CANADIAN APARTMENT PROPERTIES • REIT

Focused on Quality

2023 Annual Report

"...we're upgrading the quality of our portfolio and platform to grow earnings per unit, as opposed to growing suite count..."

THE LANCASTER

2022 Built

48 Suites

$22.5M Purchase Price

Profile

Canadian Apartment Properties REIT (CAPREIT) is Canada's largest publicly traded provider of quality rental housing. As of December 31, 2023, CAPREIT owned approximately 64,300 residential apartment suites, townhomes and manufactured home community (MHC) sites well-located across Canada and the Netherlands.

2023 Highlights & Objectives

HIGHLIGHTS

- Sustained high and stable occupancies, with 99% of residential suites in Canada occupied on December 31, 2023
- Grew same property Occupied AMR by 6.2% to $1,509 across the Canadian residential portfolio as of year end
- Held NOI margin strong at 65.3% for the year ended December 31, 2023 on a same property basis
- Sold 2,955 non-core suites and sites in Canada for over $400 million in aggregate gross proceeds, representing a premium to IFRS fair value
- Redeployed approximately $300 million into the purchase of newly constructed rental properties containing a total of 631 high-quality suites
- Invested $101 million in the Normal Course Issuer Bid (NCIB) program to repurchase units at significant discounts to NAV, crystallizing that value for Unitholders
- Fortified financial position with over $550 million in new and refinanced mortgage principal in Canada
- Achieved meaningful progress on development program, celebrating its first disposition of excess density following the end-to-end entitlement process
- Proactively contributed to Canada's housing supply and affordability solutions

OBJECTIVES

- Maintain a focus on maximizing occupancy and responsibly growing Occupied AMR in accordance with local conditions in each of CAPREIT's markets
- Upgrade the quality and diversification of the property portfolio through repositioning and capital recycling initiatives to grow earnings and cash flow potential
- Invest capital and adopt leading edge technologies and solutions to enhance environmental and operational efficiencies, risk management and to help ensure life safety and satisfaction of residents
- Maintain strong financial management and a conservative and well-balanced capital structure to increase FFO per unit (formerly known as "NFFO per unit"), NAV per unit and provide long-term, stable and growing cash distributions for Unitholders

Note: Please refer to Management's Discussion & Analysis (MD&A) for detail and explanation of defined terms.

Disclosed purchase prices for 2023 acquisitions exclude transaction costs and other accounting adjustments.

Selected Financial Highlights

As at		December 31, 2023		December 31, 2022
Total Portfolio Performance and Other Measures				
Number of suites and sites[1]		64,260		66,586
Investment properties fair value[2] (000s)	$	16,532,096	$	17,153,709
Occupied AMR[1]				
Canadian Residential Portfolio[3]	$	1,516	$	1,401
The Netherlands Portfolio	€	1,063	€	992
Occupancy[1]				
Canadian Residential Portfolio[3]		98.8%		98.9%
The Netherlands Portfolio		98.5%		98.4%
Total Portfolio[4]		98.2%		98.3%

(1) Excludes commercial suites.
(2) Investment properties exclude assets held for sale, as applicable.
(3) Excludes MHC sites.
(4) Includes MHC sites.

	Three months ended December 31				Year ended December 31			
		2023		2022		2023		2022
Financial Performance								
Operating revenues (000s)	$	272,195	$	256,915	$	1,065,317	$	1,007,268
NOI (000s)	$	176,711	$	164,500	$	692,786	$	650,409
NOI margin		64.9%		64.0%		65.0%		64.6%
Same property NOI (000s)	$	167,898	$	155,628	$	659,657	$	614,621
Same property NOI margin		64.7%		64.5%		65.3%		65.0%
Net income (loss) (000s)	$	9,212	$	155,523	$	(411,574)	$	13,637
FFO per unit – diluted (formerly known as “NFFO per unit – diluted”)[1]	$	0.602	$	0.580	$	2.396	$	2.328
Distributions per unit	$	0.363	$	0.363	$	1.450	$	1.450
FFO payout ratio (formerly known as “NFFO payout ratio”)[1]		60.4%		62.4%		60.5%		62.1%

(1) These measures are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies (see “Non-IFRS Measures” in Section I of CAPREIT’s MD&A in CAPREIT’s 2023 Annual Report). For a reconciliation to IFRS, see “Non-IFRS Measures” in Section IV of CAPREIT’s MD&A in CAPREIT’s 2023 Annual Report).

As at		December 31, 2023		December 31, 2022
Financing Metrics and Liquidity				
Total debt to gross book value[1]		41.6%		39.4%
Weighted average mortgage effective interest rate[2]		2.80%		2.61%
Weighted average mortgage term (years)[2]		4.9		5.4
Debt service coverage (times)[1][3]		1.8x		1.9x
Interest coverage (times)[1][3]		3.3x		3.7x
Cash and cash equivalents (000s)	$	29,528	$	47,303
Available liquidity – Acquisition and Operating Facility (000s)	$	340,059	$	333,416
Capital				
Unitholders’ equity (000s)	$	9,278,595	$	10,003,695
Net asset value[1] (000s)	$	9,212,594	$	9,954,566
Total number of units – diluted (000s)		169,868		171,599
Net asset value per unit – diluted[1]	$	54.23	$	58.01

(1) This measure is not defined by IFRS, does not have standard meaning and may not be comparable with other industries or companies (see “Non-IFRS Measures” in Section I of CAPREIT’s MD&A in CAPREIT’s 2023 Annual Report). For a reconciliation to IFRS, see “Non-IFRS Measures” in Section IV of CAPREIT’s MD&A in CAPREIT’s 2023 Annual Report).
(2) Excludes liabilities related to assets held for sale, as applicable.
(3) Based on the trailing four quarters.

EAGLE POINTE

2021	143	$61.0M
Built	Suites	Purchase Price

PARQUE ON PARK

2022	93	$53.7M
Built	Suites	Purchase Price

Strong & Diversified Portfolio

Canada

57,374
Total Suites & Sites

98.8%
Residential Apartment Occupancy

$1,516
Residential Apartment Occupied AMR

In Canada, our focus is on the modernization of our portfolio. We are actively recycling our assets, and enhancing the average age, geographic exposure, and overall quality of our Canadian properties. We are investing to improve the living experience of our residents, the operational and environmental performance of our buildings, and the strength of our earnings, to ultimately drive value for all our stakeholders now, and in the future.

Province	% Portfolio	Suites or Sites	% Occupancy	Occupied AMR
British Columbia	16%	6,207	99.0%	$ 1,677
Alberta	3%	2,209	99.1%	$ 1,368
Saskatchewan	<1%	234	96.2%	$ 1,235
Ontario	52%	22,432	99.2%	$ 1,621
Québec	17%	10,394	97.6%	$ 1,236
Nova Scotia	6%	3,340	99.3%	$ 1,513
Prince Edward Island	1%	424	100%	$ 1,262
MHC	5%	12,134	96.1%	$ 439

Note: Portfolio allocation by fair value as at December 31, 2023.

Netherlands

6,886
Total Suites

98.5%
Residential Occupancy

€1,063
Residential Occupied AMR

Julian Schonfeldt
Chief Investment Officer

Jodi Lieberman
Chief People, Culture & Brand Officer

Mark Kenney
President & Chief Executive Officer

Roman Brailovski
Executive Vice President, Operations

Stephen Co
Chief Financial Officer

Report to Unitholders

At CAPREIT, we are proud to have accumulated one of the largest portfolios of residential rental properties in Canada. Since 1997, we've been steadily increasing its size and scale – until now. We've re-envisioned what it means to be Canada's largest publicly traded provider of quality rental housing, and today **we're focusing on the quality, instead of the quantity**. In step with this strategic pivot, we're thrilled to present the progress we've made and the value we've created in 2023, and we're excited to continue upgrading our portfolio, our people, and our returns to Unitholders in the years to come.

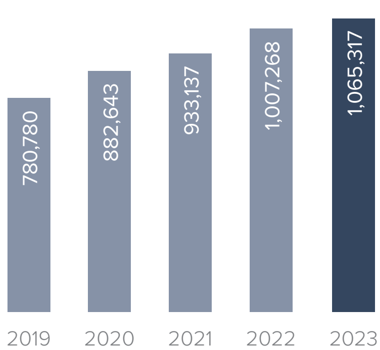
Strengthening our operational performance

2023 marks another year of strong operational performance for CAPREIT. Although we've shrunk the size of our portfolio by over 2,000 suites and sites this year through repositioning initiatives, our total operating revenues increased by 5.8% to $1.1 billion for the year ended December 31, 2023. This increase in revenue was the result of market-driven growth in our Canadian residential Occupied AMR, which was up 6.2% to $1,509 on a same property basis as of December 31, 2023. We achieved this while continuing to hold our occupancies as high as possible, an approach we've historically always taken, even throughout the pandemic. In line with that, we're proud to report that our Canadian residential portfolio was 99% occupied on December 31, 2023, consistent with the 99% occupancy we reported on December 31, 2022.

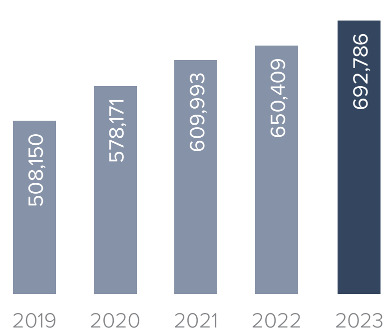
We're pleased with the 6.5% increase in total portfolio NOI, to $692.8 million for the year ended December 31, 2023, up from $650.4 million recorded in 2022. Our total portfolio NOI margin expanded by 40 basis points to 65.0% in 2023, while our same property NOI margin increased from 65.0% in 2022 to 65.3% for the current year. In addition to strong rental revenue growth, our margin expansion demonstrates the effectiveness of our many cost-mitigating measures, which remained a key focus for us in 2023. In fact, to further highlight this, our growing margins are inclusive of elevated repairs and maintenance (R&M) costs associated with our capital allocation strategy. This year, excluding our environmental initiatives, we started scaling back on non-essential, value-adding capital expenditure, and correspondingly increased our work on R&M, in response to the tight Canadian rental market in which we're currently operating. This increases our property operating costs as compared to 2022, which adversely affects our margins; however, it lowers our overall capital expenditure and positively impacts our long-term cash returns. We're looking forward to seeing the merits of this property management strategy trickle through to our future financial results.

KEY METRICS

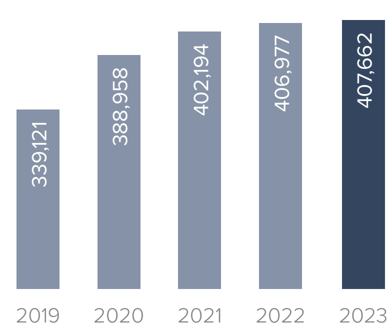
Operating Revenue
($000s)



NOI
($000s)



FFO(1)
($000s)



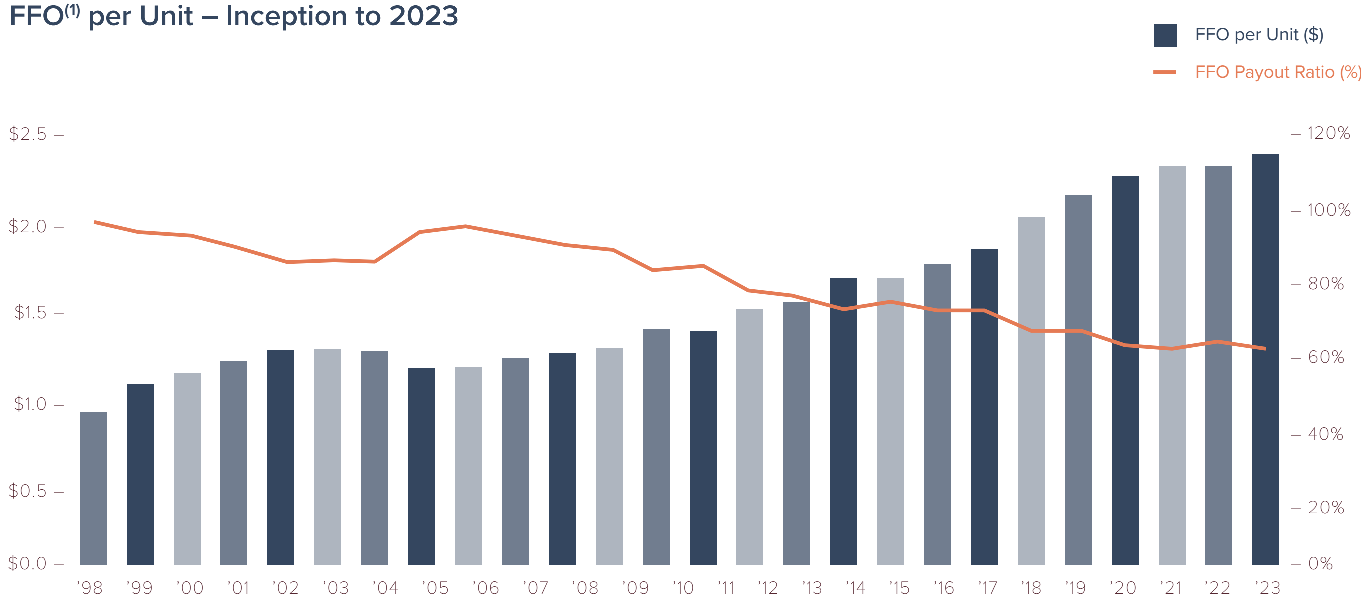
(1) Formerly known as "NFFO".

Growing earnings per unit

Our FFO (formerly known as NFFO) was up by 0.2% to $407.7 million for the year ended December 31, 2023. This was predominantly attributable to our strong operational results combined with lower trust expenses, net of non-routine reorganization costs, partially offset by higher interest expenses. Accretive purchases made under our NCIB program in early 2023 further magnified our FFO growth on a per unit basis, with our weighted average number of diluted units decreasing by 2.7% versus the comparative year. Accordingly, FFO per diluted unit rose from $2.328 in 2022, to $2.396 in 2023, representing an increase of 2.9%. We maintained our annual rate of distribution steady at $1.45 per unit, and our FFO payout ratio was 60.5% for the year ended December 31, 2023.

"Our value-creation strategy is working, and we'll continue recycling our capital to enhance returns for our Unitholders..."

FFO[1] per Unit – Inception to 2023



(1) Formerly known as "NFFO".

HOLYROOD
SQUARE

2021	89	$27.2M
Built	Suites	Purchase Price

Focusing on our financial position

Our financial position remained robust in 2023, as we were intently focused on proactively managing our leverage and liquidity. At year end, we had up to $340 million in available capacity on our Acquisition and Operating Facility, in addition to $1.5 billion in Canadian investment properties unencumbered by mortgages. Our total debt to gross book value ratio is carefully monitored and was kept conservative at 41.6% as of December 31, 2023.

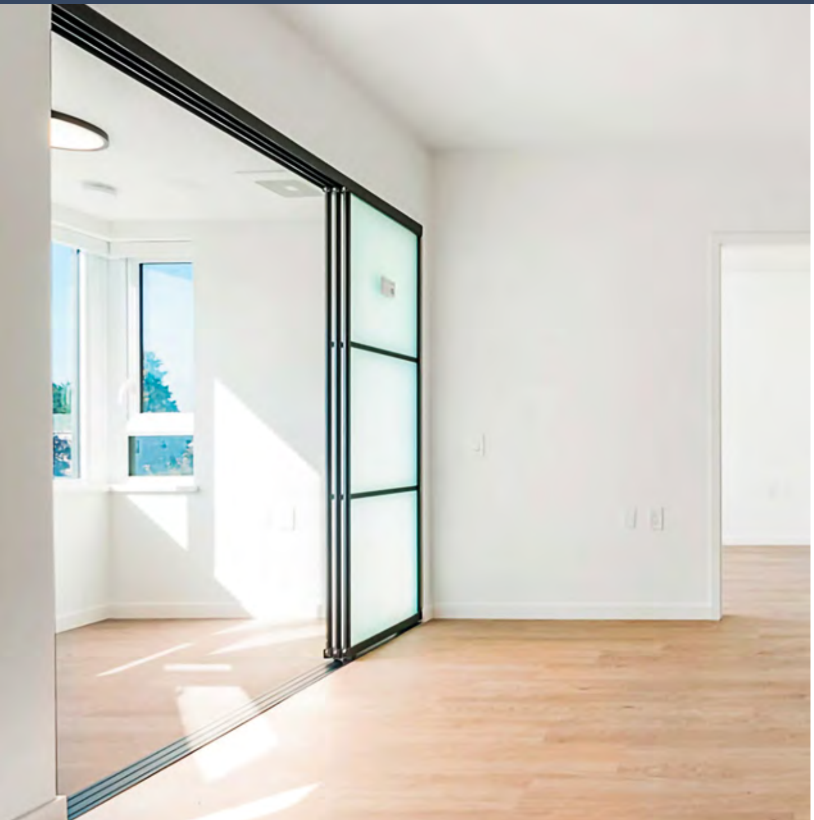
We also reinforced our well-staggered mortgage portfolio this year, having completed $552.5 million in new or refinanced mortgage principal in Canada, which includes $172.2 million in favourable net top-up financing. Our Canadian portfolio continues to carry a low weighted average mortgage effective interest rate of 2.95% at year end, as we fix 100% of our mortgage interest costs. This prudent approach to debt management is largely concentrated on the minimization of volatility and renewal risk, a tactic from which we've been benefiting given the high interest rate headwinds of recent years. With one of the longest weighted average terms to maturity in our peer universe, at 5.4 years as of December 31, 2023, our Canadian mortgage portfolio is optimally set up to continue supporting our strategic endeavours going forward.

LOTUS POINT

2019	52	$20.4M
Built	Suites	Purchase Price

HUB PLACE

2023	114	$68.0M
Built	Suites	Purchase Price



Refreshing our capital and strategy

CAPREIT's strategy has always been centred on the creation of value for our Unitholders, but we've changed the way in which we're doing that. We're now operating in a new age for the Canadian real estate industry, and we've established a new and improved iteration of our strategy to align with that. Today, our objectives revolve around the modernization of our portfolio, and they're predicated on the recycling of our capital, in order to create value. We've been disposing of our older, non-core properties, which is providing a lucrative source of funding for us to reallocate into strategically aligned alternatives. We made solid progress on this program in 2023, and achieved our annual target with the sale of 2,955 non-strategic suites and sites in Canada for gross proceeds of over $400 million, representing a premium to their IFRS fair value.

We've also been building a vigorous development program, and this constitutes another increasingly important component of our overarching divestiture strategy. After many years of acquisitive growth, CAPREIT has accumulated a broad Canadian portfolio, and that came with a sizeable amount of excess density potential. Our development team has been working hard on the identification and entitlement of this under-utilized land, which we can then sell to developers shovel-ready, enabling them to do what they do best. The program celebrated its first disposition in the first quarter of 2023, in which we effectively crystallized the potential development profit upfront, without having to take on any of the development or lease-up risk. Importantly, this transaction opened the door to the construction of new residential accommodation needed in the growing community. With Canada experiencing one of the worst housing crises in its history, we are proud to be positively contributing to the supply solution in this way, while remaining true to our core competencies. We're excited to continue making progress on this innovative development strategy, and surface the substantial value embedded throughout our portfolio.

"We have a reinvigorated strategy and team, focused on optimizing our properties and operational efficiencies..."

Our disposition programs are producing capital for redeployment, and we're reinvesting the majority of the net proceeds into on-strategy acquisitions, given our focus on upgrading the quality of our portfolio. In 2023, we purchased approximately $300 million in recently constructed, purpose-built rental properties, representing an aggregate 631 new residential suites located in Canada's fastest growing and most attractive markets. In addition, we spent $101 million on our value-enhancing NCIB program this year, to repurchase and cancel approximately 2.2 million units at a weighted average price of $46.53 per unit, representing a steep discount to net asset value. We've balanced these accretive strategic programs alongside the benefits of paying down higher interest debt, and capitalized on all of these opportunities in tandem to ultimately maximize value for our Unitholders, as we've been doing to date. Since inception, Unitholders have received a total return, including monthly cash distributions, of 2,044% as of December 31, 2023, or 12% compounded annually – a testament to the nature of our business, the robustness of our platform, and our dynamic strategy and team.

1974	73	$12.6M
Built	Suites	Sale Price

1977	180	$32.5M
Built	Suites	Sale Price

1978	263	$53.9M
Built	Suites	Sale Price

1975	180	$27.8M
Built	Suites	Sale Price

Modernizing our portfolio

Our acquisition and disposition initiatives together have the strategic objective of modernizing and optimizing the performance of our portfolio. As we're selling certain older-vintage properties which we've identified as non-core, we're purchasing new build rental apartments that are located in highly coveted Canadian cities where immigration is greatest, and housing is needed most, driving strong long-term market fundamentals. Not only are we acquiring these newly constructed properties at a discount to what it would cost to build today, but they also have higher returns, lower capital investment requirements, superior energy-efficiency and overall, they strengthen the risk-return profile of our portfolio. Through this repositioning program, we're diversifying our tenant base, and enhancing the average age, geographic exposure, and quality of our properties, as well as the quality of our earnings. We're happy to see that these on-strategy assets now represent 12% of our Canadian apartment portfolio, and we're excited to continue increasing that allocation in the years ahead.

"We're excited to be repositioning our portfolio toward high-quality, recently constructed rental apartment properties in Canada..."

The rejuvenation of our rental portfolio also entails the enhancement of its energy performance, and we've been ramping up our capital expenditure on energy-efficiency initiatives. In 2023, we invested a total of $30.7 million on energy-saving and water efficiency projects in Canada, which is up almost 50% from the $20.7 million we spent in 2022. Furthermore, the percentage of our Canadian tenants who pay their electricity charges directly, through sub-metering or direct metering, has also increased to 69% as of December 31, 2023. This increase correlates to a decrease in utility costs for CAPREIT, as well as lower consumption by tenants, in turn reducing the environmental footprint of our portfolio.

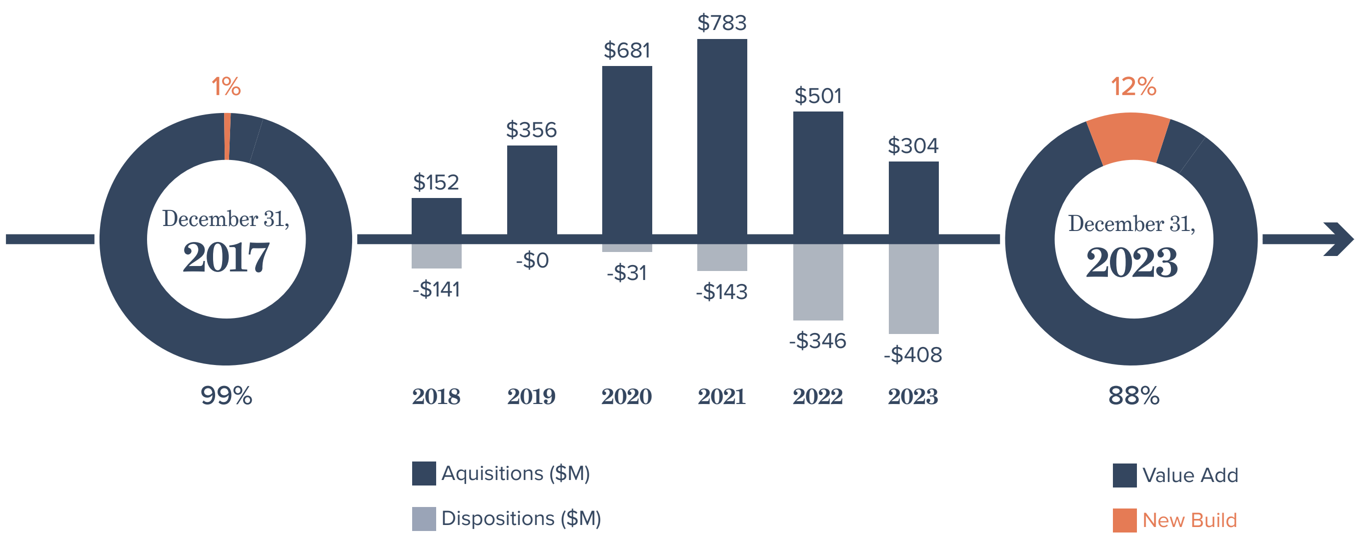
THE LINCOLN

2022
Built

92
Suites

$51.0M
Purchase Price

Repositioning Our Canadian Apartment Portfolio: Buying and Selling to Upgrade Quality



Note: Acquisitions in 2023 exclude transaction costs and other accounting adjustments.

Becoming a better place to live, work and invest

The new edition of the CAPREIT strategy revolves around getting better, instead of getting bigger, and we did just that in 2023. We accomplished a lot, and we're becoming a better place to live, work and invest. At CAPREIT, we're focused on upgrading the quality of our portfolio, enhancing the living experience of our residents, improving the communities in which we operate, and ultimately increasing returns for our Unitholders. Internally, we're also optimizing our people, technology, and organizational structure to ensure alignment with our renewed strategy for success now, and in the future.

Going forward, we will continue to focus on executing on our refined strategy, and our vision for value creation – for our residents, our people, and our Unitholders. We also recognize the role we play as a core provider of high-quality, safe, and affordable rental housing in Canada, and we're prioritizing our commitment to contributing to the alleviation of the housing affordability and supply crisis. To that end, we're continuing to work with our peers through the Canadian Rental Housing Providers for Affordable Housing initiative, and its website, ForAffordable.ca, to help with the solutions to the crisis. With the population in Canada projected to continue growing at unprecedented rates, we know how increasingly important it is to preserve affordability and promote the development of new residential homes for Canadians.

Environmental, social and governance (ESG) performance will also remain a major focus for us, and we encourage you to review our latest ESG report to learn about the meaningful strides we're making on our ESG priorities.

In summary, we're very pleased with the progress we've made this year on the execution of our strategy, and we want to thank all of our stakeholders for their ongoing support. Moving ahead, we're excited to continue optimizing on all three pillars of our business: to be 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

Consolidated Annual Financial Statements

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, 2023, dated February 22, 2024, should be read in conjunction with CAPREIT's consolidated annual financial statements for the year ended December 31, 2023. 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. Information contained on CAPREIT's website or in other documents referred to in this MD&A is not incorporated by reference into, and should not be considered part of, this MD&A unless expressly stated otherwise. Additional information about CAPREIT, including the most recently filed Annual Information Form ("AIF"), is available on SEDAR+ at www.sedarplus.ca.

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 applicable 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 acquisition, disposition 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", "forecast", "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 ("AGIs"), 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 and information that is currently available to management, which are subject to change, management believes these statements have been prepared on a reasonable basis, reflecting CAPREIT's best estimates and judgements. However, there can be no assurance actual results, terms or timing 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, availability and cost of debt, acquisitions, dispositions and property development, valuation risk, liquidity and price volatility of units of CAPREIT ("Trust Units"), catastrophic events, climate change, taxation-related risks, energy costs, environmental matters, vendor management and third-party service providers, operating risk, talent management and human resources shortages, public health crises, other regulatory compliance risks, litigation risk, 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, dependence on key personnel, adequacy of insurance and captive insurance, competition for residents, controls over disclosures and financial reporting, the nature of Trust Units, dilution, distributions 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 Risks and Uncertainties in Section VII 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"), Adjusted Cash Flow from Operations ("ACFO"), Adjusted Cash Generated from Operating Activities, Net Asset Value ("NAV"), Total Debt, Gross Book Value and Adjusted Earnings Before Interest, Tax, Depreciation, Amortization and Fair Value ("Adjusted EBITDAFV") (the "Non-IFRS Financial Measures"), as well as diluted FFO per unit, diluted NAV per unit, FFO payout ratio, ACFO payout ratio, Ratio of Total Debt to Gross Book Value, 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 VI under Non-IFRS Measures. The Non-IFRS Measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or the sustainability of our distributions.

CAPREIT undertook a comprehensive review of MD&A disclosures and, starting with the first quarter of 2023, streamlined disclosures to focus on measures and metrics that management believes are the most relevant. Accordingly, CAPREIT is no longer disclosing Net Trust Expenses, Ratio of Total Debt to Gross Historical Cost and Ratio of Total Debt to Total Capitalization. In this MD&A, CAPREIT relabelled Normalized Funds From Operations ("NFFO") to FFO (formerly known as "NFFO") and as such, introduced a modified definition of FFO which is identical to the prior definition of NFFO. As a result, CAPREIT will no longer refer to NFFO throughout the MD&A. Refer to the discussion in Section VI under Non-IFRS Measures – Funds From Operations for further information.

Overview

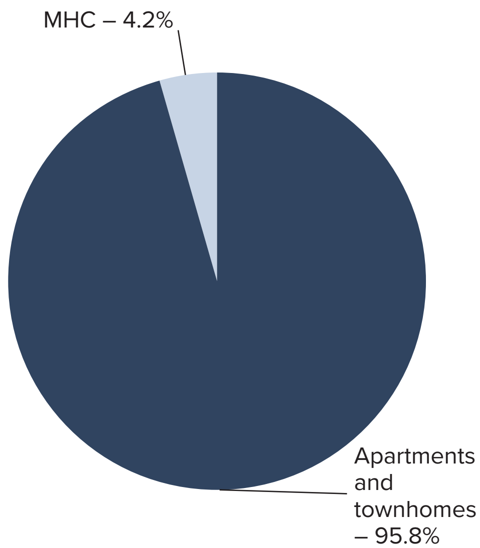
CAPREIT is Canada's largest publicly-traded provider of quality rental housing. CAPREIT owns approximately 64,300 residential apartment suites, townhomes and manufactured home community ("MHC") sites well-located across Canada and the Netherlands as of December 31, 2023.

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.

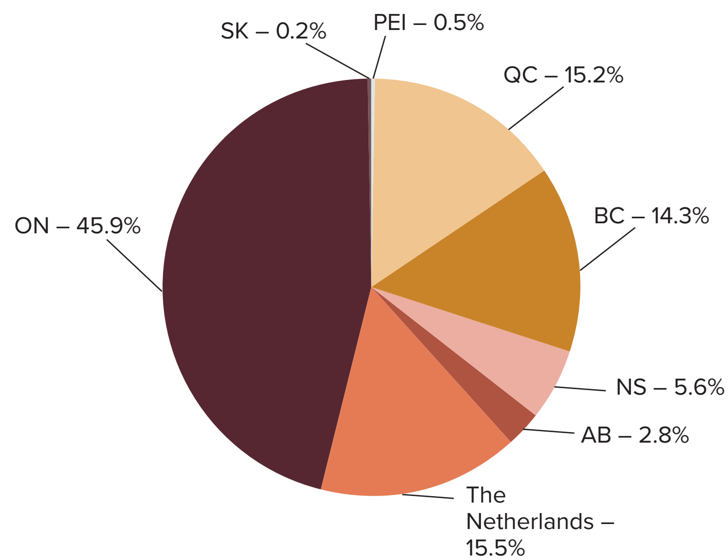
CAPREIT was established under the laws of the Province of Ontario by a Declaration of Trust (the "DOT"), dated February 3, 1997, as most recently amended and restated on June 1, 2022.

The following charts show the portfolio allocation by type and by region based on the fair value of CAPREIT's investment properties as at December 31, 2023. For a detailed discussion of CAPREIT's investment properties, refer to Section IV under Investment Properties.

Property Allocation by Type



Property Allocation by Region (Excluding MHC)



Property Portfolio

Types of Property Interests

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

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, high quality and defensive nature of its portfolio through acquisitions and dispositions.

