1,181	3.0	97.9	98.6
Calgary	1,085	1,068	1.6	1,118	1,088	2.8	97.0	98.2
	1,105	1,086	1.7	1,137	1,105	2.9	97.2	98.3
Nova Scotia								
Halifax	1,184	1,125	5.2	1,207	1,141	5.8	98.1	98.6
Saskatchewan								
Regina	1,035	1,035	0.0	1,057	1,076	(1.8)	97.9	96.2
Prince Edward Island								
Charlottetown	1,047	1,027	1.9	1,057	1,038	1.8	99.1	98.9
Europe								
The Netherlands ^{(1), (2)}	1,235	1,268	(2.6)	1,259	1,295	(2.8)	97.7	97.9
Total Residential Suites	1,258	1,209	4.1	1,269	1,221	3.9	99.2	99.1
MHC Sites								
Ontario	550	537	2.4	551	538	2.4	99.8	99.9
British Columbia	468	455	2.9	469	455	3.1	99.6	100.0
Alberta	453	436	3.9	456	439	3.9	99.3	99.3
Saskatchewan	426	400	6.5	427	401	6.5	99.7	99.7
Prince Edward Island	156	149	4.7	156	149	4.7	100.0	99.6
New Brunswick	284	268	6.0	307	287	7.0	92.6	93.5
Total MHC sites	412	395	4.3	424	405	4.7	97.3	97.6
Total suites and sites	1,149	1,104	4.1	1,162	1,115	4.2	98.9	98.9

⁽¹⁾ Includes foreign exchange impact and service charge income. The amounts in Euros for the stabilized portfolio for Net AMR are €847 and €812 as at December 31, 2019 and December 31, 2018, respectively, resulting in a Net AMR change of 4.3%. The Occupied AMR for the stabilized portfolio is €863 and €829 as at December 31, 2019 and December 31, 2018, respectively, resulting in an Occupied AMR change of 4.1%.

⁽²⁾ Includes all residential properties owned by ERES.

Overall Net AMR for the stabilized residential suite portfolio as at December 31, 2019 increased by approximately 4.1% (including the Netherlands) and 4.6% (excluding the Netherlands) compared to the same period last year, while occupancies increased to 99.2%.

The rate of growth in stabilized Net AMR has been primarily due to (i) significant rental increases on turnover in the strong rental markets of British Columbia and Ontario and strong contributions from certain regions and (ii) increases due to above guideline increases (“AGI”) achieved in Ontario.

Annual Rental Guidelines as per Rental Board

The chart below presents the annual rental guideline increases in provinces under rent control legislation which impacts lease renewals.

	2020	2019	2018
Ontario	2.2%	1.8%	1.8%
British Columbia ⁽¹⁾	2.6%	2.5%	4.0%

⁽¹⁾ On September 26, 2018, British Columbia announced that effective January 1, 2019, the annual allowable rent increase will be 2.5% instead of the previously announced 4.5%.

Suite Turnovers and Lease Renewals – Total Portfolio

The tables below summarize the changes in the monthly rent due to suite turnovers and lease renewals compared to the prior year.

Canadian Portfolio

For the Year Ended December 31,	2019			2018		
	Change in Monthly Rent		Turnovers and Renewals ⁽¹⁾	Change in Monthly Rent		Turnovers and Renewals ⁽¹⁾
	\$	%	%	\$	%	%
Suite turnovers	167.3	13.5	19.0	131.3	11.4	21.5
Lease renewals	25.0	2.1	85.9	26.1	2.2	85.4
Weighted average of turnovers and renewals	50.8	4.2		47.2	4.1	

⁽¹⁾ Percentage of suites turned over or renewed during the year based on the total weighted number of residential suites (excluding co-ownerships) held during the year.

The Netherlands Portfolio⁽¹⁾

For the Year Ended December 31,	2019			2018		
	Change in Monthly Rent		Turnovers and Renewals ⁽²⁾	Change in Monthly Rent		Turnovers and Renewals ⁽²⁾
	€	%	%	€	%	%
Suite turnovers	52.6	6.4	12.6	89.1	11.4	11.6
Lease renewals	27.4	3.5	84.2	23.6	3.1	83.2
Weighted average of turnovers and renewals	30.7	3.9		31.6	4.1	

⁽¹⁾ Includes all residential properties owned by ERES.

⁽²⁾ Percentage of suites turned over or renewed during the year based on the total weighted number of Dutch residential suites held during the year.

Overall, suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) during the year ended December 31, 2019 resulted in monthly rent increasing by approximately \$167 or 13.5% compared to an increase of approximately \$131 or 11.4% for last year, primarily due to the strong rental markets of British Columbia and Ontario.

Monthly rents on lease renewals on the Canadian residential portfolio (excluding co-ownerships) for the year ended December 31, 2019 resulted in monthly rent increasing by approximately \$25 or 2.1% compared to an increase of approximately \$26 or 2.2% for last year.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the year ended December 31, 2019 resulted in monthly rent increasing by approximately €53 or 6.4% compared to an increase of approximately €89 or 11.4% for last year. Monthly rents on lease renewals for the Netherlands portfolio for the year ended December 31, 2019 increased by approximately 27.4 or 3.5% compared to an increase of 23.6 or 3.1% last year.

Above Guideline Increases

Management continues to pursue applications in Ontario for AGIs where it believes increases above the annual guideline are supported by market conditions to raise monthly rents on lease renewals. The maximum allowable annual increase is up to 3% above the annual rental guideline, with the exception of applications based on an increase in the cost of municipal taxes and charges.

The following table summarizes the status of cumulative AGI applications settled and outstanding:

	January 1, 2019– December 31, 2019	January 1, 2018– December 31, 2018
Applications Settled:		
Number of suites and sites	1,565	5,309
Weighted average total increase approved ^{(1),(2)}	1.70%	1.99%
Weighted average total increase applied for ^{(1),(3)}	2.27%	2.35%
Applications Outstanding:		
Number of suites and sites	4,409	2,252
Term weighted average total increase applied for ^{(1),(4)}	1.89%	2.50%

⁽¹⁾ Weighted by number of impacted suites and sites filed.

⁽²⁾ For applications settled during the year ended December 31, 2019, the weighted average total increase approved is to apply over a weighted average of 2.10 years (1.68 years for the year ended December 31, 2018).

⁽³⁾ For applications settled during the year ended December 31, 2019, the weighted average total increase applied for was to apply over a weighted average of 1.78 years (1.64 years for the year ended December 31, 2018).

⁽⁴⁾ For applications outstanding as at December 31, 2019, the weighted average total increase applied for was to apply over a weighted average of 1.28 years (1.96 years as at the year ended December 31, 2018).

Tenant Inducements, Vacancy Loss and Expected Credit Loss Expense

The table below shows the new tenant inducements incurred during the year ended December 31, 2019 and 2018 as well as the amortization of tenant inducements, loss from vacancies and expected credit loss (“ECL”) allowance (formerly known as bad debt expense) included in net rental revenue for the same years.

(\$ thousands)	2019		2018	
For the Year Ended December 31,		% ⁽¹⁾		% ⁽¹⁾
New tenant inducements incurred – residential	\$ 1,089		\$ 1,243	
New tenant inducements incurred – commercial	149		1,111	
Total new tenant inducements incurred	\$ 1,238		\$ 2,354	
Tenant inducements amortized	\$ 1,707	0.2	\$ 1,840	0.3
Vacancy loss incurred	13,416	1.7	10,568	1.5
Total amortization and loss	\$ 15,123	1.9	\$ 12,408	1.8
Additional ECL allowance recognized as an expense	\$ 2,896	0.4	\$ 2,445	0.4

⁽¹⁾ As a percentage of total operating revenues.

Results of Operations

Total Operating Revenues by Geography

(\$ thousands) For the Year Ended December 31,	2019	2019 Revenue (%)	2018	2018 Revenue (%)
Residential Suites				
Ontario				
Greater Toronto Area	\$ 279,162	35.9	\$ 266,013	38.6
Ottawa	26,109	3.4	24,828	3.6
London / Kitchener / Waterloo	32,626	4.2	28,921	4.2
Other Ontario	29,773	3.8	28,217	4.1
	\$ 367,670	47.3	\$ 347,979	50.5
Québec				
Greater Montréal Region	\$ 97,883	12.6	\$ 97,227	14.1
Québec City	35,648	4.6	36,342	5.3
	\$ 133,531	17.2	\$ 133,569	19.4
British Columbia				
Greater Vancouver Region	\$ 61,056	7.8	\$ 50,837	7.4
Victoria	24,910	3.2	22,668	3.3
	\$ 85,966	11.0	\$ 73,505	10.7
Alberta				
Edmonton	\$ 7,145	0.9	\$ 6,854	1.0
Calgary	28,928	3.7	28,573	4.2
	\$ 36,073	4.6	\$ 35,427	5.2
Nova Scotia				
Halifax	\$ 24,033	3.1	\$ 22,816	3.3
Saskatchewan				
Saskatoon ⁽¹⁾	\$ –	–	\$ 725	0.1
Regina	2,860	0.4	2,916	0.4
	\$ 2,860	0.4	\$ 3,641	0.5
Prince Edward Island				
Charlottetown	\$ 7,241	0.9	\$ 6,661	1.0
Europe				
The Netherlands ⁽²⁾	\$ 64,259	8.3	\$ 33,147	4.8
Other Europe ⁽³⁾	8,783	1.1	–	–
	\$ 73,042	9.4	\$ 33,147	4.8
Total residential suites	\$ 730,416	93.9	\$ 656,745	95.4
MHC Sites				
Ontario	\$ 21,488	2.8	\$ 17,547	2.6
Québec	781	0.1	–	–
British Columbia	2,760	0.3	1,466	0.2
Alberta	8,397	1.1	2,273	0.3
Nova Scotia	230	0.0	–	–
Saskatchewan	1,905	0.2	1,628	0.2
Prince Edward Island	1,279	0.2	898	0.1
New Brunswick	10,628	1.4	8,028	1.2
Total MHC sites	\$ 47,468	6.1	\$ 31,840	4.6
Total residential suites and MHC sites	\$ 777,884	100.0	\$ 688,585	100.0

⁽¹⁾ The Saskatoon property was disposed of on August 15, 2018.

⁽²⁾ In € thousands, €43,239 and €21,658 for year ended December 31, 2019 and December 31, 2018, respectively.

⁽³⁾ Comprised of ERES' revenues for two commercial properties located in Germany and one in Belgium. In € thousands, €6,033 for the year ended December 31, 2019.

Estimated Net Rental Revenue Run-Rate

The table below shows the estimated net rental revenue run-rate (net of average historical vacancy loss, tenant inducements and bad debt) based on Net AMRs in place for CAPREIT's share of residential suites and sites and commercial leases as at December 31, 2019 and 2018.

(\$ thousands) As at December 31,	2019		2018	
Residential rent roll ^{(1),(2)}	\$	766,020	\$	662,687
Commercial rent roll ^{(1),(2)}		41,941		23,068
Annualized net rental revenue run-rate	\$	807,961	\$	685,755

⁽¹⁾ Based on rent roll as at December 31, net of vacancy loss, tenant inducements and bad debt for the 12 months ended on such date.

⁽²⁾ Includes rent roll for all properties owned as at December 31.

The estimated annualized net rental revenue run-rate improved by 17.8% to \$808.0 million compared to \$685.8 million primarily as a result of the extensive MHC portfolio growth, substantial acquisitions in the Netherlands and significant growth in the commercial rent roll primarily as a result of the ERES commercial income. Net rental revenue net of dispositions for the 12 months ended December 31, 2019 was \$746.1 million (2018 – \$643.6 million).

NOI

Stabilized properties for the year ended December 31, 2019 are defined as all properties owned by CAPREIT continuously since December 31, 2017, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2019 and 2018. As at December 31, 2019, stabilized suites and sites represented 83.3% of CAPREIT's total portfolio excluding co-ownerships.

(\$ thousands)	Total NOI			Stabilized NOI		
For the Year Ended December 31,	2019	2018	% ⁽¹⁾	2019	2018	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 736,526	\$ 651,203	13.1	\$ 667,616	\$ 639,901	4.3
Other ⁽²⁾	41,358	37,382	10.6	38,620	37,001	4.4
Total operating revenues	\$ 777,884	\$ 688,585	13.0	\$ 706,236	\$ 676,902	4.3
Operating Expenses						
Realty taxes	(73,546)	(68,488)	7.4	(70,088)	(67,604)	3.7
Utilities	(59,197)	(56,913)	4.0	(56,453)	(56,055)	0.7
Other ^{(3),(4)}	(136,991)	(122,619)	11.7	(125,203)	(120,131)	4.2
Total operating expenses	\$ (269,734)	\$ (248,020)	8.8	\$ (251,744)	\$ (243,790)	3.3
NOI	\$ 508,150	\$ 440,565	15.3	\$ 454,492	\$ 433,112	4.9
NOI margin	65.3%	64.0%		64.4%	64.0%	

⁽¹⁾ Represents the year-over-year percentage change.

⁽²⁾ Comprises ancillary income such as parking, laundry and antenna revenue.

⁽³⁾ Comprises R&M, wages, general and administrative, insurance, advertising and legal costs.

⁽⁴⁾ 2018 comparative balances have been restated to reflect adjustments to conform with the current period presentation for land and air rights leases. Prior to IFRS 16 which is effective January 1, 2019, land and air rights lease expenses were deducted as an "operating expense" to calculate NOI. Post IFRS 16 being effective, leases are capitalized as an asset with a corresponding lease liability and the fixed land and air rights lease payments are not deducted as an operating expense through NOI. In 2019, the fixed land and air rights lease payments are deducted as interest expense and principal repayment. Therefore, 2018 NOI comparatives have been restated to conform with the current period presentation for land leases, and will not agree to the 2018 Net Rental Income presented in the financial statements. For the year ended December 31, 2018, Total and Stabilized NOI has increased by \$1,509 thousand by adding back the fixed land and air rights lease expense, increasing the Total NOI margin from 63.8% to 64.0% and increasing the Stabilized NOI margin from 63.8% to 64.0%.

Operating Revenues

For the year ended December 31, 2019, total operating revenues for the total and stabilized portfolio increased compared to last year, due to increases in monthly rents and continuing high occupancies. Contributions from acquisitions further contributed to higher operating revenues for the total portfolio.

Operating Expenses

Realty Taxes

For the year ended December 31, 2019, the stabilized portfolio's realty tax increased compared to last year, primarily because of increased property assessment values in Alberta, British Columbia, Ontario and Québec.

Utilities

CAPREIT's utility costs can be highly variable from year to year depending on energy consumption and rates. The table below provides CAPREIT's utility costs by type.

(\$ thousands) For the Year Ended December 31,	Total Utilities			Stabilized Utilities		
	2019	2018	% ⁽¹⁾	2019	2018	% ⁽¹⁾
Electricity	\$ 21,452	\$ 21,135	1.5	\$ 20,800	\$ 20,838	(0.2)
Natural gas	15,388	15,837	(2.8)	15,082	15,444	(2.3)
Water	22,357	19,941	12.1	20,571	19,773	4.0
Total	\$ 59,197	\$ 56,913	4.0	\$ 56,453	\$ 56,055	0.7

⁽¹⁾ Represents the year-over-year percentage change.

As at December 31, 2019, tenants who pay their hydro charges directly represented 70% of the total 17,144 sub-metered suites in Ontario, Alberta and Halifax.

For the stabilized portfolio, natural gas costs decreased for the year ended December 31, 2019 compared to last year primarily due to improved rates in Ontario achieved as a result of hedging the supply rates, partially offset by higher consumption.

Water costs for the stabilized portfolio increased for the year ended December 31, 2019 compared to last year due to increased water rates in 2019.

A summary of CAPREIT's fixed natural gas contracts can be found in note 27 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2019.

Other Operating Expenses

The stabilized operating expenses for the year ended December 31, 2019 increased compared to last year primarily due to higher R&M costs and rising insurance costs driven by higher replacement cost valuations, and overall increases in insurance rates.

NOI Margin

For the year ended December 31, 2019, the NOI margin on the total portfolio increased to 65.3% compared to 64.0% last year.

NOI by Region

Management believes NOI is a key indicator of operating performance in the real estate industry. NOI includes all rental revenues and other related ancillary income (including MHC home sales) generated at the property level, less: (i) related direct costs such as utilities, realty taxes, insurance, R&M costs and on-site wages and salaries; and (ii) an appropriate allocation of overhead costs. It may not, however, be comparable to similar measures presented by other real estate trusts or companies.

The following tables show each region's NOI and NOI margin for the periods ended December 31, 2019 and 2018:

For the Year Ended December 31,	2019			2018			Increase (Decrease)	
	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI ⁽²⁾	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)	
(\$ thousands)								
Residential Suites								
Ontario								
Greater Toronto Area ⁽²⁾	\$ 182,661	36.0	65.4	\$ 171,637	39.0	64.5	6.4	
Ottawa	16,988	3.3	65.1	16,472	3.7	66.3	3.1	
London / Kitchener / Waterloo	21,247	4.2	65.1	18,377	4.1	63.5	15.6	
Other Ontario	18,738	3.7	62.9	17,617	4.0	62.4	6.4	
	\$ 239,634	47.2	65.2	\$ 224,103	50.8	64.4	6.9	
Québec								
Greater Montréal Region	\$ 57,483	11.3	58.7	\$ 56,466	12.8	58.1	1.8	
Québec City	20,994	4.1	58.9	21,396	4.8	58.9	(1.9)	
	\$ 78,477	15.4	58.8	\$ 77,862	17.6	58.3	0.8	
British Columbia								
Greater Vancouver Region ⁽²⁾	\$ 42,242	8.3	69.2	\$ 36,630	8.3	72.1	15.3	
Victoria	18,437	3.6	74.0	16,600	3.8	73.2	11.1	
	\$ 60,679	11.9	70.6	\$ 53,230	12.1	72.4	14.0	
Alberta								
Edmonton	\$ 4,728	0.9	66.2	\$ 4,667	1.1	68.1	1.3	
Calgary ⁽²⁾	17,141	3.4	59.3	17,149	3.9	60.0	–	
	\$ 21,869	4.3	60.6	\$ 21,816	5.0	61.6	0.2	
Nova Scotia								
Halifax	\$ 14,733	2.9	61.3	\$ 14,004	3.2	61.4	5.2	
Saskatchewan								
Saskatoon ⁽³⁾	\$ –	–	–	\$ 269	0.1	37.1	–	
Regina	1,600	0.3	55.9	1,745	0.4	59.8	(8.3)	
	\$ 1,600	0.3	55.9	\$ 2,014	0.5	55.3	(20.6)	
Prince Edward Island								
Charlottetown	\$ 3,655	0.7	50.5	\$ 3,355	0.8	50.4	8.9	
Europe								
The Netherlands ⁽⁴⁾	\$ 49,100	9.7	76.4	\$ 23,760	5.4	71.7	106.6	
Other Europe ⁽⁵⁾	7,108	1.4	80.9	–	–	–	–	
	\$ 56,208	11.1	77.0	\$ 23,760	5.4	71.7	136.6	
Total residential suites	\$ 476,855	93.8	65.3	\$ 420,144	95.4	64.0	13.5	
MHC Sites								
Ontario	\$ 14,854	3.0	69.1	\$ 11,895	2.7	67.8	24.9	
Québec	552	0.1	70.7	–	–	–	–	
British Columbia	2,089	0.4	75.7	1,152	0.3	78.6	81.3	
Alberta	5,899	1.2	70.3	1,490	0.3	65.6	295.9	
Nova Scotia	109	0.0	47.4	–	–	–	–	
Saskatchewan	1,248	0.2	65.5	1,042	0.2	64.0	19.8	
Prince Edward Island	591	0.1	46.2	428	0.1	47.7	38.1	
New Brunswick	5,953	1.2	56.0	4,414	1.0	55.0	34.9	
Total MHC sites	\$ 31,295	6.2	65.9	\$ 20,421	4.6	64.1	53.2	
Total suites and sites	\$ 508,150	100.0	65.3	\$ 440,565	100.0	64.0	15.3	

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ 2018 comparative balances have been restated to reflect adjustments to conform with current period presentation for land and air rights leases. For details, refer to NOI section under the Results of Operations section.

⁽³⁾ The Saskatoon property was disposed of on August 15, 2018.

⁽⁴⁾ In € thousands, €33,076 and €15,537 for the years ended December 31, 2019 and December 31, 2018, respectively.

⁽⁵⁾ Comprised of ERES' NOI for two commercial properties located in Germany and one in Belgium. In € thousands, €4,818 for the year ended December 31, 2019.

The significant improvement in the NOI contribution in 2019 was primarily the result of higher operating revenues due to contributions from acquisitions and increased same property monthly rents. CAPREIT remains focused on continuing to further improve NOI and NOI margin through a combination of accretive and value-enhancing acquisitions, successful

sales and marketing strategies to further improve revenues, and investments in capital programs to further reduce costs and enhance the quality and value of its portfolio. For a comprehensive analysis of stabilized NOI growth or decline compared to the same period last year by region, refer to the Stabilized NOI by Region section.

Stabilized NOI by Region

For the Year Ended December 31,	2019		2018		Increase (Decrease)		
(\$ thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽¹⁾	\$ 182,579	65.6	\$ 171,639	64.5	4.7	1.6	6.4
Ottawa	16,988	65.1	16,472	66.3	5.2	9.2	3.1
London / Kitchener / Waterloo	20,058	65.5	18,377	63.5	5.9	0.2	9.1
Other Ontario	18,738	62.9	17,617	62.4	5.5	4.1	6.4
	\$ 238,363	65.3	\$ 224,105	64.4	4.9	2.2	6.4 ⁽²⁾
Québec							
Greater Montréal Region	\$ 57,322	58.7	\$ 55,207	58.4	3.4	2.7	3.8
Québec City	20,994	58.9	20,360	59.2	3.7	4.6	3.1
	\$ 78,316	58.7	\$ 75,567	58.6	3.5	3.2	3.6 ⁽³⁾
British Columbia							
Greater Vancouver Region ⁽¹⁾	\$ 33,064	67.7	\$ 33,214	71.6	5.3	19.8	(0.5)
Victoria	17,723	73.7	16,600	73.2	6.1	4.3	6.8
	\$ 50,787	69.7	\$ 49,814	72.2	5.6	14.9	2.0 ⁽⁴⁾
Alberta							
Edmonton	\$ 4,728	66.2	\$ 4,667	68.1	4.2	10.5	1.3
Calgary ⁽¹⁾	17,085	59.2	17,149	60.0	1.0	3.0	(0.4)
	\$ 21,813	60.6	\$ 21,816	61.6	1.6	4.2	0.0 ⁽⁵⁾
Nova Scotia							
Halifax	\$ 14,733	61.3	\$ 14,004	61.4	5.3	5.5	5.2 ⁽⁶⁾
Saskatchewan							
Regina	\$ 1,600	55.9	\$ 1,745	59.8	(1.9)	7.6	(8.3) ⁽⁷⁾
Prince Edward Island							
Charlottetown	\$ 3,366	49.4	\$ 3,355	50.4	2.3	4.4	0.3
Europe							
The Netherlands ⁽¹²⁾	\$ 24,211	74.4	\$ 22,554	68.0	(1.8)	(21.4)	7.3
Total residential suites	\$ 433,189	64.3	\$ 412,960	63.8	4.1	2.7	4.9
MHC Sites							
Ontario	\$ 12,259	68.3	\$ 11,895	67.8	2.2	0.5	3.1
British Columbia	1,574	81.2	1,152	78.6	32.3	16.2	36.6 ⁽⁸⁾
Alberta	1,627	67.1	1,490	65.6	6.7	2.0	9.2 ⁽⁹⁾
Saskatchewan	827	64.9	773	63.8	5.2	2.1	7.0
Prince Edward Island	429	46.7	428	47.7	2.3	4.3	0.2 ⁽¹⁰⁾
New Brunswick	4,587	55.1	4,414	55.0	3.7	3.5	3.9 ⁽¹¹⁾
Total MHC sites	\$ 21,303	64.9	\$ 20,152	64.1	4.5	2.2	5.7 ⁽¹³⁾
Total suites and sites	\$ 454,492	64.4	\$ 433,112	64.0	4.4	3.6	4.9
Stabilized suites and sites	48,601		48,601				

⁽¹⁾ 2018 comparative balances have been restated to reflect adjustments to conform with current period presentation for land and air rights leases. For details, refer to NOI section under the Results of Operations section.

⁽²⁾ Higher expenses: higher realty taxes, insurance costs and R&M costs, partially offset by lower utilities costs and wages.

⁽³⁾ Higher expenses: higher realty taxes, on-site costs and insurance costs, partially offset by lower utilities costs, R&M costs and wages.

⁽⁴⁾ Higher expenses: higher realty taxes, utilities costs and wages, partially offset by lower insurance costs.

⁽⁵⁾ Higher expenses: higher realty taxes, utilities costs, R&M costs and on-site costs, partially offset by lower wages.

⁽⁶⁾ Higher expenses: higher realty taxes and insurance costs, partially offset by lower advertising costs.

⁽⁷⁾ Higher expenses: higher advertising costs and R&M costs, partially offset by lower wages.

⁽⁸⁾ Higher revenues: include home sales. Excluding home sales of \$408 thousand, revenues increased by \$66 thousand and 4.5%. Higher expenses: higher wages partially offset by lower R&M costs.

⁽⁹⁾ Higher revenues: increased home rental revenues due to 16 rental homes purchased in mid-2018 on an existing site making a full impact in 2019.

⁽¹⁰⁾ Higher expenses: higher realty taxes and utilities, partially offset by lower R&M costs.

⁽¹¹⁾ Higher expenses: higher realty taxes and wages, partially offset by lower insurance costs.

⁽¹²⁾ In € thousands, €16,293 and €14,759 for the years ended December 31, 2019 and December 31, 2018, respectively.

⁽¹³⁾ Excluding home sales of \$515 thousand, total revenues increased by \$1.0 million and 3.2% and total NOI increased by \$739 thousand and 3.7%.

For the year ended December 31, 2019, stabilized NOI increased by 4.9% compared to last year. Furthermore, the NOI margin for the year ended December 31, 2019 increased to 64.4% from 64.0% last year.

The following table reconciles stabilized NOI and NOI from net acquisitions to total NOI for the years ended December 31, 2019 and December 31, 2018:

(\$ thousands) For the Year Ended December 31,	NOI Margin		NOI Margin	
	2019	(%)	2018	(%)
Stabilized NOI	\$ 454,492	64.4	\$ 433,112	64.0
Net acquisitions NOI ⁽¹⁾	53,658	76.4	7,453	58.8
Total NOI	\$ 508,150	65.3	\$ 440,565	64.0

⁽¹⁾ Represents the NOI of acquisitions and dispositions completed during 2019 and 2018.

Net Income and Other Comprehensive Income

(\$ thousands) For the Year Ended December 31,	2019	2018
NOI	\$ 508,150	\$ 439,056
(Less) plus:		
Trust expenses	(46,244)	(39,515)
Transaction costs	(8,527)	–
Unit-based compensation expenses	(14,838)	(34,672)
Fair value adjustments of investment properties	892,156	990,529
Realized loss on disposition of investment properties	–	(2,594)
Amortization of property, plant and equipment	(6,290)	(4,976)
Fair value adjustments of Exchangeable Units	–	(840)
Loss on non-controlling interest	(47,058)	–
Fair value adjustments of investments	6,522	3,740
(Loss) gain on derivative financial instruments	(3,684)	13,141
Interest on Exchangeable Units	–	(95)
Interest on mortgages payable and other financing costs	(123,899)	(116,676)
Interest on bank indebtedness and other financing costs	(9,279)	(18,440)
Interest on leases ⁽¹⁾	(2,038)	–
Gain (loss) on foreign currency translation	37,933	(34,489)
Other income	34,904	42,310
Net income before income taxes	\$ 1,217,808	\$ 1,236,479
Current and deferred income tax expense	(22,361)	(18,808)
Net income	\$ 1,195,447	\$ 1,217,671
Other comprehensive (loss) income, including items that may be reclassified subsequently to net income		
Amortization of losses from AOCL to interest and other financing costs	3,810	2,659
Loss on foreign currency translation	(52,166)	28,530
Other comprehensive (loss) income	(48,356)	31,189
Comprehensive income	\$ 1,147,091	\$ 1,248,860

⁽¹⁾ Upon adoption of IFRS 16, effective January 1, 2019, CAPREIT's land and air rights leases were required to be capitalized with a corresponding lease liability. This has led to the recording of lease interest on these lease liabilities. For further details, please refer to note 2 of CAPREIT's consolidated annual financial statements.

Trust Expenses

Trust expenses include costs directly attributable to head office, such as salaries, trustee fees, professional fees for legal and advisory services, trustees' and officers' insurance premiums, providing third-party property and asset management services, and other general and administrative expenses, net of amounts allocated to property operating expenses for properties owned by CAPREIT. Trust expenses increased for the year ended December 31, 2019 to \$46.2 million from \$39.5 million last year, primarily due to higher salaries, legal fees, and trust expenses associated with ERES of \$4.8 million. Trust expenses for the year ended December 31, 2019 include non-routine items of approximately \$0.8 million related to legal, consulting, accounting and tax costs incurred in connection with initial ERES structuring and \$0.6 million related to other non-routine consulting

and legal costs. For last year, trust expenses included approximately \$4.3 million non-routine items including severances, consulting, legal and general expenses.

Transaction Costs

Transaction costs are related to the one-time business combination fees associated with the Acquisition, consisting of legal, audit, tax, consulting and financial advisory fees.

Unit-based Compensation Expenses

Unit-based compensation benefits are provided to officers, trustees and certain employees and are intended to facilitate long-term ownership of Trust Units and to provide additional incentives by increasing the participants' interest, as owners, in CAPREIT. Unit-based compensation expenses include costs attributable to these incentive plans, namely the Restricted Unit Rights Plan ("RUR Plan"), Unit Option Plan ("UOP"), Deferred Unit Plan ("DUP"), Long-Term Incentive Plan ("LTIP"), Senior Executive Long-Term Incentive Plan ("SELTIP") and the ERES unit options ("ERES UOP") (see notes 13 and 14 of the consolidated annual financial statements). On April 4, 2014, the LTIP, SELTIP and UOP were terminated by the trustees of CAPREIT. In 2018, the UOP, LTIP and SELTIP were all settled and no further awards remain outstanding.

The Unit-based compensation expenses have been separated into two components: (i) the amortization of the fair value at grant date of the award over its vesting period, and (ii) the remeasurement of awards outstanding at year end at fair value.

(\$ thousands)		
For the Year Ended December 31,	2019	2018
Remeasurement of Unit-based compensation liabilities	\$ 8,286	\$ 29,428
Amortization of fair value on grant date of Unit-based compensation	6,552	5,244
Total	\$ 14,838	\$ 34,672

CAPREIT's remeasurement of Unit-based compensation liabilities for the year ended December 31, 2019 decreased to \$8.3 million compared to a remeasurement expense of \$29.4 million in the prior year, primarily due to the fact that all outstanding LTIP and SELTIP units were settled in 2018. CAPREIT's amortization of fair value on grant date of Unit-based compensation expense for the year ended December 31, 2019 increased to \$6.6 million compared to \$5.2 million in the prior year, primarily due to ERES unit options amortization, and accelerated RUR amortization expense relating to the former President and CEO in the first quarter.

Fair Value Adjustments of Investment Properties

CAPREIT recognizes its investment properties at fair value at each reporting period, with any unrealized gain or loss upon remeasurement recognized in the consolidated statements of income for the period. A description of the key components of the change in the fair value of investment properties is included in the Investment Properties in Section V.

Amortization

These costs represent the amortization of right-of-use assets as per IFRS 16 and head office property, plant and equipment on a straight-line basis over their estimated useful lives, ranging primarily between three and five years.

Loss on Non-Controlling Interest

For the year ended December 31, 2019, CAPREIT recorded a loss on non-controlling interest on the ERES units of \$47.1 million, which includes a mark-to-market loss of \$43.1 million and distributions to ERES units held by non-controlling interest of \$3.9 million. The mark-to-market loss arises from an increase in ERES' unit price on a quarter and year-to-date basis to a December 31, 2019 unit price of \$4.65.

Interest on Mortgages Payable and Other Financing Costs

Information on the interest on mortgages payable and other financing costs is included in note 22 to the accompanying audited consolidated annual financial statements and included in Liquidity and Financial Condition in Section V of this report.

Interest on Bank Indebtedness

Interest on bank indebtedness relates to borrowings under the Credit Facilities (see Liquidity and Financial Condition discussion in Section V).

Gain (Loss) on Foreign Currency Translation

CAPREIT is exposed to gain/loss in foreign exchange due to its holdings of assets and liabilities through its investment in IRES and its ERES subsidiary. The following table summarizes the gain or loss recorded in other comprehensive income and net income on this exposure and its associated hedged instruments.

As of December 31, (\$ thousands)	2019				
	Other Comprehensive Gain (Loss)		Net Income Gain (Loss)	Total Foreign Exchange Exposure Gain (Loss)	
	Balance	Year Ended	Year Ended	Year Ended	
Total foreign assets ⁽¹⁾	€ 1,543,055	\$ (87,380)	\$ 6,289	\$ (81,091)	
Total foreign liabilities ⁽²⁾	634,284	35,214	31,644	66,858	
Net equity ⁽³⁾	908,772	(52,166)	37,933	(14,233)	
Cross-currency swap	442,358	–	1,448	1,448	
Net FX gain (loss) exposure	€ 466,414	\$ (52,166)	\$ 39,381	\$ (12,785)	

As of December 31, (\$ thousands)	2018				
	Other Comprehensive Gain (Loss)		Net Income Gain (Loss)	Total Foreign Exchange Exposure Gain (Loss)	
	Balance	Year Ended	Year Ended	Year Ended	
Total foreign assets ⁽¹⁾	€ 799,105	\$ 40,912	\$ –	\$ 40,912	
Total foreign liabilities ⁽²⁾	500,834	(12,382)	(34,489)	(46,871)	
Net equity	298,271	28,530	(34,489)	(5,959)	
Cross-currency swap	163,540	–	12,976	12,976	
Net FX gain (loss) exposure	€ 134,731	\$ 28,530	\$ (21,513)	\$ 7,017	

- ⁽¹⁾ Foreign assets are comprised of CAPREIT's Euro cash, ERES' assets, and investment in IRES. Foreign exchange gains or losses related to CAPREIT's Euro cash are recorded in foreign currency translation under Net Income. Foreign exchange gain or losses related to ERES' assets and investment in IRES are recorded in foreign currency translation under OCI.
- ⁽²⁾ Foreign liabilities are comprised of third-party loans secured by the Netherlands properties and Euro LIBOR borrowings: (a) FX gains or losses related to loans secured by ERES are recorded in foreign currency translation under OCI; (b) gain or losses on Euro LIBOR borrowings are recorded in foreign currency translation under Net Income.
- ⁽³⁾ Net equity includes €773,875 relating to ERES which CAPREIT has 66% interest in. Taking into consideration the non-controlling interest of ERES, net FX exposure is €228,823.

Other Income

Other income primarily consists of income received from investments (see note 7 of the accompanying audited consolidated annual financial statements), income from investment in associate, and asset management and property management fees.

(\$ thousands) For the Year Ended December 31,	2019	2018
Investment income	\$ 1,674	\$ 1,384
Net profit from equity-accounted investment ⁽¹⁾	23,440	32,633
Asset and property management fees ⁽²⁾	8,038	7,285
Other ⁽³⁾	1,752	1,008
Total	\$ 34,904	\$ 42,310

- ⁽¹⁾ CAPREIT's share of IRES' investment property fair value change, earnings and foreign exchange effects thereon. For the years ended December 31, 2019 and 2018, CAPREIT's share of IRES' investment property fair value gain is \$15.2 million and \$25.2 million, respectively.
- ⁽²⁾ Other income includes asset and property management fees from IRES, which CAPREIT has a 18.3% ownership in, and excludes asset and property management fees and service fees from ERES, which CAPREIT has a 66.0% ownership in.

(\$ thousands) For the Year Ended December 31,	2019	2018
Total fee income generated	\$ 14,168	\$ 8,312
Asset and property management fees and service fees from ERES eliminated on consolidation	6,130	1,027
Asset and property management fee from IRES recognized in other income	\$ 8,038	\$ 7,285

- ⁽³⁾ The non-recurring increase is due to the interest earned on a significant amount of cash and cash equivalents held as of year end.

Income Taxes

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. During the year ended December 31, 2019, income tax expenses increased to \$22.4 million from \$18.8 million. The increase in income tax expense is primarily due to an increase in fair value adjustments of investment properties. As a result of the Acquisition, capital gains were triggered on the reorganization of the legal structure of the Netherlands subsidiaries. Therefore, \$18.1 million previously included in deferred tax liability was reclassified to current tax liability.

(\$ thousands)		
For the Year Ended December 31,	2019	2018
Current income tax expense triggered on Acquisition	\$ 18,050	\$ –
Current income tax expense (recovery) not related to the Acquisition	(768)	–
Current Income tax expense (net)	\$ 17,282	\$ –

(\$ thousands)		
For the Year Ended December 31,	2019	2018
Deferred income tax recovery triggered on Acquisition	\$ (18,050)	\$ –
Deferred income tax expense not related to the Acquisition	23,129	18,808
Deferred income tax expense (net)	\$ 5,079	\$ 18,808

SECTION IV: UNIT CALCULATIONS, NON-IFRS FINANCIAL MEASURES

Per Unit Calculations

As a result of CAPREIT being an open-ended mutual fund trust, Unitholders are entitled to redeem their Trust Units, subject to certain restrictions. The impact of this redemption feature causes CAPREIT's Trust Units to be treated as financial liabilities under IFRS. Consequently, all per Unit calculations are considered non-IFRS measures.

The following table explains the number of Units used in calculating non-IFRS financial measures on a per Unit basis:

(thousands)	Weighted Average Number of Units		Outstanding Number of Units
For the Year Ended December 31,	2019	2018	2019
Trust Units	158,333	142,618	169,869
Exchangeable Units ⁽¹⁾	–	85	–
Units under the DUP ⁽²⁾	220	271	151
Basic number of Units	158,553	142,974	170,020
Plus:			
Dilutive Units under the LTIP ^{(2),(3)}	–	288	–
Dilutive Units under the SELTIP ^{(2),(3)}	–	290	–
Unit rights under the RUR Plan ⁽²⁾	562	579	542
Dilutive unexercised options under the UOP ^{(2),(4)}	–	44	– ⁽⁵⁾
Diluted number of Units	159,115	144,175	170,562

⁽¹⁾ See note 13 to the accompanying consolidated annual financial statements for details of Exchangeable Units.

⁽²⁾ See notes 13 and 14 to the accompanying audited consolidated annual financial statements for the year ended December 31, 2019 for details of CAPREIT's Unit-based compensation plans.

⁽³⁾ Calculated using the treasury method after taking into account the respective subscriptions receivable (see note 14 to the accompanying consolidated annual financial statements).

⁽⁴⁾ Calculated using the treasury method after taking into account the exercise prices.

⁽⁵⁾ There are nil unexercised options outstanding under the UOP.

Distribution Reinvestment Plan ("DRIP") and Net Distributions Paid

(thousands)		2019	2018
For the Year Ended December 31,			
Distributions declared on Trust Units	\$	218,136	\$ 187,848
Distributions declared on Exchangeable Units		–	95
Distributions declared on awards outstanding under Unit-based compensation plans ⁽¹⁾		1,070	2,181
Total distributions declared		219,206	190,124
Less:			
Distributions on Trust Units reinvested		(67,393)	(52,216)
Distributions on Unit awards reinvested ⁽¹⁾		(1,070)	(2,181)
Net distributions paid	\$	150,743	\$ 135,727
Percentage of distributions reinvested		31.2%	28.6%

⁽¹⁾ Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 13 and 14 to CAPREIT's accompanying audited consolidated annual financial statements for the year ended December 31, 2019 for a discussion of these plans).

Under CAPREIT's DRIP, a participant may purchase additional Units with the cash distributions paid on the eligible Units, registered in the participant's name or held in a participant's account maintained pursuant to the DRIP. Each participant has the right to receive an additional amount equal to 5% of their monthly distributions reinvested pursuant to the DRIP, which will automatically be paid on each distribution date in the form of additional Units. The price at which Units will be purchased with cash distributions will be the weighted average trading price for CAPREIT's Trust Units on the Toronto Stock Exchange ("TSX") for the five trading days immediately preceding the relevant distribution date. Reinvestments pursuant to the DRIP will increase the total number of Units outstanding over time, which may result in upward pressure on the total amount of net distributions paid if those participants do not elect to join the DRIP or choose cash distributions.

The average participation rate in the DRIP and other plans under which distributions are reinvested increased for the year ended December 31, 2019 to 31.2% from 28.6% last year. The DRIP participation rate is subject to factors beyond management's control and varies among investors.

Non-IFRS Financial Measures

Funds From Operations

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. FFO as presented is in accordance with the recommendations of the Real Property Association of Canada ("REALpac"), with the exception of (i) the adjustment for unrealized gains or losses on fair value through profit or loss ("FVTPL") marketable securities in its calculation of FFO, (ii) the adjustment for amortization of certain other assets consistent with prior years and (iii) the deduction of the impact attributable to the non-controlling interest of ERES. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries. Management considers FFO to be an important measure of CAPREIT's operating performance.

Effective January 1, 2019, IFRS 16, the new standard on leases, supersedes IAS 17, Leases and related interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model where most leases are capitalized. This results in an increase in assets and liabilities, and an increase in interest expense to record the use of the asset. CAPREIT currently has four land leases and one air rights lease. Prior to IFRS 16, land and air rights lease expenses were deducted as an "operating expense" to calculate NOI. Post IFRS 16 being effective, fixed land and air rights lease expenses over the term of the respective leases are present valued and capitalized to investment property with a corresponding lease liability and not deducted as an operating expense through Net Rental Income. For CAPREIT's office leases, previously they were deducted within CAPREIT's trust expenses. These payments have now been capitalized, and interest expense is now flowing through the consolidated statements of income and comprehensive income with the principal lease liability being repaid over the term. For leases capitalized as investment properties, there is an interest expense component calculated on the lease liability recorded in the consolidated statements of income and comprehensive income with the principal lease liability being repaid over the term. CAPREIT has deducted the lease principal repayments from the FFO in accordance with the amended FFO Whitepaper.

CAPREIT adopted the new standard IFRS 9, Financial Instruments (“IFRS 9”) on the required effective date of January 1, 2018. One impact of adopting this new standard is that the unrealized gains or losses on marketable securities classified as FVTPL are now included in net income, whereas they were recorded in other comprehensive income (“OCI”) in 2017 and prior years’ consolidated financial statements. Based on the FFO definition currently set forth by REALpac, which was amended in April 2014 and again in February 2019, the unrealized gains or losses on FVTPL marketable securities should be included in FFO. However, CAPREIT believes that including such unrealized gains or losses in FFO does not represent the recurring operating performance of CAPREIT.

A reconciliation of net income to FFO is as follows:

(\$ thousands, except per Unit amounts) For the Year Ended December 31,	2019	2018
Net income	\$ 1,195,447	\$ 1,217,671
Adjustments:		
Unrealized gain on remeasurement of investment properties	(892,156)	(990,529)
Realized loss on disposition of investment properties	–	2,594
Remeasurement of Exchangeable Units	–	840
Remeasurement of Investments ⁽¹⁾	(6,522)	(3,740)
Remeasurement of Unit-based compensation liabilities	8,286	29,428
Interest on Exchangeable Units	–	95
Deferred income taxes ⁽²⁾	23,129	17,872
Loss (gain) on foreign currency translation	(37,933)	34,489
FFO adjustment for income from equity-accounted investments ⁽³⁾	(15,201)	(25,159)
Loss (gain) on derivative financial instruments	3,684	(13,141)
Net FFO impact attributable to non-controlling interest	–	9,821
Fair value mark-to-market loss on ERES units held by non-controlling interest	43,120	–
Distributions on ERES units held by non-controlling interest	3,938	–
Net FFO impact attributable to ERES units held by non-controlling interest ⁽⁴⁾	(4,706)	–
Amortization of property, plant and equipment	6,290	4,976
Lease principal repayment ⁽⁵⁾	(1,275)	–
Transaction costs ⁽⁶⁾	8,527	–
FFO	\$ 334,628	\$ 285,217
FFO per Unit – basic	\$ 2.111	\$ 1.995
FFO per Unit – diluted	\$ 2.103	\$ 1.978
Total distributions declared	\$ 219,206	\$ 190,124
FFO payout ratio	65.5%	66.7%
Net distributions paid	\$ 150,743	\$ 135,727
Excess FFO over net distributions paid	\$ 183,885	\$ 149,490
FFO effective payout ratio	45.0%	47.6%

⁽¹⁾ Effective January 1, 2018, CAPREIT adopted IFRS 9, Financial Instruments. Under this standard, this investment has been designated as FVTPL whereas previously it was designated as available-for-sale. Under the guidance in this new standard, any mark-to-market gains or losses are recorded in the statement of income and comprehensive income whereas previously they were recorded through OCI. The cumulative mark-to-market gains/losses have also been reclassified from accumulated OCI to retained earnings on adoption of this standard.

⁽²⁾ Included in the adjustment relating to deferred income tax for the year ended December 31, 2019 are deferred income tax expense of \$5.1 million and \$18.1 million of income taxes triggered on the deemed disposition of investment properties associated with the reorganization of the legal structure of the Netherlands subsidiaries.

⁽³⁾ Relates to unrealized gain on remeasurement of investment properties.

⁽⁴⁾ This calculation is based on the weighted average ownership held by ERES non-controlling interest unitholders.

⁽⁵⁾ Upon adoption of IFRS 16, there is no impact on FFO. Currently, lease principal repayments are deducted from FFO, which were previously expensed under NOI and deducted from FFO as per IAS 17.

⁽⁶⁾ Costs include legal, audit, tax, consulting, and financial advisory fees related to the Acquisition.

Normalized Funds From Operations

Management considers NFFO to be the key measure of CAPREIT's operating performance. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, offset by write-off of fair value adjustment on assumed mortgages that were refinanced early, accelerated vesting of previously granted RUR Units, and large acquisition research costs relating to transactions that were not completed. As it is an operating performance metric, no adjustment is made to NFFO for capital expenditures. NFFO facilitates better comparability than FFO to prior year's performance and provides a better indicator of CAPREIT's long-term operating performance. For further information on CAPREIT's total property capital investments, please refer to the Property Capital Investments in Section V. See discussions under the Net Income and Other Comprehensive Income in Section III for additional information on hedging instruments currently in place. NFFO is not a measure of sustainability of distributions.

A reconciliation of FFO to NFFO is as follows:

(\$ thousands, except per Unit amounts) For the Year Ended December 31,	2019	2018
FFO	\$ 334,628	\$ 285,217
Adjustments:		
Amortization of losses from AOCL to interest and other financing costs	2,556	2,659
Net mortgage prepayment cost	347	1,459
Other employee costs ⁽¹⁾	751	–
Acquisition research costs ⁽²⁾	839	–
NFFO	\$ 339,121	\$ 289,335
NFFO per Unit – basic	\$ 2.139	\$ 2.024
NFFO per Unit – diluted	\$ 2.131	\$ 2.007
Total distributions declared	\$ 219,206	\$ 190,124
NFFO payout ratio	64.6%	65.7%
Net distributions paid	\$ 150,743	\$ 135,727
Excess NFFO over net distributions paid	\$ 188,378	\$ 153,608
Effective NFFO payout ratio	44.5%	46.9%

⁽¹⁾ Expenses included in Unit-based compensation expenses relate to accelerated vesting of previously granted RUR Units.

⁽²⁾ Expenses included in trust expenses relate to transactions that were not completed.

NFFO for the year ended December 31, 2019 increased by 17.2% compared to last year, primarily due to the contribution from acquisitions, and higher NOI for properties owned prior to December, 31 2017. Asset management fees and property management fees received from ERES increased FFO and consequently NFFO by \$1,086 thousand for the year ended December 31, 2019, representing the amount of fees attributed to the ERES units held by non-controlling interest based on the weighted average ownership throughout the year.

For the year ended December 31, 2019, basic NFFO per Unit increased by 5.7% compared to last year, despite an approximate 10.9% increase in the weighted average number of Units outstanding resulting from the January, April and December 2019 equity offerings (see Liquidity and Financial Condition in Section V). Management expects per Unit FFO and NFFO and related payout ratios to strengthen further in the medium term as a result of NOI contributions from recent acquisitions.

Comparing total distributions declared to NFFO, the NFFO payout ratio for the year ended December 31, 2019 improved to 64.6% compared to 65.7% last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid, improved for the year ended December 31, 2019 to 44.5% from 46.9% last year.

Adjusted Cash Flows From Operations and Distributions Declared

As a measure of economic cash flows, CAPREIT calculates ACFO using guidelines from the white paper published by REALpac, "White Paper on Adjusted Cashflow From Operations (ACFO) for IFRS", dated February 2017 and updated as of February 2019.

