



CANADIAN APARTMENT  
PROPERTIES • REIT

2022 Annual Report

25th ANNIVERSARY  
CAP  
REIT

# Celebrating 25 Years



*In 1996, CAPREIT founders Thomas Schwartz and Michael Stein privately built an apartment building portfolio in Scarborough. By 1997, they had made their initial public offering and introduced CAPREIT to the world, with 2,900 suites located throughout the GTA and Halifax.*

**1997**  
2,900 suites



*Our early years were characterized by rapid growth and expansion, as we acquired and developed new properties across Canada. In 2004, we acquired ResReit, a \$1.9 billion deal that made us one of Canada's largest landlords, bringing us coast to coast. We doubled in size and had to rethink our people structure, putting more of an emphasis on specialized roles.*

**2004**  
24,132 suites



*2007 marked our entry into a new and exciting market for us – the Manufactured Home Community business. Our acquisition of two of Canada's premier communities helped to further diversify our portfolio into an asset class that would provide a highly stable source of revenue over the long term.*

*In 2009, we rolled out the first regional model at 100 Wellesley in Ontario. This model allowed us to provide more efficient and effective support to site staff and residents.*

**2007**  
29,111 suites  
and sites



*In 2013, we received our first Top Employer recognition, and every year after that. This recognition helped to shape our culture as an employee-focused organization and set us apart from our competitors when attracting and retaining talent.*

*In 2014, we had our first international expansion with the creation of IRES in Ireland.*

# 2013

41,552 suites  
and sites



*In March of 2019, CAPREIT created Canada's first European multi-residential REIT with ERES.*

*In June of 2020, CAPREIT was proudly added to the TSX 60, a stock market index composed of 60 of the largest companies listed on the Toronto Stock Exchange (TSX) in Canada, based on market capitalization. This accomplishment was a reflection of our significant growth and strong performance over the previous two decades.*

# 2019

60,713 suites  
and sites



*From the very beginning, our goal has always been to provide high-quality, safe and attractive rental housing for our residents, second to none in our markets. We believe that by building and maintaining a modern, high-quality portfolio, investing in our properties, and leveraging the significant experience and dedication of our team, the future will see further value generation for all of our stakeholders.*

# 2022

66,586 suites  
and sites

*“In 2022, we were proud to celebrate 25 years of growth and performance. Since 1997, our asset base has expanded to approximately 67,000 apartment suites, townhomes and MHC sites valued at over \$17 billion. Most importantly, Unitholders have received a compounded annual return of 12% since inception, a testament to our management team, our proven value-enhancing strategies and the continuing strong fundamentals in our business.”*

**Mark Kenney**  
Chief Executive Officer  
Hire Date: 1/12/1998



# Profile

*As Canada's largest publicly-traded provider of quality rental housing, Canadian Apartment Properties REIT ("CAPREIT") owns or has interests in approximately 67,000 residential apartment suites, townhomes and manufactured home community sites that are well-located across Canada and the Netherlands as of December 31, 2022.*

## 2022 Highlights & Objectives

### HIGHLIGHTS

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- Celebrated 25 years of growth and performance;
- Record-breaking fourth quarter and annual rent uplift on turnover in Canada of 24% and 15%, respectively;
- Actively executing on asset allocation strategy, diversifying and upgrading portfolio quality;
- Invested over \$245 million to date in NCIB program at attractive pricing, crystallizing value for Unitholders;
- Accretive growth in NFFO per Unit, up by 1%;
- Fortified financial position with over \$1 billion in favourable new and refinanced mortgage principal;
- Proactively living up to commitment to contribute to Canada's housing supply and affordability solutions;
- Refreshed executive management team, reinforcing leadership strength, experience and innovation; and
- Achieved meaningful progress on ESG initiatives.

### OBJECTIVES

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- To provide Unitholders with long-term, stable and predictable monthly cash distributions;
- To grow NFFO, sustainable distributions and NAV through the active management of its properties, accretive acquisitions and dispositions, 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.

## Selected Financial Highlights

For the Year Ended December 31	2022	2021
<b>Portfolio Performance</b>		
Overall portfolio occupancy <sup>(1)</sup>	98.3%	98.1%
Overall portfolio net Average Monthly Rents <sup>(1)</sup>	\$ 1,205	\$ 1,149
Operating revenues (000s)	\$ 1,007,268	\$ 933,137
NOI (000s)	\$ 650,409	\$ 609,993
NOI margin	64.6%	65.4%
<b>Financial Performance</b>		
FFO per Unit – diluted <sup>(2)</sup>	\$ 2.282	\$ 2.255
NFFO per Unit – diluted <sup>(2)</sup>	\$ 2.328	\$ 2.311
Cash distributions per Unit	\$ 1.450	\$ 1.409
FFO payout ratio <sup>(2)</sup>	63.4%	62.6%
NFFO payout ratio <sup>(2)</sup>	62.1%	61.0%
<b>Liquidity and Leverage</b>		
Total debt to gross book value <sup>(1)(2)</sup>	39.4%	36.1%
Total debt to gross historical cost <sup>(1)(2)</sup>	53.9%	52.3%
Weighted average mortgage interest rate <sup>(1)</sup>	2.61%	2.47%
Weighted average mortgage term (years) <sup>(1)</sup>	5.4	5.7
Debt service coverage (times) <sup>(2)(3)</sup>	1.9x	2.0x
Interest coverage (times) <sup>(2)(3)</sup>	3.7x	4.0x
Available liquidity – Acquisition and Operating Facility (000s) <sup>(1)</sup>	\$ 333,416	\$ 384,510
Cash and cash equivalents (000s) <sup>(1)</sup>	\$ 47,303	\$ 73,411

<sup>(1)</sup> As at December 31.

<sup>(2)</sup> These measures, as well as others contained on the first 16 pages of this report, 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 Measures). For a reconciliation to IFRS, see Section V – Non-IFRS Measures.

<sup>(3)</sup> Based on the trailing four quarters.



*“In addition to the significant growth achieved over the past 25 years, we have maintained a highly conservative and flexible financial position, among the strongest in our business. With over \$1.2 billion in available financial capacity at year-end, and nearly all of our mortgage debt fixed with a low weighted average interest rate, we have the ability to continue actively executing on our strategic objectives for years to come.”*

**Stephen Co**  
Chief Financial Officer  
Hire Date: 11/21/2011

*“Our rigorous and disciplined acquisition focus has led to CAPREIT owning interests in approximately 67,000 suites, townhome and MHC sites across Canada and the Netherlands at year-end. In 2022, we acquired 1,537 suites and sites in strong, targeted markets. Our focus is to continue optimizing our asset base with the acquisition of primarily new-build, modern properties that enhance the overall quality and diversification of our portfolio.”*

**Lily Thai**  
Vice President, Investments  
Hire Date: 8/7/2007





# Strong & Diversified Portfolio



## The Netherlands

6,900

Total Suites

98.4%

Residential Occupancy

€976

Residential Net Average Monthly Rent

## Canada

59,686

Total Suites & Sites

98.9%

Residential Occupancy

\$1,386

Residential Net Average Monthly Rent

In Canada, our focus is on accretively growing and upgrading the quality of our mid-tier portfolio of properties, and improving diversification across well-located, high-growth markets in and around Canada's largest cities. We have proven our ability to invest in these properties to increase value, while the stability of cash flows results from continuously high and stable occupancy, larger average suite size, energy-efficiency and affordable rental rates.

<b>MHC</b>	<b>21%</b>
Total Suites	12,386
Occupancy	95.6%
Net Avg Rent	\$407

<b>British Columbia</b>	<b>10%</b>
Total Suites	5,860
Occupancy	99.1%
Net Avg Rent	\$1,520

<b>Alberta</b>	<b>4%</b>
Total Suites	2,383
Occupancy	99.3%
Net Avg Rent	\$1,196

<b>Saskatchewan</b>	<b>&lt;1%</b>
Total Suites	234
Occupancy	99.6%
Net Avg Rent	\$1,083

<b>Ontario</b>	<b>39%</b>
Total Suites	23,439
Occupancy	99.4%
Net Avg Rent	\$1,506

<b>Québec</b>	<b>19%</b>
Total Suites	11,459
Occupancy	97.9%
Net Avg Rent	\$1,141

<b>Nova Scotia</b>	<b>6%</b>
Total Suites	3,288
Occupancy	98.3%
Net Avg Rent	\$1,378

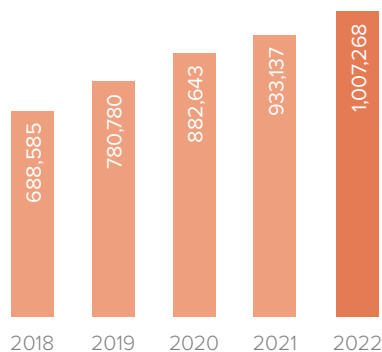
<b>P.E.I.</b>	<b>1%</b>
Total Suites	637
Occupancy	99.7%
Net Avg Rent	\$1,127

# Report to Unitholders

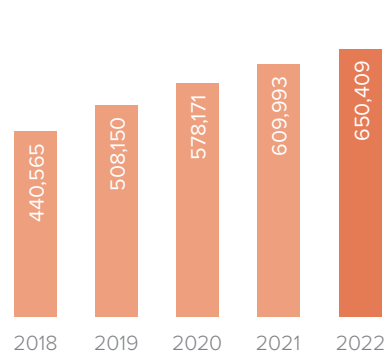
We celebrated our 25th anniversary in 2022 with a strong year of value creation for our Unitholders. Capitalizing on the increasingly favourable fundamentals in our business, and the experience and commitment of a reinvigorated team, our key performance metrics strengthened, and our conservative and flexible financial profile was fortified, positioning us to achieve continued progress on our strategic mission. We look ahead confident that our active asset allocation and capital refresh strategies will successfully high-grade our asset base while building value for our Unitholders for years to come.

## KEY METRICS

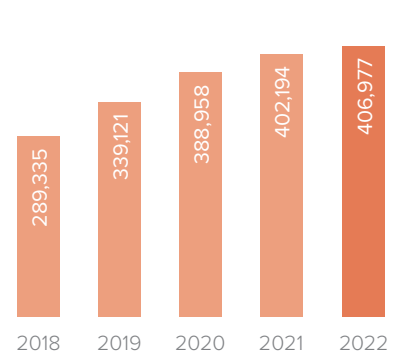
**Operating Revenue**  
(000s)



**NOI**  
(000s)



**NFFO**  
(000s)





*“We are very proud to have been recognized as one of Canada’s top employers every year since 2013. By investing in professional growth and leadership development, we are creating an engaged, inclusive and diverse workforce, while providing our residents with safe, secure and high-quality homes. We remain committed to making CAPREIT ‘the best place to work’ and ‘the best place to live.’”*

**Jodi Lieberman**  
Chief People, Culture & Brand Officer  
Hire Date: 8/31/2009

*“Over the past 25 years we have invested significantly in our properties to upgrade our asset base and enhance our environmental footprint, while at the same time ensuring we achieve optimum operating efficiency. The adoption and integration of the latest state-of-the-art systems and technologies are also enabling us to better focus on value-add responsibilities while keeping us close to and engaged with our residents.”*

**Judy Harkai**  
Vice President, Operations  
Hire Date: 8/19/2002



# Another Strong Year

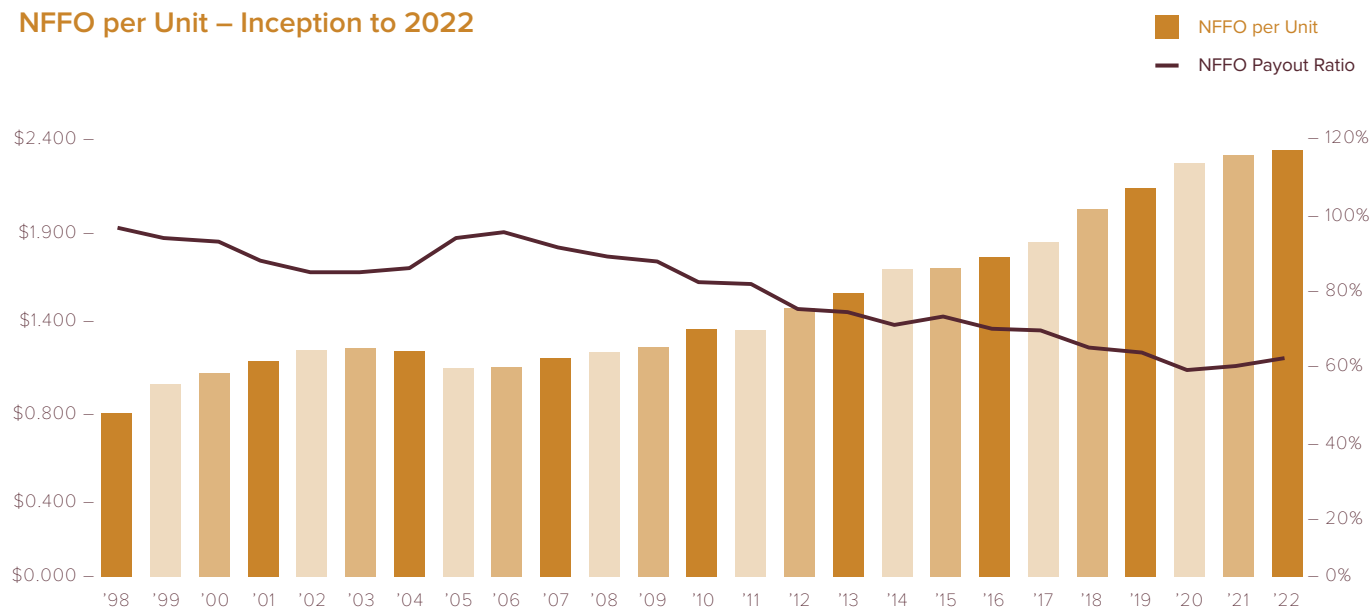
Operating revenues for the year ended December 31, 2022 rose by 7.9% to \$1.0 billion, a record-breaking achievement that is attributable to our long history of strong organic and acquisitive growth. On the former, average monthly rents across the total portfolio increased by 4.9% compared to the end of last year, driven primarily by rent uplifts on suite turnover. In 2022, we recorded our highest growth in rent on turnover to date, at 24% and 15% for the fourth quarter and year ended December 31, 2022, respectively, confirming the increasingly constructive fundamentals of the Canadian residential rental market. This remarkable rise in revenue, combined with our proven and successful property management programs, drove the 6.6% increase in Net Operating Income (NOI) to \$650 million for the year, which includes solid same property growth of 1.9%.

Normalized Funds from Operations (NFFO) grew more moderately, increasing to \$407 million in 2022. We experienced certain inflationary and other unanticipated cost pressures during the year and have prioritized the

implementation of numerous mitigating programs. This includes the proactive monitoring of natural gas rates in order to leverage hedging as much as possible, and the refinement of our robust procurement practices. The strategic modernization of our portfolio further contributes to inherently higher margins, while we accelerate sub-metering and other energy optimization initiatives across our more vintage assets. By placing the responsibility to monitor energy use on our residents, sub-metering also lowers consumption, resulting in the added benefit of an improved environmental footprint.

Importantly, we continue to maintain a very strong and flexible financial position. Total debt to gross book value was a conservative 39.4% at year-end, providing the capacity to continue actively executing on our strategic endeavours. This includes over \$1.1 billion in favourable new and refinanced mortgage principal which we successfully secured in 2022, supplementing funding from disposition proceeds. Our mortgage portfolio remained well-staggered with a weighted average term to maturity of 5.4 years, adding to the stability of our long-term cash flows. Our weighted average interest rate was also very conservative at 2.61% at December 31, 2022, and with nearly all of our mortgage debt carrying a fixed interest rate, we are well positioned to continue mitigating the impact of future interest rate volatility.

**NFFO per Unit – Inception to 2022**



# Celebrating 25 Years of Growth and Performance

We were extremely proud to have celebrated CAPREIT's 25th anniversary in September 2022. Since inception, CAPREIT has grown from owning 2,900 apartment suites in Ontario to owning or having interests in approximately 67,000 suites, townhomes and manufactured home community (MHC) sites internationally as at year-end. We have expanded and diversified across Canada's strongest urban growth markets, as well as into Europe, where we have been operating for over a decade. Total assets have grown to approximately \$18 billion at December 31, 2022.

From the outset, our goal was to provide high-quality, safe and attractive rental housing for our residents, second to none in our markets. We believe that by building and

maintaining a modern, high-quality portfolio, investing in our properties, and leveraging the significant experience and dedication of our team, the future will see further value generation for all of our stakeholders.

Most importantly, looking back over the past 25 years, Unitholders have received a total return, including monthly cash distributions, of an incredible 1,905%, or 12% compounded annually, substantiating our proven platform and unparalleled track record in the industry.

*“A key component of our portfolio optimization program includes the disposition of older, value-add properties to enhance the overall quality of our portfolio. In 2022, we disposed of \$346 million worth of non-core properties in Canada, which provided a highly attractive and accretive source of new capital to invest in the acquisition of new-build properties, the repurchase of Units under our NCIB and debt repayment.”*

**Julian Schonfeldt**  
Chief Investment Officer  
Hire Date: 8/2/2022



# Strategically Revitalizing Asset and Capital Allocation

We have historically focused on increasing the size and scale of our property portfolio, alongside expanding and diversifying into new rental housing segments and geographies, and building a robust, scalable and efficient operating platform to serve our properties, our residents, and the communities in which we operate. Today, we are operating in a new and unprecedented era for Canadian residential real estate, and our strategy has actively shifted in response, with a view to continue maximizing value for our Unitholders.

In 2022, we acquired a total of 1,181 suites and manufactured home community sites in Canada for a total acquisition cost of \$517 million. The majority of these attractive properties were recently constructed, and are all located in strong targeted regions, in line with our strategy to enhance our geographic diversification into more desirable, high-growth markets. Acquiring newly-built properties also reduces our future capital investment needs, and therefore our exposure to inflationary pressures, and strengthens our environmental and operational performance.

Critically accompanying this accretive portfolio growth and diversification, we are disposing of certain non-core properties to further advance our core asset allocation strategy. Our \$17 billion investment property portfolio

is the result of 25 years of steady expansion. Some of these properties were purchased decades ago, in accordance with criteria that are no longer aligned with our current strategic objectives. In 2022, we sold several of these non-core properties for gross proceeds of \$346 million. These strategic dispositions enhance the composition and quality of our portfolio, reducing exposure to older, value-add buildings and increasing our presence in more accretive new-build properties and markets. Combined with our focus on extracting development value from excess density, funds from such divestitures also serve to reduce debt and generate a very attractive source of new capital to finance our asset and capital allocation programs.

Another key element of our value-enhancing strategy is our Normal Course Issuer Bid (NCIB) program. By selling non-strategic assets at prices above their net asset value, and using the proceeds to purchase our Units at major discounts to our overall net asset value, we generated significant value for our Unitholders. To date, we actively purchased for cancellation 5.4 million Units by investing over \$245 million at an attractive weighted average price of approximately \$45 per Unit. We will continue to monitor the market price of our Units to ensure we are capitalizing on future opportunities to crystallize Unitholder gains.



## Leading the Way in Affordable Housing

Canada finds itself in the worst crisis of housing supply and affordability in a generation. We simply haven't been building enough homes. That is making housing less affordable for more and more Canadians. Demand for housing is growing through population growth, immigration, delayed family formation, seniors living independently longer and overall smaller household sizes.

As one of the largest publicly listed providers of quality rental housing, CAPREIT is a key part of the solution to Canada's housing crisis and has taken a leading role in the discussion related to the issue of affordable housing in Canada. Through the Canadian Rental Housing Providers for Affordable Housing, and its website, ForAffordable.ca, CAPREIT – together with other large, publicly traded Canadian residential REITs – has advanced numerous policy proposals to address issues related to additional housing supply and affordable housing in Canada. CAPREIT will continue to advocate for changes in government policies and programs to address these important issues.

The overall answer to this crisis is quite simple – build more homes of all kinds – and CAPREIT is contributing to this objective through its capital allocation strategy and the acquisition of newly constructed purpose-built rental properties.

Affordability is the other component of the housing crisis, and rental accommodation has always been more affordable than home ownership. In fact, nearly half of CAPREIT's Canadian portfolio meets the Canadian Mortgage and Housing Corporation's definition of affordability with monthly rents less than 30% of a local market's median household income. We need more purpose-built rental housing, and we are working hard to encourage governments to prioritize the construction and purchase of more affordable and stable purpose-built rental properties across the country. Our MHC properties also provide a very affordable alternative, and we are striving to have municipal zoning policies adapted to encourage the development of more MHC sites around large urban markets.

CAPREIT is also a leader in providing affordable housing to more than 50 municipalities and community social groups by making available suites in our buildings for the most vulnerable in our communities. In addition, in 2022 we were pleased to provide apartments free of charge to Ukrainian families whose children were transferred to Toronto hospitals for critical cancer care no longer possible in their war-torn country.



*“CAPREIT’s leadership training programs, mentoring, coaching and other engagement initiatives have helped me grow and develop my career over the past 15 years. Being part of a collaborative team that works hard and respects my contributions is something I value each and every day. I am also provided with the best operating platform, tools and systems to help me do my job better and more efficiently.”*

**Mohammed Rana**  
General Manager  
Hire Date: 6/11/2007





**Jodi Lieberman**  
Chief People, Culture & Brand Officer

**Mark Kenney**  
President & Chief Executive Officer

**Julian Schonfeldt**  
Chief Investment Officer

**Stephen Co**  
Chief Financial Officer

# Looking Ahead

Looking ahead, we continue to see very positive value drivers which we are confident will generate strong and growing returns.

We will continue to target the acquisition of primarily new-build, modern properties in Canada’s strongest markets. Yields are attractive, growth is strong and capital requirements are modest. We will also seek to perpetually upgrade our portfolio through our strategic divestiture program, and unlock development value from excess density. We will optimally use net proceeds from this capital recycling to ensure our NCIB program continues to convert that growing quality and value into immediate return for our Unitholders. Prudent and responsible monthly rent increases and consistent near-full occupancies will also contribute to increased revenues in the years ahead.

Most importantly, fundamentals in the residential rental sector have never been stronger. Demand for our quality properties is growing as immigration accelerates and international students return to Canada. Students and young people are also returning to rental accommodation after moving home to save on costs during the pandemic. Demographics are driving demand as an aging population

looks to capitalize on the equity in their homes and move to rental properties offering more space on a single floor at affordable rates.

Environmental, social and governance (ESG) performance also remains a key focus at CAPREIT. We encourage you to review our latest ESG Report for the many accomplishments achieved to date, and the meaningful progress we continue to make in delivering on our ESG priorities.

In closing, we thank everyone at CAPREIT for their ongoing dedication and effort, and our resident families for their support. Our strong performance in 2022 is a testament to our enduring commitment to invest in our assets, our people and our future, and we look forward to continue making CAPREIT the best place to live, the best place to work, and the best place to invest.

**Mark Kenney**  
President and Chief Executive Officer



# 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 three months and year ended December 31, 2022, dated February 22, 2023, should be read in conjunction with CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2022. CAPREIT and its subsidiaries are collectively referred to as "CAPREIT" in the MD&A. The results reported in CAPREIT's MD&A are on a consolidated basis, including the full results of any subsidiaries, unless stated otherwise.

### 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, rental 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 acquisitions, dispositions 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", "would", "should", "could", "likely", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "project", "budget", "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 and Dutch economies will generally experience growth, which, however, may be adversely impacted by the global economy, inflation and increasing interest rates, potential health crises and their direct or indirect impacts on the business of CAPREIT, including CAPREIT's ability to enforce leases, perform capital expenditure work, increase rents and apply for above guideline increases, obtain financings at favourable interest rates; 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; that rental rates on turnovers will grow; that the difference between in-place and market-based rents will be reduced upon such turnovers and renewals; 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: rent control and residential tenancy regulations, general economic conditions, privacy, cyber security and data governance risks, talent management and human resources shortages, taxation-related risks, energy costs, public health crises, environmental matters, vendor management and third-party service providers, operating risk, valuation risk, climate change, other regulatory compliance risks, availability of debt, risks related to acquisitions, dispositions and property development, catastrophic events, litigation risk, liquidity and price volatility of units of CAPREIT ("Trust Units"), CAPREIT's investment in European Residential Real Estate Investment Trust ("ERES"), potential conflicts of interest, investment restrictions, lack of diversification of investment assets, geographic concentration, illiquidity of real property, capital investments, leasing risk, competition for real property investments, dependence on key personnel, adequacy of insurance and captive

insurance, competition for residents, controls over financial reporting, the nature of CAPREIT Trust Units, Unitholder liability, dilution, distributions, participation in CAPREIT's distribution reinvestment plan ("DRIP") 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 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 Measures

CAPREIT prepares and releases unaudited condensed consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, earnings releases, investor presentations and investor conference calls, CAPREIT discloses measures not recognized under IFRS which do not have standard meanings prescribed by IFRS. These include Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO"), Adjusted Cash Flow from Operations ("ACFO"), Adjusted Cash Generated from Operating Activities, Net Asset Value ("NAV"), Net Trust Expenses, Total Debt, Gross Book Value, Gross Historical Cost, and Adjusted Earnings Before Interest, Tax, Depreciation, Amortization and Fair Value ("Adjusted EBITDAFV") (the "Non-IFRS Financial Measures"), as well as FFO per unit, NFFO per unit and ACFO payout ratios, Ratio of Total Debt to Gross Book Value, Ratio of Total Debt to Gross Historical Cost, Ratio of Total Debt to Total Capitalization, Debt Service Coverage Ratio, and Interest Coverage Ratio (the "Non-IFRS Ratios" and together with the Non-IFRS Financial Measures, the "Non-IFRS Measures"). Since these measures and related per unit amounts 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 utilized by our investors to evaluate the ability of CAPREIT to earn revenue and to evaluate its performance, financial condition and cash flows. These Non-IFRS measures have been assessed for compliance with National Instrument 52-112 and 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 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 Canada's largest publicly-traded provider of quality rental housing. CAPREIT owns or has interests in approximately 67,000 residential apartment suites, townhomes and manufactured home community ("MHC") sites well-located across Canada and the Netherlands as of December 31, 2022.

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 June 1, 2022.

## Objectives and Business Strategy

CAPREIT's objectives are to:

- provide holders of Trust Units ("Unitholders") with long-term, stable and predictable monthly cash distributions;
- grow NFFO, sustainable distributions and NAV through the active management of its properties, accretive acquisitions and dispositions, 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 a safe, secure and comfortable living environment. 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 make accretive acquisitions of both newer properties or value-add properties, 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 ("NOI"). 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.

*Upgrading the Portfolio* – CAPREIT aims to continuously improve the quality of its portfolio through accretive acquisitions of newer properties, and dispositions of certain non-core, older properties, in accordance with its strategic criteria. Where possible, CAPREIT also seeks to unlock development value from excess density, and enhance geographic diversification, including the concentration of its portfolio in targeted, high-growth markets, while capturing economies of scale and cost synergies, thereby increasing NOI. The funds from divestitures will primarily be used to acquire additional, more modern strategic assets better suited to CAPREIT's portfolio composition and property management objectives, repurchasing Trust Units for cancellation or to pay down existing debt. Management believes the continued realization and reinvestment of capital is a fundamental component of its value-creation 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.

*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 continues to review and refine its multi-year ESG strategy and roadmap. The ESG strategy is aligned with CAPREIT’s corporate vision of being “the Best Place to Live, Work, and Invest”. CAPREIT’s overarching commitments include ensuring that its buildings and services meet the highest standards and make a positive contribution to the community, fostering a culture where diversity, equity and inclusion is foundational and where extraordinary talent seeks to expand their skill sets and develop their careers, and integrating ESG into all aspects of its business supported by strong corporate governance and ESG/climate performance metrics, targets, and disclosures. The ESG strategy and roadmap are supported by the Board of Trustees and all levels of the organization contribute to the implementation of the strategy and achievement of deliverables. This strategy and roadmap allow CAPREIT to better demonstrate its environmental responsibility, attract and retain the best people in the business in which it operates, build strong relationships with its residents and the communities in which they live, adopt best practice programs in corporate governance, and maintain open and transparent communication with its investors. Through building in-house ESG subject matter expertise, CAPREIT empowers its people to be advocates and enablers of ESG transparency and performance, to develop and monitor cross-functional policies, carry out ongoing stakeholder engagements, establish frameworks, platforms and practices to deliver investment-grade data, identify and monitor its progress, and build standardized and comprehensive ESG disclosures. In support of CAPREIT’s ongoing commitment to ESG integration and performance, management continues to support submission to the Global Real Estate Sustainability Benchmark (“GRESB”), the results of which will inform future cycles of improvement and the evolution of CAPREIT’s strategy going forward. Management is moving ahead with enhancing CAPREIT’s climate-related disclosures in 2023 by aligning with the Task Force on Climate-related Financial Disclosures’ (“TCFD”) recommendations. As one of the largest publicly listed providers of quality rental housing, CAPREIT is a key part of the solution to Canada’s housing crisis and has taken a leading role in the discussion related to the issue of affordable housing in Canada. Through the *Canadian Rental Housing Providers for Affordable Housing*, and its website, [ForAffordable.ca](http://ForAffordable.ca), CAPREIT – together with other large publicly-traded Canadian residential real estate investment trusts – has advanced numerous policy proposals to address issues related to additional housing supply and affordable housing in Canada. CAPREIT will continue to advocate for changes in government policies and programs to address these important issues. The 2022 ESG Report will be issued in mid-2023.



## SECTION II: KEY HIGHLIGHTS

### Summary of Q4 and Year-End 2022 Results of Operations

#### *Key Transactions and Events*

- CAPREIT continues to invest in accretive opportunities, with total acquisitions for the year ended December 31, 2022 amounting to \$517.4 million comprised of 1,181 suites and sites located in Canada, and \$128.2 million comprised of 356 suites located in the Netherlands. There were no property acquisitions or dispositions for the three months ended December 31, 2022.
- Total dispositions for the year ended December 31, 2022 amounted to \$347.4 million, which included 1,128 suites located in Ontario and a single residential suite in the Netherlands. CAPREIT will continue to consider opportunities where it can strategically access attractive equity capital for redeployment into more accretive growth opportunities, including acquiring new build assets, repurchasing Trust Units for cancellation under its current normal course issuer bid ("NCIB") program and repaying debt. Subsequent to year-end, on January 25, 2023, CAPREIT disposed of its remaining 50% interest in 1,150 apartment suites located in Ontario for a sale price of \$136.3 million.
- During the year ended December 31, 2022, CAPREIT purchased and cancelled approximately 5.2 million Trust Units under the NCIB program, at a weighted average purchase price of \$45.44 per Trust Unit, for a total cost of \$237.8 million, with approximately an additional 0.2 million Trust Units settled for cancellation subsequent to year-end, for a total cost of \$7.8 million.

#### *Operating Results*

- On turnovers, monthly residential rents for the three months and year ended December 31, 2022 increased by 24.3% on 3.4% of the Canadian portfolio and increased by 14.5% on 16.4% of the Canadian portfolio, respectively, compared to an increase of 8.6% on 5.2% of the Canadian portfolio and 5.9% on 21.8% of the Canadian portfolio, respectively, for the three months and year ended December 31, 2021.
- Net Average Monthly Rent ("Net AMR") for the same property portfolio as at December 31, 2022 increased by 4.3% compared to December 31, 2021.
- NOI increased by 5.0% and 1.9%, respectively, for the same property portfolio for the three months and year ended December 31, 2022.
- Diluted NFFO per unit was up 1.4% and 0.7%, respectively, for the three months and year ended December 31, 2022 compared to the same periods last year.

#### *Balance Sheet Highlights*

- CAPREIT's financial position remains strong, with over \$380.7 million of available liquidity, comprising \$47.3 million of cash and cash equivalents and \$333.4 million of available capacity on CAPREIT's Acquisition and Operating Facility.
- Based on the current property portfolio, management expects to raise between \$750 million and \$800 million in total mortgage renewals and refinancings for the Canadian portfolio for 2023. In 2022, CAPREIT raised approximately \$932 million for the Canadian portfolio.
- CAPREIT closed consolidated mortgage refinancings of \$879.3 million for the year ended December 31, 2022, with top-ups net of discharges totalling \$361.7 million. The mortgages refinanced have a weighted average term to maturity of 8.0 years and a weighted average interest rate of 3.36%.
- For the year ended December 31, 2022, the overall carrying value of investment properties increased by \$51.8 million primarily due to acquisitions, property capital investments and foreign currency translation, partially offset by fair value losses, transfer to assets held for sale and dispositions.
- Diluted NAV per unit as at December 31, 2022 decreased to \$58.01 from \$59.78 as at December 31, 2021, primarily due to fair value losses recognized in investment properties, partially offset by the effects of accretive purchases of Trust Units for cancellation through the NCIB program.

## Acquisitions and Dispositions

The tables below summarize the property acquisitions in Canada and the Netherlands for the year ended December 31, 2022.

### Canadian Acquisitions Completed During the Year Ended December 31, 2022

(\$ Thousands)			Total	Assumed	Subsequent	Interest	Term to
Acquisition Date	Suite or Site Count	Region	Acquisition Costs	Mortgage Funding	Acquisition Financing	Rate (%) <sup>(1)</sup>	Maturity (Years) <sup>(2)</sup>
January 25, 2022	59	Kelowna, BC	\$ 30,373	\$ 17,135	\$ –	3.55	4.90
February 25, 2022	24	Victoria, BC	7,230 <sup>(3)</sup>	–	–	–	–
March 7, 2022	514	Montréal, QC	291,202	55,571	–	2.75	6.50
March 31, 2022	172	Red Deer, AB	16,520 <sup>(3)</sup>	–	–	–	–
May 4, 2022	112	Kanata, ON	44,209	26,504	–	2.37	2.17
July 19, 2022	235	Laval, QC	105,272 <sup>(3)</sup>	–	–	–	–
July 26, 2022	65	Edmonton, AB	22,633 <sup>(3)</sup>	–	–	–	–
<b>Total</b>	<b>1,181</b>		<b>\$ 517,439</b>	<b>\$ 99,210</b>	<b>\$ –</b>		
2021 Acquisition financing <sup>(4)</sup>					\$ 158,563	2.81	6.24

### The Netherlands Acquisitions Completed During the Year Ended December 31, 2022

(\$ Thousands)			Total	Assumed	Subsequent	Interest	Term to
Acquisition Date	Suite Count	Region	Acquisition Costs	Mortgage Funding	Acquisition Financing	Rate (%) <sup>(1)</sup>	Maturity (Years) <sup>(2)</sup>
January 31, 2022	45	The Netherlands	\$ 27,773 <sup>(3)</sup>	\$ –	\$ 16,159	3.19	6.00
March 31, 2022	201	The Netherlands	65,946 <sup>(3)</sup>	–	36,619	3.19	6.00
May 2, 2022	110	The Netherlands	34,447 <sup>(3)</sup>	–	–	–	–
<b>Total</b>	<b>356</b>		<b>\$ 128,166</b>	<b>\$ –</b>	<b>\$ 52,778</b>		

<sup>(1)</sup> Weighted average stated interest rate on assumed mortgage funding and subsequent acquisition financing as applicable.

<sup>(2)</sup> Weighted average term to maturity on assumed mortgage funding and subsequent acquisition financing as applicable.

<sup>(3)</sup> The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility.

<sup>(4)</sup> Subsequent acquisition financing of \$158.6 million relates to properties acquired in 2021.

The table below summarizes the dispositions completed during the year ended December 31, 2022.

### Dispositions Completed During the Year Ended December 31, 2022

(\$ Thousands)				Fair Value	Mortgages	Fair Value	Net Cash
Disposition Date	Suite Count	Region	Sale Price	of Investment Properties	Discharged or Assumed by Purchaser <sup>(1)</sup>	Adjustments on Mortgages Assumed by Purchaser	Proceeds <sup>(2)</sup>
April 29, 2022	82	Toronto, ON	\$ 56,000	\$ 56,000	\$ 2,294	\$ –	\$ 53,706
June 15, 2022	423	Scarborough, ON	165,000	161,814	28,463	3,186	133,351
June 20, 2022 <sup>(3)</sup>	370	Ottawa, ON	35,125	34,446	8,874	679	25,572
August 24, 2022	253	East York, ON	90,100	90,100	22,903	–	67,197
August 24, 2022 <sup>(4)</sup>	1	The Netherlands	1,137	1,137	–	–	1,137
<b>Total</b>	<b>1,129</b>		<b>\$ 347,362</b>	<b>\$ 343,497</b>	<b>\$ 62,534</b>	<b>\$ 3,865</b>	<b>\$ 280,963</b>

<sup>(1)</sup> Includes mortgages payable with a total principal amount of \$28.1 million discharged and \$38.3 million assumed by the purchasers upon disposition. The amounts shown are net of \$3.9 million fair value adjustments on mortgages assumed by purchaser. The weighted average stated interest rate on mortgages discharged and assumed was 2.27%.

<sup>(2)</sup> Prior to working capital adjustments and transaction costs.

<sup>(3)</sup> CAPREIT disposed of its 50% interest in 370 apartment suites.

<sup>(4)</sup> Represents disposition of a single residential suite.

The table below summarizes the disposition of investment properties completed subsequent to December 31, 2022.

(\$ Thousands) Disposition Date	Suite Count	Region	Sale Price <sup>(1)</sup>
January 25, 2023	1,150 <sup>(2)</sup>	Ottawa, ON	\$ 136,250

<sup>(1)</sup> Sale price excludes disposition costs and other adjustments.

<sup>(2)</sup> CAPREIT disposed of its 50% interest in 1,150 apartment suites.

## 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.

*Net 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. Management believes same property Net AMR will continue to gradually increase, providing the basis for sustainable year-over-year increases in revenue.

*Net Operating Income* – 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.

*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* – This ratio is meant to monitor the NFFO that is retained at CAPREIT to potentially fund investment opportunities, capital initiatives, or repay indebtedness, after factoring in distributions and 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, capital expenditures and other factors that may be beyond the control of 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 and the financial covenants in its credit and mortgage agreements. CAPREIT's credit agreements consist of a revolving acquisition and operating facility, which includes EURIBOR, USD LIBOR and Canadian dollar borrowings ("Acquisition and Operating Facility"), and the ERES Credit Facility (collectively, the "Credit Facilities"), as described under Liquidity and Financial Condition in Section V.