Portfolio by Geography

As at	December 31, 2023		December 31, 2022	
Residential Suites	**Number of Suites and Sites**	**%[1]**	Number of Suites and Sites	%[1]
Ontario				
Greater Toronto Area	**17,139**	**26.7**	17,139	25.7
London / Kitchener / Waterloo	**3,808**	**5.9**	3,808	5.7
Ottawa	**1,485**	**2.3**	2,492	3.7
	22,432	**34.9**	23,439	35.1
Québec				
Greater Montréal Region	**7,695**	**12.0**	8,682	13.0
Québec City	**2,699**	**4.2**	2,777	4.2
	10,394	**16.2**	11,459	17.2
British Columbia				
Greater Vancouver Area	**4,042**	**6.3**	3,743	5.6
Victoria and Other British Columbia	**2,165**	**3.4**	2,117	3.2
	6,207	**9.7**	5,860	8.8
Nova Scotia				
Halifax	**3,340**	**5.2**	3,288	4.9
Alberta				
Calgary	**1,512**	**2.2**	1,775	2.7
Edmonton	**697**	**1.1**	608	0.9
	2,209	**3.3**	2,383	3.6
Prince Edward Island				
Charlottetown	**424**	**0.7**	637	1.0
Saskatchewan				
Regina	**234**	**0.4**	234	0.4
Total Canadian residential suites	**45,240**	**70.4**	47,300	71.0
MHC Sites				
Total MHC sites	**12,134**	**18.9**	12,386	18.6
Total Canadian portfolio	**57,374**	**89.3**	59,686	89.6
Europe				
The Netherlands portfolio	**6,886**	**10.7**	6,900	10.4
Total portfolio	**64,260**	**100.0**	66,586	100.0

[1] Represents percentage of the portfolio by number of suites and sites.

While maintaining a strong and strategic presence in Ontario's vibrant residential market, CAPREIT continues to focus on diversifying its portfolio by increasing its allocation in high-growth Canadian markets with strong fundamentals. CAPREIT considers investment opportunities that meet its investment criteria, which includes geographical diversification and the mitigation of risks arising from potential downturns in any specific markets.

Objectives and Business Strategy

CAPREIT's objectives are to:

- maintain a focus on maximizing occupancy and responsibly growing occupied average monthly rent ("Occupied AMR") in accordance with local conditions in each of its markets;
- upgrade the quality and diversification of the property portfolio through repositioning and capital recycling initiatives to grow earnings and cash flow potential;
- invest capital and adopt leading edge technologies and solutions to enhance environmental and operational efficiencies, risk management and to help ensure life safety and satisfaction of residents; and
- maintain strong financial management and a conservative and well-balanced capital structure to increase FFO per unit (formerly known as "NFFO per unit"), NAV per unit and provide long-term, stable and growing cash distributions for holders of Trust Units ("Unitholders").

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 others, 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 size and geographic allocation of its property portfolio. CAPREIT's enterprise-wide procurement system streamlines and centralizes purchasing controls, policies and procedures and is realizing reduced costs through competitive sourcing contracts, improved pricing and enhanced operating efficiencies.

Upgrading the Portfolio – CAPREIT aims to continuously improve the quality of its portfolio and earnings through accretive acquisitions of newly constructed Canadian apartment properties, and dispositions of certain older and non-core properties, in accordance with its strategic criteria. This includes enhancing the portfolio's geographic exposure by increasing its concentration in targeted, attractive, high-growth Canadian regions with strong long-term market fundamentals. CAPREIT's repositioning program aims to increase net operating income ("NOI"), reduce risk and diversify its resident base. Where possible, CAPREIT also seeks to uncover development value through entitling and selling its excess density. The funds from its non-core divestitures will primarily be used to acquire additional, new build properties that are in line with CAPREIT's current strategy, to pay down existing debt or to crystallize value through its normal course issuer bid ("NCIB") program, depending on market conditions and the most accretive avenue for capital deployment. Management believes the continued reinvestment of capital is a fundamental component of its value-creation strategy, and demonstrates its ability to maximize and manage the earnings and cash flow potential of its property portfolio.

Capital Investments – CAPREIT is committed to improving its operating performance by investing capital in projects that will sustain or enhance the portfolio's rental income-generating potential. CAPREIT continues to invest in innovative technology solutions that enhance productivity as well as environment-friendly, energy-saving and water efficiency initiatives that improve NOI while reducing the portfolio's environmental footprint. 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.

Environmental, Social and Governance ("ESG") – CAPREIT continues to review and refine its multi-year ESG strategy and roadmap, which are 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 possible, fostering a culture where diversity, equity and inclusion are foundational; and ultimately integrating ESG into all aspects of CAPREIT's business and throughout all levels of its organization, supported by strong corporate governance, and standardized and comprehensive ESG disclosures. These commitments 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, monitor its progress on ESG priorities, and maintain open and transparent communication with its investors and other stakeholders. In line with CAPREIT's ongoing goals relating to ESG 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 ESG strategy going forward. CAPREIT has also aligned with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), which will be incorporated in its 2023 ESG Report that will be issued in mid-2024.

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.

SECTION II: PORTFOLIO OVERVIEW

Summary of Q4 and Year-End 2023 Results of Operations

Strategic Initiatives Update

- CAPREIT continues to invest in strategic opportunities that are accretive. For the three months ended December 31, 2023, CAPREIT acquired two properties with 162 suites in British Columbia for a total acquisition cost of $91.2 million. For the year ended December 31, 2023, CAPREIT acquired seven properties with 631 suites primarily in British Columbia for a total acquisition cost of $299.4 million.
- For the three months ended December 31, 2023, CAPREIT disposed of 372 suites which were comprised of three non-core properties located in Canada and ten single residential suites located in the Netherlands, for $69.6 million (excluding transaction costs and other adjustments). For the year ended December 31, 2023, CAPREIT disposed of 2,969 suites and sites for $424.1 million (excluding transaction costs and other adjustments) worth of non-core property dispositions.
- CAPREIT did not purchase any Trust Units for cancellation during the three months ended December 31, 2023. During the year ended December 31, 2023, CAPREIT purchased and cancelled approximately 2.2 million Trust Units under the NCIB program, at a weighted average purchase price of $46.53 per Trust Unit, for a total cost of $100.9 million.
- Pursuant to CAPREIT's strategy to upgrade the quality and diversification of the property portfolio through repositioning and capital recycling initiatives to grow earnings and cash flow potential, CAPREIT achieved its goal of disposing between $400 million and $500 million of non-core Canadian properties in 2023. CAPREIT is currently targeting the disposition of over $400 million of non-core Canadian properties in 2024.

Operating Results

- Same property Occupied AMR for the Canadian residential portfolio as at December 31, 2023 increased to $1,509, up 6.2% compared to December 31, 2022, while same property occupancy for the Canadian residential portfolio remained relatively stable at 98.8%.
- Same property NOI increased by 7.9% and 7.3%, respectively, for the three months and year ended December 31, 2023 compared to the same periods last year. Additionally, same property NOI margin increased to 64.7%, up 0.2%, for the three months ended December 31, 2023 and increased to 65.3%, up 0.3%, for the year ended December 31, 2023 compared to the same periods last year.

- Diluted FFO per unit (formerly known as "diluted NFFO per unit") increased by 3.8% and 2.9%, respectively, for the three months and year ended December 31, 2023 compared to the same periods last year, primarily due to contributions from acquisitions, same property operational growth and lower trust expense, net of non-routine reorganization costs, partially offset by dispositions and higher interest expense on credit facilities payable and mortgages payable, supplemented by accretive NCIB purchases.

Balance Sheet Highlights

- CAPREIT's financial position remains strong with $340.1 million of available capacity on its Canadian Acquisition and Operating Facility.
- In 2023, CAPREIT completed mortgage financings of $552.5 million for the Canadian portfolio. To date, CAPREIT completed consolidated mortgage financings of $662.3 million. The mortgages refinanced have a weighted average term to maturity of 6.8 years and a weighted average interest rate of 4.41%.
- For the three months and year ended December 31, 2023, CAPREIT recorded a fair value loss on investment properties (including assets held for sale) of $111.4 million and $914.6 million, respectively, primarily driven by capitalization rate ("cap rate") expansion in both the Canadian and Netherlands portfolio, as a reflection of the market conditions. The overall carrying value of investment properties (excluding assets held for sale) as at December 31, 2023 was $16.5 billion compared to $17.2 billion as at December 31, 2022.
- Diluted NAV per unit as at December 31, 2023 decreased to $54.23 from $58.01 as at December 31, 2022, 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.

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.

Occupied AMR – Through its active property management strategies, lease administration system and proactive capital investment programs, CAPREIT strives to achieve increasing Occupied AMR in accordance with local market conditions and rent control legislation, as applicable. Management believes same property Occupied AMR will continue to gradually increase, providing the basis for sustainable year-over-year increases in revenue.

NOI and Same Property NOI – NOI and same property NOI are widely used operating performance indicators in the real estate industry. NOI is presented in CAPREIT's consolidated statements of net income (loss) and comprehensive income (loss). Same property NOI is based on the operating performance of properties fully owned by CAPREIT in the current and prior year comparative periods, excluding properties that are classified as assets held for sale as at period-end. NOI and same property NOI may not, however, be comparable to similar measures presented by other real estate investment trusts or companies.

FFO per unit (formerly known as "NFFO per unit") – CAPREIT is focused on achieving steady increases in this metric. Management believes this measure is indicative of CAPREIT's overall operating performance. For greater clarity, CAPREIT has relabelled NFFO per unit to simply FFO per unit throughout this MD&A. Refer to the discussion in Section VI under Non-IFRS Measures – Funds From Operations for further information.

FFO Payout Ratio (formerly known as "NFFO Payout Ratio") – This ratio is meant to monitor the FFO that is retained at CAPREIT to potentially fund investment opportunities, capital initiatives or repay indebtedness, after factoring in distributions, and is not meant to be a measure of the sustainability of CAPREIT's distributions. Although CAPREIT intends to continue to sustain and grow distributions, the actual amount of distributions in respect of the CAPREIT units will depend upon numerous factors including, but not limited to, the amount of debt refinancings, 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 Euro Interbank Offered Rate ("EURIBOR"), Term Secured Overnight Financing Rate ("SOFR") and Canadian dollar borrowings ("Acquisition and Operating Facility"), and the ERES revolving credit facility ("ERES Credit Facility") (collectively, the "Credit Facilities"), as described under Liquidity and Financial Condition in Section V.

NAV per unit – Management believes that this measure reflects the residual value of CAPREIT to its Unitholders on an ongoing basis and is therefore used by management to evaluate the net asset value attributable to Unitholders, and changes thereon based on the execution of CAPREIT's strategy.

Performance Measures

The following tables present an overview of certain IFRS and Non-IFRS Measures of CAPREIT as at December 31, 2023 and December 31, 2022 and for the three months and years ended December 31, 2023 and December 31, 2022. Management believes these measures are useful in assessing CAPREIT's operating and financial performance in relation to its objectives and business strategy.

As at	**December 31, 2023**	December 31, 2022
Total Portfolio Performance and Other Measures		
Number of suites and sites[(1)]	**64,260**	66,586
Investment properties fair value[(2)] (000s)	**$ 16,532,096**	$ 17,153,709
Occupied AMR[(1)]		
Canadian Residential Portfolio[(3)]	**$ 1,516**	$ 1,401
The Netherlands Portfolio	**€ 1,063**	€ 992
Occupancy[(1)]		
Canadian Residential Portfolio[(3)]	**98.8%**	98.9%
The Netherlands Portfolio	**98.5%**	98.4%
Total Portfolio[(4)]	**98.2%**	98.3%

(1) Excludes commercial suites.

(2) Investment properties exclude assets held for sale, as applicable.

(3) Excludes MHC sites.

(4) Includes MHC sites.

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Financial Performance				
Operating revenues (000s)	**$ 272,195**	$ 256,915	**$ 1,065,317**	$ 1,007,268
NOI (000s)	**$ 176,711**	$ 164,500	**$ 692,786**	$ 650,409
NOI margin	**64.9%**	64.0%	**65.0%**	64.6%
Same property NOI (000s)	**$ 167,898**	$ 155,628	**$ 659,657**	$ 614,621
Same property NOI margin	**64.7%**	64.5%	**65.3%**	65.0%
Net income (loss) (000s)	**$ 9,212**	$ 155,523	**$ (411,574)**	$ 13,637
FFO per unit – diluted (formerly known as "NFFO per unit – diluted")[(1)]	**$ 0.602**	$ 0.580	**$ 2.396**	$ 2.328
Distributions per unit	**$ 0.363**	$ 0.363	**$ 1.450**	$ 1.450
FFO payout ratio (formerly known as "NFFO payout ratio")[(1)]	**60.4%**	62.4%	**60.5%**	62.1%

(1) 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 VI – Non-IFRS Measures.

As at	December 31, 2023	December 31, 2022
Financing Metrics and Liquidity		
Total debt to gross book value[1]	**41.6%**	39.4%
Weighted average mortgage effective interest rate[2]	**2.80%**	2.61%
Weighted average mortgage term (years)[2]	**4.9**	5.4
Debt service coverage (times)[1][3]	**1.8x**	1.9x
Interest coverage (times)[1][3]	**3.3x**	3.7x
Cash and cash equivalents (000s)	**$ 29,528**	$ 47,303
Available liquidity – Acquisition and Operating Facility (000s)	**$ 340,059**	$ 333,416
Capital		
Unitholders' equity (000s)	**$ 9,278,595**	$ 10,003,695
Net asset value[1] (000s)	**$ 9,212,594**	$ 9,954,566
Total number of units – diluted (000s)	**169,868**	171,599
Net asset value per unit – diluted[1]	**$ 54.23**	$ 58.01

(1) 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 VI – Non-IFRS Measures.

(2) Excludes liabilities related to assets held for sale, as applicable.

(3) Based on the trailing four quarters.

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

Occupied Average Monthly Rents and Occupancy

Occupied AMR is defined as actual residential rents 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 Occupied AMR and occupancy include all properties held as at December 31, 2022, but exclude properties disposed of or held for sale as at December 31, 2023.

Net AMR is defined as actual residential rents divided by the total number of suites or sites in the property, and does not include revenues from parking, laundry or other sources. Therefore, fluctuations in Net AMR are due to changes in residential rents, changes in occupancy levels or a combination of both. Management considers Occupied AMR to be a better measure of actual residential rents earned from tenants and is no longer disclosing Net AMR.

Occupied AMR and Occupancy by Geography

	Total Portfolio				Same Property			
As at December 31,	**2023**		2022		**2023**		2022	
	Occupied AMR	**Occ. %**	Occupied AMR	Occ. %	**Occupied AMR**	**Occ. %**	Occupied AMR	Occ. %
Residential Suites								
Ontario								
Greater Toronto Area	**$ 1,691**	**99.2**	$ 1,594	99.4	**$ 1,691**	**99.2**	$ 1,594	99.4
London / Kitchener / Waterloo	**1,240**	**98.8**	1,154	98.9	**1,240**	**98.8**	1,154	98.9
Ottawa	**1,782**	**99.7**	1,516	100.0	**1,738**	**99.9**	1,655	100.0
	$ 1,621	**99.2**	$ 1,515	99.4	**$ 1,617**	**99.2**	$ 1,523	99.4
Québec								
Greater Montréal Region	**$ 1,227**	**97.4**	$ 1,155	97.8	**$ 1,227**	**97.4**	$ 1,181	97.6
Québec City	**1,260**	**98.0**	1,197	98.4	**1,289**	**97.8**	1,239	98.2
	$ 1,236	**97.6**	$ 1,165	97.9	**$ 1,242**	**97.5**	$ 1,195	97.7
British Columbia								
Greater Vancouver Area	**$ 1,716**	**99.4**	$ 1,554	99.3	**$ 1,660**	**99.5**	$ 1,554	99.3
Victoria and Other British Columbia	**1,601**	**98.2**	1,496	98.9	**1,583**	**98.1**	1,493	98.8
	$ 1,677	**99.0**	$ 1,533	99.1	**$ 1,633**	**99.0**	$ 1,533	99.1
Nova Scotia								
Halifax	**$ 1,513**	**99.3**	$ 1,402	98.3	**$ 1,506**	**99.3**	$ 1,402	98.3
Alberta								
Calgary	**$ 1,353**	**99.6**	$ 1,175	99.9	**$ 1,353**	**99.6**	$ 1,173	99.9
Edmonton	**1,401**	**98.0**	1,294	97.5	**1,389**	**98.4**	1,294	97.5
	$ 1,368	**99.1**	$ 1,205	99.3	**$ 1,363**	**99.2**	$ 1,207	99.2
Prince Edward Island								
Charlottetown	**$ 1,262**	**100.0**	$ 1,131	99.7	**$ 1,262**	**100.0**	$ 1,262	99.5
Saskatchewan								
Regina	**$ 1,235**	**96.2**	$ 1,087	99.6	**$ 1,235**	**96.2**	$ 1,087	99.6
Total Canadian residential suites	**$ 1,516**	**98.8**	$ 1,401	98.9	**$ 1,509**	**98.8**	$ 1,421	98.9
MHC Sites								
Total MHC sites	**$ 439**	**96.1**	$ 425	95.6	**$ 439**	**96.1**	$ 426	95.5
Total Canadian portfolio	**$ 1,293**	**98.2**	$ 1,202	98.2	**$ 1,284**	**98.2**	$ 1,213	98.2
Europe								
The Netherlands portfolio	**€ 1,063**	**98.5**	€ 992	98.4	**€ 1,063**	**98.5**	€ 992	98.4
Total portfolio		**98.2**		98.3		**98.2**		98.2

The rate of growth in total portfolio Occupied AMR has been primarily driven by (i) new acquisitions completed over the past 12 months and (ii) same property operational growth. The rate of growth in same property Occupied AMR has been primarily due to (i) rental increases on turnover in the rental markets of most provinces across the Canadian portfolio and (ii) rental increases on renewals.

The weighted average gross rent per square foot for total Canadian residential suites was approximately $1.80 as at December 31, 2023, increased from $1.70 as at December 31, 2022.

Annual Rental Guidelines as per Rental Board

The table below presents the annual rental guideline increases in CAPREIT's largest Canadian provinces of operations under rent control legislation impacting lease renewals, if applicable.

	2024[1]	**2023**[2]	2022
Ontario	2.5%	**2.5%**	1.2%
British Columbia	3.5%	**2.0%**	1.5%

(1) Ontario and British Columbia have capped the rental guideline increases at 2.5% and 3.5%, respectively, below current rates of inflation. Without the cap, the rental guideline increases would have been calculated to be 5.9% and 5.6%, respectively, based on the average Ontario and British Columbia Consumer Price Indices at the time of announcement of the 2024 annual rental guidelines.

(2) Ontario and British Columbia have capped the rental guideline increases at 2.5% and 2.0%, respectively, below current rates of inflation. Without the cap, the rental guideline increases would have been calculated to be 5.3% and 5.4%, respectively, based on the Ontario and British Columbia Consumer Price Indices at the time of announcement of the 2023 annual rental guidelines.

CAPREIT's strategy is focused on upgrading portfolio quality through accretive acquisitions of newly built properties, alongside selected non-core or opportunistic dispositions. As a result, AGIs and additional rental increases ("ARIs") do not constitute an integral part of CAPREIT's strategy, with applications only active for selected suites and sites meeting certain criteria.

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

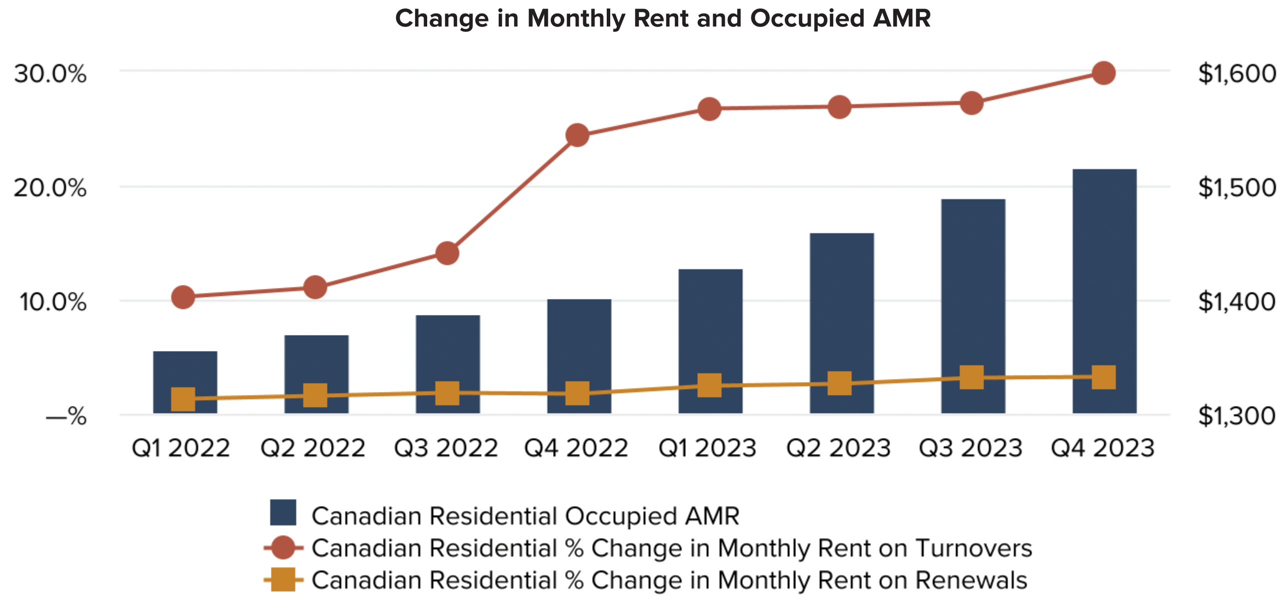
For the Three Months Ended December 31,	**2023**		2022	
	Change in Monthly Rent	**Turnovers and Renewals**[1]	Change in Monthly Rent	Turnovers and Renewals[1]
	%	**%**	%	%
Suite turnovers	**29.9**	**2.9**	24.3	3.4
Lease renewals	**3.2**	**11.6**	1.7	10.8
Weighted average of turnovers and renewals	**8.5**		7.1	

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

For the Year Ended December 31,	**2023**		2022	
	Change in Monthly Rent	**Turnovers and Renewals**[1]	Change in Monthly Rent	Turnovers and Renewals[1]
	%	**%**	%	%
Suite turnovers	**27.7**	**12.9**	14.5	16.4
Lease renewals	**2.7**	**90.1**	1.4	89.7
Weighted average of turnovers and renewals	**5.8**		3.4	

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

Change in monthly rent on suite turnovers continues to remain strong while lease renewals remain stable due to rent controls in certain provinces. The following graph illustrates the change in monthly rent on turnovers and renewals, as well as Occupied AMR (excluding co-ownerships and MHC sites), for the trailing eight quarters.



The Netherlands Portfolio

For the Three Months Ended December 31,	2023		2022	
	Change in Monthly Rent	**Turnovers and Renewals**[1]	Change in Monthly Rent	Turnovers and Renewals[1]
	%	**%**	%	%
Suite turnovers	**20.3**	**3.4**	23.1	3.9
Lease renewals	**—**	**—**	—	—
Weighted average of turnovers and renewals	**20.3**		23.1	

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

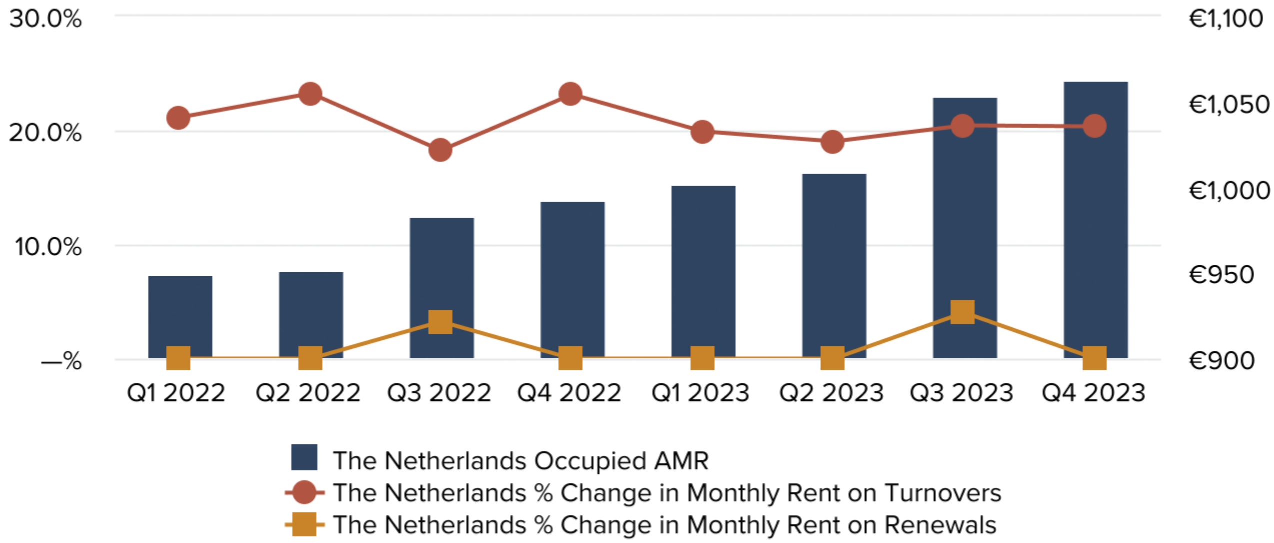
For the Year Ended December 31,	2023		2022	
	Change in Monthly Rent	**Turnovers and Renewals**[1]	Change in Monthly Rent	Turnovers and Renewals[1]
	%	**%**	%	%
Suite turnovers	**20.4**	**13.8**	21.4	12.4
Lease renewals	**4.0**	**96.6**	3.2	91.1
Weighted average of turnovers and renewals	**6.1**		5.4	

(1) 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.

For rent renewal increases due to indexation beginning on July 1, 2023, ERES served tenant notices to 6,659 suites, representing 97% of the residential portfolio, across which the average rental increase due to indexation and household income adjustment is 4.0%. In the prior year period, ERES served tenant notices to 6,499 suites, representing 96% of the residential portfolio, across which the average rental increase due to indexation and household income adjustment is 3.0%.

Change in monthly rent on suite turnovers continues to remain strong while lease renewals show moderate increases during the annual renewal month. The following graph illustrates the change in monthly rent on turnovers and renewals, as well as Occupied AMR, for the trailing eight quarters.

Change in Monthly Rent and Occupied AMR



Tenant Inducements and Expected Credit Losses

($ Thousands)	Three Months Ended December 31,						Year Ended December 31,					
		2023	**%[1]**		2022	%[1]		**2023**	**%[1]**		2022	%[1]
New tenant inducements granted – residential	**$**	**273**		$	495		**$**	**797**		$	1,458	
New tenant inducements granted – commercial		**441**			215			**576**			349	
Total new tenant inducements granted	**$**	**714**		$	710		**$**	**1,373**		$	1,807	
Tenant inducements amortized	**$**	**410**	**0.2**	$	644	0.3	**$**	**1,923**	**0.2**	$	4,471	0.4
Expected credit losses	**$**	**1,377**	**0.5**	$	2,176	0.8	**$**	**4,983**	**0.5**	$	6,653	0.7

[1] As a percentage of total operating revenues.

Results of Operations

The table below summarizes revenue from investment properties by region for the three months and years ended December 31, 2023 and December 31, 2022. Revenue is composed of residential, commercial and ancillary revenue.

Total Operating Revenues by Geography

	Three Months Ended December 31,				Year Ended December 31,			
	2023		2022		**2023**		2022	
($ Thousands)	**Revenue**	**%**	Revenue	%	**Revenue**	**%**	Revenue	%
Residential Suites								
Ontario								
Greater Toronto Area	**$ 92,601**	**34.0**	$ 86,934	33.7	**$ 362,645**	**34.0**	$ 348,200	34.5
London / Kitchener / Waterloo	**14,422**	**5.3**	13,425	5.2	**56,241**	**5.3**	52,941	5.3
Ottawa	**8,130**	**3.0**	9,043	3.5	**32,115**	**3.0**	35,855	3.6
	$ 115,153	**42.3**	$ 109,402	42.4	**$ 451,001**	**42.3**	$ 436,996	43.4
Québec								
Greater Montréal Region	**$ 31,528**	**11.6**	$ 33,214	12.9	**$ 128,069**	**12.0**	$ 124,902	12.4
Québec City	**11,304**	**4.1**	10,712	4.2	**43,802**	**4.1**	41,926	4.2
	$ 42,832	**15.7**	$ 43,926	17.1	**$ 171,871**	**16.1**	$ 166,828	16.6
British Columbia								
Greater Vancouver Area	**$ 21,036**	**7.7**	$ 18,151	7.1	**$ 79,047**	**7.4**	$ 71,602	7.1
Victoria and Other British Columbia	**10,830**	**4.0**	10,226	4.0	**42,207**	**4.0**	40,266	4.0
	$ 31,866	**11.7**	$ 28,377	11.1	**$ 121,254**	**11.4**	$ 111,868	11.1
Nova Scotia								
Halifax	**$ 16,082**	**5.9**	$ 14,564	5.7	**$ 61,868**	**5.8**	$ 56,982	5.7
Alberta								
Calgary	**$ 7,929**	**2.9**	$ 7,583	3.0	**$ 31,565**	**3.0**	$ 29,080	2.9
Edmonton	**3,153**	**1.2**	2,456	1.0	**11,734**	**1.1**	8,730	0.9
	$ 11,082	**4.1**	$ 10,039	4.0	**$ 43,299**	**4.1**	$ 37,810	3.8
Prince Edward Island								
Charlottetown	**$ 1,639**	**0.6**	$ 2,158	0.8	**$ 7,731**	**0.7**	$ 8,639	0.9
Saskatchewan								
Regina	**$ 863**	**0.3**	$ 768	0.3	**$ 3,252**	**0.3**	$ 2,968	0.3
Total Canadian residential suites	**$ 219,517**	**80.6**	$ 209,234	81.4	**$ 860,276**	**80.7**	$ 822,091	81.8
MHC Sites								
Total MHC sites	**$ 16,474**	**6.1**	$ 15,897	6.2	**$ 65,406**	**6.2**	$ 63,008	6.1
Total Canadian portfolio[1]	**$ 235,991**	**86.7**	$ 225,131	87.6	**$ 925,682**	**86.9**	$ 885,099	87.9
Europe								
The Netherlands[2]	**$ 33,304**	**12.2**	$ 29,249	11.4	**$ 128,207**	**12.0**	$ 112,093	11.1
Other Europe[3]	**2,900**	**1.1**	2,535	1.0	**11,428**	**1.1**	10,076	1.0
	$ 36,204	**13.3**	$ 31,784	12.4	**$ 139,635**	**13.1**	$ 122,169	12.1
Total Portfolio	**$ 272,195**	**100.0**	$ 256,915	100.0	**$ 1,065,317**	**100.0**	$ 1,007,268	100.0

(1) Includes revenues for Canadian commercial properties of $6,126 and $6,264 for the three months ended December 31, 2023 and December 31, 2022, respectively, and $23,592 and $23,760 for the years ended December 31, 2023 and December 31, 2022, respectively.

(2) In € thousands, €22,737 and €21,108 for the three months ended December 31, 2023 and December 31, 2022, respectively. In € thousands, €87,853 and €81,898 for the years ended December 31, 2023 and December 31, 2022, respectively.

(3) Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,980 and €1,824 for the three months ended December 31, 2023 and December 31, 2022, respectively. In € thousands, €7,831 and €7,354 for the years ended December 31, 2023 and December 31, 2022, respectively.