There may be periods when actual distributions declared exceed ACFO due to weaker performance in certain periods from seasonal fluctuations, regional market volatility, or from year to year based on the timing of property capital investments and the impact of acquisitions. Excess distributions (shortfalls) are funded by the Acquisition and Operating Facility.

ACFO is a measure of economic cash flow based on the operating cash flows generated by the business adjusted to deduct items such as interest expense, non-discretionary capital expenditures as described below, capitalized leasing costs, tenant improvements and amortization of other financing costs, partially offset by investment income. ACFO as calculated by CAPREIT is in accordance with the corresponding definition recommended by REALpac, with the exception of (i) the adjustment for investment income and (ii) the deduction of the non-controlling interest of ERES. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

The following table reconciles cash generated from operating activities (per the consolidated financial statements) to ACFO:

(\$ thousands, except per Unit amounts) For the Year Ended December 31,	2019	2018 ⁽⁸⁾
Cash generated from operating activities	\$ 454,629	\$ 431,177
Adjustments:		
Working capital adjustment ⁽¹⁾	8,485	–
Interest expense included in cash flow from financing activities	(119,609)	(114,271)
Non-discretionary property capital investments ⁽²⁾	(65,532)	(51,252)
Capitalized leasing costs ⁽³⁾	(1,518)	(1,046)
Amortization of other financing costs ⁽⁴⁾	(8,601)	(6,464)
Non-controlling Interest	–	(216)
Transactions costs ⁽⁵⁾	8,527	–
Investment income	10,039	7,442
Net ACFO impact attributed to ERES units held by non-controlling interest ⁽⁶⁾	(4,179)	–
Lease principal and interest repayments ⁽⁷⁾	(3,402)	–
ACFO	\$ 278,839	\$ 265,370
Total distributions declared	\$ 219,206	\$ 190,124
Excess ACFO over distributions declared	\$ 59,633	\$ 75,246
ACFO payout ratio	78.6%	71.6%

⁽¹⁾ On a quarterly basis, a review of working capital is performed to determine whether changes in prepaids, receivables, deposits, accounts payable and other liabilities, security deposits and other non-cash operating assets and liabilities were attributed to items which were not indicative of sustainable cash flows available for distribution in line with the ACFO guidance provided by REALpac. As a result, the one-time special distribution to the pre-existing unitholders of ECREIT was added back.

⁽²⁾ Non-discretionary property capital investments for the years ended December 31, 2019 and 2018 are based on the actual annual 2019 and annual 2018, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the table on the next page.

⁽³⁾ Comprises tenant inducements and direct leasing costs.

⁽⁴⁾ Includes amortization of deferred financing costs, CMHC premiums, deferred loan costs and fair value adjustments.

⁽⁵⁾ Relates to expensed transaction costs associated with the Acquisition.

⁽⁶⁾ This calculation is based on the weighted average ownership held by ERES non-controlling interest unitholders.

⁽⁷⁾ Upon adoption of IFRS 16, effective January 1, 2019, CAPREIT's leases were required to be capitalized with a corresponding lease liability. This has led to the recording of lease interest on these lease liabilities, and lease repayments. This deduction is allowed under the amended REALpac whitepaper for ACFO dated February, 2019.

⁽⁸⁾ Certain 2018 comparative balances have been restated to conform with current year presentation.

For the year ended December 31, 2019, CAPREIT's ACFO was in excess of distributions declared by \$59.6 million.

The table below reconciles actual non-discretionary capital investments incurred to the forecasted amount:

Non-Discretionary Property Capital Actuals to Forecast Reconciliation

(\$ thousands) For the Year Ended December 31,	2019	2018
Actual	\$ 65,532	\$ 51,252
Forecast	67,245	56,029
Difference	\$ (1,713)	\$ (4,777)

For the year ended December 31, 2019, CAPREIT's actual non-discretionary property capital investments of \$65.5 million were lower than the forecast by approximately \$1.7 million, mainly related to the deferral of structural work into 2020.

CAPREIT's capital investments programs are affected by seasonal cycles, and professional judgment is used by management to determine timing of property capital investments. Therefore, actual and forecasted capital investments may differ during the applicable periods.

Significant non-discretionary property capital investment programs are usually completed within three to five years. Actual completion of such projects may differ from the forecasted timelines as they are longer term in nature and professional judgment is applied to forecast completion dates.

Discretionary and Non-Discretionary Property Capital Investments

Management does not differentiate between maintenance and value-enhancing property capital investments. Maintenance property capital investments are generally not clearly identifiable, nor do they have a common definition and would require significant judgment to classify property capital investments as maintenance or value-enhancing capital investments. In addition, there is no generally accepted definition of maintenance capital investments in the Canadian real estate industry. Management has decided to classify property capital investments into two categories: discretionary and non-discretionary. Management is of the view that this classification, while still requiring a degree of professional judgment, provides a better measure of economic cash flows.

Non-Discretionary Property Capital Investments are those investments management believes are essential for the safety of residents and to ensure the structural integrity of the properties. These investments may enhance the property's operating effectiveness, including its profitability, through increases in revenues or reductions in costs over the long term. Included in non-discretionary capital expenditures are items such as building improvements, which include items such as roof, structural, balcony, sidewalks, windows, brick, electrical, MHC infrastructure investments, and life and safety. Management uses its professional judgment to include other capital expenditure categories that could impact the safety of residents. These Non-Discretionary Property Capital Investments are in addition to regular R&M costs, which have been in the range of \$750 to \$1,100 per residential suite annually over the last five years and are expensed to NOI.

Discretionary Property Capital Investments are capital expenditures made to the property that are not essential to operation of the business in the short term. These investments may enhance the property's operating effectiveness, including its profitability, through increases in revenues or reductions in costs over the long term. Included in discretionary capital expenditures are items such as suite and common area improvements, energy-saving initiatives, equipment, boilers, elevators and risers.

The following table presents the actual 2019, 2018 and 2017 Non-Discretionary Property Capital Investments per suite and site:

(\$ thousands)	2019 Actual	2018 Actual	2017 Actual
Non-discretionary property capital investments ⁽¹⁾	\$ 65,532	\$ 51,252	\$ 38,724
Discretionary property capital investments ^{(1),(2)}	155,693	142,202	112,643
Total property capital investments ⁽²⁾	\$ 221,225	\$ 193,454	\$ 151,367
Non-discretionary property capital investments	\$ 65,532	\$ 51,252	\$ 38,724
Weighted average number of suites and sites	55,175	49,595	48,307
Non-discretionary property capital investments per suite and site	\$ 1,188	\$ 1,033	\$ 802

⁽¹⁾ See Property Capital Investments in Section V for further details.

⁽²⁾ Excludes property capital investments relating to development and intensification.

Adjusted Cash Generated from Operating Activities

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table quantifies cash generated from operating activities net of interest expense included in cash flow from financing activities.

(\$ thousands, except per Unit amounts) For the Year Ended December 31,	2019	2018 ⁽¹⁾
Cash generated from operating activities	\$ 454,629	\$ 431,177
Adjustments:		
Interest expense included in cash flow from financing activities	(119,609)	(114,271)
Adjusted Cash Generated from Operating Activities	\$ 335,020	\$ 316,906
Total distributions declared	\$ 219,206	\$ 190,124
Excess	\$ 115,814	\$ 126,782

⁽¹⁾ Certain 2018 comparative balances have been restated to conform with current year presentation.

The following table outlines the differences between adjusted cash generated from operating activities and total distributions declared, as well as the differences between net income and total distributions, in accordance with the guidelines:

(\$ thousands, except per Unit amounts) For the Year Ended December 31,	2019	2018 ⁽¹⁾
Net income	\$ 1,195,447	\$ 1,217,671
Adjusted Cash Generated from Operating Activities	\$ 335,020	\$ 316,906
Total distributions declared	\$ 219,206	\$ 190,124
Net distributions paid	\$ 150,743	\$ 135,727
Excess of net income over total distributions declared	\$ 976,241	\$ 1,027,547
Excess of net income over net distributions paid	\$ 1,044,704	\$ 1,081,944
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 115,814	\$ 126,782
Excess of Adjusted Cash Generated from Operating Activities over net distributions declared	\$ 184,277	\$ 181,179

⁽¹⁾ Certain 2018 comparative balances have been restated to conform with current year presentation.

CAPREIT does not use net income as a basis for distributions as it includes fair value change in investment properties, remeasurement of Unit-based compensation liabilities and fair value change in derivative financial instruments, which are not reflective of CAPREIT's ability to make distributions. Amounts retained in excess of the declared distributions are used for mortgage principal repayments, tenant inducements and capital expenditure requirements.

For the year ended December 31, 2019, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$115.8 million. As per OSC Staff Notice 51-724, if distributions are in excess of Adjusted Cash Generated from Operating Activities, then it represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period. Management believes, should it occur, there is adequate overall liquidity to fund excess distributions over Adjusted Cash Generated from Operating Activities on an annual basis through: (i) mortgage debt secured by its investment properties; and (ii) the Acquisition and Operating Facility.

SECTION V: CAPITAL INVESTMENT, INVESTMENT PROPERTY, CAPITAL STRUCTURE, FINANCIAL CONDITION

Property Capital Investments

CAPREIT capitalizes all capital investments related to the improvement of its properties. These investments have the objective of growing future NOI, increasing property value over the long term, ensuring life safety and safeguarding of assets.

An important component of CAPREIT's property capital investment strategy is to acquire properties significantly below current replacement costs and improve its operating performance by investing annually. This ensures sustainable growth to maximize the portfolio's future rental income-generating potential.

For the year ended December 31, 2019, CAPREIT made property capital investments (excluding head office assets and development) of \$221.2 million compared to \$193.5 million for the same period last year. Energy-saving initiatives and suite and common area improvement costs generally tend to increase NOI more quickly compared to other capital investment categories. A breakdown of property capital investments (excluding head office assets and development) is summarized by category below:

Property Capital Investments by Category

(\$ thousands) Year Ended December 31, 2019	Actual Total Portfolio	% of Actual
Non-discretionary property capital investments:		
Building improvements	\$ 61,869	28.0
MHC infrastructural	2,605	1.2
Life and safety	1,058	0.5
	65,532	29.7
Discretionary property capital investments:		
Suite improvements	68,907	31.1
Common area	45,517	20.6
Energy-saving initiatives	15,132	6.8
Equipment	14,752	6.7
Elevators and risers	8,505	3.8
Others	1,900	0.9
MHC common area	980	0.4
	155,693	70.3
Total	\$ 221,225	100.0

(\$ thousands) Year Ended December 31, 2018	Actual Total Portfolio	% of Actual
Non-discretionary property capital investments:		
Building improvements	\$ 47,612	24.6
MHC infrastructural	1,653	0.9
Life and safety	1,987	1.0
	51,252	26.5
Discretionary property capital investments:		
Suite improvements	53,863	27.9
Common area	44,342	22.9
Energy-saving initiatives	20,140	10.4
Equipment	13,243	6.8
Elevators and risers	9,056	4.7
Others	1,031	0.5
MHC common area	527	0.3
	142,202	73.5
Total	\$ 193,454	100.0

The table below includes estimated 2020 capital expenditures for buildings expected to be completed in 2020. The following budgeted capital expenditures may vary from actuals as the planned expenditures may be accelerated or adjusted as necessary.

2020 Capital Expenditure Budget

Investment Properties

(\$ thousands)	Actual Total Portfolio ⁽¹⁾	% of Actual
Non-discretionary property capital investments:		
Building improvements	60,519	25.9
MHC infrastructural	7,516	3.2
Life and safety	2,385	1.0
	70,420	30.1
Discretionary property capital investments:		
Suite improvements	59,561	25.5
Common area	54,632	23.4
Energy-saving initiatives	22,163	9.5
Equipment	9,469	4.1
Elevators and risers	11,622	5.0
Others	3,305	1.4
MHC common area	2,116	0.9
	162,868	69.9
Total	233,288	100.0

⁽¹⁾ The 2020 Capital Expenditure Budget includes expenditures related to the European properties.

Set out in the next table is management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements, including investments in MHC sites, for 2020 through 2023 for properties owned as of December 31, 2019.

Future Investments in Building Improvements

(\$ thousands)	Building Improvements Estimated Range
2020	\$57,000–\$70,000
2021	\$40,000–\$49,000
2022	\$27,000–\$33,000
2023	\$15,000–\$19,000

Management believes CAPREIT has sufficient liquidity (see Liquidity and Financial Condition in Section V) to execute the above property capital investment strategy.

Investment Properties

Investment property is defined as property held to earn rental income or for capital appreciation or both. Investment property is recognized initially at cost. Subsequent to initial recognition, all investment property is measured using the fair value model, whereby changes in fair value are recognized for each reporting period in net income.

The fair value of investment properties is established by qualified, independent appraisers annually. Each quarter, CAPREIT utilizes internal market assumptions for rent increases and capitalization and discount rates provided by the independent appraisers to determine the fair value of the investment properties for interim reporting purposes. Capitalization rates employed by the appraisers are based on recently closed transactions, generally within the last three months, and other current market indicators for similar properties. To the extent that the externally provided capitalization rates or results of operations change from one reporting period to the next, the fair value of the investment properties would increase or decrease accordingly.

For a discussion of risk factors associated with the valuation of investment properties, refer to Risks and Uncertainties in Section VI. For a detailed description of valuation methods and key assumptions used for investment properties, see note 6 to the accompanying audited consolidated annual financial statements for the year ended December 31, 2019.

The following table summarizes the changes in the investment properties portfolio during the years:

(\$ thousands) For the Year Ended December 31,	2019	2018
Balance, beginning of the year	\$ 10,473,544	\$ 8,886,556
Add: Impact of IFRS 16 adopted in 2019 ⁽³⁾	29,843	–
Restated balance, beginning of the year	10,503,387	8,886,556
Add:		
Properties acquired through business combinations ⁽¹⁾	135,533	–
Acquisitions	1,384,908	504,710
Property capital investments ⁽²⁾	236,659	198,110
Foreign currency translation	(78,910)	35,324
Gain on remeasurement at fair value	892,156	990,529
Capitalized leasing costs ⁽³⁾	27	1,046
Right-of-use assets ⁽⁴⁾	7,920	–
Operating lease buyout	14,746	–
Less:		
Dispositions	–	(140,137)
Realized loss on dispositions	–	(2,594)
Investment Properties at fair value, end of the year	\$ 13,096,426	\$ 10,473,544

- ⁽¹⁾ Represents the fair value of the properties acquired as part of the business combination. For details, please refer to note 4 to the accompanying consolidated annual financial statements.
- ⁽²⁾ See Section V – Property Capital Investments, Conversions, Infill, and Redevelopment included within the Development Summary.
- ⁽³⁾ Comprised of tenant inducements, straight-line rent and direct leasing costs.
- ⁽⁴⁾ Lease and air rights leases previously expensed are now recognized as right-of-use assets and included in the fair value of investment properties. Due to the reduction in fair value from principal repayments, the amortization of land and air rights lease principal payments are deducted from the right-of-use assets as per IFRS 16.

During the year, CAPREIT completed the early buyouts of two existing operating leases at a net purchase price of \$14.7 million. The operating lease buyouts resulted in the conversion from operating leasehold interests with options to purchase to traditional fee simple property interests. As at December 31, 2019, CAPREIT is engaged in advanced discussions with respect to the early buyout of an additional nine operating leases, one of which closed subsequent to year end and the remaining are expected to close during 2020. The acceleration of the operating lease buyouts coincides with CAPREIT's strategic initiative of simplifying the company's ownership structure, increasing net asset value, and strengthening overall liquidity and flexibility. During the year ended December 31, 2019, CAPREIT recorded a fair value increase of \$156.0 million associated with acceleration of two closed operating lease buyouts and nine operating lease buyouts under discussion.

A summary of the fair values of CAPREIT's investment properties and changes, along with key market assumptions, is presented below:

Investment Properties by Geography

As at (\$ millions)	Dec 2018		Change Due to Change in				Dec 2019	Dec 2019	Dec 2018
	Fair Value	Cap Rates ^{(1),(3),(5)}	Normalized NOI ^{(2),(3)}	Forex Translation	Net Acquisitions	Business Combination	Fair Value	Cap Rates ⁽¹⁾	Cap Rates ⁽¹⁾
Greater Toronto Area	\$ 4,153	\$ 279	\$ 267	\$ –	\$ 109	\$ –	\$ 4,808	3.63%	3.78%
Other Ontario	1,170	33	79	–	69	–	1,351	4.27%	4.36%
Québec	1,583	63	163	–	34	–	1,843	4.45%	4.63%
British Columbia	1,367	(10)	71	–	148	–	1,576	3.83%	3.77%
Alberta	448	(5)	6	–	20	–	469	4.47%	4.46%
Nova Scotia	274	34	20	–	–	–	328	4.71%	5.25%
Saskatchewan	32	1	(1)	–	–	–	32	5.53%	5.70%
Prince Edward Island	66	–	5	–	19	–	90	5.65%	5.78%
Subtotal	9,093	395	610	–	399	–	10,497	4.01%	4.13%
MHC sites	340	(6)	16	–	250	–	600	6.30%	6.11%
Europe	1,041	27	85	(79)	752	136	1,962	3.89%	3.80%
Total ⁽⁴⁾	\$ 10,474	\$ 416	\$ 711	\$ (79)	\$ 1,401	\$ 136	\$ 13,059	4.11%	4.17%

⁽¹⁾ Weighted average capitalization rates excluding implied capitalization rates on Operating and Land Leasehold Interests. See note 6 to the accompanying consolidated annual financial statements for further valuation assumption details, including discount rates as at December 31, 2019 for Operating and Land Leasehold Interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

⁽²⁾ Represents normalized net operating income for valuation purposes.

⁽³⁾ Fair value changes due to changes in rates and normalized NOI exclude properties acquired and disposed of during the year ended December 31, 2019.

⁽⁴⁾ Excludes right-of-use assets and land and air rights lease principal repayments.

⁽⁵⁾ Includes \$156.0 million of fair value changes due to the two closed operating lease buyouts and the nine operating lease buyouts under discussions in the GTA.

For the years ended December 31, 2019 and 2018, the unrealized gain on remeasurement of investment properties is primarily the result of increases in net operating income, capitalization rate compressions, and acceleration of operating lease buyouts during 2019. The increase in net operating income is attributable to the growth in rents driven by the rental increases on turnovers, as current rents are significantly below market rents, especially in major regions such as the GTA, other Ontario and British Columbia. The unrealized gain on remeasurement of investment properties is offset by certain capital investments not having an immediate effect on stabilized net operating income and thus not reflected in the fair value of the investment properties at the measurement date.

As at December 31, 2019, a 25 basis point change in capitalization rates would have the following approximate effect on the fair value of investment properties:

(\$ millions) As at December 31, 2019	Change (Basis Points) ⁽¹⁾	Estimated (Decrease) Increase
Weighted average capitalization rate	+25	\$ (867)
Weighted average capitalization rate	-25	\$ 725

⁽¹⁾ For Operating Leasehold Interests, CAPREIT applies discount rates to determine the fair value of these properties. However, for the purposes of the above sensitivity analysis, CAPREIT has utilized the implied capitalization rates for Operating Leasehold Interests and the European properties to determine the impact on fair value of the total portfolio.

Development

Development is a component in CAPREIT's growth and value creation strategy. CAPREIT categorizes the projects within its development program as follows:

Conversion – Projects within existing income producing properties (“IPP”) which typically involve increasing the density and/or rentable square footage of the property through means of retrofit resulting in increase in NOI.

Infill – Projects on underutilized, often vacant owned land that are being constructed or developed from the ground up for future use as IPPs where an existing NOI and asset is to remain resulting in increase in NOI.

Redevelopment – Existing IPPs, or components thereof, that are being repositioned through partial and/or full redevelopment, which typically increases NOI and unit count by adding to the rentable area of the properties.

Development Progress

The development program remains a component of CAPREIT's growth strategy by unlocking value within the portfolio's existing assets through intensification and redevelopment to deliver strong net asset value growth to its Unitholders. CAPREIT's development strategy encompasses a combination of three different approaches to add new units to the portfolio: (i) forward purchase of newly constructed properties, (ii) intensification through means of conversion and infill of existing IPPs and (iii) full or partial redevelopment. Through a highest and best use assessment, CAPREIT identified approximately 8,800 new units in the development pipeline that are targeted for planning approval submission in 2020. CAPREIT continuously assesses the highest and best use of all its assets where the value may be realized through development or sale of a property.

During the year, CAPREIT continued to make significant progress in advancing its development program by completing detailed site feasibility assessments, meeting with City departments and stakeholders, appointing expert consultant teams and working through the pre-application requirements on several properties expressed in the table below. These applications range in their type from zoning by-law, official plan and building permit with the intent to establish a strong and steady pipeline of planning approval submissions across the country that will support adding new units on an annual basis to the portfolio going forward.

Development Pipeline

Shown below are the number of sites and proposed net new units by major market targeted for planning approval submission in 2020:

Major Market	Pre-Application (# of sites)	Active Application (# of sites)	Construction (# of sites)	Completed (# of sites)	Potential Growth (estimated # of net new units)
British Columbia	6	–	–	–	1,300
Alberta	3	–	–	–	500
Greater Toronto Area (GTA)	7	2 ⁽¹⁾	–	–	6,500 ⁽²⁾
Québec	2	–	–	1 ⁽³⁾	432 ⁽³⁾
Prince Edward Island	1	–	–	–	58
Total	19	2⁽¹⁾	–	1	8,790⁽³⁾

⁽¹⁾ 100 Wellesley – Toronto City Council accepted a settlement offer from CAPREIT for a revised development scheme to include 128 units in a 10-storey infill building; and 141 Davisville, under review, includes 146 new units in a proposed 16-storey infill building.

⁽²⁾ CAPREIT continuously assesses the highest and best use of all its assets where the value may be realized through development or sale of a property.

⁽³⁾ 2525 Cavendish – 52 units were completed by October 2019, all of which are fully occupied. The total project cost was \$6.9 million, within the previously estimated project cost of \$7.5 million.

The table below presents the actual and forecasted conversion and development costs estimated for 2019, which include costs related to planning, rezoning, architectural surveys, application fees and building permits. The following forecasted conversion, infill and development costs varied from actuals as expectations of processing time for development applications become better defined.

Development Summary

(\$ thousands) Year Ended December 31, 2019	Actual Total Portfolio	2019 Annual Forecast Total Portfolio
Conversion ⁽¹⁾	\$ 14,579	\$ 17,787
Infill ⁽²⁾	693	1,340
Redevelopment ⁽²⁾	162	1,159
Total for development	\$ 15,434	\$ 20,286

(\$ thousands) Year Ended December 31, 2018	Actual Total Portfolio	2018 Annual Forecast Total Portfolio
Conversion ⁽¹⁾	\$ 5,402	\$ 13,908
Infill ⁽²⁾	836	–
Redevelopment ⁽²⁾	153	–
Total for development	\$ 6,391	\$ 13,908

⁽¹⁾ Includes costs from 2525 Cavendish.

⁽²⁾ Infill and Redevelopment costs relate primarily to pre-approval costs such as application, consultant fees and levies.

Actual development costs for 2019 were lower than the amount forecasted for the year. Much of the difference is associated with application fees paid upon submission of new development projects. The regulatory and application processing is subject to factors beyond management's control and varies between projects and as such, submission of a number of applications were postponed for submission in early 2020.

Capital Structure

CAPREIT defines capital as the aggregate of Unitholders' equity, debt financing, Unit-based compensation liabilities and Exchangeable Units. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund distributions to Unitholders, retain a portion to meet repayment obligations under its mortgages and credit facilities, and ensure sufficient funds are available to meet capital commitments. Management aims to maintain an optimal degree of leverage relative to the GBV of CAPREIT's assets depending on a number of factors at any given time, which include expected cash flow requirements, impact on near-term and long-term financial performance, current and expected state of the credit markets and any risks, among other considerations. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's financial statements, determined on a fair value basis for investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees and deferred loan costs. Capital adequacy is monitored against investment and debt restrictions contained in CAPREIT's DOT and the Credit Facilities agreement.

CAPREIT's Credit Facilities (see Liquidity and Financial Condition in Section V) require compliance with the financial covenants shown in the table below. In addition, borrowings must not exceed the borrowing base, calculated as a predefined percentage of the fair value of the investment properties determined on an annual basis.

In addition, CAPREIT must comply with all investment and debt restrictions and financial covenants under the agreement with CMHC. Refer to Liquidity and Financial Condition in Section V of this report for further details.

In the short term, CAPREIT utilizes the Credit Facilities to finance its capital investments, which may include acquisitions. In the long term, equity issuances, mortgage financings and refinancings, including top-ups, are put in place to finance the cumulative investment in the property portfolio and ensure the sources of financing better reflect the long-term useful lives of the underlying investments.

As at December 31, 2019, CAPREIT is in compliance with all the investment and debt restrictions and financial covenants contained in the DOT, the LBA and the Credit Facilities. The total capital managed by CAPREIT and the results of compliance with the key covenants and liquidity metrics are summarized below:

(\$ thousands)			
As at		December 31, 2019	December 31, 2018
Mortgages payable		\$ 4,308,572	\$ 3,728,333
Bank indebtedness		623,893	567,365
Unitholders' equity		8,403,895	6,316,700
Total capital		\$ 13,336,360	\$ 10,612,398
	Threshold		
Total debt to gross book value ⁽¹⁾	Maximum 70.00%	34.99%	39.37%
Mortgage debt to gross book value		30.56%	34.17%
Total debt to gross historical cost ⁽²⁾		48.24%	54.54%
Total debt to total capitalization ⁽³⁾		35.30%	39.82%
Tangible net worth ⁽¹⁾	Minimum \$2,400,000	\$ 8,421,096	\$ 6,349,505
For the Four Quarters Ended		December 31, 2019	December 31, 2018
Debt service coverage ratio (times) ⁽¹⁾	Minimum 1.20	1.87	1.75
Interest coverage ratio (times) ⁽¹⁾	Minimum 1.50	3.69	3.44

⁽¹⁾ See note 19 to the accompanying consolidated annual financial statements for details.

⁽²⁾ Based on the historical cost of investment properties, calculated as CAPREIT's assets, as disclosed under IFRS, plus accumulated amortization on property, plant and equipment, CMHC fees and deferred loan costs, minus fair value adjustment on investment properties.

⁽³⁾ Based on market capitalization as defined in the Performance Measures table of Section II of the MD&A, plus total debt.

Liquidity and Financial Condition

Liquidity and Capital Resources

Management believes there is adequate overall liquidity to fund property capital investment commitments to provide for future growth in the business. CAPREIT finances these commitments through: (i) ACFO on an annual basis; (ii) secured short-term debt financing with three Canadian chartered banks; (iii) mortgage debt secured by its investment properties; and (iv) equity and funds reinvested from its DRIP. Management's assessment of CAPREIT's liquidity position continues to be stable for the foreseeable future based on its evaluation of capital resources as summarized below:

- i) CAPREIT's business continues to be stable and is expected to generate sufficient ACFO on annual basis to fund the current level of distributions.
- ii) CAPREIT's liquidity position as at December 31, 2019 remains strong at \$146.2 million, in addition to \$488.8 million from the December equity issuance invested in short-term investments as cash and cash equivalents.

In addition to the \$146.2 million of borrowing capacity under its Acquisition and Operating Facility, which bears an interest rate of 1.08%, after factoring the cross-currency swaps as discussed in note 18 of the consolidated annual financial statements, CAPREIT has \$441.0 million of cash and cash equivalents invested in short-term investments generating interest revenue at a rate of 1.50%.

(\$ thousands) As at December 31, 2019	Acquisition and Operating Facility
Facility	\$ 740,000 ⁽¹⁾
Less: USD LIBOR borrowings	(579,821) ^{(2),(4)}
Euro LIBOR borrowings	(6,846) ⁽³⁾
Letters of credit	(7,163)
Available borrowing capacity	\$ 146,170
Weighted average interest rate including interest rate swaps	1.08%

⁽¹⁾ In addition to the above Facility, there is a \$200,000 Bridge Facility in place. There were no amounts drawn on this Bridge Facility as of December 31, 2019. The Bridge Facility will expire March 15, 2020. There is also a \$72,915 (€50,000) ERES Credit Facility and a \$72,915 (€50,000) ERES Bridge Facility. There was \$37,226 drawn under the ERES Credit Facility and no amounts drawn on this ERES Bridge Facility as of December 31, 2019.

⁽²⁾ CAPREIT has USD LIBOR borrowings of USD \$446,428 (2018 – USD \$187,000) that bears interest at the USD LIBOR rate plus a margin of 1.65% per annum.

⁽³⁾ CAPREIT has Euro LIBOR borrowings of €4,694 (2018 – €200,000) that bears interest at the Euro LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%.

⁽⁴⁾ CAPREIT entered into a number of cross-currency swaps to (i) hedge the USD-based loan into Euro, and (ii) convert the variable interest rate on the USD-based loan of USD LIBOR plus 1.65% into a fixed interest rate of 1.07%.

Investment properties with a fair value of \$12.2 billion have been pledged as security as at December 31, 2019. In addition, CAPREIT has investment properties with a fair value of approximately \$940.8 million as at December 31, 2019 that are not encumbered by mortgages and secure only the Acquisition and Operating Facility. CAPREIT intends to maintain unencumbered investment properties with an aggregate fair value in the range of \$500 million to \$550 million over the medium term. This range mainly represents a pool of MHC sites and includes the closing of the recent MHC Portfolio acquisition.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at December 31, 2019, is paid through the Credit Facilities. Management does a liquidity forecast on a monthly basis which includes refinancings, property capital investments, potential acquisitions and potential dispositions to monitor the available capacity.

Mortgages Payable

CAPREIT takes a conservative approach and actively manages its mortgage portfolio to reduce interest costs while ensuring it is not overly exposed to interest rate volatility risk. Management takes a portfolio approach to its mortgage debt, proactively staggering maturities to reduce risk while taking advantage of the current low interest rate environment.

CAPREIT primarily focuses on multi-unit residential real estate in Canada, which is eligible for government-backed insurance for mortgages administered by CMHC, which benefits CAPREIT in two ways:

- CAPREIT obtains lower interest rate spreads for mortgage financing; and
- CAPREIT's overall renewal risk for mortgage refinancings is reduced as the mortgage insurance coverage is transferable between approved lenders and is effective for the full initial amortization period of the underlying mortgage ranging between 25 and 40 years.

In order to maintain and enhance its CMHC-insured financing program, and consistent with CMHC's risk management practices involving large borrowers, CAPREIT has entered into the LBA. Other than improving the efficiency and consistency of such processes such as underwriting, the LBA has not materially affected the manner in which CAPREIT conducts its business or its approach to mortgage financing.

As at December 31,	2019	2018
Percentage of CMHC-insured mortgages ⁽¹⁾	98.3%	97.5%
Percentage of fixed rate mortgages ⁽²⁾	99.0%	100.0%
Weighted average mortgage interest rate ⁽³⁾	2.78%	3.05%
Weighted average mortgage term to maturity (years)	5.13	5.10

⁽¹⁾ Excludes the mortgages on the MHC sites and European financings.

⁽²⁾ Taking into consideration interest rate swaps where hedge accounting is not being applied, 100% of mortgages are subject to fixed rates.

⁽³⁾ Weighted average mortgage interest rate includes deferred financing costs and fair value adjustments on an effective interest rate basis. Including the amortization of the realized component of the loss on settlement of \$32.5 million included in AOCL, the effective portfolio weighted average interest rate as at December 31, 2019 would be 2.84% (December 31, 2018 – 3.13%).

The following table summarizes the changes in the mortgage portfolio during the years:

(\$ thousands)	2019	2018
As at December 31,		
Balance, beginning of the year	\$ 3,728,333	\$ 3,581,501
Add:		
New borrowings on acquisitions	527,960	178,018
Mortgages assumed ⁽¹⁾	147,814	22,915
Refinanced	300,547	213,216
Gain on foreign currency translation	(35,214)	12,382
Less:		
Mortgage principal amortization	(125,902)	(116,877)
Mortgages matured	(232,336)	(103,734)
Mortgages repaid on dispositions of investment properties	–	(58,212)
Change in deferred financing costs, fair value adjustments, net	(2,630)	(876)
Balance, end of the year	\$ 4,308,572	\$ 3,728,333

⁽¹⁾ Includes the mortgages on the properties assumed as part of the business combination. For details, please refer to note 4 of the consolidated annual financial statements.

The following table presents refinancings, weighted average interests rates obtained, and mortgage top-ups closed or committed up to 2019.

(\$ thousands)	Original Mortgage Amount	Original Stated Interest Rate	New Mortgage Amount	New Stated Interest Rate ^{(1),(2)}	Weighted Average Term on New Mortgages (years)	Top-Up Financing Amount
First quarter	\$ 5,955	4.62%	\$ 11,071	2.76%	10.4	\$ 5,116
Second quarter	97,767	3.55%	173,036	2.86%	7.1	75,269
Third quarter	99,082	3.37%	61,076	2.57%	10.0	(38,006) ⁽³⁾
Fourth quarter	29,532	3.58%	55,364	2.49%	10.0	25,832
Total and weighted average	\$ 232,336	3.50%	\$ 300,547	2.73%	8.3	\$ 68,211
Canadian acquisitions	–	–	159,148	2.90%	12.1	–
The Netherlands acquisitions	–	–	368,812	1.28%	6.3	–
Total and weighted average with acquisitions	\$ 232,336	3.50%	\$ 828,507	2.12%	8.1	\$ 68,211

⁽¹⁾ Weighted average.

⁽²⁾ Excludes CMHC, other financing costs and impact of hedging.

⁽³⁾ \$26.0 million in top-up is offset by \$64.0 million in mortgage discharge.

For purposes of estimating top-up financing potential, the following table provides annualized NOI for those properties with mortgages maturing over the next five years and beyond. A property's full NOI is included in the first year in which a mortgage matures. The balance of mortgages remaining on the same property but maturing in other years is also shown. Management expects to raise between \$480 million and \$530 million in total mortgage renewals and refinancings for 2020 excluding financings on acquisitions.

As at December 31, 2019 (\$ thousands)					
Year of Maturity	Mortgages on the Same Properties Maturing in		Total Mortgages	NOI of Properties with Maturing Mortgage(s) ^{(2),(3)}	
	Mortgage Maturities ⁽¹⁾	Other Years ⁽¹⁾			
2020	\$ 307,832	\$ 103,080	\$ 410,912	\$	53,239
2021	356,157	62,814	418,971		65,522
2022	418,893	15,603	434,496		69,068
2023	482,913	66,698	549,611		85,937
2024	266,804	(56,222)	210,582		39,628
2025 onward	1,797,738	(191,973)	1,605,765		180,544
Total	\$ 3,630,337	\$ -	\$ 3,630,337	\$	493,938

⁽¹⁾ Mortgage balance due upon maturity.

⁽²⁾ NOI for the 12 months ended December 31, 2019.

⁽³⁾ Projected NOI included for acquisitions since December 31, 2018.

The breakdown of CAPREIT's Canadian dollar denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2019 is as follows:

As at December 31, 2019 (\$ thousands)						
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1),(2)}	
2020	\$ 126,830	\$ 307,832	\$ 434,662	12.6	2.70	
2021	115,132	356,157	471,289 ⁽³⁾	13.7	3.36	
2022	105,605	346,104	451,708	13.1	3.09	
2023	87,272	327,029	414,301	12.0	3.26	
2024	71,866	244,356	316,221	9.2	3.73	
2025	62,826	322,083	384,909	11.2	2.76	
2026	41,807	298,212	340,019	9.9	2.74	
2027	25,814	135,238	161,052	4.7	3.09	
2028	19,970	121,444	141,414	4.1	3.22	
2029	10,658	215,918	226,578	6.6	2.91	
2030–2034	13,984	86,137	100,121	2.9	2.93	
	\$ 681,764	\$ 2,760,510	\$ 3,442,274	100.0%	3.07% ⁽²⁾	
Deferred financing costs, fair value adjustments, net			(7,497)			
Total			\$ 3,434,777			

⁽¹⁾ Effective weighted average interest rates for maturing mortgages only.

⁽²⁾ Effective weighted average interest rate includes deferred financing costs and fair value adjustments, but excludes CMHC premiums.

⁽³⁾ Included in mortgages payable is a \$65.0 million non-amortizing credit facility on two of the MHC sites.

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2019 is as follows:

As at December 31, 2019
(\$ thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%) ^{(1),(2)}
2020	\$ 1,785	\$ –	\$ 1,785	€ 1,224	0.2	0.00
2021	1,796	–	1,796	1,232	0.2	0.00
2022	1,807	72,790	74,597	51,153	8.5	1.43
2023	1,750	155,884	157,634	108,095	18.0	1.50
2024	930	22,448	23,378	16,031	2.7	1.88
2025	–	338,445	338,445	232,139	38.6	1.88
2026	–	280,260	280,260	192,182	31.8	1.47
	\$ 8,068	\$ 869,827	\$ 877,895	€ 602,056	100.0%	1.64% ⁽²⁾
Deferred financing costs, fair value adjustments, net			(4,100)			
Total			\$ 873,795			

⁽¹⁾ Effective weighted average interest rates for maturing mortgages only.

⁽²⁾ Effective weighted average interest rate includes deferred financing costs and fair value adjustments.

To ensure CAPREIT is not overly exposed to interest rate volatility risk, management has been successful in staggering the maturity dates within its mortgage portfolio or entering into long-term financing arrangements.

To reduce its interest cost and cost of capital, management will continue to leverage its balance sheet strength and the stability of its property portfolio to fund acquisitions and its capital investment plan, and to refinance its mortgage principal repayments.

Unitholders' Equity and Units Awarded under Unit-based Compensation Plans

Unitholders' Equity represents the issued and outstanding Trust Units, and excludes the Exchangeable Units and any Units issued in connection with Unit-based incentive plans. For the purposes of the discussion below, Exchangeable Units and Units issued in connection with Unit-based incentive plans are treated as equity as they have claims similar or identical to those of the Trust Units.

Equity offerings and over-allotments for the periods ending December 31, 2019:

(\$ thousands, except per Unit amounts)

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
December 2019 (the "December 2019 Equity Offering")					
Bought-deal (December 6, 2019)	\$ 53.60	\$ 425,048	\$ 17,612	\$ 407,436	7,930,000
Over-allotment (December 6, 2019)	\$ 53.60	63,757	2,641	61,116	1,189,500
Total		\$ 488,805	\$ 20,253	\$ 468,552	9,119,500

(\$ thousands, except per Unit amounts)

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
April 2019 (the "April 2019 Equity Offering")					
Bought-deal (April 23, 2019)	\$ 49.00	\$ 300,125	\$ 13,807	\$ 286,318	6,125,000
Over-allotment (April 23, 2019)	\$ 49.00	45,019	950	44,069	918,750
Total		\$ 345,144	\$ 14,757	\$ 330,387	7,043,750

(\$ thousands, except per Unit amounts)

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
January 2019 (the "January 2019 Equity Offering")					
Bought-deal (January 4, 2019)	\$ 45.50	\$ 250,250	\$ 11,512	\$ 238,738	5,500,000
Over-allotment (January 11, 2019)	\$ 45.50	37,538	900	36,638	825,000
Total		\$ 287,788	\$ 12,412	\$ 275,376	6,325,000

Market capitalization and units outstanding:

As at December 31, 2019

Market capitalization (\$ thousands)	\$ 9,012,770
Number of Units outstanding	170,562,280
Deferred Units	150,996
RUR Plan Units	542,087
Ownership by trustees, officers and senior managers	0.7%

Unitholder Taxation

For taxable Canadian resident Unitholders, the distributions are treated as follows for income tax purposes:

For the year ended December 31,	2019	2018
Taxable to Unitholders as other income	29%	33%
Taxable to Unitholders as capital gain income	0%	25%
Income tax deferral	71%	42%
Total	100%	100%
Total effective non-taxable portion of distributions	71%	54%

The portion of CAPREIT's distributions to Canadian resident Unitholders treated as taxable for the year ended December 31, 2019 decreased over the prior year primarily due to capital gain income from property dispositions in 2018 that did not occur in 2019.

SECTION VI: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES

Selected Consolidated Quarterly Information

	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Overall portfolio net AMR	\$ 1,084	\$ 1,069	\$ 1,050	\$ 1,093	\$ 1,103	\$ 1,079	\$ 1,065	\$ 1,054
Operating revenues (000s) ⁽¹⁾	\$ 206,878	\$ 198,760	\$ 190,735	\$ 181,511	\$ 177,667	\$ 172,298	\$ 170,601	\$ 168,019
NOI (000s) ^{(1),(2)}	\$ 135,704	\$ 132,844	\$ 125,767	\$ 113,835	\$ 112,313	\$ 113,850	\$ 110,868	\$ 102,402
NOI margin ⁽¹⁾	65.6%	66.8%	65.9%	62.7%	63.0%	66.1%	65.0%	60.9%
Net income (000s)	\$ 492,267	\$ 330,341	\$ 167,329	\$ 205,510	\$ 736,267	\$ 119,594	\$ 261,612	\$ 100,198
FFO (000s) ^{(1),(2)}	\$ 87,863	\$ 88,860	\$ 84,091	\$ 73,814	\$ 69,312	\$ 77,290	\$ 76,165	\$ 63,386
NFFO (000s) ^{(1),(2)}	\$ 89,341	\$ 89,513	\$ 85,062	\$ 75,205	\$ 71,414	\$ 77,933	\$ 76,829	\$ 64,095
Total debt to gross book value	34.99%	36.74%	36.34%	37.67%	39.37%	40.48%	40.53%	41.48%
FFO per Unit ⁽¹⁾ – basic	\$ 0.538	\$ 0.554	\$ 0.531	\$ 0.485	\$ 0.477	\$ 0.535	\$ 0.530	\$ 0.457
NFFO per Unit ⁽¹⁾ – basic	\$ 0.547	\$ 0.558	\$ 0.538	\$ 0.484	\$ 0.492	\$ 0.540	\$ 0.535	\$ 0.463
Weighted average number of Units (000s) – basic	163,295	160,328	158,237	152,212	145,199	144,431	143,623	138,554
Weighted average number of Units (000s) – diluted	163,840	160,895	158,806	152,778	145,784	145,831	144,982	140,022

⁽¹⁾ Includes the results of investment properties owned as at the period end.

⁽²⁾ Non-IFRS financial measures are reconciled with IFRS reported amounts in the respective quarterly SEDAR filings.

CAPREIT's operations are affected by seasonal cycles, and operating performance in one quarter may not be indicative of operating performance in any other quarter of the year. The fourth and first quarters of each year typically tend to generate weaker performance due to increased energy consumption in the winter months. There may be periods where actual distributions declared may exceed cash generated from (utilized in) operating activities after interest paid, primarily due to weaker performance in certain periods from seasonal fluctuations. These seasonal or short-term fluctuations are funded, if necessary, with our Acquisition and Operating Facility. CAPREIT determines distributions and the distribution rate by, among other considerations, its assessment of ACFO (a non-IFRS measure). As such, CAPREIT believes the cash distributions are not an economic return of capital, but a distribution of adjusted cash flow from operating activities.

Fourth Quarter

Operating revenues in the fourth quarter of 2019 increased by 16.4% over the same quarter in 2018, and NOI increased by a significant 20.8%, driven by acquisitions and higher operating revenues. Net income in the fourth quarter of 2019 decreased over the same period last year to \$492.3 million, mainly due to lower fair value adjustments of investment properties of \$418.6 million compared to \$710.5 million for the same period last year. Trust expenses for the quarter ended included approximately \$0.9 million related to non-routine items including legal, consulting and tax costs incurred in connection with initial ERES structuring expenses and acquisition research costs of acquisitions that did not occur. Loan interest and mortgage interest increased by \$7.2 million, offset by higher NOI of \$135.7 million. Higher NFFO for the fourth quarter of 2019 was primarily due to a 4.9% increase in stabilized property NOI and the NOI contribution from acquisitions completed over the prior 12 months.

The following table shows the NOI and the NOI margin attained for each regional market for the periods ended December 31, 2019 and 2018.

NOI by Geography

For the Three Months Ended December 31,	2019			2018			Increase (Decrease)
(\$ thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI ⁽²⁾	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽²⁾	\$ 47,334	35.0	66.2	\$ 43,225	38.4	64.0	9.5
Ottawa	4,489	3.3	67.3	4,601	4.1	72.9	(2.4)
London / Kitchener / Waterloo	5,986	4.4	64.5	4,667	4.2	63.1	28.3
Other Ontario	4,466	3.3	59.2	4,487	4.0	61.9	(0.5)
	\$ 62,275	46.0	65.5	\$ 56,980	50.7	64.4	9.3
Québec							
Greater Montréal Region	\$ 14,692	10.8	58.7	\$ 13,899	12.4	56.8	5.7
Québec City	5,319	3.9	58.9	5,494	4.9	59.8	(3.2)
	\$ 20,011	14.7	58.8	\$ 19,393	17.3	57.6	3.2
British Columbia							
Greater Vancouver Region ⁽²⁾	\$ 11,035	8.1	67.8	\$ 9,686	8.6	71.4	13.9
Victoria	4,790	3.5	73.4	4,188	3.7	72.0	14.4
	\$ 15,825	11.6	69.4	\$ 13,874	12.3	71.6	14.1
Alberta							
Edmonton	\$ 1,239	0.9	67.7	\$ 1,195	1.0	68.0	3.7
Calgary ⁽²⁾	4,552	3.4	62.8	4,232	3.8	58.8	7.6
	\$ 5,791	4.3	63.8	\$ 5,427	4.8	60.6	6.7
Nova Scotia							
Halifax	\$ 3,850	2.8	62.3	\$ 3,315	3.0	56.5	16.1
Saskatchewan							
Regina	398	0.3	55.4	422	0.4	58.5	(5.7)
	\$ 398	0.3	55.4	\$ 422	0.4	58.5	(5.7)
Prince Edward Island							
Charlottetown	\$ 1,068	0.8	51.2	\$ 828	0.7	49.0	29.0
Europe							
The Netherlands ⁽³⁾	\$ 14,880	11.0	74.1	\$ 6,912	6.2	64.0	115.3
Other Europe ⁽⁴⁾	\$ 2,393	1.7	82.9	\$ –	–	–	100.0
	\$ 17,273	12.7	75.2	\$ 6,912	6.2	64.0	149.9
Total residential suites	\$ 126,491	93.2	65.6	\$ 107,151	95.4	63.2	18.0
MHC sites							
Ontario	\$ 4,072	3.0	69.0	\$ 2,917	2.6	66.1	39.6
Québec	218	0.2	65.1	–	–	–	–
British Columbia	608	0.5	73.7	288	0.3	77.8	111.1
Alberta	1,975	1.5	68.6	433	0.4	70.9	356.1
Nova Scotia	31	0.0	32.6	–	–	–	–
Saskatchewan	325	0.2	67.3	305	0.3	66.0	6.6
Prince Edward Island	158	0.1	41.3	111	0.1	48.9	42.3
New Brunswick	1,826	1.3	59.1	1,108	1.0	54.9	64.8
Total MHC sites	\$ 9,213	6.8	65.9	\$ 5,162	4.6	63.7	78.5
Total suites and sites	\$ 135,704	100.0	65.6	\$ 112,313	100.0	63.2	20.8

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ 2018 comparative balances have been restated to reflect adjustments to conform with the current period presentation for land and air rights leases. For further details, refer to the NOI section under the Results of Operations section.

⁽³⁾ In € thousands, €10,226 and €4,478 for the three months ended December 31, 2019 and December 31, 2018, respectively.

⁽⁴⁾ Comprised of ERES' NOI for two commercial properties located in Germany and one in Belgium. In € thousands, €1,571 for the three months ended December 31, 2019.