## Performance Measures

The following tables present an overview of certain IFRS and non-IFRS measures of CAPREIT for the three months and years ended December 31, 2022 and December 31, 2021. Management believes these measures are useful in assessing CAPREIT's performance in relation to its objectives and business strategy.

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
<b>Portfolio Performance</b>				
Overall portfolio occupancy <sup>(1)</sup>			<b>98.3%</b>	98.1%
Overall portfolio net Average Monthly Rents <sup>(1)</sup>			<b>\$ 1,205</b>	\$ 1,149
Operating revenues (000s)	<b>\$ 256,915</b>	\$ 240,678	<b>\$ 1,007,268</b>	\$ 933,137
NOI (000s)	<b>\$ 164,500</b>	\$ 153,429	<b>\$ 650,409</b>	\$ 609,993
NOI margin	<b>64.0%</b>	63.7%	<b>64.6%</b>	65.4%
<b>Financial Performance</b>				
FFO per unit – diluted <sup>(2)</sup>	<b>\$ 0.575</b>	\$ 0.554	<b>\$ 2.282</b>	\$ 2.255
NFFO per unit – diluted <sup>(2)</sup>	<b>\$ 0.580</b>	\$ 0.572	<b>\$ 2.328</b>	\$ 2.311
Cash distributions per unit	<b>\$ 0.363</b>	\$ 0.363	<b>\$ 1.450</b>	\$ 1.409
FFO payout ratio <sup>(2)</sup>	<b>62.9%</b>	65.5%	<b>63.4%</b>	62.6%
NFFO payout ratio <sup>(2)</sup>	<b>62.4%</b>	63.4%	<b>62.1%</b>	61.0%
<b>Liquidity and Leverage</b>				
Total debt to gross book value <sup>(1)(2)</sup>			<b>39.4%</b>	36.1%
Total debt to gross historical cost <sup>(1)(2)</sup>			<b>53.9%</b>	52.3%
Weighted average mortgage interest rate <sup>(1)</sup>			<b>2.61%</b>	2.47%
Weighted average mortgage term (years) <sup>(1)</sup>			<b>5.4</b>	5.7
Debt service coverage (times) <sup>(2)(3)</sup>			<b>1.9x</b>	2.0x
Interest coverage (times) <sup>(2)(3)</sup>			<b>3.7x</b>	4.0x
Available liquidity – Acquisition and Operating Facility (000s) <sup>(1)</sup>			<b>\$ 333,416</b>	\$ 384,510
Cash and cash equivalents (000s) <sup>(1)</sup>			<b>\$ 47,303</b>	\$ 73,411

<sup>(1)</sup> As at December 31.

<sup>(2)</sup> 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 Measures). For a reconciliation to IFRS, see Section IV – Non-IFRS Measures.

<sup>(3)</sup> Based on the trailing four quarters.

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
<b>Other Measures</b>				
Weighted average number of units – diluted (000s)	<b>172,401</b>	175,567	<b>174,816</b>	174,041
Number of residential suites and sites acquired <sup>(1)</sup>	–	622	<b>1,537</b>	3,744
Number of suites disposed <sup>(2)</sup>	–	506	<b>1,129</b>	593
Net Asset Value per unit – diluted <sup>(3)(4)</sup>			<b>\$ 58.01</b>	\$ 59.78
Closing price of Trust Units on the TSX <sup>(4)</sup>			<b>\$ 42.68</b>	\$ 59.96
Market capitalization (millions) <sup>(4)(5)</sup>			<b>\$ 7,324</b>	\$ 10,539

<sup>(1)</sup> During the year ended December 31, 2021, CAPREIT purchased the remaining 50% interest in a portfolio of 787 apartment suites and townhouse units. CAPREIT acquired its initial 50% interest on July 31, 2008.

<sup>(2)</sup> Dispositions during the year ended December 31, 2022 include the disposition of CAPREIT's 50% interest in 370 apartment suites. Dispositions during the three months and year ended December 31, 2021 include the disposition of CAPREIT's 33.3% interest in 506 apartment suites.

<sup>(3)</sup> This measure is not defined by IFRS, does not have standard meaning and may not be comparable with other industries or companies (see Section I – Non-IFRS Measures). For a reconciliation to IFRS, see Section IV – Non-IFRS Measures.

<sup>(4)</sup> As at December 31.

<sup>(5)</sup> Market capitalization is determined by taking all units outstanding (including all unit-based compensation plans) and multiplying by the closing price of the Trust Units at period end.

## 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. Same property net AMR, occupied AMR and occupancy include all properties held as at December 31, 2021, but exclude properties disposed of or held for sale as at December 31, 2022.

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

As at December 31,	Net AMR			Occupied AMR			Occupancy %	
	2022 AMR (\$)	2021 AMR (\$)	% Change AMR	2022 AMR (\$)	2021 AMR (\$)	% Change AMR	2022	2021
<b>Residential Suites</b>								
<b>Ontario</b>								
Greater Toronto Area	1,585	1,519	4.3	1,594	1,532	4.0	99.4	99.1
London / Kitchener / Waterloo	1,142	1,090	4.8	1,154	1,098	5.1	98.9	99.3
Ottawa	1,516	1,395	8.7	1,516	1,402	8.1	100.0	99.5
	1,506	1,439	4.7	1,515	1,451	4.4	99.4	99.2
<b>Québec</b>								
Greater Montréal Region	1,087	1,016	7.0	1,109	1,046	6.0	98.0	97.2
Québec City	1,276	1,138	12.1	1,306	1,169	11.7	97.7	97.3
	1,141	1,048	8.9	1,165	1,078	8.1	97.9	97.2
<b>British Columbia</b>								
Greater Vancouver Area	1,543	1,476	4.5	1,554	1,491	4.2	99.3	99.0
Victoria and Other British Columbia	1,479	1,398	5.8	1,496	1,405	6.5	98.9	99.6
	1,520	1,449	4.9	1,533	1,460	5.0	99.1	99.2
<b>Nova Scotia</b>								
Halifax	1,378	1,315	4.8	1,402	1,334	5.1	98.3	98.6
<b>Alberta</b>								
Calgary	1,174	1,108	6.0	1,175	1,119	5.0	99.9	99.0
Edmonton	1,263	1,153	9.5	1,294	1,209	7.0	97.5	95.4
	1,196	1,118	7.0	1,205	1,139	5.8	99.3	98.1
<b>Prince Edward Island</b>								
Charlottetown	1,127	1,103	2.2	1,131	1,117	1.3	99.7	98.7
<b>Saskatchewan</b>								
Regina	1,083	1,033	4.8	1,087	1,065	2.1	99.6	97.0
Total Canadian residential suites	1,386	1,319	5.1	1,401	1,338	4.7	98.9	98.6
<b>Europe</b>								
The Netherlands <sup>(1)</sup>	1,415	1,335	6.0	1,438	1,354	6.2	98.4	98.6
Total residential suites	1,390	1,321	5.2	1,406	1,340	4.9	98.9	98.6
<b>MHC Sites</b>								
Total MHC sites	407	396	2.8	425	414	2.7	95.6	95.8
Total suites and sites	1,205	1,149	4.9	1,227	1,171	4.8	98.3	98.1

<sup>(1)</sup> Includes foreign exchange impact and service charge income. The amounts in euros for the European portfolio for Net AMR are €976 and €927 as at December 31, 2022 and December 31, 2021, respectively, resulting in a Net AMR change of 5.3%. The Occupied AMR for the total property portfolio is €992 and €941 as at December 31, 2022 and December 31, 2021, respectively, resulting in a Net AMR change of 5.4%.

## Same Property Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

As at December 31,	Net AMR			Occupied AMR			Occupancy %	
	2022 AMR (\$)	2021 <sup>(1)</sup> AMR (\$)	% Change AMR	2022 AMR (\$)	2021 <sup>(1)</sup> AMR (\$)	% Change AMR	2022	2021 <sup>(1)</sup>
<b>Residential Suites</b>								
<b>Ontario</b>								
Greater Toronto Area	1,585	1,524	4.0	1,594	1,538	3.6	99.4	99.1
London / Kitchener / Waterloo	1,142	1,090	4.8	1,154	1,098	5.1	99.0	99.3
Ottawa	1,641	1,567	4.7	1,641	1,578	4.0	100.0	99.3
	1,512	1,452	4.1	1,522	1,465	3.9	99.4	99.1
<b>Québec</b>								
Greater Montréal Region	1,053	1,016	3.6	1,075	1,046	2.8	98.0	97.2
Québec City	1,178	1,138	3.5	1,197	1,169	2.4	98.4	97.3
	1,086	1,048	3.6	1,107	1,078	2.7	98.1	97.2
<b>British Columbia</b>								
Greater Vancouver Area	1,543	1,476	4.5	1,554	1,491	4.2	99.3	99.0
Victoria and Other British Columbia	1,462	1,398	4.6	1,476	1,405	5.1	99.0	99.6
	1,514	1,449	4.5	1,527	1,460	4.6	99.2	99.2
<b>Nova Scotia</b>								
Halifax	1,378	1,315	4.8	1,402	1,334	5.1	98.3	98.6
<b>Alberta</b>								
Calgary	1,174	1,108	6.0	1,175	1,119	5.0	99.9	99.0
Edmonton	1,207	1,153	4.7	1,239	1,209	2.5	97.4	95.4
	1,181	1,118	5.6	1,190	1,139	4.5	99.3	98.1
<b>Prince Edward Island</b>								
Charlottetown	1,127	1,103	2.2	1,131	1,117	1.3	99.7	98.7
<b>Saskatchewan</b>								
Regina	1,083	1,033	4.8	1,087	1,065	2.1	99.6	97.0
Total Canadian residential suites	1,377	1,321	4.2	1,391	1,340	3.8	99.0	98.6
<b>Europe</b>								
The Netherlands <sup>(2)</sup>	1,415	1,335	6.0	1,437	1,354	6.1	98.4	98.6
Total residential suites	1,382	1,323	4.5	1,397	1,342	4.1	98.9	98.6
<b>MHC Sites</b>								
Total MHC sites	404	396	2.0	423	414	2.2	95.6	95.8
Total suites and sites	1,195	1,146	4.3	1,216	1,169	4.0	98.3	98.1

<sup>(1)</sup> Prior year comparable Net and Occupied AMR and occupancy have been restated to include all properties held as at December 31, 2021, but exclude properties disposed of or held for sale as at December 31, 2022.

<sup>(2)</sup> Includes foreign exchange impact and service charge income. The amounts in euros for the same property portfolio for Net AMR are €976 and €927 as at December 31, 2022 and December 31, 2021, respectively, resulting in a Net AMR change of 5.3%. The Occupied AMR for the same property portfolio is €991 and €940 as at December 31, 2022 and December 31, 2021, respectively, resulting in an Occupied AMR change of 5.4%.

The rate of growth in same property Net AMR has been primarily due to (i) rental increases on turnover in the rental markets of most provinces across the Canadian portfolio, (ii) rental increases on renewals, and (iii) strengthening occupancy rates in most regions with larger improvements found in Québec, Alberta, Prince Edward Island and Saskatchewan. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.70 as at December 31, 2022, increased from \$1.65 as at December 31, 2021.

### Annual Rental Guidelines as per Rental Board

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

	2023 <sup>(1)</sup>	2022	2021 <sup>(2)</sup>
Ontario	2.5%	1.2%	0.0%
British Columbia	2.0%	1.5%	0.0%

<sup>(1)</sup> Ontario and British Columbia have capped the rental guideline increase at 2.5% and 2.0%, respectively, below current rates of inflation. Without the cap, the rental guideline increase would have been calculated to be 5.3% and 5.4%, respectively, based on the Ontario and British Columbia Consumer Price Indices.

<sup>(2)</sup> Ontario and British Columbia passed legislation to freeze rent until December 31, 2021. CAPREIT did not issue any rental renewal increases in Ontario and British Columbia during 2021, other than approved above guideline increases in selected suites and sites. As a result, CAPREIT issued rental renewal increases for the majority of its Ontario and British Columbia portfolio on January 1, 2022.

### Above Guideline Increases

Management strives to ensure its residential suites are maintained to applicable standards through capital improvement initiatives, with a goal to continually improve the tenant experience at CAPREIT's buildings. Some improvements may include improving the security of buildings, restoring physical integrity to original condition, or improving access for those with disabilities. These capital improvement initiatives generally come with significant costs that are initially borne by CAPREIT. In Ontario and British Columbia, landlords are legally permitted to partially recover these additional costs through above guideline increases ("AGIs") to share the responsibility of improving our buildings, our tenants' homes. Eligible costs include extraordinary increase in realty taxes, operating costs related to security services, and eligible capital expenditures, which are all presented to and approved by the Landlord and Tenant Board in Ontario, or Government of British Columbia. In Ontario, 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. In British Columbia, landlords may apply all eligible capital expenditures made over the previous 18 months for AGIs. In addition, the increase is capped at 3% each year but may be spread out over three years to a maximum of 9% over the three-year period in addition to normal annual increases in both Ontario and British Columbia.

### 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 Three Months Ended December 31,	2022			2021		
	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>
	\$	%	%	\$	%	%
Suite turnovers	342	24.3	3.4	120	8.6	5.2
Lease renewals	22	1.7	10.8	16	1.4	8.1
Weighted average of turnovers and renewals	99	7.1		57	4.2	

For the Year Ended December 31,	2022			2021		
	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>
	\$	%	%	\$	%	%
Suite turnovers	202	14.5	16.4	81	5.9	21.8
Lease renewals	20	1.4	89.7	16	1.4	39.8
Weighted average of turnovers and renewals	48	3.4		39	3.0	

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

## The Netherlands Portfolio

For the Three Months Ended December 31,	2022			2021		
	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>
	€	%	%	€	%	%
Suite turnovers	212	23.1	3.9	165	18.5	3.0
Lease renewals	–	–	–	–	–	–
Weighted average of turnovers and renewals	212	23.1		165	18.5	

For the Year Ended December 31,	2022			2021		
	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>	Change in monthly rent		Turnovers and Renewals <sup>(1)</sup>
	€	%	%	€	%	%
Suite turnovers	197	21.4	12.4	140	16.1	13.9
Lease renewals	29	3.2	91.1	23	2.3	54.3
Weighted average of turnovers and renewals	49	5.4		47	5.1	

<sup>(1)</sup> Percentage of suites turned over or renewed during the year based on the total weighted average number of Dutch residential suites held during the year.

Overall, suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) during the three months and year ended December 31, 2022 resulted in monthly rent increase of \$342 or 24.3% and \$202 or 14.5%, respectively, compared to an increase of \$120 or 8.6% and \$81 or 5.9%, respectively, for the same periods last year, primarily due to the strong rental markets in most provinces across the Canadian residential suite portfolio.

Monthly rents on lease renewals on the Canadian residential suite portfolio (excluding co-ownerships) resulted in monthly rent increasing by \$22 or 1.7% for the three months ended December 31, 2022, and \$20 or 1.4%, for the year ended December 31, 2022, compared to an increase of \$16 or 1.4% and \$16 or 1.4%, respectively, for both of the same periods last year. As a result of the expiry of the regulatory rent freeze, CAPREIT has served tenant notices to 96.0% and 91.7%, respectively, of its tenants in Ontario and British Columbia, with rent increases of 1.2% and 1.5%, respectively, during the year ended December 31, 2022.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three months and year ended December 31, 2022 resulted in monthly rent increasing by €212 or 23.1% and €197 or 21.4% respectively, compared to an increase of €165 or 18.5% and €140 or 16.1%, respectively, for the same periods last year. Our Netherlands team is proactively repositioning the vacant suites to make available for leasing and to bring monthly rents to market.

Lease renewals in the Netherlands's residential suite portfolio resulted in an increase of €29 or 3.2% for the year ended December 31, 2022 compared to an increase of €23 or 2.3% for the same period last year.

For rent renewal increases due to indexation beginning on July 1, 2022, ERES served tenant notices to 6,499 suites, representing 96% of the residential portfolio, across which the average rental increase due to indexation is 2.95%.

### Tenant Inducements, Vacancy Loss and Expected Credit Loss Expense

(\$ Thousands)	Three Months Ended December 31,				Year Ended December 31,			
	2022	% <sup>(1)</sup>	2021	% <sup>(1)</sup>	2022	% <sup>(1)</sup>	2021	% <sup>(1)</sup>
New tenant inducements incurred – residential	\$ 495		\$ 1,878		\$ 1,458		\$ 7,693	
New tenant inducements incurred – commercial	215		–		349		30	
Total new tenant inducements incurred	\$ 710		\$ 1,878		\$ 1,807		\$ 7,723	
Tenant inducements amortized	\$ 644	0.3	\$ 1,984	0.8	\$ 4,471	0.4	\$ 6,781	0.7
Vacancy loss incurred <sup>(2)</sup>	5,315	2.1	5,508	2.3	21,117	2.1	26,483	2.8
Total amortization and vacancy loss	\$ 5,959	2.4	\$ 7,492	3.1	\$ 25,588	2.5	\$ 33,264	3.5
Expected credit loss expense	\$ 2,176	0.8	\$ 2,023	0.8	\$ 6,653	0.7	\$ 5,708	0.6

<sup>(1)</sup> As a percentage of total operating revenues.

<sup>(2)</sup> Vacancy loss is a component of revenue from investment properties and represents the estimated loss of revenue from unoccupied suites and sites during the period. This is netted against the revenue from investment properties.



The amortization of tenant inducements is expected to decrease over time as fewer tenant inducements are granted. New tenant inducements granted are now at pre-pandemic levels and management expects a similar level of tenant inducements going forward.

## Results of Operations

The tables below summarize revenue from investment properties by region for the three months and years ended December 31, 2022 and December 31, 2021. Revenue is comprised of residential, commercial and ancillary revenue.

### Total Operating Revenues by Geography

For the Three Months Ended December 31,	2022		2021	
(\$ Thousands)	Revenue	(%)	Revenue	(%)
<b>Residential Suites</b>				
<b>Ontario</b>				
Greater Toronto Area	\$ 86,934	33.7	\$ 85,919	35.8
London / Kitchener / Waterloo	13,425	5.2	12,805	5.3
Ottawa	9,043	3.5	8,653	3.6
	\$ 109,402	42.4	\$ 107,377	44.7
<b>Québec</b>				
Greater Montréal Region	\$ 33,214	12.9	\$ 27,282	11.3
Québec City	10,712	4.2	10,313	4.3
	\$ 43,926	17.1	\$ 37,595	15.6
<b>British Columbia</b>				
Greater Vancouver Area	\$ 18,151	7.1	\$ 17,334	7.1
Victoria and Other British Columbia	10,226	4.0	9,309	3.9
	\$ 28,377	11.1	\$ 26,643	11.0
<b>Nova Scotia</b>				
Halifax	\$ 14,564	5.7	\$ 13,679	5.7
<b>Alberta</b>				
Calgary	\$ 7,583	3.0	\$ 6,984	2.9
Edmonton	2,456	1.0	2,072	0.9
	\$ 10,039	4.0	\$ 9,056	3.8
<b>Prince Edward Island</b>				
Charlottetown	\$ 2,158	0.8	\$ 2,139	0.9
<b>Saskatchewan</b>				
Regina	\$ 768	0.3	\$ 708	0.3
Total Canadian residential suites	\$ 209,234	81.4	\$ 197,197	82.0
<b>Europe</b>				
The Netherlands <sup>(1)</sup>	\$ 29,249	11.4	\$ 26,619	11.1
Other Europe <sup>(2)</sup>	2,535	1.0	2,226	0.9
	\$ 31,784	12.4	\$ 28,845	12.0
Total residential suites	\$ 241,018	93.8	\$ 226,042	94.0
<b>MHC Sites</b>				
MHC sites	\$ 15,897	6.2	\$ 14,636	6.0
Total residential suites and MHC sites	\$ 256,915	100.0	\$ 240,678	100.0

<sup>(1)</sup> In € thousands, €21,108 and €18,482 for three months ended December 31, 2022 and December 31, 2021, respectively.

<sup>(2)</sup> Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,824 and €1,547 for the three months ended December 31, 2022 and December 31, 2021, respectively.

For the Year Ended December 31,	2022		2021	
(\$ Thousands)	Revenue	(%)	Revenue	(%)
<b>Residential Suites</b>				
<b>Ontario</b>				
Greater Toronto Area	\$ 348,200	34.5	\$ 332,391	35.7
London / Kitchener / Waterloo	52,941	5.3	47,297	5.1
Ottawa	35,855	3.6	34,372	3.7
	\$ 436,996	43.4	\$ 414,060	44.5
<b>Québec</b>				
Greater Montréal Region	\$ 124,902	12.4	\$ 108,219	11.6
Québec City	41,926	4.2	38,111	4.1
	\$ 166,828	16.6	\$ 146,330	15.7
<b>British Columbia</b>				
Greater Vancouver Area	\$ 71,602	7.1	\$ 68,698	7.4
Victoria and Other British Columbia	40,266	4.0	31,328	3.4
	\$ 111,868	11.1	\$ 100,026	10.8
<b>Nova Scotia</b>				
Halifax	\$ 56,982	5.7	\$ 52,702	5.6
<b>Alberta</b>				
Calgary	\$ 29,080	2.9	\$ 27,265	2.9
Edmonton	8,730	0.9	7,651	0.8
	\$ 37,810	3.8	\$ 34,916	3.7
<b>Prince Edward Island</b>				
Charlottetown	\$ 8,639	0.9	\$ 8,483	0.9
<b>Saskatchewan</b>				
Regina	\$ 2,968	0.3	2,802	0.3
Total Canadian residential suites	\$ 822,091	81.8	\$ 759,319	81.5
<b>Europe</b>				
The Netherlands <sup>(1)</sup>	\$ 112,093	11.1	\$ 103,395	11.1
Other Europe <sup>(2)</sup>	10,076	1.0	10,523	1.1
	\$ 122,169	12.1	\$ 113,918	12.2
Total residential suites	\$ 944,260	93.9	\$ 873,237	93.7
<b>MHC Sites</b>				
MHC sites	\$ 63,008	6.1	\$ 59,900	6.3
Total residential suites and MHC sites	\$ 1,007,268	100.0	\$ 933,137	100.0

<sup>(1)</sup> In € thousands, €81,898 and €69,778 for years ended December 31, 2022 and December 31, 2021, respectively.

<sup>(2)</sup> Comprised of revenues for the commercial properties located in Germany and Belgium. In € thousands, €7,354 and €7,094 for the years ended December 31, 2022 and December 31, 2021, respectively.

### Estimated Net Rental Revenue Run-Rate

The table below shows the estimated net rental revenue run-rate (net of historical vacancy loss and tenant inducement amortization) based on Net AMRs in place for CAPREIT's share of residential suites and sites and commercial leases, excluding properties held for sale, as at December 31, 2022 and December 31, 2021. Increases or decreases in net rental revenue run-rate are primarily due to acquisitions or dispositions, respectively, within the last 12 months.

(\$ Thousands)	2022		2021	
As at December 31,				
Residential rent roll <sup>(1)(2)</sup>	\$ 942,286		\$ 895,299	
Commercial rent roll <sup>(1)(2)</sup>	33,044		31,875	
Annualized net rental revenue run-rate	\$ 975,330		\$ 927,174	

<sup>(1)</sup> Based on the rent roll as at December 31, net of vacancy loss and tenant inducement amortization for the 12 months ended on such date.

<sup>(2)</sup> Includes the rent roll for all properties owned as at December 31, except properties held for sale as at December 31, as applicable.

Actual net rental revenue for the 12 months ended December 31, 2022, excluding net rental revenue from disposed or properties held for sale as at December 31, 2022, was \$939.0 million (12 months ended December 31, 2021 – \$873.4 million).

## NOI

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 generated at the property level, less: (i) related direct costs such as realty taxes, utilities, repairs and maintenance (“R&M”) costs, on-site wages and salaries, insurance costs and expected credit losses; and (ii) an appropriate allocation of overhead costs. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies.

Management believes same property NOI is a key indicator of operating performance of properties fully owned by CAPREIT in the current and prior year comparative periods. Same properties for the three months and year ended December 31, 2022 are defined as all properties owned by CAPREIT continuously since December 31, 2020, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2022 and 2021, or properties that are classified as held for sale as at December 31, 2022. As at December 31, 2022, same property suites and sites represented 90.9% of total suites and sites.

(\$ Thousands)	Total NOI			Same Property NOI		
For the Three Months Ended December 31,	2022	2021	% <sup>(1)</sup>	2022	2021	% <sup>(1)</sup>
<b>Operating revenues</b>						
Net rental revenues	\$ 243,552	\$ 228,468	6.6	\$ 220,751	\$ 211,037	4.6
Other <sup>(2)</sup>	13,363	12,210	9.4	12,195	11,963	1.9
Total operating revenues	\$ 256,915	\$ 240,678	6.7	\$ 232,946	\$ 223,000	4.5
<b>Operating Expenses</b>						
Realty taxes	(23,397)	(22,280)	5.0	(21,233)	(20,635)	2.9
Utilities	(20,355)	(19,328)	5.3	(18,713)	(17,702)	5.7
Other <sup>(3)</sup>	(48,663)	(45,641)	6.6	(43,156)	(41,991)	2.8
Total operating expenses	\$ (92,415)	\$ (87,249)	5.9	\$ (83,102)	\$ (80,328)	3.5
NOI	\$ 164,500	\$ 153,429	7.2	\$ 149,844	\$ 142,672	5.0
NOI margin	64.0%	63.7%		64.3%	64.0%	

(\$ Thousands)	Total NOI			Same Property NOI		
For the Year Ended December 31,	2022	2021	% <sup>(1)</sup>	2022	2021	% <sup>(1)</sup>
<b>Operating Revenues</b>						
Net rental revenues	\$ 954,598	\$ 884,748	7.9	\$ 865,275	\$ 838,322	3.2
Other <sup>(2)</sup>	52,670	48,389	8.8	48,356	46,044	5.0
Total operating revenues	\$ 1,007,268	\$ 933,137	7.9	\$ 913,631	\$ 884,366	3.3
<b>Operating Expenses</b>						
Realty taxes	\$ (93,912)	\$ (87,698)	7.1	\$ (84,746)	\$ (82,997)	2.1
Utilities	(77,565)	(68,901)	12.6	(70,549)	(64,056)	10.1
Other <sup>(3)</sup>	(185,382)	(166,545)	11.3	(166,501)	(156,589)	6.3
Total operating expenses	\$ (356,859)	\$ (323,144)	10.4	\$ (321,796)	\$ (303,642)	6.0
NOI	\$ 650,409	\$ 609,993	6.6	\$ 591,835	\$ 580,724	1.9
NOI margin	64.6%	65.4%		64.8%	65.7%	

<sup>(1)</sup> Represents the year-over-year percentage change.

<sup>(2)</sup> Comprises ancillary income such as parking, laundry and antenna revenue.

<sup>(3)</sup> Comprises R&M, wages, insurance, advertising, legal costs and expected credit losses.

## Operating Revenues

For the three months and year ended December 31, 2022, total operating revenues for the total and same property portfolios increased compared to the same periods last year, primarily due to increases in monthly rents on turnovers and renewals and decreases in rental vacancies. Contributions from acquisitions, partially offset by dispositions, further contributed to higher operating revenues for the total portfolio.

## Operating Expenses

### Realty Taxes

For the three months and year ended December 31, 2022, realty taxes for both the total and same property portfolios increased compared to the same periods in the prior year, primarily due to increases in property value assessments and realty tax rates in Québec, Ontario and Nova Scotia, with the total portfolio's realty taxes further increasing as a result of acquisitions, partially offset by dispositions.

### Utilities

CAPREIT's utility costs can be highly variable from year to year depending on energy consumption and rates. The tables below provide CAPREIT's utility costs by type for the three months and years ended December 31, 2022 and December 31, 2021.

(\$ Thousands)	Total Utilities			Same Property Utilities		
For the Three Months Ended December 31,	2022	2021	% <sup>(1)</sup>	2022	2021	% <sup>(1)</sup>
Electricity	\$ 6,364	\$ 6,358	0.1	\$ 5,811	\$ 5,893	(1.4)
Natural gas	6,562	5,665	15.8	6,024	5,265	14.4
Water	7,429	7,305	1.7	6,878	6,544	5.1
<b>Total</b>	<b>\$ 20,355</b>	<b>\$ 19,328</b>	<b>5.3</b>	<b>\$ 18,713</b>	<b>\$ 17,702</b>	<b>5.7</b>

(\$ Thousands)	Total Utilities			Same Property Utilities		
For the Year Ended December 31,	2022	2021	% <sup>(1)</sup>	2022	2021	% <sup>(1)</sup>
Electricity	\$ 25,623	\$ 23,359	9.7	\$ 23,329	\$ 21,889	6.6
Natural gas	22,353	17,096	30.7	20,209	16,058	25.9
Water	29,589	28,446	4.0	27,011	26,109	3.5
<b>Total</b>	<b>\$ 77,565</b>	<b>\$ 68,901</b>	<b>12.6</b>	<b>\$ 70,549</b>	<b>\$ 64,056</b>	<b>10.1</b>

<sup>(1)</sup> Represents the year-over-year percentage change.

The tables below break down the factors causing the above changes in the same property portfolio for the three months and year ended December 31, 2022. Refer to the Driving Conservation and Decarbonization section of the 2021 ESG Report for details on our conservation efforts.

For the Three Months Ended December 31, 2022	Increase (decrease) due to consumption	Increase due to rate	Explanation
Electricity	(3.8)%	2.4%	Lower consumption, partially offset by higher rates
Natural gas	(0.1)%	14.5%	Increased rates due to volatile natural gas market and carbon tax
Water	1.3%	3.8%	Higher rates across portfolio
<b>Total</b>	<b>(0.8)%</b>	<b>6.5%</b>	

For the Year Ended December 31, 2022	Increase (decrease) due to consumption	Increase due to rate	Explanation
Electricity	(1.9)%	8.5%	Increased rates due to general rate increases across portfolio
Natural gas	3.2%	22.7%	Increased rates due to volatile natural gas market and carbon tax
Water	(0.6)%	4.1%	Increased consumption due to colder weather during winter months compared to last year
<b>Total</b>	<b>(0.1)%</b>	<b>10.2%</b>	Higher rates, partially offset by lower consumption

As at December 31, 2022, Canadian tenants who pay their electricity charges directly represented 65% of the total 59,686 suites and sites in Canada, through sub-metering or direct metering. Additional suites and sites have sub-metering or direct metering in place, for which the cost of electricity is currently borne by CAPREIT and will be assumed by new tenants upon turnover. CAPREIT will continue to evaluate implementing sub-metering in the remaining suites and sites. Sub-metering lowers consumption, resulting in a smaller environmental impact, lower operating expenses and lower inflation exposure.

In an effort to protect against rising natural gas rates, CAPREIT has fixed the price of natural gas and transport for a portion of its estimated requirements until 2025. The cost of natural gas rates is comprised of commodity, transport, delivery and carbon taxes. For 2023, 72.0% of CAPREIT's estimated requirements are hedged on the commodity itself, and 72.0% of CAPREIT's estimated requirements are hedged on transport costs. Some volatility is still to be expected on the remaining unhedged delivery costs and carbon taxes.

As at December 31, 2022, Dutch tenants who pay their utility charges directly represented 100% of the total 6,900 suites in the Netherlands.

### **Other Operating Expenses**

For the three months ended December 31, 2022, other operating expenses for the total and same property portfolios increased compared to the same period last year, primarily due to higher R&M costs, partially offset by lower insurance costs related to claim recoveries. The higher R&M costs were primarily due to (i) certain required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites; and (ii) other in-suite maintenance related costs across the portfolio.

For the year ended December 31, 2022, other operating expenses for the total and same property portfolios increased compared to the same period last year, primarily due to the same reasons noted above, and to a lesser extent, higher R&M related costs incurred at the beginning of 2022 due to certain maintenance projects that were deferred during the novel coronavirus ("COVID-19") pandemic lockdowns in 2021 and also higher weather-related maintenance costs.

CAPREIT remains critically focused on cost control and reduction and is proactively working on solutions that would allow for the full septic replacements at the affected MHC sites that would eliminate the interim maintenance costs described above. Management also continues to proactively monitor natural gas rates in order to optimize hedging as much as possible, and has prioritized the refinement of its robust procurement practices to contribute to cost-saving initiatives. With CAPREIT's strategic re-positioning of its portfolio from older, value-add assets into new build properties, its cost profile is additionally improved, given the enhanced energy efficiency of the newer buildings along with pass-through costs to tenants. Turnover is also incurring lower costs to re-lease in the current market, as compared to the pandemic, further reducing normalized property operating expenses as compared to the previous few years.

## NOI by Region

The following tables summarize the total portfolio NOI and NOI margins by region for the three months and years ended December 31, 2022 and December 31, 2021:

For the Three Months Ended December 31,	2022			2021			Increase (Decrease)	
(\$ Thousands)	NOI	NOI % <sup>(1)</sup>	NOI Margin (%)	NOI	NOI % <sup>(1)</sup>	NOI Margin (%)	NOI Change (%)	
<b>Residential Suites</b>								
<b>Ontario</b>								
Greater Toronto Area	\$ 56,102	34.1	64.5	\$ 54,511	35.8	63.4	2.9	
London / Kitchener / Waterloo	8,341	5.1	62.1	7,995	5.2	62.4	4.3	
Ottawa	5,925	3.6	65.5	5,860	3.8	67.7	1.1	
	\$ 70,368	42.8	64.3	\$ 68,366	44.8	63.7	2.9	
<b>Québec</b>								
Greater Montréal Region	\$ 19,396	11.8	58.4	\$ 14,956	9.7	54.8	29.7	
Québec City	6,495	3.9	60.6	6,307	4.1	61.2	3.0	
	\$ 25,891	15.7	58.9	\$ 21,263	13.8	56.6	21.8	
<b>British Columbia</b>								
Greater Vancouver Area	\$ 12,580	7.6	69.3	\$ 11,712	7.6	67.6	7.4	
Victoria and Other British Columbia	7,393	4.5	72.3	6,592	4.3	70.8	12.2	
	\$ 19,973	12.1	70.4	\$ 18,304	11.9	68.7	9.1	
<b>Nova Scotia</b>								
Halifax	\$ 8,455	5.1	58.1	\$ 7,532	4.9	55.1	12.3	
<b>Alberta</b>								
Calgary	\$ 3,939	2.4	51.9	\$ 3,634	2.4	52.0	8.4	
Edmonton	1,117	0.7	45.5	1,116	0.7	53.9	0.1	
	\$ 5,056	3.1	50.4	\$ 4,750	3.1	52.5	6.4	
<b>Prince Edward Island</b>								
Charlottetown	\$ 1,074	0.7	49.8	\$ 1,182	0.8	55.3	(9.1)	
<b>Saskatchewan</b>								
Regina	\$ 388	0.2	50.5	\$ 359	0.2	50.7	8.1	
Total Canadian residential suites	\$ 131,205	79.7	62.7	\$ 121,756	79.5	61.7	7.8	
<b>Europe</b>								
The Netherlands <sup>(2)</sup>	\$ 22,218	13.5	76.0	\$ 20,627	13.4	77.5	7.7	
Other Europe <sup>(3)</sup>	2,091	1.3	82.5	1,913	1.2	85.9	9.3	
	\$ 24,309	14.8	76.5	\$ 22,540	14.6	78.1	7.8	
Total residential suites	\$ 155,514	94.5	64.5	\$ 144,296	94.1	63.8	7.8	
<b>MHC sites</b>								
MHC sites <sup>(4)</sup>	\$ 8,986	5.5	56.5	\$ 9,133	5.9	62.4	(1.6)	
Total suites and sites	\$ 164,500	100.0	64.0	\$ 153,429	100.0	63.7	7.2	

<sup>(1)</sup> Represents percentage of the portfolio by NOI.

<sup>(2)</sup> In € thousands, €16,040 and €14,309 for the three months ended December 31, 2022 and December 31, 2021, respectively.

<sup>(3)</sup> Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,506 and €1,331 for the three months ended December 31, 2022 and December 31, 2021, respectively.

<sup>(4)</sup> Includes \$815 of required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites for the three months ended December 31, 2022. Excluding these interim maintenance costs, NOI margins at MHC sites for the three months ended December 31, 2022 would have been 61.7%.

For the Year Ended December 31,	2022			2021			Increase (Decrease)
(\$ Thousands)	NOI	NOI % <sup>(1)</sup>	NOI Margin (%)	NOI	NOI % <sup>(1)</sup>	NOI Margin (%)	NOI Change (%)
<b>Residential Suites</b>							
<b>Ontario</b>							
Greater Toronto Area	\$ 223,880	34.5	64.3	\$ 213,866	35.2	64.3	4.7
London / Kitchener / Waterloo	32,998	5.1	62.3	30,338	5.0	64.1	8.8
Ottawa	23,621	3.6	65.9	23,277	3.8	67.7	1.5
	\$ 280,499	43.2	64.2	\$ 267,481	44.0	64.6	4.9
<b>Québec</b>							
Greater Montréal Region	\$ 72,701	11.2	58.2	\$ 64,781	10.6	59.9	12.2
Québec City	25,533	3.9	60.9	23,750	3.9	62.3	7.5
	\$ 98,234	15.1	58.9	\$ 88,531	14.5	60.5	11.0
<b>British Columbia</b>							
Greater Vancouver Area	\$ 51,003	7.8	71.2	\$ 48,188	7.9	70.1	5.8
Victoria and Other British Columbia	29,218	4.5	72.6	22,598	3.7	72.1	29.3
	\$ 80,221	12.3	71.7	\$ 70,786	11.6	70.8	13.3
<b>Nova Scotia</b>							
Halifax	\$ 33,393	5.1	58.6	\$ 31,219	5.1	59.2	7.0
<b>Alberta</b>							
Calgary	\$ 15,610	2.4	53.7	\$ 14,822	2.4	54.4	5.3
Edmonton	4,585	0.7	52.5	4,132	0.7	54.0	11.0
	\$ 20,195	3.1	53.4	\$ 18,954	3.1	54.3	6.5
<b>Prince Edward Island</b>							
Charlottetown	\$ 4,251	0.7	49.2	\$ 4,448	0.7	52.4	(4.4)
<b>Saskatchewan</b>							
Regina	\$ 1,556	0.2	52.4	\$ 1,421	0.2	50.7	9.5
Total Canadian residential suites	\$ 518,349	79.7	63.1	\$ 482,840	79.2	63.6	7.4
<b>Europe</b>							
The Netherlands <sup>(2)</sup>	\$ 86,097	13.2	76.8	\$ 79,552	13.0	76.9	8.2
Other Europe <sup>(3)</sup>	8,322	1.3	82.6	8,655	1.4	82.2	(3.8)
	\$ 94,419	14.5	77.3	\$ 88,207	14.4	77.4	7.0
Total residential suites	\$ 612,768	94.2	64.9	\$ 571,047	93.6	65.4	7.3
<b>MHC Sites</b>							
MHC sites <sup>(4)</sup>	\$ 37,641	5.8	59.7	\$ 38,946	6.4	65.0	(3.4)
Total suites and sites	\$ 650,409	100.0	64.6	\$ 609,993	100.0	65.4	6.6

<sup>(1)</sup> Represents percentage of the portfolio by NOI.