Estimated Net Rental Revenue Run-Rate

Estimated net rental revenue run-rate (net of historical vacancy loss and tenant inducement amortization) is based on Net AMRs in place for CAPREIT's residential suites and sites and commercial leases. Pursuant to CAPREIT's strategy to upgrade the quality and diversification of the property portfolio through repositioning and capital recycling initiatives to grow earnings and cash flow potential, as well as uncertainty about the timing of such transactions, CAPREIT is no longer disclosing estimated net rental revenue run-rate.

Net Operating Income

Management believes NOI is a key indicator of operating performance for CAPREIT and in the real estate industry in general. CAPREIT's 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 corporate 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, 2023 are defined as all properties owned by CAPREIT continuously since December 31, 2021, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023. Same property NOI is calculated in accordance with the accounting policies used to prepare total NOI presented in the consolidated statements of net income (loss) and comprehensive income (loss). As at December 31, 2023 and December 31, 2022, same property suites and sites represented 96.2% and 92.8%, respectively, of total suites and sites.

CAPREIT's investment properties primarily consist of apartment suites but include a number of townhomes in Canada and the Netherlands which generally have higher NOI margins than apartment suites.

($ Thousands)	Total NOI			Same Property NOI[1]		
For the Three Months Ended December 31,	**2023**	2022	%[2]	**2023**	2022	%[2]
Operating revenues						
Net rental revenues	**$ 257,175**	$ 243,552	5.6	**$ 245,157**	$ 228,611	7.2
Other[3]	**15,020**	13,363	12.4	**14,242**	12,554	13.4
Total operating revenues	**$ 272,195**	$ 256,915	5.9	**$ 259,399**	$ 241,165	7.6
Operating Expenses						
Realty taxes	**$ (23,933)**	$ (23,397)	2.3	**$ (22,796)**	$ (22,019)	3.5
Utilities	**(19,569)**	(20,355)	(3.9)	**(19,084)**	(19,159)	(0.4)
Other[4]	**(51,982)**	(48,663)	6.8	**(49,621)**	(44,359)	11.9
Total operating expenses[5]	**$ (95,484)**	$ (92,415)	3.3	**$ (91,501)**	$ (85,537)	7.0
NOI	**$ 176,711**	$ 164,500	7.4	**$ 167,898**	$ 155,628	7.9
NOI margin	**64.9%**	64.0%		**64.7%**	64.5%	

(1) Same property results exclude performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023. For the three months ended December 31, 2023, NOI contributions from acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023, were $8,813 (for the three months ended December 31, 2022 – $8,872).

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

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

(4) Comprises R&M, wages, insurance, advertising, legal costs and expected credit losses.

(5) Total operating expenses, on a constant currency basis, increased by approximately 2.9% and 6.5%, respectively, for the total and same property portfolio compared to the same periods last year.

($ Thousands)	Total NOI			Same Property NOI[1]		
For the Year Ended December 31,	**2023**	2022	%[2]	**2023**	2022	%[2]
Operating Revenues						
Net rental revenues	**$ 1,008,909**	$ 954,598	5.7	**$ 957,200**	$ 896,093	6.8
Other[3]	**56,408**	52,670	7.1	**53,390**	49,612	7.6
Total operating revenues	**$ 1,065,317**	$ 1,007,268	5.8	**$ 1,010,590**	$ 945,705	6.9
Operating Expenses						
Realty taxes	**$ (96,408)**	$ (93,912)	2.7	**$ (90,940)**	$ (87,910)	3.4
Utilities	**(77,365)**	(77,565)	(0.3)	**(74,473)**	(72,604)	2.6
Other[4]	**(198,758)**	(185,382)	7.2	**(185,520)**	(170,570)	8.8
Total operating expenses[5]	**$ (372,531)**	$ (356,859)	4.4	**$ (350,933)**	$ (331,084)	6.0
NOI	**$ 692,786**	$ 650,409	6.5	**$ 659,657**	$ 614,621	7.3
NOI margin	**65.0%**	64.6%		**65.3%**	65.0%	

(1) Same property results exclude performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023. For the year ended December 31, 2023, NOI contributions from acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023, were $33,129 (for the year ended December 31, 2022 – $35,788).

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

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

(4) Comprises R&M, wages, insurance, advertising, legal costs and expected credit losses.

(5) Total operating expenses, on a constant currency basis, increased by approximately 3.9% and 5.5%, respectively, for the total and same property portfolio compared to the same periods last year.

Operating Revenues

For the three months ended December 31, 2023, same property operating revenues increased by $18.2 million, primarily driven by increases in monthly rents on turnovers and renewals. Total operating revenues increased by $15.3 million during the same period, due to $18.3 million of operational growth, primarily on the same property operating portfolio and to a lesser extent on assets held for sale as at December 31, 2023 and a $3.7 million increase from acquisitions, partially offset by $6.7 million lower revenues due to dispositions.

For the year ended December 31, 2023, same property operating revenues increased by $64.9 million, primarily driven by increases in monthly rents on turnovers and renewals. Total operating revenues increased by $58.0 million during the same period, due to $65.1 million of operational growth, primarily on the same property operating portfolio and to a lesser extent on assets held for sale as at December 31, 2023 and a $16.8 million increase from acquisitions, partially offset by $23.9 million lower revenues due to dispositions.

Operating Expenses

Realty Taxes

For the three months and year ended December 31, 2023, 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 realty tax rates in Ontario.

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, 2023 and December 31, 2022.

($ Thousands)		Total Utilities					Same Property Utilities[1]				
For the Three Months Ended December 31,		**2023**		2022	%[2]		**2023**		2022	%[2]
Electricity	**$**	**6,396**	$	6,364	0.5	**$**	**6,207**	$	5,813	6.8
Natural gas		**5,672**		6,562	(13.6)		**5,495**		6,129	(10.3)
Water		**7,501**		7,429	1.0		**7,382**		7,217	2.3
Total	**$**	**19,569**	$	20,355	(3.9)	**$**	**19,084**	$	19,159	(0.4)

(1) Same property results exclude performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023. For the three months ended December 31, 2023, total utility costs from acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023, were $485 (for the three months ended December 31, 2022 – $1,196).

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

($ Thousands)		Total Utilities					Same Property Utilities[1]			
For the Year Ended December 31,		**2023**		2022	%[2]		**2023**		2022	%[2]
Electricity	**$**	**25,229**	$	25,623	(1.5)	**$**	**23,870**	$	23,596	1.2
Natural gas		**21,266**		22,353	(4.9)		**20,256**		20,613	(1.7)
Water		**30,870**		29,589	4.3		**30,347**		28,395	6.9
Total	**$**	**77,365**	$	77,565	(0.3)	**$**	**74,473**	$	72,604	2.6

(1) Same property results exclude performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023. For the year ended December 31, 2023, total utility costs from acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023, were $2,892 (for the year ended December 31, 2022 – $4,961).

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

As at December 31, 2023, Canadian tenants who pay their electricity charges directly, through sub-metering or direct metering, represented 69% of the total 57,374 suites and sites in Canada. 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 utility 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 2024, the commodity prices have been fixed on 66.9% of CAPREIT's estimated requirements, and transport costs have also been fixed on 62.4% of CAPREIT's estimated requirements. Some volatility on the overall natural gas costs is still expected on the remaining costs with unfixed prices.

For more information on CAPREIT's energy management, and water and waste management efforts, see the Building Operations section of the 2022 ESG Report.

As at December 31, 2023, Dutch tenants who pay their utility charges directly represented 100% of the total 6,886 suites in the Netherlands.

Other Operating Expenses

For the three months and year ended December 31, 2023, other operating expenses for the same property portfolio increased compared to the same periods last year, primarily due to higher R&M costs and higher insurance costs. The higher R&M costs in both periods are due to general inflationary pressures, as well as higher maintenance costs that correspond with a reduction in suite and common area capital improvements, reflecting CAPREIT's strategic reallocation of capital in response to the tight rental market in Canada.

For the three months and year ended December 31, 2023, other operating expenses for the total portfolio increased for the same reasons described above. Additionally, for the year ended December 31, 2023, other operating expenses increased for the total portfolio due to certain required maintenance costs for the operation of CAPREIT's septic systems at primarily two MHC properties, one of which was disposed of on March 1, 2023 while the other was disposed of on June 30, 2023.

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, 2023 and December 31, 2022:

For the Three Months Ended December 31,		2023				2022			Increase (Decrease)
($ Thousands)		**NOI**	**NOI %[1]**	**NOI Margin (%)**		NOI	NOI %[1]	NOI Margin (%)	**NOI Change (%)**
Residential Suites									
Ontario									
Greater Toronto Area	**$**	**58,686**	**33.2**	**63.4**	$	56,102	34.1	64.5	**4.6**
London / Kitchener / Waterloo		**8,646**	**4.9**	**60.0**		8,341	5.1	62.1	**3.7**
Ottawa		**5,562**	**3.1**	**68.4**		5,925	3.6	65.5	**(6.1)**
	$	**72,894**	**41.2**	**63.3**	$	70,368	42.8	64.3	**3.6**
Québec									
Greater Montréal Region	**$**	**18,454**	**10.4**	**58.5**	$	19,396	11.8	58.4	**(4.9)**
Québec City		**6,821**	**3.9**	**60.3**		6,495	3.9	60.6	**5.0**
	$	**25,275**	**14.3**	**59.0**	$	25,891	15.7	58.9	**(2.4)**
British Columbia									
Greater Vancouver Area	**$**	**14,995**	**8.5**	**71.3**	$	12,580	7.6	69.3	**19.2**
Victoria and Other British Columbia		**7,703**	**4.4**	**71.1**		7,393	4.5	72.3	**4.2**
	$	**22,698**	**12.9**	**71.2**	$	19,973	12.1	70.4	**13.6**
Nova Scotia									
Halifax	**$**	**9,671**	**5.5**	**60.1**	$	8,455	5.1	58.1	**14.4**
Alberta									
Calgary	**$**	**4,409**	**2.5**	**55.6**	$	3,939	2.4	51.9	**11.9**
Edmonton		**1,819**	**1.0**	**57.7**		1,117	0.7	45.5	**62.8**
	$	**6,228**	**3.5**	**56.2**	$	5,056	3.1	50.4	**23.2**
Prince Edward Island									
Charlottetown	**$**	**1,000**	**0.6**	**61.0**	$	1,074	0.7	49.8	**(6.9)**
Saskatchewan									
Regina	**$**	**423**	**0.2**	**49.0**	$	388	0.2	50.5	**9.0**
Total Canadian residential suites	**$**	**138,189**	**78.2**	**63.0**	$	131,205	79.7	62.7	**5.3**
MHC sites									
MHC sites[2]	**$**	**9,957**	**5.6**	**60.4**	$	8,986	5.5	56.5	**10.8**
Total Canadian portfolio	**$**	**148,146**	**83.8**	**62.8**	$	140,191	85.2	62.3	**5.7**
Europe									
The Netherlands[3]	**$**	**26,243**	**14.9**	**78.8**	$	22,218	13.5	76.0	**18.1**
Other Europe[4]		**2,322**	**1.3**	**80.1**		2,091	1.3	82.5	**11.0**
Total Europe portfolio	**$**	**28,565**	**16.2**	**78.9**	$	24,309	14.8	76.5	**17.5**
Total portfolio	**$**	**176,711**	**100.0**	**64.9**	$	164,500	100.0	64.0	**7.4**

(1) Represents percentage of the portfolio by NOI.

(2) Included in the three months ended December 31, 2023 is $(66) of required interim maintenance costs for the operation and remediation of CAPREIT's septic tanks (for the three months ended December 31, 2022 – $(815)). Excluding these interim maintenance costs, NOI margins at MHC sites for the three months ended December 31, 2023 would have been 60.8% (December 31, 2022 – 61.7%).

(3) In € thousands, NOI of €17,918 and NOI margin of 78.8% for the three months ended December 31, 2023 compared to NOI of €16,040 and NOI margin of 76.0% for the three months ended December 31, 2022.

(4) Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, NOI of €1,587 and NOI margin of 80.2% for the three months ended December 31, 2023 compared to NOI of €1,506 and NOI margin of 82.6% for the three months ended December 31, 2022.

For the Year Ended December 31,	2023				2022				Increase (Decrease)
($ Thousands)		NOI	NOI %[1]	NOI Margin (%)		NOI	NOI %[1]	NOI Margin (%)	NOI Change (%)
Residential Suites									
Ontario									
Greater Toronto Area	**$**	**232,556**	**33.6**	**64.1**	$	223,880	34.5	64.3	**3.9**
London / Kitchener / Waterloo		**34,577**	**5.0**	**61.5**		32,998	5.1	62.3	**4.8**
Ottawa		**22,217**	**3.2**	**69.2**		23,621	3.6	65.9	**(5.9)**
	$	**289,350**	**41.8**	**64.2**	$	280,499	43.2	64.2	**3.2**
Québec									
Greater Montréal Region	**$**	**75,626**	**10.9**	**59.1**	$	72,701	11.2	58.2	**4.0**
Québec City		**26,588**	**3.8**	**60.7**		25,533	3.9	60.9	**4.1**
	$	**102,214**	**14.7**	**59.5**	$	98,234	15.1	58.9	**4.1**
British Columbia									
Greater Vancouver Area	**$**	**55,909**	**8.1**	**70.7**	$	51,003	7.8	71.2	**9.6**
Victoria and Other British Columbia		**30,114**	**4.3**	**71.3**		29,218	4.5	72.6	**3.1**
	$	**86,023**	**12.4**	**70.9**	$	80,221	12.3	71.7	**7.2**
Nova Scotia									
Halifax	**$**	**37,386**	**5.4**	**60.4**	$	33,393	5.1	58.6	**12.0**
Alberta									
Calgary	**$**	**17,426**	**2.5**	**55.2**	$	15,610	2.4	53.7	**11.6**
Edmonton		**6,666**	**1.0**	**56.8**		4,585	0.7	52.5	**45.4**
	$	**24,092**	**3.5**	**55.6**	$	20,195	3.1	53.4	**19.3**
Prince Edward Island									
Charlottetown	**$**	**3,982**	**0.6**	**51.5**	$	4,251	0.7	49.2	**(6.3)**
Saskatchewan									
Regina	**$**	**1,626**	**0.2**	**50.0**	$	1,556	0.2	52.4	**4.5**
Total Canadian residential suites	**$**	**544,673**	**78.6**	**63.3**	$	518,349	79.7	63.1	**5.1**
MHC Sites									
MHC sites[2]	**$**	**38,465**	**5.6**	**58.8**	$	37,641	5.8	59.7	**2.2**
Total Canadian portfolio	**$**	**583,138**	**84.2**	**63.0**	$	555,990	85.5	62.8	**4.9**
Europe									
The Netherlands[3]	**$**	**100,335**	**14.5**	**78.3**	$	86,097	13.2	76.8	**16.5**
Other Europe[4]		**9,313**	**1.3**	**81.5**		8,322	1.3	82.6	**11.9**
Total Europe portfolio	**$**	**109,648**	**15.8**	**78.5**	$	94,419	14.5	77.3	**16.1**
Total portfolio	**$**	**692,786**	**100.0**	**65.0**	$	650,409	100.0	64.6	**6.5**

(1) Represents percentage of the portfolio by NOI.

(2) Included in the year ended December 31, 2023 is $(2,154) of required maintenance costs for the operation and remediation of CAPREIT's septic tanks at primarily two MHC properties, one of which was disposed of on March 1, 2023 while the other was disposed of on June 30, 2023 (for the year ended December 31, 2022 – $(1,960)). Excluding these interim maintenance costs, NOI margins at MHC sites for the year ended December 31, 2023 would have been 62.1% (December 31, 2022 – 62.9%).

(3) In € thousands, NOI of €68,748 and NOI margin of 78.3% for the year ended December 31, 2023 compared to NOI of €62,905 and NOI margin of 76.8% for the year ended December 31, 2022.

(4) Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, NOI of €6,383 and NOI margin of 81.5% for the year ended December 31, 2023 compared to NOI of €6,075 and NOI margin of 82.6% for the year ended December 31, 2022.

Same Property NOI by Region

Same property NOI by region includes all properties held continuously since December 31, 2021, and therefore does not take into account the impact on performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are disposed of or classified as held for sale as at December 31, 2023. Same property NOI is calculated in accordance with the accounting policies used to prepare total NOI presented in the consolidated statements of net income (loss) and comprehensive income (loss). The following tables summarize the same property NOI and NOI margins by region for the three months and years ended December 31, 2023 and December 31, 2022:

For the Three Months Ended December 31,	2023		2022		Increase (Decrease)
($ Thousands)	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	NOI Change (%)
Residential Suites					
Ontario					
Greater Toronto Area	$ 58,673	63.4	$ 56,096	64.5	4.6
London / Kitchener / Waterloo	8,646	60.0	8,341	62.1	3.7
Ottawa	4,375	67.4	4,251	68.7	2.9
	$ 71,694	63.2	$ 68,688	64.5	4.4
Québec					
Greater Montréal Region	$ 15,604	57.4	$ 14,934	57.9	4.5
Québec City	6,373	60.6	5,980	60.8	6.6
	$ 21,977	58.3	$ 20,914	58.7	5.1
British Columbia					
Greater Vancouver Area	$ 13,809	70.6	$ 12,580	69.3	9.8
Victoria	7,120	71.0	6,896	72.1	3.2
	$ 20,929	70.7	$ 19,476	70.3	7.5
Nova Scotia					
Halifax	$ 9,475	60.1	$ 8,455	58.1	12.1
Alberta					
Calgary	$ 4,138	55.4	$ 3,337	50.3	24.0
Edmonton	1,338	57.7	1,006	48.0	33.0
	$ 5,476	56.0	$ 4,343	49.8	26.1
Prince Edward Island					
Charlottetown	$ 973	60.5	$ 858	54.2	13.4
Saskatchewan					
Regina	$ 423	49.0	$ 388	50.5	9.0
Total Canadian residential suites same property	$ 130,947	62.7	$ 123,122	63.0	6.4
MHC sites					
MHC sites	$ 9,739	60.3	$ 9,220	60.4	5.6
Total Canadian same property	$ 140,686	62.5	$ 132,342	62.8	6.3
Europe					
The Netherlands[(1)]	$ 24,890	78.9	$ 21,195	76.2	17.4
Other Europe[(2)]	2,322	80.1	2,091	82.5	11.0
Total Europe same property	$ 27,212	79.0	$ 23,286	76.7	16.9
Total same property[(3)]	$ 167,898	64.7	$ 155,628	64.5	7.9
Same property suites and sites	61,820		61,820		

(1) In € thousands, NOI of €16,989 and NOI margin of 78.9% for the three months ended December 31, 2023 compared to NOI of €15,293 and NOI margin of 76.2% for the three months ended December 31, 2022.

(2) In € thousands, NOI of €1,587 and NOI margin of 80.2% for the three months ended December 31, 2023 compared to NOI of €1,506 and NOI margin of 82.6% for the three months ended December 31, 2022.

(3) Same property results exclude performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023. For the three months ended December 31, 2023, NOI contributions from acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023, were $8,813 (for the three months ended December 31, 2022 – $8,872).

For the Year Ended December 31,	2023		2022		Increase (Decrease)
($ Thousands)	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	NOI Change (%)
Residential Suites					
Ontario					
Greater Toronto Area	**$ 232,536**	**64.1**	$ 219,858	64.4	**5.8**
London / Kitchener / Waterloo	**34,577**	**61.5**	32,998	62.3	**4.8**
Ottawa	**17,785**	**69.0**	17,041	69.7	**4.4**
	$ 284,898	**64.1**	$ 269,897	64.5	**5.6**
Québec					
Greater Montréal Region	**$ 62,981**	**59.4**	$ 58,337	58.0	**8.0**
Québec City	**24,613**	**61.0**	23,599	61.2	**4.3**
	$ 87,594	**59.8**	$ 81,936	58.9	**6.9**
British Columbia					
Greater Vancouver Area	**$ 53,392**	**70.4**	$ 51,006	71.2	**4.7**
Victoria	**27,997**	**71.2**	27,378	72.4	**2.3**
	$ 81,389	**70.7**	$ 78,384	71.6	**3.8**
Nova Scotia					
Halifax	**$ 36,873**	**60.3**	$ 33,393	58.6	**10.4**
Alberta					
Calgary	**$ 15,244**	**54.3**	$ 13,246	52.1	**15.1**
Edmonton	**5,060**	**56.7**	4,257	52.5	**18.9**
	$ 20,304	**54.8**	$ 17,503	52.2	**16.0**
Prince Edward Island					
Charlottetown	**$ 3,477**	**54.1**	$ 3,339	52.6	**4.1**
Saskatchewan					
Regina	**$ 1,626**	**50.0**	$ 1,556	52.4	**4.5**
Total Canadian residential suites same property	**$ 516,161**	**63.4**	$ 486,008	63.4	**6.2**
MHC Sites					
MHC sites	**$ 38,886**	**61.2**	$ 37,551	61.8	**3.6**
Total Canadian same property	**$ 555,047**	**63.2**	$ 523,559	63.2	**6.0**
Europe					
The Netherlands[1]	**$ 95,297**	**78.4**	$ 82,740	76.8	**15.2**
Other Europe[2]	**9,313**	**81.5**	8,322	82.6	**11.9**
Total Europe same property	**$ 104,610**	**78.6**	$ 91,062	77.3	**14.9**
Total same property[3]	**$ 659,657**	**65.3**	$ 614,621	65.0	**7.3**
Same property suites and sites	**61,820**		61,820		

(1) In € thousands, NOI of €65,297 and NOI margin of 78.4% for the year ended December 31, 2023 compared to NOI of €60,417 and NOI margin of 76.7% for the year ended December 31, 2022.

(2) In € thousands, NOI of €6,383 and NOI margin of 81.5% for the year ended December 31, 2023 compared to NOI of €6,075 and NOI margin of 82.6% for the year ended December 31, 2022.

(3) Same property results exclude performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023. For the year ended December 31, 2023, NOI contributions from acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at December 31, 2023, were $33,129 (for the year ended December 31, 2022 – $35,788).

Same property NOI for the three months ended December 31, 2023 increased by 7.9% compared to the prior year comparative period, with the Canadian residential suites and the European portfolio same property NOI increasing by 6.4% and 16.9%, respectively, compared to the same quarter last year.

Same Property NOI for the year ended December 31, 2023 increased by 7.3% compared to the prior year comparative period, with the Canadian residential suites and the European portfolio same property NOI increasing year-over-year by 6.2% and 14.9%, respectively.

The increases in those regions were mainly driven by increases in monthly rents on turnovers and renewals, partially offset by higher operating expenses.

Net Income (Loss) and Other Comprehensive Income (Loss)

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Operating revenues				
Revenue from investment properties	**$ 272,195**	$ 256,915	**$ 1,065,317**	$ 1,007,268
Operating expenses				
Realty taxes	**(23,933)**	(23,397)	**(96,408)**	(93,912)
Property operating costs	**(71,551)**	(69,018)	**(276,123)**	(262,947)
Total operating expenses	**(95,484)**	(92,415)	**(372,531)**	(356,859)
Net operating income	**176,711**	164,500	**692,786**	650,409
Other income	**1,148**	1,362	**13,644**	16,521
Trust expenses	**(15,796)**	(13,176)	**(62,373)**	(57,965)
Unit-based compensation amortization expense	**(1,639)**	(1,766)	**(7,816)**	(7,256)
Financing-related costs:				
Interest expense on debt and other financing costs	**(55,226)**	(45,513)	**(211,664)**	(180,434)
Interest expense on Exchangeable LP Units	**(597)**	(609)	**(2,382)**	(2,435)
Net gain (loss) on derecognition of debt	**(56)**	–	**3,251**	1,766
Total financing-related costs, net	**(55,879)**	(46,122)	**(210,795)**	(181,103)
Fair value adjustments of investment properties and assets held for sale	**(111,381)**	74,461	**(914,585)**	(468,327)
Fair value adjustments of financial instruments	**(3,494)**	(44,434)	**(34,373)**	(7,440)
Gain (loss) on non-controlling interest	**8,959**	(8,982)	**45,209**	104,822
Gain (loss) on foreign currency translation	**2,345**	723	**4,161**	(21,000)
Net loss on transactions and other activities	**(3,809)**	(1,664)	**(13,911)**	(25,058)
Net income (loss) before income taxes	**(2,835)**	124,902	**(488,053)**	3,603
Current income tax expense	**(3,221)**	(1,443)	**(8,889)**	(4,843)
Deferred income tax recovery	**15,268**	32,064	**85,368**	14,877
Total current income tax expense and deferred income tax recovery, net	**12,047**	30,621	**76,479**	10,034
Net income (loss)	**$ 9,212**	$ 155,523	**$ (411,574)**	$ 13,637
Other comprehensive income, including items that may be reclassified subsequently to net income (loss)				
Gain on foreign currency translation, net of taxes	**$ 21,265**	$ 110,690	**$ 12,569**	$ 8,536
Amortization of losses from accumulated other comprehensive loss to interest and other financing costs	**273**	67	**341**	1,361
Gain on investments held at fair value through other comprehensive income	**501**	–	**421**	–
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	**–**	–	**–**	7,627
Other comprehensive income	**$ 22,039**	$ 110,757	**$ 13,331**	$ 17,524
Comprehensive income (loss)	**$ 31,251**	$ 266,280	**$ (398,243)**	$ 31,161

Other Income

Other income comprises investment income, interest income from VTB mortgages receivable, profit from sale of MHC home inventory, net profit from investment in associate and other miscellaneous income. Other income also includes asset and property management, and transition service fees earned from foreign investments. Other income earned is not necessarily of a recurring nature and may vary year-over-year depending on factors such as dividends declared on investment, sales volume of MHC home inventory and level of services provided to foreign investment.

The table below summarizes other income for the three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Investment income(1)	**$ 235**	$ 542	**$ 8,862**	$ 9,112
Interest income from vendor takeback ("VTB") mortgages receivable	**464**	272	**1,278**	1,971
Profit from sale of MHC home inventory(2)	**174**	199	**1,036**	1,531
Interest and other income(3)	**275**	349	**2,468**	1,008
Asset and property management fees, and transition service fees(4)	**–**	–	**–**	2,252
Net profit from investment in associate(5)	**–**	–	**–**	647
Total	**$ 1,148**	$ 1,362	**$ 13,644**	$ 16,521

(1) For the three months and year ended December 31, 2023, investment income includes $nil and $7,628, respectively, of semi-annual dividends from Irish Residential Properties REIT plc ("IRES") (for the three months and year ended December 31, 2022 – $nil and $7,297). 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.

(2) For the three months and year ended December 31, 2023, profit from sale of MHC home inventory consists of income from sale of MHC home inventory of $1,015 and $4,820, respectively (three months and year ended December 31, 2022 – $1,325 and $5,127), offset by cost of sales of $(841) and $(3,784), respectively, for the three months and year ended December 31, 2023 (three months and year ended December 31, 2022 – $(1,126) and $(3,596)).

(3) For the three months and year ended December 31, 2023, interest and other income include $nil and $1,500, respectively, of non-refundable deposits that were recorded in net income (loss) on a property disposition that did not close.

(4) For the three months and year ended December 31, 2022, the amount included transition service fees totalling $nil and $1,407, respectively, based on the Investment Management Agreement with IRES, which terminated on January 31, 2022.

(5) Net profit from investment in associate represented CAPREIT's share of IRES's 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.

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 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). In 2022, trust expenses also included costs related to the generation of asset and property management and transition service fees to IRES (a related party to CAPREIT up to January 31, 2022, with transition services period ended April 28, 2022).

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Trust Expenses(1)	**$ (15,796)**	(13,176)	**$ (62,373)**	$ (57,965)
Operating Revenues	**$ 272,195**	256,915	**$ 1,065,317**	$ 1,007,268
Trust Expenses as % of Operating Revenues(2)	**5.8%**	5.1%	**5.9%**	5.8%

(1) Includes $(4,900) and $(10,995), respectively, for the three months and year ended December 31, 2023, relating to reorganization costs (three months and year ended December 31, 2022 – $(418) and $(5,692), respectively).

(2) Trust expenses as a percentage of operating revenues is calculated using trust expenses divided by operating revenues.

Trust expenses increased to $15.8 million and $62.4 million, respectively, for the three months and year ended December 31, 2023, compared to $13.2 million and $58.0 million, respectively, for the three months and year ended December 31, 2022. The increases were primarily as a result of higher salaries and benefits, partially offset by lower legal, audit and compliance fees. For the three months and year ended December 31, 2023, salaries and benefits included non-routine reorganization costs of $4.9 million and $11.0 million, respectively, reflecting an internal optimization of the organizational structure to align with CAPREIT's current business strategy and operating environment. For the three months and year ended December 31, 2022, trust expenses included non-routine items of $0.7 million and $6.3 million, respectively, related to reorganization costs and costs related to transactions that were not completed. Excluding non-routine items, trust expenses as percentage of operating revenue were 4.0% and 4.8%, respectively, for the three months and year ended December 31, 2023 (three months and year ended December 31, 2022 – 4.9% and 5.1%, respectively).

Unit-based Compensation Amortization Expense

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"). ERES units are issuable pursuant to ERES's unit options plan ("ERES UOP") and ERES's Restricted Unit Rights Plan ("ERES RUR Plan"). As at December 31, 2023 and December 31, 2022, the number of outstanding ERES RUR units was nil.

The table below summarizes the unit-based amortization expense for each plan for the three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
DUP	**$ (292)**	$ (278)	**$ (1,174)**	$ (1,121)
RUR Plan[(1)]	**(1,197)**	(1,217)	**(5,964)**	(5,361)
EUPP	**(126)**	(119)	**(551)**	(514)
ERES UOP[(2)]	**(24)**	(152)	**(127)**	(260)
Unit-based compensation amortization expense	**$ (1,639)**	$ (1,766)	**$ (7,816)**	$ (7,256)

(1) Includes $nil and $(679) for the three months and year ended December 31, 2023, relating to accelerated vesting of previously granted RUR units (three months and year ended December 31, 2022 – $nil and $(976), respectively).

(2) Includes $nil and $(86), respectively, for the three months and year ended December 31, 2023, relating to accelerated vesting of previously granted ERES UOP units (three months and year ended December 31, 2022 – $nil).

Financing-related Costs

Interest expense on debt and other financing costs for the three months and year ended December 31, 2023 increased by $9.7 million and $31.2 million, respectively, compared to the three months and year ended December 31, 2022, primarily due to higher average debt balances and higher interest rates on variable rate credit facilities and on mortgage financing and refinancing activities.

Interest expense on debt and other financing costs include amortization of CMHC premiums. Amortization of CMHC premiums 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, as well as accelerated CMHC amortization expense for mortgages that management intends to fully refinance or discharge within the year, excluding property dispositions. These write-offs and accelerated CMHC amortization expense may fluctuate depending on the timing and amount of mortgages coming due. For further details, please refer to Liquidity and Financial Condition in Section V.

Interest expense on Exchangeable LP Units represents distributions paid and payable on Exchangeable LP Units outstanding. For the three months and year ended December 31, 2023, interest expense on Exchangeable LP Units decreased marginally compared to the same periods last year due to the conversion of 32,004 Exchangeable LP Units into Trust Units during the first quarter of 2023.

For the three months ended December 31, 2023, net loss on derecognition of debt related to mortgage settlement costs attributed to dispositions totalled $0.1 million. For the year ended December 31, 2023, net gain on derecognition of debt totalled $3.3 million and comprises $4.9 million of fair value gain on mortgages assumed by purchaser upon dispositions of CAPREIT's share of the three remaining properties under joint arrangement in Ottawa, Ontario and one property in Québec, partially offset by $1.6 million of mortgage settlement costs related to dispositions.