The stabilized portfolio performance for the three months ended December 31, 2019 compared to December 31, 2018, is summarized as follows:

Three Months Ended December 31, (\$ thousands)	2019		2018		Increase (Decrease)		
	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽¹⁾	\$ 47,216	66.5	\$ 43,227	64.0	5.1	(2.1)	9.2
Ottawa	4,489	67.3	4,601	72.9	5.6	27.2	(2.4)
London / Kitchener / Waterloo	5,141	65.9	4,667	63.1	5.4	(2.8)	10.2
Other Ontario	4,466	59.2	4,487	61.9	4.0	11.3	(0.5)
	\$ 61,312	65.9	\$ 56,982	64.4	5.1	0.6	7.6 ⁽²⁾
Québec							
Greater Montréal Region	\$ 14,531	58.6	\$ 13,970	57.2	1.6	(1.7)	4.0
Québec City	5,319	58.9	5,320	60.6	2.8	7.2	0.0
	\$ 19,850	58.7	\$ 19,290	58.1	1.9	0.5	2.9 ⁽³⁾
British Columbia							
Greater Vancouver Region ⁽¹⁾	\$ 7,879	63.2	\$ 8,344	70.3	5.1	30.3	(5.6)
Victoria	4,468	72.7	4,188	72.0	5.6	2.9	6.7
	\$ 12,347	66.4	\$ 12,532	70.9	5.3	21.7	(1.5) ⁽⁴⁾
Alberta							
Edmonton	\$ 1,239	67.7	\$ 1,195	68.0	4.1	5.0	3.7
Calgary ⁽¹⁾	4,496	62.7	4,232	58.8	(0.2)	(9.5)	6.2
	\$ 5,735	63.7	\$ 5,427	60.6	0.6	(7.2)	5.7 ⁽⁵⁾
Nova Scotia							
Halifax	\$ 3,850	62.3	\$ 3,315	56.5	5.3	(8.8)	16.1 ⁽⁶⁾
Saskatchewan							
Regina	\$ 398	55.4	\$ 422	58.4	(0.6)	6.7	(5.7) ⁽⁷⁾
Prince Edward Island							
Charlottetown	\$ 827	56.2	\$ 828	57.3	1.7	4.2	(0.1)
Europe							
The Netherlands ⁽¹³⁾	\$ 5,968	73.5	\$ 5,706	60.4	(14.1)	(42.6)	4.6
Total residential suites	\$ 110,287	64.5	\$ 104,502	63.0	3.1	(1.1)	5.5
MHC Sites							
Ontario	\$ 3,117	68.8	\$ 2,917	66.1	2.7	(5.4)	6.9 ⁽⁸⁾
British Columbia	421	81.3	288	77.8	40.0	18.3	46.2 ⁽⁹⁾
Alberta	417	68.2	433	70.9	0.0	9.0	(3.7) ⁽¹⁰⁾
Saskatchewan	211	64.9	208	68.0	6.2	16.3	1.4 ⁽¹¹⁾
Prince Edward Island	113	48.9	111	48.9	1.8	1.7	1.8
New Brunswick	1,278	60.5	1,108	54.9	4.7	(8.3)	15.3 ⁽¹²⁾
Total MHC sites	\$ 5,557	66.7	\$ 5,065	63.8	4.8	(3.7)	9.7 ⁽¹⁴⁾
Total suites and sites	\$ 115,844	64.5	\$ 109,567	63.0	3.2	(1.9)	5.7
Stabilized suites and sites	48,601		48,601				

⁽¹⁾ 2018 comparative balances have been restated to reflect adjustments to conform with current period presentation for land and air rights leases. For details, refer to NOI section under the Results of Operations section.

⁽²⁾ Higher expenses: higher realty taxes and utilities costs, partially offset by lower R&M costs and wages.

⁽³⁾ Higher expenses: higher realty taxes, on-site costs and legal costs, partially offset by lower R&M costs and utilities costs.

⁽⁴⁾ Higher expenses: higher realty taxes, utilities costs and wages, partially offset by lower insurance costs.

⁽⁵⁾ Lower expenses: lower R&M costs, wages and insurance costs, partially offset by higher realty taxes and on-site costs.

⁽⁶⁾ Lower expenses: lower utilities costs, R&M costs and wages, partially offset by higher insurance costs.

⁽⁷⁾ Higher expenses: higher utilities costs and R&M costs.

⁽⁸⁾ Lower expenses: lower realty taxes and R&M costs, partially offset by higher wages and insurance costs.

⁽⁹⁾ Higher revenue: includes home sales. Excluding home sales of \$122 thousand, revenue increased by \$23 thousand and 6.0%. Higher expenses: higher R&M costs.

⁽¹⁰⁾ Higher expenses: higher R&M costs and realty taxes, partially offset by lower utilities costs and wages.

⁽¹¹⁾ Higher expenses: higher utilities costs, wages and insurance costs.

⁽¹²⁾ Lower expenses: lower R&M costs and insurance costs, offset partially by higher realty taxes.

⁽¹³⁾ In € thousands, €4,078 and €3,690 for the three months ended December 31, 2019 and December 31, 2018, respectively.

⁽¹⁴⁾ Excluding home sales of \$157 thousand, total revenues increased by \$298 thousand and 3.8% and total NOI increased by \$405 thousand and 8.1%.

Selected Consolidated Financial Information

The following table presents a summary of selected financial information for the fiscal years indicated below:

(\$ thousands, except per Unit amounts) Year Ended December 31,	2019	2018	2017
Income Statement			
Operating revenues	\$ 777,884	\$ 688,585	\$ 638,842
Net income	\$ 1,195,447	\$ 1,217,671	\$ 836,811
Distributions			
Distributions declared	\$ 218,136	\$ 187,848	\$ 173,072
Distributions per Unit	\$ 1.372	\$ 1.313	\$ 1.275
Balance Sheet			
Investment properties	\$ 13,096,426	\$ 10,473,544	\$ 8,886,556
Total assets	\$ 14,017,949	\$ 10,842,263	\$ 9,187,170
Mortgages payable	\$ 4,308,572	\$ 3,728,333	\$ 3,581,501
Bank indebtedness	\$ 623,893	\$ 567,365	\$ 446,895

Accounting Policies and Critical Accounting Estimates, Assumptions and Judgments

Summary of Significant Accounting Policies

A summary of significant accounting policies can be found in note 2 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2019.

Critical Accounting Estimates, Assumptions and Judgments

A summary of accounting estimates, assumptions and judgments can be found in note 3 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2019.

Controls and Procedures

Disclosure Controls and Procedures

CAPREIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures designed to ensure information is accumulated and communicated to management, including the executive officers, to allow timely decisions regarding required disclosure.

As at December 31, 2019, CAPREIT's executive officers, with the assistance of management, evaluated the effectiveness of the disclosure controls and procedures in accordance with the rules adopted by the Canadian Securities Administrators under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, and based on that evaluation concluded that the design and operation of the disclosure controls and procedures were effective as at December 31, 2019.

Management has designed an adequate and appropriate control framework for the fair value assessment processes to ensure values reported accurately reflect market conditions. For the fair value assessment process of investment properties and Unit-based compensation, these controls include a comprehensive review of the assumptions and estimates including those used by the independent appraisers or third parties on an annual basis, as well as multiple levels of reviews of such key assumptions and data within CAPREIT by management, with final approval by the Board of Trustees, on an interim and annual basis.

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. As at December 31, 2019, CAPREIT's executive officers, with the assistance of management, assessed the effectiveness of the internal controls over financial reporting using the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013 and, based on that assessment, determined that the internal controls over financial reporting were designed and operating effectively as at December 31, 2019.

CAPREIT did not make any changes to the design of internal controls over financial reporting in 2019 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

Risks and Uncertainties

There are certain risks inherent in an investment in the Units and the activities of CAPREIT. The following is a description of the principal risks in CAPREIT's business, defined as either those that could have a significant impact on CAPREIT if they were to occur or those that are significant to CAPREIT's day-to-day operations. Investors should carefully consider these risks before investing in CAPREIT Units.

Related to Reporting Investment Property at Fair Value

CAPREIT holds investment property to earn rental income, for capital appreciation or both. All investment property is measured using the fair value model, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income and comprehensive income. Management values each investment property based on the most probable price for which such property could be sold in an open, competitive market as of a specified date. Such valuation takes into account all requisite conditions to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and the assumption that such price is not affected by undue stimulus. Each investment property has been valued on a highest and best use basis.

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. Market assumptions applied for appraisals and valuation purposes do not necessarily reflect CAPREIT's specific history or experience and the conditions for realizing the fair values through a sale may change or may not be realized. In addition, there is an inherent risk related to the reliance on and use of a limited number of appraisers, as this approach may not adequately capture the range of fair values that market participants would assign to the investment properties. CAPREIT mitigates this risk by undertaking a detailed review of the assumptions utilized by the appraiser in its valuation, which includes a comparison of such assumptions to the corresponding benchmarks derived from management's own observations of market transactions and a secondary appraiser. Downturns in the real estate market could negatively affect CAPREIT's operating revenues and cash flows; such a downturn could also significantly impact the fair values of CAPREIT's investment properties, as well as certain of its financial ratios and covenants.

Related to Ownership and Operation of Real Property

Real Property Ownership

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of CAPREIT to respond to changing economic or investment conditions. If CAPREIT were required to quickly liquidate assets, there is a risk the proceeds realized from such a sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, CAPREIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

Investment Restrictions

CAPREIT has been structured and operates in adherence to the stringent investment restrictions and operating policies set out in its DOT and as applicable under tax laws relating to real estate investment trusts (also see Taxation-Related Risks in this section). These policies cover such matters as the type and location of properties that CAPREIT can acquire, the maximum leverage allowed and environmental matters. In addition, pursuant to the DOT, CAPREIT's overall leverage is limited to 70% of its reported gross book value. Fluctuations in the capitalization rates of CAPREIT's properties could impact these fair values and CAPREIT's debt covenant compliance.

Operating Risk

CAPREIT is subject to general business risks and to risks inherent in the multi-residential rental property industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economic rents (including anticipated increases in rent), controlling bad debt exposure, rent control regulations, increases in labour costs and other operating costs including property taxes and the costs of utilities, as well as possible future changes in labour relations, competition from other landlords or the oversupply of rental accommodations, the imposition of increased taxes or new taxes and capital investment requirements.

In general, economic conditions will also affect the performance of the portfolio. Additionally, the portfolio is currently weighted with 44.8% of the overall portfolio (by number of suites and sites) in Ontario (26.6% in the GTA), making CAPREIT's performance particularly sensitive to economic conditions in and changes affecting Ontario and, in particular, the GTA.

CAPREIT's investment properties generate income through rental payments made by residents. Residential tenant leases are relatively short, exposing CAPREIT to market rental-rate volatility. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the resident replaced. The terms of any subsequent lease may be less favourable to CAPREIT than the existing lease. Renewal rates may be subject to restrictions on increases to the then current rent (see Government Regulations in this section). As well, unlike commercial leases, which are generally "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases (with the exception of sub-metering of certain utilities at some properties) under which the landlord is not able to pass on costs to residents. Moreover, there is no assurance that occupancy levels achieved to date at the properties will continue to be achieved and/or that occupancy levels expected in the future will be achieved. Any one, or a combination, of these factors may adversely affect the cash available to or the financial position of CAPREIT.

Energy Costs

As a significant part of CAPREIT's operating expenses is attributable to energy and energy-related charges and fees, fluctuations in the price of energy and any related charges and fees (including transportation costs and commodity taxes) can have a material impact on the performance of CAPREIT, its ability to pay distributions and the value of its Units. The impact of such fluctuations could be exacerbated if such energy costs cannot be hedged.

From time to time, CAPREIT may enter into agreements to pay fixed prices on all or certain of its energy requirements (principally natural gas and electricity in certain markets) to offset the risk of rising expenditures resulting from the increase in the prices of these energy commodities; however, if the prices of these energy commodities decline beyond the levels set in these agreements, CAPREIT will not benefit from such declines in energy prices and will be required to pay the higher price for such energy supplies in accordance with these agreements.

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally more restrictive, in recent years. Under various laws CAPREIT could be liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in monitoring its properties, or disposed of by or on behalf of CAPREIT at other locations. The failure to remove, monitor or remediate any such substances, if any, may adversely affect CAPREIT's ability to sell its real estate, or to borrow using such real estate as collateral, and could potentially also result in regulatory enforcement proceedings and/or private claims against CAPREIT.

Although CAPREIT is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to CAPREIT in the future or otherwise adversely affect CAPREIT's business, financial condition or results of operations.

Environmental laws and regulations can change rapidly and CAPREIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on CAPREIT's business, financial condition or results of operation.

CAPREIT has formal policies and procedures to review and monitor environmental exposure. CAPREIT has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations.

Catastrophic Events

CAPREIT's properties may be impacted by acts of nature, such as climate-related events. Depending on their severity, these events could cause threats to the safety of CAPREIT's tenants and significant damage to CAPREIT's properties and interruptions to CAPREIT's normal operations. CAPREIT may be required to incur significant unanticipated costs to manage the impact of these events. Management of the impact of a catastrophic event would also result in time and effort being diverted from CAPREIT's day-to-day operations. There is also a possibility that CAPREIT's ability to generate revenues from impacted properties could be significantly impaired. The increased costs, time, effort and potential revenue loss could be more significant if multiple properties or operating regions are impacted by catastrophic events within a relatively short time frame.

Climate Change

Climate change presents a multi-faceted risk for CAPREIT considering its investment in and management of real estate assets in multiple geographical territories.

Increases in frequency and magnitude of climate-related risks such as floods, fires, windstorms and ice storms in certain locales can lead to increased capital expenditure, repairs and maintenance and interruptions to the operation. Ongoing operating costs such as energy can potentially be impacted by more extreme weather, and anticipation of more frequent and severe weather events may have an adverse effect on insurance premiums. Investment properties in areas that are more prone to weather-related events may be subject to adverse effects on valuations.

Lenders, investors, credit rating agencies and regulators are increasingly viewing climate change as an important issue that requires greater consideration. A lack of investment strategy, and operational management plan concerning climate change, may have an adverse effect on CAPREIT's ability to raise funds via debt and/or equity, as well as related investment returns and sentiment.

CAPREIT is evaluating the potential impact of climate change related considerations with a view to developing a climate risk and resiliency strategy in order to address any material risks. In the event that material risks are identified, such strategy will support investment and development decisions. Additionally, CAPREIT maintains a strong insurance program that considers the impacts of weather-related events by providing coverage for property damage and business interruption.

Insurance

It is CAPREIT's policy to maintain a comprehensive insurance program to cover general liabilities, such as fire, flood, injury or death, rental loss and environmental insurance, with limits and deductibles as deemed appropriate based on the nature of the risk, historical experience and industry standards. However, there are some types of losses, including those of a catastrophic nature, that are generally uninsurable or not economically feasible to insure, or which may be subject to insurance coverage limitations, such as large deductibles, co-payments or limitations in policy language. There can be no assurance that insurance coverage will continue to be available on commercially acceptable terms.

Capital Investments

For prudent management of its property portfolio, CAPREIT makes significant property capital investments throughout the period of ownership of its properties (for example, to upgrade and maintain building structure, balconies, parking garages, electrical and mechanical systems). CAPREIT has prepared building condition reports and has committed to a multi-year property capital investment plan. CAPREIT must continuously monitor its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. CAPREIT requires sufficient capital to carry out its planned property capital investment and repair and refurbishment programs to upgrade its properties or be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to CAPREIT. A significant increase in capital investment requirements or difficulty in securing financing or the availability of financing on reasonable terms could adversely impact the cash available to CAPREIT and its ability to pay distributions.

Related to Financing

Indebtedness

A portion of CAPREIT's cash flow is devoted to servicing its debt, and there can be no assurance that CAPREIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. CAPREIT has and will continue to have substantial outstanding consolidated indebtedness, comprising mainly property mortgages and indebtedness under its Credit Facilities. CAPREIT is subject to the risks associated with debt financing, including the risk that CAPREIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness or expectations of future interest rates. In such circumstances, CAPREIT could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing, and its ability to make property capital investments and distributions to Unitholders could be adversely affected.

CAPREIT currently has access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. CAPREIT entered into the LBA with CMHC during the third quarter of 2010. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future so as to make the costs of obtaining mortgage insurance prohibitive or restrict access to the insurance program. To the extent that any financing requiring CMHC consent or approval is not obtained or that such consent or approval is only available on unfavourable terms, CAPREIT may be required to finance a conventional mortgage, which may be less favourable to CAPREIT than a CMHC-insured mortgage.

CAPREIT's Acquisition and Operating Facility matures on June 30, 2022. CAPREIT's Acquisition and Operating Facility is at a floating interest rate and, accordingly, changes in short-term borrowing rates will affect CAPREIT's costs of borrowing. CAPREIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing or cost-effective financing. As at the date hereof, it is difficult to forecast the future state of the commercial loan market. If, because of CAPREIT's level of indebtedness, the level of cash flows, lenders' perceptions of CAPREIT's creditworthiness or other reasons, management is unable to renew, replace or extend the Credit Facilities on acceptable terms, or to arrange for alternative financing, CAPREIT may be required to take measures to conserve cash until the markets stabilize or alternative credit arrangements or other funding can be arranged, if such financing is available on acceptable terms, or at all. Such measures could include deferring property capital investments, dispositions of one or more properties on unfavourable terms, reducing or eliminating future cash distributions or other discretionary uses of cash, or other more severe actions. Also, disruptions in the credit markets and uncertainty in the economy could adversely affect the banks that currently provide the Credit Facilities, could cause the banks or a bank to elect not to participate in any new Credit Facilities sought, or could cause other banks that are not currently participants in the Credit Facilities to be unwilling or unable to participate in any such new facility.

Furthermore, given the relatively small size of the Canadian marketplace, there are a limited number of lenders from which CAPREIT can reasonably expect to borrow, and the number of lenders currently participating in the CMHC-insured mortgage market is even smaller. Consequently, it is possible that financing which CAPREIT may require in order to grow and expand its operations upon the expiry of the term of existing financing, or the refinancing of any particular property owned by CAPREIT or otherwise, may not be available or may not be available on favourable terms.

Related to Taxes and Regulations

Taxation-Related Risks

CAPREIT currently qualifies as a mutual fund trust for Canadian income tax purposes. It is the current policy of CAPREIT to distribute all of its taxable income to Unitholders and it is therefore generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, CAPREIT is required to comply with specific restrictions regarding its activities and the investments held by it. If CAPREIT were to cease to qualify as a "mutual fund trust", the consequences could be adverse.

There can be no assurance that Canadian federal income tax laws in respect of the treatment of mutual fund trusts will not be changed in a manner that adversely affects CAPREIT or its Unitholders. If CAPREIT ceases to qualify as a "mutual fund trust", CAPREIT will be required to pay tax under Part XII.2 of the Income Tax Act ("Tax Act"). The payment of Part XII.2 tax by CAPREIT may have adverse income tax consequences for certain of CAPREIT's Unitholders, including non-resident persons and trusts governed by registered retirement savings plans, registered disability savings plans, deferred profit-sharing

plans, registered retirement income funds, tax-free savings accounts and registered education savings plans (“designated savings plans”), which acquired an interest in CAPREIT directly or indirectly from another CAPREIT Unitholder. If CAPREIT ceases to qualify as a “mutual fund trust” or “registered investment” under the Tax Act and CAPREIT Units cease to be listed on a designated stock exchange, CAPREIT Units will cease to be qualified investments for trusts governed by designated savings plans. CAPREIT will endeavour to ensure CAPREIT Units continue to be qualified investments for trusts governed by the designated savings plans; however, there can be no assurance that this will be so. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such trusts. Unitholders should consult their own tax advisors in this regard, including as to whether CAPREIT Units are “prohibited investments” for registered retirement savings plans, registered retirement income funds or tax-free savings accounts.

A REIT is defined under the SIFT Rules as a trust that is resident in Canada throughout the taxation year and that satisfies all of the following criteria:

- i. At each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are qualified REIT properties held by the trust is at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- ii. Not less than 90% of the trust's gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest, dispositions of real or immovable properties that are capital properties, dividends, royalties, and dispositions of eligible resale properties;
- iii. Not less than 75% of the trust's gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- iv. At each time in the taxation year, an amount that is equal to 75% or more of the equity value of the trust at that time is the amount that is the total fair market value of all properties held by the trust, each of which is a real or immovable property that is a capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described by either paragraph (a) or (b) of the definition “qualified investment” in section 204, or a deposit with a credit union; and
- v. Investments in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

For this purpose, “real or immovable property” includes a security of any trust, corporation or partnership that itself satisfies the above criteria in (i)–(iv) above, but does not include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

Excluded from the definition of a SIFT is a partnership, such as CAPLP and CAPLP2, that is not publicly traded and of which the equity (and equity-like debt) is wholly owned by any combination of a SIFT, a REIT or a taxable Canadian corporation. If CAPREIT does not qualify for the REIT Exception at any point in time in a given future year, the SIFT Rules will apply to CAPREIT for that taxation year. To the extent that CAPREIT does not qualify for the REIT Exception, CAPREIT will consider alternative measures, including restructuring, assuming that these measures are in the best interests of its Unitholders, in order to qualify for the REIT Exception in the following year. No assurances can be given that CAPREIT will continue to qualify for the REIT Exception. If applicable, the SIFT Rules may have a material adverse effect on Unitholders' returns.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgment is required in the estimation of income taxes and deferred income tax assets and liabilities in each of CAPREIT's operating jurisdictions. Income taxes may be paid where activities carried on by the foreign subsidiaries are considered to be taxable in those countries.

CAPREIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments, together with associated interest and penalties, could adversely affect CAPREIT and CAPREIT's Unitholders.

CAPREIT has foreign subsidiaries that are subject to the tax laws of foreign jurisdictions. Distributions from those foreign subsidiaries may be subject to withholding tax, which may increase the overall taxes payable by CAPREIT and its subsidiaries, and reduce the amount of cash available for distribution to Unitholders. For Canadian income tax purposes, any such foreign withholding tax incurred by CAPREIT will generally be allocated to the CAPREIT Unitholders and such Unitholders may be entitled to claim a foreign tax credit in respect of such taxes.

In addition, there is a risk that the tax laws and treaties of the foreign jurisdictions may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, the effective tax rate in the jurisdictions in which the foreign subsidiaries operate and the portion of distributions which would be income for Canadian income tax purposes. Any such changes may have a material adverse effect on Unitholders' returns.

Rent Control Regulations

Multi-unit residential rental properties are subject to rent control legislation in most provinces in Canada. Each province in which CAPREIT operates maintains distinct regulations with respect to tenants' and landlords' rights and obligations. The legislation in various degrees imposes restrictions on the ability of a landlord to increase rents above an annually prescribed guideline or requires the landlord to give tenants sufficient notice prior to an increase in rent, or restricts the frequency of rent increases permitted during the year. The annual rent increase guidelines as per applicable legislation attempt to link the annual rent increases to some measure of the change in the cost of living index over the previous year. The legislation also, in most cases, provides for a mechanism to ensure rents can be increased above the guideline increases for extraordinary costs. As a result of rent controls, CAPREIT may incur property capital investments in the future that will not be fully recoverable from rents charged to tenants.

The availability of affordable housing and related housing policy and regulation is continuing to increase in prominence as a topic of concern at the various levels of government. Accordingly, through different approaches, governments may enact policy, or amend legislation, in a manner that may have a material adverse effect on the ability of CAPREIT to grow or maintain the historical level of cash flow from its properties. In addition, laws and regulations providing for compliance with various housing matters involving tenant evictions, work orders, health and safety issues or fire and maintenance standards, etc. may become more stringent in the future. Compliance with increased regulatory oversight over these matters may lead to increased operating costs and have an adverse effect on revenues.

Controls over Financial Reporting

CAPREIT maintains information systems, procedures and controls over financial reporting. As a result of the inherent limitations in all control systems, there cannot be complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances, and the impact of isolated errors.

In addition, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Other Legal and Regulatory Risks

CAPREIT is subject to a wide variety of laws and regulations across all jurisdictions, and faces risks associated with legal and regulatory changes and litigation. If CAPREIT or its advisors fail to monitor and become aware of changes in applicable laws and regulations or if CAPREIT fails to comply with these changes in an appropriate and timely manner, it could result in fines and penalties, litigation or other significant costs, as well as significant time and effort to remediate any violations. Additionally, such violations could result in reputational damage to CAPREIT both from an operating and an investment perspective.

Related to CAPREIT's Securities, Organization and Structure

Nature of CAPREIT Trust Units

Trust Units are not traditional equity investments and Trust Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against CAPREIT. The Trust Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that Act or any other legislation. Furthermore, CAPREIT is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. In addition, although CAPREIT is intended to qualify as a "mutual fund trust" as defined by the Tax Act, CAPREIT is not a "mutual fund" as defined by applicable securities legislation.

Securities like the Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Trust Units do not represent a direct investment in the business of CAPREIT and should not be viewed by investors as shares or interests in CAPREIT, or any other company or entity. The Trust Units do not represent debt instruments and there is no principal amount owing to Trust Unitholders under the Trust Units. Each Trust Unit represents an equal, undivided, beneficial interest in CAPREIT as compared to all other Trust Units of the same class.

Unitholder Liability

Recourse for any liability of CAPREIT is limited to the assets of CAPREIT. The DOT provides that no Unitholder, Special Unitholder or annuitant (an "annuitant") under a plan of which a Unitholder or Special Unitholder acts as a trustee or carrier will be held to have any personal liability and that no recourse shall be had to the private property of any Unitholder, Special Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of CAPREIT or of the trustees.

Certain provincial legislatures have passed legislation that provides for statutory limited liability for unitholders of public income trusts governed as a contractual matter by the laws of their jurisdictions. Certain of these statutes have not yet been judicially considered and it is possible that reliance on such statutes by a Unitholder, Special Unitholder or annuitant could be successfully challenged on jurisdictional or other grounds.

Liquidity and Price Fluctuation of Units

CAPREIT is an unincorporated "open-ended" investment trust and its Units are listed on the TSX. There can be no assurance that an active trading market in the Units will be sustained.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. The prices at which Units will trade cannot be predicted. The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors beyond the control of CAPREIT. One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which could adversely affect the market price of the Units. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units. Accordingly, the Units may trade at a premium or a discount to the value of CAPREIT's underlying assets.

In addition, changes in CAPREIT's creditworthiness or perceived creditworthiness may affect the market price or value and/or liquidity of the Units.

The DOT imposes various restrictions on Unitholders. Non-residents and non-Canadian partnerships are prohibited from beneficially and collectively owning more than 49% of the outstanding Units on a non-diluted or diluted basis. These restrictions may limit, or inhibit the exercise of, the rights of certain non-resident persons and partnerships to acquire Units, to continue to hold Units, or to initiate and complete takeover bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and other investors, and thereby adversely affect the liquidity and market value of the Units.

Dilution

Subject to applicable laws, CAPREIT is authorized to issue an unlimited number of Units for the consideration, and on the terms and conditions, that the Board of Trustees determines, without Unitholders' approval. Unitholders have no pre-emptive right in connection with any further issuance. The Board of Trustees has the discretion to issue additional Units in other circumstances pursuant to CAPREIT's various incentive plans. Any issuance of additional Units may have a dilutive effect on the holders of Units. Furthermore, timing differences may occur between the issuance of additional Units and the time such proceeds may be used to invest in new properties. Depending on the duration of such timing difference, this may be dilutive.

Distributions

Cash distributions are not guaranteed. Distributions on the Units are established by the Board of Trustees and are subject to change at the discretion of the Board of Trustees. While CAPREIT has historically made monthly cash distributions to Unitholders, the actual amount of distributions paid in respect of the Units will depend upon numerous factors, all of which

are susceptible to a number of risks and other factors beyond the control of CAPREIT. The market value of the Units will deteriorate if CAPREIT is unable to meet its distribution targets in the future, and that deterioration could be significant. In addition, the composition of the cash distributions for tax purposes may change over time and could affect the after-tax return for Unitholders.

Distribution Reinvestment Plan (“DRIP”) Participation

Participation by Unitholders in CAPREIT's DRIP is determined by factors such as CAPREIT's overall performance and also by many factors outside the control of management such as, but not limited to, market trends and general economic conditions. Declining DRIP participation may adversely affect funds available for distribution to Unitholders, to make interest and principal payments or to make property capital investments. Additionally, such effects may adversely affect Unit prices.

Risk Related to CAPREIT's Investment in ERES

CAPREIT currently beneficially owns, controls or exercises direction over 142,040,821 Class B LP Units and 10,197,000 ERES units, representing approximately 66.0% of the issued and outstanding units of ERES, on a fully diluted basis. The trading price of ERES units may be volatile, and subject to fluctuations due to market conditions and other factors which are often unrelated to operating results and which are beyond CAPREIT's control. Fluctuations in the market price and valuations of CAPREIT's holding in ERES may affect the price of the Units.

Potential Conflicts of Interest

CAPREIT may be subject to various conflicts of interest because certain of the trustees and officers of CAPREIT are engaged in a wide range of real estate and other business activities. CAPREIT may become involved in transactions which conflict with the interests of the foregoing.

The trustees may from time to time deal with persons, firms, institutions or corporations with which CAPREIT may be dealing, or which may be seeking investments similar to those desired by CAPREIT. The interests of these persons could conflict with those of CAPREIT. In addition, from time to time these persons may be competing with CAPREIT for available investment opportunities.

CAPREIT's DOT contains “conflicts of interest” provisions requiring trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Dependence on Key Personnel

The success of CAPREIT depends to a significant extent on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although CAPREIT has entered into employment agreements with certain of its key employees, it cannot be certain that any of those persons will not voluntarily terminate his or her employment with CAPREIT.

The loss of an executive officer or other key employee could lead to material disruption to the business.

Related to the Real Estate Industry

General Economic Conditions

All real property investments are subject to elements of risk. The real value of real property and any improvements thereto depend on the credit and financial stability of residents and the vacancy rates of such properties. The properties generate revenue through rental payments made by residents. CAPREIT is affected by changes in general economic conditions (such as the availability and cost of mortgage funds), local real estate markets (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available rental premises, including new developments, and various other factors. If a significant number of residents are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms, cash available for distribution may be adversely affected.

The global economy may face increasing uncertainty due to trade protectionism, disputes and political events around the world, which could potentially impact Canadian trade and lead to impact on the Canadian economy at large. This could have an impact on employment in the markets in which CAPREIT operates and in turn have an adverse effect on CAPREIT.

Competition for Residents

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with CAPREIT in seeking residents. Competition for residents also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners and competition for CAPREIT's residents could have an adverse effect on CAPREIT's ability to lease suites in its properties and on the rents charged, and may increase leasing and marketing costs and refurbishing costs necessary to lease and re-lease suites, all of which could adversely affect CAPREIT's revenues and, consequently, its ability to meet its obligations and pay distributions. For example, increased condominium construction in the GTA could impact the rental market and affect residential rental fundamentals. In addition, any increase in the supply of available rental accommodation in the markets in which CAPREIT operates or may operate could have an adverse effect on CAPREIT.

Furthermore, low interest rates may encourage residents to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting CAPREIT's business and profitability, including its financing costs.

Competition for Real Property Investments

CAPREIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts that are presently seeking, or which may seek in the future, real property investments similar to those desired by CAPREIT. A number of these investors may have greater financial resources than those of CAPREIT, or operate without the investment or operating restrictions of CAPREIT or according to more flexible conditions. An increase in the availability of investment funds and/or an increase in interest in real property investments may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Acquisitions

CAPREIT's external growth prospects will depend in large part on identifying suitable acquisition opportunities that meet CAPREIT's investment criteria and satisfy its rigorous due diligence process. In addition, external growth prospects will be affected by purchase price, ability to obtain adequate financing or financing on reasonable terms, consummating acquisitions (including obtaining necessary consents) and effectively integrating and operating the acquired properties. Acquired properties may not meet financial or operational expectations due to unexpected costs associated with acquiring the property, as well as the general investment risks inherent in any real estate investment or acquisition, including future refinancing risks. Moreover, newly acquired properties may require significant management attention or property capital investments that would otherwise be allocated to other properties. If CAPREIT is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected.

Acquisition agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of CAPREIT. CAPREIT's due diligence investigations and representations and warranties obtained from third-party vendors may not adequately protect against these liabilities and any recourse against such vendors may be limited by the financial capacity of such vendors.

Privacy and Cyber Security Risk

CAPREIT may be vulnerable to privacy and cyber security incidents given its reliance on processing personal and business confidential information using information technology systems. Third-party vendors, such as cloud host providers and software and application providers and consultants, may also expose CAPREIT to cyber security or privacy incidents.

Sources of cyber security and/or privacy incidents include employees visiting websites that contain malicious code, phishing attacks, social engineering, ransomware attacks, software vulnerabilities that provide hackers access to computers and networks, human error such as misdirected emails containing sensitive information, and lost or stolen computers, laptops, iPads, handheld devices and removable data storage media.

A cyber security and/or privacy incident can lead to: (a) unauthorized access to or disclosure of business confidential and personal information, particularly that belonging to CAPREIT and its tenants, employees and vendors, (b) personal information being compromised leading to identity theft, fraudulent activities and direct losses to stakeholders, including tenants and employees, (c) destruction or corruption of data (in particular, tenant data), (d) lost revenues, (e) disruption to operations, including delays in processing rental applications and rent payments and the time and attention required by

management to investigate and respond to a cyber security incident, (f) remediation costs, including to restore or recover lost data, (g) litigation, fines and liabilities, including third-party liabilities, for failure to comply with applicable privacy and data protection laws or contractual obligations, (h) regulatory investigations, (i) reputational damage to CAPREIT and (j) increased insurance premiums.

As technology continues to become more sophisticated and complex, governments are responding with stricter legislation, requiring higher levels of data protection. In Canada, CAPREIT is subject to federal and provincial privacy, anti-spam, and data protection laws. In Europe, CAPREIT and its Irish and Dutch affiliates are required to comply with the EU General Data Protection Regulation (GDPR). Under GDPR, CAPREIT and its affiliates are classified as either data processors, sub-processors, or controllers, based on their function with regards to processing of EU personal data. Controllers and (sub)processors may share liability, to varying degrees, in the event of a breach. Non-compliance with either of the Canadian or European laws would also expose CAPREIT and/or its affiliates to the risks above.

CAPREIT has implemented a number of preventative measures and mitigation techniques to lessen the risks of cyber security and privacy incidents. Employees receive annual awareness training on data privacy and protection. Access to business confidential and personal information is controlled through organizational measures such as restriction, authorization and minimization processes, physical security (e.g., locked offices and storage locations, alarm monitoring, and security cameras) and technical IT security mechanisms (e.g., authentication, password protection, firewalls, antivirus and encryption). CAPREIT also has in place a disaster recovery plan and has engaged a third party to assist in monitoring and detecting cyber security threats. Additionally, CAPREIT maintains cyber security insurance coverage and continues to monitor and assess the risks surrounding collection, usage, storage, protection and retention/destruction practices of business confidential and personal information. These measures, however, do not guarantee that CAPREIT's financial results will not be negatively impacted by such an incident.

The Board of Trustees and Management as a whole are responsible for CAPREIT's privacy and cyber security strategies. All privacy and/or cyber security incidents are to be reported to CAPREIT's Privacy Officer and IT security team in order to assess the potential impact and determine whether CAPREIT has any notification or reporting obligations to third parties or regulatory agencies.

Foreign Operation and Currency Risks

The Irish, Dutch, Belgian and German real estate markets differ from the Canadian environment and CAPREIT's experience and expertise in managing Canadian properties may not apply perfectly to a foreign operation. Additionally, these foreign markets may differ from Canadian markets with respect to laws and regulations, economic conditions and market norms. Operating success in these foreign markets will depend on CAPREIT's ability to recognize these differences and adapt its business model accordingly. CAPREIT's growth in foreign jurisdictions also requires management oversight and resources that may have been otherwise focused on its Canadian properties. Additionally, it is possible that CAPREIT's subsidiaries and involvement in foreign operations will expose CAPREIT to foreign currency risk, as CAPREIT's functional and presentation currency is the Canadian dollar, while the functional currency of CAPREIT's foreign operations and its investment in IRES and ERES is the Euro.

Related Party Transactions

As at December 31, 2019, CAPREIT has an 18.3% share ownership in IRES and has determined it has significant influence over IRES. Additionally, CAPREIT has a controlling interest of 66.0% effective ownership in ERES. A summary of related party transactions can be found in note 26 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2019.

Commitments and Contingencies

A summary of commitments and contingencies can be found in notes 27 and 28 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2019.

Subsequent Events

A summary of subsequent events can be found in note 30 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2019.

Future Outlook

CAPREIT believes the multi-unit residential rental business will continue to strengthen in the majority of the markets in which it operates. With these strong market fundamentals, and through its proven property and asset management programs, CAPREIT expects to generate modest annual increases in same property Net AMR while stabilizing average occupancies in the range of 97% to 99% on an annual basis. CAPREIT also anticipates operating revenues will benefit from programs that enhance ancillary revenues, including fees for parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost management initiatives are proving effective, leading to stable and growing same property NOI over the long term.

CAPREIT believes the strong defensive characteristics of its property portfolio, due to diversification by geography in Canada and the Netherlands, and by property type, including its strong presence in the Canadian MHC business, will serve to mitigate the negative impact of any future unfavourable economic conditions that certain regions may experience.

CAPREIT continues to evaluate opportunities to expand and diversify its property portfolio through accretive acquisitions at below replacement cost where management believes it can enhance returns on investment by increasing and stabilizing occupancy, growing Net AMRs, reducing operating costs, and enhancing property values through its capital investment and property improvement programs. CAPREIT is also targeting modernizing and reducing the average age of its property portfolio by acquiring newer, recently constructed properties. Newer properties attract higher-quality residents and require less repair and maintenance or capital improvement costs. While CAPREIT's strategy is to remain principally focused on its core Canadian markets, CAPREIT continues to consider select opportunities in other geographic markets.

CAPREIT has defined a number of strategies to capitalize on its strengths and achieve its objectives of providing Unitholders with stable and predictable monthly cash distributions while growing distributions and Unit value over the long term:

- CAPREIT maintains a focus on maximizing occupancy and Net AMR in accordance with local conditions in each of its markets. Since its inception in May 1997, CAPREIT's hands-on management style has focused on ensuring it maintains strong relations with its residents while its capital investment and property improvement programs are aimed at enhancing the lives of its residents and ensuring properties and amenities meet their needs.
- CAPREIT continues to invest in and adopt the latest technologies and solutions to enhance the REIT's risk management, market research and operating efficiency, while reducing costs and strengthening relationships with its residents.
- CAPREIT's building infrastructure improvement programs are designed to upgrade and reposition properties through value-enhancing capital investments. These investments are expected to enhance the life safety of residents, improve the portfolio's long-term cash flow generating potential and increase the portfolio's useful life over the long term.

From time to time, CAPREIT may identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies, or where CAPREIT believes their value has been maximized. CAPREIT believes the realization and reinvestment of capital from such non-core property dispositions are fundamental components of its growth strategy and demonstrate the success of its investment programs.

CAPREIT will prudently investigate the opportunity to develop new multi-unit rental residential properties on land it owns, as well as add new rental suites in certain properties where the opportunity exists. Such investments are highly accretive as no land costs are incurred and serve to further modernize and reduce the average age of its portfolio. CAPREIT believes its current portfolio provides the opportunity to add in excess of 8,800 new rental suites over time through its development and intensification initiatives, primarily in Vancouver and Toronto where demand remains strong and monthly rents support profitable investment.

CAPREIT continues to manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowing costs on its credit facilities while appropriately staggering the maturity dates within its mortgage portfolio to ensure it is not exposed to refinancing risk. CAPREIT believes that, with the continuing availability of lower cost CMHC-insured financing, CAPREIT is well positioned to meet its financing and refinancing objectives at reasonable costs.

CAPREIT maintains a conservative approach to its capital structure, leverage and coverage ratios to further improve its payout ratio. CAPREIT believes its successful equity financing and mortgage refinancing programs have resulted in the REIT possessing one of the strongest balance sheets in its industry, well suited to delivering consistent, stable and secure monthly cash distributions over the long term.

Through numerous ESG programs, CAPREIT ensures it remains a responsible steward of the environment, attracts and retains the best people in its business, builds strong relationships with its residents and the communities in which they live, adopts best practice programs in corporate governance, and maintains open and transparent communication with its investors.

SECTION VII: SUPPLEMENTAL INFORMATION

Property Portfolio

Types of Property Interests

CAPREIT's investments in its property portfolio reflect different forms of property interests, including: Fee Simple Interests – Apartments and Townhomes, Operating Leasehold Interests, Land Leasehold Interests and Fee Simple Interests – MHC Sites.

Fee Simple Interests – Apartments and Townhomes – The majority of CAPREIT's investment in its property portfolio is in the form of fee simple interests, representing freehold ownership of the properties subject only to typical encumbrances, such as mortgages.

Operating Leasehold Interests – CAPREIT owns leasehold interests in 13 properties located in the Greater Toronto Area. The leases mature between 2033 and 2037. While separate lease arrangements exist for each property, the general structure is common across all leases: each lease is for a 35-year term and the rent for the entire lease term was fully paid at the time the leasehold interest was acquired. Each lease also provides CAPREIT with a purchase option exercisable between the 26th and 35th year of the lease term. In the case of one of the properties, the purchase option entitles CAPREIT to acquire a prepaid operating leasehold interest in the property maturing in 2072 (see Portfolio of Operating Leasehold Interests for additional information).

Land Leasehold Interests – CAPREIT owns leasehold interests in three land parcels in Alberta and one land parcel in British Columbia. CAPREIT acquired a residential building on each of the four land parcels and pays ground rent on an annual basis for its use of the land. One land lease matures in 2045, two mature in 2068 and another matures in 2070. CAPREIT does not have the unilateral right to acquire the land or extend the lease term at the maturity of the respective leases (see Portfolio of Land Leasehold Interests for additional information).

Fee Simple Interests – MHC Land Lease Sites – CAPREIT has fee simple interests in 72 MHCs, whereby CAPREIT owns the sites, which it rents to residents.

Portfolio by Type of Property Interest

As at December 31,	2019	%	2018	%
Fee simple interests – apartments and townhomes	44,408	73.2	40,069	77.8
Operating leasehold interests	3,574	5.9	3,815	7.4
Land leasehold interests	1,051	1.7	1,051	2.0
Total residential suites	49,033	80.8	44,935	87.2
Fee simple interests – MHC land lease sites	11,680	19.2	6,593	12.8
Total suites and sites	60,713	100.0	51,528	100.0

Portfolio Diversification

CAPREIT's property portfolio continues to be diversified by geography and balanced among asset types. Management's long-term goal is to further enhance the geographic diversification and defensive nature of its portfolio through acquisitions and development.

Portfolio by Geography

As at December 31,	2019	%	2018	%
Residential Suites				
Ontario				
Greater Toronto Area	16,155	26.6	15,658	30.4
Ottawa	2,377	3.9	2,377	4.6
London / Kitchener / Waterloo	2,960	5.0	2,407	4.7
Other Ontario	1,702	2.8	1,702	3.3
	23,194	38.3	22,144	43.0
Québec				
Greater Montréal Region	7,655	12.6	7,482	14.5
Québec City	2,517	4.1	2,517	4.9
	10,172	16.7	9,999	19.4
British Columbia				
Greater Vancouver Region	3,551	5.8	3,217	6.2
Victoria	1,550	2.6	1,478	2.9
	5,101	8.4	4,695	9.1
Alberta				
Edmonton	435	0.7	435	0.8
Calgary	1,963	3.2	1,884	3.7
	2,398	3.9	2,319	4.5
Nova Scotia				
Halifax	1,659	2.7	1,659	3.2
Saskatchewan				
Regina	234	0.4	234	0.5
	234	0.4	234	0.5
Prince Edward Island				
Charlottetown	643	1.1	537	1.0
Europe				
The Netherlands ⁽¹⁾	5,632	9.3	3,348	6.5
Total residential suites	49,033	80.8	44,935	87.2
MHC Sites				
Ontario	3,962	6.5	2,703	5.3
Québec	429	0.7	–	–
British Columbia	488	0.8	272	0.5
Alberta	2,079	3.4	418	0.8
Nova Scotia	127	0.2	–	–
Saskatchewan	376	0.6	380	0.7
Prince Edward Island	772	1.3	504	1.0
New Brunswick	3,447	5.7	2,316	4.5
Total MHC sites	11,680	19.2	6,593	12.8
Total suites and sites	60,713	100.0	51,528	100.0

⁽¹⁾ Includes all residential properties owned by ERES.

While maintaining a strong and strategic presence in Ontario's vibrant residential market, CAPREIT continues to focus on diversifying its geographic portfolio outside of Ontario by increasing its presence in other markets with strong fundamentals. CAPREIT continues to look for investment opportunities that meet its investment criteria and that, where possible, will further its diversification strategy. The geographic diversification of its portfolio also enables CAPREIT to mitigate the risks arising from potential downturns in any specific markets.

Portfolio of Operating Leasehold Interests

CAPREIT has the option to acquire fee simple interests in 12 of the properties, which are exercisable between the 26th and 35th years of the respective leases. In the case of a 13th property, comprised of 327 suites, CAPREIT's option entitles it to acquire a prepaid operating leasehold interest in the property maturing in 2033 and an air rights lease maturing in 2072. In 2019, CAPREIT completed the early buyout of two operating leases and converted the properties into fee simple interests. For further details, please see Section V – Investment Properties for further details.

The purchase options are independently exercisable, enabling CAPREIT to acquire additional interests in any or all of the properties. The option prices vary by property and by the year in which the option is to be exercised. The aggregate range of option prices would be approximately \$262 million to \$312 million if each of the options were exercised in the 26th and 35th years, respectively, of the lease terms. If CAPREIT elected to exercise any option prior to the maturity of the lease term, CAPREIT would be entitled to receive a pro rata amount of the prepaid lease amount based on the remaining lease term. In addition, under certain circumstances, the option price may be reduced by the unamortized portion of capital expenditures incurred during the final 10 years of the lease term.

The mortgages on each of these 13 properties are scheduled to be fully repaid by their respective option exercise dates, which management expects will enable CAPREIT to utilize the equity in these properties to fully finance the option exercise prices.

Operating Leasehold Interests Portfolio by Lease Maturity

As at December 31, 2019 and 2018
(\$ thousands)

Year of Lease Maturity	Properties	Suites	%	Option Exercise Prices		Prepaid Lease Amount ⁽¹⁾
				26th Year	35th Year	
2033	9	2,944	82.4	\$ 188,771	\$ 225,596	\$ 127,561
2034	1	75	2.1	11,400	13,650	7,775
2035	1	200	5.6	14,200	17,000	9,000
2037	2	355	9.9	47,200	56,000	33,500
Total Operating Leasehold Interests portfolio	13	3,574	100.0	\$ 261,571	\$ 312,246	\$ 177,836

⁽¹⁾ As at the acquisition dates of these leasehold interests by a CAPREIT predecessor.

Portfolio of Land Leasehold Interests

In the absence of any new arrangements negotiated between CAPREIT and the landowners of the four parcels on which CAPREIT has Land Leasehold Interests, CAPREIT's interests in one property matures in 2045, in two properties in 2068 and in one property in 2070. Generally, each lease provides for annual ground rent and additional rent calculated from the properties' operating results. All rental payments associated with Land Leasehold Interests are included in other operating expenses (see Results of Operations).

Land Leasehold Interests Portfolio by Lease Maturity

Year Ended December 31,
(\$ thousands)

Year of Lease Maturity	Suites	%	Annual Ground Rent	
			2019	2018
2045	473	45.0	\$ 2,291	\$ 1,174
2068	306	29.1	1,275	430
2070	272	25.9	1,169	1,224
Total Land Leasehold Interests portfolio	1,051	100.0	\$ 4,735	\$ 2,828

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements and information included in this Annual Report have been prepared by the management of CAPREIT in accordance with International Financial Reporting Standards, and include amounts based on management's informed judgments and estimates. Management is responsible for the integrity and objectivity of these consolidated financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements in all material respects.

To assist management in the discharge of these responsibilities, management has established the necessary internal controls, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. These internal controls are designed to ensure that CAPREIT's financial records are reliable for preparing financial statements; other financial information and transactions are properly authorized and recorded; and assets are safeguarded.

As at December 31, 2019, CAPREIT's President and Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision, of the design and operating effectiveness of CAPREIT's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that evaluation, determined that CAPREIT's internal controls over financial reporting were appropriately designed and operating effectively.

PricewaterhouseCoopers LLP, the independent auditor appointed by the Unitholders, have examined the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the consolidated financial statements. Their report as auditor is set forth below.

The consolidated financial statements have been further reviewed and approved by the Board of Trustees and its Audit Committee.

This committee meets regularly with management and the auditor, who have full and free access to the Audit Committee.

February 26, 2020



Mark Kenney
President and Chief Executive Officer



Scott Cryer
Chief Financial Officer

Independent Auditor's Report

To the Unitholders of Canadian Apartment Properties Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Canadian Apartment Properties Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lee-Anne Kovacs.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 26, 2020

Consolidated Balance Sheets

(CA\$ thousands)

As at	Note	December 31, 2019	December 31, 2018
Non-current assets			
Investment properties	6	\$ 13,096,426	\$ 10,473,544
Other non-current assets	7	385,435	307,375
		13,481,861	10,780,919
Current assets			
Other current assets	7	58,760	35,631
Cash and cash equivalents		477,328	25,713
		536,088	61,344
		\$ 14,017,949	\$ 10,842,263
Non-current liabilities			
Mortgages payable	11	\$ 3,872,125	\$ 3,324,381
Bank indebtedness	12	623,893	567,365
Unit-based compensation financial liabilities	13,14	14,391	13,336
ERES units held by non-controlling interest	10	364,928	–
Other non-current liabilities	8	3,361	926
Deferred income tax liability	20	32,312	26,428
Lease liability	2	37,775	–
		4,948,785	3,932,436
Current liabilities			
Mortgages payable	11	436,447	403,952
Unit-based compensation financial liabilities	13,14	18,658	19,469
Accounts payable and accrued liabilities	9	116,544	108,427
Other current liabilities	8	34,512	9,875
Security deposits		39,575	35,261
Distributions payable		19,533	16,143
		665,269	593,127
		\$ 5,614,054	\$ 4,525,563
Unitholders' equity			
Unit capital		\$ 4,013,941	\$ 2,855,701
Accumulated other comprehensive (loss) income	21	(19,510)	28,846
Retained earnings		4,409,464	3,432,153
		\$ 8,403,895	\$ 6,316,700
		\$ 14,017,949	\$ 10,842,263

See accompanying notes to the consolidated annual financial statements.