<sup>(2)</sup> In € thousands, €62,905 and €53,681 for the years ended December 31, 2022 and December 31, 2021, respectively.

<sup>(3)</sup> Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, €6,075 and €5,837 for the years ended December 31, 2022 and December 31, 2021, respectively.

<sup>(4)</sup> Includes \$1,960 of required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites for the year ended December 31, 2022. Excluding these interim maintenance costs, NOI margins at MHC sites for the year ended December 31, 2022 would have been 62.9%.

## Same Property NOI by Region

Same property NOI by region includes all properties held as at December 31, 2021, but excludes properties disposed of or held for sale as at December 31, 2022. The following tables summarize the same property NOI and NOI margins by region for the three months and years ended December 31, 2022 and December 31, 2021:

For the Three Months Ended December 31,	2022		2021		Increase (Decrease)		
	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
(\$ Thousands)							
<b>Residential Suites</b>							
<b>Ontario</b>							
Greater Toronto Area	\$ 52,965	64.9	\$ 49,717	64.0	5.1	2.5	6.5
London / Kitchener / Waterloo	7,434	63.7	7,084	63.8	5.0	5.2	4.9
Ottawa	4,251	68.7	4,061	68.9	5.0	5.8	4.7
	\$ 64,650	65.0	\$ 60,862	64.3	5.1	3.0 <sup>(1)</sup>	6.2
<b>Québec</b>							
Greater Montréal Region	\$ 16,310	57.6	\$ 14,796	55.0	5.4	(0.6)	10.2
Québec City	5,719	59.6	5,511	59.9	4.3	5.1	3.8
	\$ 22,029	58.1	\$ 20,307	56.3	5.1	0.7 <sup>(2)</sup>	8.5
<b>British Columbia</b>							
Greater Vancouver Area	\$ 12,580	69.3	\$ 11,712	67.6	4.7	(0.9)	7.4
Victoria	5,141	72.5	4,801	70.5	4.2	(2.7)	7.1
	\$ 17,721	70.2	\$ 16,513	68.4	4.6	(1.4) <sup>(3)</sup>	7.3
<b>Nova Scotia</b>							
Halifax	\$ 8,455	58.1	\$ 7,532	55.1	6.5	(0.6) <sup>(4)</sup>	12.3
<b>Alberta</b>							
Calgary	\$ 3,939	51.9	\$ 3,634	52.0	8.6	8.8	8.4
Edmonton	1,006	48.0	1,116	53.9	1.2	14.0	(9.9)
	\$ 4,945	51.1	\$ 4,750	52.5	6.9	9.9 <sup>(5)</sup>	4.1
<b>Prince Edward Island</b>							
Charlottetown	\$ 1,074	49.8	\$ 1,182	55.3	0.9	13.3	(9.1)
<b>Saskatchewan</b>							
Regina	\$ 388	50.5	\$ 359	50.7	8.5	8.9	8.1
Total Canadian residential suites	\$ 119,262	62.8	\$ 111,505	61.8	5.2	2.3	7.0
<b>Europe</b>							
The Netherlands	\$ 19,481	76.5	\$ 19,799	77.6	(0.2)	4.6	(1.6)
Other Europe	2,091	82.5	1,913	85.9	13.9	41.9	9.3
	\$ 21,572	77.1	\$ 21,712	78.3	0.9	6.5 <sup>(6)</sup>	(0.6)
Total residential suites	\$ 140,834	64.7	\$ 133,217	64.0	4.6	2.6	5.7
<b>MHC sites</b>							
MHC sites	\$ 9,010	59.5	\$ 9,455	63.9	2.4	15.0 <sup>(7)</sup>	(4.7)
Total suites and sites	\$ 149,844	64.3	\$ 142,672	64.0	4.5	3.5	5.0
Same property suites and sites	60,548		60,548				

<sup>(1)</sup> Higher expenses: higher utilities, expected credit losses and R&M, partially offset by lower insurance costs.

<sup>(2)</sup> Higher expenses: higher realty taxes and wages, partially offset by lower insurance costs.

<sup>(3)</sup> Lower expenses: lower R&M.

<sup>(4)</sup> Lower expenses: lower expected credit losses, partially offset by higher realty taxes.

<sup>(5)</sup> Higher expenses: higher utilities.

<sup>(6)</sup> In € thousands, €15,549 and €15,069 for the three months ended December 31, 2022 and December 31, 2021, respectively. NOI increased by €480 and 3.2%. Higher expenses: higher R&M, partially offset by site costs.

<sup>(7)</sup> Higher expenses: higher R&M due to required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites.



For the Year Ended December 31,	2022		2021		Increase (Decrease)		
	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
(\$ Thousands)							
<b>Residential Suites</b>							
<b>Ontario</b>							
Greater Toronto Area	\$ 207,660	64.8	\$ 199,468	65.0	4.4	4.9	4.1
London / Kitchener / Waterloo	29,453	64.0	28,527	65.0	4.8	7.7	3.2
Ottawa	17,041	69.7	16,592	70.7	4.2	7.7	2.7
	\$ 254,154	65.0	\$ 244,587	65.3	4.4	5.4 <sup>(1)</sup>	3.9
<b>Québec</b>							
Greater Montréal Region	\$ 63,792	57.8	\$ 64,299	59.9	2.9	8.5	(0.8)
Québec City	22,409	59.8	22,957	62.1	1.3	7.3	(2.4)
	\$ 86,201	58.3	\$ 87,256	60.5	2.5	8.2 <sup>(2)</sup>	(1.2)
<b>British Columbia</b>							
Greater Vancouver Area	\$ 51,006	71.2	\$ 48,191	70.1	4.2	0.4	5.8
Victoria	20,477	72.8	19,285	72.1	5.1	2.2	6.2
	\$ 71,483	71.7	\$ 67,476	70.7	4.5	0.9 <sup>(3)</sup>	5.9
<b>Nova Scotia</b>							
Halifax	\$ 33,393	58.6	\$ 31,219	59.2	8.1	9.8 <sup>(4)</sup>	7.0
<b>Alberta</b>							
Calgary	\$ 15,599	53.6	\$ 14,838	54.4	6.7	8.5	5.1
Edmonton	4,257	52.5	4,132	54.0	6.1	9.6	3.0
	\$ 19,856	53.4	\$ 18,970	54.3	6.5	8.7 <sup>(5)</sup>	4.7
<b>Prince Edward Island</b>							
Charlottetown	\$ 4,254	49.2	\$ 4,452	52.5	1.8	8.8	(4.4)
<b>Saskatchewan</b>							
Regina	\$ 1,556	52.4	\$ 1,421	50.7	5.9	2.2	9.5
Total Canadian residential suites	\$ 470,897	63.3	\$ 455,381	63.9	4.4	6.1	3.4
<b>Europe</b>							
The Netherlands	\$ 75,932	76.8	\$ 78,350	77.0	(2.8)	(1.9)	(3.1)
Other Europe	8,322	82.6	8,613	81.7	(4.4)	(9.2)	(3.4)
	\$ 84,254	77.3	\$ 86,963	77.4	(3.0)	(2.4) <sup>(6)</sup>	(3.1)
Total residential suites	\$ 555,151	65.1	\$ 542,344	65.7	3.4	5.4	2.4
<b>MHC Sites</b>							
MHC sites	\$ 36,684	60.8	\$ 38,380	65.0	2.2	14.4 <sup>(7)</sup>	(4.4)
Total suites and sites	\$ 591,835	64.8	\$ 580,724	65.7	3.3	6.0	1.9
Same property suites and sites	60,548		60,548				

<sup>(1)</sup> Higher expenses: higher R&M, utilities, expected credit losses and realty taxes, and partially offset by lower wages and insurance costs.

<sup>(2)</sup> Higher expenses: R&M wages, realty taxes and utilities.

<sup>(3)</sup> Higher expenses: higher utilities, partially offset by lower insurance costs.

<sup>(4)</sup> Higher expenses: higher R&M, utilities and realty taxes, partially offset by lower expected credit losses.

<sup>(5)</sup> Higher expenses: higher utilities.

<sup>(6)</sup> In € thousands, NOI of €61,514 and €58,703 for the years ended December 31, 2022 and December 31, 2021, respectively. NOI increased by €2,811 or 4.8%. Lower expenses: lower site costs.

<sup>(7)</sup> Higher expenses: higher R&M, wages and utilities. Increase in R&M due to required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites.

## Net Income and Other Comprehensive Income

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
NOI	\$ 164,500	\$ 153,429	\$ 650,409	\$ 609,993
Trust expenses	(13,176)	(12,386)	(57,965)	(51,366)
Unit-based compensation recovery (expense)	(1,750)	(2,692)	3,414	(15,111)
Fair value adjustments of investment properties	74,461	568,280	(468,327)	1,048,742
Fair value adjustments of Exchangeable LP Units	(975)	(1,426)	29,016	(665)
Fair value adjustments of investments	(3,261)	5,087	(101,261)	14,088
(Loss) gain on dispositions	85	(221)	(3,318)	(241)
Amortization of property, plant and equipment	(1,749)	(2,106)	(7,462)	(8,250)
Interest on Exchangeable LP Units	(609)	(608)	(2,435)	(1,119)
Interest on mortgages payable and other financing costs	(42,661)	(39,858)	(166,921)	(148,334)
Interest on bank indebtedness	(1,572)	(1,558)	(8,292)	(6,110)
Interest on land and air rights lease liability	(1,280)	(1,263)	(5,221)	(4,900)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions	—	—	1,766	—
Gain (loss) on non-controlling interest	(8,982)	(10,885)	104,822	(38,651)
Gain (loss) on derivative financial instruments	(40,214)	15,428	54,135	50,282
(Loss) gain on foreign currency translation	723	(194)	(21,000)	(6,095)
Other income	1,362	12,974	16,521	31,713
Goodwill impairment loss	—	—	(14,278)	—
<b>Net income before income taxes</b>	<b>\$ 124,902</b>	<b>\$ 682,001</b>	<b>\$ 3,603</b>	<b>\$ 1,473,976</b>
Current and deferred income tax recovery (expense)	30,621	(37,042)	10,034	(81,181)
<b>Net income</b>	<b>\$ 155,523</b>	<b>\$ 644,959</b>	<b>\$ 13,637</b>	<b>\$ 1,392,795</b>
<b>Other comprehensive income (loss), including items that may be reclassified subsequently to net income</b>				
Amortization of losses from (AOCL) AOCI to interest and other financing costs	\$ 67	\$ 583	\$ 1,361	\$ 2,440
Gain (loss) on foreign currency translation, net of taxes	110,690	(42,170)	8,536	(115,884)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	—	—	7,627	—
<b>Other comprehensive income (loss)</b>	<b>\$ 110,757</b>	<b>\$ (41,587)</b>	<b>\$ 17,524</b>	<b>\$ (113,444)</b>
<b>Comprehensive income</b>	<b>\$ 266,280</b>	<b>\$ 603,372</b>	<b>\$ 31,161</b>	<b>\$ 1,279,351</b>

### Trust Expenses and Net Trust Expenses

Trust expenses include costs directly attributable to head office, such as salaries and benefits, trustee fees, professional fees for audit, tax, 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 include costs related to the generation of asset management and services fees to ERES (a related party to CAPREIT), and asset and property management and transition service fees to Irish Residential Properties REIT plc ("IRES") (a related party to CAPREIT up to January 31, 2022 with transition services period ended April 28, 2022). The following table shows trust expenses net of external fee income. While net trust expenses are calculated based on items in the financial statements or supporting notes, net trust expenses itself is not a standardized financial measure under IFRS and may not be comparable to similarly termed financial measures disclosed by other real estate investment trusts or companies in similar or different industries.

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Trust expenses attributable to CAPREIT (excluding ERES)	\$ 11,435	\$ 9,527	\$ 50,837	\$ 43,287
Trust expenses attributable to ERES	1,741	2,859	7,128	8,079
Trust Expenses	\$ 13,176	\$ 12,386	\$ 57,965	\$ 51,366
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders <sup>(1)</sup>	(699)	(733)	(2,940)	(2,805)
Less: Acquisition fees from ERES attributed to ERES non-controlling unitholders <sup>(1)</sup>	–	(496)	(417)	(732)
Less: Asset and property management fees, and transition service fees from IRES <sup>(2)</sup>	–	(2,436)	(2,252)	(9,863)
Net Trust Expenses	\$ 12,477	\$ 8,721	\$ 52,356	\$ 37,966
Net Trust Expenses as % of Operating Revenue	4.9%	3.6%	5.2%	4.1%
Net Trust Expenses as % of Total Assets	0.1%	0.0%	0.3%	0.2%

<sup>(1)</sup> These fees are eliminated upon consolidation.

<sup>(2)</sup> These amounts are included within other income on the statements of income and comprehensive income.

Trust expenses increased to \$13.2 million for the three months ended December 31, 2022 and increased to \$58.0 million for the year ended December 31, 2022, compared to \$12.4 million and \$51.4 million, respectively, for the three months and year ended December 31, 2021. For the three months ended December 31, 2022, the increase was primarily a result of higher salaries and benefits, costs related to transactions not yet completed, IT and travel expenses, which were partially offset by lower office expenses. For the year ended December 31, 2022, the increase was primarily as a result of reorganization costs totalling \$5.7 million, and to a lesser extent higher compliance, IT and general expenses, which were partially offset by lower costs related to transactions not completed.

With the termination of the investment management agreement ("IMA") with IRES on January 31, 2022, CAPREIT ceased to generate asset and property management fees income from IRES and ceased to incur certain related trust expenses. During the termination process, CAPREIT provided transition services for a period of three months for total fees of approximately \$1.4 million. For further details, please see the Other Income section in Section III of this MD&A.

### **Unit-based Compensation Recovery (Expense)**

Unit-based compensation recovery (expense) has 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 fair value remeasurement of unit-based compensation liability outstanding at period end.

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Remeasurement of unit-based compensation liabilities	\$ 16	\$ (881)	\$ 10,670	\$ (7,914)
Amortization of fair value on grant date of unit-based compensation <sup>(1)</sup>	(1,766)	(1,811)	(7,256)	(7,197)
Total	\$ (1,750)	\$ (2,692)	\$ 3,414	\$ (15,111)

<sup>(1)</sup> Includes \$nil and \$1.0 million for the three months and year ended December 31, 2022, relating to accelerated vesting of previously granted RUR units (three months and year ended December 31, 2021 – \$nil).

### **Gain (Loss) on Non-Controlling Interest**

For the three months and year ended December 31, 2022, CAPREIT recorded a loss of \$9.0 million and a gain of \$104.8 million on ERES units held by non-controlling unitholders, respectively. This includes interest expense on ERES non-controlling unitholders of \$3.4 million and \$12.9 million for the three months and year ended December 31, 2022, respectively. The remaining change relates to the mark-to-market loss of \$5.6 million and gain of \$117.7 million, respectively, due to fluctuations in ERES's unit market price for the three months and year ended December 31, 2022.

### **Gain (Loss) on Derivative Financial Instruments**

The gain or loss on derivative financial instruments is due to changes in the fair value of derivatives for which hedge accounting is not applied. The loss on derivative financial instruments for the three months ended December 31, 2022 primarily relates to changes in foreign exchange rates and changes in the yield curve. The gain on derivative financial instruments for the year ended December 31, 2022 primarily relates to changes in the yield curve and derivative settlements during the year. CAPREIT uses derivative financial instruments to minimize its exposure to fluctuations in foreign exchange rates and interest rates. These derivative financial instruments allow CAPREIT to take advantage of the low EURIBOR rates, resulting in significant interest savings, and to convert its borrowings to euro-denominated liabilities to hedge against a majority of its euro-denominated net investments. See note 20 to the accompanying audited consolidated annual financial statements for further details about derivative financial instruments.

### Gain (Loss) on Foreign Currency Translation

CAPREIT is exposed to gain or loss on foreign currency translation due to its holdings of European assets and liabilities through its investment in IRES, its ERES subsidiary, and euro-denominated cash and borrowings held by CAPREIT. Between December 31, 2021 and December 31, 2022, the euro strengthened against the Canadian dollar from a closing price of \$1.4391 per euro to \$1.4498 per euro, respectively.

The following table summarizes the gain or loss recorded in other comprehensive income (loss) and net income on CAPREIT's net foreign investments exposure and its associated derivative financial instruments related to the euro as at December 31, 2022 and December 31, 2021.

As at December 31, (\$ Thousands)	2022							
	Other Comprehensive Income (Loss)			Net income		Total Foreign Exchange Gain (Loss)		
	Balance	Three Months Ended	Year Ended	Three Months Ended	Year Ended	Three Months Ended	Year Ended	
Total Foreign Assets <sup>(1)</sup>	€ 2,051,611 <sup>(4)</sup>	\$ 223,743	\$ 17,706	\$ 545	\$ (209) <sup>(5)</sup>	\$ 224,288	\$ 17,497	
Total Foreign Liabilities <sup>(2)</sup>	1,062,562	(113,053)	(9,170)	(2,151)	(23,120)	(115,204)	(32,290)	
Net Foreign Equity <sup>(3)</sup>	€ 989,049	\$ 110,690	\$ 8,536	\$ (1,606)	\$ (23,329) <sup>(5)</sup>	\$ 109,084	\$ (14,793)	
Cross-Currency Swap	442,358	–	–	(42,712)	8,356	(42,712)	8,356	
Net Foreign Exchange Exposure and Gain (Loss)	€ 546,691	\$ 110,690	\$ 8,536	\$ (44,318)	\$ (14,973)	\$ 66,372	\$ (6,437)	
Net Foreign Exchange Exposure – Excluding Non-controlling Interest <sup>(3)</sup>	€ 248,632							

As at December 31, (\$ Thousands)	2021							
	Other Comprehensive Income (Loss)			Net income		Total Foreign Exchange Gain (Loss)		
	Balance	Three Months Ended	Year Ended	Three Months Ended	Year Ended	Three Months Ended	Year Ended	
Total Foreign Assets <sup>(1)</sup>	€ 2,084,855 <sup>(4)</sup>	\$ (82,922)	\$ (221,924)	\$ (840)	\$ (1,399)	\$ (83,762)	\$ (223,323)	
Total Foreign Liabilities <sup>(2)</sup>	996,190	40,752	106,040	646	(4,696)	41,398	101,344	
Net Foreign Equity <sup>(3)</sup>	€ 1,088,665	\$ (42,170)	\$ (115,884)	\$ (194)	\$ (6,095)	\$ (42,364)	\$ (121,979)	
Cross-Currency Swap	442,358	–	–	13,983	44,563	13,983	44,563	
Net Foreign Exchange Exposure and Gain (Loss)	€ 646,307	\$ (42,170)	\$ (115,884)	\$ 13,789	\$ 38,468	\$ (28,381)	\$ (77,416)	
Net Foreign Exchange Exposure – Excluding Non-controlling Interest <sup>(3)</sup>	€ 343,199							

<sup>(1)</sup> Foreign assets are comprised of CAPREIT's euro cash, ERES assets and CAPREIT's 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 gains or losses related to ERES assets and CAPREIT's investment in IRES are recorded in foreign currency translation under other comprehensive income (loss).

<sup>(2)</sup> Foreign liabilities are comprised of ERES liabilities and CAPREIT's euro borrowings: (a) foreign exchange gains or losses related to loans secured by ERES are recorded in foreign currency translation under other comprehensive income (loss); (b) gains or losses on CAPREIT's euro borrowings are recorded in foreign currency translation under net income.

<sup>(3)</sup> As at December 31, 2022, net foreign equity includes €876,644 (December 31, 2021 – €891,495) relating to ERES in which CAPREIT has a 66% (December 31, 2021 – 66%) interest. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €248,632 (December 31, 2021 – €343,199).

<sup>(4)</sup> Includes ERES assets of €1,939,206 and CAPREIT's investment in IRES of €111,088 (December 31, 2021 – €1,887,685 and €184,162, respectively).

<sup>(5)</sup> Includes \$76 million of foreign currency loss reclassified from accumulated other comprehensive loss to loss on foreign currency translation.

### Goodwill Impairment Loss

Pursuant to the reverse acquisition of European Commercial Real Estate Investment Trust ("ECREIT") on March 29, 2019, CAPREIT recognized the residual of the consideration transferred over the fair value of net assets acquired as goodwill on the consolidated balance sheets at the time. CAPREIT determined that ERES's market capitalization was an indicator of impairment as at June 30, 2022 and as such, performed a full impairment test. The impairment test concluded that goodwill was impaired and CAPREIT recognized a goodwill impairment loss of \$14.3 million in the statements of income and comprehensive income, thereby writing off the goodwill balance in full. Refer to note 8 of the accompanying audited consolidated annual financial statements for further information.

### Other Income

Other income primarily consists of income received from investments, net profit from investment in associate, asset and property management fees, transition service fees and profit from the sale of MHC inventory.

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Investment income <sup>(1)</sup>	\$ 542	\$ 384	\$ 9,112	\$ 1,493
Interest income from mortgages receivable	272	778	1,971	778
Profit from sale of MHC inventory <sup>(2)</sup>	199	945	1,531	945
Net profit from investment in associate <sup>(3)</sup>	–	8,389	647	18,455
Asset and property management fees, and transition service fees <sup>(4)</sup>	–	2,436	2,252	9,863
Other	349	42	1,008	179
Total	\$ 1,362	\$ 12,974	\$ 16,521	\$ 31,713

<sup>(1)</sup> Investment income for the three months and year ended December 31, 2022 includes \$nil and \$7.3 million, respectively, of semi-annual dividends from IRES (three months and year ended December 31, 2021 – \$nil). Prior to January 31, 2022, dividends from IRES were deducted from the carrying value of the investment in associate instead of being included in investment income. Refer to note 28 of the accompanying audited consolidated annual financial statements for further information.

<sup>(2)</sup> For the three months and year ended December 31, 2022, profit from sale of MHC inventory consists of income from sale of MHC home inventory of \$1.3 million and \$5.1 million, respectively, (three months and year ended December 31, 2021 – \$3.5 million), offset by cost of sales of 1.1 million and \$3.6 million (three months and year ended December 31, 2021 – \$2.5 million).

<sup>(3)</sup> Net profit from investment in associate represented CAPREIT's share of IRES' earnings, investment property fair value change and foreign exchange effects thereon during the period when CAPREIT exercised significant influence over IRES. Subsequent to January 31, 2022, CAPREIT no longer exercises significant influence over IRES and, as a result, its investment in IRES no longer qualifies as an investment in associate. Refer to note 28 of the accompanying audited consolidated annual financial statements for further information.

<sup>(4)</sup> Based on the IMA with IRES, which terminated on January 31, 2022. This includes transition service fees of \$nil and \$1.4 million, respectively, for the three months and year ended December 31, 2022 (three months and year December 31, 2021 – \$nil). Refer to note 28 of the accompanying audited consolidated annual financial statements for further information.

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Total fee income generated	\$ 3,264	\$ 5,595	\$ 16,451	\$ 24,239
Asset and property management fees, acquisition fees, and service fees from ERES eliminated on consolidation	3,264	3,159	14,199	14,376
Asset and property management fees, and transition service fees from IRES recognized in other income	\$ –	2,436	\$ 2,252	\$ 9,863

## SECTION IV: UNIT CALCULATIONS, NON-IFRS MEASURES

### Per Unit Calculations

As a result of CAPREIT being an open-ended mutual fund trust, Unitholders are entitled to redeem their Trust Units in accordance with the conditions specified in the DOT. 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 measures on a per unit basis:

(\$ Thousands)	Weighted Average Number of Units			
	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Trust Units	170,208	173,219	172,538	172,620
Exchangeable LP Units <sup>(2)</sup>	1,679	1,679	1,679	705
Units under the DUP <sup>(3)</sup>	121	191	153	183
Basic number of units	172,008	175,089	174,370	173,508
Plus:				
Unit rights under the RUR Plan <sup>(3)</sup>	393	478	446	533
Diluted number of units	172,401	175,567	174,816	174,041

(\$ Thousands)	Outstanding Number of Units			
	As at December 31,		As at December 31,	
	2022	% <sup>(1)</sup>	2021	% <sup>(1)</sup>
Trust Units	169,404	98.7	173,406	98.7
Exchangeable LP Units <sup>(2)</sup>	1,679	1.0	1,679	1.0
Units under the DUP <sup>(3)</sup>	121	0.1	196	0.1
Basic number of units	171,204	99.8	175,282	99.7
Plus:				
Unit rights under the RUR Plan <sup>(3)</sup>	395	0.2	480	0.3
Diluted number of units	171,599	100.0	175,762	100.0

<sup>(1)</sup> Represents percentage of total diluted units.

<sup>(2)</sup> See note 16 to the accompanying audited consolidated annual financial statements for details on Exchangeable LP Units.

<sup>(3)</sup> See notes 14 and 15 to the accompanying audited consolidated annual financial statements for the year ended December 31, 2022 for details of CAPREIT's unit-based compensation plans.

### DRIP and Net Distributions Paid

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Distributions declared on Trust Units	\$ 61,608	\$ 62,817	\$ 249,540	\$ 243,348
Distributions declared on Exchangeable LP Units	609	608	2,435	1,119
Distributions declared on awards outstanding under unit-based compensation plans <sup>(1)</sup>	159	243	847	1,012
Total distributions declared	\$ 62,376	\$ 63,668	\$ 252,822	\$ 245,479
Less:				
Distributions on Trust Units reinvested	(1,173)	(20,599)	(42,178)	(75,739)
Distributions on unit awards reinvested <sup>(1)</sup>	(159)	(243)	(847)	(1,012)
Net distributions paid in cash	\$ 61,044	\$ 42,826	\$ 209,797	\$ 168,728
Percentage of distributions reinvested	2.1%	32.7%	17.0%	31.3%

<sup>(1)</sup> Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 14 and 15 to CAPREIT's accompanying audited consolidated annual financial statements for the year ended December 31, 2022 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. Exchangeable LP Units are not eligible for the DRIP.

On May 19, 2022, CAPREIT approved changes to its DRIP to permit the suspension of the issuance of bonus Trust Units to participants. Consequently, commencing with the June 2022 distribution, participants in the DRIP as of the record date of June 30, 2022 will receive units at a price equal to the weighted average trading price of Trust Units on the TSX for the five trading days immediately preceding each distribution date, without any bonus Trust Units being issued. The total consideration for units issued represents the amount of cash distributions reinvested in additional units. Subsequently, the percentage of distributions reinvested decreased to approximately 2%.

### ***Special Non-cash Distribution in Trust Units and Consolidation of Trust Units***

On December 15, 2022, CAPREIT declared a special non-cash distribution of \$0.36 per Trust Unit, payable in Trust Units on December 30, 2022 to Unitholders of record on December 30, 2022 (the "Special Distribution"). The Special Distribution was made to distribute to Unitholders a portion of the capital gain realized by CAPREIT from transactions completed during the year ended December 31, 2022.

On December 30, 2022, 1,428,904 Trust Units were issued at a price of \$42.68 per Trust Unit, for an aggregate value of \$61.0 million. Immediately following the issuance of these Trust Units, the Trust Units were consolidated such that each Unitholder held the same number of Trust Units after the consolidation of the Trust Units as each Unitholder held prior to the Special Distribution. The table included in the Distribution Reinvestment Plan ("DRIP") and Net Distributions Paid section above excludes the special non-cash distribution.

## **Non-IFRS 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. Management considers FFO to be an important measure of CAPREIT's operating performance. Fair value adjustments, gains or losses on dispositions, and other non-cash items do not necessarily provide an accurate picture of CAPREIT's past or recurring operating performance. 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, and (ii) the adjustment for amortization of property, plant, and equipment. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

FFO may be subject to a certain degree of fluctuation from period to period as a result of CMHC premium write-offs which occur upon the refinancing of a mortgage. These write-offs are not added back to FFO and as a result, may cause fluctuation depending on the timing and amount of mortgages coming due. For further details, please refer to the Liquidity and Financial Condition section found in Section V of the MD&A.



A reconciliation of net income to FFO is as follows for the three months and years ended December 31, 2022 and December 31, 2021:

(\$ Thousands, except per Unit amounts)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income	\$ 155,523	\$ 644,959	\$ 13,637	\$ 1,392,795
Adjustments:				
Remeasurement of unit-based compensation liabilities	(16)	881	(10,670)	7,914
Fair value adjustments of investment properties	(74,461)	(568,280)	468,327	(1,048,742)
Fair value adjustments of Exchangeable LP Units	975	1,426	(29,016)	665
Fair value adjustments of investments	3,261	(5,087)	101,261	(14,088)
Loss on dispositions	7	221	3,318	241
Amortization of property, plant and equipment	1,749	2,106	7,462	8,250
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	5,621	7,752	(117,740)	25,895
Net FFO impact attributable to ERES units held by non-controlling unitholders <sup>(1)</sup>	(4,459)	(3,955)	(18,026)	(17,138)
Interest expense on ERES units held by non-controlling unitholders	3,361	3,133	12,918	12,756
(Gain) loss on derivative financial instruments	38,182	(15,428)	(55,488)	(50,282)
Interest expense on Exchangeable LP Units	609	608	2,435	1,119
Lease principal repayment	(286)	(307)	(1,007)	(1,207)
Loss on foreign currency translation	1,176	194	22,128	6,095
FFO adjustment for income from investment in associate	–	(7,060)	–	(9,271)
Impairment of goodwill	–	–	14,278	–
Deferred income tax (recovery) expense <sup>(2)</sup>	(32,064)	36,107	(14,877)	77,417
FFO	\$ 99,178	\$ 97,270	\$ 398,940	\$ 392,419
FFO per unit – basic	\$ 0.577	\$ 0.556	\$ 2.288	\$ 2.262
FFO per unit – diluted	\$ 0.575	\$ 0.554	\$ 2.282	\$ 2.255
Total distributions declared <sup>(3)</sup>	\$ 62,376	\$ 63,668	\$ 252,822	\$ 245,479
FFO payout ratio	62.9%	65.5%	63.4%	62.6%
Net distributions paid in cash	\$ 61,044	\$ 42,826	\$ 209,797	\$ 168,728
Excess FFO over net distributions paid in cash	\$ 38,134	\$ 54,444	\$ 189,143	\$ 223,691
FFO effective payout ratio	61.5%	44.0%	52.6%	43.0%

<sup>(1)</sup> For the three months and year ended December 31, 2022, the adjustment is based on applying the 34% and 34%, respectively, weighted average ownership held by ERES non-controlling unitholders (December 31, 2021 – 34% and 34%, respectively) to ERES's FFO of \$13.0 million (€9.3 million) and \$53.8 million (€39.3 million), respectively (for the three months and year ended December 31, 2021 – \$13.1 million or €9.5 million and \$52.5 million or €35.4 million, respectively) and adjusting for \$nil million and \$1.2 million of acquisition fees for the three months and year ended December 31, 2022 (for the three months and year ended December 31, 2021 – \$1.4 million and \$2.1 million, respectively) charged by CAPREIT to ERES, which are eliminated upon consolidation.

<sup>(2)</sup> The adjustment for the three months and year ended December 31, 2021 consists of \$35.3 million and \$76.6 million of deferred income tax expenses respectively, as well as a \$0.8 million tax adjustment related to the 2019 deemed disposition of investment properties associated with the reorganization of legal structure of the Netherlands subsidiaries.

<sup>(3)</sup> Total distributions declared exclude the special non-cash distributions. See Section IV – Per Unit Calculations for further information.

### 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 items that are not indicative of CAPREIT's medium and/or long-term operating performance. These items include reorganization, senior management termination, and retirement costs, costs relating to transactions that were not completed, mortgage fair value adjustments, net of mortgage settlement costs on dispositions, mortgage prepayment costs, and amortization of losses on certain hedging instruments previously settled and paid. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries. As it is an operating performance metric, no adjustment is made to NFFO for capital expenditures. NFFO facilitates better comparability than FFO to prior years' 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 the sustainability of distributions.

NFFO may be subject to a certain degree of fluctuation from period to period as a result of CMHC premium write-offs which occur upon the refinancing of a mortgage. These write-offs are not added back to NFFO and as a result, may cause fluctuation depending on the timing and amount of mortgages coming due. For further details, please refer to the Liquidity and Financial Condition section found in Section V of the MD&A.

A reconciliation of FFO to NFFO is as follows for the three months and years ended December 31, 2022 and December 31, 2021:

(\$ Thousands, except per Unit amounts)	Three Months Ended December 31,			Year Ended December 31,		
	2022	2021	% <sup>(1)</sup>	2022	2021	% <sup>(1)</sup>
FFO	\$ 99,178	\$ 97,270	2.0	\$ 398,940	\$ 392,419	1.7
Adjustments:						
Reorganization, senior management termination, and retirement costs <sup>(2)</sup>	418	–	100.0	6,668	2,747	142.7
Costs relating to transactions that were not completed	259	–	100.0	420	899	(53.3)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions <sup>(3)</sup>	–	–	–	(1,766)	–	(100.0)
Mortgage prepayment cost	–	1,328	(100.0)	1,354	2,517	(46.2)
Amortization of losses from (AOCL) AOCI to interest and other financing costs	67	583	(88.5)	1,361	2,440	(44.2)
IRES internalization expense impact to CAPREIT's equity pickup	–	1,172	(100.0)	–	1,172	(100.0)
<b>NFFO</b>	<b>\$ 99,922</b>	<b>\$ 100,353</b>	<b>(0.4)</b>	<b>\$ 406,977</b>	<b>\$ 402,194</b>	<b>1.2</b>
<b>NFFO per unit – basic</b>	<b>\$ 0.581</b>	<b>\$ 0.573</b>	<b>1.4</b>	<b>\$ 2.334</b>	<b>\$ 2.318</b>	<b>0.7</b>
<b>NFFO per unit – diluted</b>	<b>\$ 0.580</b>	<b>\$ 0.572</b>	<b>1.4</b>	<b>\$ 2.328</b>	<b>\$ 2.311</b>	<b>0.7</b>
Total distributions declared <sup>(4)</sup>	\$ 62,376	\$ 63,668	(2.0)	\$ 252,822	\$ 245,479	3.0
NFFO payout ratio	62.4%	63.4%		62.1%	61.0%	
Net distributions paid in cash	\$ 61,044	\$ 42,826	42.5	\$ 209,797	\$ 168,728	24.3
Excess NFFO over net distributions paid in cash	\$ 38,878	\$ 57,527	(32.4)	\$ 197,180	\$ 233,466	(15.5)
Effective NFFO payout ratio	61.1%	42.7%		51.6%	42.0%	

<sup>(1)</sup> Represents the year-over-year percentage change.

<sup>(2)</sup> For the three months and year ended December 31, 2022, includes \$nil and \$1.0 million, of accelerated vesting of previously granted RUR units.

<sup>(3)</sup> Refer to note 5 of the accompanying audited consolidated annual financial statements for further information.

<sup>(4)</sup> Total distributions declared exclude the special non-cash distributions. See Section IV – Per Unit Calculations for further information.

NFFO for the three months ended December 31, 2022 decreased by 0.4% compared to the same period last year, primarily due to higher trust expenses and interest expense on mortgages payable. NFFO for the year ended December 31, 2022 increased by 1.2% compared to last year, primarily due to the contribution from acquisitions and higher NOI from properties owned prior to December 31, 2020, partially offset by higher interest expense on mortgages payable and bank indebtedness. Asset management fees, property management fees, acquisition fees and service fees received from ERES increased FFO and consequently NFFO by \$1.1 million and \$4.8 million, respectively, for the three months and year ended December 31, 2022 compared to \$1.6 and \$4.9 million, respectively, for the three months and year ended December 31, 2021. These fees represent the amount of fees attributed to the ERES units held by non-controlling unitholders based on the weighted average ownership throughout the periods.

For the three months ended December 31, 2022, diluted NFFO per Unit increased by 1.4% compared to the same period last year, primarily due to an approximate 1.8% decrease in the weighted average number of units outstanding, partially offset by the reasons mentioned above. For the year ended December 31, 2022, diluted NFFO per Unit increased by 0.7% compared to last year, primarily due to the same reasons mentioned above, partially offset by the impact of an approximate 0.4% increase in the weighted average number of units outstanding.

Comparing total distributions declared to NFFO, the NFFO payout ratio for the three months ended December 31, 2022 improved by 1.0%, compared to the same period last year, due to the decrease in total distributions declared on fewer outstanding Trust units after cancellation of Trust Units under the NCIB. NFFO payout ratio for the year ended December 31, 2022 increased by 1.1%, compared to the same period last year, as growth in total distributions outpaced growth in NFFO, with monthly cash distributions declared to Unitholders increasing in August 2021 (see note 18 to the accompanying audited consolidated annual financial statements for the year ended December 31, 2022 for details on distributions per Trust Unit).

### Adjusted Cash Flows From Operations and Distributions Declared

Adjusted Cash Flows From Operations ("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 expenditure reserve 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 most recent corresponding definition recommended by REALPAC, with the exception of the adjustment for investment income. Management considers ACFO to be an important economic and sustainable cash flow measure of CAPREIT's operating performance. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

There may be periods when actual distributions declared exceed ACFO due to seasonal fluctuations in certain periods, 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 cash and cash equivalents and, if necessary, the Acquisition and Operating Facility.