Fair Value Adjustments of Investment Properties and Assets Held for Sale

For the three months ended December 31, 2023, CAPREIT recorded a fair value loss on investment properties and assets held for sale of $111.4 million, primarily driven by the Canadian portfolio, with a $59.7 million fair value loss recorded during the quarter due to weighted average cap rate expansion, partially offset by higher future expected NOI. The Netherlands portfolio had a fair value loss of $51.6 million for the three months ended December 31, 2023, primarily driven by weighted average cap rate expansion.

For the year ended December 31, 2023, CAPREIT recorded a fair value loss on investment properties and assets held for sale of $914.6 million, primarily driven by the Canadian portfolio, with a $579.0 million fair value loss recorded during the period due to weighted average cap rate expansion, mainly driven by the Greater Toronto Area, partially offset by higher future expected NOI. The Netherlands portfolio had a fair value loss of $335.6 million for the year ended December 31, 2023, primarily driven by weighted average cap rate expansion.

Fair Value Adjustments of Financial Instruments

Fair value adjustments of financial instruments comprise fair value adjustments of Exchangeable LP Units, investments, derivative financial instruments and unit-based compensation.

Fair value adjustments of Exchangeable LP Units and unit-based compensation may vary significantly year-over-year depending on the unit price of CAPREIT. Fair value adjustments of investments may vary significantly year-over-year depending on the unit price of the respective investments. Fair value adjustments of derivative financial instruments may vary significantly year-over-year depending on foreign exchange rates and the yield curve.

The table below summarizes the fair value adjustments of financial instruments for the three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Fair value adjustments of Exchangeable LP units	**$ (6,126)**	$ (975)	**$ (10,293)**	$ 29,016
Fair value adjustments of investments	**26,119**	(3,261)	**1,130**	(101,261)
Fair value adjustments of derivative financial instruments	**(22,090)**	(40,214)	**(24,767)**	54,135
Unit-based compensation remeasurement gain (loss)	**(1,397)**	16	**(443)**	10,670
Fair value adjustments of financial instruments	**$ (3,494)**	$ (44,434)	**$ (34,373)**	$ (7,440)

Gain (Loss) on Non-Controlling Interest

For the three months and year ended December 31, 2023, CAPREIT recorded a gain of $9.0 million and gain of $45.2 million, respectively on ERES units held by non-controlling unitholders. This includes interest expense to ERES non-controlling unitholders of $3.6 million and $14.1 million, respectively, for the three months and year ended December 31, 2023. The remaining change relates to the mark-to-market gain of $12.5 million and gain of $59.3 million, respectively, due to fluctuations in ERES's unit redemption price as defined in the ERES DOT for the three months and year ended December 31, 2023.

Gain (Loss) on Foreign Currency Translation

CAPREIT's functional currency is the Canadian dollar and the functional currency of certain foreign subsidiaries is the euro. CAPREIT is exposed to gains or losses on foreign currency translations due to the execution of its foreign currency and interest rate risk management strategies. CAPREIT has foreign currency cash, borrowings and cross-currency interest rate swap arrangements denominated in either US dollars or euros. Similarly, ERES has foreign currency cash, borrowings and cross-currency interest rate swap arrangements, as well as certain other transactions, denominated in either US dollars or Canadian dollars. The gains or losses on foreign currency translations may vary significantly year-over-year depending on the value of the Canadian dollar relative to the US dollar and euro.

For the three months and year ended December 31, 2023, CAPREIT recorded a gain on foreign currency translation of $2.3 million and $4.2 million, respectively, primarily due to CAPREIT's US dollar borrowings and movements in the US dollar relative to the Canadian dollar during the periods (for more information, see Section VI – Other Information). For the three months and year ended December 31, 2022, CAPREIT recorded a gain on foreign currency translation of $0.7 million and a loss of $21.0 million, respectively, primarily due to $7.6 million of foreign currency loss reclassified from accumulated other comprehensive loss due to the loss of significant influence over IRES on January 31, 2022.

Net Loss on Transactions and Other Activities

The table below summarizes the loss on transactions and other activities for the three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Gain (loss) on dispositions	**$ (2,780)**	$ 85	**$ (5,330)**	$ (3,318)
Amortization of property, plant and equipment ("PP&E") and right-of-use asset	**(1,507)**	(1,749)	**(6,206)**	(7,462)
Goodwill impairment loss	**–**	–	**–**	(14,278)
Fair value gain on transfer of other assets to investment properties	**1,934**	–	**1,934**	–
Other[(1)]	**(1,456)**	–	**(4,309)**	–
Total	**$ (3,809)**	$ (1,664)	**$ (13,911)**	$ (25,058)

(1) Relates to costs associated with the strategic review of ERES.

Current Income Tax Expense and Deferred Income Tax Recovery

Current income tax expense is primarily attributed to CAPREIT's European portfolio where CAPREIT operates through foreign legal entities that may be taxable in local jurisdictions. Current income tax expense for the three months and year ended December 31, 2023 increased by $4.7 million and $4.0 million, respectively, primarily driven by growth in NOI from CAPREIT's European portfolio, sale of individual suites in the Netherlands, increase in tax rates in the Netherlands, as well as exhaustion of tax losses and tax depreciation.

Deferred income tax recovery is primarily attributed to CAPREIT's European portfolio and will vary significantly year-over year depending on the fair value of the European investment properties relative to the respective tax cost base. For the three months and year ended December 31, 2023, deferred income tax recovery was $15.3 million and $85.4 million, respectively, mainly due to the net fair value losses recorded on CAPREIT's European investment properties in both periods. For the three months and year ended December 31, 2022, deferred income tax recovery was $32.1 million and $14.9 million, respectively, mainly due to the net fair value losses recorded on CAPREIT's European investment properties in both periods.

Other Comprehensive Income

Other comprehensive income comprises unrealized gain on foreign currency translation on CAPREIT's foreign subsidiaries, amortization of losses to interest expense and other financing costs, and gain on certain investments. The gains or losses on foreign currency translations may vary significantly year-over-year depending on the value of the Canadian dollar relative to the euro and the US dollar.

For the year ended December 31, 2022, $7.6 million of the cumulative loss on foreign currency translation was reversed into the consolidated statements of income and comprehensive income, due to the loss of significant influence over IRES on January 31, 2022.

SECTION IV: INVESTMENT PROPERTIES

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 Investments and Development 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.

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, 2023, there was a $622 million decrease in overall carrying value primarily due to fair value losses and transfers to assets held for sale, partially offset by net acquisitions, property capital investments and foreign currency translation.

Investment Properties by Geography

	Dec. 31, 2022	Carrying Value Change Due To					Dec. 31, 2023	Dec. 31, 2023	Dec. 31, 2022
($ Millions)	Fair Value	**Net Acquisitions**[1]	**Property Capital Investments**[2]	**Fair Value Adjustments**	**Foreign Exchange Translation and Other**	**Net Transfers**[3]	**Fair Value**	**Cap Rates**[4]	Cap Rates[4]
Greater Toronto Area	$ 6,417	**$ –**	**$ 110**	**$ (640)**	**$ –**	**$ –**	**$ 5,887**	**4.09%**	3.49%
Other Ontario	1,325	**57**	**25**	**(29)**	**–**	**–**	**1,378**	**4.43%**	4.11%
Québec	2,610	**(180)**	**43**	**(19)**	**–**	**(46)**	**2,408**	**4.40%**	4.12%
British Columbia	1,948	**196**	**22**	**105**	**–**	**(12)**	**2,259**	**4.08%**	3.96%
Nova Scotia	801	**21**	**21**	**40**	**–**	**–**	**883**	**4.68%**	4.50%
Alberta	461	**26**	**10**	**6**	**–**	**(54)**	**449**	**5.03%**	4.63%
Prince Edward Island	98	**(10)**	**5**	**(3)**	**–**	**(15)**	**75**	**5.42%**	5.39%
Saskatchewan	31	**–**	**1**	**1**	**–**	**–**	**33**	**5.78%**	5.23%
Subtotal	$ 13,691	**$ 110**	**$ 237**	**$ (539)**	**$ –**	**$ (127)**	**$ 13,372**	**4.26%**	3.86%
MHC	713	**(9)**	**19**	**(38)**	**–**	**16**	**701**	**6.05%**	5.93%
Europe	2,750	**(7)**	**29**	**(336)**	**23**	**–**	**2,459**	**4.62%**	3.88%
Total	$ 17,154	**$ 94**	**$ 285**	**$ (913)**	**$ 23**	**$ (111)**	**$ 16,532**	**4.37%**	3.93%

(1) Includes $299.4 million of acquisitions, offset by $205.6 million of dispositions during the year ended December 31, 2023. Excludes the disposition of investment properties that were previously classified as assets held for sale. Refer to the Acquisitions and Dispositions section below for further information.

(2) Represents property capital investments and capitalized direct leasing costs during the year ended December 31, 2023.

(3) Includes $127.2 million transferred to assets held for sale and $16.5 million transferred from other assets during the year ended December 31, 2023.

(4) Weighted average capitalization rates excluding implied capitalization rates on operating and land leasehold interests. See note 4 to the accompanying consolidated annual financial statements for further valuation assumption details, including discount rates as at December 31, 2023 for operating and land leasehold interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

Current regulatory and macroeconomic developments, including the interest rate and inflationary environment, have impacted overall market activity, resulting in limited 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.

Acquisitions of Investment Properties

The table below summarizes the investment property acquisitions during the year ended December 31, 2023, which have contributed to the operating results as from their respective acquisition dates.

Acquisitions of Investment Properties Completed During the Year Ended December 31, 2023

($ Thousands) Acquisition Date	Suite or Site Count	Region	Total Acquisition Costs	Assumed Mortgages Payable	Subsequent Acquisition Financing	Stated Interest Rate (%)[1]	Term to Maturity (Years)[2]
February 27, 2023	**143**	Ottawa, ON	**$ 56,627**[3]	**$ 39,064**	**$ –**	**3.25**	**9.50**
April 12, 2023	**89**	Edmonton, AB	**25,780**[4]	**18,763**	**–**	**2.59**	**8.58**
May 16, 2023	**93**	Langley, BC	**53,910**[5]	**–**	**31,353**	**4.94**	**10.00**
June 1, 2023	**52**	Dartmouth, NS	**20,821**[5]	**–**	**12,280**	**4.94**	**10.00**
June 22, 2023	**92**	Langley, BC	**51,115**[5]	**–**	**38,394**	**4.81**	**10.00**
November 27, 2023	**48**	Esquimalt, BC	**22,616**[5]	**–**	**–**	**–**	**–**
December 19, 2023	**114**	Vancouver, BC	**68,579**[5]	**–**	**–**	**–**	**–**
Total	**631**		**$ 299,448**	**$ 57,827**	**$ 82,027**		
2022 Acquisition Financing[6]					**$ 28,119**	**4.39**	**5.56**

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

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

(3) The acquisition was funded from cash and cash equivalents, the assumption of an existing mortgage and a VTB mortgage payable. Repayment of the five-year VTB mortgage payable may be waived, subject to certain conditions. The VTB mortgage payable carries an interest rate of 4.125% per annum.

(4) The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility, and the assumption of an existing mortgage.

(5) The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility.

(6) Acquisition financing of $28,119 during the year end December 31, 2023 relates to properties acquired in 2022 and includes $15,641 of acquisition financing relating to an ERES property acquired in 2022.

There were no acquisitions completed in the Netherlands during the year ended December 31, 2023.

Dispositions of Investment Properties and Assets Held for Sale

The table below summarizes the dispositions of investment properties and assets held for sale completed during the year ended December 31, 2023.

Dispositions of Investment Properties and Assets Held for Sale Completed During the Year Ended December 31, 2023

($ Thousands) Disposition Date	Suite or Site Count	Region	Sale Price	Fair Value of Investment Properties and Assets Held for Sale	Fair Value Adjustments on Mortgages Assumed by Purchasers	Fair Value of Mortgages Assumed by Purchasers[1]
January 25, 2023[2]	**1,150**	Ottawa, ON	**$ 136,250**	**$ 132,342**	**$ 3,908**	**$ 34,798**
March 1, 2023[3]	**46**	Wingham, ON	**250**	**250**	**–**	**–**
March 6, 2023[4]	**–**	Montréal, QC	**17,250**	**17,250**	**–**	**–**
April 6, 2023[5]	**1**	The Netherlands	**588**	**588**	**–**	**–**
May 11, 2023	**180**	Longueuil, QC	**27,787**	**27,787**	**–**	**–**
May 16, 2023	**60**	Charlottetown, PEI	**9,400**	**9,400**	**–**	**–**
June 5, 2023	**162**	Longueuil, QC	**25,000**	**24,048**	**952**	**5,490**
June 8, 2023	**393**	Montréal, QC	**68,900**	**68,900**	**–**	**–**
June 30, 2023[3]	**217**	Windsor, ON	**8,250**	**8,250**	**–**	**–**
July 17, 2023[5]	**1**	The Netherlands	**564**	**564**	**–**	**–**
August 15, 2023	**111**	Charlottetown, PEI	**11,963**	**11,963**	**–**	**–**
August 15, 2023	**73**	Montréal, QC	**12,600**	**12,600**	**–**	**–**
August 21, 2023	**12**	Charlottetown, PEI	**1,300**	**1,300**	**–**	**–**
August 22, 2023	**180**	Montréal, QC	**32,500**	**32,500**	**–**	**–**
August 28, 2023[5]	**1**	The Netherlands	**529**	**529**	**–**	**–**
August 30, 2023	**9**	Charlottetown, PEI	**950**	**950**	**–**	**–**
September 29, 2023[5]	**1**	The Netherlands	**393**	**393**	**–**	**–**
November 8, 2023	**263**	Calgary, AB	**53,880**	**53,880**	**–**	**–**
November 9, 2023	**78**	Québec City, QC	**8,640**	**8,640**	**–**	**–**
November 30, 2023	**21**	Charlottetown, PEI	**1,650**	**1,650**	**–**	**–**
November 2023[6]	**2**	The Netherlands	**1,047**	**1,047**	**–**	**–**
December 2023[6]	**8**	The Netherlands	**4,382**	**4,382**	**–**	**–**
Total	**2,969**		**$ 424,073**	**$ 419,213**	**$ 4,860**	**$ 40,288**

(1) Relates to mortgages payable with a total principal amount of $45,148 assumed by the purchasers upon dispositions. The amount shown is net of $4,860 fair value adjustment on mortgages assumed by the purchasers. The weighted average stated interest rate on mortgages assumed by the purchasers was 2.28%.

(2) CAPREIT disposed of its 50% interest in 1,150 apartment suites. These properties under joint arrangement were classified as assets held for sale as at December 31, 2022.

(3) These two MHC properties were the primary drivers of the required interim maintenance costs for the operation and remediation of septic tanks. Refer to NOI by Region in Section III for further information.

(4) Represents disposition of parking lot site adjacent to an existing multi-residential building owned by CAPREIT.

(5) Represents disposition of a single residential suite.

(6) Represents disposition of multiple single residential suites in several properties.

Property Capital Investments

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 $900 to $1,400 per suite and site annually over the past five years and are expensed to NOI. The recent increase in regular R&M costs per residential suite is due to general inflationary pressures, as well as higher maintenance costs that correspond with a reduction in suite and common area capital improvements, reflecting CAPREIT's strategic reallocation of capital in response to the tight rental market in Canada.

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 and water efficiency initiatives, equipment, boilers, elevators and risers.

Property Capital Investments by Category

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 continually improve the portfolio's future rental income-generating potential.

Energy-saving and water efficiency 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 development costs) is summarized by category on the next page for the years ended December 31, 2023 and December 31, 2022.

Year Ended December 31, 2023 ($ Thousands)		Canadian Portfolio Actual		The Netherlands Portfolio Actual		Total Portfolio Total Actual	% of Actual
Non-discretionary property capital investments:							
Building improvements	**$**	**53,921**	**$**	**2,527**	**$**	**56,448**	**20.4**
MHC infrastructural		**6,453**		**–**		**6,453**	**2.3**
Life and safety		**2,369**		**574**		**2,943**	**1.1**
	$	**62,743**	**$**	**3,101**	**$**	**65,844**	**23.8**
Discretionary property capital investments:							
Suite improvements	**$**	**80,580**	**$**	**18,835**	**$**	**99,415**	**36.0**
Common area		**47,607**		**2,077**		**49,684**	**18.0**
Energy-saving and water efficiency initiatives		**30,685**		**3,440**		**34,125**	**12.3**
Equipment		**12,687**		**94**		**12,781**	**4.6**
Elevators and risers		**8,824**		**1,077**		**9,901**	**3.6**
MHC improvements		**3,526**		**–**		**3,526**	**1.3**
Other		**1,116**		**85**		**1,201**	**0.4**
	$	**185,025**	**$**	**25,608**	**$**	**210,633**	**76.2**
Total	**$**	**247,768**	**$**	**28,709**	**$**	**276,477**	**100.0**

Year Ended December 31, 2022 ($ Thousands)		Canadian Portfolio Actual		The Netherlands Portfolio Actual		Total Portfolio Total Actual	% of Actual
Non-discretionary property capital investments:							
Building improvements	$	62,136	$	2,964	$	65,100	21.1
MHC infrastructural		6,291		–		6,291	2.0
Life and safety		2,128		1,259		3,387	1.1
	$	70,555	$	4,223	$	74,778	24.2
Discretionary property capital investments:							
Suite improvements	$	97,963	$	20,547	$	118,510	38.6
Common area		60,819		2,697		63,516	20.6
Energy-saving and water efficiency initiatives		20,738		3,217		23,955	7.8
Equipment		15,521		506		16,027	5.2
Elevators and risers		6,587		1,608		8,195	2.7
MHC improvements		1,633		–		1,633	0.5
Other		1,320		8		1,328	0.4
	$	204,581	$	28,583	$	233,164	75.8
Total	$	275,136	$	32,806	$	307,942	100.0

During the year ended December 31, 2023, CAPREIT invested $65.8 million of non-discretionary property capital investments compared to a non-discretionary budget of $80.1 million. Lower actual non-discretionary property capital investments in 2023 were primarily due to 2023 dispositions and projects delayed to 2024.

Discretionary spending on a year-over-year basis decreased by $22.5 million, primarily due to shift in overall strategy by reducing the scope of spending on suite and common area improvements, partially offset by higher spending on energy-savings and water efficiency initiatives. The decline year-over-year was also attributed to dispositions in 2023.

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 property capital investments and future investments in building improvements due to the variable nature of costs depending on internal and external factors.

Development

Development Program

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

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.

Entitlement/Rezoning Programs

Entitlement applications are submitted based on gross floor area ("GFA"). As at December 31, 2023, CAPREIT has submitted approximately 2.7 million of incremental GFA, and 0.2 million of rental replacement GFA under the current strategy. Of particular note, CAPREIT has partnered with development managers in undertaking the entitlement and severance or subdivision process to develop its underutilized land in certain high-growth and major transit station areas located in the Greater Toronto Area. Planning applications have been submitted for the proposed new residential buildings, which, subject to municipal approval, will help to address the increased demand for high-rise residential intensification in these neighbourhoods.

The table below summarizes the current entitlement applications submitted as at December 31, 2023.

(Thousands of GFA)		**Submitted Entitlement Applications**			
Applications	**Location**	**Incremental**	**Rental Replacement**	**Total**	**Current Application Status**
33 Davisville	Toronto, ON	**328**	**–**	**328**	Approved by Council[2]
141 Davisville	Toronto, ON	**261**	**–**	**261**	Approved by Council[2]
5 & 15 Tangreen[1]	Toronto, ON	**2,072**	**202**	**2,274**	Under Municipal Review
Total Submitted Applications		**2,661**	**202**	**2,863**	
Total Dispositions		**(280)**	**–**	**(280)**	

(1) Application includes 202 square feet of estimated rental replacement GFA relating to the existing 5 Tangreen building, to be demolished and replaced as contemplated in the submitted application.
(2) Council decision will be considered final and binding following an appeal period (anticipated in the first half of 2024).

33 Davisville

This is a proposed development of a 41-storey infill residential building and public park amenity space, located within 200 metres of Davisville Subway Station in Toronto. The submitted Official Plan Amendment ("OPA") and Zoning By-law Amendment ("ZBA") were unanimously approved at Community Council and City Council in the first quarter of 2024.

141 Davisville

This is a proposed development of a 33-storey infill residential building, located within 500 metres of Davisville Subway Station in Toronto. The submitted ZBA was unanimously approved at Community Council and City Council in the first quarter of 2024.

5 & 15 Tangreen

This is a proposed multi-phase development of mixed-use buildings, with heights ranging from 25 to 55 storeys. The development site is located in close proximity to the future extension of the Yonge Street North subway line in Toronto. The proposed plan represents a complete community of more than 3,000 residential units, along with a new park, retail space and public roads. The land entitlement process is ongoing, with approval anticipated in 2025-2026.

Disposition of Underutilized Land

On March 6, 2023, CAPREIT disposed of a parking lot site located in Montréal, Québec for $17.3 million (excluding disposition costs) to a developer. The underutilized land is located adjacent to an existing multi-residential building owned by CAPREIT. The site plan was approved by local planning authorities, the land was severed and building permits were issued following CAPREIT's undertaking of the end-to-end entitlement process, which provided for approximately 0.3 million square feet of buildable GFA.

SECTION V: CAPITAL STRUCTURE AND FINANCIAL CONDITION

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, 2023, CAPREIT is in compliance with all the investment and debt restrictions and financial covenants contained in the DOT, Credit Facilities and mortgage financing agreements. 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, 2023**	December 31, 2022
Unitholders' equity	**$ 9,278,595**	$ 10,003,695
Exchangeable LP Units	**80,383**	71,668
Mortgages payable – non-current	**6,002,617**	5,963,820
Mortgages payable – current	**651,371**	613,277
Liabilities related to assets held for sale	**23,706**	38,116
Credit facilities payable	**405,133**	388,975
Total capital	**$ 16,441,805**	$ 17,079,551

As at	Threshold	**December 31, 2023**	December 31, 2022
Total debt to gross book value[1][2]	Maximum 62.50%	**41.6%**	39.4%
Mortgage debt to gross book value[1][2]		**39.2%**	37.2%

(1) 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 VI – Non-IFRS Measures.

(2) Includes liabilities related to assets held for sale, as applicable.

For the 12 Months Ended		**December 31, 2023**	December 31, 2022
Debt service coverage ratio (times)[1][2]	Minimum 1.40	**1.8x**	1.9x
Interest coverage ratio (times)[1][2]	Minimum 1.65	**3.3x**	3.7x
FFO payout ratio (formerly known as "NFFO payout ratio")[1][2]	Maximum 100%	**60.5%**	62.1%

(1) 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 VI – Non-IFRS Measures.

(2) For the trailing 12 months ended.

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 Canadian borrowing capacity as at December 31, 2023 remains strong with $340.1 million available on its Acquisition and Operating Facility including an accordion option to increase the credit facility limit of up to $200 million.

As at December 31, 2023, CAPREIT has approximately $1.5 billion of investment properties and assets held for sale, as applicable, that are unencumbered by mortgages. Of these investment properties and assets held for sale, as applicable, approximately $1.2 billion are Canadian investment properties which secure the Acquisition and Operating Facility. Included in these Canadian investment properties and assets held for sale, as applicable, that secure the Acquisition and Operating Facility are $268.0 million that also carry a negative pledge against the ERES Credit Facility.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at December 31, 2023, and defined as current assets less current liabilities, is funded through the Credit Facilities and refinancing of mortgages as they mature. Management conducts a liquidity forecast on a regular basis, which includes refinancing of mortgages, property capital investments, potential acquisitions and potential dispositions, to monitor the available capacity.

CAPREIT's credit facilities consist of the $600 million Acquisition and Operating Facility, which can be borrowed in US dollars ("USD"), euros or Canadian dollars, as well as the €125 million ERES Credit Facility. On January 24, 2023, ERES amended and renewed its existing revolving credit facility with two Canadian chartered banks and the addition of another Canadian chartered bank, providing up to €125 million for a three-year period ending on January 26, 2026, as well as an accordion feature to increase the limit a further €25 million upon satisfaction of conditions set out in the agreement and the consent of applicable lenders. This amendment also replaced the USD London Inter-bank Offered Rate ("LIBOR") with the Term SOFR as a benchmark interest rate. The Acquisition and Operating Facility matures on December 19, 2025. A subsidiary of CAPREIT also provides a guarantee on the ERES Credit Facility.

The tables below summarize the amounts available and drawn under the respective credit facilities as at December 31, 2023 and December 31, 2022:

($ Thousands) As at December 31, 2023	Acquisition and Operating Facility	ERES Credit Facility	Total
Maximum borrowing capacity	**$ 600,000**	**$ 182,828**	**$ 782,828**
USD borrowings	**$ (255,509)**[1]	**$ –**	**$ (255,509)**
Euro borrowings	**–**	**(150,651)**[3]	**(150,651)**
Less: Total borrowings	**$ (255,509)**	**$ (150,651)**	**$ (406,160)**
Less: Letters of credit	**(4,432)**	**–**	**(4,432)**
Available borrowing capacity	**$ 340,059**	**$ 32,177**	**$ 372,236**
Weighted average interest rate including interest rate swaps	**6.48%**[2]	**5.23%**	**6.01%**

(1) As at December 31, 2023, CAPREIT has USD borrowings totalling US$192,812 that bear interest at the Term SOFR plus a margin of 1.45%, excluding the impact of cross-currency interest rate swaps.

(2) As at December 31, 2023, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.75%. For details on the swaps, refer to note 8 to the accompanying consolidated annual financial statements.

(3) As at December 31, 2023, ERES has euro borrowings totalling EUR €103,000 that bear interest at the EURIBOR plus a margin of 1.35% per annum.

($ Thousands) As at December 31, 2022	Acquisition and Operating Facility	ERES Credit Facility	Total
Maximum borrowing capacity	$ 600,000	$ 144,982	$ 744,982
Less: USD borrowings	$ (259,211)[1]	$ (129,764)[3]	$ (388,975)
Less: 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%[2]	3.06%[4]	4.73%

(1) As at December 31, 2022, CAPREIT has USD borrowings totalling US$191,365 that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum, excluding the impact of cross-currency interest rate swaps.

(2) 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%. For details on the swaps, refer to note 8 to the accompanying consolidated annual financial statements.

(3) As at December 31, 2022, ERES has USD borrowings totalling US$95,800 that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum.

(4) 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%. For details on the swaps, refer to note 8 to the accompanying consolidated annual financial statements.

Mortgages Payable

The table below summarizes the type of mortgages payable (excluding liabilities related to assets held for sale, as applicable) included in CAPREIT's capital structure and the overall interest rates and terms to maturity as at December 31, 2023 and December 31, 2022:

As at	**December 31, 2023**	December 31, 2022
Percentage of CMHC-insured mortgages[1]	**98.5%**	98.3%
Percentage of fixed-rate mortgages[2]	**99.2%**	98.8%
Weighted average mortgage effective interest rate[3]	**2.80%**	2.61%
Weighted average mortgage stated interest rate	**2.59%**	2.43%
Weighted average mortgage term to maturity (years)[4]	**4.9**	5.4

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

(2) Taking into consideration interest rate swaps where hedge accounting is not being applied, 100% of mortgages are subject to fixed rates. Excludes one-to-six-month short-term extensions.

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

(4) The mortgages on the Canadian and European properties have a weighted average term to maturity of 5.4 years and 2.9 years, respectively as at December 31, 2023 (December 31, 2022 – 5.8 years and 3.4 years, respectively).

CAPREIT is in compliance with all of its CMHC and lender requirements for the years ended December 31, 2023 and December 31, 2022.

The following table presents financings, weighted average interest rates obtained and mortgage top-ups closed in 2023. This table excludes mortgages assumed by CAPREIT upon acquisition of investment properties and mortgages assumed by the purchaser upon disposition of investment properties.

($ Thousands)	Original Mortgage Amount	Weighted Average Original Stated Interest Rate[(1)]	New Mortgage Amount[(2)]	Weighted Average New Stated Interest Rate[(3)]	Weighted Average Term on New Mortgages (Years)	Net Top-Up Financing (Repayment) Amount[(4)]
The Canadian Portfolio						
First Quarter	$ 34,326	2.87%	$ 8,045	4.28%	5.0	$ (26,281)
Second Quarter	107,838	3.16%	145,517	3.78%	6.1	37,679
Third Quarter	131,584	3.31%	120,449	3.93%	5.3	(11,135)
Fourth Quarter	106,581	3.36%	184,068	4.88%	7.8	77,487
Acquisitions	–	–	94,425	4.77%	9.3	94,425
Total and Weighted Average	$ 380,329	3.24%	$ 552,504	4.36%	7.0	$ 172,175
The ERES Portfolio						
Refinancings	$ 86,097	0.97%	$ 94,133	4.66%	6.0	$ 8,036
Acquisitions	–	–	15,641	4.66%	6.0	15,641
Total and Weighted Average	$ 86,097	0.97%	$ 109,774	4.66%	6.0	$ 23,677
Grand Total and Weighted Average	$ 466,426	2.82%	$ 662,278	4.41%	6.8	$ 195,852

(1) Excludes one-to-six-month short-term extension rates.

(2) Excludes mortgage rate buy down cost of $4,388.

(3) Excludes prepaid CMHC premiums, deferred financing costs and the impact of hedging.

(4) Includes $191,718 of mortgage discharges not refinanced. This includes $3,257 repaid on the disposition of a property which was previously classified as a liability related to assets held for sale.

During the year ended December 31, 2023, CAPREIT completed $552.5 million in mortgage financings for the Canadian portfolio compared to an estimated range between $600 million and $650 million, which was based on the property portfolio as at September 30, 2023 and which assumed that there would be no future acquisitions and dispositions, as disclosed in the MD&A for the three and nine months ended September 30, 2023. Lower Canadian mortgage financing was primarily due to property dispositions that closed subsequent to September 30, 2023, and therefore decreased mortgage financing needs during the fourth quarter of 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. Therefore, accelerated CMHC amortization expense is typically higher during the first half of the year compared to the second half of the year. During the three months and year ended December 31, 2023, CMHC amortization expense including net write-offs of CMHC premiums on refinancing or discharge of mortgages amounted to $1.9 million and $12.3 million, respectively, excluding CMHC write-offs relating to dispositions. The table below summarizes the CMHC amortization expense, including write-offs except those relating to dispositions, for the trailing eight quarters.

($ Thousands)	**Q4 23**	**Q3 23**	**Q2 23**	**Q1 23**	Q4 22	Q3 22	Q2 22	Q1 22
Amortization of CMHC premiums and fees	**$ (1,919)**	$ (2,657)	$ (3,643)	$ (4,056)	$ (2,841)	$ (2,388)	$ (3,441)	$ (3,784)

CMHC amortization expense, including write-offs except those relating to dispositions, for 2024 is expected to be in the range of $10.0 million to $11.0 million, depending on refinancing activity.

Estimated top-up mortgage financing potential is based on annualized NOI of the underlying properties. Pursuant to CAPREIT's strategy to upgrade the quality and diversification of the property portfolio through repositioning and capital recycling initiatives to grow earnings and cash flow potential, as well as uncertainty about the timing of such transactions, CAPREIT is no longer disclosing the annualized NOI for properties with mortgages maturing over the next five years and beyond.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2023 is as follows:

As at December 31, 2023 ($ Thousands) Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%)[1]
2024	$ **147,307**	$ **397,282**	$ **544,589**	**9.9**	**2.88**
2025	**138,625**	**439,391**	**578,016**	**10.5**	**2.54**
2026	**119,046**	**490,551**	**609,597**	**11.1**	**2.53**
2027	**97,229**	**557,251**	**654,480**	**11.9**	**3.25**
2028	**84,684**	**627,663**	**712,347**	**12.9**	**3.44**
2029 and onwards	**208,243**	**2,206,382**	**2,414,625**	**43.7**	**2.91**
	$ **795,134**	$ **4,718,520**	$ **5,513,654**	**100.0%**	**2.95%**
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net			$ **(135,915)**		
Liabilities related to assets held for sale			**(23,706)**		
Total			$ **5,354,033**		
Weighted average term to maturity (years)			**5.4**		

(1) Effective weighted average interest rates for maturing mortgages only. It includes the amortization of deferred financing costs, prepaid CMHC premiums and fair value adjustments. It excludes one-to-six-month short-term extension rates.