Consolidated Statements of Income and Comprehensive Income

(CA\$ thousands)

For the Year Ended December 31,	Note	2019	2018
Operating revenues			
Revenue from investment properties	25	\$ 777,884	\$ 688,585
Operating expenses			
Realty taxes		(73,546)	(68,488)
Property operating costs		(196,188)	(181,041)
		(269,734)	(249,529)
Net rental income			
		508,150	439,056
Trust expenses		(46,244)	(39,515)
Transaction costs	4	(8,527)	–
Unit-based compensation expenses	14	(14,838)	(34,672)
Fair value adjustments of investment properties	6	892,156	990,529
Realized loss on disposition of investment properties	5	–	(2,594)
Amortization of property, plant and equipment		(6,290)	(4,976)
Fair value adjustments of Exchangeable Units	13	–	(840)
Loss on non-controlling interest	10	(47,058)	–
Fair value adjustments of investments		6,522	3,740
(Loss) gain on derivative financial instruments	18	(3,684)	13,141
Interest and other financing costs	22	(135,216)	(135,211)
Gain (loss) on foreign currency translation		37,933	(34,489)
Other income	25	34,904	42,310
Net income before income taxes		1,217,808	1,236,479
Current and deferred income tax expense	20	(22,361)	(18,808)
Net income		\$ 1,195,447	\$ 1,217,671
Other comprehensive (loss) income, including items that may be reclassified subsequently to net income			
Amortization of losses from AOCL to interest and other financing costs	21	\$ 3,810	\$ 2,659
(Loss) gain on foreign currency translation		(52,166)	28,530
Other comprehensive (loss) income		\$ (48,356)	\$ 31,189
Comprehensive income		\$ 1,147,091	\$ 1,248,860

See accompanying notes to the consolidated annual financial statements.

Consolidated Statements of Unitholders' Equity

(CA\$ thousands)

	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Unitholders' Equity, January 1, 2019		\$ 2,855,701	\$ 3,432,153	\$ 28,846	\$ 6,316,700
Unit capital					
New Units issued	15	1,074,315	–	–	1,074,315
Distribution Reinvestment Plan	15	67,393	–	–	67,393
Unit Option Plan	14,15	–	–	–	–
Deferred Unit Plan	14,15	7,900	–	–	7,900
RUR Plan	14,15	6,586	–	–	6,586
Employee Unit Purchase Plan	14	2,046	–	–	2,046
		1,158,240	–	–	1,158,240
Retained earnings and other comprehensive loss					
Net income		–	1,195,447	–	1,195,447
Other comprehensive loss		–	–	(48,356)	(48,356)
		–	1,195,447	(48,356)	1,147,091
Distributions on Trust Units					
Distributions declared and paid	16	–	(198,603)	–	(198,603)
Distributions payable	16	–	(19,533)	–	(19,533)
		–	(218,136)	–	(218,136)
Unitholders' Equity, December 31, 2019		\$ 4,013,941	\$ 4,409,464	\$ (19,510)	\$ 8,403,895

	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Unitholders' Equity, January 1, 2018		\$ 2,523,419	\$ 2,402,330	\$ (2,343)	\$ 4,923,406
Unit capital					
New Units issued	15	170,534	–	–	170,534
Distribution Reinvestment Plan	15	51,490	–	–	51,490
Unit Option Plan	14,15	48,772	–	–	48,772
Deferred Unit Plan	14,15	273	–	–	273
RUR Plan	14,15	2,146	–	–	2,146
Long-Term Incentive Plan	14,15	25,097	–	–	25,097
Senior Executive Long-Term Incentive Plan	14,15	32,185	–	–	32,185
Employee Unit Purchase Plan	14	1,785	–	–	1,785
		332,282	–	–	332,282
Retained earnings and other comprehensive income					
Net income		–	1,217,671	–	1,217,671
Other comprehensive income		–	–	31,189	31,189
		–	1,217,671	31,189	1,248,860
Distributions on Trust Units					
Distributions declared and paid	16	–	(171,705)	–	(171,705)
Distributions payable	16	–	(16,143)	–	(16,143)
		–	(187,848)	–	(187,848)
Unitholders' Equity, December 31, 2018		\$ 2,855,701	\$ 3,432,153	\$ 28,846	\$ 6,316,700

See accompanying notes to the consolidated annual financial statements.

Consolidated Statements of Cash Flows

(CA\$ thousands)

For the Year Ended December 31,	Note	2019	2018
Cash provided by (used in):			
Operating activities			
Net income		\$ 1,195,447	\$ 1,217,671
Items related to operating activities not affecting cash:			
Fair value adjustments – investment properties		(892,156)	(990,529)
Fair value adjustments – Exchangeable Units		–	840
Fair value adjustments – investments		(6,522)	(3,740)
Mark-to-market loss on ERES units	10	43,120	–
Loss on disposition of investment properties	5	–	2,594
Loss (gain) on derivative financial instruments	18	3,684	(13,141)
Amortization	7,21,22	18,709	14,100
Unit-based compensation expenses	14	14,838	34,672
Straight-line rent adjustment		(132)	(87)
Deferred income tax expense	20	5,079	18,794
Net profit from equity accounted investments	25	(23,440)	(32,634)
Unrealized foreign currency (gain) loss		(37,933)	34,489
		320,694	283,029
Net income items related to financing and investing activities	24	118,915	122,504
Changes in non-cash operating assets and liabilities	24	15,020	25,644
Cash provided by operating activities		454,629	431,177
Investing activities			
Acquisition of investment properties	24	(1,327,400)	(482,152)
Capital investments	24	(242,357)	(203,784)
Operating lease buyout	6	(14,746)	–
Acquisition of investments	26	(40,668)	(25,443)
Disposition of investment properties	24	–	81,872
Change in restricted cash		(935)	(1,045)
Investment income received		10,039	7,442
Cash acquired on business combination	4	9,069	–
Cash used in investing activities		(1,606,998)	(623,110)
Financing activities			
Mortgage financings	24	828,507	391,234
Mortgage principal repayments	24	(125,902)	(116,877)
Mortgages repaid on maturity	24	(232,336)	(103,734)
Lease payments		(3,402)	–
Financing costs		(6,561)	(2,412)
CMHC premiums on mortgages payable		(9,852)	(3,469)
Interest paid	24	(119,609)	(114,271)
Bank indebtedness		87,000	85,981
Settlement of redemption liability	8	–	(16,611)
Proceeds on issuance of ERES units, net of issuance costs	9	250,746	–
Proceeds on issuance of Units, net of issuance costs	24	1,076,107	208,948
Net cash distributions to Unitholders and non-controlling interest	24	(146,521)	(134,929)
Cash provided by financing activities		1,598,177	193,860
Changes in cash and cash equivalents during the year		445,808	1,927
Effect of exchange rate changes on cash		5,807	2,200
Cash and cash equivalents, beginning of the year		25,713	23,786
Cash and cash equivalents, end of the year		\$ 477,328	\$ 27,913

See accompanying notes to the consolidated annual financial statements.

Notes to Consolidated Financial Statements

DECEMBER 31, 2019

(CA \$ thousands, except Unit and per Unit amounts)

1. Organization of the Trust

Canadian Apartment Properties Real Estate Investment Trust (“CAPREIT”) owns and manages interests in multi-unit residential rental properties, including apartments, townhomes and manufactured home communities (“MHC”), principally located in and near major urban centres across Canada. CAPREIT’s net assets and operating results are substantially derived from income-producing real estate located in Canada, where it is also domiciled, and in Europe.

CAPREIT converted from a closed-end real estate investment trust to an open-ended mutual fund trust on January 8, 2008, and is governed under the laws of the Province of Ontario by a Declaration of Trust (“DOT”) dated February 3, 1997, as most recently amended and restated on May 24, 2017. CAPREIT commenced active operations on February 4, 1997 when it acquired an initial portfolio of properties, and became a reporting issuer on May 21, 1997, pursuant to an initial public offering prospectus dated May 12, 1997.

CAPREIT Limited Partnership (“CAPLP”) is a wholly-owned consolidated subsidiary of CAPREIT established under the laws of the Province of Manitoba pursuant to a limited partnership agreement dated June 26, 2007, and as amended on April 1, 2008, owns directly or indirectly the beneficial interest of all its properties along with the related mortgages and all the corporate debt obligations of CAPREIT.

CAPREIT’s wholly-owned subsidiary, IRES Fund Management Limited, entered into an external investment management agreement to perform property and asset management services for Irish Residential Properties REIT plc (“IRES”), an Irish residential REIT listed on the Euronext Dublin exchange. As at December 31, 2019, CAPREIT holds 95.5 million (December 31, 2018 – 78.0 million) ordinary shares, representing 18.3% (December 31, 2018 – 18.0%) of the issued share capital of IRES. Refer to note 26 for further details.

On March 29, 2019, CAPREIT NL Holding B.V. (“Holding BV”), which indirectly owned the beneficial interest in a portfolio of 2,091 residential suites in the Netherlands, completed the reverse acquisition (the “Acquisition”) of European Commercial Real Estate Investment Trust (“ECREIT”), and the ongoing entity adopted the name European Residential Real Estate Investment Trust (“ERES”). Pursuant to the Acquisition, CAPREIT, the sole shareholder of Holding BV, exchanged all its shares of Holding BV for 81.6 million Class B Limited Partnership units (“Class B LP Units”) of ERES Limited Partnership (“ERES LP”). Class B LP Units are exchangeable, on a one-for-one basis, for units of ERES (“ERES units”) at the option of the holder, and have economic and voting rights through special voting units of ERES that are equivalent, in all material respects, to ERES units. CAPREIT determined that ECREIT meets the definition of a business and the Acquisition has been accounted for as a business combination. Refer to note 4 for additional details. Subsequent to the Acquisition, CAPREIT received an additional 142.0 million Class B LP Units of ERES LP and 10.2 million ERES units. Refer to note 26 for additional details.

Upon exchange of the ERES LP Class B LP Units and together with its holding of ERES units, CAPREIT holds a 66.0% ownership of ERES, with the remaining 34.0% held by non-controlling unitholders (“non-controlling interest”).

CAPREIT is listed on the Toronto Stock Exchange (“TSX”) under the symbol “CAR.UN” and its registered address is 11 Church Street, Suite 401, Toronto, Ontario, Canada M5E 1W1.

2. Summary of Significant Accounting Policies

a) Statement of Compliance

CAPREIT has prepared these consolidated annual financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board applicable to the preparation of consolidated annual financial statements. These policies have been consistently applied to all years presented, unless stated otherwise.

These consolidated annual financial statements were approved by CAPREIT’s Board of Trustees on February 26, 2020.

b) Basis of Presentation

These consolidated annual financial statements have been prepared on a going concern basis, presented in Canadian dollars, which is also CAPREIT's functional currency, and have been prepared on an historical cost basis except for:

- i) Investment properties and certain financial instruments, which are stated at fair value;
- ii) Certain Unit-based compensation accounts, which are stated at fair value; and
- iii) ERES units held by non-controlling interest, which are stated at fair value.

The consolidated annual financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand (\$000), except Unit or per Unit amounts or when otherwise noted.

Certain prior year figures have been restated to conform with current year presentation.

c) Principles of Consolidation

i) Subsidiaries

These consolidated annual financial statements comprise the assets and liabilities of all subsidiaries and the results of all subsidiaries for the financial period. CAPREIT and its subsidiaries are collectively referred to as "CAPREIT" in these consolidated annual financial statements. Subsidiaries are all entities over which CAPREIT has control. CAPREIT controls an entity when CAPREIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date control commences and deconsolidated from the date control ceases. Where CAPREIT consolidates a subsidiary in which it does not have 100% ownership and where the non-controlling interest contains an option or a redemption feature, the non-controlling interest is classified as a financial liability.

On consolidation of subsidiaries, CAPREIT eliminates in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group. IAS 12, Income Taxes, applies to temporary differences that arise from the elimination of profits and losses resulting in intragroup transactions.

ii) Joint Arrangements

CAPREIT has joint arrangements in and joint control of a number of properties. CAPREIT has assessed the nature of its joint arrangements and determined them to be joint operations. For joint operations, CAPREIT recognizes its share of revenues, expenses, assets and liabilities, which are included in their respective descriptions in the consolidated balance sheets and consolidated statements of income and comprehensive income. In general, CAPREIT has recourse against all of the assets of the joint operations in the event that CAPREIT is called on to pay liabilities in excess of its proportionate share.

All balances and effects of transactions between joint operations and CAPREIT have been eliminated to the extent of CAPREIT's interest in the joint operations.

iii) Investment in Associates

An associate is an entity over which the investor has significant influence, but not control. Generally, CAPREIT is considered to exert significant influence when it directly or indirectly holds 20% or more of the voting power of the investee. However, determining significant influence is a matter of judgment and specific circumstances; therefore, holding less than 20% of an entity does not necessarily preclude an entity from having significant influence as the entity may exert significant influence through representation on the Board of Trustees, direction of management or through contractual agreements.

The financial results of CAPREIT's associates are included in CAPREIT's consolidated financial statements using the equity method, whereby the investment is carried on the consolidated balance sheets at cost, adjusted for CAPREIT's proportionate share of post-acquisition changes in CAPREIT's share of the net assets of the associate. CAPREIT's share of profits and losses is recognized in other income in the consolidated statements of income and comprehensive income. IFRS provides an exception to recognizing the share of the net assets of the associate if the reporting periods of the entity and the investee are not aligned, provided the information used in preparing the financial statements is not more than three months old. The standard further requires adjustments to this information for any significant transactions or events which may have occurred between the entity's reporting date and its investee's most recent reporting date. CAPREIT has applied this guidance in accounting for its investment in IRES.

At each reporting date, CAPREIT evaluates whether there is objective evidence that its interest in an associate is impaired. The entire carrying amount of the associate is compared to the recoverable amount, which is the higher of value in use or fair value less costs to sell. The recoverable amount of the investment is considered separately.

d) Investment Properties

CAPREIT considers its income properties to be investment properties under International Accounting Standard (“IAS”) 40, Investment Property (“IAS 40”), and has chosen the fair value model to account for investment properties in its consolidated annual financial statements. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm’s-length transaction at the date of valuation.

CAPREIT’s investment properties have been valued on a highest and best use basis and do not include any portfolio premium that may be associated with economies of scale from owning a large portfolio or the consolidation value from having compiled a large portfolio of properties over a long period of time, often through individual property acquisitions.

Investment properties comprise investment interests held in land and buildings (including integral equipment) held for the purpose of producing rental income, capital appreciation, or both. CAPREIT’s investments in its property portfolio reflect different forms of property interests, including: (i) Fee Simple Interests – Apartments and Townhomes, (ii) Operating Leasehold Interests, (iii) Land Leasehold Interests, and (iv) Fee Simple Interests – Manufactured Home Communities Land Lease Sites. These four forms of property interests meet the definition of investment property and are classified and accounted for as such. All investment properties are recorded at cost, including transaction costs, at their respective acquisition dates and are subsequently stated at fair value at each consolidated balance sheet date, with any gain or loss arising from a change in fair value recognized within net income in the consolidated statements of income and comprehensive income for the period. For Operating Leasehold Interests, all of which are held under prepaid operating leases, CAPREIT has classified all such interests as finance leases, including the fair value of options to purchase, and these are accounted for and presented as investment properties.

The fair value of all of CAPREIT’s investment properties is determined annually by qualified external appraisers. Management regularly undertakes a review of its investment property valuation between external appraisal dates to assess the continuing validity of the underlying assumptions, such as cash flows, capitalization rates and discount rates. These assumptions are tested against market information obtained from an independent appraisal firm. Where increases or decreases are warranted, the carrying values of CAPREIT’s investment properties are adjusted. See notes 3 and 6 for a detailed discussion of the significant assumptions, estimates and valuation methods used.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

e) Property Acquisitions

At the time of acquisition of a property or a portfolio of investment properties, CAPREIT evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, Business Combinations (“IFRS 3”), is only applicable if it is considered that a business has been acquired. A business, according to IFRS 3, is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to CAPREIT.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, CAPREIT applies judgment when determining whether an integrated set of activities is acquired in addition to the property or portfolio of properties. Activities can include whether employees were assumed in the acquisition or an operating platform was acquired.

The acquisition method of accounting is used for acquisitions meeting the definition of a business combination. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred to the acquirer and the liabilities incurred by the acquirer. For each business combination, CAPREIT measures the non-controlling interest in the acquiree at fair value if the acquiree is a REIT or at the proportionate share of the acquiree's identifiable net assets if the acquiree is a corporation. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

When an acquisition does not represent a business as defined under IFRS 3, CAPREIT classifies these properties or portfolio of properties as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their fair values at the acquisition date. Acquisition-related transaction costs are capitalized to the property.

f) Presentation of Non-current Assets Classified as Held-for-Sale

Investment properties are reclassified to assets held-for-sale when criteria set out in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), are met. CAPREIT presents non-current assets classified as held-for-sale and their associated liabilities separately from other assets and liabilities on the consolidated balance sheets and in the notes beginning from the period in which they were first classified as "for sale" and the sale is highly probable. The sale of one or a group of investment properties by CAPREIT will generally be presented as non-current assets held-for-sale and not discontinued operations. If a group of assets held-for-sale is considered to meet the definition of a discontinued operation, then income or expense recognized in the consolidated statements of income and comprehensive income relating to that group of assets is presented separately from continuing operations. A discontinued operation is a component of operations that represents a separate major line of business or geographic area of operations that has been disposed of or is held-for-sale, or is a subsidiary acquired exclusively with a view to resale.

g) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and mainly comprise head office and regional offices leasehold improvements, corporate and information technology systems, and are presented within other non-current assets on the consolidated balance sheets. These items are amortized on a straight-line basis over their estimated useful lives ranging from three to five years or, in the case of leasehold improvements, are amortized over the shorter of the lease term and their estimated useful lives ranging from 10 to 15 years.

h) Tenant Inducements

Incentives such as cash, rent-free periods and move-in allowances may be provided to lessees to enter into a lease. These incentives are capitalized and amortized on a straight-line basis over the term of the lease as a reduction of rental revenue. The carrying amounts of the tenant inducements are included in the fair value of investment properties.

i) Prepaid CMHC Premiums

Fees and insurance premiums paid to Canada Mortgage and Housing Corporation ("CMHC") are presented within other non-current assets. They are amortized over the amortization period of the underlying mortgage loans when incurred (initial amortization period is typically 25 to 35 years) and are included in interest and other financing costs in the consolidated statements of income and comprehensive income.

j) Financial Instruments

Determination of Fair Value

Financial assets and financial liabilities

Under IFRS 9, Financial Instruments ("IFRS 9"), financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on the purpose for which the financial instruments were acquired or issued, their characteristics and CAPREIT's designation of such instruments. The standards require that all financial assets and financial liabilities be classified as *fair value through profit or loss ("FVTPL")*, *amortized cost*, or *fair value through other comprehensive income ("FVOCI")*. Amortized cost is determined using the effective interest method.

Classification of financial instruments

The following summarizes the type and measurement CAPREIT has applied to each of its significant categories of financial instruments:

Type	Measurement Base
Financial assets	
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Other receivables	Amortized cost
Investments	Fair value through profit or loss
Derivative financial assets	Fair value through profit or loss ⁽¹⁾
Financial liabilities	
Mortgages payable	Amortized cost
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities and other liabilities	Amortized cost
Security deposits	Amortized cost
Exchangeable Units	Amortized cost
ERES units held by non-controlling interest	Fair value through profit or loss
Derivative financial liabilities	Fair value through profit or loss ⁽¹⁾

⁽¹⁾ CAPREIT has previously designated some of its interest rate swap agreements and forward interest rate contracts as cash flow hedges. For CAPREIT's accounting policy on hedging, see k) Hedging Relationships below. Derivatives not designated as a hedging relationship are measured at fair value with changes recognized directly through the consolidated statements of income and comprehensive income within net income.

Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less. Restricted cash does not meet the definition of cash and cash equivalents and is included in other current assets on the consolidated balance sheets. Interest earned or accrued on these financial assets is included in other income.

Other receivables

Such receivables arise when CAPREIT provides services to a third party, such as a tenant, and are included in current assets, except for those with maturities more than 12 months after the consolidated balance sheet date, which are classified as non-current assets. Other receivables are included in other assets on the consolidated balance sheets and are accounted for at amortized cost.

Investments

Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented within net income in the consolidated statements of income and comprehensive income in the period in which they arise. Financial assets at FVTPL are classified as current, except for the portion expected to be realized or paid more than 12 months after the consolidated balance sheet date, which is classified as non-current.

Financial liabilities

Such financial liabilities are recorded initially at fair value and subsequently at amortized cost and include all liabilities other than derivatives or liabilities, which are accounted for at fair value.

Transaction costs

Transaction costs related to financial assets classified as FVTPL are expensed as incurred. Transaction costs related to financial assets and financial liabilities, measured at amortized cost, are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

Derivatives

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged. For CAPREIT's accounting policy on hedging, see k) Hedging Relationships below.

Derivatives not designated as a hedging relationship are measured at fair value with changes recognized directly through the consolidated statements of income and comprehensive income within net income.

k) Hedging Relationships

CAPREIT has previously designated some of its interest rate swap agreements and forward interest rate contracts as cash flow hedges. At the inception of a transaction, CAPREIT documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. CAPREIT also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive (loss) income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of income and comprehensive income under net income. Should a hedging relationship become ineffective and/or hedge accounting become no longer appropriate, previously unrealized gains and losses remain within AOCL and are amortized to the relevant item in the consolidated statements of income and comprehensive income in the same periods during which the hedged items affect earnings, while future changes in the fair value of the hedging derivatives are recognized within net income in the consolidated statements of income and comprehensive income.

l) Mortgages Payable and Bank Indebtedness

Mortgages payable are recognized at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs and discounts directly related to the mortgage are recognized within interest and other financing costs in the consolidated statements of income and comprehensive income over the expected term of the mortgage. Mortgage maturities and repayments due more than 12 months after the consolidated balance sheet date are classified as non-current. Bank indebtedness is recognized at amortized cost and the amortization of related financing costs is recognized within interest and other financing costs in the consolidated statements of income and comprehensive income over the contractual term of the debt.

m) Exchangeable Units

Issued and outstanding Class B LP Units of CAPLP are exchangeable on demand for Trust Units (“Exchangeable Units”). As the Trust Units are redeemable at the holder’s option, the Exchangeable Units are classified as current liabilities. The distributions on the Exchangeable Units are recognized in the consolidated statements of income and comprehensive income as interest expense under IFRS and the interest payable at the reporting date is reported under other current liabilities on the consolidated balance sheets. These Exchangeable Units are remeasured at each reporting date at their amortized cost, which approximates fair value, as they are considered to be puttable instruments under IAS 32, Financial Instruments: Presentation (“IAS 32”), with changes in the carrying amount recognized as fair value adjustments of Exchangeable Units within net income in the consolidated statements of income and comprehensive income. No Exchangeable Units were outstanding as of December 31, 2019.

n) Comprehensive Income

Comprehensive income includes net income and other comprehensive (loss) income. Other comprehensive (loss) income includes foreign currency translation relating to foreign operations and the effective portion of cash flow hedges, less any amounts reclassified to interest and other financing costs and associated income taxes.

o) Accumulated Other Comprehensive Income (Loss) (“AOCL”)

AOCL is included on the consolidated balance sheets as Unitholders’ Equity and includes foreign currency translation relating to foreign operations and the unrealized gains and losses of changes in the fair value of cash flow hedges, and derivatives. The components of AOCL are disclosed in note 21.

p) Revenue Recognition

Under IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), revenue is recognized using a uniform, five-step model. The five steps are as follows:

1. Identify the contract(s) with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue as the performance obligations are satisfied

External asset and property management fees are considered non-lease components and are within the scope of IFRS 15. They are recognized when services under the agreement are performed, and spread over the course of the year, as management services represent a series of services that are substantially the same and have the same pattern of transfer.

Common area maintenance recoveries are considered non-lease components and are within the scope of IFRS 15. They are recognized over time, as they represent a series of services that are substantially the same and have the same pattern of transfer to commercial tenants.

Revenue from investment properties is within the scope of IFRS 16, Leases (“IFRS 16”), and is recognized using the straight-line method, whereby the total amount of revenue from investment properties to be received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the revenue from investment properties recognized and the amounts contractually due under the lease agreements is accrued as rent receivable, which is included as a component of other current assets on the consolidated balance sheets.

q) *Borrowing Costs and Interest on Mortgages Payable*

Interest and other financing costs include mortgage interest, which is expensed at the effective interest rate, and transaction costs incurred in connection with the revolving credit facilities, which are capitalized and presented as other non-current assets and amortized over the term of the facility to which they relate.

r) *Unit-based Compensation and Incentive Plans*

Unit-based compensation benefits are provided to officers, trustees and certain employees and are intended to facilitate long-term ownership of Trust Units and provide additional incentives by increasing the participants’ interest, as owners, in CAPREIT. Unit-based compensation liabilities are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated balance sheet date, including amounts where CAPREIT has the unconditional right to defer settlement of vested awards.

CAPREIT accounts for its Unit-based compensation plans using the fair value-based method, under which compensation expense is recognized over the vesting period. The key drivers of the recognition and measurement of compensation expense are summarized as follows:

Incentive Plan ⁽¹⁾	Type	Vesting Period	Type of Amortization	Distributions Applied to	Mark-to-Market until
LTIP	Issued Units	2 years ⁽²⁾	Graded	Secured loan	Loan repaid
SELTIP	Issued Units	2 years ⁽²⁾	Graded	Secured loan	Loan repaid
DUP	Rights	Grant date	Immediate	Additional Units	Settled
RUR Plan	Rights	3 years ⁽³⁾	Straight-line	Additional Units	Settled
UOP	Options	Reporting period ⁽⁴⁾	Straight-line	N/A	Exercised
ERES UOP	Options	3 years ⁽⁵⁾	Graded	N/A	Exercised

⁽¹⁾ For definitions of these plans, refer to notes 13 and 14.

⁽²⁾ Vesting one-third on grant date and one-third on each of the subsequent two grant anniversary dates.

⁽³⁾ Vesting fully on the third grant anniversary date.

⁽⁴⁾ Vesting of the options is subject to satisfaction of performance criteria over the annual reporting period.

⁽⁵⁾ Vesting one-third on each grant anniversary date.

s) *Consolidated Statements of Cash Flows*

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments with an original term to maturity of 90 days or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the consolidated statements of cash flows and are disclosed separately in the notes to the consolidated annual financial statements.

IFRS permits the classification of interest paid as operating cash flows because they enter into the determination of profit or loss, or alternatively as financing cash flows because they are costs of obtaining financial resources. CAPREIT has applied its judgment and concluded that debt financing, which is used to provide leveraged returns to its Unitholders, is an integral part of its capital structure and not directly associated with its principal revenue-producing activities. Therefore, interest paid is classified as a financing activity in CAPREIT’s consolidated statements of cash flows.

t) Income Taxes

CAPREIT is taxed as a Mutual Fund Trust for income tax purposes and intends, at the discretion of the Board of Trustees, to distribute its income for income tax purposes each year to Unitholders to such an extent that it would not be liable for income tax under Part I of the Income Tax Act (Canada) (“Tax Act”). Accordingly, no provision for current income taxes payable is required, with the exception of income earned by subsidiaries that reside in foreign jurisdictions, as discussed below. For a comprehensive discussion of CAPREIT’s liability for tax purposes, see note 20.

CAPREIT and its wholly-owned subsidiaries satisfied certain conditions available to Real Estate Investment Trusts (“REITs”) (the “REIT Exception”) under amendments to the Tax Act intended to permit a corporate income tax rate of nil as long as the specified conditions continue to be met.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgment is required in the estimation of income taxes and deferred income tax assets and liabilities in each of CAPREIT’s operating jurisdictions. Income taxes may be paid where activities carried on by the foreign subsidiaries are considered to be taxable in those countries.

Deferred income tax relating to foreign subsidiaries is recognized, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the consolidated balance sheet date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

u) Earnings per Unit

As a result of the redemption feature of CAPREIT’s Trust Units, these Units are considered financial liabilities under IAS 33, Earnings per Share, and they may not be considered as equity for the purposes of calculating net income on a per Unit basis. Consequently, CAPREIT has elected not to report an Earnings per Unit calculation, as permitted under IFRS.

v) Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of CAPREIT and the presentation currency for the consolidated financial statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the prevailing rate of exchange at the consolidated balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of income and comprehensive income. Non-monetary items that are measured at their historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains and losses are presented in the consolidated statements of income and comprehensive income.

In determining the functional currency of CAPREIT’s foreign subsidiaries, CAPREIT considers factors such as (i) the currency that mainly influences sale prices for goods and services and the country whose competitive forces and regulations mainly determine the sale prices of those goods and services and (ii) the currency that mainly influences labour, material and other costs of providing goods and services. The functional currency for CAPREIT’s Irish and Dutch subsidiaries is the Euro.

The results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- ii. Income and expenses for each statement of income and comprehensive income are translated at average exchange rates; and
- iii. All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in other comprehensive (loss) income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of income and comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

w) ERES Units

ERES units are redeemable at the option of the holder and therefore are considered puttable instruments that meet the definition of a financial liability under IAS 32. Although IAS 32 allows ERES to classify these units as equity in its own balance sheet, this exception is not available to CAPREIT, and therefore the non-controlling interest that these ERES units represent is classified as a liability in the consolidated balance sheet and is measured at fair value, with changes in the fair value recorded as fair value adjustment on non-controlling interest in the consolidated statement of income and comprehensive income.

x) IFRIC 21, Levies

This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

y) Goodwill

Goodwill is not amortized but tested for impairment annually, or more frequently if there are indicators of impairment. Goodwill is allocated to the group of cash-generating units (“CGU”) that are expected to benefit from the synergies of the combination, at the lowest level at which goodwill is monitored for internal management purposes, and not larger than an operating segment (a goodwill CGU). CAPREIT evaluates whether goodwill may be impaired by determining whether the recoverable amount is less than the carrying amount for the goodwill CGU. Impairment losses relating to goodwill cannot be reversed in future periods.

z) Reportable Operating Segments

Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. CAPREIT has determined that its chief operating decision-maker is the President and Chief Executive Officer.

aa) Impact of Accounting Standards Effective January 1, 2019 on CAPREIT’s Current Year Consolidated Financial Statements

IFRS 16, Leases

This new standard on leases supersedes IAS 17, Leases (“IAS 17”), and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract: i.e., the customer (“lessee”) and the supplier (“lessor”). From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model.

CAPREIT has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard. Any adjustments resulting from the new standard have been recognized in the opening balance sheet on January 1, 2019.

From a lessor point of view, there was no material impact upon adoption.

From a lessee point of view, leases impacted by the adoption of IFRS 16 encompass CAPREIT’s four land lease parcels in Alberta and British Columbia, an air rights lease and leased office space. Prior to January 1, 2019, these leases were classified as operating leases with payments expensed as operating expense in the statement of income and comprehensive income

over the period of the lease. From January 1, 2019, these leases are recorded as a right-of-use asset with a corresponding lease liability derived by discounting the future payments of each lease by the rate implicit in the lease, where determinable, or the incremental borrowing rate specific to the lease. These right-of-use assets related to land and air rights leases meet the definition of investment property under IAS 40; therefore, the fair value model is applied to those assets. Interest expense on the lease liability and fair value gain (loss) on the right-of-use asset is recorded through CAPREIT's consolidated statements of income and comprehensive income. CAPREIT elected to apply the recognition exemptions relating to leases that end within 12 months of the commencement date and which have no renewal or purchase option, and leases for which the underlying asset is of low value.

These land and air rights lease payments are calculated based upon a specified minimum payment, and at several intervals throughout the lease, are recalculated based upon land values on a specified date. CAPREIT measures lease liabilities at the present value of lease payments to be made over the lease term. The lease liability is determined based on future fixed and in-substance fixed payments, and excludes any variable payments. Variable payments are calculated as a percentage of revenues, net operating income, etc. and are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

Right-of-use assets not meeting the definition of investment property are measured at cost less any accumulated amortization.

For other leases of low value assets or short-term leases less than 12 months, CAPREIT has elected to apply the recognition exemptions specified in IFRS 16 allowing CAPREIT to continue to expense the lease payments in the period in which they are incurred.

On adoption of IFRS 16, CAPREIT recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These leases include CAPREIT's land and air rights leases and leased office spaces. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate relating to each specific lease. The weighted average rate as of January 1, 2019 was 5.4%.

The right-of-use assets for property leases were initially measured at cost, which is equal to the initial lease liability recorded. The recognized right-of-use assets relate to the following types of assets:

Right-of-use Assets	January 1, 2019
Land and Air Leasehold Interests (included under Investment Property)	\$ 29,843
Office Leases (included under Other Assets)	2,503
Total right-of-use assets	\$ 32,346

The total lease liabilities that have been recorded on the balance sheet are as follows:

Lease Liabilities	January 1, 2019
Land and Air Leasehold Interest Liabilities	\$ 29,843
Office Lease Liabilities	2,503
Total lease liabilities	\$ 32,346

Practical expedients applied

In applying IFRS 16 for the first time, CAPREIT has used the following practical expedient permitted by the standard:

- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- applied recognition exemptions to leases with lease terms that end within 12 months at the date of initial application and with no renewal options, and leases for which the underlying asset is of low value.

ab) Future Accounting Changes

As at February 26, 2020, the following new or amended IFRS have been issued by the International Accounting Standards Board ("IASB") and are expected to apply to CAPREIT for annual reporting periods beginning after December 31, 2019:

IFRS 3

In October 2018, the IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition as the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of consolidated annual financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated annual financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, accounting for deferred income taxes and determining whether an acquisition is a business combination or an asset acquisition. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated annual financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The estimates deemed to be more significant, due to subjectivity and the potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Valuation of Investment Properties

Investment properties are measured at fair value as at the consolidated balance sheet dates. Any changes in fair value are included within net income in the consolidated statements of income and comprehensive income. Fair value is determined using independent external valuations prepared by management's specialists or detailed internal valuations prepared by management using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise both the Direct Income Capitalization ("DC") and the Discounted Cash Flow ("DCF") methods, and include estimating, among other things (all considered Level 3 inputs), future stabilized net operating income, capitalization rates, reversionary capitalization rates, discount rates and other future cash flows applicable to investment properties. Fair values for investment properties are classified as Level 3 in the fair value hierarchy, as disclosed in note 17.

The fair value of investment properties is established annually by qualified, independent appraisers. Each quarter, CAPREIT utilizes market assumptions for rent increases, capitalization rates and discount rates provided by external appraisal firms to determine the fair value of the investment properties for interim reporting purposes. Capitalization rates employed by the appraisal firms are based on recently closed transactions, generally within the last three months, and other current market indicators for similar properties.

CAPREIT's internal valuations prepared by management and the independent external valuations prepared by management's specialists are both subject to significant judgments, estimates and assumptions about market conditions in effect as at the consolidated balance sheet date. See note 6 for a detailed discussion of valuation methods and the significant assumptions and estimates used.

ii) Valuation of Financial Instruments

The fair value of derivative assets and liabilities is based on assumptions that involve significant estimates. The basis of valuation for CAPREIT's derivatives is set out in note 17. The fair values of derivatives reported may differ materially from the amounts they are ultimately settled for if there is volatility between the valuation date and settlement date.

iii) Investment in Irish Residential Properties REIT plc (“IRES”)

CAPREIT has determined that its investment in IRES should be accounted for using the equity method of accounting, given the significant influence it has over IRES. In making the determination that CAPREIT does not control IRES, CAPREIT used judgment when considering the extent of its ownership interest in IRES, the level of its involvement, responsibilities and remuneration as IRES’ investment manager, and the control exerted over IRES by its independent board of directors. Management reassesses this conclusion when its ownership interest or the terms of the investment management agreement change.

iv) Business Combination

Accounting for business combinations under IFRS 3 applies when it is determined that a business has been acquired. IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors.

A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. CAPREIT applies judgment in determining whether property acquisitions qualify as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, CAPREIT applies judgment when considering the following:

1. whether the investment property or properties are capable of producing outputs;
2. whether the market participant could produce outputs if missing elements exist;
3. whether employees were assumed in the acquisition; and
4. whether an operating platform has been acquired.

When CAPREIT acquires properties or a portfolio of properties and does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

When CAPREIT determines the acquisition is a business combination, CAPREIT considers the following when determining the acquirer for accounting purposes:

1. whether the former owners of the entity being acquired own the majority of the units, and control the majority of votes, in the combined entity; and
2. whether management of the combined entity is drawn predominantly from the entity whose units are acquired.

Refer to notes 1 and 4 for further information on the acquisition of ERES and factors considered when determining whether CAPREIT controls ERES. It was determined that CAPREIT controls ERES and, therefore, the financial position and results of operations of ERES are consolidated with CAPREIT in its consolidated financial statements. The Acquisition has been accounted for as a business combination under IFRS.

v) Valuation of Goodwill

The acquisition method of accounting is used for acquisitions meeting the definition of a business combination. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred to the acquirer and the liabilities incurred by the acquirer. Goodwill arising on acquisition is recognized as an asset and is initially measured at cost as the excess of the total consideration transferred over the net fair value of the identifiable assets acquired and liabilities assumed. Goodwill is initially recognized at cost and is subsequently measured at cost less any accumulated impairment losses. Refer to note 2(y) for details on the goodwill impairment test.

4. Business Combinations and Recent Investment Property Acquisitions

Business Combinations

On March 29, 2019, Holding BV completed the Acquisition of ECREIT, and the ongoing entity adopted the name ERES. Holding BV indirectly owned the beneficial interest in a portfolio of 2,091 residential suites in the Netherlands as of the time

of acquisition, through its Dutch subsidiaries. Pursuant to the Acquisition, CAPREIT, the sole shareholder of Holding BV, exchanged all of its shares of Holding BV for Class B LP Units of ERES LP. The transaction resulted in CAPREIT owning approximately 81.6 million Class B LP Units of ERES LP as at March 29, 2019, which are exchangeable on a one-to-one basis to ERES units. As at March 29, 2019, upon exchange, CAPREIT holds an 82.8% ownership of ERES, with the remaining 17.2% held by non-controlling interest. CAPREIT determined that ECREIT met the definition of a business and the Acquisition has been accounted for as a business combination under IFRS, as Holding BV acquired existing property leases with tenants, a third-party asset management agreement that was in place before the acquisition, key management personnel of ECREIT and key strategic processes relevant to the operation of the investment properties.

In addition, CAPREIT determined that it met the definition of control as defined under IFRS 10, Consolidated Financial Statements (“IFRS 10”), with respect to its investment in ERES. In making this determination it considered (i) its 82.8% voting interest of ERES, (ii) its ability to appoint three out of the six current ERES Board members, and (iii) its ability to appoint the CEO and CFO via the asset management agreement. As a result of the above, CAPREIT has power over ERES and the ability to affect the amount of returns earned.

CAPREIT’s consolidation of ERES on March 29, 2019 was recorded as follows:

- i) The financial position and results of operations of ERES are consolidated with CAPREIT in its consolidated financial statements.
- ii) The ERES units held by non-controlling interest are presented as a liability on CAPREIT’s statements since these ERES units are redeemable at any time, in whole or in part, on demand by the external unitholders. These ERES units represented 17.2% of issued and outstanding combined ERES units and Class B LP Units at that time.

This transaction represents a reverse takeover under IFRS 3, and Holding BV has been identified as the accounting acquirer. Transaction costs of \$8,527 were expensed and included as part of transaction expenses in the consolidated annual statements of income and comprehensive income.

The provisional purchase price allocation in respect of consideration paid, the fair value of assets acquired and liabilities assumed, and the goodwill at the acquisition date resulted in an excess of the total consideration transferred over the fair value of net identifiable assets and liabilities acquired of \$16,692. During the fourth quarter of 2019, the carrying amount of the provisional goodwill was adjusted as a result of completing the initial accounting from the acquisition date. The impact was a decrease to accounts payable and other liabilities of \$1,059 and an increase in deferred tax liabilities of \$174. The following table summarizes the final purchase price allocation in respect of consideration paid, the fair value of assets acquired and liabilities assumed, and the goodwill at the acquisition date.

	Units	\$
Fair value of ERES units held by non-controlling interest	16,969,764	67,878
Distribution payable		8,485
Total consideration transferred		76,363
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment Properties		135,533
Cash and Cash Equivalents		9,069
Other Current Assets		2,141
Derivative financial assets		659
Mortgages Payable		(73,469)
Accounts Payable and Other Liabilities		(10,021)
Unit-based compensation financial liabilities		(487)
Current and Deferred Income Tax Liabilities		(872)
Derivative financial liabilities		(1,997)
Total Identifiable Assets and Liabilities		60,556
Goodwill		15,807
Total		76,363

The total consideration transferred for the Acquisition comprised 16,969,764 ERES units and a distribution payable of \$8,485 to fund a one-time special distribution of \$0.50 per unit to pre-existing unitholders of ECREIT.

The fair value of the ERES units was based on \$4.00, which is the closing unit price of \$4.50 on the closing date of the Acquisition, adjusted for the special distribution of \$0.50 per unit.

Refer to notes 2 and 10 for details on the presentation and measurement of the ERES units held by non-controlling interest.

For the year ended December 31, 2019, \$9,087 of operating revenues and \$17,710 of net income of ECREIT, the acquiree, are included in the consolidated statements of income and comprehensive income. It is estimated that if the Acquisition had taken place on January 1, 2019, the consolidated operating revenues and net income of CAPREIT for the year ended December 31, 2019 would have been approximately \$780,717 and \$1,196,560, respectively.

Recent Investment Property Acquisitions

CAPREIT completed the following investment property acquisitions since January 1, 2018, which have contributed to the operating results effective from their respective acquisition dates:

The tables below summarize property acquisitions for the year ended December 31, 2019 and the property acquisitions and dispositions for the year ended December 31, 2018. There were no property dispositions for the year ended December 31, 2019. The below tables do not include \$14.7 million of CAPREIT's operating lease buyouts.

Acquisitions Completed During the Year Ended December 31, 2019

Acquisition Date	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate ⁽¹⁾	Term to Maturity (years) ⁽²⁾
February 26, 2019	511	The Netherlands	\$ 153,424	\$ —	\$ 89,586	0.97	4.00
March 14, 2019	1,104	Various ⁽⁴⁾	66,866	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
April 15, 2019	191	Langley, BC	70,000	—	44,222	2.90	15.00
May 27, 2019	181	Various ⁽⁵⁾	11,317	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
May 28, 2019	3,898	Various ⁽⁶⁾	204,955	74,345	—	3.38	2.39
June 7, 2019	72	Victoria, BC	26,558	—	18,368	2.44	10.00
June 20, 2019	98	Langley, BC	39,045	—	22,839	2.92	15.00
July 31, 2019 ⁽⁷⁾	506	Toronto, Ontario	63,790	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 1, 2019	942	The Netherlands	246,602	—	143,367	1.28	7.00
August 30, 2019	553	London, Ontario	70,301	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 30, 2019	42	Charlottetown, PEI	7,430	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
September 30, 2019	315	The Netherlands	95,076	—	77,639	1.45	7.00
October 15, 2019	64	Summerside, PEI	11,844	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
October 31, 2019	294	The Netherlands	98,295	—	58,220	1.55	7.00
November 21, 2019	121	Montréal, QC	33,990	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 12, 2019	79	Calgary, AB	19,578	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 16, 2019	222	The Netherlands	152,362	— ⁽⁸⁾	—	— ⁽⁸⁾	— ⁽⁸⁾
December 19, 2019	48	New Westminster, BC	13,475	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
Total	9,241		\$ 1,384,908	\$ 74,345	\$ 454,241		

⁽¹⁾ Weighted average stated interest rate on mortgage funding.

⁽²⁾ Weighted average term to maturity on mortgage funding.

⁽³⁾ The acquisition was funded from CAPREIT's Acquisition and Operating Facility.

⁽⁴⁾ The acquisition comprised 13 properties consisting of 407 sites in Ontario, 615 sites in Alberta, and 82 sites in British Columbia.

⁽⁵⁾ The acquisition comprised 3 properties consisting of 56 sites in Ontario and 125 sites in British Columbia.

⁽⁶⁾ The acquisition comprised 24 properties consisting of 800 sites in Ontario, 1,050 sites in Alberta, 1,211 sites in New Brunswick, 128 sites in Nova Scotia, 280 sites in Prince Edward Island, and 429 sites in Québec. The balance of the purchase was funded from CAPREIT's Acquisition and Operating Facility.

⁽⁷⁾ In 2015, CAPREIT entered into an agreement to acquire one-third undivided interest in the residential component of a property upon completion. On July 31, 2019, CAPREIT acquired a 19.8% interest in the property, with an additional 5.3% interest acquired on each August 31, 2019 and September 30, 2019, and a final interest of 3% acquired on October 31, 2019. As at December 31, 2019, CAPREIT's interest stood at 33.3%.

⁽⁸⁾ The acquisition was primarily funded from the ERES Credit Facility with the balance funded from CAPREIT's Acquisition and Operating Facility.

For the Year Ended December 31, 2018

(\$ thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
April 24, 2018	134	Swift Current, SK	\$ 5,744	\$ — ⁽³⁾	\$ —	— ⁽³⁾	— ⁽³⁾
April 30, 2018	2	Burlington, ON	2,404	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 7, 2018	90	Langley, BC	34,310	21,088	—	2.56	8.83
August 15, 2018	3	New Westminster, BC	2,536	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
September 27, 2018	269	Vancouver, BC	103,169	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
November 13, 2018	11	New Westminster, BC	3,373	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 3, 2018	881	The Netherlands	253,410	—	104,796 ⁽⁴⁾	1.98 ⁽⁴⁾	7.00 ⁽⁴⁾
December 5, 2018	376	The Netherlands	93,396	—	46,456 ⁽⁵⁾	1.98 ⁽⁵⁾	7.00 ⁽⁵⁾
December 5, 2018	25	New Westminster, BC	6,368	1,827	—	2.49	6.17
Total	1,791		\$ 504,710	\$ 22,915	\$ 151,252		

⁽¹⁾ Weighted average stated interest rate on mortgage funding.⁽²⁾ Weighted average term to maturity on mortgage funding.⁽³⁾ The acquisition was funded from CAPREIT's Acquisition and Operating Facility.⁽⁴⁾ The acquisition, consisting of 881 suites, was financed by a new non-amortizing mortgage of €67,554 (\$104,796) with a term to maturity of 7.0 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.⁽⁵⁾ The acquisition, consisting of 376 suites, was financed by a new non-amortizing mortgage of €29,946 (\$46,456) with a term to maturity of 7.0 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

The total purchase consideration, including mortgages payable and bank indebtedness, is allocated to investment properties and other assets acquired based on the relative fair value of each at the time of purchase.

5. Dispositions

There were no property dispositions for the year ended December 31, 2019.

The table below summarizes the dispositions completed during the year ended December 31, 2018.

Dispositions Completed During the Year Ended December 31, 2018

Disposition Date	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
August 15, 2018	102	Saskatoon, SK	\$ 10,195	\$ 2,425	\$ 7,476
September 6, 2018	162	Vancouver, BC	70,000	49,900	19,948
October 11, 2018	419	Longueuil, QC	35,831	15,168	20,564
December 12, 2018	217	Québec City, QC	24,900	14,404	10,224
Total	900		\$ 140,926	\$ 81,897	\$ 58,212

For the years ended December 31, 2019 and 2018, a loss of \$nil and \$2,594, respectively, was recognized in connection with property dispositions. The loss represents the difference between the net proceeds after transaction costs from the dispositions and the fair value of the respective properties at the date of disposition.

6. Investment Properties

Valuation Basis

Investment properties are carried at fair value, which is the amount at which the individual properties could be sold between willing parties in an arm's-length transaction, based on current prices in an active market for similar properties in the same location, considering the highest and best use of the asset, with any gain or loss arising from a change in fair value recognized in the consolidated statements of income and comprehensive income for the period. Valuations do not take into account any potential portfolio premium.

The fair values of all of CAPREIT's investment properties are determined annually by qualified external appraisers. The qualified external appraisers hold recognized relevant professional qualifications and have recent experience in the location and category of the respective property. Each quarter, CAPREIT utilizes internal market assumptions for rent increases and capitalization and discount rates provided by the independent appraisers to determine the fair value of the investment properties. Capitalization rates used by the appraisers are based on recently closed transactions for similar properties. To the extent that the stabilized forecasted cash flows of an investment property change significantly in a quarter, the fair value of the investment property would be reassessed by the external appraisers and the fair value adjusted accordingly.

Fair values for investment properties are classified as Level 3 in the fair value hierarchy, as disclosed in note 17. On an annual basis, CAPREIT verifies all major inputs (as detailed above) to the valuation and reviews the results with the external appraisers for all independent valuations. On a quarterly basis, market assumptions on inputs such as rent increases, management fees, capitalization and discount rates provided by the external appraisers are used in determining the fair value of the investment properties.