The following table reconciles cash generated from operating activities to ACFO for the three months and years ended December 31, 2022 and December 31, 2021:

(\$ Thousands, except per Unit amounts)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Cash generated from operating activities	\$ 170,433	\$ 149,937	\$ 598,027	\$ 551,433
Adjustments:				
Interest expense included in cash flow from financing activities <sup>(1)</sup>	(41,151)	(34,502)	(155,780)	(133,665)
Non-discretionary property capital expenditure reserve <sup>(2)</sup>	(20,313)	(20,484)	(81,294)	(80,117)
Capitalized leasing costs <sup>(3)</sup>	(873)	(971)	(2,279)	(7,471)
Amortization of other financing costs <sup>(4)</sup>	(3,704)	(4,304)	(17,469)	(14,574)
Investment income <sup>(5)</sup>	891	429	10,185	8,469
Net ACFO impact attributed to ERES units held by non-controlling unitholders <sup>(6)</sup>	(3,845)	(5,227)	(18,011)	(18,927)
Lease principal and interest repayments	(1,566)	(1,570)	(6,228)	(6,107)
ACFO	\$ 99,872	\$ 83,308	\$ 327,151	\$ 299,041
Total distributions declared <sup>(7)</sup>	\$ 62,376	\$ 63,668	\$ 252,822	\$ 245,479
Excess ACFO over distributions declared	\$ 37,496	\$ 19,640	\$ 74,329	\$ 53,562
ACFO payout ratio	62.5%	76.4%	77.3%	82.1%

<sup>(1)</sup> Excludes interest with respect to leases, ERES non-controlling unitholders and holders of Exchangeable LP Units, and mortgage prepayment costs on dispositions.

<sup>(2)</sup> Non-discretionary property capital expenditure reserve for the three months and years ended December 31, 2022 and 2021 is determined based on historical spending and management's best estimate of expected annual non-discretionary property capital expenditure requirements per suite and site, divided by four for the quarter, and multiplied by the weighted average number of residential suites and sites during the period. The annual non-discretionary property capital expenditure reserve per suite and site for 2022 and 2021 is \$1,231 and \$1,258, respectively. The full year weighted average number of residential suites and sites for the year ended December 31, 2022 and 2021 is 66,029 and 63,671, respectively. The figure for the year ended December 31, 2021 has been restated to conform with the current year presentation. For a reconciliation of actual non-discretionary property capital investments incurred during the period to reserve, see the next table.

<sup>(3)</sup> Comprises tenant inducements and direct leasing costs.

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

<sup>(5)</sup> The investment income for the three months and year ended December 31, 2022 includes \$nil and \$7.3 million, respectively, of semi-annual dividends from IRES (three months and year ended December 31, 2021 – \$nil and \$6.8 million).

<sup>(6)</sup> For the three months and year ended December 31, 2022, the adjustment is based on applying the 34% weighted average ownership held by ERES non-controlling unitholders (December 31, 2021 – 34%).

<sup>(7)</sup> Total distributions declared exclude the special non-cash distributions. See Section IV – Per Unit Calculations for further information.

For the three months and year ended December 31, 2022, CAPREIT's ACFO exceeded distributions declared by \$37.5 million and \$74.3 million, respectively. As per OSC Staff Notice 51-724, if distributions declared are in excess of ACFO, then the amount in excess 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.

The table below reconciles actual non-discretionary capital investments incurred to the reserve for the three months and years ended December 31, 2022 and December 31, 2021:

### **Reconciliation of Actual to Non-Discretionary Property Capital Reserve**

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Actual non-discretionary capital investments	\$ 31,472	\$ 23,098	\$ 74,778	\$ 78,006
Non-discretionary capital expenditure reserve <sup>(i)</sup>	20,313	20,484	81,294	80,117
Over (under)	\$ 11,159	\$ 2,614	\$ (6,516)	\$ (2,111)

<sup>(i)</sup> Non-discretionary capital expenditure reserve is used in the determination of ACFO, for the purpose of comparing to distributions declared.

For the three months ended December 31, 2022, CAPREIT's actual non-discretionary capital investments of \$31.5 million were higher than the non-discretionary capital reserve by approximately \$11.2 million mainly due to changes in the timing of structural work projects over the year. For the year ended December 31, 2022, CAPREIT's actual non-discretionary capital investments of \$74.8 million were lower than the non-discretionary capital reserve by approximately \$6.5 million mainly due to projects deferred to 2023.

CAPREIT's capital investments programs are affected by seasonal cycles, and professional judgment is used by management to determine the timing of property capital investments. Therefore, actual and capital investments reserve may differ during the applicable periods. Management continues to monitor the rollout of the capital expenditure plan in an effort to continuously improve the accuracy of its capital expenditure budgets.

Significant non-discretionary property capital investments programs are usually completed within three to five years. Actual completion of such projects may differ from the estimated timelines as they are longer term in nature and professional judgment is applied to estimate 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, including 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 \$800 to \$1,200 per residential suite annually over the past five years and are expensed to NOI.

*Discretionary Property Capital Investments* are capital expenditures made to the property that are not essential to the 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 2022 and 2021 Non-Discretionary Property Capital Investments per suite and site:

(\$ Thousands)	2022 Actual	2021 Actual
Non-discretionary property capital investments	\$ 74,778	\$ 78,006
Weighted average number of suites and sites	66,029	63,671
Non-discretionary property capital investments per suite and site	\$ 1,133	\$ 1,225

### 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 for the three months and years ended December 31, 2022 and December 31, 2021:

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Cash generated from operating activities	\$ 170,433	\$ 149,937	\$ 598,027	\$ 551,433
Adjustments:				
Interest expense included in cash flow from financing activities <sup>(1)</sup>	(41,151)	(34,502)	(155,780)	(133,665)
Adjusted Cash Generated from Operating Activities	\$ 129,282	\$ 115,435	\$ 442,247	\$ 417,768
Total distributions declared <sup>(2)</sup>	\$ 62,376	\$ 63,668	\$ 252,822	\$ 245,479
Excess	\$ 66,906	\$ 51,767	\$ 189,425	\$ 172,289

<sup>(1)</sup> Excludes interest with respect to leases, ERES non-controlling unitholders and holders of Exchangeable LP Units, and mortgage prepayment costs on dispositions.

<sup>(2)</sup> Total distributions declared exclude the special non-cash distributions. See Section IV – Per Unit Calculations for further information.

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 for the three months and years ended December 31, 2022 and December 31, 2021:

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021 <sup>(1)</sup>	2022	2021
Net income	\$ 155,523	\$ 644,959	\$ 13,637	\$ 1,392,795
Adjusted Cash Generated from Operating Activities	\$ 129,282	\$ 115,435	\$ 442,247	\$ 417,768
Total distributions declared <sup>(1)</sup>	\$ 62,376	\$ 63,668	\$ 252,822	\$ 245,479
(Shortfall) excess of net income over total distributions declared	\$ 93,147	\$ 581,291	\$ (239,185)	\$ 1,147,316
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 66,906	\$ 51,767	\$ 189,425	\$ 172,289

<sup>(1)</sup> Total distributions declared exclude the special non-cash distributions. See Section IV – Per Unit Calculations for further information.

CAPREIT does not use net income as a basis for distributions as it includes non-cash items such as fair value change in investment properties, fair value change in investments, 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 three months and year ended December 31, 2022, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$66.9 million and \$189.4 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 cash and cash equivalents on hand and, if necessary, the Acquisition and Operating Facility.

## Net Asset Value

Net asset value ("NAV") represents total Unitholders' equity per CAPREIT's consolidated balance sheets, adjusted to include or exclude certain amounts in order to provide what management considers to be a key measure of the intrinsic value of CAPREIT on a going concern basis. Management believes that this measure reflects the residual value of CAPREIT to its Unitholders on a going concern basis and is therefore used by management on both an aggregate and per unit basis to evaluate the net asset value attributable to Unitholders, and changes thereon based on the execution of CAPREIT's strategy. While NAV is calculated based on items included in the consolidated financial statements or supporting notes, NAV itself is not a standardized financial measure under IFRS and may not be comparable to similarly termed financial measures disclosed by other real estate investment trusts or companies in similar or different industries.

A reconciliation of Unitholders' equity to NAV is as follows as at December 31, 2022 and December 31, 2021:

(\$ Thousands, except per unit amounts) As at	December 31, 2022	December 31, 2021
Unitholders' equity	<b>\$ 10,003,695</b>	\$ 10,399,886
Adjustments:		
Exchangeable LP Units	<b>71,668</b>	100,684
Unit-based compensation financial liabilities excluding ERES's unit options plan	<b>17,455</b>	33,994
Net deferred income tax liability <sup>(1)</sup>	<b>114,351</b>	128,964
Net derivative financial asset <sup>(2)</sup>	<b>(51,974)</b>	(26,953)
Goodwill	–	(15,133)
Adjustment to ERES non-controlling interest <sup>(3)</sup>	<b>(200,629)</b>	(114,716)
NAV	<b>\$ 9,954,566</b>	\$ 10,506,726
Diluted number of units	<b>171,599</b>	175,761
NAV per Unit – diluted	<b>\$ 58.01</b>	\$ 59.78

<sup>(1)</sup> Represents deferred income tax liability of \$120.5 million net of deferred income tax asset of \$6.2 million (December 31, 2021 – deferred income tax liability of \$134.0 million net of deferred income tax asset of \$5.0 million).

<sup>(2)</sup> Represents non-current and current derivative financial assets of \$62.6 million and \$nil, respectively, net of non-current and current derivative financial liabilities of \$nil and \$10.6 million, respectively (December 31, 2021 – non-current and current derivative financial assets of \$22.4 million and \$8.5 million, respectively, net of non-current and current derivative financial liabilities of \$1.2 million and \$2.8 million, respectively).

<sup>(3)</sup> CAPREIT accounts for the non-controlling interest in ERES as a liability, measured at the trading value of ERES's units not owned by CAPREIT. The adjustment is made so that the non-controlling interest in ERES is measured at ERES's disclosed NAV, rather than ERES's trading value. The table below summarizes the calculation of adjustment to ERES non-controlling interest as at December 31, 2022 and December 31, 2021:

(\$ Thousands) As at	December 31, 2022	December 31, 2021
ERES's NAV	<b>€ 899,166</b>	€ 963,452
Ownership by ERES non-controlling interest	<b>34%</b>	34%
Closing foreign exchange rate	<b>1.4498</b>	1.4391
Impact to NAV due to ERES's non-controlling unitholders	<b>\$ 443,228</b>	\$ 471,411
Less: ERES units held by non-controlling unitholders	<b>\$ 242,599</b>	\$ 356,695
Adjustment to ERES non-controlling interest	<b>\$ 200,629</b>	\$ 114,716

## Total Debt and Total Debt Ratios

CAPREIT's DOT and the Credit Facilities require compliance with certain financial covenants, including the Ratio of Total Debt to Gross Book Value. Management uses Total Debt, Total Debt to Gross Book Value ratio, Mortgage debt to gross book value, Total Debt to gross historical cost, and Total Debt to total capitalization as indicators in assessing if the debt level maintained is sufficient to meet cash flow requirements and for evaluating the need to raise funds for further expansion. These non-IFRS measures may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

A reconciliation for Total Debt is as follows as at December 31, 2022 and December 31, 2021:

(\$ Thousands) As at	December 31, 2022	December 31, 2021
Mortgages payable – non-current	<b>\$ 5,963,820</b>	\$ 5,456,605
Mortgages payable – current	<b>613,277</b>	643,460
Liabilities related to assets held for sale	<b>38,116</b>	–
Bank Indebtedness	<b>388,975</b>	310,866
<b>Total Debt</b>	<b>\$ 7,004,188</b>	\$ 6,410,931
Total Assets	<b>\$ 17,741,888</b>	\$ 17,712,973
Add: Total accumulated amortization and depreciation	<b>42,100</b>	35,280
<b>Gross Book Value<sup>(1)</sup></b>	<b>\$ 17,783,988</b>	\$ 17,748,253
Ratio of Total Debt to Gross Book Value	<b>39.4%</b>	36.1%
Ratio of Mortgage debt to Gross Book Value <sup>(2)</sup>	<b>37.2%</b>	34.4%
Gross Book Value <sup>(1)</sup>	<b>\$ 17,783,988</b>	\$ 17,748,253
Less: Cumulative investment properties fair value adjustments	<b>(4,793,210)</b>	(5,480,670)
<b>Gross Historical Cost<sup>(3)</sup></b>	<b>\$ 12,990,778</b>	\$ 12,267,583
Ratio of Total Debt to Gross Historical Cost	<b>53.9%</b>	52.3%
Market capitalization <sup>(4)</sup>	<b>\$ 7,323,875</b>	\$ 10,538,673
Total Debt	<b>7,004,188</b>	6,410,931
<b>Total capitalization</b>	<b>\$ 14,328,063</b>	\$ 16,949,604
Ratio of Total Debt to total capitalization	<b>48.9%</b>	37.8%

<sup>(1)</sup> Gross Book Value (“GBV”) is defined by CAPREIT’s DOT.

<sup>(2)</sup> Includes liabilities related to assets held for sale.

<sup>(3)</sup> 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, and deferred loan costs, minus fair value adjustment on investment properties.

<sup>(4)</sup> Market capitalization is determined by taking all units outstanding (including all unit-based compensation plans) and multiplying by the closing price of the Trust Units at period end.

### **Adjusted Earnings Before Interest, Tax, Depreciation, Amortization and Fair Value Adjustments**

Adjusted Earnings Before Interest, Tax, Depreciation, Amortization and Fair Value Adjustments (“Adjusted EBITDAFV”) is calculated as prescribed in CAPREIT’s Acquisition and Operating Facility agreement for the purpose of determining the Debt Service Coverage Ratio and Interest Coverage Ratio, and is defined as net income attributable to Unitholders, reversing, where applicable, interest expense, income taxes, depreciation and amortization; gain or loss attributable to dispositions; non-cash gain or loss resulting from the remeasurement of assets or liabilities; other non-cash amounts included in net income; gain or loss on the repurchase or redemption of securities; foreign exchange gain or loss; and any other extraordinary, non-recurring or unusual items as permitted under CAPREIT’s Acquisition and Operating Facility agreement. Management believes adjusted EBITDAFV is useful in assessing CAPREIT’s operating performance, excluding any non-cash items and other extraordinary factors, and its ability to service debt, finance capital expenditures and provide for distributions to its Unitholders. This non-IFRS measure may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

A reconciliation of net income to adjusted EBITDAFV is as follows for the years ended December 31, 2022 and December 31, 2021:

(\$ Thousands) For the Year Ended	December 31, 2022	December 31, 2021
Net income	\$ 13,637	\$ 1,392,795
Adjustments:		
Interest and other financing costs	182,869	160,463
Current and deferred income tax (recovery) expense	(10,034)	81,181
Amortization of property, plant and equipment	7,462	8,250
Fair value adjustments of investment properties	468,327	(1,048,742)
Fair value adjustments of Exchangeable LP Units	(29,016)	665
Fair value adjustments of investments	101,261	(14,088)
FFO adjustment for income from investment in associate <sup>(1)</sup>	–	(9,271)
Unit-based compensation (recovery) expense	(3,414)	15,111
EUPP unit-based compensation expense	(514)	(496)
Loss on dispositions	3,318	241
(Gain) loss on non-controlling interest	(104,822)	38,651
Gain on derivative financial instruments	(54,135)	(50,282)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions	(1,766)	–
Loss on foreign currency translation	21,000	6,095
Goodwill impairment loss	14,278	–
Adjusted EBITDAFV	\$ 608,451	\$ 580,573

<sup>(1)</sup> Relates to CAPREIT's share of IRES's investment property fair value gain.

### Debt Service Coverage Ratio

The Debt Service Coverage Ratio is defined as adjusted EBITDAFV divided by the sum of interest expense (including interest on mortgages payable and bank indebtedness and excluding interest with respect to leases and holders of Exchangeable LP Units) and all regularly scheduled mortgage principal repayments. The Debt Service Coverage Ratio is calculated as prescribed in the Acquisition and Operating Facility agreement, and is based on the trailing 12 months ended. Management believes the Debt Service Coverage Ratio is useful in determining CAPREIT's ability to service the interest and mortgage principal requirements of its outstanding debt. This non-IFRS measure may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

(\$ Thousands) For the Year Ended	December 31, 2022	December 31, 2021
Interest on mortgages payable and liabilities related to assets held for sale	\$ 154,467	\$ 138,293
Interest on bank indebtedness	8,292	6,110
Mortgage principal repayments	162,048	149,996
Debt service payments	\$ 324,807	\$ 294,399
Adjusted EBITDAFV	\$ 608,451	\$ 580,573
Debt Service Coverage Ratio (times)	1.9x	2.0x



### **Interest Coverage Ratio**

The Interest Coverage Ratio is defined as adjusted EBITDAFV divided by interest expense (including interest on mortgages payable and bank indebtedness and excluding interest with respect to leases and holders of Exchangeable LP Units). The Interest Coverage Ratio is calculated as prescribed in the Acquisition and Operating Facility agreement, and is based on the trailing 12 months ended. Management believes the Interest Coverage Ratio is useful in determining CAPREIT's ability to service the interest requirements of its outstanding debt. This non-IFRS measure may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

(\$ Thousands) For the Year Ended	<b>December 31, 2022</b>	December 31, 2021
Interest on mortgages payable and liabilities related to assets held for sale	<b>\$ 154,467</b>	\$ 138,293
Interest on bank indebtedness	<b>8,292</b>	6,110
Interest Expense	<b>\$ 162,759</b>	\$ 144,403
Adjusted EBITDAFV	<b>\$ 608,451</b>	\$ 580,573
Interest coverage ratio (times)	<b>3.7x</b>	4.0x

## 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 make accretive acquisitions of value-add properties and improve their operating performance by investing annually while maintaining a focus on capital preservation. This ensures sustainable growth to maximize the portfolio's future rental income-generating potential.

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 for the years ended December 31, 2022 and December 31, 2021.

#### Property Capital Investments by Category

(\$ Thousands) Year Ended December 31, 2022	Actual Total Portfolio	% of Actual
<b>Non-discretionary property capital investments:</b>		
Building improvements	\$ 65,100	21.1
MHC infrastructural	6,291	2.0
Life and safety	3,387	1.1
	<b>\$ 74,778</b>	<b>24.2</b>
<b>Discretionary property capital investments:</b>		
Suite improvements	\$ 118,510	38.6
Common area	63,516	20.6
Energy-saving initiatives	23,955	7.8
Equipment	16,027	5.2
Elevators and risers	8,195	2.7
Others	1,328	0.4
MHC common area	1,633	0.5
	<b>\$ 233,164</b>	<b>75.8</b>
Total	<b>\$ 307,942</b>	<b>100.0</b>

(\$ Thousands) Year Ended December 31, 2021	Actual Total Portfolio	% of Actual
<b>Non-discretionary property capital investments:</b>		
Building improvements	\$ 70,583	23.7
MHC infrastructural	6,248	2.1
Life and safety	1,175	0.4
	<b>\$ 78,006</b>	<b>26.2</b>
<b>Discretionary property capital investments:</b>		
Suite improvements	\$ 105,634	35.5
Common area	71,884	24.1
Energy-saving initiatives	20,506	6.9
Equipment	16,193	5.4
Elevators and risers	2,348	0.8
Others	1,399	0.5
MHC common area	1,692	0.6
	<b>\$ 219,656</b>	<b>73.8</b>
Total	<b>\$ 297,662</b>	<b>100.0</b>

During the year ended December 31, 2022, CAPREIT invested \$307.9 million of total property capital investments compared to a total budget of \$310.8 million. Lower actual property capital investments in 2022 were primarily due to delays in the timing of projects. In 2021, CAPREIT invested \$297.7 million of total property capital investments compared to a budgeted amount of \$269.1 million. Higher actual property capital investments were primarily due to the execution of projects deferred from 2020 to 2021 due to COVID-19 lockdowns in 2020.

The estimated 2023 non-discretionary capital expenditures comprise costs related to building improvements, MHC infrastructural and life and safety, totalling \$80.1 million.

Actual costs incurred may vary from period to period depending on the nature and timing of capital expenditures. Discretionary property capital investments are not essential to the operation of the business in the short term. In addition, projects are impacted by variable costs, supply chain issues and inflationary pressures, which affect financial viability and total return. Accordingly, CAPREIT is not providing budgeted or forecasted discretionary property capital investments and future investments in building improvements due to the variable nature of costs depending on internal and external factors.

## 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.

CAPREIT appraises some of its Canadian investment properties using valuations prepared by its internal valuation team using generally the same process and methodology as its external appraiser. CAPREIT's objective is to have a portion of its Canadian investment properties appraised externally every year, on a rotational basis. The partial internalization of valuations for the Canadian portfolio builds synergies within the various CAPREIT sub-functions including Acquisitions, Development and Asset Management functions.

External valuations for the Canadian portfolio, where obtained, are performed at year-end with quarterly updates provided on capitalization rates. Capitalization rates used by the appraisers are based on recently closed transactions for similar properties and other current market indicators for similar properties. CAPREIT obtains external valuations for a cross-section of investment properties that represent different geographical locations across the Canadian portfolio. For internal valuations, the appraisal methodologies used are consistent with the practices employed by the external appraiser. The fair values of all of CAPREIT's European residential portfolio are determined by qualified external appraisers on a quarterly basis. The qualified external appraisers hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

The following table summarizes the changes in the investment properties portfolio for the years ended December 31, 2022 and December 31, 2021:

(\$ Thousands) As at	December 31, 2022	December 31, 2021
<b>Balance, beginning of the year</b>	<b>\$ 17,101,919</b>	\$ 15,000,591
<b>Additions (deductions):</b>		
Acquisitions	<b>645,605</b>	1,053,497
Property capital investments	<b>322,352</b>	314,385
Capitalized direct leasing costs	<b>475</b>	1,313
Dispositions	<b>(343,497)</b>	(143,381)
Transfer to assets held for sale	<b>(132,342)</b>	–
Fair value adjustments	<b>(468,327)</b>	1,048,742
Gain (loss) on foreign currency translation	<b>27,524</b>	(187,752)
Right-of-use asset <sup>(1)</sup>	–	10,067
Operating lease buyout <sup>(2)</sup>	–	4,457
<b>Balance, end of the year</b>	<b>\$ 17,153,709</b>	\$ 17,101,919

<sup>(1)</sup> On April 1, 2021, the basic annual rent of an existing land lease was increased in accordance with the lease agreement, which stipulates that the basic annual rent be renegotiated every 20 years to reflect the land market value. This resulted in a \$10,067 increase in right-of-use asset related to an existing land leasehold interest.

<sup>(2)</sup> During the year ended December 31, 2021, CAPREIT purchased the freehold interest on one of its operating leasehold properties and converted the ownership into fee simple for a net purchase price of \$4,457.

A summary of the fair values of CAPREIT's investment properties and changes, along with key market assumptions, is presented in the following table. For the year ended December 31, 2022, there was a \$51.8 million increase in overall carrying value primarily due to acquisitions, property capital investments and foreign currency translation, partially offset by fair value losses, transfer to assets held for sale and dispositions.

### Investment Properties by Geography

(\$ Millions)	Dec 2021	Carrying Value Change Due To					Dec 2022	Dec 2022	Dec 2021
	Fair Value	Net Acquisitions	Property Capital Investments <sup>(1)</sup>	Fair Value Adjustments	Foreign Exchange Translation	Transfer to Assets Held for Sale	Fair Value	Cap Rates <sup>(2)</sup>	Cap Rates <sup>(2)</sup>
Greater Toronto Area	\$ 6,789	\$ (307)	\$ 114	\$ (179)	\$ –	\$ –	\$ 6,417	3.49%	3.25%
Other Ontario	1,405	10	30	12	–	(132)	1,325	4.11%	3.83%
Québec	2,250	396	55	(91)	–	–	2,610	4.12%	4.02%
British Columbia	1,893	38	27	(10)	–	–	1,948	3.96%	3.69%
Nova Scotia	805	–	25	(29)	–	–	801	4.50%	4.17%
Alberta	443	23	13	(18)	–	–	461	4.63%	4.33%
Prince Edward Island	101	–	1	(4)	–	–	98	5.39%	5.13%
Saskatchewan	31	–	1	(1)	–	–	31	5.23%	5.12%
Subtotal	\$ 13,717	\$ 160	\$ 266	\$ (320)	\$ –	\$ (132)	\$ 13,691	3.86%	3.60%
Europe	2,676	127	32	(113)	28	–	2,750	3.88%	3.55%
MHC	709	16	23	(35)	–	–	713	5.94%	5.66%
<b>Total</b>	\$ 17,102	\$ 303	\$ 321	\$ (468)	\$ 28	\$ (132)	\$ 17,154	3.93%	3.68%

<sup>(1)</sup> Represents property capital investments and capitalized direct leasing costs during the year ended December 31, 2022.

<sup>(2)</sup> Weighted average capitalization rates excluding implied capitalization rates on operating and land leasehold interests. See note 6 to the accompanying audited consolidated annual financial statements for further valuation assumption details, including discount rates as at December 31, 2022 for operating and land leasehold interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

The table below summarizes the impact of changes in both the capitalization rate and stabilized NOI on CAPREIT's fair value of investment properties, excluding assets held for sale. It should be noted that the sensitivity analysis below utilizes the direct capitalization method, where 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.

As at December 31, 2022 (\$ Millions)	Change in NOI					
	(2.00)%	(1.00)%	–%	+1.00%	+2.00%	
	(0.50)%	\$ 2,164	\$ 2,360	\$ 2,556	\$ 2,752	\$ 2,948
	(0.25)%	822	1,004	1,187	1,369	1,552
Change in Capitalization Rate <sup>(1)</sup>	–	(341)	(171)	–	171	341
	+0.25 %	(1,359)	(1,199)	(1,039)	(878)	(718)
	+0.50 %	(2,258)	(2,107)	(1,956)	(1,805)	(1,654)

<sup>(1)</sup> For operating leasehold interests, land leasehold interests and European properties, CAPREIT applies discount rates to determine the fair value of these properties. However, for the purposes of the sensitivity analysis above, CAPREIT has utilized the implied capitalization rates for operating leasehold interests, land leasehold interests and the European properties to determine the impact on fair value of the total portfolio.

The recent regulatory and macroeconomic developments, including the acute increases to interest rates and inflation, have impacted the availability of some reliable market metrics, such as capitalization rates. As such, the fair values of CAPREIT's investment properties are subject to significant change, and such changes may be material. Management is applying, to the greatest extent practicable, prudence and sound judgment in its basis for fair valuing its investment properties in the current unpredictable environment.

## Development

### Development Progress

The development program remains a component of CAPREIT's growth strategy by allowing for the potential to unlock value embedded within the portfolio's existing assets. CAPREIT's strategy to unlock embedded value encompasses a combination of different approaches, including: (i) disposition of properties with significant development value to developers at premium pricing; (ii) rezoning of greenfield land or underutilized land, to be subsequently severed and sold to a developer; and (iii) development/redevelopment of a property, under a structure that is compatible with CAPREIT's strategic objectives.

### Development Update

Over the long term, CAPREIT's portfolio has intensification and redevelopment potential, subject to market conditions, cost of construction and other factors. CAPREIT regularly re-evaluates its assets for highest and best use where the value may be realized through rental or condominium development or sale of a property.

### Development Summary

Development costs include costs related to planning, rezoning, architectural surveys, application fees and building permits. These development costs are spent on three main types of development: (i) transformation of underutilized spaces into new revenue-generating spaces through conversion; (ii) infill on excess land with income-producing properties; and (iii) redevelopment of existing properties. The table below summarizes the development costs incurred for the years ended December 31, 2022 and December 31, 2021:

For the Year Ended (\$ Thousands)	<b>2022 Actual Total Portfolio</b>	2021 Actual Total Portfolio
Conversion	<b>\$ 10,595</b>	\$ 5,890
Infill <sup>(1)</sup>	<b>6,906</b>	1,960
Redevelopment <sup>(1)</sup>	<b>1,287</b>	116
Total for development	<b>\$ 18,788</b>	\$ 7,966

<sup>(1)</sup> Infill and Redevelopment costs relate primarily to pre-approval costs such as application, consultant fees and levies.

Actual costs incurred may vary from period to period as expectations of processing time for development applications become better defined. The regulatory and application processing is subject to factors beyond management's control and varies between projects. In addition, projects are impacted by variable costs, supply chain issues, and inflationary pressures, which affect financial viability and total return. As such, CAPREIT is not providing budgeted or forecasted development spending due to the highly variable nature of costs depending on numerous external factors.

## Capital Structure

In the short term, CAPREIT utilizes the Credit Facilities, where necessary, to finance its property 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 investments 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, 2022, CAPREIT is in compliance with all the investment and debt restrictions and financial covenants contained in the DOT and the Credit Facilities. The total capital managed by CAPREIT and the results of compliance with some of the key covenants and liquidity metrics are summarized in the following table:

(\$ Thousands)			
As at		December 31, 2022	December 31, 2021
Mortgages payable – non-current		\$ 5,963,820	\$ 5,456,605
Mortgages payable – current		613,277	643,460
Liabilities related to assets held for sale		38,116	–
Bank indebtedness		388,975	310,866
Unitholders' equity		10,003,695	10,399,886
Exchangeable LP Units		71,668	100,684
Total capital		\$ 17,079,551	\$ 16,911,501
Threshold			
Total debt to gross book value <sup>(1)</sup>	Maximum 62.50%	39.4%	36.1%
Mortgage debt to gross book value <sup>(1)(2)</sup>		37.2%	34.4%
Total debt to gross historical cost <sup>(1)</sup>		53.9%	52.3%
Total debt to total capitalization <sup>(1)</sup>		48.9%	37.8%
For the year ended <sup>(3)</sup>		December 31, 2022	December 31, 2021
Debt service coverage ratio (times) <sup>(1)</sup>	Minimum 1.40	1.9x	2.0x
Interest coverage ratio (times) <sup>(1)</sup>	Minimum 1.65	3.7x	4.0x

<sup>(1)</sup> 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 Measures). For a reconciliation to IFRS, see Section IV – Non-IFRS Measures.

<sup>(2)</sup> Includes liabilities related to assets held for sale.

<sup>(3)</sup> CAPREIT's FFO payout ratio did not exceed 100% for the years ended December 31, 2022 and December 31, 2021. As at December 31, 2022 and December 31, 2021, CAPREIT is in compliance with its debt covenant on the FFO payout ratio.

## 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) cash and cash equivalents on hand; (ii) the Acquisition and Operating Facility; (iii) mortgage debt secured by its investment properties; and (iv) equity. 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 an annual basis to fund the current level of distributions; and
- ii) CAPREIT's liquidity position as at December 31, 2022 remains strong with over \$380.7 million comprising \$47.3 million of cash and cash equivalents and \$333.4 million available on its Acquisition and Operating Facility, excluding borrowing capacity under the ERES Credit Facility.

CAPREIT has investment properties with a fair value of approximately \$1,346.0 million as at December 31, 2022 that are not encumbered by mortgages. Of these, \$1,029.3 million of the investment properties are located in Canada and only secure the Acquisition and Operating Facility. \$272.0 million of these investment properties also carry a negative pledge relating to the ERES Credit Facility. The majority of CAPREIT's MHC sites are included in this pool.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at December 31, 2022, and defined as current assets less current liabilities, is funded through the Credit Facilities. Management does a liquidity forecast on a regular basis, which includes refinancings, property capital investments, potential acquisitions and potential dispositions, to monitor the available capacity.

### **Acquisition and Operating Facility**

On June 18, 2021, CAPREIT entered into a credit facility agreement (the "Acquisition and Operating Facility") that can be drawn in Canadian dollars, US dollars ("USD") and euros up to an aggregate principal amount of all advances not to exceed \$600 million. The Acquisition and Operating Facility is secured by fixed charge debentures on certain of CAPREIT's properties, and floating charge debentures on most of CAPREIT's properties. In each case, such debentures are subordinate to the charges securing CAPREIT's mortgage financing. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances, bankers' acceptances, EURIBOR, US base rate and USD LIBOR utilized during the year. The Acquisition and Operating Facility originally matured on June 18, 2024.

On December 19, 2022, CAPREIT amended its Acquisition and Operating Facility to extend the maturity date by 18 months from June 18, 2024 to December 19, 2025 and to provide for, among other things, (i) the replacement of USD LIBOR with adjusted Term SOFR as a benchmark interest rate for CAPREIT borrowings in USD under the credit facility agreement; and (ii) an accordion option to increase the credit facility limit of up to \$200 million upon the satisfaction of conditions set out in the credit facility agreement, including the request of CAPREIT and the consent of the applicable lenders. The Acquisition and Operating Facility is subject to certain financial covenants, as outlined further in note 21 to the accompanying audited consolidated annual financial statements for further information. The Acquisition and Operating Facility is used to fund operations, acquisitions, capital improvements, letters of credit and working capital deficiencies.

### **ERES Credit Facility**

The original ERES Credit Facility providing up to €50 million and the ERES one-year revolving bridge credit facility ("ERES Bridge Facility") providing up to €50 million, each originally maturing on July 8, 2021, were extended to October 29, 2021, under the same terms and conditions.

On October 29, 2021, ERES amended and renewed its existing ERES Credit Facility with the same two Canadian chartered banks, providing up to €100 million for a three-year period ending on October 29, 2024, which resulted in (i) combining the ERES Credit Facility and the ERES Bridge Facility; (ii) lower interest rates and fees; (iii) certain modifications to CAPREIT's financial covenants; and (iv) a negative pledge of an unencumbered property pool provided by CAPREIT, such that it represents 1.50 times the facility amount of €100 million.

The amended ERES Credit Facility can be drawn in euros and other foreign currencies up to an aggregate principal amount of all advances not to exceed €100 million. The interest rate of the amended ERES Credit Facility is dependent on the currency being drawn during the year.

Subsequent to year-end, on January 24, 2023, ERES amended its existing ERES Credit Facility. Refer to note 32 to the accompanying audited consolidated annual financial statements for further information.

The tables below summarize the amounts available and drawn under the respective credit facilities as at December 31, 2022 and December 31, 2021:

(\$ Thousands) As at December 31, 2022	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 600,000	\$ 144,982	\$ 744,982
Less: USD LIBOR borrowings	(259,211) <sup>(1)</sup>	(129,764) <sup>(3)</sup>	(388,975)
Letters of credit	(7,373)	–	(7,373)
Available borrowing capacity	\$ 333,416	\$ 15,218	\$ 348,634
Weighted average interest rate including interest rate swaps	5.56% <sup>(2)</sup>	3.06% <sup>(4)</sup>	4.73%

(\$ Thousands) As at December 31, 2021	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 600,000	\$ 143,910	\$ 743,910
Less: USD LIBOR borrowings	(104,329) <sup>(1)</sup>	(102,049) <sup>(3)</sup>	(206,378)
Canadian borrowings	(104,488) <sup>(5)</sup>	–	(104,488)
Letters of credit	(6,673)	–	(6,673)
Available borrowing capacity	\$ 384,510	\$ 41,861	\$ 426,371
Weighted average interest rate including interest rate swaps	1.44% <sup>(2)</sup>	0.57% <sup>(4)</sup>	1.15%

<sup>(1)</sup> As at December 31, 2022, CAPREIT has net USD LIBOR borrowings of USD \$191,365 (December 31, 2021 – USD \$82,292) that bear interest at the USD LIBOR rate plus a margin of 1.35% (December 31, 2021 – USD LIBOR rate plus a margin of 1.35%) per annum. As at December 31, 2022, CAPREIT does not have any outstanding USD borrowings based on the adjusted term SOFR.

<sup>(2)</sup> As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.00% (December 31, 2021 – 1.76%). For details of the swaps, refer to note 20.

<sup>(3)</sup> As at December 31, 2022, ERES has USD LIBOR borrowings of USD \$95,800 (December 31, 2021 – USD \$80,300) that bear interest at the USD LIBOR rate plus a margin of 1.35% (December 31, 2021 – USD LIBOR rate plus a margin of 1.35%) per annum.

<sup>(4)</sup> As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 5.74% (December 31, 2021 – 1.45%). For details of the swaps, refer to note 20.

<sup>(5)</sup> As at December 31, 2021, the Canadian borrowings bear interest at the bankers' acceptance rate plus a margin of 1.35% per annum.

### Mortgages Payable

The table below summarizes the type of mortgages payable included in CAPREIT's capital structure and the overall interest rates and terms to maturity as at December 31, 2022 and December 31, 2021:

(\$ Thousands) As at December 31,	2022 <sup>(1)</sup>	2021
Percentage of CMHC-insured mortgages <sup>(2)</sup>	98.3%	98.5%
Percentage of fixed-rate mortgages <sup>(3)</sup>	98.8%	99.1%
Weighted average mortgage effective interest rate <sup>(4)</sup>	2.61%	2.47%
Weighted average mortgage term to maturity (years) <sup>(5)</sup>	5.4	5.7

<sup>(1)</sup> Excludes liabilities related to assets held for sale.

<sup>(2)</sup> Excludes mortgages on the MHC sites and European financings.

<sup>(3)</sup> Taking into consideration interest rate swaps where hedge accounting is not being applied, 100% of mortgages are subject to fixed rates.

<sup>(4)</sup> Weighted average mortgage interest rate includes deferred financing costs, fair value adjustments, and prepaid CMHC premiums on an effective interest rate basis.

<sup>(5)</sup> The mortgages on the Canadian and European properties have a weighted average term to maturity of 5.8 years and 3.4 years, respectively (December 31, 2021 – 6.1 years and 3.9 years, respectively).

CAPREIT is in compliance with all of its CMHC and lender requirements for the years ended December 31, 2022 and December 31, 2021.



The following table presents financings, weighted average interest rates obtained, and mortgage top-ups closed in 2022:

(\$ Thousands)	Original Mortgage Amount	Original Stated Interest Rate	New Mortgage Amount	Weighted Average New Stated Interest Rate <sup>(1)</sup>	Weighted Average Term on New Mortgages (Years)	Net Top-Up Financing Amount
<b>The Canadian Portfolio</b>						
First Quarter	\$ 161,763	3.13%	\$ 273,825	2.85%	8.5	\$ 112,062 <sup>(2)</sup>
Second Quarter	166,701	2.90%	338,592	3.40%	9.7	171,891 <sup>(2)</sup>
Third Quarter	25,558	2.70%	–	–	–	(25,558) <sup>(2)</sup>
Fourth Quarter	90,475	3.00%	160,680	4.25%	5.0	70,205
Acquisitions	–	–	158,563	2.81%	6.2	158,563
Total and Weighted Average	\$ 444,497	2.99%	\$ 931,660	3.28%	7.9	\$ 487,163
<b>The ERES Portfolio</b>						
Refinancings	\$ 73,135	1.37%	\$ 106,200	3.19%	6.0	\$ 33,065
Acquisitions	–	–	52,778	3.19%	6.0	52,778
Total and Weighted Average	\$ 73,135	1.37%	\$ 158,978	3.19%	6.0	\$ 85,843
<b>Grand Total and Weighted Average</b>						
	\$ 517,632	2.76%	\$ 1,090,638	3.27%	7.7	\$ 573,006

<sup>(1)</sup> Excludes prepaid CMHC premiums, other financing costs and impact of hedging.