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at December 31, 2023 is as follows:

As at December 31, 2023 ($ Thousands) Period	Principal Amortization	Mortgage Maturities	Mortgage Balance ($)	Mortgage Balance (€)[2]	% of Total Mortgage Balance	Interest Rate (%)[1]
2024	$ **2,598**	$ **115,683**	$ **118,281**	€ **80,869**	**9.1**	**1.39**
2025	**417**	**332,031**	**332,448**	**227,301**	**25.5**	**1.87**
2026	**–**	**274,696**	**274,696**	**187,811**	**21.1**	**1.47**
2027	**–**	**293,767**	**293,767**	**200,850**	**22.5**	**1.38**
2028	**–**	**172,589**	**172,589**	**118,000**	**13.2**	**3.29**
2029	**–**	**111,890**	**111,890**	**76,500**	**8.6**	**4.75**
	$ **3,015**	$ **1,300,656**	$ **1,303,671**	€ **891,331**	**100.0%**	**2.07%**
Deferred financing costs			$ **(3,716)**			
Total			$ **1,299,955**			
Weighted average term to maturity			**2.9**			

(1) Effective weighted average interest rates for maturing mortgages only. It includes the amortization of deferred financing costs.

(2) Included in mortgages payable are non-amortizing mortgages from ERES.

Derivative Financial Instruments in Canada

($ Thousands) As at	December 31, 2023	December 31, 2022
Cross-currency interest rate swaps(1)	**$ 927,149**	$ 919,935
Weighted average interest rate on swaps – paying leg	**2.76%**	2.14%
Weighted average interest rate on swaps – receiving leg	**3.56%**	3.35%
Weighted average remaining term to maturity on swaps (years)	**0.8**	1.3

(1) As at December 31, 2023, euro equivalent of €442,358 (December 31, 2022 – €442,358), USD equivalent of US$192,812 (December 31, 2022 – US$191,563) 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 0.8 years as at December 31, 2023.

Unitholders' Equity, Exchangeable LP Units 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. For the purposes of the table below, Exchangeable LP Units and units issued in connection with unit-based incentive plans are treated as equity as they have claims similar or identical to those of the Trust Units.

Units outstanding as at December 31, 2023 and December 31, 2022 are as follows:

(Thousands of units) As at	December 31, 2023	December 31, 2022
Trust Units	**167,614**	169,404
Deferred units	**134**	121
RUR Plan units	**473**	395
Exchangeable LP Units	**1,647**	1,679
Total number of units outstanding – diluted	**169,868**	171,599
Ownership by trustees, officers and other senior management	**0.5%**	0.3%

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.

In March 2023, CAPREIT received the TSX's acceptance of its notice of intention to proceed with an NCIB, following expiry of the previous NCIB on March 23, 2023. Pursuant to the notice, CAPREIT may purchase up to 16,901,348 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, 2023 and ending March 23, 2024. Under the NCIB, other than purchases made under the block purchase exemption, CAPREIT may purchase up to 100,017 Trust Units on the TSX during any trading day, which represents approximately 25% of 400,069 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.

The tables below summarize the NCIB activity for the years ended December 31, 2023 and December 31, 2022, based on the settlement date of purchases.

For the Year Ended December 31, 2023	Weighted Average Purchase Price per Trust Unit	Total Cost of Trust Units Purchased and Cancelled ($ Thousands)	Number of Trust Units Purchased and Cancelled	Renewed NCIB Remaining Limit[1]
Beginning Limit				**16,901,348**
First Quarter 2023[1]	**$ 46.43**	**$ 91,502**	**1,970,904**	**16,527,597**
Second Quarter 2023	**47.59**	**9,405**	**197,617**	**16,329,980**
Third Quarter 2023	**–**	**–**	**–**	**16,329,980**
Fourth Quarter 2023	**–**	**–**	**–**	**16,329,980**
Total	**$ 46.53**	**$ 100,907**	**2,168,521**	**16,329,980**

[1] 1,597,153 Trust Units were purchased and cancelled under the former NCIB and 373,751 Trust Units were purchased and cancelled under the current NCIB.

For the Year Ended December 31, 2022	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
Beginning Limit				17,067,144
First Quarter 2022	$ –	$ –	–	17,067,144
Second Quarter 2022	47.83	67,050	1,401,764	15,665,380
Third Quarter 2022	45.18	134,742	2,982,460	12,682,920
Fourth Quarter 2022	42.38	35,980	848,938	11,833,982
Total	$ 45.44	$ 237,772	5,233,162	11,833,982

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 Trust Units, and thus will increase future gain for Unitholders on the sale of the Trust Units. The deferral rate is the portion of distributions treated as return of capital.

On December 15, 2023, CAPREIT declared a special non-cash distribution of $0.49 per Trust Unit (December 15, 2022 – $0.36 per Trust Unit), payable in Trust Units on December 29, 2023 (December 30, 2022) to Unitholders of record on December 29, 2023 (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, 2023 (year ended December 31, 2022). Refer to Section VI – Unit Calculations and Distributions for further information.

SECTION VI: UNIT CALCULATIONS, DISTRIBUTIONS, NON-IFRS MEASURES AND OTHER INFORMATION

Unit Calculations and Distributions

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 tables summarize the number of units used in calculating Non-IFRS Measures on a per unit basis:

Outstanding Number of Units

(Thousands)

As at	**December 31, 2023**	**%[1]**	December 31, 2022	%[1]
Trust Units	**167,614**	**98.6**	169,404	98.7
Exchangeable LP Units[2]	**1,647**	**1.0**	1,679	1.0
Units under the DUP[3]	**134**	**0.1**	121	0.1
Basic number of units	**169,395**	**99.7**	171,204	99.8
Plus:				
Unit rights under the RUR Plan[3]	**473**	**0.3**	395	0.2
Diluted number of units	**169,868**	**100.0**	171,599	100.0

[1] Represents percentage of total diluted units.

[2] See note 16 to the accompanying consolidated annual financial statements for details on Exchangeable LP Units.

[3] See notes 13 and 17 to the accompanying consolidated annual financial statements for details of CAPREIT's unit-based compensation plans.

Weighted Average Number of Units

(Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Trust Units	**167,579**	170,208	**167,856**	172,538
Exchangeable LP Units[1]	**1,647**	1,679	**1,649**	1,679
Units under the DUP[2]	**128**	121	**121**	153
Basic number of units	**169,354**	172,008	**169,626**	174,370
Plus:				
Unit rights under the RUR Plan[2]	**474**	393	**491**	446
Diluted number of units	**169,828**	172,401	**170,117**	174,816

[1] See note 16 to the accompanying consolidated annual financial statements for details on Exchangeable LP Units.

[2] See notes 13 and 17 to the accompanying consolidated annual financial statements for details of CAPREIT's unit-based compensation plans.

DRIP and Net Distributions Paid

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Distributions declared on Trust Units	**$ 60,857**	$ 61,608	**$ 243,282**	$ 249,540
Distributions declared on Exchangeable LP Units	**597**	609	**2,382**	2,435
Distributions declared on awards outstanding under unit-based compensation plans[1]	**218**	159	**870**	847
Total distributions declared	**$ 61,672**	$ 62,376	**$ 246,534**	$ 252,822
Less:				
Distributions declared on Trust Units reinvested	**$ (2,890)**	$ (1,173)	**$ (9,241)**	$ (42,178)
Distributions declared on unit awards reinvested[1]	**(218)**	(159)	**(870)**	(847)
Net distributions paid in cash[2]	**$ 58,564**	$ 61,044	**$ 236,423**	$ 209,797
Percentage of distributions reinvested	**5.0%**	2.1%	**4.1%**	17.0%

[1] Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 13 and 17 to CAPREIT's accompanying consolidated annual financial statements for a discussion of these plans).

[2] Based on distributions declared during the respective periods.

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 significantly decreased.

Special Non-Cash Distribution in Trust Units and Consolidation of Trust Units

On December 15, 2023, CAPREIT declared a Special Distribution of $0.49 per Trust Unit (December 15, 2022 – $0.36 per Trust Unit), payable in Trust Units on December 29, 2023 (December 30, 2022) to Unitholders of record on December 29, 2023 (December 30, 2022). 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, 2023 (year ended December 31, 2022).

On December 29, 2023, 1,683,012 Trust Units (December 30, 2022 – 1,428,904 Trust Units) were issued at a price of $48.80 per Trust Unit (December 30, 2022 – $42.68 per Trust Unit), for an aggregate value of $82.1 million (December 31, 2022 – $60.1 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 in the DRIP and Net Distributions Paid section above excludes the Special Distribution.

Adjusted Cash Generated from Operating Activities and Net Income (Loss) Compared to Total Distributions Declared

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, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Cash generated from operating activities	**$ 172,175**	$ 170,433	**$ 615,919**	$ 598,027
Adjustments:				
Interest paid on mortgages and credit facilities	**(47,822)**	(41,151)	**(184,586)**	(155,780)
Adjusted Cash Generated from Operating Activities	**$ 124,353**	$ 129,282	**$ 431,333**	$ 442,247

Adjusted Cash Generated from Operating Activities is not defined by IFRS, does not have standard meanings and may not be comparable with other industries or companies.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between Adjusted Cash Generated from Operating Activities and total distributions declared, in accordance with the guidelines, for the three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Adjusted Cash Generated from Operating Activities	**$ 124,353**	$ 129,282	**$ 431,333**	$ 442,247
Total distributions declared	**61,672**	62,376	**246,534**	252,822
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	**$ 62,681**	$ 66,906	**$ 184,799**	$ 189,425

For the three months and year ended December 31, 2023, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by $62.7 million and $184.8 million, respectively (for the three months and year ended December 31, 2022 – $66.9 million and $189.4 million, respectively). 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, that 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.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between net income (loss) and total distributions declared, in accordance with the guidelines, for the three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Net income (loss)	**$ 9,212**	$ 155,523	**$ (411,574)**	$ 13,637
Total distributions declared	**61,672**	62,376	**246,534**	252,822
Excess (shortfall) of net income (loss) over total distributions declared	**$ (52,460)**	$ 93,147	**$ (658,108)**	$ (239,185)

CAPREIT does not use net income (loss) 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 and capital expenditure requirements.

Non-IFRS Measures

Funds From Operations (formerly known as "Normalized Funds From Operations")

In this MD&A, CAPREIT relabelled NFFO to FFO (formerly known as "NFFO") and as such, introduced a modified definition of FFO, as described below. The comparative periods have been restated to reflect the introduction of this modified definition of FFO. In addition to the adjustments made to the previous definition of FFO (the "Former FFO"), the modified definition of FFO (formerly known as "NFFO") also excludes the effects of certain items that are not indicative of CAPREIT's long-term operating performance, as described below, and as a result is identical to the prior definition of "NFFO".

FFO (formerly known as "NFFO") 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 (formerly known as "NFFO") 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 (formerly known as "NFFO") as presented is in accordance with the recommendations of the Real Property Association of Canada ("REALPAC"), with the exception of (i) the adjustment for gains or losses on fair value through profit or loss ("FVTPL") marketable securities, (ii) the adjustment for amortization of PP&E and right-of-use asset, and (iii) the exclusion of the effects of certain items that are not indicative of CAPREIT's long-term operating performance. These items include reorganization, senior management termination and retirement costs, costs relating to transactions that were not completed, net loss (gain) on derecognition of debt, 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 FFO (formerly known as "NFFO") for capital expenditures. For further information on CAPREIT's total property capital investments, please refer to Property Capital Investments in Section IV. See discussions under Foreign Currency Information in Section VI for additional information on hedging instruments currently in place. FFO (formerly known as "NFFO") is not a measure of the sustainability of distributions.

A reconciliation of net income (loss) to FFO (formerly known as "NFFO") is as follows for the three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands, except per unit amounts)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Net income (loss)	**$ 9,212**	$ 155,523	**$ (411,574)**	$ 13,637
Adjustments:				
Fair value adjustments of investment properties and assets held for sale	**111,381**	(74,461)	**914,585**	468,327
Fair value adjustments of financial instruments	**3,494**	44,434	**34,373**	7,440
Interest expense on Exchangeable LP Units	**597**	609	**2,382**	2,435
Loss (gain) on non-controlling interest	**(8,959)**	8,982	**(45,209)**	(104,822)
Net FFO impact attributable to ERES units held by non-controlling unitholders(1)	**(4,689)**	(4,459)	**(18,992)**	(18,026)
Deferred income tax recovery	**(15,268)**	(32,064)	**(85,368)**	(14,877)
Loss (gain) on foreign currency translation	**(2,345)**	(856)	**(4,161)**	20,775
Net loss on transactions and other activities(2)	**3,809**	1,756	**13,911**	25,058
Lease principal repayments	**(308)**	(286)	**(1,190)**	(1,007)
Former FFO	**$ 96,924**	$ 99,178	**$ 398,757**	$ 398,940
Reorganization, senior management termination and retirement costs(3)	**4,900**	418	**11,760**	6,668
Amortization of losses from accumulated other comprehensive loss to interest and other financing costs	**273**	67	**341**	1,361
Net loss (gain) on derecognition of debt(4)	**56**	–	**(3,251)**	(1,766)
Mortgage prepayment cost	**–**	–	**55**	1,354
Costs relating to transactions that were not completed	**–**	259	**–**	420
FFO (formerly known as "NFFO")(5)	**$ 102,153**	$ 99,922	**$ 407,662**	$ 406,977
Weighted average number of units (000s) – diluted	**169,828**	172,401	**170,117**	174,816
FFO per unit – diluted (formerly known as "NFFO per unit – diluted")(5)	**$ 0.602**	$ 0.580	**$ 2.396**	$ 2.328
Total distributions declared	**$ 61,672**	$ 62,376	**$ 246,534**	$ 252,822
FFO payout ratio (formerly known as "NFFO payout ratio")(5)	**60.4%**	62.4%	**60.5%**	62.1%

(1) The adjustment is based on applying the 35% weighted average ownership held by ERES non-controlling unitholders (December 31, 2022 – 34%).

(2) Primarily includes loss on dispositions, amortization of PP&E and right-of-use asset and impairment of goodwill.

(3) For the three months and year ended December 31, 2023, includes $nil and $765, respectively, of accelerated vesting of previously granted unit-based compensation (three months and year ended December 31, 2022 – $nil and $976, respectively).

(4) Refer to note 6 of the accompanying consolidated annual financial statements for further information.

(5) Formerly known as "NFFO", "NFFO per unit – diluted", and "NFFO payout ratio". FFO payout ratio is calculated using total distributions declared during the period divided by FFO.

FFO (formerly known as "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, as well as accelerated CMHC amortization expense for mortgages that management intends to fully refinance or discharge within the year, excluding property dispositions. These write-offs and accelerated CMHC amortization expense are not added back to FFO (formerly known as "NFFO") and as a result, may cause fluctuation depending on the timing and amount of mortgages coming due. For further details, please refer to Liquidity and Financial Condition in Section V.

FFO (formerly known as "NFFO") for the three months and year December 31, 2023 increased by 2.2% and 0.2%, respectively, compared to the same period last year, primarily due to contributions from acquisitions and same property operational growth and lower trust expense, net of non-routine reorganization costs, partially offset by dispositions and higher interest expense on credit facilities payable and mortgages payable.

Contributing to FFO (formerly known as "NFFO") are fees earned from ERES on the portion of ERES units held by non-controlling unitholders totalling $1.3 million and $5.2 million, respectively, for the three months and year ended December 31, 2023 compared to $1.2 million and $5.1 million, respectively, for the three months and year ended December 31, 2022. These fees comprise asset management fees, property management fees, acquisition fees, service fees and interest income earned on promissory note from ERES. Refer to the Related Party Transactions section for further details.

For the three months ended December 31, 2023, diluted FFO per unit increased by 3.8% compared to the same period last year, primarily due to contributions from acquisitions, same property operational growth and lower trust expense, net of non-routine reorganization costs, partially offset by dispositions and higher interest expense on credit facilities payable and mortgages payable, supplemented by accretive NCIB purchases.

For the year ended December 31, 2023, diluted FFO per unit increased by 2.9% compared to the same period last year, primarily due to the same reasons described above and $1.5 million of non-refundable deposits received on a property disposition that did not close. This was partially offset by $2.2 million of required maintenance costs on CAPREIT's septic systems, primarily at two MHC properties, which were both sold in 2023. In addition, there were higher interest rates on larger debt balances and elevated CMHC amortization expense of future refinancings that are strategically beneficial to CAPREIT.

Comparing total distributions declared to FFO (formerly known as "NFFO"), the FFO payout ratio (formerly known as "NFFO payout ratio") for the three months and year ended December 31, 2023 improved by 2.0% and 1.6%, respectively, compared to the same period last year, due to decrease in total distributions declared on fewer outstanding Trust Units from NCIB activity.

Adjusted Cash Flows From Operations and Distributions Declared

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 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, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Cash generated from operating activities	**$ 172,175**	$ 170,433	**$ 615,919**	$ 598,027
Adjustments:				
Interest paid on mortgages payable and credit facilities payable	**(47,822)**	(41,151)	**(184,586)**	(155,780)
Non-discretionary property capital expenditure reserve(1)	**(17,699)**	(20,313)	**(71,572)**	(81,294)
Capitalized leasing costs(2)	**(1,082)**	(873)	**(2,714)**	(2,279)
Amortization of other financing costs(3)	**(3,795)**	(3,704)	**(20,548)**	(17,469)
Investment income received(4)	**700**	891	**9,981**	10,185
Net ACFO impact attributed to ERES units held by non-controlling unitholders(5)	**(4,972)**	(3,845)	**(15,452)**	(18,011)
Lease payments	**(1,575)**	(1,566)	**(6,268)**	(6,228)
ACFO	**$ 95,930**	$ 99,872	**$ 324,760**	$ 327,151
Total distributions declared	**$ 61,672**	$ 62,376	**$ 246,534**	$ 252,822
Excess ACFO over distributions declared	**$ 34,258**	$ 37,496	**$ 78,226**	$ 74,329
ACFO payout ratio(6)	**64.3%**	62.5%	**75.9%**	77.3%

(1) Non-discretionary property capital expenditure reserve for the three months and years ended December 31, 2023 and December 31, 2022 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 2023 and 2022 is $1,101 and $1,231, respectively. The full year weighted average number of residential suites and sites for the years ended December 31, 2023 and 2022 are 64,990 and 66,029, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to reserve, see the next table.

(2) Comprises tenant inducements and direct leasing costs.

(3) Includes amortization and write-offs of deferred financing costs, CMHC premiums, deferred loan costs and fair value adjustments.

(4) Investment income received for the three months and year ended December 31, 2023 includes $nil and $7,628 of semi-annual dividends from IRES (three months and year ended December 31, 2022 – $nil and $7,297, respectively).

(5) For the three months and year ended December 31, 2023, the adjustment is based on applying the 35% weighted average ownership held by ERES non-controlling unitholders (December 31, 2022 – 34%).

(6) ACFO payout ratio is calculated using total distributions declared during the period divided by ACFO.

The table below reconciles actual non-discretionary capital investments to the reserve for the three months and years ended December 31, 2023 and December 31, 2022:

Reconciliation of Actual to Non-Discretionary Property Capital Reserve

($ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Actual non-discretionary capital investments	**$ 19,685**	$ 31,472	**$ 65,844**	$ 74,778
Non-discretionary capital expenditure reserve(1)	**17,699**	20,313	**71,572**	81,294
Difference	**$ 1,986**	$ 11,159	**$ (5,728)**	$ (6,516)

(1) Non-discretionary capital expenditure reserve is used in the determination of ACFO, for the purpose of comparing to distributions declared.

For the three months and year ended December 31, 2023, CAPREIT's actual non-discretionary capital investments of $19.7 million and $65.8 million, respectively, were higher than the non-discretionary capital reserve by approximately $2.0 million for the three months ended due to changes in the timing of structural work projects over the year, and lower than the non-discretionary capital reserve by approximately $5.7 million for the year ended, mainly due to projects deferred to 2024 as well as dispositions during 2023.

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

CAPREIT's capital investment programs are affected by scheduling of projects, 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 reserve.

Significant non-discretionary property capital investment 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.

The following table presents the actual 2023 and 2022 non-discretionary property capital investments per suite and site:

($ Thousands)	**2023 Actual**	2022 Actual
Non-discretionary property capital investments	**$ 65,844**	$ 74,778
Weighted average number of suites and sites	**64,990**	66,029
Non-discretionary property capital investments per suite and site	**$ 1,013**	$ 1,133

The decrease in non-discretionary property capital investments per suite and site is in line with CAPREIT's strategy to upgrade the quality and diversification of the property portfolio through repositioning and capital recycling initiatives to grow earnings and cash flow potential. Newer, on-strategy acquisitions require fewer capital investments than older, non-core properties.

Total Debt and Total Debt Ratios

Management uses Total Debt, Total Debt to Gross Book Value ratio and Mortgage debt to Gross Book Value 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 of Total Debt and Gross Book Value is as follows as at December 31, 2023 and December 31, 2022:

($ Thousands) As at	**December 31, 2023**	December 31, 2022
Mortgages payable – non-current	**$ 6,002,617**	$ 5,963,820
Mortgages payable – current	**651,371**	613,277
Liabilities related to assets held for sale	**23,706**	38,116
Total mortgages payable	**6,677,694**	6,615,213
Credit facilities payable – non-current	**405,133**	388,975
Total Debt	**$ 7,082,827**	$ 7,004,188
Total Assets	**$ 16,968,640**	$ 17,741,888
Add: Total accumulated amortization and depreciation	**45,217**	42,100
Gross Book Value[1]	**$ 17,013,857**	$ 17,783,988
Ratio of Total Debt to Gross Book Value	**41.6%**	39.4%
Ratio of Total Mortgages Payable to Gross Book Value	**39.2%**	37.2%

(1) Gross Book Value ("GBV") is defined by CAPREIT's DOT.

Adjusted Earnings Before Interest, Taxes, 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 (loss) to Adjusted EBITDAFV is as follows for the years ended December 31, 2023 and December 31, 2022:

($ Thousands) For the years ended	December 31, 2023	December 31, 2022
Net income (loss)	**$ (411,574)**	$ 13,637
Adjustments:		
Interest and other financing costs	**211,664**	180,434
Interest on Exchangeable LP Units	**2,382**	2,435
Total current income tax expense and deferred income tax recovery, net	**(76,479)**	(10,034)
Amortization of PP&E and right-of-use asset	**6,206**	7,462
Unit-based compensation amortization expense	**7,816**	7,256
EUPP unit-based compensation expense	**(551)**	(514)
Fair value adjustments of investment properties and assets held for sale	**914,585**	468,327
Fair value adjustments of financial instruments	**34,373**	7,440
Net gain on derecognition of debt	**(3,251)**	(1,766)
Gain on non-controlling interest	**(45,209)**	(104,822)
Loss (gain) on foreign currency translation	**(4,161)**	21,000
Net loss on dispositions and other	**7,705**	3,318
Goodwill impairment loss	**–**	14,278
Adjusted EBITDAFV	**$ 643,506**	$ 608,451

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 credit facilities payable and excluding interest with respect to leases, holders of Exchangeable LP Units, and amortization of CMHC premiums and fees on mortgages payable) 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 years ended	December 31, 2023	December 31, 2022
Contractual interest on mortgages payable[(1)]	**$ 161,178**	$ 150,320
Amortization of deferred financing costs, fair value adjustments and OCI hedge interest on mortgages payable[(1)]	**6,157**	4,147
Contractual interest on credit facilities payable	**26,074**	7,677
Amortization of deferred financing costs on credit facilities payable	**902**	615
Mortgage principal repayments	**158,803**	162,048
Debt service payments	**$ 353,114**	$ 324,807
Adjusted EBITDAFV	**$ 643,506**	$ 608,451
Debt Service Coverage Ratio (times)	**1.8x**	1.9x

(1) Includes liabilities related to assets held for sale.

Interest Coverage Ratio

The Interest Coverage Ratio is defined as Adjusted EBITDAFV divided by interest expense (including interest on mortgages payable and credit facilities payable and excluding interest with respect to leases, holders of Exchangeable LP Units, and amortization of CMHC premiums and fees on mortgages payable). 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 years ended	**December 31, 2023**	December 31, 2022
Contractual interest on mortgages payable[1]	**$ 161,178**	$ 150,320
Amortization of deferred financing costs, fair value adjustments and OCI hedge interest on mortgages payable[1]	**6,157**	4,147
Contractual interest on credit facilities payable	**26,074**	7,677
Amortization of deferred financing costs on credit facilities payable	**902**	615
Interest Expense	**$ 194,311**	$ 162,759
Adjusted EBITDAFV	**$ 643,506**	$ 608,451
Interest coverage ratio (times)	**3.3x**	3.7x

(1) Includes liabilities related to assets held for sale.

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 an ongoing basis. Management believes that this measure reflects the residual value of CAPREIT to its Unitholders on an ongoing 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, 2023 and December 31, 2022:

($ Thousands, except per unit amounts) As at	December 31, 2023	December 31, 2022
Unitholders' equity	$ 9,278,595	$ 10,003,695
Adjustments:		
Exchangeable LP Units	80,383	71,668
Unit-based compensation financial liabilities excluding ERES's unit options plan	23,150	17,455
Deferred income tax liability	49,481	120,524
Deferred income tax asset	(19,523)	(6,173)
Derivative assets – non-current	(35,619)	(62,599)
Derivative assets – current	(10,851)	–
Derivative liabilities – current	7,001	10,625
Adjustment to ERES non-controlling interest[1]	(160,023)	(200,629)
NAV	$ 9,212,594	$ 9,954,566
Diluted number of units	169,868	171,599
NAV per unit – diluted	$ 54.23	$ 58.01

(1) CAPREIT accounts for the non-controlling interest in ERES as a liability, measured at the redemption amount, as defined by the ERES DOT, 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 the redemption amount. The table below summarizes the calculation of adjustment to ERES non-controlling interest as at December 31, 2023 and December 31, 2022:

($ Thousands) As at	December 31, 2023	December 31, 2022
ERES's NAV	€ 676,956	€ 899,166
Ownership by ERES non-controlling interest	35%	34%
Closing foreign exchange rate	1.46262	1.44982
Impact to NAV due to ERES's non-controlling unitholders	$ 346,545	$ 443,228
Less: ERES units held by non-controlling unitholders	$ 186,522	$ 242,599
Adjustment to ERES non-controlling interest	$ 160,023	$ 200,629

Other Information

Selected Consolidated Quarterly Information

	Q4 23	Q3 23	Q2 23	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22
Canadian residential Occupied AMR[1][2]	$ 1,516	$ 1,490	$ 1,460	$ 1,428	$ 1,401	$ 1,387	$ 1,371	$ 1,356
The Netherlands Occupied AMR[2]	€ 1,063	€ 1,053	€ 1,009	€ 1,002	€ 992	€ 983	€ 952	€ 949
Operating revenues (000s)	$ 272,195	$ 268,377	$ 263,798	$ 260,947	$ 256,915	$ 252,032	$ 251,693	$ 246,628
NOI (000s)	$ 176,711	$ 178,432	$ 173,785	$ 163,858	$ 164,500	$ 166,644	$ 166,093	$ 153,172
NOI Margin	64.9%	66.5%	65.9%	62.8%	64.0%	66.1%	66.0%	62.1%
Net income (loss) (000s)	$ 9,212	$ (357,542)	$ 39,983	$ (103,227)	$ 155,523	$ 63,159	$ (250,354)	$ 45,309
FFO (000s)[3][4]	$ 102,153	$ 108,280	$ 100,076	$ 97,153	$ 99,922	$ 106,562	$ 102,871	$ 97,622
FFO per unit – diluted[3][5]	$ 0.602	$ 0.638	$ 0.590	$ 0.567	$ 0.580	$ 0.610	$ 0.583	$ 0.555
FFO payout ratio[3][6]	60.4%	56.8%	61.5%	63.6%	62.4%	59.1%	61.9%	65.3%
Total debt to gross book value[2][3]	41.6%	41.4%	40.4%	40.1%	39.4%	39.4%	38.8%	37.6%
NAV per unit – diluted[2][3]	$ 54.23	$ 54.36	$ 57.08	$ 57.47	$ 58.01	$ 56.44	$ 56.66	$ 59.43
Weighted average number of units (000s) – diluted	169,828	169,727	169,664	171,266	172,401	174,588	176,322	175,994

(1) Excludes MHC sites.

(2) As at period end.

(3) Non-IFRS Measures are reconciled with IFRS reported amounts in the respective quarterly SEDAR+ filings. 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).

(4) Formerly known as "NFFO".

(5) Formerly known as "NFFO per unit – diluted".

(6) Formerly known as "NFFO payout ratio".

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:

($ Thousands, except per Unit amounts) Year Ended December 31,	2023	2022	2021
Income Statement			
Operating revenues	**$ 1,065,317**	$ 1,007,268	$ 933,137
Net income (loss)	**$ (411,574)**	$ 13,637	$ 1,392,795
Distributions			
Distributions declared on Trust Units[1]	**$ 243,282**	$ 249,540	$ 243,348
Distributions per Trust Unit	**$ 1.450**	$ 1.450	$ 1.409
Balance Sheet			
Investment properties[2]	**$ 16,532,096**	$ 17,153,709	$ 17,101,919
Total assets	**$ 16,968,640**	$ 17,741,888	$ 17,712,973
Mortgages payable[3]	**$ 6,653,988**	$ 6,577,097	$ 6,100,065
Credit facilities payable	**$ 405,133**	$ 388,975	$ 310,866
Total non-current financial liabilities[4]	**$ 6,605,342**	$ 6,603,200	$ 6,139,595

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

(2) Investment properties exclude $45,850 of assets held for sale as at December 31, 2023 (December 31, 2022 – $132,342, December 31, 2021 – $nil).

(3) Mortgages payable exclude $23,706 of liabilities related to assets held for sale as at December 31, 2023 (December 31, 2022 – $38,116, December 31, 2021 – $nil).

(4) Consist of non-current mortgages payable, credit facilities payable, ERES units held by non-controlling unitholders, non-current unit-based compensation financial liabilities and non-current derivative liabilities.

CAPREIT's year-over-year changes in operating revenues and net income (loss) were primarily driven by operational growth and contributions from property acquisitions, partially offset by property dispositions. In addition, net income (loss), investment properties and total assets were impacted by the year-over-year changes in the fair values of investment properties. Distributions per Trust Unit increased in August 2021, resulting in an increase in distributions declared on Trust Units from 2021 to 2022. Distributions declared on Trust Units decreased from 2022 to 2023 as a result of CAPREIT's purchase of Trust Units in 2022 and 2023 under the NCIB program. Year-over-year increases in mortgages payable and credit facilities payable were due to the timing of property acquisitions and dispositions, as well as financing needs. Furthermore, fluctuations in total non-current financial liabilities were impacted by fair value changes relating to ERES units held by non-controlling unitholders and non-current unit-based compensation financial liabilities. Refer to the various sections of this MD&A for further information on CAPREIT's key financial and operational performance.

Foreign Currency Information

CAPREIT's functional currency is the Canadian dollar and the functional currency of certain foreign subsidiaries is the euro. 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. Further, as part of CAPREIT's foreign currency and interest rate management strategies, CAPREIT has cash, borrowings and cross-currency interest rate swap arrangements denominated in US dollars.