Discussion of the valuation process, the valuation methodology (as mentioned below), key inputs and results is held between CAPREIT and the qualified external appraisers at least once every quarter, in line with CAPREIT's quarterly reporting dates.

Changes in Level 3 fair values are analyzed at each reporting date as part of the quarterly valuation discussion between CAPREIT and the qualified external appraisers. As part of this discussion, the external valuers present a report that explains the reasons for the fair value movements.

To determine fair value, CAPREIT first considers whether it can use current prices in an active market for a similar property in the same location and condition. CAPREIT has concluded there is insufficient market evidence on which to base investment property valuation using this approach, and has therefore determined to use either the DC or the DCF methods to arrive at the fair value of the investment properties. Investment properties have been valued using the following methods and key assumptions:

a) Fee Simple and MHC Land Lease Sites

For its Canadian portfolio, CAPREIT utilizes the DC method. Under this method, capitalization rates are applied to a stabilized net operating income ("NOI") representing market-based NOI assumptions (property revenue less property operating expenses adjusted for market-based assumptions such as long-term vacancy rates, management fees, R&M costs, and general and administration costs). The most significant assumption is the capitalization rate for each specific property. The capitalization rate is based on the actual location, size and quality of the property, taking into account any available market data at the valuation date. Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in the capitalization rate will result in a decrease to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate causing more change in fair value than would a higher capitalization rate.

For its European portfolio, CAPREIT utilizes the DCF method. Under this method, discount rates are applied to the forecasted cash flows reflecting market-based NOI assumptions as described above. The most significant assumptions are the stabilized cash flows, the discount rate applied over the term of the cash flows, and the capitalization rate used to determine the terminal value of the investment properties. Generally, an increase in forecasted cash flows will result in an increase to the fair value of an investment property. The discount rate is generally the weighted average cost of capital that is appropriate to the cash flow risk for the investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property. The terminal capitalization rate is generally determined with reference to recent transactions for similar investment properties. An increase in the terminal capitalization rate will result in a decrease to the fair value of an investment property.

b) Operating Leasehold Interests

CAPREIT utilizes the DCF method. Under this method, discount rates are applied to the forecasted cash flows reflecting market-based leasing assumptions for that specific property as well as assumptions about renewal and new leasing activity. The most significant assumption is the discount rate applied over the initial term of the lease. The discount rate is generally the weighted average cost of capital that is appropriate to the cash flow risk for the investment property. In the case of one property, the forecasted cash flows are adjusted for contractual air rights payments and the discount rate is adjusted for uncertainty regarding the renegotiation of the air rights lease at the end of the term. Generally, an increase in forecasted cash flows will result in an increase to the fair value of an investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property.

c) Options to Purchase the Related Operating Leasehold Interests

CAPREIT utilizes the DC method at the reversion date (earlier of option exercise date and early buyout date) to estimate the future value, which is then discounted to a present value. Under this method, the stabilized income is adjusted to a projected NOI as at the end of the operating lease term and the capitalization rate is adjusted to a “reversionary capitalization rate” reflecting the incremental risk associated with future uncertainty. The value of the option is then determined based on the difference between the estimated fair value of the property at such date and the option buyout price, discounted back to its present value using a risk-adjusted discount rate (the “option discount rate”).

d) Land Leasehold Interests

Four of the investment properties have ground leases with various expiry dates (subject to revisions at periodic intervals) between March 31, 2045 and March 31, 2070. One land lease matures in 2045, two mature in 2068 and another matures in 2070. Generally, each lease provides for annual rent and additional rent calculated from the results of property operations. CAPREIT utilizes the DCF method for properties that are subject to land or air rights leases. Under this method, discount rates are applied to the forecasted cash flows reflecting market-based leasing assumptions for that specific property as well as assumptions about renewal and new leasing activity. The most significant assumption is the discount rate applied over the term of the lease. Forecasted cash flows are reduced for contractual land lease payments and the discount rates reflect uncertainty regarding the renegotiation of land lease payments during and at the end of the term of the leases.

A summary of the market assumptions and ranges for each type of property interest, along with their fair values, are presented below as at December 31, 2019 and December 31, 2018:

As at December 31, 2019

Type of Interest	Fair Value	WA NOI/ Cash Flow ⁽¹⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽⁷⁾	\$ 11,332,684	\$ 3,579	Capitalization rate	7.00%	2.15%	3.99%
MHC sites	601,820	1,872	Capitalization rate	9.57%	5.00%	6.30%
Operating leasehold interests ^{(2), (3), (4)}	962,879	4,637	Discount rate ⁽⁵⁾	6.00%	5.50%	5.58%
Land leasehold interests ⁽²⁾	161,920	3,547	Discount rate ⁽⁵⁾	8.00%	6.50%	7.27%
Total Investment Properties excluding right-of-use assets	\$ 13,059,303					
Add: Right-of-use assets, net of fair value change ⁽⁶⁾	37,123					
Total Investment Properties	\$ 13,096,426					

As at December 31, 2018

Type of Interest	Fair Value	WA NOI/ Cash Flow ⁽¹⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽⁷⁾	\$ 9,078,457	\$ 3,236	Capitalization rate	7.19%	2.91%	4.10%
MHC sites	341,890	2,629	Capitalization rate	7.31%	5.11%	6.11%
Operating leasehold interests ^{(2), (3), (4)}	873,067	4,133	Discount rate ⁽⁵⁾	6.00%	5.50%	5.57%
Land leasehold interests ⁽²⁾	180,130	3,623	Discount rate	7.00%	6.50%	6.81%
Total Investment Properties	\$ 10,473,544					

⁽¹⁾ Weighted average (“WA”) net operating income (“NOI”) or cash flow by property fair value.

⁽²⁾ The fair values of operating leasehold interests subject to a contractual air rights lease and land leasehold interests subject to land leases reflect the estimated air rights or land lease payments over the term of the leases.

⁽³⁾ The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of \$470,169 as at December 31, 2019 (December 31, 2018 – \$325,817). The increase is due to (i) \$156,041 of fair value increase due to the two closed operating lease buyouts and nine operating lease buyouts under discussion, (ii) \$23.6 million of fair value gain on the remaining four operating leasehold interests, offset by (iii) \$35.3 million of exercised options transferred to fee simple upon conversion of the leasehold interest into fee simple.

⁽⁴⁾ For the nine pending operating lease buyouts, it is assumed that the buyout will occur within 12 months from December 31, 2019. For the four remaining operating leasehold interests, the contractual weighted average remaining lease term on operating leasehold interests is 16.4 years as at December 31, 2019 (December 31, 2018 – 14.8 years) based on the assumption that the early purchase option is not exercised. If the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the four remaining operating leasehold interests is 6.4 years as at December 31, 2019 (December 31, 2018 – 4.8 years).

⁽⁵⁾ Represents the discount rate used to determine the fair value of operating leasehold interests using the Discounted Cash Flow (“DCF”) method. A weighted average stabilized net operating income growth of 3.1% and 2.9% has been assumed as at December 31, 2019 and December 31, 2018, respectively.

⁽⁶⁾ Under IFRS 16, effective January 1, 2019, land and air right leases previously expensed are now recognized as right-of-use assets and included in fair value of investment properties. These right-of-use assets relate to operating leasehold and land leasehold interests as shown in the reconciliation below. Please refer to note 2 for further details.

⁽⁷⁾ The fee simple interests include \$1,962,949 (December 31, 2018 – \$1,040,707) of CAPREIT’s European portfolio with an implied capitalization rate of 3.89% (December 31, 2018 – 3.80%) which were valued using the DCF method at a weighted average discount rate of 5.81% and a terminal capitalization rate of 5.16% (December 31, 2018 – 6.06% and 5.17%, respectively).

Reconciliation of Carrying Amounts of Investment Properties by Type

For the Year Ended December 31, 2019	Fee Simple MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance, beginning of the year	\$ 9,420,347	\$ 873,067	\$ 180,130	\$ 10,473,544
Impact of IFRS 16 adopted in 2019 ⁽³⁾	–	3,000	26,843	29,843
Restated balance, beginning of the year	9,420,347	876,067	206,973	10,503,387
Additions:				
Properties acquired through business combinations ⁽¹⁾	135,533	–	–	135,533
Acquisitions	1,384,908	–	–	1,384,908
Property capital investments	211,660	17,356	7,643	236,659
Capitalized leasing costs ⁽²⁾	154	27	(154)	27
Right-of-use assets ⁽³⁾	–	–	7,920	7,920
Operating lease buyout ⁽⁴⁾	–	14,746	–	14,746
Foreign currency translation	(78,910)	–	–	(78,910)
Transfer between investment property types ⁽⁴⁾	103,610	(103,610)	–	–
Fair value adjustments	757,202	161,283	(26,329)	892,156
Balance of Investment Properties, end of the year	\$ 11,934,504	\$ 965,869	\$ 196,053	\$ 13,096,426

⁽¹⁾ Represents the fair value of the properties acquired as part of the Acquisition. For details, please refer to note 4.

⁽²⁾ Comprises tenant inducements, straight-line rent and direct leasing costs.

⁽³⁾ Under IFRS 16, effective January 1, 2019, land and air right leases previously expensed are now recognized as right-of-use assets and included in fair value of investment properties. These right-of-use assets relate to operating leasehold and land leasehold interests. Please refer to note 2 for further details.

⁽⁴⁾ During the year CAPREIT purchased the freehold interest on two of its operating leasehold properties and converted the ownership into fee simple.

For the Year Ended December 31, 2018	Fee Simple MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance, beginning of the year	\$ 7,961,816	\$ 738,990	\$ 185,750	\$ 8,886,556
Additions:				
Acquisitions	504,710	–	–	504,710
Property capital investments	176,404	16,909	4,797	198,110
Capitalized leasing costs ⁽¹⁾	216	50	780	1,046
Foreign currency translation	35,324	–	–	35,324
Dispositions	(140,137)	–	–	(140,137)
Realized loss on disposition on investment properties	(2,594)	–	–	(2,594)
Fair value adjustments	884,608	117,118	(11,197)	990,529
Balance of Investment Properties, end of the year	\$ 9,420,347	\$ 873,067	\$ 180,130	\$ 10,473,544

⁽¹⁾ Comprises tenant inducements, straight-line rent and direct leasing costs.

7. Other Assets

As at	Note	December 31, 2019	December 31, 2018
Other non-current assets			
Property, plant and equipment ⁽¹⁾		\$ 51,306	\$ 46,151
Accumulated amortization of property, plant and equipment		(36,366)	(30,757)
Net property, plant and equipment		14,940	15,394
Right-of-use asset, net of amortization ⁽²⁾		1,777	–
Prepaid CMHC premiums, net ⁽³⁾		79,767	74,695
Deferred loan costs, net ⁽⁴⁾		1,320	1,182
Fair value through profit or loss investment		41,177	34,655
Investment in associate ⁽⁶⁾		224,812	181,449
Derivative asset	18	3,984	–
Deferred tax asset	20	1,810	–
Goodwill ⁽⁵⁾	4	15,848	–
Total		\$ 385,435	\$ 307,375
Other current assets			
Prepaid expenses		\$ 8,032	\$ 6,702
Other receivables		13,973	9,887
Restricted cash		8,959	8,141
Deposits		27,796	10,901
Total		\$ 58,760	\$ 35,631

⁽¹⁾ Consists of head office and regional offices' leasehold improvements, corporate assets and information technology systems.

⁽²⁾ Adoption of IFRS 16 for Office Leases; see note 2 for further details. Amortization during the year ended December 31, 2019 is \$726.

⁽³⁾ Represents prepaid CMHC premiums on mortgages payable net of accumulated amortization of \$32,175 (December 31, 2018 – \$27,395).

⁽⁴⁾ Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of \$11,690 (December 31, 2018 – \$10,091).

⁽⁵⁾ Goodwill arising from the acquisition of ECREIT on March 29, 2019, as discussed in note 4, was fully allocated to the Europe segment described in note 29 given that it is expected to benefit from the synergies of that acquisition. As a result of finalizing the purchase price allocation relating to the business combination, CAPREIT performed the annual goodwill impairment test for year end purposes as described in note 2. CAPREIT did not identify any goodwill impairment as a result of the analysis.

⁽⁶⁾ CAPREIT has determined that its investment in IRES should be accounted for using the equity method of accounting given the significant influence it has over IRES. In making the determination that CAPREIT does not control IRES, CAPREIT used judgment when considering the extent of its ownership interest in IRES, the level of its involvement, responsibilities and remuneration as IRES' investment manager, and the control and influence exerted over IRES by its independent Board of Directors and CEO. As at December 31, 2019, CAPREIT concluded that it continues to exert significant influence over IRES. CAPREIT will continue to reassess this conclusion should its ownership interest or the terms of the asset management agreement change. Refer to note 26 for further details.

The table below discloses CAPREIT's ownership in IRES and IRES' share price:

As at	December 31, 2019	December 31, 2018
IRES Investment		
Share ownership (%)	18.3%	18.0%
Number of IRES shares	95,510,000	78,010,000
IRES share price (€)	1.59	1.35

8. Other Liabilities

As at	Note	December 31, 2019	December 31, 2018
Other non-current liabilities			
Derivative liability	18	\$ 3,361	\$ 926
Total		\$ 3,361	\$ 926
Other current liabilities			
Current tax liability ⁽¹⁾	20	\$ 17,646	\$ –
Derivative liability	18	3,734	–
Mortgage interest payable		12,011	9,875
Current lease liability	2	1,121	–
Total		\$ 34,512	\$ 9,875

⁽¹⁾ The current tax liability is primarily a result of reorganization of legal structures of the Netherlands subsidiaries in connection with the Acquisition.

9. Accounts Payable and Accrued Liabilities

As at	December 31, 2019	December 31, 2018
Accounts payable	\$ 47,096	\$ 53,214
Accrued liabilities	51,824	43,124
Deferred revenue	11,920	9,471
Distributions payable to non-controlling interest	832	–
Other	4,872	2,618
Total	\$ 116,544	\$ 108,427

10. ERES Units Held by Non-Controlling Interest

The ERES units held by non-controlling interest are classified as equity on ERES' balance sheets but are classified as a liability on CAPREIT's consolidated balance sheets. ERES units are redeemable at any time, in whole or in part, by the unitholder. Upon receipt of the redemption notice by ERES, all rights to and under the units tendered for redemption shall be surrendered, and the holder shall be entitled to receive a price per unit equal to the lesser of (i) 90% of the weighted average market price of the ERES units on the principal exchange or market on which the ERES units are listed or quoted for trading during the 10 consecutive trading days ending on the date (the "Redemption Date") on which the units were surrendered for redemption of ERES units; and (ii) 100% of the closing market price on the principal exchange or market on which the ERES units are listed or quoted for trading on the Redemption Date.

On September 24, 2019, ERES completed an offering of 40,185,000 ERES units for a price of \$4.15 per unit for aggregate proceeds of \$166,768. The net proceeds after underwriters' commission and other closing costs totalling \$9,182 was \$157,586. CAPREIT purchased 4,820,000 ERES units amounting to \$20,003.

On December 18, 2019, ERES completed an offering of 30,915,400 ERES units for a price of \$4.65 per unit for aggregate proceeds of \$143,757. The net proceeds after underwriters' commission and other closing costs totalling \$5,591 was \$138,166. CAPREIT purchased 5,377,000 ERES units amounting to \$25,003.

As at December 31, 2019, CAPREIT valued the ERES units held by non-controlling interest at \$364,928 (2018 – \$nil) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the ERES units and the distributions paid to non-controlling interest, CAPREIT recorded a loss on non-controlling interest for the year ended December 31, 2019 of \$47,058 in the consolidated statements of income and comprehensive income. The mark-to-market loss arises from the increase in ERES' unit price.

For the year ended	December 31, 2019
Mark-to-market loss on ERES units	\$ 43,120
Distributions to non-controlling interest	3,938
Loss on non-controlling interest	\$ 47,058

11. Mortgages Payable

As at December 31, 2019, mortgages payable bear interest at a weighted average effective rate of 2.84% (December 31, 2018 – 3.13%) and mature between 2020 and 2034. The effective interest rate as at December 31, 2019 includes 0.06% (December 31, 2018 – 0.08%) for the amortization of the realized component of the loss on settlement of derivative financial instruments of \$32,494 included in AOCL. As at December 31, 2019, 99.0% of CAPREIT's mortgages payable are financed at fixed interest rates. Investment properties at fair value of \$12,155,617 have been pledged as security as at December 31, 2019. CAPREIT has investment properties with a fair value of \$940,809 as at December 31, 2019 that are not encumbered by mortgages and secure only the Acquisition and Operating Facility. As at December 31, 2019, unamortized deferred financing costs of \$12,788 and unamortized fair value loss of \$1,191 are netted against mortgages payable.

Future principal repayments as at December 31, 2019 for the years indicated are as follows:

As at December 31, 2019	Principal Amount	% of Total Principal
2020	\$ 436,447	10.1
2021	473,085 ⁽¹⁾	11.0
2022	526,305	12.2
2023	571,935	13.2
2024	339,599	7.9
2025–2034	1,972,798	45.6
	4,320,169	100.0
Deferred financing costs and fair value adjustments	(11,597)	
Total Portfolio	\$ 4,308,572	

⁽¹⁾ Included in mortgages payable as at December 31, 2019 is a \$65,000 fully drawn, non-amortizing credit facility on two of the MHC sites.

As at	December 31, 2019	December 31, 2018
Represented by:		
Mortgages payable – non-current ⁽¹⁾	\$ 3,872,125	\$ 3,324,381
Mortgages payable – current	436,447	403,952
	\$ 4,308,572	\$ 3,728,333

⁽¹⁾ Included in mortgages payable as at December 31, 2019 is a \$65,000 fully drawn, non-amortizing credit facility on two of the MHC sites.

12. Bank Indebtedness

Effective November 15, 2019, CAPREIT amended its credit agreement to, among other things: (i) increase its Acquisition and Operating Credit Facility by \$100,000 to \$740,000, (ii) increase its Acquisition and Operating Facility by \$200,000 for four months via a Bridge Facility maturing on March 15, 2020, as well as (iii) amend the tangible net worth requirement to \$2,400,000. The Bridge Facility cannot be drawn once repaid.

Effective June 28, 2019, CAPREIT amended its credit agreement to amend the “conversion date” to June 30, 2020 for when the revolving facility converts to a two-year non-revolving term facility, and to remove the sublimit on the aggregate amount of Euro LIBOR borrowings.

Effective November 26, 2018, CAPREIT amended its credit agreement to, among other things: (i) increase its Acquisition and Operating Credit Facility by \$100,000 to \$640,000, (ii) amend the aggregate amount of Euro LIBOR borrowings at any time to a maximum of €200,000, and (iii) amend the tangible net worth requirement to \$2,100,000. CAPREIT also increased its Acquisition and Operating Facility by \$200,000 for three months via a Bridge Facility. The Bridge Facility cannot be drawn once repaid.

CAPREIT’s Credit Facilities include the \$740,000 Acquisition and Operating Facility, which can be borrowed in USD, Euro or CAD, and the existing \$65,000 five-year non-revolving term credit facility (collectively, the “Credit Facilities”). The \$65,000 five-year non-revolving term credit facility bears interest at the bankers’ acceptance rate plus 1.4% per annum (included in mortgages payable). The Acquisition and Operating Facility matures on June 30, 2022 and the margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers’ acceptances utilized during the year. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities. The Credit Facilities are used to fund operations, acquisitions, capital improvements, letters of credit and other uses.

As part of the Acquisition, CAPREIT, indirectly through ERES, assumed a Canadian dollar denominated unsecured credit agreement with a Canadian chartered bank, with a maximum principal amount of \$3,000, bearing interest at a rate equal to the bank’s prime rate plus 1.0% per annum or bankers’ acceptances plus 2.5% per annum. The facility expired on June 30, 2019.

On July 8, 2019, ERES entered into a new revolving credit facility (“ERES Credit Facility”) for up to \$72,915 (€50,000) with two Canadian chartered banks. The ERES Credit Facility will expire July 8, 2021.

On December 12, 2019, ERES entered into a one-year revolving Bridge Credit Facility (“ERES Bridge Facility”) for up to \$72,915 (€50,000) with the same two Canadian chartered banks. The ERES Bridge Facility will expire December 6, 2020. As of December 31, 2019, no amounts were drawn on the ERES Bridge Facility.

As at December 31, 2019	Acquisition and Operating Facility	ERES Credit Facility
Facility	\$ 740,000 ⁽¹⁾	\$ 72,915 ⁽⁴⁾
Less: USD LIBOR borrowings	(579,821) ^{(2),(6)}	(37,226)
Euro LIBOR borrowings	(6,846) ⁽³⁾	–
Letters of credit	(7,163)	–
Available borrowing capacity	\$ 146,170	\$ 35,689
Weighted average interest rate including interest rate swaps ⁽⁷⁾	1.08%	3.57%

As at December 31, 2018	Acquisition and Operating Facility	ERES Credit Facility
Facility	\$ 640,000 ⁽⁵⁾	\$ –
Less: USD LIBOR borrowings	(255,105) ^{(2),(6)}	–
Euro LIBOR borrowings	(312,260) ^{(3),(6)}	–
Letters of credit	(6,310)	–
Available borrowing capacity	\$ 66,325	\$ –
Weighted average interest rate including interest rate swaps ⁽⁷⁾	1.45%	–%

⁽¹⁾ In addition to the above Facility, there is a \$200,000 Bridge Facility in place. There were no amounts drawn on this Bridge Facility as of December 31, 2019. The Bridge Facility will expire March 15, 2020.

⁽²⁾ CAPREIT has USD LIBOR borrowings of USD \$446,428 (2018 – USD \$187,000) that bears interest at the USD LIBOR rate plus a margin of 1.65% per annum.

⁽³⁾ CAPREIT has Euro LIBOR borrowings of €4,694 (2018 – €200,000) that bears interest at the Euro LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%.

⁽⁴⁾ In addition to the above ERES Credit Facility, there is a \$72,915 (€50,000) ERES Bridge Facility. No amounts are drawn on this Bridge Facility as of December 31, 2019. The Bridge Facility will expire December 6, 2020.

⁽⁵⁾ The Facility, in addition, had a \$200,000 Bridge Facility in place for three months. The drawn bridge amount could not be redrawn once repaid. The drawn bridge amount was repaid in Q4 2018 and the bridge expired in February 2019. The Bridge Facility availability as of December 31, 2018 was \$53,146.

⁽⁶⁾ For details on cross-currency interest rate swaps, refer to note 18.

⁽⁷⁾ Excluding the impact of interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 3.44% (December 31, 2018 – 2.69%).

13. Unit-based Compensation Financial Liabilities and Exchangeable Units

Units are issuable pursuant to CAPREIT’s Unit-based compensation plans, namely the Unit Option Plan (“UOP”), the Employee Unit Purchase Plan (“EUPP”), the Deferred Unit Plan (“DUP”) and the Restricted Unit Rights Plan (“RUR Plan”), each of which is more fully described in note 14. As at December 31, 2019, the maximum number of Units issuable under all of CAPREIT’s Unit-based incentive plans is 9,500,000 Units (December 31, 2018 – 9,500,000). The maximum number of Units available for future issuance under all Unit incentive plans as at December 31, 2019 is 729,783 Units (December 31, 2018 – 887,823 Units).

On April 4, 2014, the Long-Term Incentive Plan (“LTIP”), the Senior Executive Long-Term Incentive Plan (“SELTIP”) and the Unit Purchase Plan (“UPP”) were terminated by the trustees of CAPREIT, although awards previously granted under the LTIP and SELTIP remained outstanding under the original terms of such plans. As at December 31, 2019, no further awards remained outstanding under the LTIP and SELTIP given that the remaining balance was settled in 2018.

During 2018, 1,263,962 unit options were exercised and an equivalent number of Trust Units were issued. As at December 31, 2019, no further unit options remained outstanding under the UOP.

Included within the Unit-based compensation financial liabilities are ERES unit options assumed as part of the Acquisition. ERES unit options are issuable pursuant to ERES’ unit-based compensation plan (the “ERES UOP”). Under the terms of the ERES UOP, ERES’ board of trustees may from time to time, in its discretion, grant options to purchase ERES units to trustees, officers, employees and technical consultants of ERES and its affiliates. ERES unit options vest in one-third instalments annually on the anniversary of the grant date and expire 10 years from the date the options were granted. The ERES unit options can only purchase ERES units and cannot be converted to CAPREIT Units.

The Units, Unit Rights and Unit Options issued or outstanding under CAPREIT's incentive plans, the ERES UOP and Exchangeable Units as at December 31, 2019 and 2018 are as follows:

Year Ended December 31, 2019 (Number of Units)	ERES UOP	DUP	RUR	Total CAPREIT ⁽³⁾
Units, Unit rights and Unit options outstanding as at January 1, 2019	–	286,696	578,120	864,816
Issued, cancelled or granted during the year				
Assumed	1,143,014	–	–	
Issued or granted	3,220,000	17,267	83,124	100,391
Exercised or settled	(13,666)	(159,080)	(130,353)	(289,433)
Cancelled or forfeited	(93,334)	(1)	(3,952)	(3,953)
Distributions reinvested	–	6,114	15,148	21,262
Units, Unit rights and Unit options outstanding as at December 31, 2019	4,256,014	150,996	542,087	693,083

Year Ended December 31, 2018 (Number of Units)	ERES UOP	UOP	DUP	RUR	SELTIP/LTIP ⁽¹⁾	Exch. Units ⁽²⁾	Total CAPREIT ⁽³⁾
Units, Unit rights and Unit options outstanding as at January 1, 2018	–	1,263,962	260,159	521,980	1,025,398	130,655	3,202,154
Issued, cancelled or granted during the year							
Issued or granted	–	–	23,903	111,146	–	–	135,049
Exercised or settled	–	(1,263,962)	(5,924)	(58,603)	(1,025,398)	(130,655)	(2,484,542)
Cancelled or forfeited	–	–	–	(14,591)	–	–	(14,591)
Distributions reinvested	–	–	8,558	18,188	–	–	26,746
Units, Unit rights and Unit options outstanding as at December 31, 2018	–	–	286,696	578,120	–	–	864,816

⁽¹⁾ The distributions payable on SELTIP and LTIP Units do not increase the number of Units outstanding on these plans but are incorporated into the fair value of the plans.

⁽²⁾ Exchangeable Units are entitled to distributions equivalent to distributions on Trust Units, must be exchanged solely for Trust Units on a one-for-one basis, and are exchangeable at any time at the option of the holder. An equivalent number of Special Voting Units were issued at the same time as the Exchangeable Units. The holders of these Units have no entitlement to any share of or interest in the distributions or net assets of CAPREIT. Through Special Voting Units, holders of Exchangeable Units are entitled to an equivalent number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Exchangeable Units held. All Exchangeable Units have been exercised as of December 31, 2018.

⁽³⁾ Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total Unit-based compensation financial liabilities for the years ended December 31, 2019 and 2018, including the settlement of such liabilities through the issuance of Trust and ERES Units.

As at	December 31, 2019	December 31, 2018
Total Unit-based compensation financial liabilities, beginning of the year	\$ 32,805	\$ 64,560
Unit-based compensation expenses	14,497	34,373
ERES UOP assumed as part of the Acquisition	487	–
Settlement of Unit-based compensation awards for Trust Units	(14,740)	(66,128)
Total Unit-based compensation financial liabilities, end of the year	\$ 33,049	\$ 32,805

Unit-based compensation financial liabilities are as follows:

As at	December 31, 2019	December 31, 2018
Current		
DUP	\$ 8,005	\$ 12,695
RUR	9,662	6,774
ERES UOP	991	–
	\$ 18,658	\$ 19,469
Non-current		
RUR	\$ 14,080	\$ 13,336
ERES UOP	311	–
	14,391	13,336
Total Unit-based compensation financial liabilities, end of the year	\$ 33,049	\$ 32,805

Units or Unit-based Compensation Financial Liabilities Held by Trustees, Officers and Other Senior Management

As at December 31, 2019, 0.7% (December 31, 2018 – 1.0%) of all Trust Units outstanding were held by trustees, officers and other senior management of CAPREIT.

14. Unit-based Compensation Expenses

These costs represent Unit-based compensation expenses, which include fair value remeasurements at each reporting date recognized over the respective vesting periods for each plan for the years ended December 31, 2019 and 2018, as follows:

For the Year Ended December 31,	2019	2018
UOP	\$ –	\$ 4,201
LTIP	–	7,730
SELTIP	–	11,036
DUP	3,209	3,263
RUR Plan	10,412	8,143
EUPP	341	299
ERES UOP	876	–
Unit-based compensation expenses	\$ 14,838	\$ 34,672

a) UOP

Under the terms of the UOP, options are granted to trustees, officers and key employees based on a performance incentive for improved service and enhancing profitability. In February 2010, the former President and CEO's employment agreement was amended to provide that during his term, the former President and CEO would be awarded options to acquire three percent (3%) of the number of Units issued by the Trust pursuant to any equity offering or acquisition transaction (not including pursuant to any compensation arrangements) at the market price of the Units at the time of completion of each such treasury issuance, in accordance with the terms of the UOP, as amended from time to time.

A summary of unit option activity for the years ended December 31, 2019 and 2018 is presented below. As indicated in note 13, all unit options under the UOP were settled in 2018 and no unit options were outstanding as at December 31, 2019.

For the Year Ended December 31, (Number of Units)	2019	2018
Outstanding unit options, beginning of the year	–	1,263,962
Granted	–	–
Exercised	–	(1,263,962)
Outstanding unit options, end of the year	–	–
Exercisable unit options, end of year	–	–

b) LTIP and SELTIP

The Board of Trustees awarded LTIP and SELTIP Units, subject to the attainment of specified performance objectives, to certain officers and key employees (collectively, the "Participants"). SELTIP Units were awarded to the former Chief Executive Officer and a former Chief Financial Officer of the Trust. The Participants subscribed for Units of CAPREIT at a purchase price equal to the weighted average trading price of the Units for five trading days prior to issuance. The purchase price is payable in instalments, with an initial instalment of 5% paid when the Units are issued. The balance, represented by Instalment Receipts, is due over a term not exceeding 10 years for the LTIP and 30 years in the case of the SELTIP. Participants are required to pay interest at 10-year and 30-year fixed rates, respectively, based on the Trust's fixed borrowing rate for long-term mortgage financing, and are required to apply cash distributions received on these Units toward the payment of interest and the remaining instalments. In the case of the SELTIP, following the 10th anniversary, cash distributions shall be applied to pay interest only and any excess will be distributed to the Participants. Participants may pre-pay any remaining instalments at their discretion. The Instalment Receipts are non-recourse to the Participants and are secured by the Units as well as the distributions on the Units. If a Participant fails to pay interest and/or principal, CAPREIT may elect to reacquire or sell the Units in satisfaction of the outstanding amounts.

The LTIP and SELTIP were terminated on April 4, 2014 by the Trustees of CAPREIT, although awards previously granted remain outstanding. The terms of the LTIP and SELTIP continue in effect as long as any awards pursuant to the LTIP and SELTIP remain outstanding. No further awards under the LTIP and SELTIP plans remain outstanding as at December 31, 2019.

The fair value of LTIP and SELTIP awards is determined by using an option pricing model that uses market-based valuation assumptions.

The details of the Units issued under the LTIP and SELTIP are as shown below:

Year Ended December 31,	2019		2018	
	LTIP	SELTIP	LTIP	SELTIP
Number of Units				
Balance, beginning of the year	–	–	470,683	554,715
Settled during the year	–	–	(470,683)	(554,715)
Balance, end of the year	–	–	–	–

The details of the LTIP and SELTIP Instalment Receipts are shown below:

Year Ended December 31,	2019		2018	
	LTIP	SELTIP	LTIP	SELTIP
Instalment Receipts				
Balance, beginning of the year	\$ –	\$ –	\$ 3,667	\$ 6,822
Principal repayments during the year	–	–	(3,667)	(6,822)
Balance, end of the year	\$ –	\$ –	\$ –	\$ –

The Instalment Receipts are recognized as a deduction from Unit-based compensation liability. During the year ended December 31, 2018, interest payments in the amounts of \$435 were applied to the outstanding Unit-based compensation liability. The outstanding balance of the instalments receivable is used in determining the fair value of the Units and the related fair value adjustments.

c) DUP

The DUP gives the non-executive trustees the right to receive a percentage of their annual retainer in the form of deferred units (“Deferred Units”). Each trustee who elects to participate may be paid 25%, 50%, 75% or 100% (the “Elected Percentage”) of their annual retainer payable in respect of a calendar year (the “Elected Amount”), subject to an annual maximum Elected Percentage established by the Human Resources and Compensation Committee, in the form of Deferred Units, in lieu of cash. CAPREIT will match the Elected Amount in the form of Deferred Units having a value equal to the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the date on which Board compensation is payable. The maximum Elected Percentage in respect of 2019 is 100.0% (2018 – 100.0%) of a trustee’s annual Board compensation of \$85 for 2019 and \$85 for 2018.

The Deferred Units earn notional distributions based on the same distributions paid on the Units, and such notional distributions are used to acquire additional Deferred Units (“Distribution Units”). The Deferred Units and additional Distribution Units are credited to each trustee’s Deferred Unit account and are not issued to the trustee until the trustee elects to withdraw such Units. Each trustee may elect to withdraw up to 20% of the Deferred Units credited to their Deferred Unit account only once in a five-year period. The fair value of the Distribution Units represents the closing price of the Units on the TSX on the distribution date.

The details of the Units issued under the DUP are shown below:

As at	December 31, 2019			December 31, 2018		
	Weighted Average Issue Price	Fair Value per Unit	Number of Units	Weighted Average Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the year	\$ 26.31	\$ 44.30	286,696	\$ 24.34	\$ 37.32	260,159
Granted during the year	51.54	–	17,267	42.78	–	23,903
Additional Unit distributions	49.79	–	6,114	41.75	–	8,558
Settled or cancelled during the year	26.37	–	(159,081)	28.65	–	(5,924)
Outstanding, end of the year	\$ 30.09	\$ 53.01	150,996	\$ 26.31	\$ 44.30	286,696

The fair value of DUPs represents the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the reporting date, representing the fair value of the redemption price.

d) RUR Plan

In 2010, CAPREIT adopted the RUR Plan as the primary plan through which long-term incentive compensation will be awarded. The RUR Plan was approved by the Unitholders on May 19, 2010. The Human Resources and Compensation Committee of the Board of Trustees may award RURs, subject to the attainment of specified performance objectives, to certain officers and key employees (collectively, the “Participants”). The purpose of the RUR Plan is to provide its Participants with additional incentive and to further align the interests of its Participants with Unitholders through the use of RURs which, on vesting, are exercisable for Units. RUR Plan Units will be issued from treasury on vesting. The RURs vest in their entirety on the third anniversary of the grant date. The RURs earn notional distributions in respect of each distribution paid on RURs commencing from the grant date, and such notional distributions are used to calculate additional RURs (“Distribution RURs”), which are accrued for the benefit of the Participants. The Distribution RURs are credited to the Participants only when the underlying RURs on which the Distribution RURs are earned become vested. The fair value of the Distribution RURs is based on the five-business-day weighted average closing price of the Units on the TSX prior to the distribution date.

The details of the RURs granted under the RUR Plan (including the Distribution RURs) are as follows:

As at	December 31, 2019			December 31, 2018		
	Weighted Average Issue Price	Fair Value per Unit	Number of Units	Weighted Average Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the year	\$ 29.23	\$ 44.30	578,119	\$ 27.11	\$ 37.32	521,980
Granted during the year	47.84	–	83,124	36.35	–	111,146
Additional Unit distributions	50.52	–	15,148	41.49	–	18,187
Settled or cancelled during the year	29.18	–	(134,304)	28.01	–	(73,194)
Outstanding, end of the year	\$ 32.69	\$ 53.01	542,087	\$ 29.23	\$ 44.30	578,119

The fair value of RURs represents the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the reporting date, representing the fair value of the redemption price.

e) EUPP

The EUPP grants all employees the right to receive an additional amount equal to 20% of the Units they acquire, paid in the form of additional Units. This additional amount is expensed as compensation on issuance of the Units.

f) ERES UOP

Under the terms of the ERES UOP, options are granted to trustees, officers, employees and technical consultants based on a performance incentive for improved service and enhancing profitability. The ERES options vest in one-third instalments annually on the anniversary of the grant date and expire 10 years from the date the ERES options were granted

A summary of unit option activity for the years ended December 31, 2019 and 2018 is presented below.

As at	December 31, 2019		December 31, 2018	
	Weighted Average Issue Price	Number of Units	Weighted Average Issue Price	Number of Units
Outstanding unit options, beginning of the year	–	–	–	–
Assumed	\$ 3.97	1,143,014	–	–
Issued or granted	4.55	3,220,000	–	–
Exercised or settled	3.75	(13,666)	–	–
Cancelled or forfeited	4.04	(93,334)	–	–
Outstanding unit options, end of the year	4.41	4,256,014	–	–
Exercisable unit options, end of the year	\$ 3.88	621,254	–	–

The fair value of ERES options is determined as at the grant date and subsequent interim and annual valuations are determined by adjusting market-based valuation assumptions used in arriving at the estimated fair value. The weighted average assumptions utilized to arrive at the estimated fair value for the outstanding grants at the respective periods were as follows:

As at	December 31, 2019	December 31, 2018
Number of Units	4,256,014	–
Weighted average issue price	\$ 4.41	N/A
Weighted average risk-free rate (%)	1.68	N/A
Weighted average distribution yield (%)	3.29	N/A
Weighted average expected years	4.38	N/A
Weighted average volatility (%)	25.00	N/A
Weighted average unit option value	\$ 0.82	N/A

15. Unitholders' Equity

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. The authorized capital of CAPREIT consists of an unlimited number of Units, an unlimited number of Special Voting Units and 25,840,600 Preferred Units. As at December 31, 2019, no Preferred Units or Special Voting Units were issued and outstanding. Trust Units represent a Unitholder's proportionate undivided beneficial interest in CAPREIT. No Trust Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by CAPREIT and, in the event of termination of CAPREIT, in the net assets of CAPREIT remaining after satisfaction of all liabilities. Units will be issued in registered form and are transferable. Issued and outstanding Units may be subdivided or consolidated from time to time by the trustees without Unitholder approval. No certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

By virtue of CAPREIT being an open-ended mutual fund trust, Unitholders of Trust Units are entitled to redeem their Units at any time at prices determined and payable in accordance with the conditions specified in the DOT. As a result, under IFRS, Trust Units are defined as financial liabilities; however, for the purposes of financial statement classification and presentation, the Trust Units may be presented as equity instruments as they meet the puttable instrument exemption under IAS 32. For the purposes of presenting earnings on a per Unit basis as well as for Unit-based compensation plans, CAPREIT's Trust Units are not treated as equity instruments.

The number of issued and outstanding Trust Units (excluding Units, Unit Rights and Unit Options issued or outstanding under CAPREIT's incentive plans) is as follows:

For the Year Ended December 31,	Ref	2019	2018
Units outstanding, beginning of the year		145,653,982	136,911,892
Issued or granted during the year in connection with the following:			
New Units issued	(a)	22,488,250	4,910,500
Exchangeable Units	(b)	–	130,655
Distribution Reinvestment Plan ("DRIP")	(c)	1,397,192	1,304,098
EUPP	(d)	40,340	42,950
DUP	(e)	159,080	5,924
RUR Plan	(f)	130,353	58,603
UOP	(g)	–	1,263,962
LTIP	(h)	–	470,683
SELTIP	(i)	–	554,715
Units outstanding, end of the year		169,869,197	145,653,982

a) New Units Issued

2019

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
December 2019 (the "December 2019 Equity Offering")					
Bought-deal (December 6, 2019)	\$ 53.60	\$ 425,048	\$ 17,612	\$ 407,436	7,930,000
Over-allotment (December 6, 2019)	\$ 53.60	63,757	2,641	61,116	1,189,500
Total		\$ 488,805	\$ 20,253	\$ 468,552	9,119,500

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
April 2019 (the "April 2019 Equity Offering")					
Bought-deal (April 23, 2019)	\$ 49.00	\$ 300,125	\$ 13,807	\$ 286,318	6,125,000
Over-allotment (April 23, 2019)	\$ 49.00	45,019	950	44,069	918,750
Total		\$ 345,144	\$ 14,757	\$ 330,387	7,043,750

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
January 2019 (the "January 2019 Equity Offering")					
Bought-deal (January 4, 2019)	\$ 45.50	\$ 250,250	\$ 11,512	\$ 238,738	5,500,000
Over-allotment (January 11, 2019)	\$ 45.50	37,538	900	36,638	825,000
Total		\$ 287,788	\$ 12,412	\$ 275,376	6,325,000

2018

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
March 2018 (the "March 2018 Equity Offering")					
Bought-deal (March 15, 2018)	\$ 35.15	\$ 150,091	\$ 6,780	\$ 143,311	4,270,000
Over-allotment (March 15, 2018)	\$ 35.15	22,514	901	21,613	640,500
Total		\$ 172,605	\$ 7,681	\$ 164,924	4,910,500

b) Exchangeable Units

During 2018, pursuant to the terms of the Exchangeable Units, 130,655 Exchangeable Units were exchanged for 130,655 Trust Units.

c) Distribution Reinvestment Plan

The terms of the DRIP grant participants the right to receive an additional amount equal to 5% of their monthly distributions paid in the form of additional Units. The total consideration for Units issued represents the amount of cash distributions reinvested in additional Units.

d) Employee Unit Purchase Plan

The EUPP grants all employees the right to receive an additional amount equal to 20% of the Units they acquire, paid in the form of additional Units.

e) Deferred Unit Plan

During 2019, 159,081 DUP Units were settled, out of which 159,080 DUP Units were settled for an equivalent number of Trust Units and the remaining DUP Unit was settled in cash. During 2018, in accordance with the DUP, one trustee exercised 5,924 Deferred Units, and they were settled for an equivalent number of Trust Units.

f) Restricted Unit Rights Plan

During 2019, 134,305 RUR Units were settled, out of which 130,353 RUR Units were settled for an equivalent number of Trust Units and the remaining RUR Units were cancelled. During 2018, 58,603 RUR Units were settled for an equivalent number of Trust Units and 14,591 RUR Units were cancelled.

g) Unit Option Plan

During 2018, 1,263,962 options were exercised and an equivalent number of Trust Units were issued.

h) Long-Term Incentive Plan

During 2018, 470,683 Units previously issued were settled. The remaining instalments were repaid in full in respect of the settled Units.

i) Senior Executive Long-Term Incentive Plan (“SELTIP”)

During 2018, 554,715 Units previously issued were settled. The remaining instalments were repaid in full in respect of the settled Units.

16. Distributions on Trust Units

CAPREIT paid distributions to its Unitholders in accordance with its DOT. Distributions declared by its Board of Trustees were paid monthly, on or about the 15th day of each month. Effective March 2019, monthly cash distributions declared to Unitholders increased to \$0.1150 (\$1.38 annually) compared to \$0.1108 (\$1.33 annually) effective May 2018.

For the Year Ended December 31,	2019	2018
Distributions declared on Trust Units	\$ 218,136	\$ 187,848
Distributions per Unit	\$ 1.372	\$ 1.313

17. Financial Instruments, Investment Properties and Risk Management**a) Fair Value of Financial Instruments**

The fair value of CAPREIT’s financial assets and liabilities, except as noted below and elsewhere in the consolidated annual financial statements, approximates their carrying amount due to the short-term and variable rate nature of these instruments.

As at December 31, 2019, the fair value of CAPREIT’s mortgages payable is estimated to be \$4,196,000 (December 31, 2018 – \$3,646,000) due to changes in interest rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT’s mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions, which are considered Level 2 inputs (as described below).

CAPREIT has classified and disclosed the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13. The fair value hierarchy distinguishes between market value data obtained from independent sources and CAPREIT’s own assumptions about market value. The hierarchy levels are defined below:

Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs based on factors other than quoted prices included in Level 1, which may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 – Inputs which are unobservable for the asset or liability, and typically based on CAPREIT’s own assumptions as there is little, if any, related market activity.

CAPREIT’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents CAPREIT's estimates of assets and liabilities measured at fair value on a recurring basis based on information available to management as at December 31, 2019, and aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts CAPREIT could ultimately realize.

	Level 1 Quoted Prices in Active Markets for Identical Assets and Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Recurring Measurements				
Assets				
Investment properties				
Fee simple and MHC land lease sites	\$ —	\$ —	\$ 11,934,504 ⁽¹⁾	\$ 11,934,504
Operating leasehold interests	—	—	965,869 ⁽¹⁾	965,869
Land leasehold interests	—	—	196,053 ⁽¹⁾	196,053
Investments	41,177 ⁽²⁾	—	—	41,177
Derivative financial assets ⁽³⁾	—	3,984	—	3,984
Liabilities				
Derivative financial liabilities ⁽³⁾	—	(7,095)	—	(7,095)
ERES units held by non-controlling interest	(364,928)	—	—	(364,928)
Total	\$ (323,751)	\$ (3,111)	\$ 13,096,426	\$ 12,769,564

⁽¹⁾ Fair values for investment properties are calculated using either the direct income capitalization or the discounted cash flow methods, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 6 for detailed information on the valuation methodologies and fair value reconciliation.

⁽²⁾ CAPREIT's investments (excluding CAPREIT's equity accounted investment in IRES) are accounted for as FVTPL and are measured at fair value based on the quoted market price in an active market of the asset.

⁽³⁾ The valuation of the interest rate swap and cross-currency swap instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. The fair value is determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. If the total mark-to-market value is positive, CAPREIT will consider a credit value adjustment to reflect the credit risk of the counterparty, and if the total mark-to-market value is negative, CAPREIT will consider a credit value adjustment to reflect CAPREIT's own credit risk in the fair value measurement of the interest rate swap agreements.

Although CAPREIT has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by CAPREIT. As at December 31, 2019, CAPREIT has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of the derivative. As a result, CAPREIT has determined that the derivative valuations in their entirety should be classified as Level 2 of the fair value hierarchy. For assets and liabilities measured at fair value as at December 31, 2019, there were no transfers between Level 1, Level 2 and Level 3 during the period.

b) Risk Management

The main risks arising from CAPREIT's financial instruments are interest rate, liquidity, credit and foreign currency risks. CAPREIT's approach to managing these risks is summarized as follows:

Interest Rate Risk

CAPREIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced on terms as favourable as those of the existing indebtedness. In addition, interest on CAPREIT's bank indebtedness is subject to floating interest rates. CAPREIT is also subject to the risks associated with changes in interest rates or different financing terms from the hedging derivative assumptions, which may result in the hedging relationship being ineffective, causing volatility in earnings.

For the years ended December 31, 2019 and 2018, a 100 basis point change in interest rates would have the following effect:

	Change in Interest Rates (basis points)	Increase (Decrease) in Net Income	
		2019	2018
Floating rate debt	+100	\$ 11	\$ (674)
Floating rate debt	-100	\$ (11)	\$ 674
Cross-currency interest rate swaps ⁽¹⁾	+100	\$ 10,445	\$ 3,549
Cross-currency interest rate swaps ⁽¹⁾	-100	\$ (10,640)	\$ (3,643)

⁽¹⁾ Represents the parallel interest rate shift of both the LIBOR and EURIBOR forward rates.

CAPREIT's objective in managing interest rate risk is to minimize the volatility of interest expenses due to fluctuations in market interest rates. As at December 31, 2019, interest rate risk has been minimized as 99.0% (December 31, 2018 – 100.0%) of the mortgages payable are financed at fixed interest rates, with maturities staggered over a number of years. Taking into consideration interest rate swaps where hedge accounting has not been applied, 100.0% of the mortgages payable are financed at fixed interest rates.

Liquidity Risk

Liquidity risk is the risk that CAPREIT may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. Approximately 98.3% of CAPREIT's mortgages are CMHC-insured (excluding \$1,013,718 of mortgages on the MHC sites and the ERES properties), which reduces the risk in refinancing mortgages. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 and 40 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders, and to provide future growth in its business. As at December 31, 2019, CAPREIT had undrawn lines of credit in the amount of \$146,170 (December 31, 2018 – \$66,325), excluding borrowing capacity under the ERES Credit Facility, the Bridge Facility and the ERES Bridge Facility. Including the additional borrowing capacity under the ERES Credit Facility, the Bridge Facility and the ERES Bridge Facility, CAPREIT had undrawn lines of credit in the amount of \$454,774 (December 31, 2018 – \$266,325).

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at December 31, 2019 are as follows:

	2020 ⁽²⁾	2021–2022	2023–2024	2025 Onward
Mortgages payable	\$ 436,447	\$ 999,390	\$ 911,534	\$ 1,972,798
Bank indebtedness	–	623,893	–	–
Mortgage interest ⁽¹⁾	110,586	181,151	121,788	640,919
Bank indebtedness interest ⁽¹⁾	8,273	12,342	–	–
Other liabilities ⁽⁴⁾	149,935	1,088	496	366,705
Lease liabilities	1,121	2,196	1,241	34,338
Security deposits	39,575	–	–	–
Distributions payable	19,533	–	–	–
Swap premium ⁽³⁾	–	456	430	159
	\$ 765,470	\$ 1,820,516	\$ 1,035,489	\$ 3,014,919

⁽¹⁾ Based on current in-place interest rates for the remaining term to maturity.