<sup>(2)</sup> Includes \$41.0 million of mortgage discharges not refinanced and \$66.4 million of mortgage discharged or assumed by purchaser on property dispositions.

Based on the current property portfolio, management expects to raise between \$750 million and \$800 million in total mortgage renewals and refinancings for the Canadian portfolio for 2023. As a strategy, CAPREIT leverages CMHC insurance to get access to stable financing at lower interest rates than would be available with conventional mortgage financing or other forms of debt. The premiums associated with the initial mortgage financing along with any additional premiums on future expected mortgage renewals or refinancing are analyzed to ensure the all-in cost of CMHC financing continues to be CAPREIT's most cost effective form of debt.

CMHC premiums are amortized over the amortization period of the underlying mortgage loans when incurred. If CAPREIT fully refinances or discharges an existing mortgage, any unamortized prepaid CMHC premiums and fees associated with the existing mortgages on that property will be written off in the period in which full refinancing or discharge occurs. CAPREIT accelerates the amortization for prepaid CMHC premiums for mortgages that management intends to fully refinance within the year, from the date the decision is made to refinance to the date the mortgage is due to be refinanced. During the year ended December 31, 2022, CMHC amortization expense including net write-offs of CMHC premiums on refinancings amounted to \$12.5 million, excluding CMHC write-offs relating to dispositions.

CMHC amortization expense, including write-offs except those relating to dispositions, for next year is expected to be in the range of \$10.0 million to \$11.0 million, depending on refinancing activity.

For the 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, excluding liabilities relating to assets held for sale. 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.

As at December 31, 2022 (\$ Thousands)		Mortgages on the Same Properties Maturing in Other Years <sup>(1)</sup>		Total Mortgages	NOI of Properties with Maturing Mortgage(s) <sup>(2)(3)</sup>
Year of Maturity	Mortgage Maturities <sup>(1)</sup>				
2023	\$ 443,136	\$	187,410	\$ 630,546	\$ 69,112
2024	505,887		84,879	590,766	55,083
2025	790,121		31,145	821,266	93,370
2026	765,810		(11,288)	754,522	91,086
2027	848,447		62,555	911,002	59,829
2028 onwards <sup>(4)</sup>	2,473,794		(354,701)	2,119,093	209,637
<b>Total</b>	<b>\$ 5,827,195</b>	<b>\$</b>	<b>-</b>	<b>\$ 5,827,195</b>	<b>\$ 578,117</b>

<sup>(1)</sup> Mortgage balance due upon maturity.

<sup>(2)</sup> NOI for the 12 months ended December 31, 2022.

<sup>(3)</sup> Projected NOI included for acquisitions since December 31, 2021.

<sup>(4)</sup> Liabilities related to assets held for sale are excluded.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2022 is as follows:

As at December 31, 2022 (\$ Thousands)		Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) <sup>(1)</sup>
Period						
2023	\$	152,920	\$ 356,147	\$ 509,067	9.3	3.63
2024		139,678	391,216	530,894	9.7	2.93
2025		130,513	460,948	591,461	10.8	2.58
2026		109,368	493,518	602,886	11.0	2.56
2027		87,066	557,251	644,317	11.8	3.20
2028		76,017	322,643	398,660	7.3	2.69
2029 <sup>(2)</sup>		80,649	398,225	478,874	8.7	2.89
2030		45,504	307,596	353,100	6.4	2.26
2031–2036		80,136	1,289,987	1,370,123	25.0	3.09
	<b>\$</b>	<b>901,851</b>	<b>\$ 4,577,531</b>	<b>\$ 5,479,382</b>	<b>100.0%</b>	<b>2.81%</b>
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net				\$ (130,998)		
Liabilities related to assets held for sale <sup>(3)</sup>				(38,116)		
<b>Total</b>				<b>\$ 5,310,268</b>		
<b>Weighted average term to maturity (years)<sup>(4)</sup></b>				<b>5.8</b>		

<sup>(1)</sup> Effective weighted average interest rates for maturing mortgages only, and it includes the amortization of deferred financing costs, prepaid CMHC premiums, and fair value adjustments.

<sup>(2)</sup> Mortgages related to assets held for sale mature in 2029.

<sup>(3)</sup> Liabilities related to assets held for sale are net of unamortized financing costs and prepaid CMHC premiums of \$593.

<sup>(4)</sup> Mortgages related to assets held for sale are excluded.

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2022 is as follows:

As at December 31, 2022  
(\$ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€) <sup>(2)</sup>	% of Total Mortgage Balance	Interest Rate (%) <sup>(1)</sup>
2023	\$ 3,187	\$ 86,989	\$ 90,176	€ 62,198	7.1	1.08
2024	2,574	114,671	117,245	80,869	9.2	1.39
2025	414	329,173	329,587	227,301	25.9	1.87
2026	–	272,292	272,292	187,811	21.4	1.47
2027	–	291,196	291,196	200,850	22.8	1.38
2028	–	171,079	171,079	118,000	13.6	3.29
	<b>\$ 6,175</b>	<b>\$ 1,265,400</b>	<b>\$ 1,271,575</b>	<b>€ 877,029</b>	<b>100.0%</b>	<b>1.77%</b>
Deferred financing costs and fair value adjustments, net			\$ (4,746)			
<b>Total</b>			<b>\$ 1,266,829</b>			
<b>Weighted average term to maturity</b>			<b>3.4</b>			

<sup>(1)</sup> Effective weighted average interest rates for maturing mortgages only, and it includes deferred financing costs and fair value adjustments.

<sup>(2)</sup> Included in mortgages payable are non-amortizing mortgages from ERES.

### Derivative Financial Instruments in Canada

(\$ Thousands)

As at December 31,

	2022	2021
Cross-currency interest rate swaps <sup>(1)</sup>	<b>\$ 919,935</b>	\$ 675,319
Weighted average interest rate on swaps – paying leg	<b>2.14%</b>	0.24%
Weighted average interest rate on swaps – receiving leg	<b>3.35%</b>	1.18%
Weighted average remaining term to maturity on swaps (years)	<b>1.3</b>	2.4

<sup>(1)</sup> Euro equivalent of €442.4 million (December 31, 2021 – €442.4 million), USD equivalent of US\$191.6 million (December 31, 2021 – \$nil) and excludes ERES cross-currency interest rate swaps.

The swaps have been staggered between one to three years to take advantage of the past prevailing low rates, with a current weighted average swap term of 1.3 years as at December 31, 2022.

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

Unitholders' Equity represents the issued and outstanding Trust Units, and excludes the Exchangeable LP Units and any units issued in connection with unit-based incentive plans.

Market capitalization and units outstanding as at December 31, 2022 are as follows:

(\$ Thousands and thousands of units)

As at December 31, 2022	
Market capitalization <sup>(1)</sup>	<b>\$ 7,323,875</b>
Total number of units outstanding – diluted	<b>171,599</b>
Trust Units	<b>169,404</b>
Deferred units	<b>121</b>
RUR Plan units	<b>395</b>
Exchangeable LP Units	<b>1,679</b>
Ownership by trustees, officers and other senior management	<b>0.3%</b>

<sup>(1)</sup> Market capitalization is determined by taking all units outstanding (including all unit-based compensation plans) and multiplying by the closing price of the Trust Units at period end.

### Normal Course Issuer Bid

In March 2022, CAPREIT received the TSX's acceptance of its notice of intention to proceed with an NCIB. Pursuant to the notice, CAPREIT may purchase up to 17,067,144 of its Trust Units, representing approximately 10% of the public float of its Trust Units at the time of TSX approval, during the 12-month period commencing March 24, 2022 and ending March 23, 2023. Under the NCIB, other than purchases made under the block purchase exemption, CAPREIT may purchase up to 91,823 Trust Units on the TSX during any trading day, which represents approximately 25% of 367,292 Trust Units, being the average daily trading volume on the TSX for the most recently completed six calendar months prior to the TSX's acceptance of the notice of intention to proceed with an NCIB. Any Trust Units purchased under the NCIB will be cancelled.

CAPREIT entered into an automatic purchase plan effective during the term of the NCIB. Based on predefined instructions, the automatic purchase plan allows for purchases by CAPREIT of Trust Units during certain predetermined blackout periods.

The table below summarizes the NCIB activity for the year ended December 31, 2022, based on the settlement date of purchases. For the year ended December 31, 2021, the Trust did not have an NCIB program in place and as a result did not purchase and cancel any Trust Units.

	Weighted Average Purchase Price Per Trust Unit	Total Cost of Trust Units Purchased and Cancelled (\$ Thousands)	Number of Trust Units Purchased and Cancelled	Remaining Limit
<b>Beginning Limit</b>				<b>17,067,144</b>
<b>First Quarter 2022</b>	\$ –	\$ –	–	17,067,144
<b>Second Quarter 2022</b>	47.83	67,050	1,401,764	15,665,380
<b>Third Quarter 2022</b>	45.18	134,742	2,982,460	12,682,920
<b>Fourth Quarter 2022</b>	42.38	35,980	848,938	11,833,982
<b>Total</b>	<b>\$ 45.44</b>	<b>\$ 237,772</b>	<b>5,233,162</b>	<b>11,833,982</b>

During the month of January 2023, CAPREIT purchased and cancelled an additional 182,723 Trust Units under the NCIB, at a weighted average purchase price of \$42.73 per Trust Unit, for a total cost of \$7.8 million.

### Unitholder Taxation

Portions of the distributions received by taxable Canadian Unitholders are characterized as other income, capital gain income, or return of capital. While return of capital is not immediately taxable, it reduces the tax cost of Units, and thus will increase future gain for Unitholders on the sale of the Units. The deferral rate is the portion of distributions treated as return of capital.

On December 15, 2022, CAPREIT declared a special non-cash distribution of \$0.36 per Trust Unit, payable in Trust Units on December 30, 2022 to Unitholders of record on December 30, 2022 (the "Special Distribution"). The Special Distribution was made to distribute to Unitholders a portion of the capital gain realized by CAPREIT from transactions completed during the year ended December 31, 2022. Refer to Section IV - Per Unit Calculations for further information.

As CAPREIT expands its presence in Europe, the deferral rate may decrease. Also, Unitholders may expect the deferral rate to decrease gradually as depreciation claimed to offset taxable income diminishes over time. However, an increase in CAPREIT's payout ratio will increase the deferral rate.

## SECTION VI: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES

### Selected Consolidated Quarterly Information

	Q4 22	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21
Overall portfolio net AMR	\$ 1,205	\$ 1,182	\$ 1,167	\$ 1,159	\$ 1,149	\$ 1,143	\$ 1,118	\$ 1,115
Operating revenues (000s) <sup>(1)</sup>	\$ 256,915	\$ 252,032	\$ 251,693	\$ 246,628	\$ 240,678	\$ 236,097	\$ 228,856	\$ 227,506
NOI (000s) <sup>(1)</sup>	\$ 164,500	\$ 166,644	\$ 166,093	\$ 153,172	\$ 153,429	\$ 158,126	\$ 151,786	\$ 146,652
NOI Margin <sup>(1)</sup>	64.0%	66.1%	66.0%	62.1%	63.7%	67.0%	66.3%	64.5%
Net Income (loss) (000s)	\$ 155,523	\$ 63,159	\$(250,354)	\$ 45,309	\$ 644,959	\$ 190,213	\$ 453,561	\$ 104,062
FFO (000s) <sup>(1)(2)</sup>	\$ 99,178	\$ 105,408	\$ 100,063	\$ 94,291	\$ 97,270	\$ 102,962	\$ 97,503	\$ 94,684
NFFO (000s) <sup>(1)(2)</sup>	\$ 99,922	\$ 106,562	\$ 102,871	\$ 97,622	\$ 100,353	\$ 105,819	\$ 100,080	\$ 95,942
Total debt to gross book value	39.4%	39.4%	38.8%	37.6%	36.1%	37.2%	36.4%	35.2%
FFO per unit <sup>(1)</sup> – diluted	\$ 0.575	\$ 0.604	\$ 0.568	\$ 0.536	\$ 0.554	\$ 0.592	\$ 0.562	\$ 0.547
NFFO per unit <sup>(1)</sup> – diluted	\$ 0.580	\$ 0.610	\$ 0.583	\$ 0.555	\$ 0.572	\$ 0.608	\$ 0.577	\$ 0.554
Weighted average number of units (000s) – basic	172,008	174,196	175,837	175,479	175,089	173,495	172,950	172,469
Weighted average number of units (000s) – diluted	172,401	174,588	176,322	175,994	175,567	173,985	173,512	173,072

<sup>(1)</sup> Includes the results of investment properties owned as at period end.

<sup>(2)</sup> Non-IFRS 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 first and fourth quarters of each year are typically more subject 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 factoring interest paid, primarily due to seasonal fluctuations. These seasonal or short-term fluctuations are funded, if necessary, with the Acquisition and Operating Facility. CAPREIT determines its annual distributions and the annual 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.

## 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,	2022	2021	2020
<b>Income Statement</b>			
Operating revenues	<b>\$ 1,007,268</b>	\$ 933,137	\$ 882,643
Net income	<b>\$ 13,637</b>	\$ 1,392,795	\$ 925,928
<b>Distributions</b>			
Distributions declared on Trust Units <sup>(1)</sup>	<b>\$ 249,540</b>	\$ 243,348	\$ 235,649
Distributions per Trust Unit	<b>\$ 1.450</b>	\$ 1.409	\$ 1.380
<b>Balance Sheet</b>			
Investment properties <sup>(2)</sup>	<b>\$ 17,153,709</b>	\$ 17,101,919	\$ 15,000,591
Total assets	<b>\$ 17,741,888</b>	\$ 17,712,973	\$ 15,499,131
Mortgages payable <sup>(3)</sup>	<b>\$ 6,577,097</b>	\$ 6,100,065	\$ 5,401,202
Bank indebtedness	<b>\$ 388,975</b>	\$ 310,866	\$ 118,553

<sup>(1)</sup> Distributions declared exclude the special non-cash distributions. Refer to note 17 of the accompanying audited consolidated annual financial statements for further information.

<sup>(2)</sup> Investment properties exclude \$132,342 of assets held for sale.

<sup>(3)</sup> Mortgages payable exclude \$38,116 of liabilities related to assets held for sale.

## 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, 2022.

### Critical Accounting Estimates, Assumptions and Judgments

A summary of critical accounting estimates, assumptions and judgments can be found in note 3 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2022.

## 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 disclosures.

As at December 31, 2022, 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, 2022.

Management has designed an adequate and appropriate control framework for the fair value assessment processes to ensure reported values accurately reflect market conditions. For the fair value assessment process of investment properties, unit-based compensation and other financial instruments measured at fair value, 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 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, 2022, 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, 2022.

CAPREIT did not make any changes to the design of internal controls over financial reporting in 2022 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 Trust Units and in 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 Trust Units.

#### ***Rent Control and Residential Tenancy 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 in extraordinary circumstances. 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.

In the Netherlands, rental properties where rent is greater than the government prescribed rent control threshold are subject to rent control, which includes a limit on the amount of starting rent that can be charged, as well as the amount of annual rent increases.

The lack of availability of affordable housing and related housing policy and regulations 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. CAPREIT may incur increased operating costs as part of its compliance with any such additional government legislation and regulations relating to housing matters, which may have an adverse effect on revenues.

#### ***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. 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. As the properties generate revenue through rental payments made by residents, the inability of tenants to pay rent may impact the rent receivables CAPREIT anticipates to receive on its properties. The current

rate of inflation and increases in interest rates may adversely affect consumer spending and debt levels, and as a result, CAPREIT's financial performance (including, but not limited to, in connection with potential increases in tenant activism related to the foregoing). If, as a result of the foregoing, 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. In addition, there is no guarantee that rental rates on renewals of existing rental agreements with residents, or market rents for available suites, will grow at levels similar to increasing rates of inflation, which may cause growth of operating expenditures to outpace growth in revenues.

Rising interest rates may cause a decrease in the value of rental properties and could also have a material adverse effect on CAPREIT's ability to sell any of its properties. In addition, increasing interest rates could put competitive pressure on the levels of distributable income paid by CAPREIT to Unitholders, increasing the level of competition for capital faced by CAPREIT, which could have a material adverse effect on the trading price of the applicable units.

The global economy may face increasing uncertainty due to trade protectionism, rising interest rates, disputes, international conflict and other political and economical events around the world, which could potentially impact international and domestic supply chains, Canadian trade, and the Canadian and global 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. In addition, CAPREIT's operating costs could increase further due to inflationary pressures, equipment limitations or other input cost escalations. CAPREIT's inability to control for these costs and inputs could have an adverse effect on CAPREIT's operating results and cash flows.

### ***Privacy, Cyber Security and Data Governance Risks***

CAPREIT may be vulnerable to privacy and cyber security incidents given its reliance on processing personal and business confidential information using information technology systems. Given CAPREIT's transition to a hybrid work-from-home policy, CAPREIT's reliance on using information technology systems for processing such personal and business confidential information may be elevated. 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.

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 Dutch subsidiaries are required to comply with the General Data Protection Regulation ("GDPR") passed by the European Union ("EU"). Under the GDPR, CAPREIT and its subsidiaries 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 subsidiaries to numerous risks, including the risk of incurring penalties from regulators, as well as reputational damage.

A cyber security and/or privacy incident can lead to: (a) unauthorized access to or disclosure of business confidential and personal information, belonging to CAPREIT and its tenants, employees or vendors, (b) identity theft, fraudulent activities and direct losses to stakeholders, including tenants and employees, (c) destruction or corruption of data affecting timeliness or accuracy of financial reporting, (d) lost revenues, (e) disruption to operations, including delays in processing rental applications and rent payments and the time, (f) attention required by management to investigate and respond to a cyber security incident, (g) remediation costs, including to restore or recover lost data, (h) litigation, fines and liabilities, including third-party liabilities, for failure to comply with applicable privacy and data protection laws or contractual obligations, (i) regulatory investigations, (j) increased insurance premiums and (k) reputational damage to CAPREIT.



CAPREIT has implemented processes, procedures and controls to help mitigate these risks, including monitoring and testing, maintenance of protective systems and contingency plans, to protect and prevent unauthorized access of personal and business confidential information and to reduce the likelihood of disruptions to its information technology systems. However, these measures, as well as increased awareness of risks of a cyber-incident, do not guarantee that CAPREIT and its stakeholders will not be negatively impacted by such an incident.

Additionally, CAPREIT depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase, data accuracy, quality and governance may be increasingly relevant to prompt and effective decision-making. Failure by CAPREIT to gather, analyze, validate and leverage data in a timely manner may adversely affect its decision-making and ability to execute its strategy, which may impact its financial performance.

### ***Talent Management and Human Resource Shortages***

CAPREIT relies on qualified staff to manage its buildings, service tenants, and provide back-office support. Any failure to effectively attract and retain talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could erode CAPREIT's competitive position or result in increased costs and competition for, or high turnover of, employees. Any of the foregoing could negatively affect CAPREIT's ability to operate its business and execute its strategies, which in turn, could adversely affect its reputation, operations or financial performance. A shortage of available, qualified employees may impact CAPREIT's service delivery and the overall tenant experience and lead to upward pressure on wages. Furthermore, maintaining internal pay equity will likely become increasingly challenging given higher salaries for new hires, nationwide talent shortages and inflationary pressures.

### ***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 income tax considerations would be materially and adversely different in certain respects and there may be 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 Unitholder.

If CAPREIT ceases to qualify as a "mutual fund trust" or "registered investment" under the Tax Act and Trust Units cease to be listed on a designated stock exchange, Trust Units will cease to be qualified investments for trusts governed by designated savings plans. CAPREIT will endeavour to ensure Trust 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 Trust Units are "prohibited investments" for registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, or tax-free savings accounts.

There are rules under the Tax Act (the "SIFT Rules") that apply to specified investment flow-through trusts or partnerships ("SIFTs"), and their beneficiaries or partners. Under the SIFT Rules, certain distributions will not be deductible in computing the SIFT's taxable income and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The SIFT Rules do not apply to certain real estate investment trusts that satisfy a number of technical tests relating to the nature of the revenue and investments of the trust for the particular taxation year (the "REIT Exemption"). Although CAPREIT expects to qualify for the REIT Exemption throughout 2023 and in future years, there can be no assurance that CAPREIT will not be subject to the SIFT Rules. If the SIFT Rules apply, the impact to Unitholders will depend in part on the status of the Unitholder and, in part on the amount of income distributed which would not be deductible by CAPREIT in computing its income in a particular year, and on what portions of CAPREIT's distributions constitute "non-portfolio earnings", other than income and returns of capital. To the extent that CAPREIT does not qualify for the REIT Exemption, CAPREIT will consider alternative measures, including restructuring, assuming that these measures are in the best interests of its Unitholders, to qualify for the REIT Exemption in the following year.

There can be no assurance that Canadian federal income tax laws, in respect of the treatment of mutual fund trusts or the REIT Exemption will not be changed in a manner that adversely affects CAPREIT or its Trust Unitholders. Furthermore, the judicial interpretation of Canadian federal income tax laws or the administrative and assessing practices and policies of the Canada Revenue Agency ("CRA") or the Minister of Finance (Canada) could change in a manner that adversely affects CAPREIT, its affiliates or the Unitholders. In addition, the Tax Act may impose additional withholding or other taxes on distributions made by CAPREIT to Unitholders that are non-residents and these taxes and any reduction thereof under a tax treaty between Canada and a foreign jurisdiction may change from time to time. There is also a risk that the tax laws and treaties of the foreign jurisdictions where CAPREIT operates may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, the effective tax rate in those jurisdictions 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.

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 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 either reduce CAPREIT's foreign income or be allocated to 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.

### **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, commodity taxes and recent increases, and anticipated future increases, in federal and provincial carbon taxes and other forms of carbon pricing) 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.

### ***Public Health Crises***

Public health crises, relating to COVID-19 or any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a "Health Crisis"), could adversely impact CAPREIT, including through: a general or acute decline in economic activity in the countries and regions in which CAPREIT's properties and investments are located; increased unemployment, reduced immigration, closure of college and university campuses, household consolidation (young adults moving back in with their parents), supply shortages, temporary service disruptions due to illness, CAPREIT or government-imposed isolation programs and restrictions on the movement of personnel, and other mobility restrictions and quarantine measures; increased government regulation, inability to access governmental programs or processes on a timely basis, efficacy of governmental relief efforts; and the quarantine or contamination of one or more of CAPREIT's properties. Contagion in a property or market in which CAPREIT operates could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict CAPREIT's ability to enforce material provisions under its leases among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of CAPREIT, including, but not limited to: the ability to implement rent increases; rent collection and receivables; vacancy levels; mortgage renewals and refinancings on attractive terms; submission and processing of various applications and approvals; deferral of certain capital expenditures and R&M expenditures; valuation of investment properties; and CAPREIT's ability to meet its debt covenants.

### ***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 its properties including in connection with CAPREIT's acquisition, development, disposition or financing of properties. The failure to monitor, remove 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 operation.

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. Refer to CAPREIT's ESG report for more details on our supporting policies and programs.

### ***Vendor Management and Third-Party Service Providers***

CAPREIT relies on third-party vendors to provide, among other things, important operational and technology-related services. If CAPREIT does not carry out effective and efficient vendor and procurement management processes (e.g. due diligence, competitive selection processes, contract management, vendor performance evaluation), it may result in receiving suboptimal services, which may have an operational, financial, and reputational impact on CAPREIT. Additionally, CAPREIT may not always be able to negotiate or renegotiate contracts with terms, services levels and rates that are in CAPREIT's best interest. If CAPREIT was required to transition from one vendor to another vendor, in some circumstances, it could subject CAPREIT to operational and service delays and inefficiencies until alternative vendors are sourced and the transition is complete.

### ***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.

### ***Valuation Risk***

CAPREIT conducts a valuation assessment of its properties on a quarterly basis. As property values fluctuate over time in response to market factors, or as underlying assumptions and inputs to the valuation model change, the fair value of CAPREIT's portfolio could change materially. Any changes in the value of CAPREIT's properties may impact Unitholder value. While CAPREIT is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model, 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. Errors in the inputs to the valuation model or inappropriate assumptions may result in an inaccurate valuation of CAPREIT's properties.

### ***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. Climate-related risks refer to the potential for climate change to create adverse consequences for human or ecological systems, including impacts on people, livelihoods, health and well-being, economic, social and cultural assets and investments, infrastructure, services provision, ecosystems and species. Following the framework from the TCFD, CAPREIT separates its climate change-related risks into two categories: (i) risks related to the physical impacts of climate change and (ii) risks related to the transition to a lower-carbon economy.

An increase in the frequency and magnitude of climate-related risks such as floods, fires, windstorms and ice storms in certain locales can lead to surge in capital expenditure, repairs and maintenance and interruptions to business operation. Ongoing operating expenses such as energy costs can potentially be impacted more by extreme weather, and anticipation of more frequent and severe weather events may have an adverse effect on insurance premiums. Investment properties located in areas with higher climate-related vulnerabilities could experience negative pressure on their valuations. Floods, heat waves, wildfires, extreme winds, heat stress, winter weather conditions/fluctuations, water stress, diseases, and related events have been identified to be of significant risk (in varying orders of relevance) in both the medium term (e.g., up to or around the year 2050) and long term (e.g., up to or around the year 2080) in CAPREIT's major markets of operation across Canada.

In addition, transitioning to a low-carbon economy will drive extensive regulatory, market and technology changes to address mitigation and adaptation requirements related to climate change. CAPREIT's approach to meet these challenges will also have an impact on its reputation. Regulatory changes may include those related to carbon pricing, a shift to low emission energy sources, the adoption of energy efficiency measures and technology, and changes to building codes to allow for climate resiliency and mitigation. Market changes may include adjustments in the goods and services purchased by CAPREIT as well as shifts in the preferences of occupants. Technology is moving towards more climate-friendly options including renewable energy, battery storage and energy efficiency equipment. CAPREIT's reputation is important to all stakeholders and will be impacted by the company's demonstrated understanding of climate-related financial risk and its plan to manage (mitigate or adapt to) these risks.

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 continues to evaluate the impact of climate change-related considerations with a view to developing a climate risk and resiliency strategy in order to understand and address material risks. As material risks are identified, such strategy will support CAPREIT's investment and development decisions and the ongoing management of CAPREIT's standing investments. Additionally, CAPREIT maintains a strong insurance program that considers the impacts of weather-related events by providing coverage for property damage and business interruption.

The table below summarizes the climate-related risk and their potential impacts on CAPREIT's business, identified in 2021 and 2022.

CATEGORY	RISKS	IMPACT
<b>PHYSICAL RISKS</b>		
<b>Acute and Chronic</b>	<ul style="list-style-type: none"> <li>increase in the frequency and magnitude of climate-related risks such as floods, fires, windstorms, and ice storms</li> <li>increase in the duration and magnitude of chronic climate-related risks such as heat stress, winter weather, water stress, freeze-thaw cycles and disease</li> </ul>	<ul style="list-style-type: none"> <li>rising capital expenditures, repairs and maintenance expenses</li> <li>interruptions to asset operations</li> <li>safety threats to residents and employees</li> <li>rising operating costs (e.g., energy prices)</li> <li>growing negative pressure on insurance premiums</li> <li>growing negative impacts on valuations and/or financial performance</li> </ul>
<b>TRANSITION RISKS</b>		
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>carbon pricing and related uncertainty</li> <li>a transition to low-emission energy sources</li> <li>mandatory adoption of energy efficiency or carbon reduction measures and/or limits</li> <li>changes to building codes to adapt to climate resiliency and mitigation needs</li> </ul>	<ul style="list-style-type: none"> <li>uncertainty in planning and budgeting processes</li> <li>unforeseen expenses for equipment upgrade and replacement</li> <li>adverse effect on insurance premiums</li> <li>adverse effects on valuations and/or financial performance</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>adjustments in goods and services purchased by CAPREIT</li> <li>changes in the requirements/preferences of occupants</li> </ul>	<ul style="list-style-type: none"> <li>assets may lose market/customer appeal</li> <li>supply chain disruption or unintended partner changes</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>transition to renewable sources of energy, battery storage and energy efficiency equipment</li> </ul>	<ul style="list-style-type: none"> <li>increase in expenses and capital investment</li> <li>assets lag in adoption or become obsolete</li> </ul>
<b>Reputational</b>	<ul style="list-style-type: none"> <li>must demonstrate understanding of climate-related financial risk and develop a plan to manage such risks</li> <li>lack of a proper investment strategy and operational management plan (i.e., absence of performance/reduction targets) to address climate change</li> </ul>	<ul style="list-style-type: none"> <li>increase in demand and scrutiny from investors and stakeholders</li> <li>mandated granular ESG disclosures</li> <li>negative impact on CAPREIT's ability to raise funds via debt and/or equity, as well as related investment returns and sentiment</li> </ul>

### ***Other Regulatory Compliance 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.

### ***Availability of Debt***

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 of 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 its 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 (excluding ERES) currently has access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. 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 Credit Facilities are 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 or make alternative credit arrangements or, 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 in Canada, 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.

### ***Acquisitions, Dispositions and Property Development***

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. 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. Acquired properties may also be subject to unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of CAPREIT. Representations and warranties given by third parties to CAPREIT by way of contract or otherwise may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. 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.

CAPREIT undertakes strategic property dispositions from time to time in order to recycle its capital and improve its portfolio composition. Failure to dispose of certain assets not aligned with CAPREIT's investment criteria may adversely affect its operations and financial performance.

CAPREIT engages in development, redevelopment and major renovation activities with respect to certain properties. It is subject to certain risks, including the availability and timely receipt of zoning, occupancy, land use and other regulatory and governmental approvals. This could result in substantial unanticipated delays or expenses and could negatively impact the financial performance of the Trust.

CAPREIT may, in the future, co-invest in property acquisitions or development initiatives through joint ventures or other joint equity structures. In any such joint venture, CAPREIT may not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve additional risks which would not have otherwise been present if CAPREIT had pursued these opportunities on its own.

### ***Catastrophic Events***

CAPREIT's properties may be impacted by acts of nature, such as climate-related events, and global events beyond CAPREIT's control. Depending on their severity, these events could cause threats to the safety of CAPREIT's tenants, significant damage to CAPREIT's properties and interruptions to CAPREIT's normal operations. There may be adverse impacts to CAPREIT's business if there is instability, disruption or destruction in a significant geographic region, regardless of cause, including war, terrorism, riots, civil insurrection or social unrest, and natural or man-made disasters, including famine, floods, hurricanes, fires, earthquakes, storms or disease as well as ineffective contingency planning for these types of events. 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 properties in impacted countries or regions 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.

### ***Litigation Risk***

In the normal course of CAPREIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to CAPREIT and as a result, could have a material adverse effect on the company's assets, liabilities, business, financial condition and results of operations. Even if CAPREIT were to prevail in such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from CAPREIT's business operations, which could have a material adverse effect on the business, cash flows, financial condition and results of operations and ability to make distributions to holders of units.

### ***Liquidity and Unit Price Volatility***

CAPREIT is an unincorporated "open-ended" investment trust and its Trust Units are listed on the TSX. There can be no assurance that an active trading market in the Trust 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 Trust Units will trade cannot be predicted. The market price of the Trust 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 Trust Units is the annual yield on the Trust Units. Accordingly, an increase in market interest rates may lead purchasers of Trust Units to demand a higher annual yield, which could adversely affect the market price of the Trust 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 Trust Units. Accordingly, the Trust 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 Trust 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 Trust 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 Trust Units, to continue to hold Trust Units, or to initiate and complete take-over bids in respect of the Trust Units. As a result, these restrictions may limit the demand for Trust Units from certain Unitholders and other investors, and thereby adversely affect the liquidity and market value of the Trust Units.

### ***CAPREIT's Investment in ERES***

CAPREIT currently holds an approximately 66% interest in ERES, assuming the exchange of all outstanding ERES Class B LP Units for ERES Units, through its beneficial ownership of, or the control or direction over, more than 142 million ERES Class B LP Units and 10.2 million ERES Units. For further details, please see the Related Party section in Section VI of the MD&A. 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 or underlying asset values and which are beyond CAPREIT's control. Fluctuations in the market price and valuations of CAPREIT's holdings in ERES may affect the price of the Trust 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.

Certain trustees of CAPREIT are also trustees of ERES, and certain CAPREIT employees are officers of ERES, which may give rise to conflicts of interest with their roles at CAPREIT and ERES. The ERES declaration of trust provides that certain matters which have the potential to give rise to a conflict of interest between ERES and CAPREIT or with any related party of CAPREIT, must be approved by a majority of the non-restricted ERES trustees, in addition to a majority of the ERES trustees generally.

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. CAPREIT's Code of Business Ethics and Conduct also contains "conflicts of interest" provisions requiring trustees and officers who become aware of a conflict of interest (or a potential conflict) to disclose any such conflicts of interest (or potential conflicts) to the Governance and Nominating Committee.

### ***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, environmental matters and investment restrictions. In addition, pursuant to the DOT, CAPREIT's overall leverage is limited to 70% of its reported gross book value, unless a majority of trustees, at their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of CAPREIT. Fluctuations in the capitalization rates of CAPREIT's properties could impact these fair values and CAPREIT's compliance with its DOT and debt covenants.

### ***Lack of Diversification of Investment Assets***

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.

### ***Geographic Concentration***

The portfolio is currently weighted with 41.9% of the overall portfolio (by number of suites and sites) in Ontario (25.7% in the Greater Toronto Area ("GTA")). Accordingly, CAPREIT's market value of its properties and its performance are particularly sensitive to economic conditions in, and regulatory changes affecting, Ontario and, in particular, the GTA.

Adverse changes in the economic condition or regulatory environment of this market may have a material adverse effect on CAPREIT's business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

### ***Illiquidity of Real Property***

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 carrying value of the assets or less than what could be expected to be realized under normal circumstances.

### ***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). See Property Capital Investments section. 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 especially at older properties, or it risks being 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.

### ***Leasing Risk***

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 Rent Control and Residential Tenancy 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. As such, there can be no guarantees that operating margins will continue to be maintained or increased, especially in an environment of flat or declining rents and/or increasing costs. 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.

### ***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.

### ***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.

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

### ***Adequacy of Insurance and Captive Insurance***

It is CAPREIT's policy to maintain a comprehensive insurance program to cover property and general liabilities, such as fire, flood, terrorism, injury or death, rental loss and environmental impacts, 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.

CAPREIT's captive insurance program was created to reduce CAPREIT's overall insurance costs through the operation of a wholly-owned subsidiary, which reinsures the first \$10 million per claim under CAPREIT's property insurance program and the first \$2 million per claim under CAPREIT's general liability insurance program. CAPREIT's aggregate liability for claims made on an annual basis under the reinsurance agreement is limited to \$25 million. Captive insurance risk is the exposure to financial loss resulting from a wholly-owned subsidiary reinsuring certain risks related to 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. 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.

### ***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. Additionally, the inability to recruit and retain key personnel may impact the ability for controls to operate effectively.

### ***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 (the “CDIC Act”) and are not insured under the provisions of CDIC 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.

### ***Dilution***

Subject to applicable laws, CAPREIT is authorized to issue an unlimited number of Trust Units and 25,840,600 Preferred Units, and on such terms and conditions determined by the Board of Trustees, 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, subject to limits imposed by the TSX. 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.

### ***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, including in connection with any suspension of the bonus units being issued, as applicable, 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 Trust Unit prices.

### **Foreign Operation and Currency Risks**

In connection with CAPREIT's investment in IRES and its investment in and management of ERES, the Irish and Dutch 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 ERES and IRES is the euro. CAPREIT's exposure to currency exchange risk could increase if the proportion of income from investment properties located in Europe increases as a result of future property acquisitions or investments.

Additionally, CAPREIT enters into cross currency interest rate swap or interest rate swap arrangements from time to time to manage CAPREIT's currency risk on its European net investments and to manage its interest rate exposures on certain financing arrangements. The fluctuations in the euro against the Canadian dollar and change in interest rates could have a material adverse effect on the fair value of these financial instruments.

### **Related Party Transactions**

A summary of related party transactions can be found in note 28 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2022.

### **Commitments and Contingencies**

A summary of commitments and contingencies can be found in notes 29 and 30 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2022.

### **Subsequent Events**

A summary of subsequent events can be found in note 32 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2022.

## 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 Land Lease 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 two properties located in the Greater Toronto Area as at December 31, 2022, compared to two properties as at December 31, 2021. The leases mature in 2034 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.

*Land Leasehold Interests* – CAPREIT owns ground leasehold interests in three land parcels in Alberta and one land parcel in British Columbia, as well as an air leasehold interest in the space occupied by an apartment in the Greater Toronto Area. 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 lease matures in 2045, two mature in 2068, one matures in 2070 and another matures in 2072. 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 77 MHCs as at December 31, 2022 (December 31, 2021 – 76), whereby CAPREIT owns the sites, which it rents to residents.

#### Portfolio by Type of Property Interest

As at December 31,	2022	%	2021	%
Fee simple interests – apartments and townhomes	52,550	78.9	52,314	79.1
Operating leasehold interests	274	0.4	274	0.4
Land leasehold interests	1,376	2.1	1,376	2.1
Total residential suites	54,200	81.4	53,964	81.6
Fee simple interests – MHC land lease sites	12,386	18.6	12,201	18.4
Total suites and sites	66,586	100.0	66,165	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,	2022	%	2021	%
<b>Residential Suites</b>				
<b>Ontario</b>				
Greater Toronto Area	17,139	25.7	17,897	27.0
London / Kitchener / Waterloo	3,808	5.7	3,808	5.7
Ottawa	2,492	3.7	2,750	4.2
	<b>23,439</b>	<b>35.1</b>	24,455	36.9
<b>Québec</b>				
Greater Montréal Region	8,168	12.3	7,933	12.0
Québec City	3,291	4.9	2,777	4.2
	<b>11,459</b>	<b>17.2</b>	10,710	16.2
<b>British Columbia</b>				
Greater Vancouver Area	3,743	5.6	3,743	5.7
Victoria and Other British Columbia	2,117	3.2	2,034	3.1
	<b>5,860</b>	<b>8.8</b>	5,777	8.8
<b>Nova Scotia</b>				
Halifax	3,288	4.9	3,288	5.0
<b>Alberta</b>				
Calgary	1,775	2.7	1,775	2.7
Edmonton	608	0.9	543	0.8
	<b>2,383</b>	<b>3.6</b>	2,318	3.5
<b>Prince Edward Island</b>				
Charlottetown	637	1.0	637	1.0
<b>Saskatchewan</b>				
Regina	234	0.4	234	0.3
Total Canadian residential suites	<b>47,300</b>	<b>71.0</b>	47,419	71.7
<b>Europe</b>				
The Netherlands	6,900	10.4	6,545	9.9
Total residential suites	<b>54,200</b>	<b>81.4</b>	53,964	81.6
<b>MHC Sites</b>				
Total MHC sites	<b>12,386</b>	<b>18.6</b>	12,201	18.4
Total suites and sites	<b>66,586</b>	<b>100.0</b>	66,165	100.0

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 two of the properties, which are exercisable between the 26th and 35th years of the respective leases.