Based on CAPREIT's accounting policies, CAPREIT converted its euro and US dollar-denominated balances and transactions as at and for the respective periods using the rates shown in the table below:

As at	December 31, 2023	December 31, 2022
Canadian dollar per euro (closing rate at period end)	**$ 1.46262**	$ 1.44982
Canadian dollar per US dollar (closing rate at period end)	**1.32517**	1.35454

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	**2023**	2022
Canadian dollar per euro (average rate during the period)	**$ 1.46450**	$ 1.38611	**$ 1.45940**	$ 1.37022
Canadian dollar per US dollar (average rate during the period)	**1.36087**	1.35771	**1.34951**	1.30166

European Foreign Exchange Exposure

The majority of CAPREIT's foreign currency transactions are denominated in euros. Between December 31, 2022 and December 31, 2023, the euro strengthened against the Canadian dollar from a closing price of $1.44982 per euro to $1.46262 per euro.

The following table summarizes CAPREIT's net foreign investments exposure and its associated derivative financial instruments related to the euro as at December 31, 2023 and December 31, 2022. CAPREIT uses derivative financial instruments to minimize its exposure to fluctuations in foreign exchange rates.

(€ Thousands) As at	December 31, 2023	December 31, 2022
ERES assets	**€ 1,722,684**	€ 1,939,206
Investment in IRES	**110,777**	111,088
CAPREIT's euro cash	**493**	1,317
Total foreign assets	**€ 1,833,954**	€ 2,051,611
ERES liabilities excluding intercompany transactions	**€ 1,040,968**	€ 1,062,562
Total foreign liabilities	**€ 1,040,968**	€ 1,062,562
Net foreign equity(1)	**€ 792,986**	€ 989,049
Cross-currency swaps(2)	**442,358**	442,358
Net European foreign exchange exposure	**€ 350,628**	€ 546,691
Net European foreign exchange exposure – excluding non-controlling interest	**€ 112,028**	€ 248,632

(1) As at December 31, 2023, net foreign equity includes €681,716 (December 31, 2022 – €876,644) relating to ERES in which CAPREIT has a 65% (December 31, 2022 – 66%) interest.

(2) Excludes cross-currency swaps denominated in US dollars.

SECTION VII: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES

Accounting Policies and Critical Accounting Estimates, Assumptions and Judgments

Summary of Material Accounting Policies

A summary of material accounting policies can be found in note 2 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2023.

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, 2023.

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, 2023, 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, 2023.

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, 2023, 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, 2023.

CAPREIT did not make any changes to the design of internal controls over financial reporting in 2023 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 their maximum starting rent (based on the number of points attributed to that rental property) is lower than the government prescribed rent control threshold (which is indexed to account for annual inflation) are subject to rent control. The permissible amount of annual rent increases is limited for rent-controlled apartments.

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 and capital investments as part of its compliance with any such additional government legislation and regulations relating to housing matters, which may have an adverse effect on NOI and cash flow.

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 financing, inflation, unemployment), 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 residents 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 distributions 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 Trust Units. Changes in borrowing rates will also affect CAPREIT's costs of borrowing. CAPREIT's financial condition and results of operations would be adversely affected if it were unable to obtain adequate financing or cost-effective financing.

The global economy may face increasing uncertainty due to trade protectionism, rising interest rates, disputes, international conflict and other political and economic 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 these costs 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. Additionally, CAPREIT's hybrid working policy may elevate cyber security risk related to processing such personal and business confidential information. 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 personal data in the EU. 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 residents, employees or vendors, (b) identity theft, fraudulent activities and direct losses to stakeholders, including residents 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, (f) time and 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.

Availability and Cost 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, comprised mainly of property mortgages and indebtedness under its Credit Facilities. A subsidiary of CAPREIT provides a guarantee and carries a negative pledge of an unencumbered property pool relating to the ERES Credit Facility. CAPREIT is subject to the risks associated with debt financing, including the risk that CAPREIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross-defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness or expectations of future interest rates. In such circumstances, CAPREIT could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing and its ability to make property capital investments and distributions to Unitholders could be adversely affected.

CAPREIT (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 floating interest rates 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 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 competes for suitable real property investments with various other parties (both Canadian and foreign) that are seeking, or which may seek in the future, real property investments similar to those desired by CAPREIT. Some 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.

CAPREIT regularly considers and undertakes strategic property dispositions in order to recycle its capital and improve its portfolio composition, with the goal of improving the risk and return profile of its cash flows. Failure to execute on dispositions may inhibit CAPREIT's ability to fund other strategic priorities. Additionally, failure to receive appropriate pricing on dispositions may adversely impact CAPREIT's ability to redeploy the capital and replace the disposition cash flows. Failure to dispose of certain assets not aligned with CAPREIT's investment criteria may adversely affect its operations and financial performance.

Consistent with CAPREIT's past practices and in the normal course of business, CAPREIT is engaged in discussions with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. However, there can be no assurance that these discussions or agreements will result in acquisitions or dispositions, or, if they do, what the final terms or timing of such acquisitions or dispositions would be. CAPREIT expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

CAPREIT, from time to time, 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 costs and could negatively impact the financial performance of CAPREIT. Additionally, CAPREIT, from time to time, seeks entitlements from underutilized lands. Failure to successfully obtain entitlements, or a detrimental impact on the end value of the site (through lower land values, for example) could result in wasted expenditures related to the entitlement process.

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.

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.

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 investors 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.

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 residents, 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.

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 a surge in capital expenditure, repairs and maintenance and interruptions to business operations. 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. CAPREIT has reviewed certain of its markets of operations across Canada and 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 such markets.

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 CAPREIT's demonstrated understanding of climate-related financial risk and its plan to manage (mitigate or adapt to) these risks.

Lenders, investors, 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 markets, as well as related investment returns and sentiment.

CAPREIT maintains a comprehensive 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 risks and their potential impacts on CAPREIT's business.

CATEGORY	RISKS	IMPACT
PHYSICAL RISKS		
Acute and Chronic	• increase in the frequency and magnitude of climate-related risks such as floods, fires, windstorms and ice storms • increase in the duration and magnitude of chronic climate-related risks such as heat stress, winter weather, water stress, freeze-thaw cycles and disease	• rising capital expenditures, repairs and maintenance expenses • interruptions to asset operations • safety threats to residents and employees • rising operating costs (e.g., energy prices) • rising insurance premiums • growing negative impacts on valuations and/or financial performance
TRANSITION RISKS		
Regulatory	• carbon pricing and related uncertainty • emergence of climate-related disclosure requirements • mandatory adoption of energy efficiency or carbon reduction measures and/or limits • changes to building codes to adapt to climate resiliency and mitigation	• uncertainty in planning and budgeting processes • unforeseen expenses for equipment upgrade and replacement • risks from non-compliance including litigation and stakeholder pressure
Market	• adjustments in goods and services purchased by CAPREIT • changes in the requirements/preferences of occupants	• loss of asset market/customer appeal • supply chain disruption or unintended partner changes
Technology	• transition to renewable sources of energy, battery storage and energy efficiency equipment	• increase in expenses and capital investment
Reputational	• reputational impacts from lack of proper investment strategy and operational management plan (i.e., absence of performance/reduction targets) to address climate change	• increase in scrutiny from investors and stakeholders • negative impact on CAPREIT's ability to raise funds via debt and/or equity, as well as related investment returns and sentiment

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 2024 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, including 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 Unitholders. Certain proposed amendments to the Income Tax Act (Canada) ("Tax Act") that are expected to apply to CAPREIT would have the effect of denying the deductibility of net interest and financing expenses in certain circumstances. The proposed amendments have not been enacted as at the date of this MD&A. 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 Trust Units. The impact of such fluctuations could be exacerbated if such energy costs cannot be hedged.

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

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally more restrictive, in recent years. Under various laws, CAPREIT could be liable for the costs of removal or remediation of certain hazardous or toxic substances released on 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 nor is it aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties, or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to CAPREIT in the future or otherwise adversely affect CAPREIT's business, financial condition or results of operations.

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

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.

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.

Talent Management and Human Resource Shortages

CAPREIT relies on qualified staff to manage its buildings, service residents, 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 resident 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.

Public Health Crises

Public health crises relating to any 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.

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.

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 CAPREIT'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 Unitholders.

CAPREIT's Investment in ERES

CAPREIT currently holds a 65% 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 Related Party Transactions in Section VI. 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 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. 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. In addition, pursuant to the Acquisition and Operating Facility agreement, CAPREIT's overall leverage is limited to 62.5% of its reported gross book value. Fluctuations in the fair value of CAPREIT's properties could impact 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 41.5% of the overall portfolio (by number of suites and sites) in Ontario (26.7% in the Greater Toronto Area). 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 Greater Toronto Area.

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 the Property Capital Investments section for details. 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 make distributions to Unitholders.

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 impact the cash available to CAPREIT and its ability to make distributions to Unitholders.

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 any executive officers or other key employees 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. 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 Disclosures and 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

CAPREIT's 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 the 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.

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 Trust 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 Trust 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 Trust 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 that are subject to Canadian income tax.

Foreign Operations 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 net investments or income from investment properties located in Europe relative to Canada increases as a result of future property acquisitions or investments in Europe.

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 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 26 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2023. Transactions with ERES are described below.

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 million 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 million 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 million 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 million, 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 residential 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 be reasonably 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"), most recently extended on March 24, 2023, pursuant to which, for the period ending March 29, 2025, CAPREIT makes up to $241.3 million (€165.0 million) (the "Total Commitment") available to acquire properties that comply with ERES's investment policy, do not contravene the investment policy of CAPREIT and which ERES wishes to purchase but is unable to do so (a "Suitable Property Investment"). Once any part of the Total Commitment has been repaid, that part of the Total Commitment will be available for reuse under the terms of the Pipeline Agreement.

If ERES wishes to acquire a Suitable Property Investment and is unable to do so, ERES is entitled to request CAPREIT to acquire, subject to certain approvals, such Suitable Property Investment on the terms specified by ERES.

Subject to the terms of the Pipeline Agreement, CAPREIT has the right to require ERES to acquire a Pipeline Property (the "Pipeline Put Option") and ERES has the right to require CAPREIT to sell the Pipeline Property to ERES (the "Pipeline Call Option") at a price stipulated in the Pipeline Agreement.

The Pipeline Agreement provides for an acquisition fee to CAPREIT in the amount of 1.0% of the purchase price of (i) a Pipeline Property (as defined in the Pipeline Agreement) or (ii) an Other Suitable Property (as defined in the Pipeline Agreement).

There were no acquisitions made pursuant to the Pipeline Agreement during the years ended December 31, 2023 and December 31, 2022.

Promissory Notes

On October 28, 2021, as an alternative to the Pipeline Agreement, the CAPREIT Board of Trustees approved the provision of up to $241.3 million (€165.0 million) in funding to ERES via promissory note arrangements, carrying an interest rate as agreed upon by CAPREIT and ERES on drawn amounts, for terms of up to six months, with the ability to fully repay prior to maturity, without penalty, and extend beyond, if required.

There were no new promissory notes issued to CAPREIT during the year ended December 31, 2023, and as at December 31, 2023, there were no promissory notes outstanding to CAPREIT. Promissory notes issued during the year ended December 31, 2022 are summarized in the table below.

Issuance Date		Principal (€)	Interest Rate per Annum	Maturity Date	Repayment Date
January 26, 2022	€	19,000	1.30%	July 26, 2022	June 14, 2022
March 28, 2022		48,450	1.30%	September 28, 2022	June 14, 2022
April 27, 2022		25,650	1.50%	October 27, 2022	October 27, 2022
October 27, 2022		25,650	3.70%	April 27, 2023	April 27, 2023

Promissory notes from ERES to CAPREIT are eliminated upon consolidation in the 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 three months and years ended December 31, 2023 and December 31, 2022:

($ Thousands)	Three Months Ended December 31,				Year Ended December 31,			
		2023		2022		**2023**		2022
Asset management fees	**$**	**2,233**	$	2,050	**$**	**8,629**	$	7,984
Acquisition fees		**–**		–		**–**		1,215
Property management fees		**1,301**		1,132		**5,009**		4,337
Service fees		**188**		82		**771**		663
Interest income earned from promissory note		**–**		272		**443**		822
Total	**$**	**3,722**	$	3,536	**$**	**14,852**	$	15,021

Any fees or interest charged by CAPREIT to ERES are eliminated upon consolidation in the consolidated annual financial statements.

Commitments and Contingencies

A summary of commitments and contingencies can be found in notes 28 and 29 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2023.

Subsequent Events

A summary of subsequent events can be found in note 33 to CAPREIT's consolidated annual financial statements for the year ended December 31, 2023.

Management's Responsibility for the Consolidated Annual Financial Statements

The accompanying consolidated annual 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 annual financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the consolidated annual 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, 2023, 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.

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

The consolidated annual 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.

/s/Mark Kenney

Mark Kenney
President and Chief
Executive Officer

/s/Stephen Co

Stephen Co
Chief Financial Officer

Toronto, Ontario
February 22, 2024

Independent auditor's report

To the Unitholders of
Canadian Apartment Properties Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of **Canadian Apartment Properties Real Estate Investment Trust** and its subsidiaries [the "Trust"], which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated statement of net income (loss) and comprehensive income (loss), consolidated statement of unitholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

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 are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – restated comparative information

We draw attention to note 32 to the financial statements, which explains that certain comparative information for the year ended December 31, 2022, has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the year ended December 31, 2022, excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those financial statements on February 22, 2023.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Trust's investment property portfolio has a fair value of $16,532 million, which represents 97% of total assets as at December 31, 2023. The Trust's portfolio consists of Canadian and European properties, with the European interests held through the Trust's 65% interest in European Residential Real Estate Investment Trust. Fee Simple Interests – Apartments and Townhomes and Fee Simple Interests – Manufactured Home Community ["MHC") Sites comprise $16,177 million, representing 98% of the total investment property held by the Trust. As at December 31, 2023, CAPREIT had approximately 34% by fair value and 34% by number of properties of its Canadian investment properties appraised by a qualified external appraiser. The Trust obtains external appraisals for a cross-section of investment properties that represent different geographical locations across Canada. The remaining 66% of the Canadian portfolio was appraised by the Trust's internal valuations team, consisting of individuals with specialized industry experience in real estate valuations. The fair values of all of Trust's European portfolio are determined by qualified external appraisers.	With the assistance of our real estate valuation specialists, we obtained an understanding of the valuation process, evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: We assessed the competence, capability, and objectivity of management's internal valuations team, and any third-party appraisers engaged, by considering the qualifications and expertise of the individuals involved in the preparation and review of the valuations. We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. We performed a look-back analysis to assess the accuracy of management's historical fair value estimates through comparison to transactions to acquire and dispose of interests in investment properties completed by the Trust during the year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
For Fee Simple Interests – Apartments and Townhomes and Fee Simple Interests - MHC Sites within the Canadian portfolio, the Trust utilizes the direct income capitalization ["DC"] method. Under the DC method, capitalization rates are applied to normalized net operating income ["NOI"] representing market-based NOI assumptions. The most significant assumption is the capitalization rate for each property. For Fee Simple Interests within the European portfolio, the Trust utilizes both the discounted cash flow ["DCF"] method and the DC method. Under the DCF method, discount rates are applied to the forecasted cash flows reflecting market-based NOI assumptions. 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. Notes 2d), 3i) and 4 of the consolidated financial statements describe the accounting policy for the Trust's investment properties; the critical accounting estimates, assumptions, and judgements in relation to the valuation of investment properties; and describe the valuation methods used and the key assumptions. Additionally, note 4 summarizes the sensitivity of the fair value of investment properties to a change in capitalization rates and a change in normalized NOI. The valuation of the Trust's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including capitalization rates, discount rates, normalized NOI and stabilized cash flows. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.	We evaluated the Trust's related accounting policies and disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, 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, 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.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report 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 in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 Mark Vrooman.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 22, 2024

Independent auditor's report

To the Unitholders of Canadian Apartment Properties Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated comparative information, before the effects of the adjustments to retrospectively reflect the rearrangement or combination of certain figures to conform to the current year presentation described in Note 32 as well as the impacts of the amendments to IAS 1 as described in Note 2(r), 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 its financial performance and its cash flows for the year 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 comparative information, before the effects of the adjustments to retrospectively reflect the rearrangement or combination of certain figures to conform to the current year presentation described in Note 32 as well as the impacts of the amendments to IAS 1 as described in Note 2(r), comprises:

- the consolidated balance sheet as at December 31, 2022;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of unitholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated comparative information, which include significant accounting policies and other explanatory information.

The consolidated comparative information before the effects of the adjustments to retrospectively reflect the rearrangement or combination of certain figures to conform to the current year presentation described in Note 32 as well as the impacts of the amendments to IAS 1 as described in Note 2(r) is not presented herein.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the rearrangement or combination of certain figures to conform to the current year presentation described in Note 32 as well as the impacts of the amendments to IAS 1 as described in Note 2(r) and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

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

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 comparative information* 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 comparative information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated comparative information

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

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

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

Auditor's responsibilities for the audit of the consolidated comparative information

Our objectives are to obtain reasonable assurance about whether the consolidated comparative information as a whole is 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 this consolidated comparative information.

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 comparative information, 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 comparative information 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 comparative information, including the disclosures, and whether the consolidated comparative information represents 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 comparative information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 22, 2023

Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at	Note	December 31, 2023	December 31, 2022[1]
Non-current assets			
Investment properties	4	**$ 16,532,096**	$ 17,153,709
Investments held at fair value through profit or loss		**162,472**	196,364
Derivative assets	8	**35,619**	62,599
Deferred income tax asset	12	**19,523**	6,173
Other assets	9	**29,542**	73,455
Total non-current assets		**16,779,252**	17,492,300
Current assets			
Cash and cash equivalents		**29,528**	47,303
Amounts receivable		**16,526**	15,907
Derivative assets	8	**10,851**	–
Other assets	9	**86,633**	54,036
Assets held for sale	7	**45,850**	132,342
Total current assets		**189,388**	249,588
Total assets		**$ 16,968,640**	$ 17,741,888
Non-current liabilities			
Debt	10	**$ 6,407,750**	$ 6,352,795
ERES units held by non-controlling unitholders	11	**186,522**	242,599
Deferred income tax liability	12	**49,481**	120,524
Unit-based compensation financial liabilities	13	**11,070**	7,806
Other liabilities	14	**46,837**	47,460
Total non-current liabilities		**6,701,660**	6,771,184
Current liabilities			
Debt	10	**651,371**	613,277
Accounts payable and accrued liabilities	15	**105,717**	121,551
Exchangeable LP Units	16	**80,383**	71,668
Unit-based compensation financial liabilities	13	**12,353**	10,451
Derivative liabilities	8	**7,001**	10,625
Other liabilities	14	**107,854**	101,321
Liabilities related to assets held for sale	7	**23,706**	38,116
Total current liabilities		**988,385**	967,009
Total liabilities		**$ 7,690,045**	$ 7,738,193
Unitholders' equity			
Unit capital	17	**$ 4,227,156**	$ 4,183,171
Retained earnings		**5,063,981**	5,846,397
Accumulated other comprehensive loss		**(12,542)**	(25,873)
Total unitholders' equity		**$ 9,278,595**	$ 10,003,695
Total liabilities and unitholders' equity		**$ 16,968,640**	$ 17,741,888

[1] Restated; see note 32.

See accompanying notes to the consolidated annual financial statements.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(In thousands of Canadian dollars)

For the Year Ended December 31,	Note	2023	2022[1]
Operating revenues			
Revenue from investment properties	19	**$ 1,065,317**	$ 1,007,268
Operating expenses			
Realty taxes		**(96,408)**	(93,912)
Property operating costs		**(276,123)**	(262,947)
Total operating expenses		**(372,531)**	(356,859)
Net operating income		**692,786**	650,409
Other income	20	**13,644**	16,521
Trust expenses		**(62,373)**	(57,965)
Unit-based compensation amortization expense		**(7,816)**	(7,256)
Financing-related costs:			
Interest expense on debt and other financing costs	21	**(211,664)**	(180,434)
Interest expense on Exchangeable LP Units		**(2,382)**	(2,435)
Net gain on derecognition of debt		**3,251**	1,766
Total financing-related costs, net		**(210,795)**	(181,103)
Fair value adjustments of investment properties and assets held for sale	4, 7	**(914,585)**	(468,327)
Fair value adjustments of financial instruments	22	**(34,373)**	(7,440)
Gain on non-controlling interest	11	**45,209**	104,822
Gain (loss) on foreign currency translation		**4,161**	(21,000)
Net loss on transactions and other activities	23	**(13,911)**	(25,058)
Net income (loss) before income taxes		**(488,053)**	3,603
Current income tax expense		**(8,889)**	(4,843)
Deferred income tax recovery		**85,368**	14,877
Total current income tax expense and deferred income tax recovery, net	12	**76,479**	10,034
Net income (loss)		**$ (411,574)**	$ 13,637
Other comprehensive income, including items that may be reclassified subsequently to net income (loss)			
Gain on foreign currency translation, net of taxes		**$ 12,569**	$ 8,536
Amortization of losses from accumulated other comprehensive loss to interest and other financing costs		**341**	1,361
Gain on investments held at fair value through other comprehensive income		**421**	–
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES		**–**	7,627
Other comprehensive income		**$ 13,331**	$ 17,524
Comprehensive income (loss)		**$ (398,243)**	$ 31,161

[1] Restated; see note 32.

See accompanying notes to the consolidated annual financial statements.

Consolidated Statements of Unitholders' Equity

(In thousands of Canadian dollars, except number of Trust Units)

	Note	Number of Trust Units	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Unitholders' equity, January 1, 2023		**169,404,469**	**$ 4,183,171**	**$ 5,846,397**	**$ (25,873)**	**$ 10,003,695**
Unit capital						
Distribution Reinvestment Plan		**197,130**	**9,431**	**–**	**–**	**9,431**
Deferred Unit Plan	13	**12,654**	**622**	**–**	**–**	**622**
Restricted Unit Rights Plan	13	**68,496**	**3,160**	**–**	**–**	**3,160**
Employee Unit Purchase Plan	17	**68,060**	**3,294**	**–**	**–**	**3,294**
Exchangeable LP Units exchanged	16	**32,004**	**1,578**	**–**	**–**	**1,578**
Issuance of Trust Units pursuant to special non-cash distribution	17	**1,683,012**	**82,131**	**–**	**–**	**82,131**
Cancellation of Trust Units under NCIB and other	17	**(2,168,521)**	**(56,231)**	**(45,429)**	**–**	**(101,660)**
Net loss and other comprehensive income						
Net loss		**–**	**–**	**(411,574)**	**–**	**(411,574)**
Other comprehensive income		**–**	**–**	**–**	**13,331**	**13,331**
Distributions on Trust Units						
Distributions declared and paid	18	**–**	**–**	**(223,029)**	**–**	**(223,029)**
Distributions payable	18	**–**	**–**	**(20,253)**	**–**	**(20,253)**
Consolidation of Trust Units issued pursuant to special non-cash distribution	17	**(1,683,012)**	**–**	**(82,131)**	**–**	**(82,131)**
Unitholders' equity, December 31, 2023		**167,614,292**	**$ 4,227,156**	**$ 5,063,981**	**$ (12,542)**	**$ 9,278,595**

	Note	Number of Trust Units	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Unitholders' equity, January 1, 2022		173,406,406	$ 4,194,093	$ 6,249,190	$ (43,397)	$ 10,399,886
Unit capital						
Distribution Reinvestment Plan		865,001	42,178	–	–	42,178
Deferred Unit Plan	13	100,493	4,845	–	–	4,845
Restricted Unit Rights Plan	13	200,363	9,852	–	–	9,852
Employee Unit Purchase Plan	17	65,368	3,085	–	–	3,085
Issuance of Trust Units pursuant to special non-cash distribution	17	1,428,904	60,986	–	–	60,986
Cancellation of Trust Units under NCIB	17	(5,233,162)	(131,868)	(105,904)	–	(237,772)
Net income and other comprehensive income						
Net income		–	–	13,637	–	13,637
Other comprehensive income		–	–	–	17,524	17,524
Distributions on Trust Units						
Distributions declared and paid	18	–	–	(229,071)	–	(229,071)
Distributions payable	18	–	–	(20,469)	–	(20,469)
Consolidation of Trust Units issued pursuant to special non-cash distribution	17	(1,428,904)	–	(60,986)	–	(60,986)
Unitholders' equity, December 31, 2022		169,404,469	$ 4,183,171	$ 5,846,397	$ (25,873)	$ 10,003,695

See accompanying notes to the consolidated annual financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

For the Year Ended December 31,	Note	2023	2022[1]
Cash provided by (used in):			
Operating activities			
Net income (loss)		**$ (411,574)**	$ 13,637
Items related to operating activities not affecting cash:			
Fair value adjustments of investment properties and assets held for sale	4, 7	**914,585**	468,327
Fair value adjustments of financial instruments	22	**34,373**	7,440
Mark-to-market gain on ERES units held by non-controlling unitholders	11	**(59,342)**	(117,740)
Unit-based compensation amortization expense		**7,816**	7,256
Other adjustments	25	**(81,251)**	30,440
Dividend and interest income related to investing activities		**(9,981)**	(10,185)
Items related to financing activities	25	**224,928**	194,021
Changes in non-cash operating assets and liabilities	25	**(3,635)**	4,831
Cash provided by operating activities		**615,919**	598,027
Investing activities			
Capital investments	25	**(307,831)**	(336,467)
Acquisitions, deposits and transaction costs of investment properties	5	**(242,365)**	(539,561)
Acquisition of investments		**(12,619)**	(18,867)
Disposition of investment properties and assets held for sale (net of assumed mortgages and transaction costs)	6	**373,676**	306,949
Disposition of investments		**41,791**	5,246
Proceeds from settlement of VTB mortgage receivable		**–**	68,190
Investment and interest income received		**9,981**	10,185
Change in restricted funds		**(1,102)**	1,351
Cash used in investing activities		**(138,469)**	(502,974)
Financing activities			
Borrowings	10	**770,080**	1,394,016
Principal repayments	7, 10	**(158,803)**	(162,048)
Lump-sum repayments	7, 10	**(550,164)**	(718,895)
Financing costs and CMHC premiums paid	10	**(18,615)**	(28,059)
Deposits related to financing activities		**(1,386)**	(56)
Interest paid on mortgages and credit facilities		**(184,586)**	(156,266)
Purchase and cancellation of Trust Units	17	**(100,907)**	(237,772)
Proceeds on issuance of Trust Units, net of issuance costs	25	**2,744**	2,745
Distributions paid to Unitholders	25	**(234,067)**	(207,846)
Interest paid to ERES non-controlling unitholders		**(10,868)**	(9,274)
Interest paid to Exchangeable LP unitholders		**(2,388)**	(2,641)
Lease payments		**(6,268)**	(6,228)
Cash used in financing activities		**(495,228)**	(132,324)
Changes in cash and cash equivalents during the year		**(17,778)**	(37,271)
Gain on foreign currency translation		**3**	11,163
Cash and cash equivalents, beginning of the year		**47,303**	73,411
Cash and cash equivalents, end of the year		**$ 29,528**	$ 47,303

(1) Restated; see note 32.

See accompanying notes to the consolidated annual financial statements.

Notes to Consolidated Annual Financial Statements

December 31, 2023
(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

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 community ("MHC") sites, 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, 2023, CAPREIT directly and indirectly holds a 65% (December 31, 2022 – 66%) ownership of publicly traded European Residential Real Estate Investment Trust ("ERES"), which operates primarily in the Netherlands, with the remaining 35% (December 31, 2022 – 34%) held by non-controlling unitholders. CAPREIT owns publicly traded units of ERES ("ERES units") and Class B Limited Partnership units ("ERES Class B LP Units") of ERES Limited Partnership ("ERES LP"), a subsidiary of ERES. 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 Material 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, 2024.

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 and per unit amounts, or unless otherwise stated.

c) Principles of Consolidation

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.

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 at each quarter-end 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 Community 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 net income (loss) and comprehensive income (loss) 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 consolidated balance sheet date by either experienced 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 4 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 (loss) in the period of derecognition.

e) Investment Property Acquisitions

At the time of acquisition of an investment 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 are 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 assumed 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 "held 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 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 net income (loss) and comprehensive income (loss) 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) 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"), fair value through other comprehensive income ("FVOCI"), or amortized cost. 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 amounts receivable, 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 vendor takeback ("VTB") mortgage receivable at an amount equal to the 12-month ECL at initial recognition as well as if there has been no significant increase in credit risk of the VTB mortgage receivable since initial recognition. CAPREIT will increase the ECL allowance of the VTB mortgage receivable to an amount equal to the lifetime ECL if there has been a significant increase in credit risk of the VTB mortgage receivable since initial recognition.

Classification of financial instruments

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

Type	Measurement base
Financial assets	
Cash and cash equivalents	Amortized cost
Restricted funds	Amortized cost
Amounts receivable	Amortized cost
VTB mortgage receivable	Amortized cost
Investments	FVTPL or FVOCI
Derivative financial assets	FVTPL(1)
Financial liabilities	
Mortgages payable	Amortized cost
Credit facilities payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Other liabilities	Amortized cost
Exchangeable LP Units	FVTPL
ERES units held by non-controlling unitholders	FVTPL
Derivative financial liabilities	FVTPL(1)

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

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.

Amounts receivable

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 accounted for at amortized cost.

VTB mortgage receivable

A VTB mortgage receivable typically arises when CAPREIT disposes of investment properties and provides the purchaser with a loan. The VTB mortgage receivable is a financial asset under IFRS 9 and is measured initially at fair value and subsequently at amortized cost. VTB 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 net income (loss) or other comprehensive income within the consolidated statements of net income (loss) and comprehensive income (loss) 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.

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

Financial liabilities

Mortgages payable, credit facilities payable, accounts payable and accrued liabilities, and other liabilities 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.

h) Mortgages Payable and Credit Facilities Payable

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 net income (loss) and comprehensive income (loss). Mortgage maturities and repayments due more than 12 months after the consolidated balance sheet date are classified as non-current. Credit facilities payable are recognized at amortized cost and the related financing costs are netted against credit facilities payable and amortized over the term of the revolving credit facility within interest and other financing costs in the consolidated statements of net income (loss) and comprehensive income (loss).

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 net income (loss) and comprehensive income (loss). 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.

i) 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, Financial Instruments: Presentation ("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 based on the redemption price as defined in the ERES DOT, with changes in the fair value recorded as fair value adjustment on non-controlling interest in the consolidated statements of net income (loss) and comprehensive income (loss). The mark-to-market adjustments arise from the changes in ERES's redemption price, where an increase in ERES's redemption price would result in a mark-to-market loss, and a decrease in ERES's redemption price would result in a mark-to-market gain.

j) 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 net income (loss) and comprehensive income (loss) 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, with changes in the fair value recognized as fair value adjustments of Exchangeable LP Units within net income (loss) in the consolidated statements of net income (loss) and comprehensive income (loss).

k) Trust Units

By virtue of CAPREIT being an open-ended mutual fund trust, holders of Trust Units ("Unitholders") 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 under IAS 32.

To be presented as equity, a puttable instrument must meet all of the following conditions:

i. it must entitle the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation;
ii. it must be in the class of instruments that is subordinate to all other classes of instruments;
iii. all financial instruments in the class in ii. must have identical features;
iv. other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and
v. the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

Trust Units meet the puttable instrument exemption under IAS 32 and are therefore presented as equity. 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 have not been presented.

Trust Units are initially recognized at fair value and the related transaction costs are recognized directly in the consolidated statements of unitholders' equity as a reduction to equity.

l) 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[1]	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[2]	Straight-line	Additional units	Settled
ERES UOP	Options	3 years[3]	Graded	N/A	Exercised

[1] For definitions of these plans, refer to note 13.