⁽²⁾ Estimates of the amounts as at December 31, 2019.

⁽³⁾ Related to interest rate swaps on ERES commercial properties.

⁽⁴⁾ Related to accounts payable and accrued liabilities, derivative financial liabilities and ERES units held by non-controlling interest.

Credit Risk

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that CAPREIT's residents may experience financial difficulty and be unable to meet their rental obligations.

CAPREIT monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

CAPREIT mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and geographically diversifying its portfolio.

CAPREIT monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. CAPREIT's bad debt experience has historically been less than 0.5% of revenue in the past three years. The maximum exposure to credit risk at the reporting date is the carrying value of the tenant receivables.

Foreign Currency Risk

Foreign currency risk is the financial risk exposure to unanticipated changes in the exchange rate between two currencies. CAPREIT is exposed to foreign currency risk as CAPREIT's functional and presentation currency is Canadian dollars while the functional currency of CAPREIT's fund management subsidiary in Ireland, investment in IRES, and CAPREIT's subsidiaries in the Netherlands, including ERES, is the Euro.

CAPREIT manages and mitigates the exposure to foreign currency risk on its investment in IRES and subsidiaries in the Netherlands with its US LIBOR borrowings, cross-currency swap and Euro LIBOR borrowings. The (loss) gain on foreign currency translation relating to CAPREIT's subsidiaries in Ireland, and the Netherlands and IRES investment is recognized in OCI. The mark-to-market on the cross-currency swap and foreign exchange translation on the US LIBOR and Euro LIBOR borrowings are recognized in the consolidated statement of income and comprehensive income.

18. Realized and Unrealized Gains and Losses on Derivative Financial Instruments

a) Contracts for Which Hedge Accounting Is Being Applied

- (i) In June 2011, CAPREIT entered into a hedging program, which effectively hedged interest rates on approximately \$312,000 of mortgages maturing between September 2011 and June 2013. The maturing mortgages have been refinanced for 10-year terms and as a result bear interest rates between a floor rate of 3.00% and a ceiling rate of 3.62%, before the credit spread. The change in the intrinsic value of the forward interest rate hedge has been included in OCI (see note 21). The hedging program matured in June 2013, for which hedge accounting was applied. The ineffective portion and the difference between the settled amount and the mark-to-market have been recognized in net income. All contracts have been settled.

The forward interest rate derivative liability has been summarized as follows:

As at	December 31, 2019	December 31, 2018
Derivative liability in AOCL, beginning of the year	\$ (8,270)	\$ (10,547)
Amortization from AOCL to interest and other financing costs	2,265	2,277
Derivative liability in AOCL, end of the year	\$ (6,005)	\$ (8,270)

b) Contracts for Which Hedge Accounting Is No Longer Effective

- (ii) During 2005, CAPREIT entered into interest rate forward contracts aggregating to \$145,740 (the "Interest Rate Forward Contracts") to hedge its exposure to the potential rise in interest rates for refinancings of mortgages maturing in 2009.

CAPREIT settled these Interest Rate Forward Contracts in 2009. The associated cumulative unamortized loss of \$9,908 included in AOCL at September 30, 2008 is being amortized to mortgage interest expense over the original terms of the hedged contracts. For the year ended December 31, 2019, \$270 (December 31, 2018 – \$358) was amortized from AOCL to mortgage interest expense.

- (iii) CAPREIT had a \$65,000 interest rate swap agreement fixing the bankers' acceptance rate at 2.20%, which had a maturity date of September 2022, for which hedge accounting was not being applied. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a 10-year term (see note 11 for further details). The related floating rate credit facility is for a five-year non-revolving term with an effective interest rate of 3.60%, and any principal that is repaid may not be reborrowed. The hedge became ineffective in July 2017. On September 26, 2019, the \$65,000 swap was settled.

c) Contracts for Which Hedge Accounting Is Not Being Applied

- (iv) In June 2017, CAPREIT entered into a cross-currency swap to (i) hedge a US-based loan of USD \$186,436 into €163,540 effective July 2017, and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65%, equalling 1.20%, and maturing in June 2019. The US-based loan was drawn from the Acquisition and Operating Facility in July 2017. As at June 30, 2019, the cross-currency swap matured and settled.
- (v) In June 2019, CAPREIT entered into a new cross-currency swap to (i) hedge a US-based loan of USD \$186,190 into €163,540 effective June 2019, and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65%, equalling 1.08%, and maturing in June 2021. The gain on the derivative has been recorded under (loss) gain on derivative financial instruments of \$3,254 in the consolidated statements of income and comprehensive income for the year ended December 31, 2019 and the cumulative mark-to-market gain of \$3,254 is in other non-current assets as at December 31, 2019.
- (vi) In January 2019, CAPREIT entered into a recurring monthly cross-currency swap to convert surplus Canadian dollars into Euro denominated amounts to pay down Euro debt throughout 2019. The cross-currency swap was unwound as Canadian dollars were required. As at December 20, 2019, CAPREIT exited this swap program.
- (vii) As part of CAPREIT's acquisition of ERES, CAPREIT assumed the following interest rate swaps:
- a. A €7,500 interest rate swap fixing the variable three-month EURIBOR rate at 0.60%, which matures on December 31, 2023, and results in fixed effective interest rate of 1.82%.
 - b. A €25,500 interest rate swap fixing the variable three-month EURIBOR rate at 0.49%, which matures on January 13, 2025, and results in a fixed effective interest rate of 1.87%.

In connection with these two interest rate swap agreements, there is an interest rate floor agreement, which stipulates that any variable rate associated with the agreement will not be below 0%. This results in a \$730 derivative financial asset and \$2,273 derivative financial liability as presented in the statements of financial position. During the year ended December 31, 2019, loss on the derivative financial instruments of \$200 has been recorded.

- (viii) In September 2019, CAPREIT entered a cross-currency swap to (i) hedge a \$65,000 CAD-based loan into €44,818 effective September 2019, and (ii) convert the variable interest rate on the CAD-based loan of bankers' acceptance plus 1.40% to a EURIBOR fixed interest rate of 0.97%, and maturing June 28, 2021 to match the maturity on the credit facility (see note 9 for further details). The loss on the derivative has been recorded under (loss) gain on derivative financial instruments of \$395 in the consolidated statements of income and comprehensive income for the year ended December 31, 2019 and the cumulative mark-to-market loss of \$395 is in other non-current liabilities as at December 31, 2019.
- (ix) In September 2019, ERES entered into two foreign exchange forward contracts to hedge movement in the Canadian and Euro exchange rates in connection with proceeds from its September 2019 equity offering. The contracts matured on September 24, 2019. The loss on the forward contracts of \$1,164 have been recorded under gain (loss) on derivative financial instruments in the consolidated statements of income and comprehensive income for the year ended December 31, 2019.
- (x) In November 2019, ERES entered into a 3-month cross-currency EURIBOR/LIBOR interest rate swap in connection with the US dollar draw on the revolving credit facility of USD \$28,634 to hedge into €26,000 (see note 10 for further details). Interest is paid at floating rates of EURIBOR plus 1.55% and LIBOR plus 1.65% on the Euro and US dollar notional amounts, respectively. The loss on the derivative has been recorded under (loss) gain on derivative financial instruments of \$593 in the consolidated statements of income and comprehensive income for the year ended December 31, 2019 and the cumulative mark-to-market loss of \$593 is in other current liabilities as at December 31, 2019.
- (xi) In December 2019, ERES entered into three foreign exchange forward contracts to hedge movement in the Canadian and Euro exchange rates in connection with proceeds from its December 2019 equity offering. The contracts matured on December 18, 2019. The loss on the forward contracts of \$784 have been recorded under gain (loss) on derivative financial instruments in the consolidated statements of income and comprehensive income for the year ended December 31, 2019.

- (xii) In December 2019, CAPREIT entered a cross-currency swap to (i) hedge a USD \$177,296 US-based loan into €160,000 effective December 2019, and (ii) convert the variable interest rate on the US-based loan of US LIBOR plus 1.65% to a EURIBOR fixed interest rate of 1.06%, and maturing November 30, 2020. The loss on the derivative has been recorded under (loss) gain on derivative financial instruments of \$3,141 in the consolidated statements of income and comprehensive income for the year ended December 31, 2019 and the cumulative mark-to-market loss of \$3,141 is in other current liabilities as at December 31, 2019.
- (xiii) In December 2019, CAPREIT entered a cross-currency swap to (i) hedge a USD \$82,525 US-based loan into €74,000 effective December 2019, and (ii) convert the variable interest rate on the US-based loan of US LIBOR plus 1.65% to a EURIBOR fixed interest rate of 1.05%, and maturing December 31, 2021. The gain on the derivative has been recorded under (loss) gain on derivative financial instruments of \$693 in the consolidated statements of income and comprehensive income for the year ended December 31, 2019 and the cumulative mark-to-market loss of \$693 is in other non-current liability as at December 31, 2019.

19. Capital Management

CAPREIT defines capital as the aggregate of Unitholders' equity, mortgages payable and bank indebtedness. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund its distributions to Unitholders, meet its repayment obligations under its mortgages and credit facilities, and ensure sufficient funds are available to meet capital commitments. Capital adequacy is monitored against investment and debt restrictions contained in CAPREIT's DOT and Credit Facilities.

CAPREIT's Credit Facilities (see note 12) require compliance with certain financial covenants. In addition, borrowings must not exceed the borrowing base, calculated at a predefined percentage of the market value of the properties.

In the short term, CAPREIT utilizes the Credit Facilities to finance its capital investments, which may include acquisitions. In the long term, equity issuances, mortgage financings and refinancings, including "top-ups", are put in place to finance the cumulative investment in the property portfolio and ensure that the sources of financing better reflect the long-term useful lives of the underlying investments.

Under the terms of CAPREIT's Large Borrower Agreement ("LBA") with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of gross book value determined on a fair value basis or (ii) 70% of gross book value determined on a historical basis, and may only be increased above such limits with CMHC's consent.

The LBA provides for, among other things: (i) certain financial covenants and limitations on indebtedness; (ii) the posting of a revolving letter of credit with respect to certain capital expenditures on a portfolio rather than an individual property basis; and (iii) cross-collateralization of mortgage loans for certain CMHC-insured mortgage lenders.

The total capital managed by CAPREIT is as follows:

As at	December 31, 2019	December 31, 2018
Mortgages payable	\$ 4,308,572	\$ 3,728,333
Bank indebtedness	623,893	567,365
Unitholders' equity	8,403,895	6,316,700
Total capital	\$ 13,337,746	\$ 10,612,398

The results of CAPREIT's compliance with the key covenants is summarized below:

As at		December 31, 2019	December 31, 2018
Mortgages payable		\$ 4,308,572	\$ 3,728,333
Bank indebtedness		623,893	567,365
Unit-based compensation liabilities		33,049	32,805
Unitholders' equity		8,404,362	6,316,700
Total capital		\$ 13,369,876	\$ 10,645,203
	Threshold	December 31, 2019	December 31, 2018
Total debt to gross book value ⁽¹⁾	Maximum 70.00%	34.99%	39.37%
Tangible net worth ⁽²⁾	Minimum \$2,400,000	\$ 8,421,096	\$ 6,349,505
Debt service coverage ratio (times) ^{(3), (4)}	Minimum 1.20	1.87	1.75
Interest coverage ratio (times) ^{(3), (5)}	Minimum 1.50	3.69	3.44

- ⁽¹⁾ CAPREIT's DOT limits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's consolidated financial statements, determined on a fair value basis for investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees and deferred loan costs. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments. Under the terms of CAPREIT's LBA with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of gross book value, determined on a fair value basis, of total assets or (ii) 70% of gross book value, determined on a historical basis, of total assets, and may only be increased above such limits with CMHC's consent.
- ⁽²⁾ As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' Equity and Unit-based rights and compensation liabilities or assets, including Exchangeable Units added back, and excluding goodwill. The tangible net worth requirement is \$2,400,000 (2018 – \$2,100,000).
- ⁽³⁾ Based on the trailing four quarters.
- ⁽⁴⁾ As per the Credit Facilities agreement and DOT, the debt service coverage ratio is defined as earnings before interest, income taxes, depreciation and amortization and other adjustments, including non-cash costs ("EBITDA"), less income taxes paid divided by the sum of principal and interest payments.
- ⁽⁵⁾ As per the Credit Facilities agreement and DOT, the interest coverage ratio is defined as EBITDA less taxes paid divided by interest payments.

CAPREIT's subsidiary, ERES, is subject to various debt covenants contained in ERES' credit facilities. ERES must have a maximum debt to gross book value of 65%, a minimum tangible net worth of €372,400, a minimum debt service coverage ratio of 1.35, and a minimum interest coverage ratio of 1.50. For the year ended December 31, 2019, ERES is in compliance with its debt covenants.

20. Income Taxes

CAPREIT is taxed as a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act") and continues to meet the prescribed conditions relating to the nature of its assets and revenues in order to qualify as a Real Estate Investment Trust eligible for the REIT exception to the specified investment flow-through ("SIFT") rules. The Trust expects to distribute all of its taxable income to its Unitholders; accordingly, no provision for Canadian income tax has been made. Income tax obligations relating to the distributions from CAPREIT are with the individual unitholder, with the exception of withholding taxes for distributions to non-resident Unitholders.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgment is required in the estimation of income taxes and deferred income tax assets and liabilities in each of CAPREIT's operating jurisdictions. Income taxes may be paid where activities relating to the foreign subsidiaries are considered to be taxable in those countries.

For the Year Ended December 31,	2019	2018
Income before income taxes	\$ 1,217,808	\$ 1,236,479
Income not subject to taxation	(1,105,127)	(1,159,944)
Income before income taxes in subsidiary entities	\$ 112,681	\$ 76,535
Tax calculated at the Dutch corporate tax rate of 25%	28,170	19,134
Increase (decrease) resulting from:		
Expenses not deductible for tax	318	–
Effect of different tax rates in countries in which the REIT operates	(2,646)	–
Adjustments to deferred taxes for the current and future years' change in tax rates	(3,304)	(214)
Adjustments for difference in tax rates for first €200 of income	(523)	(192)
Other adjustments	346	80
Provision for income taxes	\$ 22,361	\$ 18,808

A breakdown of current and deferred income tax expense is as follows:

For the Year Ended December 31,	2019	2018
Current income tax expense	\$ 17,282	\$ –
Deferred income tax expense	5,079	18,808
Deferred and current income tax expense (net)	\$ 22,361	\$ 18,808

Deferred income tax assets (liabilities) is primarily due to the following:

As at	December 31, 2019	December 31, 2018
Deferred tax liability related to difference in tax and book basis of investment properties	\$ (33,000)	\$ (26,428)
Deferred tax assets related to loss carryforward	2,498	–

Due to the reorganization of the legal structure of the Netherlands subsidiaries as a result of the Acquisition, capital gains were triggered. Therefore, \$18,050 was reclassified from deferred income tax liability to current income tax liability during the year ended December 31, 2019.

As at December 31, 2019, CAPREIT has recognized total non-capital loss carryforwards of \$12,459 (December 31, 2018 – \$8,432). Of these losses, \$8,972 are in respect of the Netherlands subsidiaries and expire between 2025 and 2027. The remaining losses of \$3,487 are in respect of German subsidiaries and have no expiry period.

21. Accumulated Other Comprehensive Income (Loss)

For the Year Ended December 31,	2019	2018
AOCL balance, beginning of the year	\$ 28,846	\$ (2,343)
Other comprehensive (loss) income:		
Amortization from AOCL to interest and other financing costs ^{(1),(2)}	3,810	2,659
Foreign currency translation	(52,166)	28,530
Other comprehensive (loss) income	(48,356)	31,189
AOCL balance, end of the year	\$ (19,510)	\$ 28,846

	December 31, 2019	December 31, 2018
AOCL comprises:		
Loss on derivative financial instruments		
Cumulative realized loss	\$ (9,908) ⁽¹⁾	\$ (9,908) ⁽¹⁾
Accumulated amortization to interest and other financing costs	9,261	8,991
Unamortized balance of loss on cash flow hedges previously settled	(61)	(82)
Loss on interest rate swap agreements	–	(1,253)
Loss on forward interest rate hedge	(22,884) ⁽²⁾	(22,884) ⁽²⁾
Accumulated amortization to interest and other financing costs	16,880	14,614
Cumulative (loss) gain on foreign currency translation	(15,925)	36,241
Reversal of cumulative foreign currency translation relating to IRES ownership dilution	3,127	3,127
AOCL balance, end of the year	\$ (19,510)	\$ 28,846

⁽¹⁾ The cumulative realized loss on derivative financial instruments aggregating to \$9,908 will be amortized to net income as mortgage interest expense over periods ending December 2017 to September 2022, being the original terms of the hedged contracts. The estimated amount of the amortization that is expected to be reclassified to net income from AOCL in the next 12 months is \$271.

⁽²⁾ The realized loss component of the \$22,884 OCI loss on forward interest rate hedges is \$22,586, which will be amortized to net income as mortgage interest expense over the original 10-year term of the hedged contracts. The estimated amount of the amortization expected to be reclassified to net income from AOCL in the next 12 months is \$2,251.

22. Interest and Other Financing Costs

For the Year Ended December 31,	2019	2018
Interest on mortgages payable ⁽¹⁾	\$ 119,119	\$ 112,762
Amortization of CMHC premiums and fees	4,780	3,914
Interest on bank indebtedness and other deferred costs ⁽²⁾	9,279	8,404
Interest on Exchangeable Units	–	95
Interest on land and air rights lease liability	2,038	–
Non-controlling interest costs ⁽³⁾	–	10,036
	\$ 135,216	\$ 135,211

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and OCI hedge interest for the year ended of \$4,711 (December 31, 2018 – \$4,381).

⁽²⁾ Includes amortization of deferred loan costs of \$1,666 (December 31, 2018 – \$828) and OCI hedge interest of \$1,253.

⁽³⁾ Represents costs related to the non-controlling interest of the minority shareholders in CAPREIT's foreign subsidiaries.

23. Joint Arrangements

CAPREIT's share of the assets, liabilities, revenues, expenses and cash flows from joint arrangement activities is summarized as follows:

Year Ended December 31,	2019	2018
Assets	\$ 332,606	\$ 242,141
Liabilities	89,734	70,702
Revenues	18,313	16,882
Expenses and other adjustments	(63,713)	(6,984)
Net income	82,026	25,593
Cash provided by (used in):		
Operating activities	\$ 9,169	\$ 10,870
Investing activities	(2,653)	(2,637)
Financing activities	2,228	(7,911)

24. Supplemental Cash Flow Information

a) Net Income Items Related to Investing and Financing Activities

For the Year Ended December 31,	2019	2018
Dividend and interest income	\$ (2,732)	\$ (1,588)
Interest paid on Exchangeable Units	–	115
Interest paid on mortgages payable	111,790	106,593
Interest paid on bank indebtedness	7,819	7,563
Interest paid on leases	2,038	–
Non-cash non-controlling interest costs	–	9,821
Net proceeds	\$ 118,915	\$ 122,504

b) Changes in Non-cash Operating Assets and Liabilities

For the Year Ended December 31,	2019	2018
Prepaid expenses	\$ (1,373)	\$ (956)
Tenant inducements, direct leasing costs and other adjustments	104	2,496
Other receivables	(1,945)	(811)
Deposits	10	(1,910)
Accounts payable and other liabilities	(4,186)	23,733
Security deposits	4,118	3,092
Current tax liability	18,292	–
Net increase (decrease) in non-cash operating assets and liabilities	\$ 15,020	\$ 25,644

c) Net Cash Distributions to Unitholders and Non-Controlling Interest

For the Year Ended December 31,	2019	2018
Distributions declared to Unitholders	\$ (218,136)	\$ (187,848)
Add: Distributions payable to Unitholders at beginning of the year	(16,143)	(14,714)
Less: Distributions payable to Unitholders at end of the year	19,533	16,143
Less: Distributions to participants in the DRIP	67,393	51,490
Add: Distributions payable to non-controlling interest at beginning of the year	–	–
Less: Distributions payable to non-controlling interest at end of the year	832	–
Net disbursement	\$ (146,521)	\$ (134,929)

d) Capital Investments

For the Year Ended December 31,	2019	2018
Capital investments	\$ (241,814)	\$ (203,799)
Change in capital investments included in accounts payable and other liabilities	(543)	15
Net disbursement	\$ (242,357)	\$ (203,784)

e) Acquisition of Investment Properties

For the Year Ended December 31,	2019	2018
Acquired properties	\$ (1,384,908)	\$ (504,710)
Fair value adjustment of assumed debt	68	(1,972)
Assumed debt	74,345	22,915
Deposit on purchases	(16,905)	1,399
Contributions from non-controlling interest	–	216
Net disbursement	\$ (1,327,400)	\$ (482,152)

f) Disposition of Investment Properties

For the Year Ended December 31,	2019	2018
Proceeds	\$ –	\$ 140,926
Closing costs	–	(842)
Mortgages assumed by purchasers and discharged	–	(58,212)
Net proceeds	\$ –	\$ 81,872

g) Issuance of Trust Units

For the Year Ended December 31,	2019	2018
Issuance of Trust Units	\$ 1,090,847	\$ 280,793
Conversion of Exchangeable Units to Trust Units	–	(5,716)
Settlement of Unit-based Compensation Awards for Trust Units	(14,740)	(66,129)
Net proceeds	\$ 1,076,107	\$ 208,948

h) Mortgage Portfolio

The following table summarizes the movement in mortgage payable during the period:

As at December 31,	2019	2018
Balance, beginning of the year	\$ 3,728,333	\$ 3,581,501
Add:		
New borrowings on acquisitions	527,960	178,018
Refinanced	300,547	213,216
Less:		
Mortgage principal amortization	(125,902)	(116,877)
Mortgages matured	(232,336)	(103,734)
Mortgages repaid on dispositions of investment properties	–	(58,212)
Non-cash Adjustments:		
Mortgages assumed ⁽¹⁾	147,814	22,915
Foreign currency translation	(35,214)	12,382
Change in deferred financing costs, fair value adjustments, net	(2,630)	(876)
Balance, end of the year	\$ 4,308,572	\$ 3,728,333

⁽¹⁾ Includes the mortgages on the properties acquired as part of the Acquisition. For details, please refer to note 4 of the consolidated annual financial statements.

i) Bank Indebtedness

The following table summarizes the movement in bank indebtedness during the year:

As at December 31,	2019	2018
Balance, beginning of the year	\$ 567,365	\$ 446,895
Net borrowings before foreign currency translation	87,000	85,981
Foreign currency translation	(30,472)	34,489
Balance, end of the year	\$ 623,893	\$ 567,365

25. Revenues and Other Income**Other Income**

For the Year Ended December 31,	2019	2018
Investment income	\$ 1,674	\$ 1,384
Net profit from equity-accounted investment ⁽¹⁾	23,440	32,633
Asset and property management fees ⁽²⁾	8,038	7,285
Other	1,752	1,008
Total	\$ 34,904	\$ 42,310

⁽¹⁾ CAPREIT's share of IRES' investment property fair value change, earnings and foreign exchange effects thereon. For the years ended December 31, 2019 and 2018, CAPREIT's share of IRES' investment property fair value gain is \$15,201 and \$25,159, respectively.

⁽²⁾ Based on investment management agreement with IRES, which owns properties in Ireland.

In accordance with the adoption of IFRS 15, management has evaluated the lease and non-lease components of its revenue and income. Revenues under IFRS 15 consist of asset and property management fees listed above and miscellaneous revenues. For the year ended December 31, 2019, miscellaneous revenues of \$9,243 were included in revenue from investment properties (year ended December 31, 2018 – \$7,423). Miscellaneous revenues consist of cable income, common area maintenance recoveries and premium service components.

26. Related Party Transactions

a) IRES Transactions

As at December 31, 2019, CAPREIT has an 18.3% share ownership in IRES and has determined that it has significant influence over IRES. In May and November 2018, the former CEO of CAPREIT, David Ehrlich, exercised 11,793,333 and 716,667 IRES options, respectively, and sold the shares issued to him by IRES to CAPREIT. The sale of these shares by the former CEO resulted in CAPREIT's share ownership in IRES increasing to 18.0% from 15.7% prior to May 2018. Pursuant to a placing of shares completed by IRES in June 2019 and July 2019, CAPREIT's share ownership increased to 18.3%. The share ownership is held through a wholly-owned subsidiary of CAPREIT, Irish Residential Properties Fund. See note 7 for a more detailed description.

Included in other income for the year ended December 31, 2019 is \$8,038 (2018 – \$7,285) from asset management and property management fees. Expenses related to the asset and property management services are included in trust expenses. The amount receivable from IRES as at December 31, 2019 is \$2,730 (December 31, 2018 – \$1,237).

b) Transactions with Key Management Personnel

Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR Plan and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are entitled to termination benefits that provide for payments of up to 36 months of benefits (based on base salary, bonus and other benefits), depending on cause.

Key management personnel and trustee compensation included in the consolidated statements of income and comprehensive income comprises:

For the Year Ended December 31,	2019	2018
Short-term employee benefits	\$ 2,692	\$ 3,337
Unit-based compensation – grant date amortization ⁽¹⁾	3,178	2,683
	5,870	6,020
Unit-based compensation – fair value remeasurement	4,411	3,739
Other benefits	–	2,983
Total	\$ 10,281	\$ 12,742

⁽¹⁾ 2019 figures include \$750 of accelerated vesting of previously granted RUR Units related to the former President and CEO.

c) ERES Transactions

New Management Agreement

Upon closing of the Acquisition, CAPREIT and CanLiving (together, the “Manager”) entered into a new management agreement with ERES pursuant to which the Manager will act as the asset manager to ERES, except for the commercial properties (the “New Management Agreement”). The Manager will, among other things, provide strategic, advisory, asset management, project management, construction management and administrative services necessary for ERES.

The New Management Agreement provides for a broad range of asset management services for the following fees:

- An annual asset management fee in the amount of 0.35% of the historical purchase price of ERES' properties excluding the commercial properties plus HST/VAT;
- An acquisition fee in the amount of (i) 1.0% of the purchase price paid by ERES or one or more of its subsidiaries for the purchase of a residential or commercial real property of ERES located in Europe, on the first €100,000 of such properties acquired in each fiscal year, (ii) 0.75% of the purchase price paid by ERES or one or more of its subsidiaries for the purchase of such a property, on the next €100,000 of such properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by ERES or one or more of its subsidiaries for the purchase of such a property, on properties in excess of €200,000 acquired in each fiscal year, plus VAT;
- A capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project (other than in respect of the commercial properties) with costs in excess of €1,000, excluding work done on behalf of tenants or any maintenance expenditures, plus VAT; and

- d) A financing fee equal to 0.25% of the debt and equity of all financing or refinancing transactions completed for ERES or any of its subsidiaries, which is intended to cover the actual expenses incurred by the Manager in supplying services to ERES relating to financing transactions. To the extent that the Financing Fees paid by ERES exceed the actual amount of such expenses, the Manager will reimburse ERES for the difference. To the extent that the Financing Fees charged by the Manager are less than the actual amount of such expenses, ERES will pay the difference as an additional Financing Fee amount.

During the year ended December 31, 2019, the Manager recorded asset management fees from ERES of \$3,543 (year ended December 31, 2018 – \$nil). In addition, the Manager earned acquisition fees of \$2,826 (year ended December 31, 2018 – \$nil).

Any asset management fees and acquisition fees charged by the Manager to ERES are eliminated upon consolidation in these consolidated annual financial statements.

Property Management Agreement

Prior to closing of the Acquisition, ERES had a property management agreement with CanLiving. Under the terms of the agreement, CanLiving received 3.5%, effective February 2019 (2.5% previously), of EGI (effective gross income) for its services. CanLiving was a subsidiary of Holding BV prior to December 27, 2018, when Holding BV transferred the shares of CanLiving to CAPREIT.

Upon closing of the Acquisition, CanLiving entered into a new property management agreement with ERES pursuant to which CanLiving will act as the property manager to ERES for residential properties and receive 3.5% of EGI for its services.

During the year ended December 31, 2019, CAPREIT recorded property management fees from ERES of \$2,208. During the year ended December 31, 2018, CAPREIT recorded property management fees from CAPREIT Holding B.V. of \$1,027, which was eliminated on consolidation.

Any property management fees charged by CanLiving to ERES will be eliminated upon consolidation in these consolidated annual financial statements.

Services Agreement

The Manager has entered into a services agreement with ERES, pursuant to which the Manager will provide ERES with certain administrative services, including financial, information technology, internal audit and other support services as may be reasonably required from time to time. The Manager will provide these services to ERES on a cost recovery basis.

During the year ended December 31, 2019, CAPREIT recorded service fees from ERES of \$379 (year ended December 31, 2018 – \$nil).

Any service fees charged by the Manager to ERES will be eliminated upon consolidation in these consolidated annual financial statements.

Pipeline Agreement

CAPREIT entered into a pipeline agreement with ERES (the “Pipeline Agreement”) on March 29, 2019, pursuant to which CAPREIT, for a period ending on the two-year anniversary of the entering into of the Pipeline Agreement, will make up to \$238 million (€165 million) (the “Total Commitment”) available to acquire Pipeline Properties that comply with ERES’ investment policy and do not contravene the investment policy of CAPREIT for which ERES wishes to purchase but is unable to do so (a “Suitable Property Investment”). Once any part of the Total Commitment has been repaid by cash or units, that part of the Total Commitment will be available for reuse under the terms of the Pipeline Agreement.

Pursuant to the terms of the Pipeline Agreement, on May 31, 2019, wholly-owned subsidiaries of CAPREIT sold to ERES 26 properties representing an aggregate of 1,257 residential suites, ancillary commercial space and parking facilities, located in 24 cities and towns across the Netherlands. The sale price of the portfolio was at the original acquisition cost of \$350.3 million, satisfied through the transfer of \$146.5 million in mortgages plus \$203.8 million satisfied through the receipt of 50.6 million Class B LP Units of ERES LP.

On June 28, 2019, wholly-owned subsidiaries of CAPREIT sold to ERES 21 properties representing an aggregate of 511 residential suites located in 6 locations across the Netherlands at the original acquisition cost of \$145.9 million, and earned an underwriting fee of \$1.6 million under the Pipeline Agreement. ERES paid \$123.7 million in cash and \$33.4 million through the issuance of 8.3 million Class B LP Units of ERES LP.

On September 30, 2019, wholly-owned subsidiaries of CAPREIT sold to ERES 18 properties representing an aggregate of 942 residential suites located in 7 locations across the Netherlands at the original acquisition cost of \$246.2 million, and earned an underwriting fee of \$2.4 million under the Pipeline Agreement. ERES paid \$243.6 million in cash and \$5.0 million through the issuance of 1.1 million Class B LP Units of ERES LP.

27. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at December 31, 2019 in the aggregate amount of \$10,632 for its natural gas and transport requirements. These commitments, which range from one to three years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

	2020		2021		2022	
Gas Commodity						
Fixed weighted average cost per GJ ⁽¹⁾	\$	2.17	\$	1.70	\$	1.85
Total of CAPREIT's estimated requirements		82.5%		67.7%		33.4%
Transport						
Fixed weighted average cost per GJ ⁽¹⁾	\$	1.21	\$	1.41	\$	1.28
Total of CAPREIT's estimated requirements		76.3%		67.7%		33.4%

⁽¹⁾ Fixed weighted average cost per gigajoule ("GJ") excludes other administrative costs.

Property capital investments

Commitments primarily related to capital investments in investment properties of \$29,483 were outstanding as at December 31, 2019 (December 31, 2018 – \$30,063).

28. Contingencies

CAPREIT is contingently liable under guarantees provided to certain of CAPREIT's and CAPREIT's subsidiaries' lenders in the event of default, and with respect to litigation and claims that arise in the ordinary course of business. Matters relating to litigation and claims are generally covered by insurance, or have been provided for in Trust expenses where appropriate.

29. Segmented Information

CAPREIT has determined upon recent acquisitions of additional European properties resource allocation, the chief operating decision-maker now reviews operating results for the European properties to make decisions about resources to be allocated to the segment and assess its performance.

CAPREIT owns and operates investment properties located in Canada, the Netherlands, Germany and Belgium. In measuring performance, CAPREIT distinguishes its operations on a geographic basis and, accordingly, has identified two reportable segments for disclosure purposes after aggregation. Segments include (i) Canada and (ii) the Netherlands and other European markets.

Selected income statement items	For the Year Ended December 31, 2019				
	Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	\$	704,842	\$	73,042	\$ 777,884
Operating expenses		(252,900)		(16,834)	(269,734)
Net rental income	\$	451,942	\$	56,208	\$ 508,150
Fair value adjustments of investment properties	\$	786,981	\$	105,175	\$ 892,156

Selected income statement items	For the Year Ended December 31, 2018		
	Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$ 655,438	\$ 33,147	\$ 688,585
Operating expenses	(240,142)	(9,387)	(249,529)
Net rental income	\$ 415,296	\$ 23,760	\$ 439,056
Fair value adjustments of investment properties	\$ 897,170	\$ 93,359	\$ 990,529

Selected balance sheet items	As at December 31, 2019		
	Canada	Europe	Consolidated Financial Statements
Investment properties	\$ 11,133,477	\$ 1,962,949	\$ 13,096,426
Mortgages payable	3,429,921	878,651	4,308,572

Selected balance sheet items	As at December 31, 2018		
	Canada	Europe	Consolidated Financial Statements
Investment properties	\$ 9,432,837	\$ 1,040,707	\$ 10,473,544
Mortgages payable	3,258,641	469,692	3,728,333

30. Subsequent Events

On January 9, 2020, CAPREIT completed the buyout of an existing operating lease on an apartment property located at 111 Davisville in Toronto, Ontario, converting the ownership to a traditional fee simple property interest. The net purchase price for the leased property was \$17,334, funded by cash from CAPREIT's December equity offering.

On January 31, 2020, ERES closed on its sale of one commercial property located in Dusseldorf, Germany, for a sale price of \$24,764 (€16,900). The proceeds have been used to settle the outstanding mortgage with a principal balance of \$10,166 (€6,938).

On February 10, 2020, CAPREIT completed the acquisition of a portfolio of eight properties containing 14 apartment buildings totalling 1,503 rental suites in Halifax, Nova Scotia. The purchase price of \$391,000 was satisfied by the assumption of \$109,014 in mortgages with a weighted average interest rate of 1.94% and a weighted average term to maturity of 1.14 years, with the balance in cash from CAPREIT's December equity offering and its Acquisition and Operating Credit Facility.

Unitholder Information

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Chairman

Mark Kenney
President and Chief Executive Officer

Scott Cryer
Chief Financial Officer

Jodi Lieberman
Chief Human Resources Officer

Corinne Pruzanski
General Counsel and Corporate Secretary

Investor Information

Analysts, Unitholders and others seeking financial data should visit CAPREIT's website at www.caprent.com or www.capreit.net or contact:

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Legal Counsel

Stikeman Elliott LLP

Stock Exchange Listing

Units of CAPREIT are listed on the Toronto Stock Exchange under the trading symbol "CAR.UN."



2019 ESG Report

Personifying CAPREIT's Best



About CAPREIT

Canadian Apartment Properties REIT (“CAPREIT”) is one of Canada’s largest real estate investment trusts. CAPREIT owns approximately 55,100 suites, including townhomes and manufacturing housing sites, in Canada and, indirectly through its investment in ERES, approximately 5,600 suites in the Netherlands. CAPREIT manages approximately 59,200 of its owned suites in Canada and the Netherlands, and additionally 3,700 suites in Ireland as at December 31, 2019.

Reporting Boundaries

This report discloses CAPREIT’s ESG-related performance for our fiscal year ended December 31st, 2019. Although CAPREIT’s consolidated financial statements include CAPREIT’s operational footprint in Europe, our 2019 ESG reporting boundaries solely include CAPREIT’s Canadian business operations. This report has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards: Core option. For additional report boundaries, please see our ESG Scorecard.



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In Conversation with Our Leadership

Investor expectations are constantly evolving. As part of that investor evolution, CAPREIT recognizes that environmental, social and governance (“ESG”) disclosure is increasingly being associated with investor expectations. Mark Kenney, President and Chief Executive Officer, and Elaine Todres, Chair of Human Resources and Compensation (HR&C) Committee and Independent Trustee at CAPREIT, sat down to discuss what ESG competency means for our organization and its implications on our corporate strategy and expected performance.

How does CAPREIT define ESG strategy and what does it mean to our organization?

CAPREIT understands that the evolving global market is introducing new risk factors and opportunities for value creation for investors and their funds. The integration of an ESG strategy can help proactively address these risks and create new value-add opportunities, thereby assuring investors that CAPREIT is not only effectively managing our operations but that we have the necessary governance structure in place. At CAPREIT, our investments extend beyond managing our buildings to include the people we employ, the residents we house, the suppliers we engage and the communities in which we operate. Through these strategic alignments, we generate positive returns for our investors, while also making meaningful contributions to the communities we impact and the environment in which we operate. Building and delivering ESG competency means we have a common corporate definition and understanding of ESG and how responsibility and accountability are trickled across varying decision-making processes and departments.

We kicked off 2019 with the official unveiling of **Elevation 2023**, our five-year corporate growth strategy. Through **Elevation 2023**, we sought to clarify our priorities, ensure the delivery of a common understanding and create energy, focus and momentum. **Elevation 2023** presented an opportunity to reflect deeply on the issues that matter most to our stakeholders and the many ways that we, as one of the country’s leading residential providers, can deliver a meaningful impact. The major focus of this growth strategy ensures that our key stakeholders are front and centre of this delivery – namely our employees, residents and investors. We have committed to our employees to be the best place to work. We aspire to be the best place to live for our residents who choose CAPREIT as their home. And we seek to drive strong returns for our Unitholders. Elevation 2023 sets the stage for vision, expectation and continued success. The qualitative and quantitative measurement of progress will make our leadership accountable through execution of all key deliverables for an integrated ESG strategy.

How is ESG integrated into CAPREIT's corporate strategy?

Integration starts by understanding and acknowledging roles and responsibilities, along with accountability. That said, integrating elements of sustainability-related initiatives have been a foundational part of our corporate culture for close to 10 years. For example, on page 10 you can read about the energy conservation efforts that have helped us achieve 25% reduction in energy use intensity ("EUI") across our Ontario portfolio over the last decade. Conservation efforts such as lighting retrofits and the installation of smart meters have improved the operating efficiency of our buildings while keeping resident comfort top of mind. On page 18, you can read how we have consistently invested in the development of our talent pool by delivering close to 13,200 hours of in-house training in 2019, which was one of the many reasons we maintained the Aon Best Employer recognition seven years running. This recognition is a testament to our leadership team's exceptional commitment to support workplace diversity and professional development to help attract and retain the best talent in the industry. We are also thrilled to report the launch of Resident Portal on page 33, detailing the online portal tool that will enhance the resident experience by enabling access to and reservation of CAPREIT amenities and the submission of maintenance requests.

Although we have been applying sustainable practices throughout our operations for over a decade, developing an ESG strategy is the evolution of our current business environment. We see the value in developing and integrating an ESG strategy to help deliver better programs and services to our stakeholders, and ultimately better-measured results to our Unitholders. Through our collaborative culture, we have established the necessary building blocks to better understand our exposure to ESG-related risks and opportunities and advance ESG-related projects. Page 4 details some of the notable ESG achievements in 2019, one of which includes building the in-house ESG subject-matter expertise by onboarding our Director of ESG Strategy Integration in early 2019, who is working closely with our leadership team to ensure that ESG is firmly embedded in CAPREIT's collaborative culture. With our commitment to an integrative strategy, we are excited to introduce and disclose our ESG performance.

What is different about CAPREIT's approach to ESG integration?

We understand our commitment to ESG is a strategic competitive differentiator that helps us attract and retain the best people in the business, better serve our residents and the communities we operate in, deliver value to our Unitholders and stay ahead of what's next for our industry. Over the past 21 years, we have built what we believe is one of the most efficient and effective operating platforms in the multi-residential business. Through further investments in technology, innovation and our people, we will continue to strengthen and enhance our operations to ensure we are achieving the highest possible returns for our Unitholders.

What can our stakeholders expect from CAPREIT on delivering our ESG strategy going forward?

Our stakeholders can remain confident in our delivery of a strong ESG disclosure in 2020 that supports our Elevation 2023 strategy. By mid-2020, we will be submitting our inaugural Global Real Estate Sustainability Benchmark ("GRESB") application, an industry-leading global assessor of the ESG performance of real estate assets and their managers. In support of our commitment to evolve our ESG disclosure and reporting, we will also look to complete a materiality assessment to help us identify the most material issues affecting our key stakeholders. In 2020, we will also look to evolve our understanding and commitment to demonstrating alignment on matters such as climate-related risks and opportunities, which are increasingly important to our residents, employees, investors and the communities we serve. We will continue to drive resident satisfaction to maintain our high occupancies and tenant comfort. Taking this vision forward and continuing to build on all that we have built to date is what energizes us and our team every single day. We are excited for CAPREIT's future. As we look ahead, we remain committed to advancing our ESG initiatives and reporting our progress. In the spirit of our Elevation 2023 commitment to be the best place to work, live and invest, we are excited to showcase what CAPREIT's best looks like throughout our 2019 ESG Report.

— MARK KENNEY, PRESIDENT AND CHIEF EXECUTIVE OFFICER

— ELAINE TODRES, CHAIR OF HR&C COMMITTEE

CAPREIT's 2019 ESG Report Highlights: The Investor's Digest

With a workforce of over 1,000 employees coast to coast, supporting a resident base of over 80,000 people spread across more than 55,000 residential rental apartments, townhouse suites and manufactured home communities, we have a lot to report on. We understand not everyone might have time to read in detail CAPREIT's industry-leading achievements, so we condensed our report highlights into one page to illustrate how we are aligning our ESG strategy integration into our Elevation 2023 commitment to be the best place to work, live and invest. Enjoy our summarized report below.

2019 ESG-Related Initiatives



The Best Place to Work

Through our culture of excellence and supportive work environment we continue to attract and retain the high performers and top talent that are essential to our corporate and financial success.



7th consecutive year platinum-level Aon Best Employer in Canada

- **51:49 gender split** between self-identified women and men.
- Celebrating over **61 spoken languages**.

- **Over 13,200 hours of internal courses and conferences** completed by employees.
- **Best-in-class leadership development programs:** rotational management training and mentoring programs.



The Best Place to Live

We work proactively to anticipate the growing expectations of our residents and community partners through operational improvements, along with engagement and relationship-building activities.



~8/10 overall staff performance score on our resident satisfaction survey

- **Resident Portal launch across 96 properties** in key Canadian residential markets.
- **Over 135 hours of fun and engaging events** delivered by CAPREIT staff for a tailored resident experience.

- **830+ ENERGY STAR certified in-suite appliances** purchased since 2018.
- **Over \$15 million invested to improve building operational performance** and deliver resident comfort.



The Best Place to Invest

Our dedication to timely disclosure and transparency, along with our robust leadership and governance practices, demonstrate the leadership and vision needed to ensure long-term value for shareholders.



~43% self-identified female representation on CAPREIT'S Board

- **~88% Board independence**, consisting of a diversely strong, independent and evolving corporate governance.

- Adoption of comprehensive corporate governance policies and procedures, including a **formalized corporate ESG policy** approved by our Board of Trustees.
- **Bronze-level parity certification achieved** for advancing women in both their leadership and career development, and facilitating access to Board seats.
- **Building ESG corporate-wide competency** through sub-committees designed to support ESG strategy integration.



Integrating a Corporate-wide ESG Strategy

Building a narrative that personifies CAPREIT's best.

In our inaugural year of formalizing CAPREIT's ESG strategy, understanding our corporate narrative was essential to assuring an impactful performance disclosure. As the owner and operator of a sizable and growing portfolio of existing residential apartment buildings, manufactured homes and new developments across Canada, we recognize the impact our narrative poses on attracting and retaining the best employees, the value added to the lives of our residents and of the communities in which we operate and the resulting implications to our Unitholders. CAPREIT's two-decade-long narrative is well encapsulated in our Elevation 2023 corporate strategy, which is our corporate commitment to be the best place to work, live and invest. Integrating elements of sustainability-related initiatives are foundational to CAPREIT's corporate culture, and the launch of a formalized ESG strategy in 2019 was second nature to our business characteristic.

In addition to establishing our corporate narrative, we are proud to have delivered some foundational building blocks in 2019 that will set the tone for an effective ESG strategy integration going forward. Some of those initial key deliverables include:

Building a Corporate-wide ESG Competency

One of the early deliverables for our ESG team was to build a corporate-wide ESG competency, starting from the Board and executive level, and trickling throughout various business functions. Our ESG strategy integration team conducted in-person presentations and leveraged virtual conference tools to socialize our ESG strategy coast to coast, resulting in over 30% employee engagement rate. That translates into 15 hours of ESG-related engagement across our corporate and operational teams.



Vancouver Regional Office



Halifax Regional Office



Quebec City Regional Office

Setting ESG Sub-committees

In an effort to ensure the effective integration of CAPREIT's ESG strategy into the day-to-day operations and decision-making of both the corporate and operational teams, we established two ESG sub-committees, who are overseen by our ESG Steering Committee. These two ESG sub-committees are:

Building Efficiency: Provides feedback and formalizes ESG-related policies and programs impacting CAPREIT's **operational performance**, including approving our national sustainability & conservation standard and reviewing resident engagement-related programs. In doing so, the Building Efficiency sub-committee supports the sustainable development, operations and management of our operational footprint.

Building Accountability: Similar to the Building Efficiency sub-committee, this sub-committee provides feedback and formalizes ESG policies and programs impacting CAPREIT's **corporate performance**. Key project deliverables resulting from the sub-committee's work include our PaperCut pilot project and developing a sustainability office challenge, which will launch in 2020.

Meeting a minimum of once a quarter, both sub-committees are represented by varying business partners, and are co-chaired by the ESG strategy integration and sustainability & conservation teams.



CAPREIT's ESG team

Formalizing Our Corporate ESG Policy

By the end of 2019, with the guidance of our ESG Steering Committee, we formalized our Corporate ESG Policy, which is our corporate commitment to assess the application of ESG-related factors across all stages of our decision-making processes. The policy states corporate, departmental and employee-level roles and responsibilities to effectively support our ESG strategy integration. In addition, departmental-level KPIs have been set to help promote target setting, measurement, management and reporting of our ESG performance.

Looking Ahead

In 2019, we focused on building ESG competency across our organization, while also setting an ESG narrative that our employees are proud to convey. Recognizing the achievements we have made to date, we also understand that we still have a long journey to full ESG integration. As we look to further socialize the formalization of our ESG strategy, added key deliverables will include:

- Following our **Global Real Estate Sustainability Benchmark** ("GRESB") pre-assessment in 2018, we will be completing our inaugural GRESB submission in 2020, which will assess our ESG-related performance against our industry peers.
- Continuing our analysis to complete a **materiality assessment** to help identify key measures to support our strategic integration and planning process.
- Developing cross-departmental **stakeholder engagement initiatives** that will look to align our goals with supply chain partners, employees, residents and our investor base.



The UN Sustainable Development Goals ("SDGs") are a call to action designed to focus on fundamental environmental and social issues. Recognizing our responsibility in supporting the SDGs and building a more sustainable future, CAPREIT's corporate policies and program alignment with the SDGs are illustrated where applicable at the end of each section of the report.



Environmental Stewardship

Over **15%**

water reduction
over 10 years

25%

reduction in energy use
intensity over 10 years
in our Ontario portfolio



CAPREIT's acquisitions team

Acquisitions & Development

Assessing ESG-related factors to make an informed decision in addressing risks and capitalizing on opportunities.

Acquisitions

As a long-term owner and manager of real estate with a portfolio spanning over 55,000 units coast to coast, CAPREIT's high-quality property portfolio is well-diversified demographically, geographically and by property type, and is strongly positioned in key Canadian urban markets. Since 1997, CAPREIT has continued to increase its presence in the higher-return luxury and mid-tier demographic segments while entering the stable and growing manufactured home communities market.

With an annualized Canadian portfolio growth of 14.32% in 2019, CAPREIT remains committed to assessing every investment based on its specific opportunities and risk factors, including asset location, neighbourhood-specific

amenities, features and growth opportunities. CAPREIT's current acquisition due diligence checklist includes environmental and social factors when assessing the qualitative and quantitative risk analysis of each investment, such as:

- **CAPREIT's environmental processes and procedures** to action any added investigation or remediation that may result from a phase 1 environmental assessment report
- Review of **CAPREIT's Commissioned Fire Safety Report** by our in-house liability, life and fire safety team
- Review and assessment of a minimum of 12 months of utility bills and contracts to determine if business terms and operational performance align with **CAPREIT's sustainability & conservation standard**

Development

CAPREIT has invested in residential real estate for two decades, often consciously acquiring properties with future development in mind. As such, CAPREIT continuously seeks to create value and future-proof asset growth through identification, management, design and entitlement of new income producing property (“IPP”) rental assets within our existing portfolio. In response to the recent demand for a purpose-built residential rental product for Canada’s market economy, CAPREIT has several projects in our pipeline. The first major development project is anticipated to break ground in 2021. As our development projects progress, we will aim to support responsible property investment and development best practices that align with leading industry standards for long-term hold assets.