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 \$42 million to \$50 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 two 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

(\$ Thousands)

As at December 31, 2022

Option Exercise Prices

Year of Lease Maturity	Properties	Suites	%	Option Exercise Prices		Prepaid Lease Amount <sup>(1)</sup>
				26th Year	35th Year	
2034	1	75	27.4	11,400	13,650	7,775
2037	1	199	72.6	30,600	36,000	21,000
Total Operating Leasehold Interests portfolio	2	274	100.0	\$ 42,000	\$ 49,650	\$ 28,775

<sup>(1)</sup> 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 five investment properties on which CAPREIT has Land Leasehold Interests, CAPREIT's interests in one property matures in 2045, in two properties in 2068, one property in 2070 and another property in 2072. Generally, each lease provides for annual ground rent or air rights rent and additional rent calculated from the properties' operating results. All variable rental payments associated with Land Leasehold Interests are included in other operating expenses (see Results of Operations) with the fixed portion capitalized as per IFRS 16, Leases and amortized.

### Land Leasehold Interests Portfolio by Lease Maturity

(\$ Thousands)

Year Ended December 31,

Total Annual Rent

Year of Lease Maturity	Suites	%	Total Annual Rent	
			2022	2021
2045	471	34.2	\$ 3,450	\$ 3,450
2068	306	22.2	1,434	1,405
2070	272	19.8	1,755	1,477
2072	327	23.8	621	572
Total Land Leasehold Interests portfolio	1,376	100.0	\$ 7,260	\$ 6,904

# Management's Responsibility for the Consolidated 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, 2022, 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 on the recommendation of the Audit Committee. This committee meets regularly with management and the auditor, which have full and free access to the Audit Committee.

February 22, 2023

/s/Mark Kenney

Mark Kenney  
President and Chief  
Executive Officer

/s/Stephen Co

Stephen Co  
Chief Financial Officer





## Independent auditor's report

To the Unitholders of Canadian Apartment Properties Real Estate Investment Trust

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### 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, 2022 and 2021, 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, 2022 and 2021;
- 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 significant accounting policies and other explanatory information.

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### 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.

PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties: Canadian Fee Simple Interests – Apartments and Townhomes, Manufactured Home Communities Land Lease Sites and European interests</b></p> <p><i>Refer to note 2 – Summary of Significant Accounting policies, note 3 – Critical Accounting Estimates, Assumptions and Judgments and note 6 – Investment Properties to the consolidated financial statements.</i></p> <p>The Trust’s investment properties are measured at fair value as at the consolidated balance sheet date. Total investment properties as at December 31, 2022 have a fair value of \$17,154 million and include Canadian Fee Simple Interests - Apartments and Townhomes, Manufactured Home Communities (MHC) Land Lease Sites and the Trust’s European interests through its 66% ownership interest in European Residential Real Estate Investment Trust (the European interests) with a combined fair value of \$16,793 million. Fair value is determined in accordance with recognized valuation techniques. The techniques used comprise both the Direct Income Capitalization (DC) and the Discounted Cash Flow (DCF) methods. Management is responsible for determining the fair value of the Trust’s investment properties, using either qualified internal or external independent appraisers. Critical judgments are made by management in respect of the fair values of investment properties.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• For a sample of Canadian Fee Simple Interests and MHC Land Lease Sites, tested how management determined the fair value, which included the following: <ul style="list-style-type: none"> <li>– Evaluated the appropriateness of the DC method used.</li> <li>– Tested the underlying data used in the DC method.</li> <li>– Evaluated the reasonableness of: <ul style="list-style-type: none"> <li>○ Capitalization rates, by comparing to current industry data or comparable market transactions, as applicable; and</li> <li>○ Stabilized NOI, by: <ul style="list-style-type: none"> <li>– Comparing stabilized property revenue to budgets and actual performance.</li> <li>– Comparing stabilized property expenses to actual performance, market data and budgets, where applicable.</li> </ul> </li> </ul> </li> </ul> </li> <li>• Professionals with specialized skill and knowledge in the field of real estate valuations further assisted us in evaluating the reasonableness of the capitalization rates and stabilized NOI.</li> </ul>



### Key audit matter

For the Canadian Fee Simple Interests and MHC Land Lease Sites, the Trust utilizes the DC method. Under the DC method, capitalization rates are applied to a stabilized net operating income (NOI) reflecting market-based NOI assumptions. For the European interests, the Trust utilizes a DCF method and a DC method (the valuation methods). The most significant assumptions used in the DCF method include the stabilized cash flows, the discount rate applied over the term of the cash flows and the terminal capitalization rate. The most significant assumption used in the DC method is the capitalization rate for each property.

We considered this a key audit matter due to: i) significant audit effort required to test the fair value of the Canadian Fee Simple Interests – Apartments and Townhomes, MHC Land Lease Sites and the European interests determined by management, ii) critical judgments made by management through their use of qualified internal or external independent appraisers when determining the fair value including the development of the significant assumptions, and iii) a high degree of complexity in assessing audit evidence to support the significant assumptions made by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.

### How our audit addressed the key audit matter

- For a sample of the European interests, valued using the DC Method:
  - Evaluated the appropriateness of the valuation method used.
  - Tested the underlying data such as property revenue and property operating expenses, used in the valuation method.
- Professionals with specialized skill and knowledge in the field of real estate valuations assisted us in evaluating the valuation methods of certain of the European interests by:
  - Evaluating the reasonableness of the fair value of residential investment properties by developing an independent point estimate of the fair value using a DC model. This involved the use of available market data to independently develop assumptions related to capitalization rates and stabilized NOI, which incorporated various assumptions including property revenue and property operating expenses.
  - Comparing the independent point estimate to management's estimate to evaluate the reasonableness of management's estimate.

### 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.

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### **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.

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### **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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Derek Hatoum.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 22, 2023

# Consolidated Balance Sheets

(CA\$ thousands)			
As at	Note	December 31, 2022	December 31, 2021
<b>Non-current assets</b>			
Investment properties	6	\$ 17,153,709	\$ 17,101,919
Investments held at fair value through profit or loss	3,28	196,364	51,286
Investment in associate	3,28	–	246,505
Mortgages receivable	7	46,800	114,990
Derivative assets	20	62,599	22,420
Other non-current assets	8	32,828	38,671
Total non-current assets		17,492,300	17,575,791
<b>Current assets</b>			
Derivative assets	20	–	8,506
Other current assets	8	69,943	55,265
Cash and cash equivalents		47,303	73,411
Assets held for sale	5,6	132,342	–
Total current assets		249,588	137,182
Total assets		\$ 17,741,888	\$ 17,712,973
<b>Non-current liabilities</b>			
Mortgages payable	12	\$ 5,963,820	\$ 5,456,605
Bank indebtedness	13	388,975	310,866
Unit-based compensation financial liabilities	14,15	7,806	14,272
ERES units held by non-controlling unitholders	11	242,599	356,695
Derivative liabilities	20	–	1,157
Deferred income tax liability	22	120,524	133,974
Lease liabilities		47,460	48,316
Total non-current liabilities		6,771,184	6,321,885
<b>Current liabilities</b>			
Mortgages payable	12	613,277	643,460
Unit-based compensation financial liabilities	14,15	10,451	22,623
Derivative liabilities	20	10,625	2,816
Accounts payable and accrued liabilities	10	137,908	141,499
Other current liabilities	9	17,720	15,492
Security deposits		46,775	43,675
Exchangeable LP Units	16	71,668	100,684
Distributions payable		20,469	20,953
Liabilities related to assets held for sale	5,12	38,116	–
Total current liabilities		967,009	991,202
Total liabilities		\$ 7,738,193	\$ 7,313,087
<b>Unitholders' equity</b>			
Unit capital	17	\$ 4,183,171	\$ 4,194,093
Retained earnings	17	5,846,397	6,249,190
Accumulated other comprehensive loss	23	(25,873)	(43,397)
Total unitholders' equity		\$ 10,003,695	\$ 10,399,886
Total liabilities and unitholders' equity		\$ 17,741,888	\$ 17,712,973

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	2022	2021
<b>Operating revenues</b>			
Revenue from investment properties	27	\$ 1,007,268	\$ 933,137
<b>Operating expenses</b>			
Realty taxes		(93,912)	(87,698)
Property operating costs		(262,947)	(235,446)
Total operating expenses		(356,859)	(323,144)
<b>Net rental income</b>		<b>650,409</b>	609,993
Trust expenses		(57,965)	(51,366)
Unit-based compensation recovery (expense)	15	3,414	(15,111)
Fair value adjustments of investment properties	6	(468,327)	1,048,742
Fair value adjustments of Exchangeable LP Units		29,016	(665)
Fair value adjustments of investments		(101,261)	14,088
Loss on dispositions	5,28	(3,318)	(241)
Amortization of property, plant and equipment		(7,462)	(8,250)
Gain (loss) on non-controlling interest	11	104,822	(38,651)
Gain on derivative financial instruments	20	54,135	50,282
Interest and other financing costs	24	(182,869)	(160,463)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions		1,766	–
Loss on foreign currency translation	28	(21,000)	(6,095)
Other income	27	16,521	31,713
Goodwill impairment loss	8	(14,278)	–
<b>Net income before income taxes</b>		<b>3,603</b>	1,473,976
Current and deferred income tax recovery (expense)	22	10,034	(81,181)
<b>Net income</b>		<b>\$ 13,637</b>	\$ 1,392,795
<b>Other comprehensive income (loss), including items that may be reclassified subsequently to net income</b>			
Amortization of losses from (AOCL) AOCI to interest and other financing costs	23	\$ 1,361	\$ 2,440
Gain (loss) on foreign currency translation, net of taxes	23	8,536	(115,884)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	23,28	7,627	–
<b>Other comprehensive income (loss)</b>		<b>\$ 17,524</b>	\$ (113,444)
<b>Comprehensive income</b>		<b>\$ 31,161</b>	\$ 1,279,351

See accompanying notes to the consolidated annual financial statements.

# Consolidated Statements of Unitholders' Equity

(CA\$ thousands)

	Note	Unit capital	Retained earnings	Accumulated other comprehensive (loss) income	Total
<b>Unitholders' equity, January 1, 2022</b>		<b>\$ 4,194,093</b>	<b>\$ 6,249,190</b>	<b>\$ (43,397)</b>	<b>\$ 10,399,886</b>
<b>Unit capital</b>					
Distribution Reinvestment Plan	17	42,178	–	–	42,178
Deferred Unit Plan	15,17	4,845	–	–	4,845
Restricted Unit Rights Plan	15,17	9,852	–	–	9,852
Employee Unit Purchase Plan	15,17	3,085	–	–	3,085
Issuance of Trust Units pursuant to special non-cash distribution	17	60,986	–	–	60,986
Cancellation of Trust Units under NCIB	17	(131,868)	(105,904)	–	(237,772)
Total unit capital		(10,922)	(105,904)	–	(116,826)
<b>Net income and other comprehensive income</b>					
Net income		–	13,637	–	13,637
Other comprehensive income	23	–	–	17,524	17,524
Total net income and other comprehensive income		–	13,637	17,524	31,161
<b>Distributions on Trust Units</b>					
Distributions declared and paid	18	–	(229,071)	–	(229,071)
Distributions payable	18	–	(20,469)	–	(20,469)
Special non-cash distribution	17	–	(60,986)	–	(60,986)
Total distributions on Trust Units		–	(310,526)	–	(310,526)
<b>Unitholders' equity, December 31, 2022</b>		<b>\$ 4,183,171</b>	<b>\$ 5,846,397</b>	<b>\$ (25,873)</b>	<b>\$ 10,003,695</b>

	Note	Unit capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
<b>Unitholders' equity, January 1, 2021</b>		<b>\$ 4,103,912</b>	<b>\$ 5,099,743</b>	<b>\$ 70,047</b>	<b>\$ 9,273,702</b>
<b>Unit capital</b>					
Distribution Reinvestment Plan	17	75,739	–	–	75,739
Restricted Unit Rights Plan	15,17	11,463	–	–	11,463
Employee Unit Purchase Plan	15,17	2,979	–	–	2,979
Total unit capital		90,181	–	–	90,181
<b>Net income and other comprehensive loss</b>					
Net income		–	1,392,795	–	1,392,795
Other comprehensive loss	23	–	–	(113,444)	(113,444)
Total net income and other comprehensive loss		–	1,392,795	(113,444)	1,279,351
<b>Distributions on Trust Units</b>					
Distributions declared and paid	18	–	(222,395)	–	(222,395)
Distributions payable	18	–	(20,953)	–	(20,953)
Total distributions on Trust Units		–	(243,348)	–	(243,348)
<b>Unitholders' equity, December 31, 2021</b>		<b>\$ 4,194,093</b>	<b>\$ 6,249,190</b>	<b>\$ (43,397)</b>	<b>\$ 10,399,886</b>

See accompanying notes to the consolidated annual financial statements.



# Consolidated Statements of Cash Flows

(CA\$ thousands)			
For the Year Ended December 31,	Note	2022	2021
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net income		\$ 13,637	\$ 1,392,795
Items related to operating activities not affecting cash:			
Fair value adjustments – investment properties		468,327	(1,048,742)
Fair value adjustments – Exchangeable LP Units		(29,016)	665
Fair value adjustments – investments		101,261	(14,088)
Mark-to-market (gain) loss on ERES units	11	(117,740)	25,895
Loss on dispositions	5,28	3,318	241
Gain on derivative financial instruments	20	(54,135)	(50,282)
Amortization	8,23,24	26,293	25,242
Unit-based compensation (recovery) expense	15	(3,414)	15,111
Straight-line rent adjustment		(96)	(188)
Deferred income tax (recovery) expense	22	(14,877)	76,642
Net profit from investment in associate	27	(647)	(18,455)
Unrealized foreign currency loss		13,373	6,095
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	28	7,627	–
Impairment of goodwill	8	14,278	–
Items related to investing and financing activities	26	165,007	151,848
Changes in non-cash operating assets and liabilities	26	4,831	(11,346)
<b>Cash provided by operating activities</b>		<b>598,027</b>	<b>551,433</b>
<b>Investing activities</b>			
Acquisition of investment properties	26	(539,561)	(839,975)
Capital investments	26	(336,467)	(299,419)
Operating lease buyout	6	–	(4,457)
Acquisition of investments		(18,867)	–
Disposition of investment properties	26	306,949	29,194
Disposition of investments		5,246	–
Proceeds from settlement of mortgage receivable	7	68,190	–
Change in restricted funds		1,351	(1,798)
Investment income received		10,185	8,469
<b>Cash used in investing activities</b>		<b>(502,974)</b>	<b>(1,107,986)</b>
<b>Financing activities</b>			
Mortgage financings	26	1,090,638	1,340,965
Mortgage principal repayments	26	(162,048)	(149,996)
Mortgages repaid on maturity and disposition	26	(479,349)	(521,375)
Lease payments		(6,228)	(6,107)
Financing costs		(7,652)	(8,547)
CMHC premiums on mortgages payable		(20,463)	(23,447)
Interest paid on mortgages and bank indebtedness		(156,266)	(133,665)
Net borrowings on bank indebtedness	26	63,832	189,305
Proceeds on issuance of Trust Units, net of issuance costs	26	2,745	3,138
Purchase and cancellation of Trust Units	17	(237,772)	–
Net cash distributions and other net interest payments	26	(219,761)	(177,774)
<b>Cash (used in) provided by financing activities</b>		<b>(132,324)</b>	<b>512,497</b>
<b>Changes in cash and cash equivalents during the year</b>		<b>(37,271)</b>	<b>(44,056)</b>
Gain (loss) on foreign currency translation		11,163	(4,255)
Cash and cash equivalents, beginning of the year		73,411	121,722
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 47,303</b>	<b>\$ 73,411</b>

See accompanying notes to the consolidated annual financial statements.

# Notes to Consolidated Financial Statements

**December 31, 2022**

(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-ended mutual fund 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 amended and restated on June 1, 2022. CAPREIT commenced active operations on February 4, 1997 when it acquired an initial portfolio of properties. CAPREIT became a reporting issuer on May 21, 1997 pursuant to an initial public offering prospectus of its units (“Trust Units”) dated May 12, 1997.

CAPREIT Limited Partnership (“CAPLP”), a 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 and restated on June 22, 2020, owns directly or indirectly the beneficial interest of all its investment properties, along with the related mortgages and all the debt obligations of CAPREIT.

As at December 31, 2022, CAPREIT directly and indirectly holds a 66% (December 31, 2021 – 66%) ownership of publicly traded European Residential Real Estate Investment Trust (“ERES”), which operates primarily in the Netherlands, with the remaining 34% (December 31, 2021 – 34%) held by non-controlling unitholders. CAPREIT owns units of ERES (“ERES units”) and Class B Limited Partnership units (“ERES Class B LP Units”) of ERES Limited Partnership (“ERES LP”). ERES Class B LP Units are exchangeable, on a one-for-one basis, for 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 is listed on the Toronto Stock Exchange (“TSX”) under the trading 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 (“IASB”) 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 22, 2023.

### 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 a 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;
- iii) ERES units held by non-controlling unitholders, which are stated at fair value; and
- iv) Class B limited partnership units of CAPLP (“Exchangeable LP Units”), which are stated at fair value.

In these consolidated annual financial statements, all amounts are presented in thousands of Canadian dollars, except unit or per unit amounts, or unless otherwise stated.

### ***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. International Accounting Standard 12, Income Taxes (“IAS 12”), 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 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.

At each reporting date, CAPREIT evaluates whether there is objective evidence that its interest in an associate is impaired. If impairment indicators exist, 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.

### ***d) Investment Properties***

CAPREIT considers its income properties to be investment properties under 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. When considering highest and best use, CAPREIT takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

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 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 measures all such interests at fair value, including the fair value of options to purchase, and these are accounted for and presented as investment properties. Capital expenditures are added to the carrying amount of investment properties to the extent it is probable that future economic benefits associated with the expenditure will flow to CAPREIT and the expenditure can be measured reliably.

The fair value of CAPREIT's investment properties is determined at each balance sheet date by either qualified internal or external independent appraisers, depending on the size and geography of each property. 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, including investment properties held for sale, are derecognized when they have been disposed of. The difference between the disposal proceeds, net of transaction costs, and the carrying amount of the asset is recognized in net income 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 an 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 that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

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. Under IFRS 3, CAPREIT has the option 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. The optional concentration test will be applied on a case-by-case basis.

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 real estate investment trust ("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 available for sale when CAPREIT has committed to a plan to sell the asset, is actively marketing the sale at a reasonable price in relation to its estimated fair value and a sale is highly probable of being completed within one year in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (“IFRS 5”). 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 assets 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 10 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.

#### **i) Financial Instruments**

##### **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.

At each reporting date, financial assets measured at amortized cost are assessed for impairment under an expected credit loss (“ECL”) approach. CAPREIT applies the simplified approach, which uses lifetime ECLs, for other receivables, which consist primarily of tenant receivables. CAPREIT monitors its collection rate on a monthly basis and ensures that all past due amounts are provided for. CAPREIT measures the ECL allowance of its mortgage receivables at an amount equal to the 12-month ECL at initial recognition or if there has been no significant increase in credit risk of the mortgage receivables since initial recognition. CAPREIT will increase the loss allowance of the mortgage receivables to an amount equal to the lifetime ECL if there has been a significant increase in credit risk of the mortgage receivables since initial recognition.

**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
<b>Financial assets</b>	
Cash and cash equivalents	Amortized cost
Restricted funds	Amortized cost
Other receivables	Amortized cost
Mortgages receivable	Amortized cost
Investments	Fair value through profit or loss or fair value through other comprehensive income
Derivative financial assets	Fair value through profit or loss <sup>(i)</sup>
<b>Financial liabilities</b>	
Mortgages payable	Amortized cost
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Other liabilities	Amortized cost
Security deposits	Amortized cost
Exchangeable LP Units	Fair value through profit or loss
ERES units held by non-controlling unitholders	Fair value through profit or loss
Derivative financial liabilities	Fair value through profit or loss <sup>(i)</sup>

<sup>(i)</sup> 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 funds**

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less. Restricted funds do not meet the definition of cash and cash equivalents and are 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. Any receivables with maturities more than 12 months after the consolidated balance sheet date 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.

**Mortgages receivable**

Mortgages receivable typically arise when CAPREIT disposes of investment properties and provides the purchasers with vendor takeback mortgages ("VTB"). The VTB is a financial asset under IFRS 9 and is measured initially at fair value and subsequently at amortized cost. Mortgages receivable are included in non-current assets, except for those with maturities within 12 months after the consolidated balance sheet date, which are classified as current assets.

**Investments**

Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognized in profit or loss or other comprehensive income (loss) within the consolidated statements of income and comprehensive income in the period in which they arise. Financial assets at FVTPL and FVOCI 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.

Investments that are held within a held to collect and sell business model, where the contractual terms give rise to cash flows that are solely payments of principal and interest, are measured at FVOCI. Equity investments and all other investments not designated as FVOCI are measured at FVTPL.

**Derivative financial assets and financial liabilities**

Derivative financial assets and financial liabilities 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 assets or financial liabilities are designated as a hedging instrument and, if so, the nature of the item being hedged. For CAPREIT's accounting policy on hedging, see Hedging Relationships below.

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

**Financial liabilities**

Mortgages payable, bank indebtedness, accounts payable and accrued liabilities, other liabilities and security deposits are recorded initially at fair value and subsequently at amortized cost. All other financial liabilities are recorded at fair value.

**Transaction costs related to financial instruments**

Transaction costs related to financial assets and financial liabilities 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 financial asset or financial liability and amortized over the expected life of the financial instrument using the effective interest method.

**Hedging relationships**

At the inception of a transaction designated as a cash flow hedge, 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 income (loss). 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 accumulated other comprehensive loss ("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.

**j) Leases**

IFRS 16, Leases ("IFRS 16"), sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. From a lessee point of view, leases impacted by IFRS 16 encompass CAPREIT's four land leases in Alberta and British Columbia, an air rights lease and leased office space. These leases are recorded as right-of-use assets with corresponding lease liabilities 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 these assets. Interest expense on the lease liabilities and fair value gain (loss) on the right-of-use assets are recorded through CAPREIT's consolidated statements of income and comprehensive income.

These land and air rights lease payments are calculated based upon a specified minimum payment, and at several intervals throughout the lease term, 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. These lease liabilities are determined based on future fixed and in-substance fixed payments, and exclude any variable payments. Variable payments are calculated based on certain variables such as a percentage of revenues and net operating income 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 and are included within other assets. Such right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

For other leases of low-value assets or short-term leases that end within 12 months of the commencement date and have no renewal or purchase option, 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.

### ***k) MHC Home Inventory***

MHC home inventory consists of homes which CAPREIT intends to sell in the ordinary course of business. These homes are typically sold to tenants at CAPREIT's MHC sites. In accordance with IAS 2, Inventories ("IAS 2"), MHC home inventory is recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs and any costs of completion, if applicable. MHC home inventory is reviewed for impairment at each reporting date. An impairment loss is recognized in the consolidated statements of income and comprehensive income if the carrying value of the inventory exceeds its net realizable value. When the circumstances that previously caused inventory to be impaired no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the impairment loss previously recorded is reversed.

MHC home inventory is included within other current assets unless CAPREIT does not expect to sell these assets in the ordinary course of business within the next 12 months after the reporting date.

Transfers between MHC home inventory and investment property occur if there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property based on CAPREIT's intentions and when there is observable evidence of a change in use.

### ***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 initially netted against mortgages payable and amortized over the expected term of the mortgages within interest and other financing costs in the consolidated statements of income and comprehensive income. 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 related financing costs are initially recorded in other non-current assets, and amortized over the term of the revolving credit facility within interest and other financing costs in the consolidated statements of income and comprehensive income.

Fees and insurance premiums paid to Canada Mortgage and Housing Corporation ("CMHC") are netted against mortgages payable. They are amortized over the amortization period of the underlying mortgages when incurred (initial amortization period is typically between 25 and 35 years) and amortization expenses are included in interest and other financing costs in the consolidated statements of income and comprehensive income. If CAPREIT fully refinances an existing mortgage, any unamortized prepaid CMHC premiums and fees associated with the existing mortgages on that property will be written off through interest and other financing costs in the period in which full refinancing occurs. CAPREIT accelerates the amortization for prepaid CMHC premiums for mortgages that management intends to fully refinance within the next year, from the date the decision is made to refinance to the date the mortgage is due to be refinanced. Any premium credits received upon refinancing will be capitalized and amortized over the new amortization period. Similarly, if CAPREIT discharges an existing mortgage, any unamortized prepaid CMHC premiums and fees associated with that mortgage will be written off in the period in which the discharge occurs. If CAPREIT renews a mortgage, CAPREIT will continue to amortize the existing prepaid CMHC premiums and fees associated with the existing mortgage over the remaining amortization period.

### ***m) Exchangeable LP Units***

Issued and outstanding Exchangeable LP Units are exchangeable on demand for Trust Units. As the Trust Units are redeemable at the holder's option, the Exchangeable LP Units are classified as current liabilities. The distributions on the Exchangeable LP 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 accounts payable and accrued liabilities on the consolidated balance sheets. These Exchangeable LP Units are remeasured at each reporting date at fair value, as they are considered to be puttable instruments under IAS 32, Financial Instruments: Presentation ("IAS 32"), with changes in the fair value recognized as fair value adjustments of Exchangeable LP Units within net income in the consolidated statements of income and comprehensive income.



**n) Captive Insurance**

Effective as of March 5, 2021, CAPREIT is self-insured for the first \$10,000 per claim under CAPREIT's property insurance program and the first \$2,000 per claim under CAPREIT's general liability insurance program, through a reinsurance agreement between CAPREIT's wholly-owned captive insurance company and a licensed Canadian insurance company. Pursuant to the reinsurance agreement, CAPREIT's aggregate liability for claims made on an annual basis is limited to \$25,000. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**o) Comprehensive Income and Accumulated Other Comprehensive Loss**

Comprehensive income includes net income and other comprehensive income (loss). Other comprehensive income (loss) includes gain (loss) on foreign currency translation, net of taxes relating to foreign operations, unrealized gains and losses on investments held at fair value through other comprehensive income (loss), and the effective portion of cash flow hedges, less any amounts reclassified to interest and other financing costs and associated income taxes.

AOCL is included on the consolidated balance sheets as Unitholders' equity and includes gains and losses from foreign currency translation relating to foreign operations and the unrealized gains and losses on investments held at fair value through other comprehensive income (loss), cash flow hedges and derivatives. The components of AOCL are disclosed in note 23.

**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; and
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, except for insurance and utility recoveries, and service charges, 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 the sale of MHC home inventory is within the scope of IFRS 15 and is recognized at the point in time when CAPREIT transfers control of the asset to the purchaser, which happens on the closing date. Upon closing of the transaction, the purchaser has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Revenue from the sale of MHC home inventory is included in other income in the statements of income and comprehensive income.

Revenue from investment properties, including property tax, insurance and utility recoveries, is within the scope of 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 recorded as straight-line rent receivable, which is included as a component of other non-current assets on the consolidated balance sheets.

### q) 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.

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 <sup>(1)</sup>	Type	Vesting Period	Type of Amortization	Distributions Applied To	Mark-to-Market Until
DUP	Rights	Grant date	Immediate	Additional units	Settled
RUR Plan	Rights	3 years <sup>(2)</sup>	Straight-line	Additional units	Settled
ERES UOP	Options	3 years <sup>(3)</sup>	Graded	N/A	Exercised

<sup>(1)</sup> For definitions of these plans refer to notes 14 and 15.

<sup>(2)</sup> Vesting fully on the third grant anniversary date.

<sup>(3)</sup> Vesting one-third on each grant anniversary date.

### r) 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 purchase. 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 cash used in operating activities because it enters into the determination of profit or loss, or alternatively as cash used in financing activities because it is a cost of obtaining financial resources. CAPREIT has applied its judgment and concluded that debt financing, which is used to provide leveraged returns to holders of Trust Units ("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 cash used in financing activities in CAPREIT's consolidated statements of cash flows.

### s) 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 22.

CAPREIT and its subsidiaries satisfied certain conditions available to REITs (the "REIT Exemption") 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 operating 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.

#### **t) Earnings per Unit**

As a result of the redemption feature of CAPREIT's Trust Units, these Trust Units are considered financial liabilities under IAS 32, Financial Instruments: Presentation ("IAS 32"), and are not considered equity for the purposes of calculating net income on a per unit basis. Consequently, CAPREIT does not report an Earnings per Unit calculation, as permitted under IFRS.

#### **u) 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 within either net (loss) income or other comprehensive (loss) 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 European 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 (loss) income and comprehensive (loss) income presented are translated at average exchange rates for the period; and
- iii. all resulting exchange differences are recognized in other comprehensive (loss) 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 income (loss). 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.

**v) ERES Units Held by Non-Controlling Unitholders**

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 on 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 on 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 statements of income and comprehensive income.

**w) Goodwill**

Goodwill is not amortized but is tested for impairment annually, or more frequently if there are indications 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.

**x) 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 (“CEO”).

**y) Future Accounting Changes****IAS 1, Presentation of Financial Statements (“IAS 1”)**

The IASB issued “Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)” in January 2020, affecting the presentation of liabilities in the statement of financial position. The narrow-scope amendments to IAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the “settlement” of a liability. The amendments must be applied retrospectively in accordance with the normal requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”). In October 2022, the IASB issued amendments to the requirements for classification of debt with covenants. The amendments modify the new requirements to apply only to covenants with which an entity is required to comply and that may impact the classification of a liability as current or non-current. In addition, the amendments require disclosure of information about such covenants and related liabilities in the notes to enable users of financial statements to understand the risk of non-current liabilities with covenants becoming repayable within 12 months. Both amendments will be effective for annual periods beginning on or after January 1, 2024 and will be applied retrospectively in accordance with IAS 8. The amendments have not been early adopted by CAPREIT. CAPREIT is currently assessing any potential impact of these amendments.

**IFRS 17, Insurance Contracts (“IFRS 17”)**

The IASB issued IFRS 17 in May 2017, which will replace IFRS 4, Insurance Contracts (“IFRS 4”) and will be applied retrospectively. IFRS 17 establishes more uniform principles for the recognition, measurement, presentation and disclosure of insurance contracts. In June 2020, the IASB issued an amendment to IFRS 17, which includes an amendment to defer the effective date of the standard to annual periods beginning on or after January 1, 2023. CAPREIT does not expect any material impact under IFRS 17.

### 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, use of assumptions and judgments include, but are not limited to: valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, valuation of the investment in Irish Residential Properties REIT's ("IRES"), impairment charges, 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 or judgments deemed to be more significant, due to subjectivity and the potential risk of causing a significant 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 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, terminal 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 19.

The valuation of investment properties is 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 19. The fair values of derivatives reported may differ significantly from the amounts they are ultimately settled for if there is volatility between the valuation date and settlement date.

#### ***iii) Investment in IRES***

On January 31, 2022, CAPREIT's external investment management agreement ("IMA") to perform property and asset management services for IRES terminated. As a result, CAPREIT ceased to have significant influence over IRES as at January 31, 2022, and its investment in IRES is now recognized as an investment measured at FVTPL instead of an investment in associate. Therefore, the valuation of the investment in IRES is no longer an area of judgment since January 31, 2022. Refer to note 28 for further information.

#### ***iv) Business Combination***

At CAPREIT, accounting for business combinations under IFRS 3 generally applies when it acquires an investment property or a portfolio of investment properties directly or indirectly through purchase of shares of another entity. 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 goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

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.

As outlined in note 2, CAPREIT has the option 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 under IFRS 3. 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. The optional concentration test will be applied on a case-by-case basis.

When CAPREIT acquires properties or a portfolio of properties and does not take on or assume employees or 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 shares or 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 shares or units are acquired.

#### **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 assumed 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(w) for details of the goodwill impairment test.

Pursuant to the reverse acquisition of European Commercial Real Estate Investment Trust (“ECREIT”), the predecessor of ERES, on March 29, 2019, CAPREIT recognized the residual of the consideration transferred over the fair value of net assets acquired as goodwill on the consolidated balance sheets at the time. Due to the COVID-19 pandemic, there was an increased risk that goodwill may be impaired as a result of economic uncertainty and the financial market response. CAPREIT determined that the decline in the market capitalization of ERES as at June 30, 2022 was an indicator of impairment and, as such, performed a full impairment test. Refer to note 8 for further information.

## **4. Investment Property Acquisitions**

The tables below summarize the investment property acquisitions since January 1, 2021, which have contributed to the operating results effective from their respective acquisition dates.

**Acquisitions Completed During the Year Ended December 31, 2022**

Acquisition Date	Suite or Site Count	Region	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) <sup>(1)</sup>	Term to Maturity (Years) <sup>(2)</sup>
January 25, 2022	59	Kelowna, BC	\$ 30,373	\$ 17,135	\$ –	3.55	4.90
January 31, 2022	45	The Netherlands	27,773 <sup>(3)</sup>	–	16,159	3.19	6.00
February 25, 2022	24	Victoria, BC	7,230 <sup>(3)</sup>	–	–	–	–
March 7, 2022	514	Montréal, QC	291,202	55,571	–	2.75	6.50
March 31, 2022	172	Red Deer, AB	16,520 <sup>(3)</sup>	–	–	–	–
March 31, 2022	201	The Netherlands	65,946 <sup>(3)</sup>	–	36,619	3.19	6.00
May 2, 2022	110	The Netherlands	34,447 <sup>(3)</sup>	–	–	–	–
May 4, 2022	112	Kanata, ON	44,209	26,504	–	2.37	2.17
July 19, 2022	235	Laval, QC	105,272 <sup>(3)</sup>	–	–	–	–
July 26, 2022	65	Edmonton, AB	22,633 <sup>(3)</sup>	–	–	–	–
<b>Total</b>	<b>1,537</b>		<b>\$ 645,605</b>	<b>\$ 99,210</b>	<b>\$ 52,778</b>		

<sup>(1)</sup> Weighted average stated interest rate on assumed mortgage funding and subsequent acquisition financing as applicable.

<sup>(2)</sup> Weighted average term to maturity on assumed mortgage funding and subsequent acquisition financing as applicable.

<sup>(3)</sup> The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility.

The table below does not include \$4,457 relating to CAPREIT's operating lease buyout during the year ended December 31, 2021.

**Acquisitions Completed During the Year Ended December 31, 2021**

Acquisition Date	Suite or Site Count	Region	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) <sup>(1)</sup>	Term to Maturity (Years) <sup>(2)</sup>
May 5, 2021	485	Oshawa, ON	\$ 105,904 <sup>(3)</sup>	\$ –	\$ 54,673	1.88	3.00
May 31, 2021	154	Montréal, QC	31,727	18,037	–	1.78	4.58
June 2, 2021	228	Victoria, BC	78,306	33,702	–	3.08	1.67
June 9, 2021	77	Victoria, BC	20,263 <sup>(3)</sup>	–	–	–	–
June 24, 2021	30	Victoria, BC	9,906 <sup>(3)</sup>	–	–	–	–
June 25, 2021	548	London, ON	110,461 <sup>(3)</sup>	–	–	–	–
June 30, 2021	104	The Netherlands	45,879 <sup>(3)</sup>	–	21,593 <sup>(6)</sup>	1.16 <sup>(6)</sup>	6.00 <sup>(6)</sup>
June 30, 2021	33	The Netherlands	27,202 <sup>(3)</sup>	–	13,995 <sup>(6)</sup>	1.16 <sup>(6)</sup>	6.00 <sup>(6)</sup>
July 5, 2021	342	Lakeshore, ON	21,703	8,573	–	4.08	4.17
August 31, 2021 <sup>(4)</sup>	787	Toronto, ON	165,626	37,225	–	3.16	7.68
September 7, 2021	193	West Kelowna, BC	63,385 <sup>(3)</sup>	–	–	–	–
September 22, 2021 <sup>(5)</sup>	141	Toronto, ON	123,111	34,077	–	1.93	0.17
October 1, 2021	260	Québec City, QC	74,159 <sup>(3)</sup>	–	–	–	–
November 30, 2021	63	The Netherlands	29,966 <sup>(3)</sup>	–	13,949 <sup>(6)</sup>	1.16 <sup>(6)</sup>	5.75 <sup>(6)</sup>
November 30, 2021	162	The Netherlands	88,732 <sup>(3)</sup>	–	41,921 <sup>(6)</sup>	1.16 <sup>(6)</sup>	5.75 <sup>(6)</sup>
December 22, 2021	137	The Netherlands	57,167 <sup>(3)</sup>	–	24,839 <sup>(6)</sup>	1.16 <sup>(6)</sup>	5.75 <sup>(6)</sup>
<b>Total</b>	<b>3,744</b>		<b>\$ 1,053,497</b>	<b>\$ 131,614</b>	<b>\$ 170,970</b>		

<sup>(1)</sup> Weighted average stated interest rate on assumed mortgage funding and subsequent acquisition financing as applicable.

<sup>(2)</sup> Weighted average term to maturity on assumed mortgage funding and subsequent acquisition financing as applicable.

<sup>(3)</sup> The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility.

<sup>(4)</sup> CAPREIT purchased the remaining 50% interest in a portfolio of 787 apartment suites and townhouse units. CAPREIT acquired its initial 50% interest on July 31, 2008.

<sup>(5)</sup> Total acquisition cost was increased by \$7,985, relating to the difference between the agreed upon issuance price of \$56.00 per Exchangeable LP Unit and the fair value of the Exchangeable LP Units on the acquisition date. Refer to note 16 for further information.

<sup>(6)</sup> Subsequent acquisition financing obtained is collateralized by a pool of investment properties. The amount of subsequent acquisition financing shown above has been allocated based on the fair value of these properties as determined by the lender. The interest rates shown include the corresponding interest rate swaps.

The total purchase consideration paid to the seller takes into consideration the fair value of the investment properties being acquired, mortgages payable and other net assets assumed, and working capital adjustments.