[2] Vesting fully on the third grant anniversary date.

[3] Vesting one-third on each grant anniversary date.

m) 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 either cash used in operating activities or as cash used in financing activities. CAPREIT has applied its judgment and concluded that debt financing is an integral part of its capital structure in providing leveraged returns to Unitholders, and not directly associated with its principal revenue-producing activities. Accordingly, CAPREIT has classified interest paid as cash used in financing activities in CAPREIT's consolidated statements of cash flows.

n) 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 net income (loss) and comprehensive income (loss).

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 amortized 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.

o) 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.

Common area maintenance recoveries, except for insurance and realty tax 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 tenants.

Revenue from investment properties, except for insurance and realty tax 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. Revenue from investment properties also includes a non-lease component earned from tenants, which is within the scope of IFRS 15.

p) 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 12.

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 annual 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.

q) Foreign Currency Translation

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

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, monetary assets and liabilities denominated in foreign currencies 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 net income (loss) and comprehensive income (loss). 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 net income (loss) and comprehensive income (loss) within either net income (loss) or other comprehensive income.

In determining the functional currency of CAPREIT's foreign subsidiaries, CAPREIT considers factors such as (i) the currency that mainly influences sale prices for goods and services and the country whose competitive forces and regulations mainly determine the sale prices of those goods and services and (ii) the currency that mainly influences labour, material and other costs of providing goods and services. The functional currency for CAPREIT's 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 income (loss) and comprehensive income (loss) presented are translated at average exchange rates for the period; and
iii. all resulting exchange differences are recognized in other comprehensive income.

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

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.

r) Impact of Accounting Standards Effective January 1, 2023 on CAPREIT's Consolidated Annual Financial Statements

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2, Making Materiality Judgements ("IFRS Practice Statement 2")

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance, an effective date for these amendments is not necessary. CAPREIT adopted these amendments on January 1, 2023 and revised its accounting policy disclosures accordingly.

IFRS 17, Insurance Contracts ("IFRS 17")

The IASB issued IFRS 17 in May 2017, which replaces IFRS 4, Insurance Contracts ("IFRS 4") and is 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 adopted IFRS 17 on January 1, 2023 and determined that there is no impact on transition in the current or future reporting periods based on the current arrangements in place.

s) Future Accounting Changes

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

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 consolidated balance sheet. 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 has assessed the potential impact of the amendments and expects to reclassify ERES units held by non-controlling unitholders from non-current liabilities to current liabilities upon adoption of the amendments.

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, 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 (loss) in the consolidated statements of net income (loss) and comprehensive income (loss). 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), normalized net operating income ("NOI"), 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 30.

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 4 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 30. 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) 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.

4. Investment Properties

Continuity of Investment Properties by Type

For the Year Ended December 31, 2023	Note	Fee Simple and MHC Sites	Operating Leasehold Interests[1]	Land Leasehold Interests[2]	Total
Balance of investment properties, beginning of the year		**$ 16,793,110**	**$ 101,558**	**$ 259,041**	**$ 17,153,709**
Additions (deductions):					
Acquisitions	5	**299,448**	**–**	**–**	**299,448**
Property capital investments		**270,035**	**2,978**	**10,128**	**283,141**
Capitalized direct leasing costs		**1,241**	**15**	**85**	**1,341**
Transfers from other assets	9	**16,462**	**–**	**–**	**16,462**
Dispositions[3]	6	**(205,566)**	**–**	**–**	**(205,566)**
Transfers to assets held for sale	7	**(127,155)**	**–**	**–**	**(127,155)**
Fair value adjustments		**(894,157)**	**(7,361)**	**(10,991)**	**(912,509)**
Gain on foreign currency translation and other		**23,225**	**–**	**–**	**23,225**
Balance of investment properties, end of the year		**$ 16,176,643**	**$ 97,190**	**$ 258,263**	**$ 16,532,096**

(1) The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of $41,077 as at December 31, 2023.

(2) Includes right-of-use assets related to investment properties totalling $44,843.

(3) Excludes the disposition of investment properties that were previously classified as assets held for sale. Refer to notes 6 and 7 for further information.

For the Year Ended December 31, 2022	Note	Fee Simple and MHC Sites	Operating Leasehold Interests[1]	Land Leasehold Interests[2]	Total
Balance of investment properties, beginning of the year		$ 16,719,821	$ 114,150	$ 267,948	$ 17,101,919
Additions (deductions):					
Acquisitions	5	645,605	–	–	645,605
Property capital investments		312,712	1,941	7,699	322,352
Capitalized direct leasing costs		308	–	167	475
Dispositions	6	(343,497)	–	–	(343,497)
Transfers to assets held for sale	7	(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

(1) 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.

(2) Includes right-of-use assets related to investment properties totalling $45,467.

Valuation Basis

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, 2023, CAPREIT had approximately 34% by fair value and 34% by number of properties of its Canadian investment properties appraised by a qualified external appraiser (December 31, 2022 – 51% and 49%, 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 30. Discussion of the valuation process, the valuation methodology (as discussed 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.

Current regulatory and macroeconomic developments, including the interest rate and inflationary environment, have impacted overall market activity, resulting in limited 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.

Investment properties have been valued using the following methods and key assumptions:

a) Fee Simple and MHC Sites

For its Canadian portfolio, CAPREIT utilizes the DC method. Under this method, capitalization rates are applied to normalized 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 normalized 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 normalized NOI, with a lower capitalization rate causing more change in fair value than would a higher capitalization rate.

For its European portfolio, CAPREIT utilizes the DCF method and the DC method, described above. 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, 2023 and December 31, 2022:

As at December 31, 2023

Type of Interest	Fair Value	Rate Type	Min.	Max.	Weighted Average
Fee simple interests – Canada	**$ 13,016,359**	Capitalization rate	**3.16%**	**7.63%**	**4.26%**
Fee simple interests – Europe[1]	**2,459,444**	Discount rate	**5.60%**	**8.50%**	**7.08%**
		Terminal capitalization rate	**4.10%**	**9.34%**	**5.32%**
MHC sites	**700,840**	Capitalization rate	**5.16%**	**9.26%**	**6.05%**
Operating leasehold interests[2][3]	**97,190**	Discount rate[5]	**7.00%**	**7.25%**	**7.07%**
Land leasehold interests[4]	**213,420**	Discount rate[5]	**6.96%**	**8.80%**	**7.77%**
Right-of-use assets, net of fair value change	**44,843**				
Total investment properties	**$ 16,532,096**				

(1) Rates exclude one commercial property owned in Belgium, valued by a third-party appraiser using the DC method.

(2) The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of $41,077 as at December 31, 2023.

(3) For the two operating leasehold interests remaining as at December 31, 2023, the contractual weighted average remaining lease term on operating leasehold interests is 12.4 years based on the assumption that the early purchase option is not exercised. As at December 31, 2023, if the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the two operating leasehold interests is 2.4 years.

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

(5) Represents the discount rate used to determine the fair value of operating leasehold and land leasehold interests using the DCF method. Normalized NOI growth for operating leasehold interests of 3.0% has been assumed as at December 31, 2023.

As at December 31, 2022

Type of Interest	Fair Value	Rate Type	Min.	Max.	Weighted Average
Fee simple interests[1]	$ 16,080,390	Capitalization rate	2.90%	11.02%	3.84%
MHC sites	712,720	Capitalization rate	5.10%	8.58%	5.93%
Operating leasehold interests[2][3]	101,558	Discount rate[5]	5.75%	6.00%	5.83%
Land leasehold interests[4]	213,574	Discount rate[5]	6.59%	8.17%	7.19%
Right-of-use assets, net of fair value change	45,467				
Total investment properties	$ 17,153,709				

(1) The fee simple interests include $2,750,358 of CAPREIT's European portfolio with an implied capitalization rate of 3.88%, which were valued using the DCF method at a weighted average discount rate of 5.60% and a terminal capitalization rate of 4.43%.

(2) 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.

(3) For the two operating leasehold interests remaining as at December 31, 2022, the contractual weighted average remaining lease term on operating leasehold interests is 13.4 years based on the assumption that the early purchase option is not exercised. As at December 31, 2022, 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.

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

(5) Represents the discount rate used to determine the fair value of operating leasehold and land leasehold interests using the DCF method. Normalized NOI growth for operating leasehold interests of 3.0% has been assumed as at December 31, 2022.

The table below summarizes the impact of changes in the capitalization rate on the fair value of CAPREIT's investment properties as at December 31, 2023:

As at December 31, 2023	
Change in Capitalization Rate[1]	**Change in Fair Value of Investment Properties**
(0.50)%	**$ 2,163,520**
(0.25)%	**1,014,023**
+0.25%	**(901,412)**
+0.50%	**(1,708,177)**

[1] 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.

A 1% increase in normalized NOI would result in an increase in fair value of investment properties of $164,876. A 1% decrease in normalized NOI would result in a decrease in fair value of investment properties of $164,869.

5. Acquisitions of Investment Properties

The tables below summarize the investment property acquisitions during the years ended December 31, 2023 and December 31, 2022, which have contributed to the operating results as from their respective acquisition dates.

Acquisitions of Investment Properties Completed During the Year Ended December 31, 2023

Acquisition Date	Suite or Site Count	Region	Total Acquisition Costs	Assumed Mortgages Payable	Subsequent Acquisition Financing	Stated Interest Rate (%)[1]	Term to Maturity (Years)[2]
February 27, 2023	**143**	Ottawa, ON	**$ 56,627**[3]	**$ 39,064**	**$ –**	**3.25**	**9.50**
April 12, 2023	**89**	Edmonton, AB	**25,780**[4]	**18,763**	**–**	**2.59**	**8.58**
May 16, 2023	**93**	Langley, BC	**53,910**[5]	**–**	**31,353**	**4.94**	**10.00**
June 1, 2023	**52**	Dartmouth, NS	**20,821**[5]	**–**	**12,280**	**4.94**	**10.00**
June 22, 2023	**92**	Langley, BC	**51,115**[5]	**–**	**38,394**	**4.81**	**10.00**
November 27, 2023	**48**	Esquimalt, BC	**22,616**[5]	**–**	**–**	**–**	**–**
December 19, 2023	**114**	Vancouver, BC	**68,579**[5]	**–**	**–**	**–**	**–**
Total	**631**		**$ 299,448**	**$ 57,827**	**$ 82,027**		

[1] Weighted average stated interest rate on assumed mortgage funding and subsequent acquisition financing as applicable.

[2] Weighted average term to maturity on assumed mortgage funding and subsequent acquisition financing as applicable.

[3] The acquisition was funded from cash and cash equivalents, the assumption of an existing mortgage and a VTB mortgage payable. Repayment of the five-year VTB mortgage payable may be waived, subject to certain conditions. The VTB mortgage payable carries an interest rate of 4.125% per annum.

[4] The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility, and the assumption of an existing mortgage.

[5] The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility.

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

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

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

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

(3) The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility, and the assumption of an existing mortgage.

(4) The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility.

Net Disbursements on Acquisitions of Investment Properties

The net disbursements made for the acquisitions of investment properties take into consideration the fair value of the investment properties being acquired, fair value of mortgages payable and other net assets assumed, and working capital and other adjustments relating to transaction costs.

For the Year Ended December 31,	**2023**	2022
Acquired properties	**$ (299,448)**	$ (645,605)
Fair value of assumed debt	**57,827**	99,500
Deposit on acquisitions and other adjustments	**3,359**	2,404
Change in investment properties included in accounts payable and other liabilities	**(4,103)**	4,140
Net disbursements	**$ (242,365)**	$ (539,561)

6. Dispositions of Investment Properties and Assets Held for Sale

The tables below summarize the dispositions of investment properties and assets held for sale completed during the years ended December 31, 2023 and December 31, 2022.

Dispositions of Investment Properties and Assets Held for Sale Completed During the Year Ended December 31, 2023

Disposition Date	Suite or Site Count	Region	Sale Price	Fair Value of Investment Properties and Assets Held for Sale	Fair Value Adjustments on Mortgages Assumed by Purchasers	Fair Value of Mortgages Assumed by Purchasers[1]
January 25, 2023[2]	**1,150**	Ottawa, ON	**$ 136,250**	**$ 132,342**	**$ 3,908**	**$ 34,798**
March 1, 2023	**46**	Wingham, ON	**250**	**250**	**–**	**–**
March 6, 2023[3]	**–**	Montréal, QC	**17,250**	**17,250**	**–**	**–**
April 6, 2023[4]	**1**	The Netherlands	**588**	**588**	**–**	**–**
May 11, 2023	**180**	Longueuil, QC	**27,787**	**27,787**	**–**	**–**
May 16, 2023	**60**	Charlottetown, PEI	**9,400**	**9,400**	**–**	**–**
June 5, 2023	**162**	Longueuil, QC	**25,000**	**24,048**	**952**	**5,490**
June 8, 2023	**393**	Montréal, QC	**68,900**	**68,900**	**–**	**–**
June 30, 2023	**217**	Windsor, ON	**8,250**	**8,250**	**–**	**–**
July 17, 2023[4]	**1**	The Netherlands	**564**	**564**	**–**	**–**
August 15, 2023	**111**	Charlottetown, PEI	**11,963**	**11,963**	**–**	**–**
August 15, 2023	**73**	Montréal, QC	**12,600**	**12,600**	**–**	**–**
August 21, 2023	**12**	Charlottetown, PEI	**1,300**	**1,300**	**–**	**–**
August 22, 2023	**180**	Montréal, QC	**32,500**	**32,500**	**–**	**–**
August 28, 2023[4]	**1**	The Netherlands	**529**	**529**	**–**	**–**
August 30, 2023	**9**	Charlottetown, PEI	**950**	**950**	**–**	**–**
September 29, 2023[4]	**1**	The Netherlands	**393**	**393**	**–**	**–**
November 8, 2023	**263**	Calgary, AB	**53,880**	**53,880**	**–**	**–**
November 9, 2023	**78**	Québec City, QC	**8,640**	**8,640**	**–**	**–**
November 30, 2023	**21**	Charlottetown, PEI	**1,650**	**1,650**	**–**	**–**
November 2023[5]	**2**	The Netherlands	**1,047**	**1,047**	**–**	**–**
December 2023[5]	**8**	The Netherlands	**4,382**	**4,382**	**–**	**–**
Total	**2,969**		**$ 424,073**	**$ 419,213**	**$ 4,860**	**$ 40,288**

(1) Relates to mortgages payable with a total principal amount of $45,148 assumed by the purchasers upon dispositions. The amount shown is net of $4,860 fair value adjustment on mortgages assumed by the purchasers. The weighted average stated interest rate on mortgages assumed by the purchasers was 2.28%.

(2) CAPREIT disposed of its 50% interest in 1,150 apartment suites. These properties under joint arrangement were classified as assets held for sale as at December 31, 2022.

(3) Represents disposition of parking lot site adjacent to an existing multi-residential building owned by CAPREIT.

(4) Represents disposition of a single residential suite.

(5) Represents disposition of multiple single residential suites in several properties.

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

Disposition Date	Suite or Site Count	Region	Sale Price	Fair Value of Investment Properties	Fair Value Adjustments on Mortgages Assumed by Purchasers	Fair Value of Mortgages Discharged or Assumed by Purchasers[1]
April 29, 2022	82	Toronto, ON	$ 56,000	$ 56,000	$ –	$ 2,294
June 15, 2022	423	Scarborough, ON	165,000	161,814	3,186	28,463
June 20, 2022[2]	370	Ottawa, ON	35,125	34,446	679	8,874
August 24, 2022	253	East York, ON	90,100	90,100	–	22,903
August 24, 2022[3]	1	The Netherlands	1,137	1,137	–	–
Total	1,129		$ 347,362	$ 343,497	$ 3,865	$ 62,534

(1) 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 purchasers. The weighted average stated interest rate on mortgages discharged and assumed was 2.27%.

(2) CAPREIT disposed of its 50% interest in 370 apartment suites.

(3) Represents disposition of a single residential suite.

Net Proceeds on Dispositions of Investment Properties and Assets Held for Sale

The net proceeds received from the purchaser take into consideration the fair value of the investment properties and assets held for sale being sold, fair value of the mortgages payable assumed by purchaser, closing costs and working capital adjustments.

For the Year Ended December 31,	**2023**	2022
Fair value of disposed investment properties and assets held for sale	**$ 419,213**	$ 343,497
Fair value of mortgages assumed by purchasers on dispositions	**(40,288)**	(34,420)
Closing costs and other adjustments	**(5,330)**	(2,128)
Change in investment properties included in accounts payable and other liabilities	**81**	–
Net proceeds	**$ 373,676**	$ 306,949

7. Assets Held for Sale and Liabilities Related to Assets Held for Sale

As at December 31, 2023, CAPREIT classified two properties as assets held for sale totalling $45,850 along with the associated mortgages payable as liabilities related to assets held for sale totalling $23,706. Management had committed to a plan to sell these properties, and the sales were considered to be highly probable as at December 31, 2023. One of the properties was disposed of subsequent to December 31, 2023 as indicated in note 33.

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 were 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 during the first quarter of 2023.

The tables below summarize the activities included in assets held for sale and liabilities related to assets held for sale for the years ended December 31, 2023 and December 31, 2022.

Assets Held for Sale

As at	Note	**December 31, 2023**	December 31, 2022
Balance, beginning of the year		**$ 132,342**	$ –
Additions (deductions):			
Transfers from investment properties	4	**127,155**	132,342
Property capital investments		**2,076**	–
Dispositions		**(213,647)**	–
Fair value adjustments		**(2,076)**	–
Balance, end of the year		**$ 45,850**	$ 132,342

Liabilities Related to Assets Held for Sale

As at	Note	**December 31, 2023**	December 31, 2022
Balance, beginning of the year		**$ 38,116**	$ –
Additions (deductions):			
Transfers from debt	10	**26,930**	38,116
Principal repayments		**(29)**	–
Lump-sum repayments		**(3,257)**	–
Fair value of mortgages assumed by purchaser upon disposition of investment properties		**(34,798)**	–
Amortization and write-offs of deferred financing costs and prepaid CMHC premiums, and net change in fair value and other adjustments		**(3,256)**	–
Balance, end of the year		**$ 23,706**	$ 38,116

8. Derivative Financial Instruments

Contracts for Which Hedge Accounting is Not Being Applied

CAPREIT has certain derivative financial instruments in place, namely interest rate ("IR") swaps and cross-currency interest rate ("CCIR") swaps. These derivative contracts, for which hedge accounting is not being applied, are summarized in the following tables as at December 31, 2023 and December 31, 2022:

As at December 31, 2023 Type of Instrument	Notional Amount	Year of Maturity	Weighted Average Receiving Leg Rate	Weighted Average Paying Leg Rate	Derivative Asset	Derivative Liability
Non-current						
CCIR Swaps[1]	**$ 247,728**	**2025**	**1.33%**	**0.22%**	**$ 12,361**	**$ –**
ERES IR Swap	**€ 25,500**	**2025**	**EURIBOR**	**0.49%**	**889**	**–**
ERES IR Swaps	**€ 156,550**	**2027**	**EURIBOR**	**(0.06)%**	**22,369**	**–**
Total					**$ 35,619**	**$ –**
Current						
CCIR Swaps[2]	**$ 316,241**	**2024**	**2.53%**	**1.53%**	**$ 10,851**	**$ –**
CCIR Swap[3]	**$ 107,670**	**2024**	**4.00%**	**2.71%**	**–**	**(499)**
CCIR Swaps[4]	**US$ 192,812**	**2024**	**Term SOFR + 1.45%**	**6.48%**	**–**	**(6,502)**
Total					**$ 10,851**	**$ (7,001)**

(1) Euro equivalent of €160,000.

(2) Euro equivalent of €208,358.

(3) Euro equivalent of €74,000.

(4) One-month CCIR swaps with Canadian dollar equivalent of $262,000.

As at December 31, 2022 Type of Instrument	Notional Amount		Year of Maturity	Weighted Average Receiving Leg Rate	Weighted Average Paying Leg Rate	Derivative Asset		Derivative Liability	
Non-current									
CCIR Swaps[(1)]	$	441,324	2024 – 2025	1.17%	0.12%	$	28,136	$	–
ERES IR Swap	€	25,500	2025	EURIBOR	0.49%		1,718		–
ERES IR Swaps	€	156,550	2027	EURIBOR	(0.06)%		32,745		–
Total						$	62,599	$	–
Current									
CCIR Swaps[(2)]	$	112,645	2023	4.00%	2.40%	$	–	$	(8,311)
CCIR Swap[(3)]	$	106,486	2023	CDOR + 1.35%	1.21%		–		(331)
CCIR Swap[(4)]	US$	191,563	2023	USD LIBOR + 1.35%	CDOR + 0.83%		–		(745)
ERES CCIR Swaps[(5)]	US$	95,800	2023	USD LIBOR + 1.35%	EURIBOR + 1.15%		–		(1,238)
Total						$	–	$	(10,625)

(1) Euro equivalent of €284,818.

(2) Euro equivalent of €83,540.

(3) Euro equivalent of €74,000. This CCIR swap was settled in February 2023.

(4) One-month CCIR swap with Canadian dollar equivalent of $260,000.

(5) One-month ERES CCIR swaps with a euro equivalent of €90,300 that were settled in January 2023.

9. Other Assets

As at	**December 31, 2023**		December 31, 2022	
Other non-current assets				
Property, plant and equipment ("PP&E")[(1)]	**$**	**56,517**	$	52,495
Accumulated amortization of PP&E		**(45,217)**		(39,831)
PP&E, net of accumulated amortization		**11,300**		12,664
Right-of-use assets, net of accumulated amortization[(2)] and other		**4,228**		4,923
Investments and other		**14,014**		9,068
VTB mortgage receivable[(3)]		**–**		46,800
Total	**$**	**29,542**	$	73,455
Other current assets				
Prepaid expenses and other	**$**	**17,014**	$	23,797
MHC home inventory[(4)]		**6,376**		16,207
Restricted funds		**10,756**		9,654
Investments held at fair value through other comprehensive income		**5,687**		4,378
VTB mortgage receivable[(3)]		**46,800**		–
Total	**$**	**86,633**	$	54,036

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

(2) Right-of-use assets, net of accumulated amortization of $2,879 (December 31, 2022 – $2,260).

(3) On September 29, 2021, CAPREIT issued a $46,800 VTB mortgage receivable in connection with the disposal of an investment property. The VTB mortgage receivable bore an annual interest rate of 2.33% and had an original maturity date of September 29, 2023. On July 18, 2023, the borrower exercised its option to extend the VTB mortgage receivable by one year until September 29, 2024 at an annual interest rate of 4.00%.

(4) During the year ended December 31, 2023, MHC home inventory with a fair value of $16,462 (year ended December 31, 2022 – $nil) was transferred to investment properties.

10. Debt

Continuity of Total Debt

For the Year Ended December 31, 2023	Mortgages Payable	Credit Facilities Payable	Total Debt
Balance, beginning of the year	**$ 6,577,097**	**$ 388,975**	**$ 6,966,072**
Add:			
Borrowings	**662,278**	**107,802**	**770,080**
Less:			
Principal repayments	**(158,774)**	**–**	**(158,774)**
Lump-sum repayments[1]	**(463,169)**	**(83,738)**	**(546,907)**
Financing costs and CMHC premiums paid	**(18,226)**	**(389)**	**(18,615)**
Non-cash adjustments:			
Fair value of mortgages assumed upon property acquisitions	**57,827**	**–**	**57,827**
Fair value of mortgage assumed by purchaser upon property disposition[2]	**(5,490)**	**–**	**(5,490)**
Transfers to liabilities related to assets held for sale	**(26,930)**	**–**	**(26,930)**
Amortization and write-off of deferred financing costs and prepaid CMHC premiums, and net change in fair value and other adjustments	**17,762**	**(638)**	**17,124**
Loss (gain) on foreign currency translation	**11,613**	**(6,879)**	**4,734**
Balance, end of the year	**$ 6,653,988**	**$ 405,133**	**$ 7,059,121**
Less: current portion	**651,371**	**–**	**651,371**
Total non-current portion	**$ 6,002,617**	**$ 405,133**	**$ 6,407,750**

(1) Includes mortgages repaid on dispositions of investment properties totalling $51,002. This excludes a mortgage repaid that was previously classified as a liability related to assets held for sale. Refer to note 7 for further information.

(2) Excludes mortgages assumed by purchasers classified as liabilities related to assets held for sale as at December 31, 2022 that were assumed by purchasers on January 25, 2023. Refer to note 7 for further information.

For the Year Ended December 31, 2022	Mortgages Payable	Credit Facilities Payable	Total Debt
Balance, beginning of the year	$ 6,100,065	$ 310,866	$ 6,410,931
Add:			
Borrowings	1,090,638	303,378	1,394,016
Less:			
Principal repayments	(162,048)	–	(162,048)
Lump-sum repayments[1]	(479,349)	(239,546)	(718,895)
Financing costs and CMHC premiums paid	(27,248)	–	(27,248)
Non-cash adjustments:			
Fair value of mortgages assumed upon property acquisitions	99,500	–	99,500
Fair value of mortgages assumed by purchasers upon property dispositions	(34,420)	–	(34,420)
Transfers to liabilities related to assets held for sale	(38,116)	–	(38,116)
Amortization and write-off of deferred financing costs and prepaid CMHC premiums, and net change in fair value and other adjustments	12,991	–	12,991
Loss on foreign currency translation	15,084	14,277	29,361
Balance, end of the year	$ 6,577,097	$ 388,975	$ 6,966,072
Less: current portion	613,277	–	613,277
Total non-current portion	$ 5,963,820	$ 388,975	$ 6,352,795

(1) Includes mortgages repaid on dispositions of investment properties totalling $28,114.

Mortgages Payable

As at[1]	December 31, 2023	December 31, 2022
Weighted average effective interest rate	**2.80%**	2.61%
Maturity date	**2024 – 2036**	2023 – 2036
Investment properties pledged as security on mortgages	**$ 15,021,533**	$ 15,807,722
Investment properties not pledged as security on mortgages	**$ 1,510,563**	$ 1,345,987

(1) Excludes liabilities related to assets held for sale, as applicable.

Future principal repayments as at December 31, 2023 for the years indicated are as follows:

As at December 31, 2023	Principal Amount	% of Total Principal
2024	$ **662,870**	**9.7**
2025	**910,464**	**13.4**
2026	**884,293**	**13.0**
2027	**948,247**	**13.9**
2028	**884,936**	**13.0**
2029 – 2036	**2,526,515**	**37.0**
Total principal	**6,817,325**	**100.0**
Less: prepaid CMHC premiums	**(113,947)**	
Less: deferred financing costs	**(21,886)**	
Less: fair value adjustments	**(3,798)**	
Less: liabilities related to assets held for sale	**(23,706)**	
Total mortgages payable	$ **6,653,988**	

Credit Facilities Payable

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, Euro Interbank Offered Rate ("EURIBOR"), US base rate and USD London Interbank Offered Rate ("LIBOR") utilized during the year. The original maturity date of the Acquisition and Operating Facility was 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 Term Secured Overnight Financing Rate ("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 31. The Acquisition and Operating Facility is used to fund operations, acquisitions, capital improvements, letters of credit and working capital requirements.

ERES Credit Facility

On October 29, 2021, ERES amended and renewed its existing ERES revolving credit facility ("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 revolving bridge credit facility ("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 a subsidiary of CAPREIT, such that it represents 1.50 times the facility amount of €100,000.

On January 24, 2023, ERES amended and renewed its existing revolving credit facility with two Canadian chartered banks and the addition of another Canadian chartered bank, providing up to €125,000 for a three-year period ending on January 26, 2026, as well as an accordion feature to increase the limit a further €25,000 upon satisfaction of conditions set out in the agreement and the consent of applicable lenders. This amendment also replaced the USD LIBOR with the Term SOFR as a benchmark interest rate.

Canadian investment properties and assets held for sale, as applicable, of $1,176,479 (December 31, 2022 – $1,029,260) secure only the Acquisition and Operating Facility, of which $268,040 also carries a negative pledge against the ERES Credit Facility (December 31, 2022 – $271,980). A subsidiary of CAPREIT also provides a guarantee on the ERES Credit Facility.

The Acquisition and Operating Facility and ERES Credit Facility are collectively known as the "Credit Facilities".

The tables below summarize the amounts available and drawn under the respective credit facilities as at December 31, 2023 and December 31, 2022:

As at December 31, 2023	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Maximum borrowing capacity	**$ 600,000**	**$ 182,828**	**$ 782,828**
USD borrowings	**$ (255,509)**[1]	**$ –**	**$ (255,509)**
Euro borrowings	**–**	**(150,651)**[3]	**(150,651)**
Less: Total borrowings	**$ (255,509)**	**$ (150,651)**	**$ (406,160)**
Less: Letters of credit	**(4,432)**	**–**	**(4,432)**
Available borrowing capacity	**$ 340,059**	**$ 32,177**	**$ 372,236**
Weighted average interest rate including interest rate swaps	**6.48%**[2]	**5.23%**	**6.01%**

(1) As at December 31, 2023, CAPREIT has USD borrowings totalling US$192,812 that bear interest at the Term SOFR plus a margin of 1.45%, excluding the impact of cross-currency interest rate swaps.

(2) As at December 31, 2023, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.75%. For details of the swaps, refer to note 8.

(3) As at December 31, 2023, ERES has euro borrowings totalling €103,000 that bear interest at the EURIBOR plus a margin of 1.35% per annum.

As at December 31, 2022	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Maximum borrowing capacity	$ 600,000	$ 144,982	$ 744,982
Less: USD borrowings	$ (259,211)[1]	$ (129,764)[3]	$ (388,975)
Less: 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%[2]	3.06%[4]	4.73%

(1) As at December 31, 2022, CAPREIT has USD borrowings totalling US$191,365 that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum, excluding the impact of cross-currency interest rate swaps.

(2) 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%. For details of the swaps, refer to note 8.

(3) As at December 31, 2022, ERES has USD borrowings totalling US$95,800 that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum.

(4) 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%. For details of the swaps, refer to note 8.

11. ERES Units Held by Non-Controlling Unitholders

The ERES units held by non-controlling unitholders are classified as equity on ERES's consolidated 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 unitholders. As at December 31, 2023, non-controlling unitholders hold 35% (December 31, 2022 – 34%) of total ERES units. The table below summarizes the activity of ERES units held by non-controlling unitholders for the years ended December 31, 2023 and December 31, 2022:

For the Year Ended	December 31, 2023	December 31, 2022
Balance of ERES units held by non-controlling unitholders, beginning of the year	**$ 242,599**	$ 356,695
Mark-to-market gain on ERES units	**(59,342)**	(117,740)
Interest expense to ERES non-controlling unitholders	**14,133**	12,918
Gain on non-controlling interest	**$ (45,209)**	$ (104,822)
Less: Distributions paid to ERES non-controlling unitholders	**(10,868)**	(9,274)
Balance of ERES units held by non-controlling unitholders, end of the year	**$ 186,522**	$ 242,599

12. Income Taxes

CAPREIT is taxed as a "mutual fund trust" as defined under the Tax Act and continues to meet the prescribed conditions relating to the nature of its assets and revenues in order to qualify as a 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,	2023	2022
Net income (loss) before income taxes	**$ (488,053)**	$ 3,603
Amounts not subject to taxation[1]	**166,862**	(50,346)
Loss in foreign subsidiary entities	**(321,191)**	(46,743)
Tax recovery calculated at the Dutch corporate tax rate of 25.8%	**82,867**	12,060
Increase (decrease) resulting from:		
Effect of different tax rates in countries in which CAPREIT operates	**(2,092)**	(536)
Adjustments to deferred income taxes for the change in tax rates	**–**	(1,772)
Adjustment for income taxed at a different rate	**443**	2,162
Unrecognized deferred income tax assets	**(3,304)**	(914)
Provision to tax return true-up	**(143)**	(871)
Other adjustments	**(1,292)**	(95)
Total current income tax expense and deferred income tax recovery, net	**$ 76,479**	$ 10,034

[1] 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 income tax expense and deferred income tax recovery is as follows:

For the Year Ended December 31,	2023	2022
Current income tax expense	**$ (8,889)**	$ (4,843)
Deferred income tax recovery	**85,368**	14,877
Total current income tax expense and deferred income tax recovery, net	**$ 76,479**	$ 10,034

The deferred income tax liability of $49,481 (December 31, 2022 – $120,524) is primarily related to the difference in the tax and book basis of investment properties. The deferred income tax asset of $19,523 (December 31, 2022 – $6,173) also relates to the difference in the tax and book basis of investment properties, as well as loss carry-forwards.