Looking Ahead

Starting in 2020, we will further assess our inclusion of ESG-related measures as part of our due diligence process and decision-making on all new acquisitions under the Board’s review, particularly climate-related resilience and adaptation factors. We will continue to strengthen our due diligence process and ensure key risks are uncovered through the following priority actions:

- **Identification** – Defining the ESG-related boundaries of our due diligence process.
- **Analysis** – Perform a desktop review by collecting and reviewing available documentation, including a checklist approach throughout the due diligence process to identify ESG-related risks and opportunities that are currently or potentially materializing over the investment horizon.
- **Recommendation** – Prepare a document for the Investment Committee summarizing key findings, including material ESG risks, opportunities and corrective actions.

As we create value and future asset growth through our developments, we will ensure that resilient and adaptive climate and socio-economic related design factors are incorporated by adopting inclusive and innovative development design approaches, such as:

- **Tenant communication strategy & protocol** – Address resident engagement and notification in the development process, as well as appropriate personnel training.
- **Internal stakeholder consultation plan** – Identify the required internal stakeholders, as well as how feedback and comments are incorporated at various stages of the design process to optimize project execution.
- **New development design standards** – Establish a guiding document for building and operational standards for all newly developed properties and existing buildings undergoing major retrofits.
- **Establish a development committee** – Provide governance oversight on development-specific capital expenditure, pro forma and go ahead to move forward on development projects.



CAPREIT’s development team

Sustainable Development Goals Alignment



Operational Footprint Management

Powering resident comfort through smart operations management.

For over two decades, CAPREIT has delivered an ongoing commitment to sustainability through integrating environmentally responsible strategies and practices into every aspect of operating our business. By optimizing energy consumption at our buildings, enabling employees and tenants with water conservation and waste diversion tools and implementing sustainability practices across our portfolio, we seek to not only do our part in reducing related adverse impacts on the environment but to also deliver sustainable returns to our Unitholders.

In maintaining our industry leadership, CAPREIT continuously invests in conservation measures across our portfolio. In 2019, we invested over \$15 million in improving the operational performance of our buildings, reducing our utility consumption and increasing both tenant comfort and satisfaction in the process.

For existing buildings, new acquisitions and potential developments, CAPREIT continuously audits and benchmarks properties to find opportunities to implement new conservation projects. We partner with industry experts to design, evaluate and execute projects using both proven and leading-edge technologies.

Energy Management – Powering Smart

Energy conservation measures

- High-efficiency central boiler retrofits
- Building Automation System (“BAS”) with remote monitoring & performance analytics
- In-suite radiator heat reflectors
- Heated garage CO monitoring system
- Mid- and high-efficiency make-up air and air handling
- Sub-metering
- LED lighting retrofit
- Lighting controls (occupancy & motion detection, daylight harvesting, dimming technology, etc.)
- Variable frequency drives on pump and fan motors
- Central heating controls for electrically heated buildings
- In-suite smart thermostats
- Combined heat and power
- Chiller replacement
- Heat-recovery technology



Over \$47 million

invested in energy conservation measures, representing ~8.4% of our capital spent in the last three years



Over 8% energy savings

in the last decade. This is equivalent to providing 5,551 homes with electricity for one year

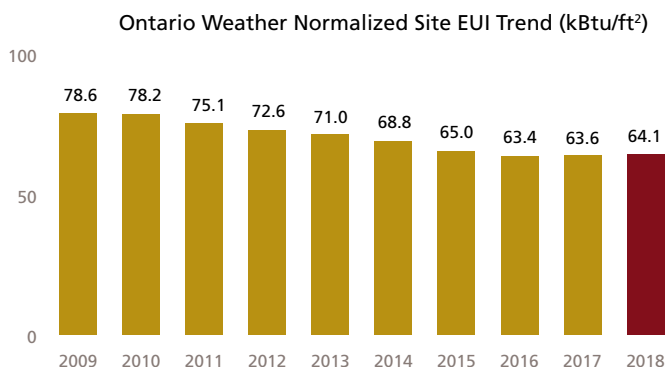


GHG emission reductions of over 8,500 tCO₂e

in the last decade. This is equivalent to taking 2,686 cars off the road for one year

Energy and Water Reporting and Benchmarking (“EWRB”)

As part of Ontario’s voluntary Energy and Water Reporting and Benchmarking (“EWRB”) initiative intended to help building owners and managers improve their buildings’ operational efficiency, CAPREIT reported on the building performance of 47% of our Ontario portfolio. Reporting on properties of 100,000 square feet or greater, CAPREIT’s 10 years of building data demonstrated a 25% reduction in energy use intensity (“EUI”) as a result of CAPREIT’s conservation efforts.



25% reduction in EUI over 10 years in our Ontario portfolio

Key Energy Project Deliverables

Zero carbon buildings: A pathway powered by innovative technologies and renewable energy sources

Heat-Recovery Project

CAPREIT implemented a major retrofit project at a property in Montreal, which included a new electric heat pump replacing the existing natural gas boiler, and added heat-recovery technology that will help reduce the electrical consumption of the unit. The new unit will eliminate 100% of our natural gas consumption and provide better ventilation and control of the building pressure. This project will reduce the building’s annual GHG emissions by 188 tonnes of CO₂e which is equivalent to taking 52 vehicles off the road for one year.

Total Investment	\$743,000
Energy Subsidies	\$400,000
Project Payback	4.1 years
Annual GHG Reduction	188 tonnes CO ₂ e
Equivalency	Removed 52 vehicles off the road

Renewable Natural Gas (“RNG”)

As an alternative to fossil fuel, CAPREIT successfully implemented its first renewable natural gas (“RNG”) project at two of our iconic properties in Quebec. Transforming organic matter, such as table scraps into energy, is one way to explore a natural gas solution that is produced from a 100% renewable and carbon-neutral source. RNG is produced locally and can be added to the existing gas grid while providing our buildings with renewable heat that brings our operational footprint one step closer to cleaner fuel sources.

As of 2019	
Natural Gas Replaced	40,000 m ³
Annual GHG Reduction	71 tonnes of CO ₂ e
Equivalency	Energy for 17 homes in a year



65 Sherbrooke, Montreal, QC



315 Boulevard Rene Levesque, Montreal, QC



30 Sainte-Ursule, Quebec City, QC



“Uncovering opportunities to invest in clean energy sources to reduce our managed properties’ GHG emissions was our focus in 2019. We anticipate expanding our operational sustainability & conservation strategies by actively seeking new opportunities and technologies to reduce our environmental footprint.”

MARC KADDISSI, P.ENG, SENIOR MANAGER, TECHNICAL SERVICES AND SUSTAINABILITY

BAS Energy Management Pilot Project

Rolled across nine pilot sites, CAPREIT’s energy management project is an online platform that provides centralized access to live and historical BAS and integrated weather data. The platform equips our sustainability & conservation controls team with precise controls and the ability to optimize energy usage while improving resident comfort.

The pilot will serve to prove several benefits, including:

- Real-time insights into our BAS data, alerts and energy-related KPIs
- Proactive monitoring and centralized response rates through enhanced notifications
- Improved response times
- Increased tenant comfort

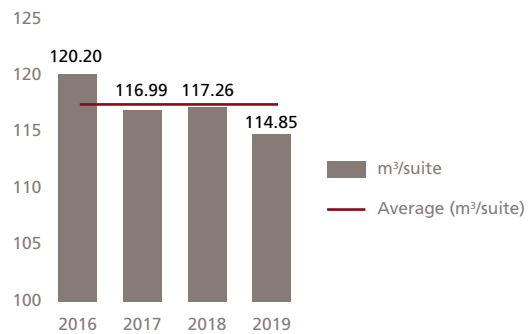
Pending on the pilot’s implementation results, we anticipate a progressive project rollout across our Canadian portfolio.

Water Conservation

Our water conservation approach includes investigating water fixture replacement and renewal opportunities, along with applying practical procurement practices that contribute to building-level water performance. CAPREIT continues to evaluate the installation of the latest water-efficient fixtures available on the market. For over a decade, CAPREIT’s water conservation initiatives have resulted in an aggregated over 15% water consumption reduction, mainly delivered through the installation of:

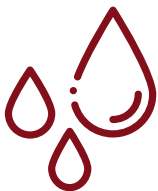
- Ultra-high-efficiency three-litre toilets
- Low-flow showerheads
- Low-flow aerators

Reduction in Annual Water Consumption (m³/suite)



WaterSense

Over the past three years, CAPREIT invested \$1.7 million in water conservation projects, resulting in estimated water savings of over 43,000 m³. That is the equivalent of filling 17 Olympic-size swimming pools!



\$1.7 million
invested in water conservation projects since 2017

Over 15%
water reduction over 10 years

Over 43,000 m³
in estimated water savings since 2017

Waste Diversion

Key Waste Diversion Highlights and Accomplishments

Effective in 2019, our sustainability & conservation team leveraged our Building Efficiency and Building Accountability sub-committees to implement conservation measures both at our building-level operations and corporate offices.

PaperCut



Targeting departmental paper reduction across our corporate head office in Toronto, the PaperCut program is the Building Accountability sub-committee’s first pilot initiative. By introducing a tap and release print function, the PaperCut pilot program is set to help streamline our current printing process and needs. CAPREIT is currently running this initiative as a pilot project which includes 44 users across 13 corporate departments. A full program rollout will be assessed in 2020.

CAPREIT’s Sustainable Office Challenge



In early 2019, our sustainability & conservation team, with support from the Building Efficiency and Accountability sub-committees, initiated our Sustainable Office Challenge plan to empower employees to incorporate sustainable practices

into their daily business operations. Focusing on building awareness around corporate waste, energy conservation, transportation and wellness, the Sustainable Office Challenge is a corporate-wide initiative that will be further socialized in 2020 to help contribute to a positive workplace environment.

Some of the office-specific changes we will look to implement include:

- Reduction of office paper use
- Elimination of single-use plastics
- Introduction of tri-bin waste sorting for waste, recycling and compost
- Incorporating sustainability signage and messaging inside CAPREIT offices to promote positive behaviour change
- Installation of LED lights, motion sensors and programmable thermostats
- Introduction of smart appliances
- Promotion of cycling and carpooling

Looking Ahead

CAPREIT will continue to investigate new technology opportunities at applicable building sites. In collaboration with our existing sub-committees, we will also assess the opportunity to develop and apply building-level target reductions across our portfolio.

Sustainable Development Goals Alignment



Kings Club, Toronto, ON

Environmental and Operational Health & Safety Management

Enhancing a workplace culture of health and safety and risk management.

Maintaining a culture of occupational health and safety is a continuing key objective at CAPREIT. Ongoing measures are taken to establish, maintain and improve environmental, health and safety (“EHS”) policies and procedures that provide a safe, secure and respectful work environment. CAPREIT’s dedicated team of EHS practitioners ensure we remain proactive in assessing and mitigating operational risks, and that all employees are trained and understand the potential hazards inherent in their job functions.

Spread across two segments, our EHS program consists of both an environmental management and a health and safety team. The environmental management team is responsible for the oversight, review and management of environmental residential and commercial risks during acquisitions, financing, development and operations, as well as assessing and managing hazardous building materials. The health and safety team assesses and identifies risk-mitigating opportunities from an employee, management, third-party and corporate perspective. This includes monitoring compliance to applicable legislation, training, incident investigations and developing health and safety-related policies, programs and procedures for all applicable stakeholders.

2019 EHS Initiatives

Key innovative and engaging solutions used to socialize policy and procedure adoption include:



~**24** specialized, in-person fire safety and incident reporting & investigation sessions delivered



Revised, improved and socialized **47** OHS-specific related policies, procedures and programs



A company-wide competition that generated **20** OHS videos submitted by departments coast to coast



Initiated rollout of our **National OH&S seminars** to solicit higher engagement and knowledge retention of OH&S-related subject matter



14 bilingual micro-learning videos

“Ops-in-a-Box”: A six-part risk management module

A custom operational risk management system, “Ops-in-a-Box” is designed to identify, analyze and help staff drive action on managing CAPREIT’s safe workplace performance. Included in one of the six modules, the **Occupational Health and Safety** module is a tool through which departments can collect and utilize varying types of incident-related data to improve existing processes, ensure compliance and implement industry best practices. For example, if a workplace injury incurs, both the EHS and HR teams would be notified of the incident and initiate the appropriate action.



As we build a workplace culture of health and safety, CAPREIT can leverage the generated data to analyze and establish metrics on frequency, location and type of reported risks. This will assist our operations support team to determine how we can be proactive in mitigating potential operational risks attributed to specific equipment, training, safety measures, procedures and other related attributes.

Policies	
Title	Status
Incident & Injury Investigation	Revised & Actioned
Incident & Injury Reporting	Revised & Actioned
Hazard Identification & Control	Revised & Actioned
Confined Space	Revised & Actioned
Contractor & Sub-Contractor	Revised & Actioned
Fire Safety	Revised & Actioned
First Aid	Revised & Actioned
Health & Safety Committee	Revised & Actioned
Hearing Loss Prevention	Revised & Actioned
Hot Work	Revised & Actioned
Lock-Out/Tag-Out	Revised & Actioned
Corporate Occupational Health & Safety	Revised & Actioned
WHMIS	Revised & Actioned
Working Alone	Revised & Actioned
Working at Heights	Revised & Actioned
Workplace Inspections	Revised & Actioned
Psychological Safety & Well-Being	To be Actioned in 2020
Environmental Risk Management Policy	To be Actioned in 2020

Procedures	
Title	Status
Incident & Injury Investigation	Revised & Actioned
Incident & Injury Reporting	Revised & Actioned
Hazard Identification & Control	Revised & Actioned
Asbestos Management Program Ontario	Revised & Actioned
Personal Protective Equipment	Revised & Actioned
Workplace Inspections	Revised & Actioned
Asbestos Management Program Nova Scotia	Revised & Actioned
Asbestos Management Program Quebec	Revised & Actioned

Programs	
Title	Status
Emergency Response Plan	To be Actioned in 2020



The Tides, Summerside, PEI



Le Saint-Laurent, Quebec City, QC



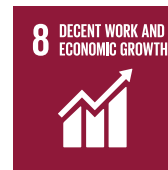
CAPREIT's risk and insurance, and EHS team members

Looking Ahead

As a reflection of our commitment to being an industry-leader in occupational health and safety, we will continue to prioritize the assessment and mitigation of environmental, health and safety risks to our key stakeholders by introducing the following documents and initiatives in 2020:

- The adoption of a **Psychological Health and Well-being Policy** as part of our commitment to foster a psychologically healthy, positive and safe workplace for all employees.
- A revised **CAPREIT National Fire Safety Program** to continuously support our staff with the necessary training and tools to provide a fire-safe environment.

Sustainable Development Goals Alignment





Our People, Partners and Communities

~7,400

gallons of low-VOC
paints purchased
for our units

\$217,000

in charitable funds raised
in 2019

Our People

Building a transformative workplace that attracts and cultivates extraordinary talent.

The foundation of any real estate business rests in the people it attracts, retains and supports. Our people are the backbone of our business and CAPREIT prides itself in having one of the strongest HR departments in the residential real estate industry. CAPREIT's HR team acts as a strategic partner for our employees and managers by overseeing all talent acquisition, employee relations, internal communication, compensation and benefits, and leadership development. As Canada's **Platinum-level Aon Best Employer** for seven consecutive years, we continue to maintain our core objective of attracting top talent and high performers, while providing learning and development opportunities.

As of 2019, at CAPREIT, we:



Hold a **51:49** gender split between self-identified women and men



Celebrate over **61** spoken languages



Employ over **1,000** employees coast to coast

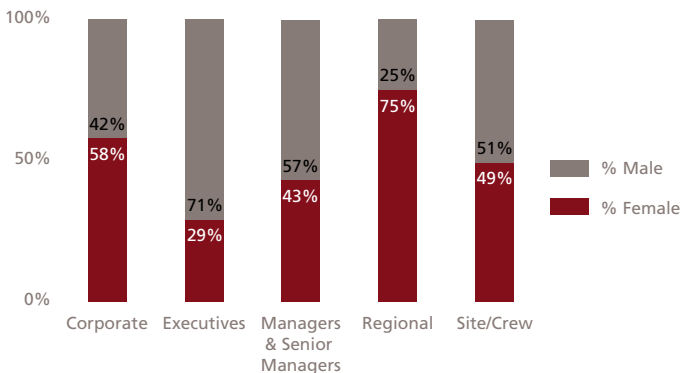


Manage a multi-generational workforce from **20 to 60+** years of age

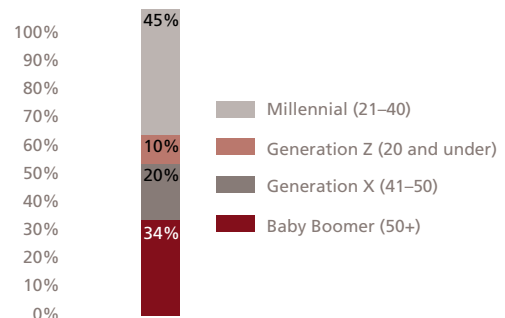


Completed over **13,200** hours of internal courses and conferences

2019 Employee Gender Split, Broken Down by Position Category



2019 Employee Breakdown by Generation



Footnote

Corporate: Corporate office employees without direct reports (excluding Managers and Senior Managers).

Executives: C-suite staff and Executive Vice Presidents.

Managers and Senior Managers: Managing Directors and non-executive VPs.

Regional: Regional office employees without direct reports (excluding Managers and Senior Managers).

Site/Crew: Property staff without direct reports (excluding Managers and Senior Managers).

Fostering a Corporate Culture of Diversity, Inclusion and Equity

Our diverse and national workforce is a strong representation of the stakeholders we interact with and who we support in our daily business engagements. Fostering a culture of diversity, inclusion and equity across varying levels of the organization enables us to deliver innovative approaches and business solutions to daily organizational challenges. Either through self-identified gender expression, age, ethnicity, physical or mental ability, functional expertise, culture and geographic representation, CAPREIT employees display a well-represented and diverse workforce. Recognizing diversity helps us to understand how each one of us contributes uniquely to the overall organizational success.



On average, women have represented **47%** of annual hires since 2017

Our Strategic Hiring Approach

Our exceptional recruitment track record and strategic hiring processes are foundational in support of our goal of being the best place to work. These processes ensure that the candidates we hire not only hold the necessary skills for the job, but that they also exemplify and support CAPREIT’s core business values. As part of our commitment to deliver an incredible workplace experience, starting from the employee’s initial application to their first day of work and ensuring a rewarding career, CAPREIT has implemented a new HR platform that leverages cutting-edge technology to enhance and streamline the hiring process for both candidates and hiring managers. The system was fully rolled out across our portfolio in 2019, and will allow CAPREIT to remain competitive in today’s hiring market. The system is further supplemented by our **Employee Handbook**, designed to provide employees with the necessary tools to succeed in their job and feel integrated into CAPREIT’s corporate objective.

Top 3 roles hired in 2019

- Leasing Specialist
- Site Administrator
- Site Manager

Featured Operations Staff: Leasing Specialist

Top filled position for the **past three consecutive years**, leasing specialists are our front-line customer service representatives who are often our residents’ first point of contact. As key representatives of CAPREIT’s service excellence, leasing specialists are equipped to deliver a consistent customer service experience coast to coast.



CAPREIT’s talent acquisition team

Employee Programs and Benefits


CAPREIT’s 2019 Employee Benefits Include:

- Bereavement leave
- Employee discounts with vendor partners (e.g., gym memberships, cellphone plans, paint, furniture, etc.)
- Critical illness benefit
- Emergency family & responsibility leave (Ontario)
- Employee and family assistance program (“EFAP”)
- Employee recognition programs
- Employee referral program
- Employee savings program (“ESP”)
- Flexible benefits plan
- Parental leave
- Paid time off (including vacation, sick leave, personal and 11 statutory holidays)
- Performance-based bonuses
- Talent development program
- Short-term and long-term disability coverage
- Summer hours
- Tuition and professional association reimbursement
- Waiving of last month’s deposit at CAPREIT properties



Employee and Family Assistance Program

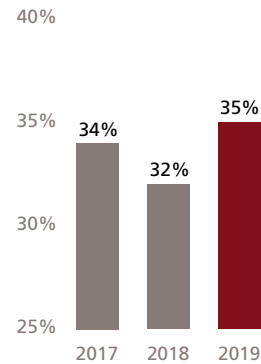
Through the Employee and Family Assistance Program, employees have access to free and confidential specialty counselling and coaching to help address a range of possible lifestyle, health and career challenges, including:

 <p>Lifestyle</p> <ul style="list-style-type: none"> • Childcare and parenting • Elder and family care • Relationships • Financial • Legal • Relocation assistance 	 <p>Health</p> <ul style="list-style-type: none"> • Nutrition • Lifestyle changes • Weight management • Smoking cessation 	 <p>Career</p> <ul style="list-style-type: none"> • Career planning • Workplace issues • Pre-retirement • Shift work
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Employee Savings Plan (“ESP”)

Whether it’s a sunny retirement, a child’s education or a home renovation, our ESP helps employees reach their long- and short-term goals. Employees are able to purchase Units by making regular financial contributions to the plan; a portion of which is matched by CAPREIT. The program is an easy way for employees to save for their future while also benefitting directly from CAPREIT’s success.

Percent of Eligible Employees Enrolled in Employee Savings Plan



Health and Wellness in the Workplace

Investing in the Well-being of Our Key Assets: Our People

We believe that healthy employees lead to healthy companies. CAPREIT wants its employees to make their health a priority, and as such, we adopt a holistic approach that supports their physical, emotional, social and financial well-being. We strive to lead by example by offering programs and policies that promote healthy habits and improved physical and mental well-being in the workplace. This is why we designed our benefit offerings with flexibility and work-life balance in mind. Our comprehensive range of healthcare coverage can be tailored and adjusted to meet the evolving needs of each employee, while our financial programs and contributions provide enhanced security and stability against unexpected setbacks. Going above and beyond to ensure our benefits meet the needs of our employees helps make CAPREIT the best place to work.





CAPREIT matches **20%** of the contributions employees make into the ESP



Over 10 chair yoga sessions held since October 2018



122 KitchenMate meals have been eaten by CAPREIT employees as of November 2019

Bending over Backwards for Our Employees: Chair Yoga

Since 2018, CAPREIT offers chair yoga sessions to employees at our corporate office who want to recharge. The sessions are led by Jermaine Stennett, CAPREIT’s Executive Assistant and Executive Communication Advisor, who is a certified yoga instructor, and are designed to enhance physical health and mindfulness.



“Yoga is one of my passions – I’ve been practicing for about 15 years. Because I love it so much, it makes me happy to be able to share it and bring its many health benefits to CAPREIT.”

JERMAINE STENNETT, EXECUTIVE ASSISTANT AND EXECUTIVE COMMUNICATION ADVISOR



KITCHENMATE

Making Healthy Food Choices Easy

CAPREIT partnered with KitchenMate to pilot a ready-to-eat healthy meal experience for our employees at the corporate head office. The program grants employees access to subsidized tasty, truly nutritious meals that are convenient, affordable and packed with nutrients to power their day.

Training and Development

Investing in the Success of Our Talent Pipeline

We recognize that being the best place to work requires providing our employees with the opportunities and resources to further both their professional growth and personal interests. Our commitment to employee success is delivered through various training, leadership development and recognition programs that enhance employees’ ability to manage the demands of their role effectively, with increased confidence and greater insight resulting from the new knowledge and skills they have gained.

Learning Management System

CAPREIT’s Learning Management System (“LMS”) allows us to provide our employees with training, while also ensuring we meet compliance and regulatory standards. Through the LMS, our employees are directed to both mandatory and optional industry-specific training content. The system is used to make sure new and existing employees are on track, in compliance and keeping up with all of their training.

Currently, employees are provided with **over 340 courses** that cover a range of topics, including:

			
<p>Governance/Corporate Policies</p> <ul style="list-style-type: none"> • Ethics • Privacy and confidentiality • Whistleblowing • Cyber security risks • Data protection regulations 	<p>Health and Safety</p> <ul style="list-style-type: none"> • Fire and life safety • WHMIS • Hazard identification and risk assessment • Electrical safety • Ladder safety • Office safety 	<p>Operations</p> <ul style="list-style-type: none"> • Customer service • Techniques for difficult situations • Leasing training 	<p>Personal Development</p> <ul style="list-style-type: none"> • Performance management • Time management • Roles of a leader

External Development and Training Programs

Our external training programs help employees develop their skills, improve their knowledge on a specific subject and introduce new ideas into the organization. CAPREIT is committed to supporting external development opportunities by encouraging training courses, certifications and professional association memberships.

Professional Memberships and Industry Accreditations

- Chartered Professional Accountant (“CPA”)
- Chartered Financial Analyst (“CFA”)
- Human Resources Professionals Association (“HRPA”)
- Law Society of Ontario (“LSO”)
- LEED Green Associate (“LEED GA”)
- WELL Accredited Professional (“WELL AP”)

Internal Conferences

A training and development focus for 2019 has been on the expansion and harmonization of our internal conferences. These conferences provide valuable face-to-face opportunities to engage, collaborate and align our employees with business strategy.

National Education Sessions

Every year, our in-house education and training team hosts CAPREIT's National Education Sessions ("NES") coast to coast. These mandatory sessions provide an opportunity for employees to meet with and learn directly from the senior members of our education and training team. Attendees receive refresher training on key corporate policies, benefits and strategy alignment, while also learning about best practices and innovative techniques to help them excel in their role.

96 hours of training delivered through National Education Sessions in 2019

Departmental Conferences – An Interdisciplinary Approach to Delivering Results

At CAPREIT, we recognize the value of interdisciplinary teamwork in which different departmental groups work together to share their respective expertise, knowledge and skills. Through CAPREIT's departmental conferences, we can improve service coordination, create new avenues for service and program implementation, and foster a culture of innovation. In 2019, a number of different teams, such as finance, procurement and technical services, were invited to present and speak at departmental conferences.



Operational Leadership Conference

CAPREIT strongly believes that developing effective leaders ensures a healthy succession pipeline. With that in mind, directors and managers from across varying departments and regions take part in an annual leadership conference to help refine their leadership skills. This year's conference was designed to coach attendees on diversity and unconscious bias when hiring, attracting and retaining top talent and advocating for mental health in the workplace.



Elevation 2023 Project Showcase

New this year, the **Leadership Conference** featured CAPREIT's inaugural **Elevation 2023 Project Showcase**. Ten corporate teams showcased their latest project updates and how they each supported CAPREIT's corporate strategy of being the best place to live, work and invest. Attendees attended sessions on the strategic integration of ESG and how it impacts their day-to-day decision-making.



Members of CAPREIT's technical services team at the Operational Leadership Conference, July 2019

Leadership Development Programs – Influencing the Leaders of Tomorrow

CAPREIT takes pride in hiring, training and mentoring the best talent in the industry. Ensuring a healthy succession pipeline by providing learning and development opportunities makes our HR department one of the strongest in the residential real estate industry. We offer both general and tailored leadership development programs to address the unique needs of each audience. Through these training programs, employees from all departments, at all levels, and across all regions have the opportunity to become be the best possible leaders for their teams.

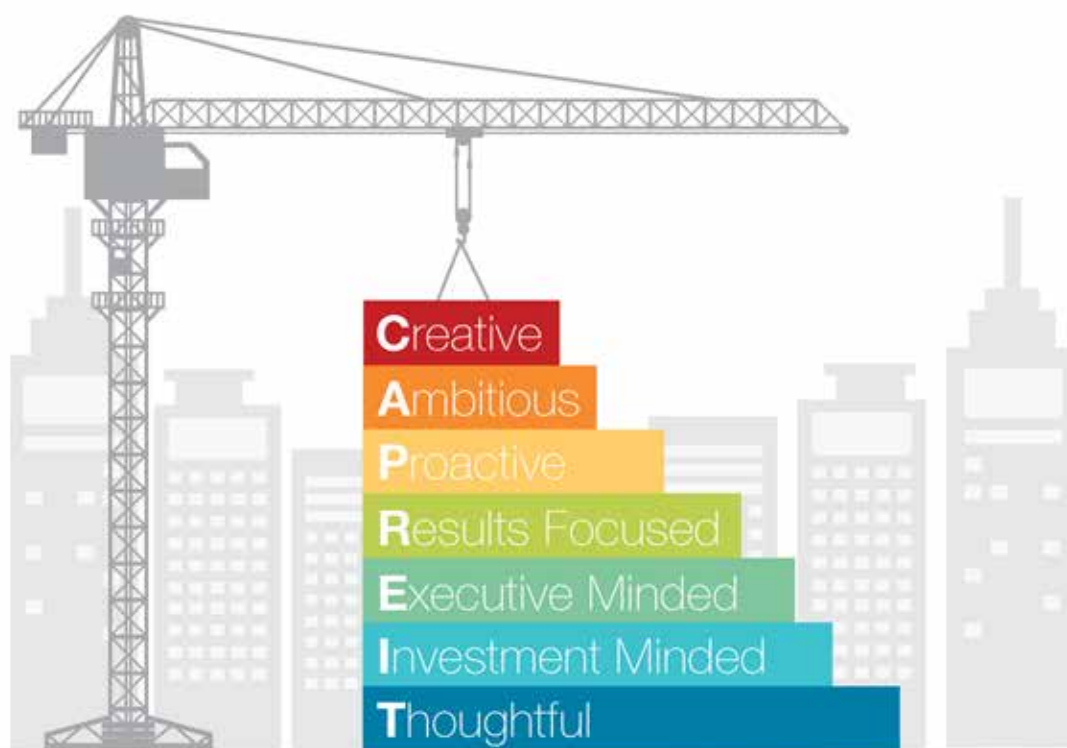


Mark Kenney, President and Chief Executive Officer, and Scott Cryer, Chief Financial Officer, participating in an "Ask Me Anything" question and answer session with CAPREIT staff in 2019

What does leadership competency look like?

In developing a strong and focused organization that clearly defines how it intends to lead, CAPREIT's leadership style is adopted in our everyday behaviours by our seven leadership competencies, commonly referred to as the "7Cs".

- **Creative:** We are willing to challenge the status quo, value innovative ideas, listen to everyone and collaborate and share ideas across the organization.
- **Ambitious:** Achieving high performance, pushing for the best, remaining positive and overcoming challenges.
- **Proactive:** Taking the initiative, overlooking boundaries, leading teams and acting on opportunities will cultivate a positive, "can do" attitude.
- **Results Focused:** Achieving results, monitoring success, adjusting actions and giving feedback will ensure we are continuously improving.
- **Executive Minded:** Balancing the short- and long-term views of our business, maintaining our composure when faced with challenges, building strong teams and communicating a clear vision are ways in which we can be more executive minded.
- **Investment Minded:** When we make decisions to spend or invest, we balance the impact on short- and long-term growth. Improving financial returns is the goal, which we can achieve through the use of good judgement and the optimization of capital.
- **Thoughtful:** By taking the time to value the common good, respecting others, winning support and earning trust, we can maximize team effectiveness.





The 2019–2021 Building Leaders core cohort

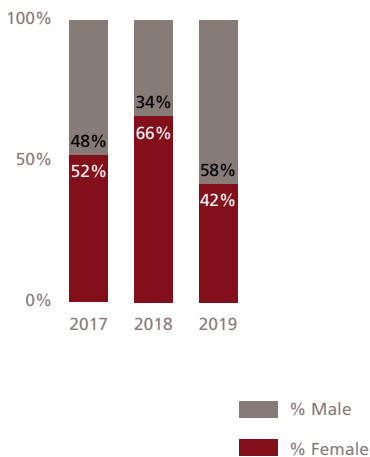
Building Leaders

The Building Leaders Program is designed to strengthen the development of future leaders through experiential learning. We have designed a four-tier Building Leaders Program suited to support leadership development across our operations and corporate staff. Through experiential learning opportunities and individually tailored coaching, the program helps develop leadership skills over the course of two years and ensures appropriate succession planning within our organization.

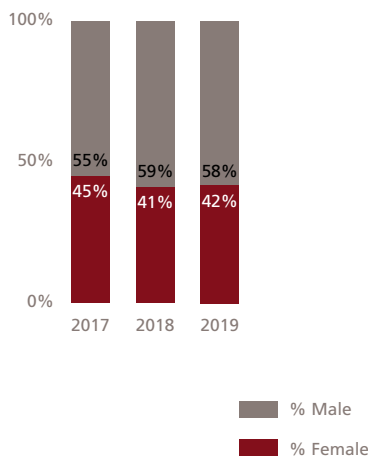
Over 1,000 hours of mentoring delivered by CAPREIT’s senior leadership team (Director-level and above) since 2017

LEAD Mentoring Program by the Numbers

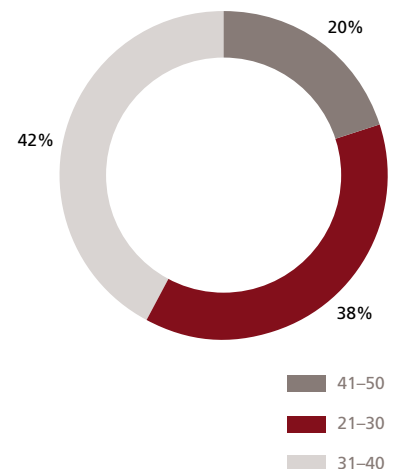
Mentee Gender Distribution by Year



Mentors Gender Distribution by Year



2017–2019 Mentees by Age





“As a CAPREIT mentor, I have the equal opportunity to learn what leadership means and witness how CAPREIT’s 7Cs come alive. I am so proud of our LEAD Mentoring Program – it is a truly unique professional development opportunity both for our participating mentees and mentors. And it is unparalleled among our real estate peers.”

MARK KENNEY, PRESIDENT AND CHIEF EXECUTIVE OFFICER
AND FORMER LEAD MENTORING PROGRAM MENTOR

“Each rotation has provided an opportunity for us to receive valuable coaching from leaders in our organization and develop the necessary skills to excel in the role of an Operations Manager. Through the Rotational Management Training Program, we have been challenged to recognize our own true potential and have been provided with all the resources, tactics and guidance to become leaders in the workplace.”

CARMELA LINDA SERPA, MANAGER
AND DEMETRI PSARIANOS, MANAGER



LEAD Mentoring Program

Introduced in 2014, CAPREIT’s **LEAD Mentoring Program** allows employees at all levels of our organization to develop leadership competencies through formal mentoring. In this one-year program, high-potential CAPREIT employees are paired with a mentor, receive presentation skills training and work in teams to develop and present a business proposal. Employees grow as they refine their leadership skills and network with subject-matter experts within our organization.

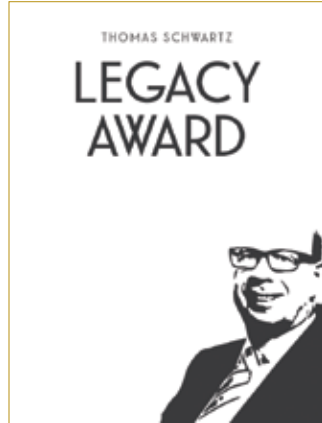
LEAD Rotational Management Training Program

CAPREIT’s **LEAD Rotational Management Training Program (“RMTP”)** is a two-year program designed to prepare future operations managers for the role. In the first year, participants rotate through every aspect of the business to help them understand the roles of each department, which includes marketing, human resources, operations and much more. The second year is spent working hands-on at one of our properties.



“A highlight of the LEAD Mentoring Program for me was being exposed to my peers in so many different departments and coming together as one to share experiences, skills and work as a tight-knit group. The exposure and insight from my mentor and peers presented me with an unforgettable experience, and I would highly recommend it.”

KHALIL PARKER, RESIDENT MANAGER
AND FORMER LEAD MENTORING PROGRAM MENTEE



2019 Tom Schwartz Legacy Award Winner

Jenny Mailman, an Associate Director at CAPREIT, is the first recipient of the Tom Schwartz Legacy Award.

Employee Recognition Programs

Employees not only want competitive compensation with comprehensive benefits; they also want fair treatment in the workplace, to make a substantial contribution to the organization’s growth through their work, to be seen as a valued team member and appreciated for their efforts. Recognizing the efforts made by our employees is integral to CAPREIT’s corporate culture. Through the following employee recognition programs we are increasing engagement, encouraging trust in leaders, enhancing employee retention and reinforcing the culture of our company:

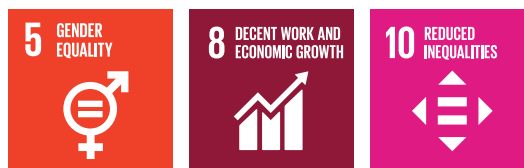
- **KUDOS** – Introduced in 2019, KUDOS supports our culture of thoughtfulness by making it easy to praise a peer, congratulate a co-worker or support a supervisor at any time throughout the year.
- **ACES Awards** – These awards differ from KUDOS in that nominations are only accepted twice per year and are intended to shine a spotlight on individual colleagues who consistently demonstrate specific qualities.
- **Star Awards** – Unlike KUDOS and ACES, which are peer-nominated programs, CAPREIT Star Award winners are selected by senior management and must demonstrate a strong track record of stellar performance plus an outstanding contribution to their portfolio.
- **Tom Schwartz Legacy Award** – In honour of our co-founder, past president and CEO, the Tom Schwartz Legacy Award recognizes an employee who best embodies all of the factors in CAPREIT’s leadership competency framework. The prestigious award is granted to one highly deserving employee each year.

Looking Ahead 

In our continued effort to foster a diverse, equitable and inclusive workplace that supports professional development and personal growth, CAPREIT will continue to formalize our diversity, inclusion and equity strategy, including formalizing a policy in 2020. We will also continue to evolve our training and benefits programs to ensure they support industry best practices. Currently, we are finalizing the following programs, benefits and policies to be implemented in 2020:

- The opening of a **Training Program Centre** in Toronto to facilitate with in-house talent development.
- The rollout of **wellness & lifestyle credits**, which in addition to our traditional benefits offerings, will include fitness memberships and dues, personal development courses and other wellness-related activities to help promote a lifestyle of wellness.
- The launch of a **Flex Workplace Policy** to promote alternate workplace arrangements that will support varying work lifestyles.

Sustainable Development Goals Alignment





“Building and maintaining trust and encouraging innovative partnerships with our base of supply chain partners is core to CAPREIT’s business success. In order to build and deliver a sustainable practice across our supply chain, we need technical innovations, management innovations, process innovations and cultural innovations. These are business opportunities we are actively looking to explore with our supply chain partners.”

TONIA KAGIANNIS, DIRECTOR, PROCUREMENT

CAPREIT’s procurement team members

Supply Chain Management

Building trust and encouraging innovative partnerships.

With an extensive and diverse base of **over 1,700** supply chain partners, CAPREIT’s procurement team is responsible for managing our supply chain by procuring quality goods and services at the right price, from the right source, and at the right specification. In close collaboration with our base of supply chain partners, we can realize compliance with corporate strategy, policies and procedures, and industry regulations that not only support our commitment to being the best place to live, work and invest, but also organically help drive our ESG performance. CAPREIT believes that by managing and improving our environmental, social and economic performance throughout our active supply chain management, we can conserve resources, optimize processes, uncover product innovations and increase influence through the promotion of our corporate values.

We continuously strive to build and maintain trusted working partnerships across our network of supply chain partners who share our values and demonstrate responsible practices. In that effort, we focused on developing formal channels in 2019 through which we can integrate guidelines, policies and standards that will be communicated throughout our organization, upheld by all levels of management and considered across our supply chain activities.

Key Procurement Achievements

Formalizing ESG-related provisions into our contractual agreements and policies to include alignments on but not limited to:

- **Business integrity:** Ensuring compliance with federal, local and municipal laws, conflict of interest, anti-bribery and anti-corruption.
- **Responsible business practices:** Alignment with our corporate privacy policy, business resumption and contingency planning, and environmental management.

To ensure our supply chain partners are held to a consistent standard and align with our corporate core values, we utilize an online screening platform. The platform allows us to centralize and streamline the process for collecting, retaining and tracking key documentation from our supply chain partners, such as certifications, health and safety policies and procedures, workers’ compensation and insurance certificates. Through this process, we can ensure our partners remain in compliance with regulatory and corporate requirements.

90% of our top supply chain partners based on spend are enrolled in our online screening platform



Over **1,400** litres of eco-conscious cleaning products purchased in 2019



~ **7,400** gallons of low-VOC paints purchased for our units



Over **830** ENERGY STAR certified in-suite appliances purchased since 2018

Driving ESG Performance Through Smart Procurement

Good/Service	ESG Alignment/Benefits
Advertising	<ul style="list-style-type: none"> – Transitioning to digital advertising to stay in step with how customers expect to be engaged and to improve our environmental performance through reduced paper consumption.
Appliances and Fixtures	<ul style="list-style-type: none"> – Purchasing high-efficiency and low-flow appliances and fixtures to enhance energy and water efficiencies.
Cleaning	<ul style="list-style-type: none"> – Purchasing eco-friendly cleaning products that require less processing, produce less waste and reduce the number of shipments needed.
Elevator Maintenance	<ul style="list-style-type: none"> – Repairing and upgrading elevators to meet current standards and improve energy efficiency. – Ensuring elevator reliability to meet resident needs and comfort.
HVAC/Plumbing	<ul style="list-style-type: none"> – Repairing and upgrading our HVAC and plumbing systems to improve energy and water efficiency, as well as improve tenant comfort.
Information Technology	<ul style="list-style-type: none"> – Investing in the latest software and hardware helps us scale our business while also enabling: <ul style="list-style-type: none"> • Metadata analytics • Remote work capabilities • Streamlined and integrative communication platforms to connect the company with internal and external stakeholders – Privacy and data protection management.
Landscaping	<ul style="list-style-type: none"> – Creating and enhancing green space for recreational enjoyment and to promote stormwater infiltration. – Using native species to create native habitats and reduce water requirements. – Creating dog-friendly spaces.
Security	<ul style="list-style-type: none"> – Hiring security personnel and installing monitoring cameras for our properties to enhance resident safety and security, as well as mitigate liability risks.
Waste Management	<ul style="list-style-type: none"> – Engaging both municipal and private waste handlers in opportunities to reduce waste contamination and minimize waste production.



Kings Club, Toronto, ON



Nursery Heights, Victoria, BC

Sourcing Sustainable Supplies

Eco-Conscious Cleaning Products

The cleaning concentrates we buy represent a more eco-friendly alternative to traditional ready-to-use cleaning products. The product is delivered to our properties in reusable plastic bottles as a concentrated liquid that is then diluted on site. The concentrates require less processing, smaller packaging and fewer shipments compared to ready-to-use cleaning products, which means there is less impact on the environment.

Low-VOC Paints – People. Planet. Paint.

Whether our units need a touch-up or a remodel, low-VOC paints help maintain their aesthetics while also benefiting our residents' health and the indoor air environment through reduced toxins.

Energy Efficient Appliances

We purchase ENERGY STAR certified appliances at our properties. These appliances promote energy use reduction without sacrificing performance; benefiting both our residents and our planet through reduced utility costs and GHG emissions.

Looking Ahead

As supply chain management increases in complexity and regulatory scrutiny, CAPREIT will continue to manage third-party risks that could result from our procurement activities. We will continue to encourage our supply chain partners to remain accountable for their environmental and social performance by integrating adaptable ESG measures across the supply chain and socializing the adoption of these measures. Starting with the mapping of our supply chain, CAPREIT will strive to establish and communicate our expectations through a formalized supplier code of conduct, an important step in involving our supply chain partners in integrating our ESG strategy.

Sustainable Development Goals Alignment





Resident Engagement

Enhancing the resident experience by delivering authentic service that builds trusting relationships.

At CAPREIT, we believe that being the best place to live means not just providing our residents with a home, but also delivering on an authentic customer service experience. Earning the reputation as Canada's leading landlord means consistently delivering on that experience and this requires a commitment to improving the lives of our residents every day. As a reflection of this commitment, we created a **Tenant Experience Team** that monitors and evaluates the services and communication offered at our buildings, innovates new technology to improve self-service and promotes education and awareness around the CAPREIT service offering. At the building level, we ensure our staff have the time, sensitivity and skills needed to build strong relationships with their residents and deliver a high level of service. From the events we host, to the services we offer, to a dedicated resident experience team championing the resident experience, we continue to prioritize and take a holistic approach to our resident care.

Our residents are advocating for our service:

"CAPREIT has provided us with a sense of community and a residence that feels like home each time we enter the building. As residents now for five years, we, like so many others, have built a great relationship with the hard-working CAPREIT staff, who take great pride in their work. The staff is caring, accessible and always willing to address any issue, large or small. We are indeed proud to call CAPREIT 'home'."

LORNE & BARBARA BERNSTEIN, CAPREIT RESIDENTS

Resident Tools & Support Programs

Resident Portal

In 2019, CAPREIT launched our Resident Portal pilot at select properties across the Greater Toronto Area. Resident Portal is an online platform that enables residents to reserve CAPREIT amenities, submit and track maintenance requests to completion, as well as receive timely communication from CAPREIT conveniently to their email or via text to their mobile device. Through an accompanying smartphone app, maintenance staff can easily track and update the status of maintenance requests as they are repaired. The portal is key to supporting CAPREIT’s objective of being the best place to live and work by providing benefits to both residents and employees, including:

- Stronger connectivity between staff and residents;
- Increased business efficiency through digitizing our resident services;
- Standardizing communications and quality of service across our portfolio.

Through the overwhelmingly positive feedback from the pilot group of residents, CAPREIT expanded the launch to British Columbia, Alberta and Saskatchewan in the fall. By the end of 2019, 21% of CAPREIT’s properties had adopted the Resident Portal. Rollout across the rest of the portfolio is anticipated to be completed in 2020, with continued support and training across all properties.



Resident Portal Pilot Highlights

As of December 31st, 2019:

- 96 properties in key Canadian residential markets
- Tickets opened¹: 10,085
- Tickets closed²: 8,583
- Happiness score³: 77%
- Recommend score⁴: 7.42/10
- Sign-up rate⁵: 50.6%

Tickets opened ¹ :	Number of maintenance tickets opened by residents through the Resident Portal
Tickets closed ² :	Number of maintenance tickets closed through the Resident Portal
Happiness score ³ :	Defined by residents’ satisfaction in addressing maintenance tickets
Recommend score ⁴ :	Defined by residents on recommending CAPREIT to friends or colleagues
Sign-up rate ⁵ :	The percentage of residents that signed up for Resident Portal



CAPCares and WeCare

Complementing our outreach to residents, CAPREIT also maintains two additional programs that assist and advocate for resident experience. CAPCares is a toll-free ombudsperson program monitored by the tenant experience team to successfully resolve escalated operational issues. In addition, WeCare is another program administered directly by the Tenant Experience team to listen and respond to resident inquiries and concerns generated through online and social media channels. Both programs are designed to ensure consistent and exceptional customer service delivery to our residents by addressing their issues quickly and efficiently.

Resident Satisfaction Survey

Our residents are welcome to voice their input to help us build and deliver on our resident satisfaction. To measure our success in delivering on residents' expectations and identify the services they want delivered, we implement a third party-delivered annual resident satisfaction survey that invites residents from coast to coast to provide input on topics ranging from our buildings, to our people, our maintenance service and more. For 2019, we extended the resident survey response period to encourage added participation and customized the survey specifically to reflect the unique needs and specifications for all buildings and manufactured home communities across Canada. Through these survey adaptations, CAPREIT obtained a more statistically relevant representation of resident satisfaction at the building level.

2019 Resident Satisfaction Survey Highlights



11,009 respondents

Translating into a 286% increase in response rate compared to 2018 resident satisfaction survey results.



Top 3 reasons residents like CAPREIT properties:

- The neighbourhoods where our buildings are located
- Proximity to stores and transit
- Community/building features (e.g., amenities, security and appearance)



~8/10

Overall staff performance score

indicating high satisfaction with building-level staff – from maintenance staff, office and leasing staff and their communication with our residents

Resident Engagement Initiatives

Our resident demographic represents a broad cross-section of Canada's diverse culture. We host a variety of events and activities that reflect the interests and needs of each building's community. Our site staff organize these initiatives to connect with residents, create opportunities for open and continued dialogue, and foster a sense of community within our properties. From coast to coast, our portfolio has delivered engaging and creative events designed to cultivate relationships among staff and residents, raise social and environmental awareness and give back to the communities our residents call home.

CAPREIT's resident engagement initiatives include:

- Sponsorships to resident social clubs
- Christmas Santa visits
- Distribution of recycling bags to residents
- Food drives
- Holiday-themed parties
- Move-in welcome packages with free merchandise from local businesses
- Building-level newsletters
- Summer BBQs
- Recycling drives
- Toy drives
- Volunteering at programs, such as cleaning and restoring toys for children in low-income neighbourhoods



“For my dynamic team, focusing on the resident experience means engaging with each building community to help develop lasting resident relationships and a sense of pride at residing in a CAPREIT-managed building. We find it important to give back to our community and our residents through our events, as it allows us the opportunity to create a memorable experience.”