## 5. Investment Property Dispositions and Assets Held for Sale

The tables below summarize the dispositions of investment properties completed since January 1, 2021.

### Dispositions of Investment Properties Completed During the Year Ended December 31, 2022

Disposition Date	Suite Count	Region	Sale Price	Fair Value of Investment Properties	Mortgages Discharged or Assumed by Purchaser <sup>(1)</sup>	Fair Value Adjustments on Mortgages Assumed by Purchaser	Net Cash Proceeds <sup>(2)</sup>
April 29, 2022	82	Toronto, ON	\$ 56,000	\$ 56,000	\$ 2,294	\$ –	\$ 53,706
June 15, 2022	423	Scarborough, ON	165,000	161,814	28,463	3,186	133,351
June 20, 2022 <sup>(3)</sup>	370	Ottawa, ON	35,125	34,446	8,874	679	25,572
August 24, 2022	253	East York, ON	90,100	90,100	22,903	–	67,197
August 24, 2022 <sup>(4)</sup>	1	The Netherlands	1,137	1,137	–	–	1,137
<b>Total</b>	<b>1,129</b>		<b>\$ 347,362</b>	<b>\$ 343,497</b>	<b>\$ 62,534</b>	<b>\$ 3,865</b>	<b>\$ 280,963</b>

<sup>(1)</sup> Includes mortgages payable with a total principal amount of \$28,114 discharged and \$38,285 assumed by the purchasers upon disposition. The amounts shown are net of \$3,865 fair value adjustments on mortgages assumed by purchaser. The weighted average stated interest rate on mortgages discharged and assumed was 2.27%.

<sup>(2)</sup> Prior to working capital adjustments and transaction costs.

<sup>(3)</sup> CAPREIT disposed of its 50% interest in 370 apartment suites.

<sup>(4)</sup> Represents disposition of a single residential suite.

### Dispositions of Investment Properties Completed During the Year Ended December 31, 2021

Disposition Date	Suite Count	Region	Sale Price	VTB Issued <sup>(1)</sup>	Net Cash Proceeds <sup>(2)</sup>
September 2, 2021 <sup>(3)</sup>	1	The Netherlands	\$ 461	\$ –	\$ 461
September 29, 2021	86	Toronto, ON	52,000	46,800	5,200
October 1, 2021 <sup>(4)</sup>	506	Toronto, ON	90,920	68,190	22,730
<b>Total</b>	<b>593</b>		<b>\$ 143,381</b>	<b>\$ 114,990</b>	<b>\$ 28,391</b>

<sup>(1)</sup> Refer to note 7 for further information.

<sup>(2)</sup> Prior to working capital adjustments and transaction costs.

<sup>(3)</sup> Represents disposition of a single family home.

<sup>(4)</sup> CAPREIT disposed of its 33.3% interest in 506 apartment suites.

For the years ended December 31, 2022 and 2021, a loss of \$1,942 and \$241, 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.

### Assets Held for Sale

As at December 31, 2022, CAPREIT classified its remaining three properties under joint arrangement as assets held for sale totalling \$132,342 along with the associated mortgages payable that will be assumed by the purchaser as liabilities related to assets held for sale totalling \$38,116. Management had committed to a plan to sell these properties and the sales were considered to be highly probable as at December 31, 2022. These properties were sold subsequent to year-end. Refer to note 32 for further information.



## 6. Investment Properties

### Continuity of Carrying Amounts of Investment Properties by Type

	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
For the Year Ended December 31, 2022				
Balance of investment properties, beginning of the year	\$ 16,719,821	\$ 114,150	\$ 267,948	\$ 17,101,919
Additions (deductions):				
Acquisitions	645,605	–	–	645,605
Property capital investments	312,712	1,941	7,699	322,352
Capitalized direct leasing costs	308	–	167	475
Dispositions	(343,497)	–	–	(343,497)
Transfer to assets held for sale	(132,342)	–	–	(132,342)
Fair value adjustments	(437,021)	(14,533)	(16,773)	(468,327)
Gain on foreign currency translation	27,524	–	–	27,524
Balance of investment properties, end of the year	\$ 16,793,110	\$ 101,558	\$ 259,041	\$ 17,153,709

	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
For the Year Ended December 31, 2021				
Balance of investment properties, beginning of the year	\$ 14,624,762	\$ 114,775	\$ 261,054	\$ 15,000,591
Additions (deductions):				
Acquisitions	1,053,497	–	–	1,053,497
Property capital investments	303,850	2,580	7,955	314,385
Capitalized leasing costs <sup>(1)</sup>	1,386	2	(75)	1,313
Right-of-use asset <sup>(2)</sup>	–	–	10,067	10,067
Operating lease buyout <sup>(3)</sup>	–	4,457	–	4,457
Dispositions	(143,381)	–	–	(143,381)
Transfer between investment property types <sup>(3)</sup>	23,810	(23,810)	–	–
Fair value adjustments	1,043,649	16,146	(11,053)	1,048,742
Loss on foreign currency translation	(187,752)	–	–	(187,752)
Balance of investment properties, end of the year	\$ 16,719,821	\$ 114,150	\$ 267,948	\$ 17,101,919

<sup>(1)</sup> Comprises tenant inducements, straight-line rent receivable and direct leasing costs.

<sup>(2)</sup> On April 1, 2021, the basic annual rent of an existing land lease was increased in accordance with the lease agreement, which stipulates that the basic annual rent be renegotiated every 20 years to reflect the land market value. This resulted in a \$10,067 increase in right-of-use asset related to an existing land leasehold interest.

<sup>(3)</sup> During the year ended December 31, 2021, CAPREIT purchased the freehold interest on one of its operating leasehold properties and converted the ownership into fee simple for a net purchase price of \$4,457.

## Valuation Basis

Beginning in the year ended December 31, 2021, CAPREIT appraises some of its Canadian investment properties using valuations prepared by its internal valuations team. This team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations and report directly to a senior member of CAPREIT's management team. The internal valuations team's processes and results are reviewed and approved by senior management of CAPREIT, including the President and Chief Executive Officer and Chief Financial Officer.

As at December 31, 2022, CAPREIT had approximately 51% by value or 49% by number of properties of its Canadian investment properties appraised by a qualified external appraiser (December 31, 2021 – 94% and 68%, respectively). External valuations for the Canadian portfolio, where obtained, are performed at year-end with quarterly updates provided on capitalization rates. Capitalization rates used by the appraisers are based on recently closed transactions for similar properties and other current market indicators for similar properties. CAPREIT obtains external valuations for a cross-section of investment properties that represent different geographical locations across the Canadian portfolio. For internal valuations, the appraisal methodologies used are consistent with the practices employed by the external appraiser. The fair values of all of CAPREIT's European residential portfolio are determined by qualified external appraisers on a quarterly basis. The qualified external appraisers hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

Fair values for investment properties are classified as Level 3 in the fair value hierarchy, as disclosed in note 19. 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.

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. Capitalization rates and discount rates used are based on recently closed transactions for similar properties and other current market indicators for similar properties. Sale prices are used for properties slated for disposition or classified as held for sale per their corresponding agreement of purchase and sale when this price represents fair value at the reporting date.

The recent regulatory and macroeconomic developments, including the acute increases to interest rates and inflation, have impacted the availability of some reliable market metrics, such as capitalization rates. As such, the fair values of CAPREIT's investment properties are subject to significant change, and such changes may be material. Management is applying, to the greatest extent practicable, prudence and sound judgment in its basis for fair valuing its investment properties in the current unpredictable environment.

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 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, repairs and maintenance 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 DC method, described above, and the DCF method. Under the DCF 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 a 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. 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 (the 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 “terminal 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**

CAPREIT’s land leasehold interests consist of four investment properties with ground leases and one investment property with an air rights lease with various expiry dates (subject to revisions at periodic intervals) between 2045 and 2072. One lease matures in 2045, two mature in 2068, one matures in 2070 and another matures in 2072. 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 (excluding assets held for sale), along with their fair values, is presented below as at December 31, 2022 and December 31, 2021:

As at December 31, 2022						
Type of Interest	Fair Value	WA NOI / Cash Flow <sup>(5)</sup>	Rate Type	Max	Min	Weighted Average
Fee simple interests <sup>(1)</sup>	\$ 16,080,390	\$ 3,804	Capitalization rate	11.02%	2.90%	3.84%
MHC sites	712,720	1,967	Capitalization rate	8.58%	5.10%	5.93%
Operating leasehold interests <sup>(2)(3)</sup>	101,558	2,941	Discount rate <sup>(6)</sup>	6.00%	5.75%	5.83%
Land leasehold interests <sup>(4)</sup>	213,574	3,469	Discount rate <sup>(6)</sup>	8.17%	6.59%	7.19%
<b>Total Investment Properties excluding right-of-use assets</b>	<b>\$ 17,108,242</b>					
Add: Right-of-use assets, net of fair value change	45,467					
<b>Total Investment Properties</b>	<b>\$ 17,153,709</b>					

As at December 31, 2021						
Type of Interest	Fair Value	WA NOI / Cash Flow <sup>(5)</sup>	Rate Type	Max	Min	Weighted Average
Fee simple interests <sup>(1)</sup>	\$ 16,011,231	\$ 3,591	Capitalization rate	9.53%	2.05%	3.57%
MHC sites	708,590	1,913	Capitalization rate	8.14%	4.85%	5.67%
Operating leasehold interests <sup>(2)(3)</sup>	114,150	2,854	Discount rate <sup>(6)</sup>	5.25%	5.00%	5.08%
Land leasehold interests <sup>(4)</sup>	221,842	3,316	Discount rate <sup>(6)</sup>	7.50%	5.50%	6.43%
<b>Total Investment Properties excluding right-of-use assets</b>	<b>\$ 17,055,813</b>					
Add: Right-of-use assets, net of fair value change	46,106					
<b>Total Investment Properties</b>	<b>\$ 17,101,919</b>					

<sup>(1)</sup> The fee simple interests include \$2,750,358 (December 31, 2021 – \$2,676,150) of CAPREIT's European portfolio with an implied capitalization rate of 3.88% (December 31, 2021 – 3.55%), which were valued using the DCF method at a weighted average discount rate of 5.60% and a terminal capitalization rate of 4.43% (December 31, 2021 – 5.64% and 4.46%, respectively).

<sup>(2)</sup> The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of \$46,068 as at December 31, 2022 (December 31, 2021 – \$50,010).

<sup>(3)</sup> For the two operating leasehold interests remaining as at December 31, 2022 and December 31, 2021, the contractual weighted average remaining lease term on operating leasehold interests is 13.4 years and 14.4 years, respectively, based on the assumption that the early purchase option is not exercised. As at December 31, 2022 and December 31, 2021, if the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the two operating leasehold interests is 3.4 years and 4.4 years, respectively.

<sup>(4)</sup> The fair values of the land leasehold interests reflect the estimated air rights or land lease payments over the term of the leases.

<sup>(5)</sup> Weighted average ("WA") net operating income ("NOI") or cash flow by property fair value.

<sup>(6)</sup> Represents the discount rate used to determine the fair value of operating leasehold and land leasehold interests using the DCF method. A weighted average stabilized NOI growth for operating leasehold interests of 3.0% has been assumed as at December 31, 2022 and December 31, 2021, respectively.

The table below summarizes the impact of changes in both the capitalization rate and stabilized NOI on the fair value of CAPREIT's investment properties, excluding assets held for sale as at December 31, 2022:

As at December 31, 2022		Change in NOI				
		(2.00)%	(1.00)%	–%	+1.00%	+2.00%
Change in Capitalization Rate <sup>(1)</sup>	(0.50)%	\$ 2,163,602	\$ 2,359,783	\$ 2,555,964	\$ 2,752,146	\$ 2,948,327
	(0.25)%	821,680	1,004,168	1,186,656	1,369,144	1,551,632
	–%	(341,149)	(170,527)	–	170,718	341,341
	+0.25%	(1,359,036)	(1,198,800)	(1,038,565)	(878,329)	(718,093)
	+0.50%	(2,257,869)	(2,106,805)	(1,955,741)	(1,804,677)	(1,653,613)

<sup>(1)</sup> For operating leasehold interests, land leasehold interests and European properties, 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, land leasehold interests and European properties to determine the impact on fair value of the total portfolio.

## 7. Mortgages Receivable

CAPREIT issued vendor take-back mortgages receivable (“VTBs”) in connection with the disposal of two investment properties, as disclosed in note 5. Interest is payable monthly or quarterly, with the principal due at maturity. The borrowers can prepay the principal, in whole or in part, at any time or times during the term of the respective VTBs without notice or penalty. The table below presents the VTBs:

Issuance date	Maturity date	Interest rate	December 31, 2022	December 31, 2021
September 29, 2021 <sup>(1)</sup>	September 29, 2023	2.33%	\$ 46,800	\$ 46,800
October 1, 2021 <sup>(2)</sup>	October 1, 2024	3.00%	–	68,190
Total			\$ 46,800	\$ 114,990

<sup>(1)</sup> The borrower has the option to extend the VTB for an additional year at an interest rate of 4.00% per annum.

<sup>(2)</sup> This VTB was repaid early in full on June 8, 2022.

## 8. Other Assets

As at	Note	December 31, 2022	December 31, 2021
<b>Other non-current assets</b>			
Property, plant and equipment (“PP&E”) <sup>(1)</sup>		\$ 52,495	\$ 47,430
Accumulated amortization of PP&E		(39,831)	(33,606)
PP&E, net of amortization		12,664	13,824
Right-of-use asset, net of amortization <sup>(2)</sup>		2,994	3,365
Deferred loan costs, net of amortization <sup>(3)</sup>		1,535	1,339
Deferred tax asset	22	6,173	5,010
Goodwill		–	15,133
Straight-line rent receivable		1,929	–
Investments held at fair value through other comprehensive income		7,533	–
Total		\$ 32,828	\$ 38,671
<b>Other current assets</b>			
Prepaid expenses		\$ 11,805	\$ 10,732
Other receivables and tenant inducements		17,678	17,866
Restricted funds		9,654	10,986
Deposits		10,221	7,543
MHC home inventory		16,207	8,138
Investments held at fair value through other comprehensive income		4,378	–
Total		\$ 69,943	\$ 55,265

<sup>(1)</sup> Consists of head office and regional offices’ leasehold improvements, corporate assets and information technology systems.

<sup>(2)</sup> Right-of-use asset net of accumulated amortization of \$2,260 (December 31, 2021 – \$1,986). On October 25, 2021, CAPREIT issued a lease extension notice to extend one of its existing leases by five years. As a result, CAPREIT reassessed the lease term and increased the right-of-use asset and the lease liability by \$2,833.

<sup>(3)</sup> Deferred loan costs related to the credit facilities net of accumulated amortization of \$2,288 (December 31, 2021 – \$1,673).

### Impairment of Goodwill

Pursuant to the reverse acquisition of ECREIT on March 29, 2019, CAPREIT recognized the residual of the consideration transferred over the fair value of net assets acquired as goodwill on the consolidated balance sheets at the time.

CAPREIT determined that ERES is the cash-generating unit to which goodwill is allocated. CAPREIT generally performs its annual test for impairment of goodwill in the fourth quarter, or more frequently if there are indicators of impairment, in accordance with the policy described in note 3. Similar to prior quarters, CAPREIT determined that ERES’s market capitalization was an indicator of impairment as at June 30, 2022 and, as such, performed a full impairment test.

In performing this impairment test, CAPREIT determined the recoverable amount of ERES using a market multiples-based valuation approach under the fair value less costs of disposal method. Inputs used in the calculation, which are classified as Level 3 in the fair value hierarchy, included ERES's forecasted annual adjusted funds from operations and an implied multiple thereon. Management compared the multiple to those observed for similar entities in the residential real estate sector.

Based on the impairment test performed, CAPREIT concluded that goodwill was impaired as at June 30, 2022, and recognized a goodwill impairment loss of \$14,278 in the consolidated statements of income and comprehensive income at the time, thereby writing off the goodwill balance in full.

## 9. Other Current Liabilities

As at	December 31, 2022	December 31, 2021
Current tax liability	\$ 2,754	\$ 2,808
Mortgage interest payable	13,776	11,565
Current lease liabilities	1,190	1,119
Total	\$ 17,720	\$ 15,492

## 10. Accounts Payable and Accrued Liabilities

As at	December 31, 2022	December 31, 2021
Accounts payable	\$ 55,313	\$ 56,835
Accrued and other liabilities	66,238	68,211
Deferred revenue	15,364	15,708
Distributions payable to ERES non-controlling unitholders	993	745
Total	\$ 137,908	\$ 141,499

## 11. ERES Units Held by Non-Controlling Unitholders

The ERES units held by non-controlling unitholders are classified as equity on ERES's 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.

As at December 31, 2022, CAPREIT valued the ERES units held by non-controlling unitholders at \$242,599 (December 31, 2021 – \$356,695) based on the closing price on the TSX and classified the units as a liability on the consolidated balance sheets. The mark-to-market (gain) loss arises from the decrease (increase) in ERES's unit market price.

For the Year Ended December 31,	2022	2021
Mark-to-market (gain) loss on ERES units	\$ (117,740)	\$ 25,895
Interest expense on ERES non-controlling unitholders	12,918	12,756
<b>(Gain) loss on non-controlling interest</b>	<b>\$ (104,822)</b>	<b>\$ 38,651</b>

## 12. Mortgages Payable

As at December 31, 2022, mortgages payable, excluding liabilities related to assets for sale, bear interest at a weighted average effective rate of 2.61% (December 31, 2021 – 2.47%) and mature between 2023 and 2036. As at December 31, 2022, 98.8% of CAPREIT's mortgages payable are financed at fixed interest rates (December 31, 2021 – 99.1%). Investment properties at fair value of \$15,807,722 have been pledged as security as at December 31, 2022 (December 31, 2021 – \$15,919,474). CAPREIT has investment properties with a fair value of \$1,345,987 as at December 31, 2022 that are not encumbered by mortgages (December 31, 2021 – \$1,182,445). Of these, \$1,029,260 of the investment properties are located in Canada (December 31, 2021 – \$893,320) and secure only CAPREIT's acquisition and operating facility ("Acquisition and Operating Facility"). Of these Canadian investment properties, \$271,980 also carry a negative pledge relating to the ERES revolving credit facility ("ERES Credit Facility") (December 31, 2021 – \$274,240). As at December 31, 2022, unamortized deferred financing costs of \$20,593, unamortized fair value gain of \$1,293 and unamortized prepaid CMHC premiums of \$115,851 are netted against mortgages payable (December 31, 2021 – \$17,989, \$1,992 and \$109,660, respectively). These figures exclude costs associated with liabilities related to assets held for sale.

Future principal repayments as at December 31, 2022 for the years indicated are as follows:

As at December 31, 2022	Principal Amount <sup>(1)</sup>	% of Total Principal
2023	\$ 599,243	8.9
2024	648,139	9.6
2025	921,048	13.6
2026	875,178	13.0
2027	935,513	13.9
2028 – 2036 <sup>(2)</sup>	2,771,836	41.0
Total principal	6,750,957	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(135,744)	
Liabilities related to assets held for sale <sup>(3)</sup>	(38,116)	
Total mortgages payable	\$ 6,577,097	

As at	December 31, 2022	December 31, 2021
Represented by:		
Mortgages payable – non-current <sup>(1)</sup>	\$ 5,963,820	\$ 5,456,605
Mortgages payable – current <sup>(1)</sup>	613,277	643,460
Total mortgages payable	\$ 6,577,097	\$ 6,100,065

<sup>(1)</sup> Included in mortgages payable as at December 31, 2022 and December 31, 2021 are non-amortizing mortgages from ERES.

<sup>(2)</sup> Mortgages related to assets held for sale mature in 2029.

<sup>(3)</sup> Liabilities related to assets held for sale are net of unamortized financing costs and prepaid CMHC premiums of \$593.

## 13. Bank Indebtedness

### Acquisition and Operating Facility

On June 18, 2021, CAPREIT entered into a credit facility agreement (the "Acquisition and Operating Facility") that can be drawn in Canadian dollars, US dollars ("USD") and euros up to an aggregate principal amount of all advances not to exceed \$600,000. The Acquisition and Operating Facility is secured by fixed charge debentures on certain of CAPREIT's properties, and floating charge debentures on most of CAPREIT's properties. In each case, such debentures are subordinate to the charges securing CAPREIT's mortgage financing. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances, bankers' acceptances, EURIBOR, US base rate and USD LIBOR utilized during the year. The Acquisition and Operating Facility originally matured on June 18, 2024.

On December 19, 2022, CAPREIT amended its Acquisition and Operating Facility to extend the maturity date by 18 months from June 18, 2024 to December 19, 2025 and to provide for, among other things, (i) the replacement of USD LIBOR with adjusted Term SOFR as a benchmark interest rate for CAPREIT borrowings in USD under the credit facility agreement; and (ii) an accordion option to increase the credit facility limit of up to \$200,000 upon the satisfaction of conditions set out in the credit facility agreement, including the request of CAPREIT and the consent of the applicable lenders. The Acquisition and Operating Facility is subject to certain financial covenants, as outlined further in note 21. The Acquisition and Operating Facility is used to fund operations, acquisitions, capital improvements, letters of credit and working capital deficiencies.

### ERES Credit Facility

The original ERES Credit Facility providing up to €50,000 and the ERES one-year revolving bridge credit facility (“ERES Bridge Facility”) providing up to €50,000, each originally maturing on July 8, 2021, were extended to October 29, 2021, under the same terms and conditions.

On October 29, 2021, ERES amended and renewed its existing ERES Credit Facility with the same two Canadian chartered banks, providing up to €100,000 for a three-year period ending on October 29, 2024, which resulted in (i) combining the ERES Credit Facility and the ERES Bridge Facility; (ii) lower interest rates and fees; (iii) certain modifications to CAPREIT’s financial covenants; and (iv) a negative pledge of an unencumbered property pool provided by CAPREIT, such that it represents 1.50 times the facility amount of €100,000.

The amended ERES Credit Facility can be drawn in euros and other foreign currencies up to an aggregate principal amount of all advances not to exceed €100,000. The interest rate of the amended ERES Credit Facility is dependent on the currency being drawn during the year.

Subsequent to year-end, on January 24, 2023, ERES amended its existing ERES Credit Facility. Refer to note 32 for further information.

The tables below summarize the amounts available and drawn under the respective credit facilities as at December 31, 2022 and December 31, 2021:

As at December 31, 2022	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 600,000	\$ 144,982	\$ 744,982
Less: USD LIBOR borrowings	(259,211) <sup>(1)</sup>	(129,764) <sup>(3)</sup>	(388,975)
Letters of credit	(7,373)	–	(7,373)
Available borrowing capacity	\$ 333,416	\$ 15,218	\$ 348,634
Weighted average interest rate including interest rate swaps	5.56% <sup>(2)</sup>	3.06% <sup>(4)</sup>	4.73%

As at December 31, 2021	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 600,000	\$ 143,910	\$ 743,910
Less: USD LIBOR borrowings	(104,329) <sup>(1)</sup>	(102,049) <sup>(3)</sup>	(206,378)
Canadian borrowings	(104,488) <sup>(5)</sup>	–	(104,488)
Letters of credit	(6,673)	–	(6,673)
Available borrowing capacity	\$ 384,510	\$ 41,861	\$ 426,371
Weighted average interest rate including interest rate swaps	1.44% <sup>(2)</sup>	0.57% <sup>(4)</sup>	1.15%

<sup>(1)</sup> As at December 31, 2022, CAPREIT has net USD LIBOR borrowings of USD \$191,365 (December 31, 2021 – USD \$82,292) that bear interest at the USD LIBOR rate plus a margin of 1.35% (December 31, 2021 – USD LIBOR rate plus a margin of 1.35%) per annum. As at December 31, 2022, CAPREIT does not have any outstanding USD borrowings based on the adjusted term SOFR.

<sup>(2)</sup> As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.00% (December 31, 2021 – 1.76%). For details of the swaps, refer to note 20.

<sup>(3)</sup> As at December 31, 2022, ERES has USD LIBOR borrowings of USD \$95,800 (December 31, 2021 – USD \$80,300) that bear interest at the USD LIBOR rate plus a margin of 1.35% (December 31, 2021 – USD LIBOR rate plus a margin of 1.35%) per annum.

<sup>(4)</sup> As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 5.74% (December 31, 2021 – 1.45%). For details of the swaps, refer to note 20.

<sup>(5)</sup> As at December 31, 2021, the Canadian borrowings bear interest at the bankers’ acceptance rate plus a margin of 1.35% per annum.



## 14. Unit-based Compensation Financial Liabilities

Units are issuable pursuant to CAPREIT's unit-based compensation plans, namely the Employee Unit Purchase Plan ("EUPP"), the Deferred Unit Plan ("DUP") and the Restricted Unit Rights Plan ("RUR Plan"). As at December 31, 2022, the maximum number of units issuable under CAPREIT's unit-based compensation plans (excluding ERES) is 11,500,000 units (December 31, 2021 – 9,500,000 units). The maximum number of units available for future issuance under these unit-based compensation plan agreements as at December 31, 2022 is 2,149,084 units (December 31, 2021 – 355,228 units).

ERES units are issuable pursuant to ERES's unit options plan ("ERES UOP"). The maximum number of unit options that may be reserved under the ERES UOP is 10% of the outstanding ERES units (including ERES Class B LP Units). As at December 31, 2022, the maximum number of unit options allowable for future issuance under the ERES UOP is 18,041,454 unit options (December 31, 2021 – 18,419,405 unit options).

The table below summarizes the activity of CAPREIT's unit-based compensation plans (excluding EUPP) and the ERES UOP for the years ended December 31, 2022 and December 31, 2021:

Year Ended December 31, 2022 (Number of units)	ERES UOP	DUP	RUR Plan	Total CAPREIT <sup>(1)</sup>
<b>Unit rights and unit options outstanding as at January 1, 2022</b>	<b>4,699,694</b>	<b>196,423</b>	<b>479,700</b>	<b>676,123</b>
<b>Granted or cancelled during the year</b>				
Granted	760,000	20,749	110,047	130,796
Exercised or settled in Trust Units or ERES units	(28,800)	(100,493)	(200,363)	(300,856)
Cancelled or forfeited	(202,334)	–	(8,181)	(8,181)
Surrendered	(71,466)	–	–	–
Distributions reinvested	–	4,601	13,560	18,161
<b>Unit rights and unit options outstanding as at December 31, 2022</b>	<b>5,157,094</b>	<b>121,280</b>	<b>394,763</b>	<b>516,043</b>
Year Ended December 31, 2021 (Number of units)	ERES UOP	DUP	RUR Plan	Total CAPREIT <sup>(1)</sup>
<b>Unit rights and unit options outstanding as at January 1, 2021</b>	4,199,694	174,805	563,387	738,192
<b>Granted or cancelled during the year</b>				
Granted	530,000	17,103	113,511	130,614
Exercised or settled in Trust Units or ERES units	–	–	(204,683)	(204,683)
Cancelled or forfeited	(30,000)	–	(5,831)	(5,831)
Distributions reinvested	–	4,515	13,316	17,831
<b>Unit rights and unit options outstanding as at December 31, 2021</b>	<b>4,699,694</b>	<b>196,423</b>	<b>479,700</b>	<b>676,123</b>

<sup>(1)</sup> Total CAPREIT unit rights excluding EUPP and ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the years ended December 31, 2022 and December 31, 2021, including the settlement of such liabilities through the issuance of Trust Units and ERES units.

For the Year Ended	December 31, 2022	December 31, 2021
Total unit-based compensation financial liabilities, beginning of the year	\$ 36,895	\$ 33,747
Unit-based compensation (recovery) expense	(3,414)	14,615
Settlement of unit-based compensation awards for Trust Units and ERES units	(15,036)	(11,306)
Gain on foreign currency translation	(188)	(161)
Total unit-based compensation financial liabilities, end of the year	\$ 18,257	\$ 36,895

Unit-based compensation financial liabilities are as follows:

As at	December 31, 2022	December 31, 2021
<b>Non-current</b>		
RUR Plan	\$ 7,743	\$ 14,179
ERES UOP	63	93
	\$ 7,806	\$ 14,272
<b>Current</b>		
DUP	\$ 5,176	\$ 11,777
RUR Plan	4,536	8,038
ERES UOP	739	2,808
	\$ 10,451	\$ 22,623
Total unit-based compensation financial liabilities	\$ 18,257	\$ 36,895

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

As at December 31, 2022, 0.3% (December 31, 2021 – 0.7%) of all Trust Units outstanding and unit-based compensation financial liabilities were held by trustees, officers and other senior management of CAPREIT.

## **15. Unit-based Compensation (Recovery) Expense**

The table below summarizes the unit-based compensation (recovery) expense for each plan, which includes fair value remeasurements at each reporting date recognized over the respective vesting periods for each plan, for the years ended December 31, 2022 and December 31, 2021:

For the Year Ended December 31,	2022	2021
DUP	\$ (1,756)	\$ 3,048
RUR Plan	(87)	10,453
EUPP	514	496
ERES UOP	(2,085)	1,114
Unit-based compensation (recovery) expense	\$ (3,414)	\$ 15,111

### **a) DUP**

Effective June 1, 2022, CAPREIT has amended and restated the DUP, such that the DUP gives the non-executive trustees the obligation to receive 50% of their annual retainer in the form of deferred units (“Deferred Units”) and the right to receive up to 100% of their annual retainer in the form of Deferred Units, in lieu of cash on a dollar for dollar basis, with the balance paid in cash.

The Deferred Units earn notional distributions based on the same distributions paid on the Trust 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. Distribution Units are issued and valued based on the volume weighted average trading price of all Trust Units traded on the TSX for the five trading days immediately preceding the distribution date.

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

For the Year Ended	December 31, 2022			December 31, 2021		
	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	\$ 35.20	\$ 59.96	196,423	\$ 32.42	\$ 49.99	174,805
Granted	45.57	–	20,749	57.83	–	17,103
Distributions reinvested	48.29	–	4,601	57.13	–	4,515
Settled, cancelled or forfeited	32.93	–	(100,493)	–	–	–
Outstanding, end of the year	\$ 45.96	\$ 42.68	121,280	\$ 35.20	\$ 59.96	196,423

The fair value of DUPs represents the closing price of the Trust Units on the TSX on the last trading day on which the Trust Units traded as of the reporting date.

### b) RUR Plan

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 Trust 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. Distribution RURs are issued and valued based on the volume weighted average trading price of all Trust Units traded on the TSX for the five trading days immediately preceding the distribution date.

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

For the Year Ended	December 31, 2022			December 31, 2021		
	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	\$ 44.47	\$ 59.96	479,700	\$ 38.71	\$ 49.99	563,387
Granted	54.76	–	110,047	50.29	–	113,511
Distributions reinvested	47.94	–	13,560	56.59	–	13,316
Settled, cancelled or forfeited	40.61	–	(208,544)	32.96	–	(210,514)
Outstanding, end of the year	\$ 49.50	\$ 42.68	394,763	\$ 44.47	\$ 59.96	479,700

The fair value of RURs represents the closing price of the Trust Units on the TSX on the last trading day on which the Trust Units traded as of the reporting date.

### c) EUPP

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

## 16. Exchangeable LP Units

Exchangeable LP 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. Exchangeable LP Units are not eligible for the Distribution Reinvestment Plan (“DRIP”). An equivalent number of special voting units (“Special Voting Units”) were issued at the same time as the Exchangeable LP Units. The holders of these Special Voting 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 LP 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 LP Units held. The carrying value of the Exchangeable LP Units is measured at their fair value of \$71,668 as at December 31, 2022 (December 31, 2021 – \$100,684), which is based on the closing price of the Trust Units on the TSX. The number of issued and outstanding Exchangeable LP Units is as follows:

For the Year Ended December 31,	2022	2021
Exchangeable LP Units issued and outstanding, beginning of the year	1,679,190	332,703
Issued	–	1,346,487
Exchangeable LP Units issued and outstanding, end of the year	1,679,190	1,679,190

In connection with an investment property acquisition located in Toronto, Ontario on September 22, 2021, a portion of the purchase consideration was settled by way of CAPREIT issuing 1,346,487 Exchangeable LP units with a fair value of \$83,385. Refer to note 4 for further information.

## 17. 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 Trust Units, an unlimited number of Special Voting Units and 25,840,600 preferred units (“Preferred Units”). As at December 31, 2022 and December 31, 2021, no Preferred Units were issued and outstanding. Trust Units represent Unitholders’ 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 Trust 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 Trust 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, and accordingly, earnings per unit has not been presented.

The table below summarizes the activity of the Trust Units (excluding unit rights issued or outstanding under CAPREIT’s unit-based compensation plans) for the years ended December 31, 2022 and December 31, 2021:

For the Year Ended December 31,	Ref	2022	2021
Trust Units issued and outstanding, beginning of the year		173,406,406	171,751,839
Issued during the year in connection with the following:			
Distribution Reinvestment Plan (“DRIP”)	(a)	865,001	1,397,445
EUPP	(b)	65,368	52,439
DUP	(c)	100,493	–
RUR Plan	(d)	200,363	204,683
Special non-cash distribution issued in Trust Units	(f)	1,428,904	–
Cancellation of Trust Units under the NCIB	(e)	(5,233,162)	–
Consolidation of Trust Units issued pursuant to special non-cash distribution	(f)	(1,428,904)	–
Trust Units issued and outstanding, end of the year		169,404,469	173,406,406

**a) Distribution Reinvestment Plan (“DRIP”)**

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. On May 19, 2022, CAPREIT approved changes to its DRIP to permit the suspension of the issuance of bonus Trust Units to participants. Consequently, commencing with the June 2022 distribution, participants in the DRIP as of the record date of June 30, 2022 will receive units at a price equal to the weighted average trading price of Trust Units on the TSX for the five trading days immediately preceding each distribution date, without any bonus Trust Units being issued. The total consideration for units issued represents the amount of cash distributions reinvested in additional units.

**b) Employee Unit Purchase Plan**

The EUPP grants all employees the right to receive an additional amount equal to 20% of the Trust Units they acquire, paid in the form of additional Trust Units.

**c) Deferred Unit Plan**

During the year ended December 31, 2022, 100,493 DUP units (year ended December 31, 2021 – no DUP units) were settled.

**d) Restricted Unit Rights Plan**

During the year ended December 31, 2022, 208,544 RUR units were settled or cancelled, out of which 200,363 RUR units were settled for an equivalent number of Trust Units and the remaining RUR units were surrendered. During the year ended December 31, 2021, 210,514 RUR units were settled or cancelled, out of which 204,683 RUR units were settled for an equivalent number of Trust Units and the remaining RUR units were forfeited.

**e) Normal Course Issuer Bid (“NCIB”)**

In March 2022, CAPREIT received the TSX’s acceptance of its notice of intention to proceed with an NCIB. Pursuant to the notice, CAPREIT may purchase up to 17,067,144 of its Trust Units, representing approximately 10% of the public float of its Trust Units at the time of TSX approval, during the 12-month period commencing March 24, 2022 and ending March 23, 2023. Under the NCIB, other than purchases made under the block purchase exemption, CAPREIT may purchase up to 91,823 Trust Units on the TSX during any trading day, which represents approximately 25% of 367,292 Trust Units, being the average daily trading volume on the TSX for the most recently completed six calendar months prior to the TSX’s acceptance of the notice of intention to proceed with an NCIB. Any Trust Units purchased under the NCIB will be cancelled.

CAPREIT entered into an automatic purchase plan effective during the term of the NCIB. Based on predefined instructions, the automatic purchase plan allows for purchases by CAPREIT of Trust Units during certain predetermined blackout periods.

The table below summarizes the NCIB activity for the years ended December 31, 2022 and December 31, 2021. The excess of the purchase price over the weighted average historical Trust Unit issuance price was recorded as a reduction to retained earnings.

For the Year Ended December 31,	2022	2021
Total cost (including commissions) of Trust Units purchased and cancelled under the NCIB	\$ 237,772	\$ –
Number of Trust Units purchased and cancelled under the NCIB	5,233,162	–
Weighted average purchase price per Trust Unit	\$ 45.44	\$ –

**f) Special Non-cash Distribution in Trust Units and Consolidation of Trust Units**

On December 15, 2022, CAPREIT declared a special non-cash distribution of \$0.36 per Trust Unit, payable in Trust Units on December 30, 2022 to Unitholders of record on December 30, 2022 (the “Special Distribution”). The Special Distribution was made to distribute to Unitholders a portion of the capital gain realized by CAPREIT from transactions completed during the year ended December 31, 2022.

On December 30, 2022, 1,428,904 Trust Units were issued at a price of \$42.68 per Trust Unit, for an aggregate value of \$60,986. Immediately following the issuance of these Trust Units, the Trust Units were consolidated such that each Unitholder held the same number of Trust Units after the consolidation of the Trust Units as each Unitholder held prior to the Special Distribution. As at December 30, 2022, the issuance of Trust Units pursuant to the Special Distribution totalling \$60,986 was recorded to Unit Capital in accordance with IAS 32, with a corresponding reduction to retained earnings as a result of the Special Distribution declared.

## 18. 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 August 2021, monthly distributions, excluding the special distribution on December 30, 2022, declared to Unitholders increased to \$0.1208 per Trust Unit (\$1.45 per Trust Unit annually) from \$0.1150 per Trust Unit (\$1.38 per Trust Unit annually).

For the Year Ended December 31,	2022	2021
Distributions declared on Trust Units <sup>(i)</sup>	\$ 249,540	\$ 243,348
Distributions per Trust Unit	\$ 1.450	\$ 1.409

<sup>(i)</sup> Distributions declared exclude the special non-cash distributions. Refer to note 17 for further information.

## 19. Financial Instruments, Investment Properties and Risk Management

### a) Fair Value of Financial Instruments and Investment Properties

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, 2022, the fair value of CAPREIT's mortgages payable, excluding liabilities related to assets held for sale, is estimated to be \$6,096,000 (December 31, 2021 – \$6,294,000). The difference between the carrying amount and the fair value of mortgages payable is due to changes in interest rates and foreign exchange 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). At December 31, 2022, the fair value of CAPREIT's bank indebtedness is estimated to approximate its carrying value of \$388,975 (December 31, 2021 – \$310,866).

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, Fair Value Measurement ("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 are 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 tables present 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, 2022 and December 31, 2021, 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.