SUNNY HANSRA, ASSOCIATE DIRECTOR, OPERATIONS

Resident Appreciation BBQs

Our properties host resident appreciation BBQs throughout the summer, spring and fall months. Our staff organize face painting, ice cream trucks, music and visits from local vendors, as well as the local fire department. These BBQs have become a staple event that our residents and communities look forward to every year.



CAPREIT’s staff engaging with residents of our 100 Wellesley St. E. property in Toronto, ON.



Communal BBQ for three communities: Tamarack Estates in Lincoln, NB, Burton Estates in Burton, NB, and Crown and Currie Estates in Waasis, NB.



Residents enjoy free hot dogs at our Hot Dog Party at Les Habitats Apartments in Quebec City.



Vista Tower, located in Calgary, Alberta, along with a number of other properties across our portfolio, provided free breakfast for our residents.



The Western Canada CAPREIT team helped donate holiday gifts for the Toys for Tots drive.



Snacks are placed in some CAPREIT building lobbies to be handed out to children for Halloween.



“We can always count on Merideth to go that extra mile to make everyone who walks into Garneau Towers feel special. Her team knows how to put the “warm” in housewarming.”

NANCY HOSFORD,
OPERATIONS DIRECTOR

Merideth Pourbaix, Leasing Specialist at Garneau Towers

Customizing the Resident Experience

Garneau Towers

Our Garneau Towers property located in Edmonton, Alberta, is the only family-friendly and pet-friendly building in the immediate area. Our site staff consistently go above and beyond to find unique ways to engage residents and give back to the community. Their creativity delivered engaging and custom initiatives that included:



A doggie cookie jar for residents to pick up a treat on their way to our dog park.



A CAPREIT kid's surprise box in the rental office with small treats and toys for kids to choose from.



Welcome baskets in suites for new residents to feel at home.

March Break Activities

CAPREIT offers support to parents during March Break by organizing daily activities for children at select sites. Activities include pancake breakfasts, board games, movies and popcorn, as well as books and toy giveaways, and help foster communities that are inclusive and fun!



Staff at our property in Mississauga, ON, served breakfast to children during March Break.



Staff take part in the Pride celebrations at our 100 Wellesley St. E. property in Toronto, ON.



The banner showcased at our Ocean Park property in West End Vancouver.



The winner of the arts & crafts competition at our Chatsworth Regional Office in Toronto, ON, with her “Love is Love” poster!

Celebrating Pride

The Vancouver and Toronto Pride festivities are among the largest in the world. This year, staff at our properties in these major cities joined the celebrations and showed their support for the LGBTQ+ community and their allies by showcasing fun décor and signage. Staff also completed pride-themed “arts & crafts”, where they raised money for Rexall™ OneWalk to Conquer Cancer™ and competed to create the most creative, clever and colourful design!



Summer Palooza

2019 marks the 10th year CAPREIT has sponsored Summer Palooza! This nine-week program invites children to participate in games and activities, with a focus on reading, at our properties across the Greater Toronto Area. For this 10th year we extended the daily length of the program from one hour to three to allow for a more significant impact and more time for fun and games. Staff volunteer their time for the events and are encouraged to donate gently used children's books. We are extremely proud to offer this community building program and are exploring its potential expansion to additional CAPREIT properties.

The Snack that Gives Back: Cons & Kernels

In 2019, our Murray Ross property in North York, Ontario, began purchasing popcorn from Cons & Kernels, a Hamilton-based company that not only offers fresh gourmet popcorn, but also provides reintegration opportunities to ex-convicts and leads educational awareness campaigns. The purchased popcorn is handed out to children at the property office and at the property's Rexall™ OneWalk to Conquer Cancer™ fundraising event.



A sukkah at The Thomas

When our residents expressed the need for a space to celebrate the Jewish festival of Sukkot, Peter Rabe, an Operations Manager at CAPREIT, sprang into action to ensure their needs were addressed. With the help of Peter and his team, a sukkah was constructed at one of our properties in Toronto, Ontario, encouraging residents to gather, dine, sing and communally enjoy the week-long Jewish festival of Sukkot.



The sukkah at The Thomas property in Toronto, ON, was very well received, with some residents even helping to decorate it!

135 hours of fun and engaging events delivered by CAPREIT staff during 2019 Summer Palooza

Looking Ahead

We will continue to drive service and satisfaction by identifying new and innovative ways to engage our residents and enhance their experience at our properties. Future efforts will concentrate on broadening the scope of our resident engagement initiatives to address added social and environmental causes, as well as the importance of health and well-being. Policies and programs currently in development include:

- **Life-Cycle Surveys** for residents to complete at time of move-in, move-out and every five years. The surveys will help ensure we deliver a consistent customer experience throughout our residents' time at our properties and uncover opportunities to change our service offerings when the needs of our communities change.
- Investigating the pilot launch of **urban gardens** and **bee farming** at select sites to educate and engage residents in environmental stewardship efforts.

Sustainable Development Goals Alignment



Investing in Our Communities



Building the future of our communities through raising awareness, creating acts of service and igniting a desire to give back.

CAPREIT's success is driven by our intention to build strong relationships with our residents and the communities in which we operate. In that spirit, we foster a culture of corporate responsibility both at our regional offices and our properties, by encouraging CAPREIT employees to engage with local communities and deliver initiatives to help enact social and environmental change and impact. In 2019, our Cause Committee was rebranded to the Building Futures Committee, which is made up of executives, management and employees across the country. The committee is designed to engage CAPREIT in philanthropic initiatives and has proven to be an effective platform through which we can add value to the lives of our residents and communities at large.

In 2019, CAPREIT donated over **\$217,000** to charitable organizations and participated in various community-giving events and initiatives across the country, which include food banks, community clean-ups and offering summer activity programming to children at our properties.

Since 2017, CAPREIT and our staff have donated a total of over **\$450,000**



In 2019, CAPREIT donated over **\$217,000** to 24 charitable organizations

Pathways to Education

CAPREIT is a proud partner of **Pathways to Education**, an award-winning, national, charitable organization creating positive social change by supporting youth living in low-income communities to overcome barriers to education, graduate from high school and build the foundation for a successful future. In 2019, we launched our first corporate charitable partnership with Pathways to Education and supported over 6,000 youth in the Pathways Program. Through our corporate contributions and fundraising efforts, CAPREIT donated over \$70,000 to Pathways to Education last year, and looks forward to continuing our partnership to help ensure every young person in Canada has the opportunity to realize their full potential.

"At CAPREIT, we are proud to support the communities where we live and work. With Building Futures, our national partnership with Pathways to Education, and our many local initiatives, we have the opportunity to engage and inspire everyone at the company to give back."

CORINNE PRUZANSKI, GENERAL COUNSEL AND SECRETARY, AND BUILDING FUTURES COMMITTEE EXECUTIVE CHAIR



Painting for Pathways

As part of Pathways to Education's grade nine orientation lunch fundraiser, our Montreal staff brought out their inner artists for a guided painting session. Their artwork was auctioned off through The Lobby, CAPREIT's internal communications network, and all funds raised were donated.





“The Rexall™ OneWalk to Conquer Cancer™ fundraiser is one of the many ways that CAPREIT not only demonstrates our support to local communities, but also how we continue to honour Tom and his legacy. I am honoured to lead a team of such committed and caring individuals who contributed in raising funds for such an important cause.”

JUDY HARKAI, MANAGING DIRECTOR

Rexall™ OneWalk to Conquer Cancer™

Since 2017, CAPREIT has proudly taken part in the Rexall™ OneWalk to Conquer Cancer™ by walking and raising funds for cancer research at the Princess Margaret Cancer Centre. CAPREIT’s dedication to the cause is to honour our late co-founder and CEO Tom Schwartz’s battle with cancer.

CAPREIT employees are encouraged to fundraise for and attend the Rexall™ OneWalk to Conquer Cancer™ event as part of our CAPREIT Crusaders team. In addition to participating in the event, our sites and offices host their own fundraisers to engage residents and employees. In 2019, CAPREIT raised in excess of \$26,000 for Rexall™ OneWalk to Conquer Cancer™ and is proud to be their top fundraiser among our industry to support cancer research, a very special cause for CAPREIT.



CAPREIT Puts the “FUN” in FUNdraising!

In August of this year, staff at our Goodview Townhomes properties, located in North York, Ontario, held their annual Rexall™ OneWalk to Conquer Cancer™ fundraising event. This all-day event featured a range of fun and family-friendly fundraising activities for staff and residents to participate in, such as raffle tickets, whipped cream bidding wars and pie eating contests. The event was a smashing success and raised a grand total of \$2,650 for the Rexall™ OneWalk to Conquer Cancer™.

Over \$150,000 raised
by CAPREIT for the Rexall™ OneWalk
to Conquer Cancer™ since 2017

The 2019 CAPREIT Crusaders are our Rexall™ OneWalk to Conquer Cancer™ fundraiser ambassadors



CAPREIT and our employees supported 50+ community charitable initiatives since 2017:



- BC Children’s Hospital
- Bowmanville Hospital Foundation
- Bramalea Baptist Church
- Canadian Tamil Medical Association
- CAPREIT Student Breakfast Program
- CAS Burlington
- Centre for Tamil Heritage and Culture
- Children’s Aid Foundation of Halton
- Covenant House Toronto
- Fredericton Food Bank
- Heart and Stroke Foundation of Canada
- Hearth Place Cancer Support Centre
- Hold’em For Life Challenge
- Immigrant Services Association of Nova Scotia
- Interval House
- International Medical Health Organization

- Jarvis Sports Club
- Jays Care Foundation
- Knightsbridge and Kings Cross Neighbourhood Group
- Kurumbasiddy Nalanpuri Sabai – Canada
- LivWise Foundation
- London Whitecaps
- Love Brampton
- Lung Cancer Canada
- Mahajana College Old Students
- Moncton-area food banks
- MTGF Memorial
- Rexall™ OneWalk to Conquer Cancer™
- Ontario Jewish Archives
- Pancreatic Cancer Canada
- Pathways to Education
- Ronald McDonald House
- Ryerson University City Building Institute
- Salvation Army-Sarnia
- San Romanoway Revitalization Association (SRRA)

- Scarborough Community
- Scatcherd Scramble Charity
- Second Harvest
- South Huron Hospital
- St Christopher’s Church
- Summer Palooza
- Taste of Jane and Finch
- Tenant appreciation BBQs across Canada
- The Calgary Food Bank
- The Journey Neighbourhood Centre
- The Scarborough Hospital Foundation
- The Scott Mission
- Toronto Firefighters
- University of Toronto
- University of Waterloo
- Uthayan Publishers
- Western Technical-Commercial School

Sustainable Development Goals Alignment





Corporate Governance

50%

of CAPREIT's executive
office positions are
held by self-identified
females

Over 30

industry-related awards
received since 2017

Corporate Governance and Integrity

Applying sound corporate governance is integral to producing maximum benefits to our stakeholders.

Responsible governance and integrity underpin our business and are integral to our corporate strategy and commitment to be the best place to work, live and invest. Elected by our Unitholders to oversee the management of the company, CAPREIT's Board of Trustees (the "Board") also ensures that the long-term interests of Unitholders are advanced responsibly, while balancing the interests of our employees, residents and our communities. Pursuant to the Declaration of Trust and our Board Mandate, we aim to hold ourselves to high standards of ethical behaviour and transparency. Through our Code of Business Ethics and Conduct, we aim to deliver on our commitment of accountability to our stakeholders. Our Board actively engages with our management team to keep the protection and promotion of our stakeholders' interests top of mind. By advising on the right corporate strategy and applying effective governance measures and oversight, the Board helps identify principal risks associated with CAPREIT's business and assures the implementation of appropriate systems to manage these risks, while identifying suitable opportunities for growth and the creation of continued long-term value.

The Board of Trustees – Board-level Oversight

We remain committed to the highest standards of governance, consistent with regulatory expectations, evolving industry best practices, our corporate strategy and our risk appetite. As of December 31st, 2019, the Board consists of seven trustees: Elaine Todres (Chair of Human Resources and Compensation Committee), Gina Cody (Chair of Governance and Nominating Committee and Investment Committee), Harold Burke (Chair of Audit Committee), Jamie Schwartz, Mark Kenney, Michael Stein (Chair of Board) and Poonam Puri. Per the Declaration of Trust and our Board Mandate, a majority of the Board must be independent of management and hold the ability to act independently from management in fulfilling its duties. As such, all trustees, other than Mr. Kenney, CAPREIT's President & CEO, are independent. Our annual Management Information Circular provides an overview of our corporate governance structure, policies and practices, and describes the core principles that guide our approach to sound corporate governance.



Le DIX65, Boisbriand, QC

The Board of Trustees is supported by four committees:



Some highlights of our high governance standards are reflected in the following chart:

CAPREIT's Corporate Governance Performance			
	2019 ⁽¹⁾	2018 ⁽²⁾	2017 ⁽³⁾
Board independence			
Independent (%)	87.50%	100% ⁽⁴⁾	88.89%
Non-Independent (%)	12.50%	0%	11.11%
Chair and CEO are separate	Yes	Yes	Yes
Board meetings (No. of meetings for the 12-month calendar period beginning January)			
Full Board	21	15	19
Governance and Nominating Committee	4	4	5
Investment Committee	4	6	12
Audit Committee	5	8	6
Human Resources Committee and Compensation Committee	4	4	4
Average annual Board attendance	99%	87% ⁽⁵⁾	98%
Board tenure			
Average Board tenure (years)	7	10	11
Board diversity			
% self-identified female independent trustees	42.85% ⁽⁶⁾	25%	11%
% self-identified visible minority of all trustees	12.5%	NA	NA
Average age of all trustees	60	65	67
Board governance			
Board oversight of corporate responsibility	Yes	Yes	Yes

⁽¹⁾ As discussed in the Management Information Circular dated April 17th, 2019.

⁽²⁾ As discussed in the Management Information Circular dated April 11th, 2018.

⁽³⁾ As discussed in the Management Information Circular dated March 31st, 2017.

^{(4), (5)} Board independence and average annual Board attendance have been impacted by Tom Schwartz passing away on August 15th, 2017.

⁽⁶⁾ This includes Poonam Puri who was appointed as a trustee on June 13, 2019.

A Diversely Strong, Independent and Evolving Corporate Governance

As of December 31st, 2019:



43%* of CAPREIT's independent trustees are self-identified females – up from 11% as reported in 2017



50% of CAPREIT's executive office positions are held by self-identified females



13%* of CAPREIT's independent trustees are self-identified minorities



4-year reduction in average Board tenure since 2017

*Percentage rounded to a whole number



The Carrington, Calgary, AB



Willoughby Walk, Langley, BC

Corporate Governance Approach

Key facts about CAPREIT's approach to corporate governance		See Management Information Circular 2019
Appointment of the Auditor	In the course of undertaking an annual review of the performance of CAPREIT's external auditor, PricewaterhouseCoopers LLP, Chartered Professional Accountants ("PwC"), the Audit Committee sought and received detailed information from CAPREIT's senior management covering key factors of audit quality, including: independence, objectivity and professional skepticism; quality of the engagement team; and quality of communications and interactions between PwC and CAPREIT. Based on its review and discussion of the information provided, and its own experience with, and observations of, PwC's work, the Audit Committee concluded that this information could be relied upon to support the Audit Committee's recommendation that PwC continue to be retained as CAPREIT's external auditor and that it be appointed as such on an annual basis.	Page 14
Competencies and Skills Matrix	In collaboration with the Governance and Nominating Committee, the Board reviews as necessary the required skills, experience and talents on an ongoing basis. Holding a collective strong enterprise leadership and management experience within real estate, a majority of the Board also holds strong corporate governance and enterprise risk management competency. Although not yet formalized, the Board's collective competency and skills support sound elements around environment, social and corporate governance oversight.	Page 51 and 61
Diversity	In appointing executive officers of the management team, CAPREIT's Board and the executive leadership team consider the level of representation of women in executive office positions.	Page 70
Executive Compensation	The executive compensation program is designed to reward financial and strategic achievement as set out in CAPREIT's annual business plan. This includes continuously evaluating and resolving situations strategically and with an enterprise-wide executive-minded lens.	Page 22 and 28
Trustee Compensation and Incentive Plan Awards	As per CAPREIT's trustee compensation policy, the Board is compensated at the median of their peers and receive a flat annual retainer. Upon the recommendation of the Compensation and Governance Committee, the trustees are required to own or acquire, over a maximum period of three years, such number of Units, including, following adoption of the Deferred Unit Plan, and having a value equal to three times their annual compensation. As of April 17th, 2019, a majority of the trustees have either met or exceeded the ownership guidelines established by the Board.	Page 45
Trustee Orientation and Continuing Education	CAPREIT ensures that new trustees have a general understanding of both the business of CAPREIT and the roles and responsibilities of the Board and its committees. New trustees are invited to tour part of CAPREIT's portfolio with the executive management team in order to familiarize themselves with CAPREIT's operations, property management and a segment of the property portfolio.	Page 64

Highlights of the initiatives undertaken by the Board and its committees as described above are available in our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019 and Management Information Circular. CAPREIT's documentation about corporate governance practices are available on our corporate website.

Promoting Responsible Conduct Through Our Guiding Principles

While reaching our corporate goals is important to CAPREIT’s success, how we achieve them is of equal importance. That is why the actions of our employees are subject to a number of internal policies, standards and guidelines which all CAPREIT employees and the Board are subject to. To comply with these various standards and regulatory requirements, and to achieve best practices, CAPREIT has adopted comprehensive corporate governance policies and procedures. Our key policies and documents include the following:

Governance-related Policies	Description
Board Mandate	Stipulates the Board’s duties and responsibilities set out in the Declaration of Trust, including the associated procedures and organization in setting strategic planning, risk management, oversight management, corporate governance and communications.
Code of Business Ethics and Conduct	Addresses honesty and integrity, following the law, conflicts of interest, workplace behaviour, confidentiality, privacy and protecting CAPREIT’s assets, whistleblower procedures, information security, disclosure and internal controls by which all employees, trustees and officers are expected to abide. Reviewed annually by the Governance and Nominating Committee.
Declaration of Trust	Discloses the Board’s assumed responsibility for the stewardship of CAPREIT and lists the necessary actions to carry out its responsibilities, which are also listed in our Management Information Circular 2019.
Disclosure Policy	Ensures that communications to the investing public about CAPREIT are timely, factual and accurate, and disseminated in accordance with all applicable legal and regulatory requirements. The policy extends to all trustees, senior executives, employees and representatives of CAPREIT.
Diversity Policy	Stipulates that a truly diverse Board will include and make good use of differences in skills, qualities, regional and industry experiences, geographic knowledge and location.
Insider Trading Policy	Provides guidance to all trustees, officers and employees, and their respective associates (including family members), with respect to trading securities of CAPREIT, and communication of material non-public information.
Majority Voting Policy	Applies only to uncontested elections of trustees, where each trustee should be elected by the vote of a majority of the Units or Special Voting Units represented in person or by proxy at the Unitholders meeting convened for such election of trustees.
Whistleblower Policy	Provides individuals, including trustees, officers and employees with a process for disclosing complaints or concerns regarding inaccurate or incomplete reporting or recording of financial transactions (including financial statement disclosure, theft, fraud or misrepresentation of assets), internal control violations, organizational matters, compliance with laws, policies and procedures, safety and security issues, insider trading and unethical practices (including Code violations).

Corporate Committee Structures

The Board approves CAPREIT’s strategic plans (taking into account the risks and opportunities of CAPREIT’s business) and makes major policy decisions. It devotes time at several meetings each year to review major strategic initiatives to ensure that the proposed actions are in accordance with Unitholder objectives.

The Board of Trustees has delegated certain responsibilities to four committees, each of which is composed solely of independent trustees:

- **The Audit Committee** is responsible for the review of the consolidated financial statements, accounting policies and reporting procedures of CAPREIT. In addition, it is responsible for reviewing, on an annual basis, the principal risks that CAPREIT is faced with, and considering whether adequate systems are in place to manage such risks and that such systems appear effective. It also supervises the activities of CAPREIT’s Director, Internal Audit;
- **The Human Resources and Compensation Committee** reviews matters relating to human resources, including compensation of trustees and officers of CAPREIT.
- **The Governance and Nominating Committee** reviews matters relating to the governance of CAPREIT, including the nomination of trustees.
- **The Investment Committee** is responsible for reviewing investment and disposition proposals of CAPREIT, subject to such authority as the trustees may delegate to the officers of CAPREIT, and to perform such other duties as the trustees may delegate pursuant to Article 8 of the Declaration of Trust.

Board Oversight of Risk Management

As we continuously consider risks and opportunities for the development and management of our real estate assets, we preserve our business reputation with our investors and stakeholders by keeping on top of emerging issues, while assessing long-term decision horizons. The ability to manage risk is one of our core competencies, and is supported by our strong risk conduct and culture, as outlined on page 65 of our 2019 Management Information Circular, and an effective risk management approach. CAPREIT created a number of cross-functional, risk-focused sub-committees to support awareness, identify opportunities, ensure accountability and develop processes and guidelines to better manage risk exposures.

Risk Management Committee

The Risk Management Committee assists the Board in fulfilling its oversight of risk management and governance in the following areas: (i) identification of risks inherent in the company's business, strategy, capital structure and operating plans, (ii) establishing processes, guidelines, policies and reports for monitoring risks, and (iii) organization and performance of the company's enterprise risk management ("ERM") function. In addition, the committee assists the Audit Committee of the Board in fulfilling its responsibility to the Board in the oversight of risk assessment and risk management processes.

Disclosure Committee

The Disclosure Committee reports to the Board and oversees the company's disclosure activities and to assist the Board in fulfilling its corporate responsibilities. The committee's purpose is to review all public disclosure to ensure the highest level of transparency and compliance with regulatory requirements and best practices to which CAPREIT is subject to.

ESG Steering Committee

Launched in September 2018, the purpose of CAPREIT's ESG Steering Committee is to inform and enable the integration of environmental, social and governance factors ("ESG") into CAPREIT's strategic objectives. The committee supports the company and the Board in fulfilling the oversight, management and governance of ESG risk factors in the following areas: (i) identification of ESG factors inherent in CAPREIT's business, strategy, capital structure and operating plans, (ii) establishing policies, guidelines, processes, reporting and monitoring of ESG risk factors, and (iii) developing guidance and organization for the disclosure of the company's ESG performance to stakeholders.

Data Security and Privacy

Recognizing that the age of digitization is on the rise, data security and privacy threats continue to evolve and escalate, making data security and privacy top of mind to us and our stakeholders. CAPREIT's commitment to data security and privacy is demonstrated in our approach to governance and accountability. In response to an increased focus on adapting and socializing data and privacy policies across our organization, we are developing and implementing a comprehensive data protection program to ensure compliance with PIPEDA, GDPR, CASL and other supporting privacy laws and regulations.

Privacy Laws and Regulations

- Personal Information Protection and Electronic Documents Act ("PIPEDA");
- General Data Protection Regulation ("GDPR");*
- Digital Privacy Act;
- Canada's Anti-Spam Legislation ("CASL");
- British Columbia's Personal Information Protection Act ("PIPA BC");
- Alberta's Personal Information Protection Act ("PIPA AB"); and
- Quebec's Act Respecting The Protection of Personal Information in The Private Sector.

*CAPREIT provides services on behalf of its European affiliates, and as such, is required to comply with GDPR and data protection obligations.

Looking Ahead

In an era where ESG-related risk identification is on the rise, we recognize the increasing importance of assessing its potential impact on the long-term value of our portfolio and our Unitholders. As we seek to grow our ESG-competency across our organization, we understand the role our corporate governance will play on identifying physical risks associated with ESG factors; in particular, ways in which ESG-related policies will impact prices, costs and demand across varying economies affecting our business.

Industry Awards, Certifications and Recognitions

Celebrating a culture of excellence and innovation.

At CAPREIT, we are proud to be consistently recognized by our industry peers for our longstanding culture of excellence, innovation, service, and financial and operational performance. Over the past three years, over 45% of the awards and recognitions we have received highlight either our building performance or staff. These awards are a testament to CAPREIT's continued commitment to deliver shareholder value and exemplify how we invest to be the best place to work and live.

Awards and Recognitions



- 2018 Best Lobby Renovation
- 2018 Customer Service Award of Excellence
- 2017 Lifetime Achievement Award
- 2016 Resident Manager of the Year
- 2016 Best Property Management Website
- 2015 Best Lobby Renovation
- 2014 Leasing Professional of the Year
- 2014 Resident Manager of the Year
- 2014 Best Lobby Renovation
- 2013 Resident Manager of the Year
- 2013 Advertising Excellence – Social Media
- 2013 Advertising Excellence – Corporate Branding
- 2011 Advertising Excellence – Corporate Branding
- 2010 Environmental Excellence
- 2010 Property Manager of the Year
- 2010 Advertising Excellence – Corporate Branding
- 2010 Advertising Excellence – Single Project
- 2010 Property Management Website
- 2009 Suite Renovation over \$5000
- 2009 Resident Manager of the Year
- 2009 Property Management Website
- 2007 Property Management Website



- 2019 Property Manager of the Year
- 2018 On-Site Employee of the Year
- 2017 Property Manager of the Year
- 2017 Media Excellence
- 2016 Renovation of the Year



- 2016 Best Social Media Campaign
- 2016 Best Marketing Team of the Year
- 2016 Best Property Video



- 2018 Canada Clean 50



- 2019 Above and Beyond Award

Corporate-Based Certifications



- 2019 Aon Platinum-level Best Employer in Canada
- 2018 Aon Platinum-level Best Employer in Canada
- 2017 Aon Platinum-level Best Employer in Canada
- 2016 Aon Platinum-level Best Employer in Canada
- 2015 Aon Platinum-level Best Employer in Canada
- 2014 Aon Platinum-level Best Employer in Canada
- 2013 Aon Platinum-level Best Employer in Canada



- 2019 Bronze-level Women in Governance Parity Certification, first in our national peer group



- 2019 BOMA BEST Silver-level Certification

Industry-related organizations CAPREIT supports through corporate and individual memberships:



Over 30 industry-related awards received since 2007



47% of awards and recognitions received since 2007 were in recognition of our buildings and property staff

2019 Recognition Highlights

2019 Platinum-level Aon Best Employer

CAPREIT achieved Platinum-level Aon Best Employer in Canada status for seven consecutive years.



“The one constant in our business is change. Our company has evolved over the years, thanks to the vision of our leaders and the feedback from our team members. Through their feedback, we have adapted to varying work conditions while continuing to deliver results. Aon’s Platinum-level Best Employer recognition demonstrates CAPREIT’s commitment to their staff through continuous engagement on training, events, process enhancements and technology.”

RYAN MCDERMOTT, DIRECTOR OF EDUCATION AND TRAINING

CFAA Property Manager of the Year

Jennifer Bateman Hatch, Senior Operations Manager at CAPREIT, was awarded the CFAA Property Manager of the Year award in 2019. Her excellence and professionalism in the rental-housing industry is evident in her highly engaged team as well as the strong relationships she has cultivated within the resident community.



“This award caught me completely by surprise! I am truly humbled and honoured to have received this recognition, especially when considering the calibre of the other nominees. This achievement was a team effort and could only be accomplished with the support and resources offered by CAPREIT.”

JENNIFER BATEMAN HATCH, SENIOR OPERATIONS MANAGER

Jonathan Fleischer, EVP Operations and Jennifer Bateman Hatch, Senior Operations Manager

Bronze-level Women in Governance Parity Certification

In 2019, CAPREIT undertook an inaugural participation in the **Women in Governance Parity Certification**. We are honoured to report that we were awarded **Bronze-level Parity Certification** for advancing women in both their leadership and career development, and access to board seats. We will continue to seek opportunities to promote the status of women within our organization and the communities that we serve.



“In becoming the first Canadian residential REIT to have participated in and attained Bronze-level Parity Certification, CAPREIT remains committed to enabling women to achieve career advancement and creating a pipeline of female talent across varying levels of our organization.”

JODI LIEBERMAN, CHIEF HUMAN RESOURCES OFFICER

Silver-level BOMA BEST Certification

In 2019, we attained our first Building Owners and Managers Association (“BOMA”) BEST Silver-level certification in recognition of our excellence in energy and environmental management at 460 Brant Street in Burlington, Ontario. This marks the first in a few BOMA BEST certifications CAPREIT will look to attain in the coming years.



CAPREIT's 2019 ESG Performance Scorecard

The following table provides year-over-year company-wide data for metrics aligned to our priority areas.

	2019	2018	2017	GRI Disclosure	SASB Disclosure
Corporate Profile – Economic Disclosure					
Number of units	55,081	48,180	48,536		IF0403-C
Annual portfolio growth (%)	14.32%	-0.73%	0.70%		
Net Operating Income (“NOI” in \$M)	\$451.9	\$415.3	\$384.0	201-1	
Dividends declared per unit	\$1.372	\$1.313	\$1.275	201-1	
Investments in energy conservation measures (\$M)	\$15.13	\$20.14	\$12.39		
Community donations (\$)	\$217,000	\$123,000	\$115,000	201-1	

	2019	2018	2017	2010	GRI Disclosure	SASB Disclosure
Environmental Performance^{(1), (2), (3)}						
Energy consumption – portfolio (eMWh) ⁽⁴⁾	717,465	719,451	700,730	781,151	302-2	IF0402-03
Ten-year energy consumption reduction (%) ⁽⁴⁾		-8%			302-4	
Energy intensity (eMWh/suite) ⁽⁴⁾	18.3	18.3	18.0	20.1	302-3	IF0402-01
Ten-year energy intensity reduction (%) ⁽⁴⁾		-10%			302-3	
Greenhouse gas emissions – scope 1 absolute (CO ₂ e tonnes) ⁽⁵⁾	90,686	89,328	86,978	97,182	305-1	
Greenhouse gas emissions – scope 2 absolute (CO ₂ e tonnes) ⁽⁶⁾	11,042	11,350	11,534	15,643	305-2	
Greenhouse gas emissions – scope 3 absolute (CO ₂ e tonnes) ⁽⁷⁾	2,956	2,935	2,658	626	305-3	
Greenhouse gas emissions – intensity (CO ₂ e/MWh tonnes)	2.67	2.64	2.60	2.92	305-4	
Ten-year greenhouse gas emissions intensity reduction (%)		-9%			305-5	
Water consumption – absolute (m ³) ⁽⁴⁾	4,507,201	4,601,858	4,550,509	5,279,303	303-5	IF0402-08
Ten-year water reduction (%) ⁽⁴⁾		-17%				
Water consumption – intensity (m ³ /suite) ⁽⁴⁾	114.8	117.3	117.0	136.0	304-3	IF0402-06

⁽¹⁾ The table compares CAPREIT's residential portfolio's energy and water consumption in 2019 vs adjusted historical years as per the GHG Protocol – A Corporate Accounting and Reporting Standard (World Resources Institute, 2004).

⁽²⁾ Excludes MHCs and office buildings and only properties owned for the duration of the comparison period are included.

⁽³⁾ Normalized for differences in weather and occupancy.

⁽⁴⁾ The acquisition of recently developed properties in BC and PEI resulted in an increase in the number of effective suites in 2017 and 2018. We are actively monitoring and assessing energy and water efficiency measures for our newly acquired properties.

⁽⁵⁾ Scope 1: heating fuels.

⁽⁶⁾ Scope 2: non-submetered electricity.

⁽⁷⁾ Scope 3: submetered electricity and water.

	2019	2018	2017	GRI Disclosure	SASB Disclosure
Social Performance					
Total number of employees (number)	1,004	902	952	102-8	
Employee diversity – Overall (% female)	51%	52%	46%	405-1	
Employee diversity – Corporate (% female) ⁽⁸⁾	58%	59%	60%	405-1	
Employee diversity – Regional (% female) ⁽⁹⁾	75%	78%	73%	405-1	
Employee diversity – Site/Crew (% female) ⁽¹⁰⁾	49%	50%	40%	405-1	
Employee diversity – Manager and Senior Manager (% female) ⁽¹¹⁾	43%	42%	48%	405-1	
Employee diversity – Executive (% female) ⁽¹²⁾	29%	30%	25%	405-1	
Employee diversity – Corporate recruitment (% female) ⁽⁸⁾	50%	58%	55%	401-1	
Employee diversity – Regional recruitment (% female) ⁽⁹⁾	56%	87%	57%	401-1	
Employee diversity – Site/Crew recruitment (% female) ⁽¹⁰⁾	53%	50%	52%	401-1	
Employee diversity – Manager and Senior Manager recruitment (% female) ⁽¹¹⁾	47%	20%	14%	401-1	
Employee diversity – Executive recruitment (% female) ^{(12), (13)}	–	–	100%	401-1	
Employee engagement survey – employee response rate (%)	91%	82%	90%		
Employee engagement survey – overall engagement score (%)	82%	77%	76%		
Average employee turnover (%)	15%	19%	24%	401-1	
Internal employee training (number of hours)	13,281	15,047	13,830	404-1	
Eligible employees enrolled in employee savings plan (%)	35%	32%	34%		
Staff performance score on resident satisfaction survey (%)	78%	73%	N/A		
Resident Portal Happiness score – residents' satisfaction in addressing maintenance requests (%)	77%	N/A	N/A		
Resident Portal Recommend score – residents recommending CAPREIT based on addressing maintenance requests (%)	74%	N/A	N/A		
Corporate Governance⁽¹⁴⁾					
Board independence (%)	87.50%	100%	88.89%	102-22	
Average annual board attendance	99%	87%	98%		
Board diversity – gender (%)	43%	25%	11%	102-22	
Average Board tenure (years)	7	10	11		
Average age of all trustees	60	65	67		
Board oversight of corporate responsibility	Yes	Yes	Yes	102-18	

⁽⁸⁾ Corporate: Corporate office employees without direct reports (excluding Managers and Senior Managers).

⁽⁹⁾ Regional: Regional office employees without direct reports (excluding Managers and Senior Managers).

⁽¹⁰⁾ Site/Crew: Property staff without direct reports (excluding Managers and Senior Managers).

⁽¹¹⁾ Manager and Senior Manager: Managing Directors and non-executive VPs.

⁽¹²⁾ Executive: C-suite staff and Executive Vice Presidents.

⁽¹³⁾ No new executive hires for 2018 and 2019.

⁽¹⁴⁾ Please refer to p. 43 of ESG Report for added scope. Note: Percentages are rounded to a whole number where applicable.

GRI Content Index: General Disclosures

Disclosure Number	Disclosure Title	Disclosure Response									
Foundation											
N/A	Principles for defining report content and quality, and the process for sustainability reporting using the GRI Standards	<p>This report aligns to the GRI Standards and UN SDGs and adheres to the following principles:</p> <ul style="list-style-type: none"> • Stakeholder inclusiveness • Sustainability context • Materiality • Completeness • Accuracy • Balance • Clarity • Comparability • Reliability • Timeliness 									
Organizational Profile											
102-1	Name of organization	Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT")									
102-2	Activities, brands, products and services	<p>CAPREIT is one of Canada's largest real estate investment trusts. CAPREIT owns approximately 55,100 suites, including townhomes and manufacturing housing sites, in Canada and, indirectly through its investment in ERES, approximately 5,600 suites in the Netherlands. CAPREIT manages approximately 59,200 of its owned suites in Canada and the Netherlands, and additionally 3,700 suites in Ireland as at December 31, 2019.</p> <p>As a growth-oriented investment trust, CAPREIT holds a track record of stable performance supported by strong industry and economic market fundamentals. CAPREIT's investments in the Irish Residential Real Estate Investment Trust ("IRES REIT") and European Residential Real Estate Investment Trust ("ERES REIT") have allowed us to expand our market presence in geographies where we see potential organic growth, with ownership interests at 18.3% and 66%, respectively. CAPREIT mitigates risk through both demographic and geographic diversification by operating properties across the affordable, mid-tier and luxury sectors. With more than \$11.0 billion in Canadian real estate assets, total capitalization of \$4 billion in debt and \$8.4 billion in equity, and net operating income ("NOI") of over \$451 million as of December 31, 2019, CAPREIT's vision is to be the premier residential rental landlord in Canada and the employer and the investment of choice in its industry sector. CAPREIT's Canadian real estate portfolio composition:</p> <ul style="list-style-type: none"> • Residential Units: 79% • MHC Sites: 21% <p>Our head office is located at 11 Church Street in Toronto, Canada, with additional regional offices located across Canada and a workforce of 1,004 as of December 31, 2019.</p>									
102-3	Location of headquarters										
102-4	Location of operations										
102-5	Ownership and legal form										
102-6	Markets served										
102-7	Scale of organization										
102-8	Information on employees and other workers		<p>Data represents employees associated with our Canadian portfolio.</p> <table border="1"> <thead> <tr> <th colspan="3">2019 Employee Headcount by Gender</th> </tr> <tr> <th>Female</th> <th>Male</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>511</td> <td>493</td> <td>1,004</td> </tr> </tbody> </table> <p>CAPREIT uses suppliers and consultants on a contract basis, including security, cleaning and maintenance personnel, as well as professional services firms. Given that they do not represent a significant portion of our activities, a full accounting of these individuals is out of scope for this report.</p> <p>Total headcount per employee type represents CAPREIT's employee composition across our Canadian portfolio as of December 31, 2019.</p>	2019 Employee Headcount by Gender			Female	Male	Total	511	493
2019 Employee Headcount by Gender											
Female	Male	Total									
511	493	1,004									

Disclosure Number	Disclosure Title	Disclosure Response
Organizational Profile		
102-9	Supply chain	CAPREIT's supply chain includes over 1,700 supply chain partners that support the improvement of our operational performance and our day-to-day business activities. Due to the scope of our work, geographically diverse locations and requirements for specialized services, CAPREIT relies on a diverse range of supply chain partners. Typically, they provide utility, construction, professional and property services. Additionally, CAPREIT purchases products for property and office use, ranging from mechanical equipment for our managed sites to office paper use. For more information on the goods and services supported by our supply chain partners, please see the Supply Chain Management section on p. 29 of the 2019 ESG Report.
102-10	Significant changes to the organization and its supply chain	CAPREIT did not undergo any significant changes in size, structure, ownership or supply chain in 2019 that would impact its supply chain disclosure. Supply chain partners for IRES REIT and ERES REIT are managed separately by their respective alternative investment fund managers, and are not reported in CAPREIT's 2019 ESG Report.
102-11	Precautionary Principle or approach	CAPREIT does not formally apply the precautionary principle to decision-making across all our activities. However, the principle continues to influence the decisions we make and the actions we take. Our leadership competencies, commonly referred to as our "7Cs" and illustrated on p. 25 of our ESG Report, align with a precautionary approach to environmental stewardship and protection. Where the environmental or social impacts of an action are unclear, CAPREIT adopts a precautionary approach until the risks and opportunities have been properly assessed. For example, we assess and manage environmental, safety, supply chain, operational and other risks as described throughout our 2019 ESG Report.
102-12	External initiatives	We are proud of our employees who actively contribute to industry organizations and initiatives focused on supporting sustainability and real estate. We are consistently recognized by our industry peers for our longstanding culture of excellence, innovation, service, and financial and operational success. As such, CAPREIT subscribes to and/or endorses the following externally developed economic, environmental and social charters, principles and initiatives: <ul style="list-style-type: none"> • Association of Corporate Council ("ACC") • Canadian Coalition for Good Governance ("CCGG") • Canadian Federation of Apartment Associations ("CFAA") • Canadian Green Building Council ("CaGBC") • Human Resources Professionals Association ("HRPA") • Supply Chain Management Association ("SCMA") • Federation of Rental-Housing Providers of Ontario ("FRPO") • REALpac • Building Owners and Managers Association ("BOMA") • Global Reporting Initiative ("GRI") Standards • United Nations Sustainable Development Goals ("SDGs") For added details, please refer to the Industry Awards, Certifications and Recognitions section on p. 48 of our 2019 ESG Report.
102-13	Membership of associations	
Strategy		
102-14	Statement from senior decision-maker	Refer to In Conversation with Our Leadership on p. 2 of our 2019 ESG Report.
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviours	Applying sound corporate governance is integral to producing maximum benefits to our stakeholders. For more details on CAPREIT's leadership style and corporate governance approach, please refer to p. 25 and the Corporate Governance and Integrity section on p. 42 of our 2019 ESG Report.
102-17	Mechanisms for advice and concerns about ethics	Please refer to our Corporate Governance and Integrity section on p. 42 of our 2019 ESG Report.

Disclosure Number	Disclosure Title	Disclosure Response
Governance		
102-18	Governance structure	For details on our governance structure, please refer to the following sections: Integrating a Corporate-wide ESG Strategy, p. 5 The Board of Trustees – Board-level Oversight, p. 42 Corporate Governance Approach, p. 45 Promoting Responsible Conduct Through Our Guiding Principles, p. 46 Board Oversight of Risk Management, p. 47
102-20	Executive-level responsibility for economic, environmental and social topics	Please refer to the Integrating a Corporate-wide ESG Strategy section on p. 5 of our 2019 ESG Report.
102-22	Composition of the highest governance body and its committees	Please refer to the Corporate Governance section on p. 41 of our 2019 ESG Report.
102-23	Chair of the highest governance body	Please refer to the Corporate Governance section on p. 41 of our 2019 ESG Report.
102-24	Nominating and selecting the highest governance body	Please refer to the Corporate Governance section on p. 41 of our 2019 ESG Report.
102-25	Conflicts of interest	Please refer to the Corporate Governance section on p. 41 of our 2019 ESG Report.
102-26	Role of highest governance body in setting purpose, values and strategy	Please refer to our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019, and our Management Information Circular.
102-27	Collective knowledge of highest governance body	Please refer to our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019, and our Management Information Circular.
102-29	Identifying and managing economic, environmental and social impacts	Please refer to our Integrating a Corporate-wide ESG Strategy section on p. 5 and the Acquisition and Development section on p. 8 of our 2019 ESG Report.
102-30	Effectiveness of risk management processes	Please refer to the Corporate Governance section on p. 41 of our 2019 ESG Report.
102-32	Highest governance body’s role in sustainability reporting	Please refer to the Integrating a Corporate-wide ESG strategy section on p. 5 of our 2019 ESG Report.
102-33	Communicating critical concerns	Please refer to our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019, and our Management Information Circular.
102-34	Nature and total number of critical concerns	Please refer to our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019, and our Management Information Circular.
102-35	Remuneration policies	Please refer to our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019, and our Management Information Circular.
102-36	Process for determining remuneration	Please refer to our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019, and our Management Information Circular.
102-37	Stakeholders’ involvement in remuneration	Please refer to our Notice of Annual and Special Meeting of Unitholders to be held on June 13, 2019, and our Management Information Circular.
Stakeholder Engagement		
102-40	List of stakeholder groups	CAPREIT’s key stakeholder groups are identified as follows: <ul style="list-style-type: none"> • Employees: Employing a diverse workforce across Canada, CAPREIT is committed to delivering programs and engagement that make us the best place to work. • Residents: As Canada’s largest multi-family residential REIT, CAPREIT is committed to delivering programs and engagement that make us the best place to live. • Investors: As a publicly traded growth-oriented investment trust, CAPREIT holds a fiduciary responsibility toward our Unitholders that makes us the best place to invest. • Communities: Principally located in or near major urban centres across Canada, CAPREIT engages the surrounding communities in decisions that will affect them. • Supply Chain Partners: Our service providers and suppliers help us develop and manage our buildings for use by our residents and our staff. Based on the identification of these key stakeholders, CAPREIT will be conducting a formal materiality assessment in 2020, which is a key input to our strategic ESG integration. Key stakeholders will be formally identified and engaged to assess relative importance of potentially material issues.

Disclosure Number	Disclosure Title	Disclosure Response
Stakeholder Engagement		
102-42	Identifying and selecting stakeholders	Building on our stakeholders' disclosure in 102-40, our identified stakeholders are in support of GRESB's expectations for a real estate organization. CAPREIT will be conducting a formal materiality assessment in 2020, a key input to our strategic ESG planning process. Key stakeholders will be formally identified and engaged to assess relative importance of potentially material issues. Through this exercise, we will be able to identify sustainability factors material to our business and apply these insights to inform business strategy.
102-43	Approach to stakeholder engagement	<p>Open, ongoing communication with stakeholders helps us understand stakeholder expectations, identify priority issues, build trust and foster a sense of pride and community among our offices and properties. We have ongoing dialogue with the following key stakeholder groups:</p> <p>Employees</p> <ul style="list-style-type: none"> • Integrating a Corporate-wide ESG Strategy, p. 5 • Training and Development, p. 22 • Leadership Development Programs, p. 24 • Employee Recognition Programs, p. 28 • Annual employee engagement survey • Monthly engagement activities/events • Internal intranet that allows employees, departments and executives to communicate and connect across the organization <p>Residents</p> <ul style="list-style-type: none"> • Resident Engagement, p. 32 <p>Investors</p> <ul style="list-style-type: none"> • Annual General Meeting • Corporate website • Dedicated email account for investor relations • Press releases • Quarterly conference calls • Building tours with investors • One-on-one meetings with institutional investors <p>Community</p> <ul style="list-style-type: none"> • Investing in Our Communities, p. 38 <p>Supply Chain Partners</p> <ul style="list-style-type: none"> • Supply Chain Management, p. 29 • Engaging our supply chain partners in sustainability discussions to socialize the adoption of ESG measures across the supply chain is a priority action for 2020 <p>Building on these ongoing engagements, CAPREIT will be conducting a formal materiality assessment in 2020, a key input to our strategic ESG integration. Key stakeholders will be formally identified and engaged to assess relative importance of potentially material issues. Through this exercise, we will be able to identify sustainability factors material to our business and prioritize these insights to inform business strategy.</p>
102-44	Key topics and concerns raised	Building on our stakeholders' disclosure for 102-40, 102-42 and 102-43, CAPREIT will be conducting a formal materiality assessment in 2020, a key input to our strategic ESG planning process. Key stakeholders will be formally identified and engaged to assess relative importance of potentially material issues. The materiality assessment will include a set of interviews with our executive leadership management team, senior management from all business functions and geographies across Canada, Unitholders, suppliers and industry association representatives who will be able to identify ESG-related factors material to our business and apply these insights to inform our business strategy.

Disclosure Number	Disclosure Title	Disclosure Response
Reporting Practice		
102-45	Entities included in the consolidated financial statements	<p>CAPREIT follows GRESB's operational control definition to set its organizational boundary. GRESB defines operational control as "the ability to introduce and implement operating policies, health and safety policies and environmental policies". CAPREIT is deemed to have the ability to introduce and implement these policies for buildings that CAPREIT manages or where we have a 25% or greater ownership interest in the building.</p> <p>Although CAPREIT's consolidated financial statements include CAPREIT's operational footprint in Europe, our 2019 ESG reporting boundaries include the following owned and operated units in Canada:</p> <ul style="list-style-type: none"> • Residential Suites • MHCs Sites <p>CAPREIT provides significant support, including senior and other personnel, to both IRES REIT and ERES REIT through investment fund management services. However, these investment management services are deemed out of scope for CAPREIT's 2019 ESG Report.</p> <p>Building on our stakeholders' disclosure for 102-40 and 102-42, CAPREIT will be conducting a formal materiality assessment in 2020, a key input to our strategic ESG planning process. Key stakeholders will be formally identified and engaged to assess relative importance of potentially material issues. Through this exercise, we will be able to identify sustainability factors material to our business and prioritize these insights to inform business strategy.</p>
102-46	Defining report content and topic boundaries	
102-47	List of material topics	<p>Building on our stakeholders' disclosure for 102-40 and 102-42, CAPREIT will be conducting a formal materiality assessment in 2020, a key input to our strategic ESG planning process. Key stakeholders will be formally identified and engaged to assess relative importance of potentially material issues. Through this exercise, we will be able to identify sustainability factors material to our business and prioritize these insights to inform business strategy.</p>
102-48	Restatements of information	No restatements reported for CAPREIT's 2019 ESG Report.
102-49	Changes in reporting	CAPREIT did not undergo any significant changes from previous reporting periods in the list of material topics and topic boundaries that would impact its 2019 disclosure. Operational boundaries for IRES REIT and ERES REIT are managed separately by their respective alternative investment fund managers, and are not reported in CAPREIT's 2019 ESG Report.
102-50	Reporting period	January 1, 2019 – December 31, 2019
102-51	Date of most recent report	February 26, 2019
102-52	Reporting cycle	CAPREIT reports on ESG performance through our annual ESG Report embedded in our Annual Report.
102-53	Contact point for questions regarding the report	Please contact Irena Stankovic, Director, ESG Strategy Integration (i.stankovic@capreit.net) with questions regarding this report.
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI Content Index	Please refer to our ESG Scorecard on p. 50 of our 2019 ESG Report.
102-56	External assurance	We did not obtain external assurance for our 2019 ESG Report. We will look to develop the necessary assurance processes and accompanying policies in 2020.





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