As at December 31, 2022	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
<b>Recurring Measurements</b>			
<b>Assets</b>			
Investment properties	\$ —	\$ —	\$ 17,153,709 <sup>(1)</sup>
Assets held for sale	132,342	—	—
Investments held at fair value through profit or loss	196,364	—	—
Investments held at fair value through other comprehensive income	—	11,911	—
Derivative financial assets	—	62,599 <sup>(2)</sup>	—
<b>Liabilities</b>			
Derivative financial liabilities	—	(10,625) <sup>(2)</sup>	—
ERES units held by non-controlling unitholders	(242,599)	—	—
Unit-based compensation financial liabilities	—	(18,257)	—
Exchangeable LP Units	—	(71,668)	—

<sup>(1)</sup> Fair values of investment properties are determined using either the DC or the DCF 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.

<sup>(2)</sup> 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.

As at December 31, 2021	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
<b>Recurring Measurements</b>			
<b>Assets</b>			
Investment properties	\$ —	\$ —	\$ 17,101,919 <sup>(1)</sup>
Investments held at fair value through profit or loss	51,286	—	—
Derivative financial assets	—	30,926 <sup>(2)</sup>	—
<b>Liabilities</b>			
Derivative financial liabilities	—	(3,973) <sup>(2)</sup>	—
ERES units held by non-controlling unitholders	(356,695)	—	—
Unit-based compensation financial liabilities	—	(36,895)	—
Exchangeable LP Units	—	(100,684)	—

<sup>(1)</sup> Fair values of investment properties are determined using either the DC or the DCF 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.

<sup>(2)</sup> 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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 at least 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 arrangements from the hedging derivative assumptions, which may cause volatility in earnings.

As at December 31, 2022, all of CAPREIT's floating rate debt was synthetically converted into fixed rate debt through cross-currency interest rate swaps, and therefore, CAPREIT had no exposure on floating rate debt.

As at December 31, 2022, CAPREIT had a total of \$443,136 in fixed rate mortgages payable that will reach the end of their term during 2023. Assuming all these mortgages are refinanced or renewed at a 100 basis point increase or decrease in interest rates, CAPREIT's annualized net income and equity would decrease or increase by \$4,431, respectively.

As at December 31, 2022, a 100 basis point increase or decrease in interest rates would increase or decrease net income and equity by \$10,693 in relation to CAPREIT's cross-currency and/or interest rate swaps. The sensitivity analysis represents the parallel interest rate shift of both the USD 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, 2022, interest rate risk has been minimized, as 98.8% (December 31, 2021 – 99.1%) 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 synthetically fixed interest rates (December 31, 2021 – 100.0%). These figures exclude liabilities related to assets held for sale.

### **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 \$1,291,362 of mortgages on the MHC sites and the ERES properties), which reduces the risk in refinancing mortgages. This figure excludes liabilities related to assets held for sale. 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 provide for future growth in its business. As at December 31, 2022, CAPREIT had an undrawn credit facility in the amount of \$333,416 (December 31, 2021 – \$384,510), excluding borrowing capacity under the ERES Credit Facility.



The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at December 31, 2022, and defined as current assets less current liabilities, is funded through the Credit Facilities. Management does a liquidity forecast on a regular basis, which includes refinancings, property capital investments, potential acquisitions and potential dispositions, to monitor the available capacity.

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at December 31, 2022 are as follows:

	2023 <sup>(1)</sup>	2024 – 2025	2026 – 2027	2028 onward
Mortgages payable <sup>(2)</sup>	\$ 599,243	\$ 1,569,187	\$ 1,810,691	\$ 2,771,836
Bank indebtedness	–	388,975	–	–
Mortgage interest	153,761	261,187	188,644	210,576
Bank indebtedness interest <sup>(3)</sup>	10,819	21,282	–	–
Other liabilities <sup>(4)</sup>	154,438	–	–	–
Derivative financial liabilities	10,625	–	–	–
ERES units held by non-controlling unitholders	–	–	–	242,599
Lease liabilities	1,190	2,657	2,911	41,892
Security deposits	46,775	–	–	–
Distributions payable	20,469	–	–	–
	\$ 997,320	\$ 2,243,288	\$ 2,002,246	\$ 3,266,903

<sup>(1)</sup> Amounts as at December 31, 2022.

<sup>(2)</sup> Mortgages payable include liabilities related to assets held for sale.

<sup>(3)</sup> Based on current in-place interest rates for the remaining term to maturity.

<sup>(4)</sup> Related to accounts payable and accrued liabilities, current tax liability and mortgage interest payable.

### 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 may not be able 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. The maximum exposure to credit risk at the reporting date is the carrying value of the tenant receivables.

CAPREIT mitigates the risk of credit loss with respect to the borrower of VTBs by ensuring that adequate collateral has been obtained for the VTBs. The VTBs are secured by the property that was sold to the borrower.

### 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 ERES and CAPREIT's subsidiaries in the Netherlands and Ireland is euros.

CAPREIT manages and mitigates the exposure to foreign currency risk on its investment in IRES and subsidiaries in the Netherlands with its cross-currency swaps and EURIBOR borrowings. The loss on foreign currency translation relating to ERES and CAPREIT's subsidiaries in the Netherlands and Ireland is recognized in other comprehensive income (loss). The mark-to-market on the cross-currency swaps and the foreign exchange translation on the USD LIBOR and EURIBOR borrowings are recognized in the consolidated statements of income and comprehensive income.

### Price Risk

Price risk is the risk that fluctuations in the price of investments will affect the net income, other comprehensive income (loss), or the value of investments held at fair value through profit or loss and investments held at fair value through other comprehensive income. CAPREIT is exposed to price risk from its investments. CAPREIT limits price risk by monitoring publicly available information related to its investments to ensure risk levels are within established levels of risk tolerance.

## 20. Derivative Financial Instruments

### Contracts for Which Hedge Accounting is Not Being Applied

CAPREIT has certain derivative financial instruments in place, namely interest rate swaps and cross-currency interest rate (“CCIR”) swaps. These derivative contracts, for which hedge accounting is not being applied, are summarized in the tables below as at December 31, 2022 and December 31, 2021:

As at December 31, 2022						
Type of instrument	Notional amount	Maturity year	Weighted average receiving leg rate	Weighted average paying leg rate	Derivative asset (liability)	
CCIR Swap <sup>(1)</sup>	\$ 106,486	2023	CDOR + 1.35%	1.21%	\$ (331)	
CCIR Swaps <sup>(2)</sup>	\$ 553,969	2023 – 2025	1.74%	0.63%	19,825	
CCIR Swap <sup>(3)</sup>	US\$ 191,563	2023	USD LIBOR + 1.35%	CDOR + 0.83%	745	
ERES Interest Rate Swap <sup>(4)</sup>	€ 25,500	2025	EURIBOR + 1.38%	0.49%	1,718	
ERES Interest Rate Swaps	€ 156,550	2027	EURIBOR	(0.06)%	32,745	
ERES CCIR Swaps <sup>(5)</sup>	US\$ 95,800	2023	USD LIBOR + 1.35%	EURIBOR + 1.15%	(1,238)	
Total derivative net assets					\$ 51,974	

As at December 31, 2021						
Type of instrument	Notional amount	Maturity year	Weighted average receiving leg rate	Weighted average paying leg rate	Derivative asset (liability)	
CCIR Swap <sup>(6)</sup>	US\$ 82,525	2022	USD LIBOR + 1.65%	1.05%	\$ (2,115)	
CCIR Swaps <sup>(2)</sup>	\$ 570,694	2022 – 2025	1.07%	0.08%	29,550	
ERES Interest Rate Swap <sup>(4)</sup>	€ 25,500	2025	EURIBOR + 1.38%	0.49%	(768)	
ERES Interest Rate Swaps	€ 156,550	2027	EURIBOR	(0.06)%	987	
ERES CCIR Swaps <sup>(5)</sup>	US\$ 80,300	2022	USD LIBOR + 1.35%	EURIBOR + 1.15%	(701)	
Total derivative net assets					\$ 26,973	

<sup>(1)</sup> Euro equivalent of €74,000.

<sup>(2)</sup> Euro equivalent of €368,358 (December 31, 2021 – €368,358). These CCIR swaps consist of a current derivative liability of \$8,311 (December 31, 2021 – current derivative asset of \$8,506) and a non-current derivative asset of \$28,136 (December 31, 2021 – \$21,044).

<sup>(3)</sup> One-month CCIR swaps with Canadian dollar equivalent of \$260,000 (December 31, 2021 – \$nil).

<sup>(4)</sup> As at December 31, 2022, the interest rate swap consists of a non-current derivative asset of \$1,718 (December 31, 2021 – \$389) and a non-current derivative liability of \$nil (December 31, 2021 – \$1,157).

<sup>(5)</sup> One-month CCIR swap with a euro equivalent of €90,300 (December 31, 2021 – €71,050).

<sup>(6)</sup> Euro equivalent of €74,000. This CCIR swap was settled in February 2022.

## 21. Capital Management

CAPREIT defines capital as the aggregate of Unitholders’ equity, mortgages payable, liabilities related to assets held for sale, bank indebtedness and Exchangeable LP Units. 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 13) 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 Acquisition and Operating Facility 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 capital investments in the property portfolio and ensure that the sources of financing better reflect the long-term useful lives of the underlying investments.

During 2021, CAPREIT’s Large Borrower Agreement (“LBA”) with CMHC expired. The expiry of the LBA has not affected the manner in which CAPREIT conducts its business or its approach to mortgage financing, including the use of CMHC financing. CAPREIT continues to obtain CMHC financing under substantively similar provisions.

The total capital managed by CAPREIT is as follows:

As at	December 31, 2022	December 31, 2021
Mortgages payable – non-current	\$ 5,963,820	\$ 5,456,605
Mortgages payable – current	613,277	643,460
Liabilities related to assets held for sale	38,116	–
Bank indebtedness	388,975	310,866
Unitholders' equity	10,003,695	10,399,886
Exchangeable LP Units	71,668	100,684
Total capital	\$ 17,079,551	\$ 16,911,501

As described in note 13, CAPREIT's Acquisition and Operating Facility contain the following financial covenants: (i) total debt-to-gross book value of CAPREIT's total assets shall be less than 62.50%; (ii) the funds from operations ("FFO") payout ratio shall not exceed 100% based on the trailing four quarters (FFO shall be calculated in accordance with the recommendations of the Real Property Association of Canada ("REALPAC") and will be subject to the adjustments disclosed in the most recent annual report and such other adjustments as may be agreed with the lender); (iii) maintain a minimum tangible net worth of the sum of \$5,000,000 and 75% of the net cash proceeds received in connection with any issuance or sale of equity by CAPREIT after the closing date of the Acquisition and Operating Facility; (iv) maintain a minimum debt service coverage ratio of 1.40; and (v) maintain a minimum interest coverage ratio of 1.65. There were no changes to the financial covenants as a result of the new amendment to the Acquisition and Operating Facility effective as of December 19, 2022.

The results of CAPREIT's compliance with the key financial covenants are summarized below<sup>(1)</sup>:

	Threshold	December 31, 2022	December 31, 2021
Total debt to gross book value <sup>(2)</sup>	Maximum 62.50%	39.4%	36.1%
Tangible net worth <sup>(3)</sup>	Minimum of \$5,000,000	\$ 10,093,620	\$ 10,522,332
Debt service coverage ratio (times) <sup>(4)(5)</sup>	Minimum 1.40	1.9	2.0
Interest coverage ratio (times) <sup>(4)(6)</sup>	Minimum 1.65	3.7	4.0

<sup>(1)</sup> CAPREIT's FFO payout ratio did not exceed 100% for the trailing four quarters ended December 31, 2022. As at December 31, 2022, CAPREIT is in compliance with its debt covenant on the FFO payout ratio.

<sup>(2)</sup> CAPREIT's Acquisition and Operating Facility limit the maximum amount of total debt to 62.5% 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 annual 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 the type of and maximum limits on single property investments.

<sup>(3)</sup> As per the Acquisition and Operating Facility agreement, the tangible net worth is generally represented by Unitholders' equity and unit-based rights and compensation liabilities or assets, including Exchangeable LP Units added back, and excluding goodwill. Per the Credit Facilities that CAPREIT entered into on June 18, 2021, tangible net worth should be at a minimum of \$5,000,000 plus 75% of the proceeds of future equity raises subsequent to June 18, 2021. There have been no equity raises subsequent to June 18, 2021 to date.

<sup>(4)</sup> Based on the trailing four quarters.

<sup>(5)</sup> As per the Acquisition and Operating Facility agreement, the debt service coverage ratio is defined as earnings before interest, income taxes, depreciation, amortization, adjustments to fair value, and other adjustments, including non-cash costs ("EBITDAFV"), less income taxes paid divided by the sum of mortgage principal repayments and interest expense (including interest on mortgages payable and bank indebtedness).

<sup>(6)</sup> As per the Acquisition and Operating Facility agreement, the interest coverage ratio is defined as EBITDAFV divided by interest expense.

CAPREIT's subsidiary, ERES, is subject to various financial covenants contained in ERES Credit Facility. ERES must have: (i) a maximum debt-to-gross book value of 65%; (ii) a maximum debt-to-market value of the portfolio of 60%; (iii) maintain a minimum tangible net worth of €375,000; (iv) maintain a minimum debt service coverage ratio of 1.35; and (v) maintain a minimum interest coverage ratio of 1.50. As at December 31, 2022, ERES is in compliance with its financial covenants.

## 22. Income Taxes

CAPREIT is taxed as a “mutual fund trust” as defined under the Income Tax Act (Canada) 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 (“REIT”) eligible for the REIT Exemption to the specified investment flow-through (“SIFT”) rules. CAPREIT 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 Unitholders, with the exception of Canadian withholding taxes for distributions to non-resident Unitholders.

CAPREIT has foreign operating subsidiaries in certain 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 foreign 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,	2022	2021
Net income before income taxes	\$ 3,603	\$ 1,473,976
Amounts not subject to taxation <sup>(i)</sup>	(50,346)	(1,162,021)
(Loss) income in foreign subsidiary entities	(46,743)	311,955
Tax calculated at the Dutch corporate tax rate of 25.8% (2021 – 25.0%)	(12,060)	77,989
Increase (decrease) resulting from:		
Effect of different tax rates in countries in which CAPREIT operates	536	252
Adjustments to deferred income taxes for the change in tax rates	1,772	4,036
Adjustment for income taxed at a different rate	(2,162)	(1,098)
Unrecognized deferred income tax assets	914	709
Provision to tax return true-up	871	–
Other adjustments	95	(707)
Current and deferred income tax (recovery) expense	\$ (10,034)	\$ 81,181

<sup>(i)</sup> Consists primarily of Canadian income including fair value adjustment of Canadian investment properties, interest on and fair value adjustments of Exchangeable LP Units, and other adjustments.

A breakdown of current and deferred income tax (recovery) expense is as follows:

For the Year Ended December 31,	2022	2021
Current income tax expense	\$ 4,843	\$ 4,539
Deferred income tax (recovery) expense	(14,877)	76,642
Current and deferred income tax (recovery) expense	\$ (10,034)	\$ 81,181

The deferred income tax liability of \$120,524 (December 31, 2021 – \$133,974) is primarily related to the difference in the tax and book basis of investment properties. The deferred income tax asset of \$6,173 (December 31, 2021 – \$5,010) also relates to the difference in the tax and book basis of investment properties, as well as loss carry-forwards.

As at December 31, 2022, CAPREIT has total non-capital loss carry-forwards of \$23,238 (December 31, 2021 – \$18,040). Of these losses, \$18,073 (December 31, 2021 – \$13,449) are in respect of Dutch subsidiaries which, starting on January 1, 2022, have no expiry period but the utilization is subject to annual limits. The remaining losses of \$5,165 (December 31, 2021 – \$4,591) are in respect of German subsidiaries and have no expiry period. As at December 31, 2022, CAPREIT has not recognized a deferred income tax asset for a deductible temporary difference of \$8,633 (December 31, 2021 – \$4,824) as it does not expect this difference to reverse in the foreseeable future.

## 23. Accumulated Other Comprehensive (Loss) Income

For the Year Ended December 31,	2022	2021
<b>(AOCL) AOCI balance, beginning of the year</b>	<b>\$ (43,397)</b>	\$ 70,047
<b>Other comprehensive income (loss):</b>		
Amortization of losses from (AOCL) AOCI to interest and other financing costs <sup>(1)</sup>	<b>1,361</b>	2,440
Gain (loss) on foreign currency translation, net of taxes	<b>8,536</b>	(115,884)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES <sup>(1)</sup>	<b>7,627</b>	–
<b>Other comprehensive income (loss)</b>	<b>17,524</b>	(113,444)
<b>AOCL balance, end of the year</b>	<b>\$ (25,873)</b>	\$ (43,397)

As at	December 31, 2022	December 31, 2021
<b>AOCL comprises:</b>		
Net cumulative loss on derivative financial instruments	<b>\$ (6)</b>	\$ (110)
Net cumulative loss on forward interest rate hedge	<b>(335)</b>	(1,592)
Cumulative loss on foreign currency translation	<b>(25,532)</b>	(41,695)
<b>AOCL balance, end of the year</b>	<b>\$ (25,873)</b>	\$ (43,397)

<sup>(1)</sup> Refer to note 24 for further information.

## 24. Interest and Other Financing Costs

For the Year Ended December 31,	2022	2021
Interest on mortgages payable and liabilities related to assets held for sale <sup>(1)</sup>	<b>\$ 154,467</b>	\$ 138,293
Amortization of CMHC premiums and fees	<b>12,454</b>	10,041
Interest on bank indebtedness <sup>(2)</sup>	<b>8,292</b>	6,110
Interest on Exchangeable LP Units	<b>2,435</b>	1,119
Interest on land and air rights lease liability	<b>5,221</b>	4,900
Total	<b>\$ 182,869</b>	\$ 160,463

<sup>(1)</sup> Includes amortization of deferred financing costs, fair value adjustments and OCI hedge interest for the year ended December 31, 2022 of \$4,147 (December 31, 2021 – \$6,263).

<sup>(2)</sup> Includes amortization of deferred loan costs of \$615 (December 31, 2021 – \$710).

## 25. Joint Arrangements

As at December 31, 2022, CAPREIT has 50% co-ownership interest in three investment properties whose principal place of business is in Ottawa, Ontario (December 31, 2021 – 50% co-ownership interest in five investment properties whose principal place of business is in Ottawa, Ontario), that are subject to joint control and are joint operations.

CAPREIT's share of the assets, liabilities, revenues, expenses and cash flows from joint arrangement activities is summarized as follows:

As at	December 31, 2022	December 31, 2021
Assets <sup>(1)</sup>	\$ 139,884	\$ 242,624
Liabilities <sup>(1)</sup>	39,762	50,035
Net Assets	100,122	192,589
For the Year Ended December 31,	2022	2021
Revenues	\$ 9,831	\$ 18,321
(Expenses) recoveries and other adjustments <sup>(2)</sup>	(13,089)	(14,134)
Net (loss) income and comprehensive (loss) income	(3,258)	32,455
<b>Cash provided by (used in):</b>		
Operating activities	\$ 5,392	\$ 9,046
Investing activities	248	(19,788)
Financing activities	(10,295)	13,801

<sup>(1)</sup> As at December 31, 2022, assets include \$132,342 of assets held for sale and liabilities include \$38,116 of liabilities related to assets held for sale. Refer to notes 5 and 32 for further information.

<sup>(2)</sup> Includes fair value adjustments of investment properties.

On June 20, 2022, CAPREIT disposed of its 50% co-ownership interest in a joint arrangement consisting of two investment properties located in Ottawa, Ontario. Refer to note 5 for further information.

On August 31, 2021, CAPREIT purchased the remaining 50% co-ownership interest in a joint arrangement located in Toronto, Ontario. Refer to note 4 for further information.

On October 1, 2021, CAPREIT disposed of its 33.3% co-ownership interest in a joint arrangement located in Toronto, Ontario. Refer to note 5 for further information.

## 26. Supplemental Cash Flow Information

### a) Items Related to Investing and Financing Activities

For the Year Ended December 31,	2022	2021
Dividend and interest income	\$ (10,185)	\$ (1,672)
Interest expense on holders of Exchangeable LP Units	2,435	1,119
Interest expense on ERES non-controlling unitholders	12,918	12,756
Interest expense and prepayment penalty on mortgages	150,806	129,345
Fair value adjustment upon mortgage assumption on disposition	(3,865)	–
Interest expense on bank indebtedness	7,677	5,400
Interest expense on leases	5,221	4,900
Net disbursements	\$ 165,007	\$ 151,848

### b) Changes in Non-cash Operating Assets and Liabilities

For the Year Ended December 31,	2022	2021
Prepaid expenses	\$ (1,067)	\$ (1,279)
Tenant inducements, direct leasing costs and other adjustments	1,566	(1,125)
Other receivables	490	(864)
Deposits	(4,237)	(4,219)
MHC home inventory	(8,069)	(8,138)
Accounts payable and other	(6,583)	5,961
Derivative liability	19,824	(979)
Security deposits	2,966	2,995
Current tax liability	(59)	(3,698)
Changes in non-cash operating assets and liabilities	\$ 4,831	\$ (11,346)

**c) Acquisition of Investment Properties**

For the Year Ended December 31,	2022	2021
Acquired properties	\$ (645,605)	\$ (1,053,497)
Fair value of assumed debt	99,500	132,860
Deposit on acquisitions and other adjustments	2,404	(2,723)
Issuance of Exchangeable LP Units	–	83,385
Change in investment properties included in accounts payable and other liabilities	4,140	–
Net disbursements	\$ (539,561)	\$ (839,975)

**d) Capital Investments**

For the Year Ended December 31,	2022	2021
Property capital and PP&E investments	\$ (333,751)	\$ (309,744)
Change in capital investments included in accounts payable and other liabilities	(2,716)	10,325
Net disbursements	\$ (336,467)	\$ (299,419)

**e) Disposition of Investment Properties**

For the Year Ended December 31,	2022	2021
Proceeds	\$ 343,497	\$ 143,381
Closing costs and other adjustments	(2,128)	803
Issuance of VTB	–	(114,990)
Fair value of mortgages assumed by purchaser on dispositions	(34,420)	–
Net proceeds	\$ 306,949	\$ 29,194

**f) Mortgage Portfolio**

For the Year Ended December 31,	2022	2021
Balance, beginning of the year	\$ 6,100,065	\$ 5,401,202
<b>Add:</b>		
New borrowings on acquisitions	211,341	317,614
Refinanced	879,297	1,023,351
<b>Less:</b>		
Mortgage principal repayments	(162,048)	(149,996)
Mortgage lump sum repayments	(451,235)	(521,375)
Mortgages repaid on dispositions of investment properties	(28,114)	–
<b>Non-cash Adjustments:</b>		
Mortgages assumed upon property acquisitions	99,194	131,614
Mortgages assumed by purchasers upon property dispositions	(38,285)	–
Loss (gain) on foreign currency translation	15,084	(87,069)
Net change in deferred financing costs, fair value adjustment and prepaid CMHC premiums	(10,086)	(15,276)
Liabilities related to assets held for sale	(38,116)	–
<b>Balance, end of the year</b>	<b>\$ 6,577,097</b>	<b>\$ 6,100,065</b>

**g) Bank Indebtedness**

For the Year Ended December 31,	2022	2021
Balance, beginning of the year	\$ 310,866	\$ 118,553
Net borrowings before foreign currency translation	63,832	189,305
Loss on foreign currency translation	14,277	3,008
<b>Balance, end of the year</b>	<b>\$ 388,975</b>	<b>\$ 310,866</b>

## h) Issuance of Trust Units

For the Year Ended December 31,	2022	2021
Issuance of Trust Units	\$ 17,782	\$ 14,444
Settlement of unit-based compensation awards for Trust Units	(15,036)	(11,306)
Net proceeds	\$ 2,745	\$ 3,138

## i) Net Cash Distributions and Other Net Interest Payments

For the Year Ended December 31,	2022	2021
Distributions and interest declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	\$ (264,893)	\$ (257,223)
Add: Distributions payable to Unitholders at beginning of the year	(20,953)	(19,751)
Less: Distributions payable to Unitholders at end of the year	20,469	20,953
Less: Distributions to participants in the CAPREIT DRIP	42,178	75,739
Add: Interest payable to ERES non-controlling unitholders at beginning of the year	(745)	(920)
Less: Interest payable to ERES non-controlling unitholders at end of the year	993	745
Less: Interest expense on non-controlling participants in the ERES DRIP	3,644	2,265
Add: Interest payable to holders of Exchangeable LP Units at beginning of the year	(406)	(38)
Less: Interest payable to holders of Exchangeable LP Units at end of the year	203	406
(Loss) gain on foreign currency translation	(251)	50
Net disbursements	\$ (219,761)	\$ (177,774)

## 27. Revenue and Other Income

### Revenue from Contracts with Customers

In accordance with IFRS 15, management has evaluated the lease and non-lease components of its revenue and other income. Revenues under IFRS 15 consist of asset and property management fees, transition service fees and profit from the sale of MHC home inventory listed below in the Other income section, and miscellaneous revenues. For the year ended December 31, 2022, miscellaneous revenues of \$24,480 (year ended December 31, 2021 – \$25,873) were included in “Revenue from investment properties” within the consolidated statements of income and comprehensive income. Miscellaneous revenues consist of cable income, certain common area maintenance recoveries, service charges and premium service components.

### Other income

For the Year Ended December 31,	2022	2021
Investment income <sup>(1)</sup>	\$ 9,112	\$ 1,493
Interest income from mortgages receivable	1,971	778
Profit from sale of MHC inventory <sup>(2)</sup>	1,531	945
Net profit from investment in associate <sup>(3)</sup>	647	18,455
Asset and property management fees, and transition service fees <sup>(4)</sup>	2,252	9,863
Other	1,008	179
Total	\$ 16,521	\$ 31,713

<sup>(1)</sup> Investment income for the year ended December 31, 2022 includes \$7,297 of semi-annual dividends from IRES (for the year ended December 31, 2021 – \$nil). Prior to January 31, 2022, dividends from IRES were deducted from the carrying value of the investment in associate instead of being included in investment income. Refer to note 28 for further information.

<sup>(2)</sup> For the year ended December 31, 2022, consists of income from the sale of MHC home inventory of \$5,127 (for the year ended December 31, 2021 – \$3,459), offset by cost of sales of \$3,596 (for the year ended December 31, 2021 – \$2,514).

<sup>(3)</sup> Net profit from investment in associate represented CAPREIT’s share of IRES’ earnings, investment property fair value change and foreign exchange effects thereon during the period when CAPREIT exercised significant influence over IRES. Subsequent to January 31, 2022, CAPREIT no longer exercises significant influence over IRES and, as a result, its investment in IRES no longer qualifies as an investment in associate. Refer to note 28 for further information.

<sup>(4)</sup> This includes transition service fees based on the Investment Management Agreement (“IMA”) with IRES, which terminated on January 31, 2022, of \$1,407 for the year ended December 31, 2022 (for the year ended December 31, 2021 – \$nil). Refer to note 28 for further information.



## 28. Related Party Transactions

### a) IRES Transactions

Included in other income for the year ended December 31, 2022 are asset management, property management and transition service fees of \$2,252 (year ended December 31, 2021 – \$9,863). Expenses related to the asset management, property management and transition service fees are included in trust expenses.

As indicated in note 3, CAPREIT's IMA with IRES terminated on January 31, 2022. CAPREIT provided transition services to IRES for a period of three months from January 31, 2022 to April 28, 2022, in line with the transition services agreement between CAPREIT and IRES. As a result of the IMA termination, CAPREIT ceased to have significant influence over IRES, and its investment in IRES was recognized as an investment at FVTPL as at January 31, 2022. On the same date, IRES exercised its obligation to acquire CAPREIT's subsidiary, IRES Fund Management Limited, for €1. Due to the loss of significant influence over IRES, \$7,627 of accumulated foreign currency loss was reclassified from accumulated other comprehensive loss to loss on foreign currency translation on the consolidated statements of income and comprehensive income.

On January 31, 2022, prior to the loss of significant influence, the carrying value of the investment in associate was \$244,907 (December 31, 2021 – \$246,505). Upon the change in accounting treatment, the fair value of the investment on the same date was \$236,110. As a result, CAPREIT incurred a fair value loss of \$8,811 due to the loss of significant influence. CAPREIT subsequently remeasures its investment in associate at fair value at each reporting period. The fair value changes are included in fair value adjustments of investments on the consolidated statements of income and comprehensive income.

Given that IRES is no longer an associate, IRES is no longer a related party to CAPREIT since January 31, 2022.

### 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,	2022	2021
Short-term benefits	\$ 3,942	\$ 3,546
Unit-based compensation – grant date amortization <sup>(1)</sup>	3,598	2,982
Termination benefits	1,849	–
	9,389	6,528
Unit-based compensation – fair value remeasurement	(5,048)	4,393
Total	\$ 4,341	\$ 10,921

<sup>(1)</sup> Includes \$393 for the year ended December 31, 2022 relating to accelerated vesting of previously granted RUR units (year ended December 31, 2021 – \$nil).

### **c) ERES Transactions**

#### **Asset Management Agreement**

CAPREIT entered into a management agreement with ERES pursuant to which CAPREIT acts as the asset manager to ERES, except for the commercial properties (the “Asset Management Agreement”). CAPREIT provides, among other things, strategic, advisory, asset management, project management, construction management and administrative services necessary to ERES.

The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- a) An annual asset management fee in the amount of 0.35% of the historical purchase price of ERES’s properties, excluding the commercial properties, plus HST/VAT;
- b) 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;
- c) 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 CAPREIT 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, CAPREIT will reimburse ERES for the difference. To the extent that the financing fees charged by CAPREIT are less than the actual amount of such expenses, ERES will pay the difference as an additional financing fee amount.

#### **Property Management Agreement**

CAPREIT entered into a property management agreement with ERES pursuant to which CAPREIT acts as the property manager to ERES for residential properties and receives 3.5% of Effective Gross Income for its services.

#### **Services Agreement**

CAPREIT has entered into a services agreement with ERES pursuant to which CAPREIT provides ERES with certain administrative services, including financial, information technology, internal audit and other support services, as may reasonably be required from time to time. CAPREIT provides these services to ERES on a cost recovery basis.

#### **Pipeline Agreement**

CAPREIT entered into a pipeline agreement with ERES (the “Pipeline Agreement”) pursuant to which CAPREIT, for a period ending on March 29, 2021, is committed to making funds available to ERES, in the form of direct investments or intercompany loans up to an aggregate amount of \$239,220 (€165,000) (the “Total Commitment”), to acquire properties that comply with ERES’s investment policy and do not contravene the investment policy of CAPREIT which ERES wishes to purchase but is unable to do so (a “Suitable Property Investment”). On March 20, 2021, the Pipeline Agreement was extended under the same terms and conditions for a subsequent two-year period, ending on March 29, 2023. Once any part of the Total Commitment has been repaid in cash or units, that part of the Total Commitment will be available for reuse under the terms of the Pipeline Agreement. CAPREIT will receive an underwriting fee in the amount of 1.0% of the purchase price on any acquisitions under the Pipeline Agreement.

There were no acquisitions made pursuant to the Pipeline Agreement during the years ended December 31, 2022 and December 31, 2021.

### Promissory Note

On October 28, 2021, as an alternative to the Pipeline Agreement, the CAPREIT Board of Trustees approved the provision of up to \$239,220 (€165,000) in funding to ERES via promissory note arrangements, carrying an interest rate as agreed upon by CAPREIT and ERES on drawn amounts, for a term of up to six months, with the ability to fully repay prior to maturity, without penalty, and extend beyond, if required. Promissory notes issued during the years ended December 31, 2022 and December 31, 2021 are summarized in the tables below.

Issuance Date	Principal (€)	Interest Rate per Annum	Maturity Date	December 31, 2022	
				Amount outstanding (€)	Amount outstanding (\$)
January 26, 2022	€ 19,000	1.30%	July 26, 2022 <sup>(1)</sup>	€ –	\$ –
March 28, 2022	48,450	1.30%	September 28, 2022 <sup>(1)</sup>	–	–
April 27, 2022	25,650	1.50%	October 27, 2022 <sup>(2)</sup>	–	–
October 27, 2022	25,650	3.70%	April 27, 2023	25,650	37,188

<sup>(1)</sup> Fully repaid on June 14, 2022.

<sup>(2)</sup> Fully repaid on October 27, 2022.

Issuance Date	Principal (€)	Interest Rate per Annum	Maturity Date	December 31, 2021	
				Amount outstanding (€)	Amount outstanding (\$)
December 20, 2021	€ 39,300	1.30%	June 20, 2022 <sup>(1)</sup>	€ –	–

<sup>(1)</sup> Fully repaid on December 30, 2021.

Promissory notes from ERES to CAPREIT are eliminated upon consolidation in these consolidated annual financial statements.

### Summary of Fees and Income Earned from ERES

The table below summarizes fees charged to and interest income earned from ERES for the years ended December 31, 2022 and December 31, 2021:

For the Year Ended December 31,	2022	2021
Asset management fees	\$ 7,984	\$ 7,405
Acquisition fees	1,215	2,140
Property management fees	4,337	4,033
Service fees	663	798
Interest income earned from promissory note	822	21
Total	\$ 15,021	\$ 14,397

Any fees or interest charged by CAPREIT to ERES are eliminated upon consolidation in these consolidated annual financial statements.

## 29. Commitments

### Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at December 31, 2022 in the aggregate amount of \$9,264 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 in the table below.

	2023	2024	2025
<b>Gas Commodity</b>			
Fixed weighted average cost per GJ <sup>(1)</sup>	\$ 2.30	\$ 2.31	\$ 2.26
Total of CAPREIT's estimated requirements	72.0%	53.5%	31.3%
<b>Transport</b>			
Fixed weighted average cost per GJ <sup>(1)</sup>	\$ 0.91	\$ 0.75	\$ 0.79
Total of CAPREIT's estimated requirements	72.0%	53.5%	31.3%
Total Commitment	\$ 4,234	\$ 3,175	\$ 1,855

<sup>(1)</sup> Fixed weighted average cost per gigajoule ("GJ") excludes other administrative costs.

### Property-related commitments

Commitments primarily related to improvements and other expenditures in investment properties of \$102,333 are outstanding as at December 31, 2022 (December 31, 2021 – \$37,153).

## 30. Contingencies

CAPREIT and its subsidiaries are contingently liable under guarantees provided to certain lenders in the event of default, and with respect to litigation and claims that arise from time to time in the ordinary course of business. Matters relating to litigation and claims are generally covered by insurance, or have been provided for where appropriate.

### 31. Segmented Information

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 following aggregation: (i) Canada and (ii) Europe. CAPREIT's chief operating decision-maker, determined to be the President and Chief Executive Officer of CAPREIT, reviews operating results of the Canadian and European properties to make decisions about resources to be allocated to the segments and to assess their performance.

	For the Year Ended December 31, 2022		
	Canada	Europe	Consolidated financial statements
Selected income statement items			
Revenue from investment properties	\$ 885,099	\$ 122,169	\$ 1,007,268
Operating expenses	(329,109)	(27,750)	(356,859)
<b>Net rental income</b>	<b>\$ 555,990</b>	<b>\$ 94,419</b>	<b>\$ 650,409</b>
Fair value adjustments of investment properties	\$ (355,726)	\$ (112,601)	\$ (468,327)

	For the Year Ended December 31, 2021		
	Canada	Europe	Consolidated financial statements
Selected income statement items			
Revenue from investment properties	\$ 819,219	\$ 113,918	\$ 933,137
Operating expenses	(297,433)	(25,711)	(323,144)
<b>Net rental income</b>	<b>\$ 521,786</b>	<b>\$ 88,207</b>	<b>\$ 609,993</b>
Fair value adjustments of investment properties	\$ 760,988	\$ 287,754	\$ 1,048,742

	As at December 31, 2022		
	Canada	Europe	Consolidated financial statements
Selected balance sheet items			
Investment properties <sup>(1)</sup>	\$ 14,403,351	\$ 2,750,358	\$ 17,153,709
Mortgages payable <sup>(1)</sup>	5,310,268	1,266,829	6,577,097

<sup>(1)</sup> Excludes assets held for sale and liabilities related to assets held for sale.

	As at December 31, 2021		
	Canada	Europe	Consolidated financial statements
Selected balance sheet items			
Investment properties	\$ 14,425,769	\$ 2,676,150	\$ 17,101,919
Mortgages payable	4,928,030	1,172,035	6,100,065

## 32. Subsequent Events

The table below summarizes the disposition of investment properties completed subsequent to December 31, 2022:

Disposition Date	Suite Count	Region	Sale Price <sup>(1)</sup>
January 25, 2023	1,150 <sup>(2)</sup>	Ottawa, ON	\$ 136,250

<sup>(1)</sup> Sale price excludes disposition costs and other adjustments.

<sup>(2)</sup> CAPREIT disposed of its 50% interest in 1,150 apartment suites.

On January 24, 2023, ERES amended the existing ERES Credit Facility to extend the maturity date to January 26, 2026 and to provide for, among other things, (i) an increase in the limit from €100,000 to €125,000, (ii) an accordion feature to increase the limit by a further €25,000 upon satisfaction of conditions set out in the agreement and the consent of applicable lenders, (iii) the replacement of USD LIBOR with Adjusted Term SOFR as a benchmark interest rate, and (iv) the addition of another Canadian chartered bank to the lender base.

During the month of January 2023, CAPREIT purchased and cancelled an additional 182,723 Trust Units under the NCIB, at a weighted average purchase price of \$42.73 per Trust Unit, for a total cost of \$7,808.

# Unitholder Information

## Head Office

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Toronto, Ontario M5E 1W1  
Tel: 416.861.9404  
Fax: 416.861.9209  
website: [www.capreit.ca](http://www.capreit.ca)

## Officers

### **Mark Kenney**

President and Chief Executive Officer

### **Stephen Co**

Chief Financial Officer

### **Julian Schonfeldt**

Chief Investment Officer

### **Jodi Lieberman**

Chief People, Culture and Brand Officer

## Investor Information

Analysts, Unitholders and others seeking financial data should visit CAPREIT's website at [www.capreit.ca](http://www.capreit.ca) or contact:

### **Mark Kenney**

President and Chief Executive Officer

Tel: 416.861.9404

E-mail: [ir@capreit.net](mailto:ir@capreit.net)

## Registrar and Transfer Agent

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100 University Avenue, 8th Floor

Toronto, Ontario M5J 2Y1

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## Auditor

PricewaterhouseCoopers LLP

## Legal Counsel

Stikeman Elliott LLP

## Stock Exchange Listing

Units of CAPREIT are listed on the Toronto Stock Exchange under the trading symbol "CAR.UN."



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