As at December 31, 2023, CAPREIT has total non-capital loss carry-forwards of $24,801 (December 31, 2022 – $23,238). Of these losses, $19,002 (December 31, 2022 – $18,073) 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 $5,799 (December 31, 2022 – $5,165) are in respect of German subsidiaries and have no expiry period but the utilization is subject to annual limits. As at December 31, 2023, CAPREIT has not recognized a deferred income tax asset for a deductible temporary difference of $24,208 (December 31, 2022 – $8,633) as it does not expect this difference to reverse in the foreseeable future.

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework ("Pillar Two"). On August 4, 2023, the Department of Finance (Canada) released draft legislation that would be effective after 2023 to implement the Global Minimum Tax Act, imposing a 15% global minimum tax further to the OECD's Pillar Two guidance. While the Global Minimum Tax Act has not been substantively enacted, CAPREIT operates in other jurisdictions (such as the Netherlands) which have enacted local minimum tax legislation as at December 31, 2023. On May 23, 2023, the IASB issued amendments to IAS 12 introducing a temporary mandatory exception from the recognition and disclosure of deferred taxes related to the implementation of Pillar Two global minimum tax rules, which exception has been applied by CAPREIT. CAPREIT will continue monitoring the progress of relevant Pillar Two legislation globally to determine the impact upon substantive enactment but at this time does not expect to have material exposure related to these rules.

13. Unit-based Compensation Financial Liabilities

Trust 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, 2023, the maximum number of Trust Units issuable under CAPREIT's unit-based compensation plans is 11,500,000 Trust Units (December 31, 2022 – 11,500,000 Trust Units). The maximum number of Trust Units available for future issuance under these unit-based compensation plan agreements as at December 31, 2023 is 1,908,947 Trust Units (December 31, 2022 – 2,149,084 Trust Units).

ERES units are issuable pursuant to ERES's unit options plan ("ERES UOP") and ERES's Restricted Unit Rights Plan ("ERES RUR Plan"). The maximum number of unit options and ERES restricted unit rights ("ERES RURs") that may be reserved under the ERES's unit-based compensation plans is 10% of the outstanding ERES units (including ERES Class B LP Units). As at December 31, 2023, the maximum number of unit options and restricted unit rights allowable for future issuance under ERES's unit-based compensation plans is 18,342,182 (December 31, 2022 – 18,041,454).

The tables below summarize the activity of CAPREIT's unit-based compensation plans (excluding EUPP) and the ERES UOP for the years ended December 31, 2023 and December 31, 2022:

Year Ended December 31, 2023 (Number of units)	**ERES UOP**	**DUP**	**RUR Plan**	**Total CAPREIT[1]**
Unit rights and unit options outstanding as at January 1, 2023	**5,157,094**	**121,280**	**394,763**	**516,043**
Granted or cancelled during the year				
Granted	**–**	**21,602**	**140,231**	**161,833**
Exercised or settled in Trust Units or ERES units	**–**	**(12,654)**	**(68,496)**	**(81,150)**
Cancelled or forfeited	**(180,000)**	**–**	**(7,702)**	**(7,702)**
Distributions reinvested	**–**	**3,612**	**14,335**	**17,947**
Unit rights and unit options outstanding as at December 31, 2023	**4,977,094**	**133,840**	**473,131**	**606,971**

[1] Excludes EUPP, ERES UOP and ERES RUR Plan. During the year ended December 31, 2023, no ERES RURs were granted, forfeited, exercised or surrendered. As at December 31, 2023, the number of outstanding ERES RURs was nil.

Year Ended December 31, 2022 (Number of units)	ERES UOP	DUP	RUR Plan	Total CAPREIT[1]
Unit rights and unit options outstanding as at January 1, 2022	4,699,694	196,423	479,700	676,123
Granted or cancelled during the year				
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
Unit rights and unit options outstanding as at December 31, 2022	5,157,094	121,280	394,763	516,043

[1] Excludes EUPP, ERES UOP and ERES RUR Plan. During the year ended December 31, 2022, no ERES RURs were granted, forfeited, exercised or surrendered. As at December 31, 2022, the number of outstanding ERES RURs was nil.

The table below summarizes the change in the total unit-based compensation financial liabilities for the years ended December 31, 2023 and December 31, 2022, including the settlement of such liabilities through the Trust Units and ERES units.

For the Year Ended	**December 31, 2023**	December 31, 2022
Total unit-based compensation financial liabilities, beginning of the year	**$ 18,257**	$ 36,895
Unit-based compensation amortization expense	**7,816**	7,256
Unit-based compensation remeasurement loss (gain)	**443**	(10,670)
Settlement of unit-based compensation awards for Trust Units and ERES units	**(4,486)**	(15,037)
Loss (gain) on foreign currency translation and other	**1,393**	(187)
Total unit-based compensation financial liabilities, end of the year	**$ 23,423**	$ 18,257

The table below summarizes the non-current and current unit-based compensation financial liabilities for each plan as at December 31, 2023 and December 31, 2022:

As at	December 31, 2023	December 31, 2022
Non-current		
RUR Plan	$ 11,062	$ 7,743
ERES UOP	8	63
	$ 11,070	$ 7,806
Current		
DUP	$ 6,532	$ 5,176
RUR Plan	5,556	4,536
ERES UOP	265	739
	$ 12,353	$ 10,451
Total unit-based compensation financial liabilities	$ 23,423	$ 18,257

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

As at December 31, 2023, 0.5% (December 31, 2022 – 0.3%) of all Trust Units outstanding and unit-based compensation financial liabilities were held by trustees, officers and other senior management of CAPREIT.

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, 2023			December 31, 2022		
	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	$ 45.96	$ 42.68	121,280	$ 35.20	$ 59.96	196,423
Granted	47.45	–	21,602	45.57	–	20,749
Distributions reinvested	48.38	–	3,612	48.29	–	4,601
Settled, cancelled or forfeited	49.04	–	(12,654)	32.93	–	(100,493)
Outstanding, end of the year	$ 46.07	$ 48.80	133,840	$ 45.96	$ 42.68	121,280

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 settlement. 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, 2023**			December 31, 2022		
	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	**$ 49.50**	**$ 42.68**	**394,763**	$ 44.47	$ 59.96	479,700
Granted	**49.16**	**–**	**140,231**	54.76	–	110,047
Distributions reinvested	**48.49**	**–**	**14,335**	47.94	–	13,560
Settled, cancelled or forfeited	**47.85**	**–**	**(76,198)**	40.61	–	(208,544)
Outstanding, end of the year	**$ 49.63**	**$ 48.80**	**473,131**	$ 49.50	$ 42.68	394,763

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. During the year ended December 31, 2023, 68,060 Trust Units (year ended December 31, 2022 – 65,368 Trust Units) were issued pursuant to the EUPP.

14. Other Liabilities

As at	**December 31, 2023**	December 31, 2022
Other non-current liabilities		
Non-current lease liabilities	**$ 46,178**	$ 47,460
Other	**659**	–
Total	**$ 46,837**	$ 47,460
Other current liabilities		
Security deposits	**$ 50,388**	$ 46,775
Deferred revenue and other	**14,963**	16,554
Mortgage interest payable	**16,769**	13,776
Distributions payable to Unitholders	**20,253**	20,469
Distributions payable to ERES non-controlling unitholders	**1,018**	993
Current tax liability	**4,463**	2,754
Total	**$ 107,854**	$ 101,321

15. Accounts Payable and Accrued Liabilities

As at	December 31, 2023	December 31, 2022
Accounts payable	**$ 41,705**	$ 55,313
Accrued liabilities	**64,012**	66,238
Total	**$ 105,717**	$ 121,551

16. Exchangeable LP Units

Exchangeable LP Units are entitled to distributions equivalent to distributions on Trust Units, and are exchangeable for Trust Units on a one-for-one basis, 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, which is based on the closing price of the Trust Units on the TSX. The tables below summarize the activity of the Exchangeable LP Units for the years ended December 31, 2023 and December 31, 2022:

For the Year Ended December 31,	2023	2022
Exchangeable LP Units issued and outstanding, beginning of the year	**1,679,190**	1,679,190
Exchangeable LP Units exchanged for Trust Units	**(32,004)**	–
Exchangeable LP Units issued and outstanding, end of the year	**1,647,186**	1,679,190

For the Year Ended December 31,	2023	2022
Balance of Exchangeable LP Units, beginning of the year	**$ 71,668**	$ 100,684
Fair value adjustments of Exchangeable LP units	**10,293**	(29,016)
Exchangeable LP Units exchanged for Trust Units	**(1,578)**	–
Balance of Exchangeable LP Units, end of the year	**$ 80,383**	$ 71,668

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, 2023 and December 31, 2022, 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 declared 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.

a) Distribution Reinvestment Plan

The terms of the DRIP grant participants the right to receive an additional amount equal to 5% of their monthly distributions paid in the form of additional units. The total consideration for units issued represents the amount of cash distributions reinvested in additional units. 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

During the year ended December 31, 2023, 68,060 Trust Units (year ended December 31, 2022 – 65,368 Trust Units) were issued pursuant to the EUPP. See note 13 for further details on the EUPP.

c) Deferred Unit Plan

During the year ended December 31, 2023, 12,654 DUP units (year ended December 31, 2022 – 100,493 DUP units) were settled. See note 13 for further details on the DUP.

d) Restricted Unit Rights Plan

During the year ended December 31, 2023, 76,198 RUR units were settled or cancelled, out of which 68,496 RUR units were settled for an equivalent number of Trust Units and the remaining RUR units were forfeited. 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 forfeited. See note 13 for further details on the RUR Plan.

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.

In March 2023, CAPREIT received the TSX's acceptance of its notice of intention to proceed with an NCIB, following expiry of the previous NCIB on March 23, 2023. Pursuant to the notice, CAPREIT may purchase up to 16,901,348 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, 2023 and ending March 23, 2024. Under the NCIB, other than purchases made under the block purchase exemption, CAPREIT may purchase up to 100,017 Trust Units on the TSX during any trading day, which represents approximately 25% of 400,069 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.

The table below summarizes the NCIB activity for the years ended December 31, 2023 and December 31, 2022. 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,		**2023**		2022
Total cost (including commissions) of Trust Units purchased and cancelled under the NCIB	**$**	**100,907**	$	237,772
Number of Trust Units purchased and cancelled under the NCIB		**2,168,521**		5,233,162
Weighted average purchase price per Trust Unit	**$**	**46.53**	$	45.44

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

On December 15, 2023, CAPREIT declared a special non-cash distribution of $0.49 per Trust Unit (December 15, 2022 – $0.36 per Trust Unit), payable in Trust Units on December 29, 2023 (December 30, 2022) to Unitholders of record on December 29, 2023 (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, 2023 (year ended December 31, 2022).

On December 29, 2023, 1,683,012 Trust Units (December 30, 2022 – 1,428,904 Trust Units) were issued at a price of $48.80 per Trust Unit (December 30, 2022 – $42.68 per Trust Unit), for an aggregate value of $82,131 (December 30, 2022 – $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 29, 2023, the issuance of Trust Units pursuant to the Special Distribution totalling $82,131 (December 30, 2022 – $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.

g) Base Shelf Prospectus

On May 9, 2023, CAPREIT renewed its base shelf prospectus that was set to expire in June 2023. The base shelf prospectus is valid for a 25-month period from May 9, 2023, during which CAPREIT may offer Trust Units, subscription receipts, debt securities, or any combination thereof. Any issue of securities under the base shelf prospectus will require the filing of a prospectus supplement that will include specific terms of the securities being offered.

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. Monthly distributions, excluding the Special Distributions on December 29, 2023 and December 30, 2022, declared to Unitholders were $0.1208 per Trust Unit ($1.45 per Trust Unit annually) for the years ended December 31, 2023 and December 31, 2022.

For the Year Ended December 31,	**2023**	2022
Distributions declared on Trust Units[1]	**$ 243,282**	$ 249,540
Distributions per Trust Unit	**$ 1.450**	$ 1.450

[1] Distributions declared exclude the special non-cash distributions. Refer to note 17 for further information.

19. Revenue from Contracts with Customers

In accordance with IFRS 15, management has evaluated the lease and non-lease components of its revenue from investment properties. Revenues under IFRS 15 consist of a non-lease component earned from tenants and miscellaneous revenues. Miscellaneous revenues consist of cable income, certain common area maintenance recoveries, service charges and premium service components.

For the year ended December 31, 2023, revenues under IFRS 15 were $216,475 (for the year ended December 31, 2022 – $207,144) and were included in revenue from investment properties. For the year ended December 31, 2023, the non-lease component earned from tenants and miscellaneous revenues were $193,249 and $23,226, respectively (for the year ended December 31, 2022 – $182,664 and $24,480, respectively).

20. Other Income

For the Year Ended December 31,		2023		2022
Investment income[1]	$	8,862	$	9,112
Interest income from VTB mortgages receivable		1,278		1,971
Profit from sale of MHC inventory[2]		1,036		1,531
Interest income and other		2,468		1,008
Asset and property management fees, and transition service fees[3]		–		2,252
Net profit from investment in associate[4]		–		647
Total	$	13,644	$	16,521

(1) For the year ended December 31, 2023, investment income includes $7,628 of semi-annual dividends from Irish Residential Properties REIT plc ("IRES") (for the year ended December 31, 2022 – $7,297). 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.

(2) For the year ended December 31, 2023, profit from sale of MHC inventory consists of income from the sale of MHC home inventory of $4,820 (for the year ended December 31, 2022 – $5,127), offset by cost of sales of $3,784 (for the year ended December 31, 2022 – $3,596).

(3) For the year ended December 31, 2022, the amount included transition service fees totalling $1,407, based on the Investment Management Agreement ("IMA") with IRES, which terminated on January 31, 2022.

(4) Net profit from investment in associate represented CAPREIT's share of IRES's 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.

21. Interest Expense on Debt and Other Financing Costs

For the Year Ended December 31,		2023		2022
Contractual interest on mortgages payable[1]	$	(161,178)	$	(150,320)
Amortization of deferred financing costs, fair value adjustments and OCI hedge interest on mortgages payable[1]		(6,157)		(4,147)
Amortization of CMHC premiums and fees on mortgages payable[1]		(12,275)		(12,454)
Contractual interest on credit facilities payable		(26,074)		(7,677)
Amortization of deferred financing costs on credit facilities payable		(902)		(615)
Interest on land and air rights lease liability		(5,078)		(5,221)
Total	$	(211,664)	$	(180,434)

(1) Includes liabilities related to assets held for sale.

22. Fair Value Adjustments of Financial Instruments

For the Year Ended December 31,		2023		2022
Fair value adjustments of Exchangeable LP Units	$	(10,293)	$	29,016
Fair value adjustments of investments		1,130		(101,261)
Fair value adjustments of derivative financial instruments		(24,767)		54,135
Unit-based compensation remeasurement gain (loss)		(443)		10,670
Fair value adjustments of financial instruments	$	(34,373)	$	(7,440)

23. Net Loss on Transactions and Other Activities

For the Year Ended December 31,		2023		2022
Loss on dispositions	**$**	**(5,330)**	$	(3,318)
Amortization of PP&E and right-of-use asset		**(6,206)**		(7,462)
Goodwill impairment loss		**–**		(14,278)
Fair value gain on transfer of other assets to investment properties		**1,934**		–
Other		**(4,309)**		–
Total	**$**	**(13,911)**	$	(25,058)

Impairment of Goodwill

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 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. Similar to prior periods, 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 net income (loss) and comprehensive income (loss) at the time, thereby writing off the goodwill balance in full.

24. Joint Arrangements

As at December 31, 2023, CAPREIT does not have any joint arrangements (December 31, 2022 – 50% co-ownership interest in three investment properties whose principal place of business is in Ottawa, Ontario).

On January 25, 2023, CAPREIT disposed of its 50% co-ownership interest in a joint arrangement consisting of three investment properties in Ottawa, Ontario. Refer to notes 6 and 7 for further information.

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 6 for further information.

25. Supplemental Cash Flow Information

a) Other Adjustments

For the Year Ended December 31,		2023		2022
Loss on dispositions	**$**	**5,330**	$	3,318
Amortization		**6,206**		7,464
Straight-line rent adjustment		**76**		(96)
Deferred income tax recovery		**(85,368)**		(14,877)
Net profit from investment in associate		**–**		(647)
Unrealized foreign currency loss (gain)		**(5,561)**		13,373
Fair value gain on transfer of other assets to investment properties		**(1,934)**		–
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES		**–**		7,627
Impairment of goodwill		**–**		14,278
Other adjustments	**$**	**(81,251)**	$	30,440

b) Items Related to Financing Activities

For the Year Ended December 31,	2023	2022
Interest expense on debt and other financing costs	**$ 211,664**	$ 180,434
Interest expense on Exchangeable LP Units	**2,382**	2,435
Interest expense to ERES non-controlling unitholders	**14,133**	12,918
Net gain on derecognition of debt	**(3,251)**	(1,766)
Items related to financing activities	**$ 224,928**	$ 194,021

c) Changes in Non-cash Operating Assets and Liabilities

For the Year Ended December 31,	2023	2022
Prepaid expenses	**$ 890**	$ (1,067)
Tenant inducements, direct leasing costs and other adjustments	**(1,486)**	1,566
Amounts receivable	**(2,768)**	490
Deposits	**(739)**	(4,237)
MHC home inventory	**2,440**	(8,069)
Accounts payable and other	**4,674**	(6,583)
Derivative financial instruments	**(11,849)**	19,824
Security deposits	**3,504**	2,966
Current tax liability	**1,699**	(59)
Changes in non-cash operating assets and liabilities	**$ (3,635)**	$ 4,831

d) Capital Investments

For the Year Ended December 31,	2023	2022
Property capital investments (investment properties and assets held for sale)	**$ (285,217)**	$ (326,507)
PP&E investments	**(4,167)**	(7,244)
Change in capital investments included in accounts payable and other liabilities	**(18,447)**	(2,716)
Net disbursements	**$ (307,831)**	$ (336,467)

e) Issuance of Trust Units

For the Year Ended December 31,	2023	2022
Issuance of Trust Units	**$ 8,808**	$ 17,782
Conversion of Exchangeable LP Units to Trust Units	**(1,578)**	–
Settlement of unit-based compensation awards for Trust Units	**(4,486)**	(15,037)
Net proceeds	**$ 2,744**	$ 2,745

f) Distributions Paid to Unitholders

For the Year Ended December 31,	2023	2022
Distributions declared to Unitholders	**$ (243,282)**	$ (249,540)
Add: Distributions payable to Unitholders at beginning of the year	**(20,469)**	(20,953)
Less: Distributions payable to Unitholders at end of the year	**20,253**	20,469
Less: Distributions to participants in the CAPREIT DRIP	**9,431**	42,178
Cash disbursements to Unitholders	**$ (234,067)**	$ (207,846)

26. Related Party Transactions

a) Transactions with Key Management Personnel

Certain key management personnel 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 expense included in the consolidated statements of net income (loss) and comprehensive income (loss) comprises:

For the Year Ended December 31,		**2023**		2022
Cash compensation and short-term benefits	**$**	**(4,652)**	$	(3,942)
Unit-based compensation – amortization		**(3,864)**		(3,598)
Termination benefits		**–**		(1,849)
		(8,516)		(9,389)
Unit-based compensation – fair value remeasurement		**(1,383)**		5,048
Total compensation expense	**$**	**(9,899)**	$	(4,341)

b) IRES Transactions

Included in other income for the year ended December 31, 2023 are asset management, property management and transition service fees of $nil (year ended December 31, 2022 – $2,252). Expenses related to the asset management, property management and transition service fees are included in trust expenses.

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 gain (loss) on foreign currency translation on the consolidated statements of net income (loss) and comprehensive income (loss) on that date.

On January 31, 2022, upon the change in accounting treatment, the difference between the carrying value and the fair value of the investment in associate was $8,811, which resulted in a fair value loss 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 financial instruments on the consolidated statements of net income (loss) and comprehensive income (loss).

Given that IRES is no longer an associate, IRES is no longer a related party to CAPREIT since January 31, 2022.

27. 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 with the 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, 2023			
Selected statements of net income (loss) and comprehensive income (loss) items	**Canada**	**Europe**	**Unallocated Items**	**Consolidated Financial Statements**
Revenue from investment properties	**$ 925,682**	**$ 139,635**	**$ –**	**$ 1,065,317**
Operating expenses	**(342,544)**	**(29,987)**	**–**	**(372,531)**
Net operating income	**$ 583,138**	**$ 109,648**	**$ –**	**$ 692,786**
Fair value adjustments of investment properties	**$ (578,989)**	**$ (335,596)**	**$ –**	**$ (914,585)**
Effective interest on mortgages payable[1]	**(152,905)**	**(26,705)**	**–**	**(179,610)**
Other	**–**	**–**	**(10,165)**	**(10,165)**
Net loss	**$ (148,756)**	**$ (252,653)**	**$ (10,165)**	**$ (411,574)**

[1] Includes liabilities related to assets held for sale.

	For the Year Ended December 31, 2022			
Selected statements of net income (loss) and comprehensive income (loss) items	Canada	Europe	Unallocated Items	Consolidated Financial Statements
Revenue from investment properties	$ 885,099	$ 122,169	$ –	$ 1,007,268
Operating expenses	(329,109)	(27,750)	–	(356,859)
Net operating income	$ 555,990	$ 94,419	$ –	$ 650,409
Fair value adjustments of investment properties	$ (355,726)	$ (112,601)	$ –	$ (468,327)
Effective interest on mortgages payable[1]	(146,540)	(20,381)	–	(166,921)
Other	–	–	(1,524)	(1,524)
Net income (loss)	$ 53,724	$ (38,563)	$ (1,524)	$ 13,637

[1] Includes liabilities related to assets held for sale.

	As at December 31, 2023			
Selected balance sheet items	**Canada**	**Europe**	**Unallocated Items**	**Consolidated Financial Statements**
Investment properties[1]	**$ 14,072,652**	**$ 2,459,444**	**$ –**	**$ 16,532,096**
Other	**–**	**–**	**436,544**	**436,544**
Total assets	**$ 14,072,652**	**$ 2,459,444**	**$ 436,544**	**$ 16,968,640**
Mortgages payable[1]	**$ 5,354,033**	**$ 1,299,955**	**$ –**	**$ 6,653,988**
Other	**–**	**–**	**1,036,057**	**1,036,057**
Total liabilities	**$ 5,354,033**	**$ 1,299,955**	**$ 1,036,057**	**$ 7,690,045**

[1] Excludes assets held for sale and liabilities related to assets held for sale, as applicable.

	As at December 31, 2022			
Selected balance sheet items	Canada	Europe	Unallocated Items	Consolidated Financial Statements
Investment properties[1]	$ 14,403,351	$ 2,750,358	$ –	$ 17,153,709
Other	–	–	588,179	588,179
Total assets	$ 14,403,351	$ 2,750,358	$ 588,179	$ 17,741,888
Mortgages payable[1]	$ 5,310,268	$ 1,266,829	$ –	$ 6,577,097
Other	–	–	1,161,096	1,161,096
Total liabilities	$ 5,310,268	$ 1,266,829	$ 1,161,096	$ 7,738,193

[1] Excludes assets held for sale and liabilities related to assets held for sale, as applicable.

28. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at December 31, 2023 in the aggregate amount of $5,789 for its natural gas and transport requirements. These commitments, which range from one to two years, fix the price of natural gas and transport for a portion of CAPREIT's requirements, as summarized in the table below.

		2024		2025
Gas Commodity				
Fixed weighted average cost per GJ[1]	**$**	**2.34**	**$**	**2.26**
Total of CAPREIT's estimated requirements		**66.9%**		**32.0%**
Transport				
Fixed weighted average cost per GJ[1]	**$**	**0.82**	**$**	**0.79**
Total of CAPREIT's estimated requirements		**62.4%**		**32.0%**
Total commitment	**$**	**3,934**	**$**	**1,855**

[1] 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 $74,817 are outstanding as at December 31, 2023 (December 31, 2022 – $102,333).

29. 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.

30. Fair Value of Financial Instruments and 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, 2023, the fair value of CAPREIT's mortgages payable, excluding liabilities related to assets held for sale, is estimated to be $6,355,273 (December 31, 2022 – $6,096,000). 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 payable were financed, and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages payable. 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 durations, terms and conditions, which are considered Level 2 inputs (as described below). As at December 31, 2023, the fair value of CAPREIT's Credit Facilities payable is estimated to approximate its total borrowings of $406,160 (December 31, 2022 – $388,975).

CAPREIT has classified and disclosed the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13. The fair value hierarchy distinguishes between market value data obtained from independent sources and CAPREIT's own assumptions on 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 that 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, 2023 and December 31, 2022, 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, 2023	Level 1 Quoted Prices in Active Markets for Identical Assets and Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Recurring measurements			
Assets			
Investment properties	**$ –**	**$ –**	**$ 16,532,096**
Assets held for sale	**–**	**–**	**45,850**
Investments held at fair value through profit or loss	**162,472**	**–**	**–**
Investments held at fair value through other comprehensive income	**–**	**17,594**	**–**
Derivative financial assets	**–**	**46,470**	**–**
Liabilities			
Derivative financial liabilities	**–**	**(7,001)**	**–**
ERES units held by non-controlling unitholders	**–**	**(186,522)**	**–**
Unit-based compensation financial liabilities	**–**	**(23,423)**	**–**
Exchangeable LP Units	**–**	**(80,383)**	**–**

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
Recurring measurements			
Assets			
Investment properties	$ –	$ –	$ 17,153,709
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	–
Liabilities			
Derivative financial liabilities	–	(10,625)	–
ERES units held by non-controlling unitholders	–	(242,599)	–
Unit-based compensation financial liabilities	–	(18,257)	–
Exchangeable LP Units	–	(71,668)	–

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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 during the periods.

b) Risk Management

The main risks arising from CAPREIT's financial instruments are interest rate, liquidity, credit, foreign currency and price 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 Credit Facilities 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, 2023, all of CAPREIT's Credit Facilities were borrowed at floating rates, for a total amount of $406,160 (excluding deferred financing costs). A 100 basis point increase or decrease in interest rates would decrease or increase annualized net income (loss) and equity by $4,062. The sensitivity analysis represents the parallel interest rate shift of the Canadian prime rate, Term SOFR and EURIBOR benchmark rates.

As at December 31, 2023, CAPREIT had a total of $512,965 in fixed rate mortgages payable that will reach the end of their term during 2024. Assuming all these mortgages are refinanced or renewed at a 100 basis point increase or decrease in interest rates, CAPREIT's annualized net income (loss) and equity would decrease or increase by $5,130, respectively.

As at December 31, 2023, a 100 basis point increase or decrease in interest rates would increase or decrease net income (loss) and equity by $8,498 in relation to CAPREIT's cross-currency and/or interest rate swaps. The sensitivity analysis represents the parallel interest rate shift of the Term SOFR 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, 2023, interest rate risk has been minimized, as 99.2% (December 31, 2022 – 98.8%) 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, 2022 – 100.0%). These figures exclude liabilities related to assets held for sale, as applicable.

Liquidity Risk

Liquidity risk is the risk that CAPREIT may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. As at December 31, 2023, approximately 98.5% of CAPREIT's mortgages are CMHC-insured (excluding $1,303,671 of mortgages on ERES properties), which reduces the risk in refinancing mortgages. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 and 40 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available Credit Facilities and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders and provide for future growth in its business. As at December 31, 2023, CAPREIT had an undrawn Acquisition and Operating Facility in the amount of $340,059 (December 31, 2022 – $333,416), excluding borrowing capacity under the ERES Credit Facility.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at December 31, 2023, and defined as current assets less current liabilities, is funded through the Credit Facilities and refinancing of mortgages as they mature. Management conducts a liquidity forecast on a regular basis, which includes refinancing of mortgages, 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, 2023 are as follows:

	2024	2025	2026	2027	2028	2029 onwards
Mortgages payable	$ 662,870	$ 910,464	$ 884,293	$ 948,247	$ 884,936	$ 2,526,515
Credit facilities payable	–	255,509	150,651	–	–	–
Mortgage interest	165,925	151,706	133,176	111,095	86,723	197,838
Credit facilities interest(1)	25,261	24,690	561	–	–	–
Other liabilities(2)	198,608	–	–	–	–	–
Derivative financial liabilities	7,001	–	–	–	–	–
ERES units held by non-controlling unitholders	–	–	–	–	–	186,522
Lease liabilities	1,281	1,374	1,473	1,437	836	41,058
	$ 1,060,946	$ 1,343,743	$ 1,170,154	$ 1,060,779	$ 972,495	$ 2,951,933

(1) Based on current credit facilities payable balance outstanding and in-place interest rates as at December 31, 2023.

(2) Related to accounts payable and accrued liabilities, security deposits, current tax liability, mortgage interest payable, distributions payable to Unitholders and distributions payable to ERES non-controlling unitholders.

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 the VTB mortgage receivable by ensuring that adequate collateral has been obtained for the VTB mortgage receivable. The VTB mortgage receivable is 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 investments in subsidiaries in the Netherlands and Ireland with its cross-currency swaps and EURIBOR borrowings. The gain (loss) on foreign currency translation relating to ERES and CAPREIT's subsidiaries in the Netherlands and Ireland is recognized in other comprehensive income. The mark-to-market on the cross-currency swaps and the foreign exchange translation on the Term SOFR and EURIBOR borrowings are recognized in the consolidated statements of net income (loss) and comprehensive income (loss).

Price Risk

Price risk is the risk that fluctuations in the price of investments will affect the net income (loss), other comprehensive income, or the value of investments held at FVTPL and investments held at FVOCI. 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.

31. Capital Management

CAPREIT defines capital as the aggregate of Unitholders' equity, Exchangeable LP Units, mortgages payable, liabilities related to assets held for sale and credit facilities payable. 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 payable 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 10) 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.

The total capital managed by CAPREIT is as follows:

As at	**December 31, 2023**	December 31, 2022
Unitholders' equity	**$ 9,278,595**	$ 10,003,695
Exchangeable LP Units	**80,383**	71,668
Mortgages payable – non-current	**6,002,617**	5,963,820
Mortgages payable – current	**651,371**	613,277
Liabilities related to assets held for sale	**23,706**	38,116
Credit facilities payable	**405,133**	388,975
Total capital	**$ 16,441,805**	$ 17,079,551

CAPREIT's Acquisition and Operating Facility contains 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. As at December 31, 2023, CAPREIT is in compliance with its financial covenants included in the Acquisition and Operating Facility. In addition, CAPREIT is required to comply with certain financial covenants stipulated in its mortgage financing agreements. As at December 31, 2023, CAPREIT is in compliance with all mortgage financing covenants.

CAPREIT's subsidiary, ERES, is subject to various financial covenants contained in the 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, 2023, ERES is in compliance with its financial covenants included in the ERES Credit Facility. In addition, ERES is required to comply with certain financial covenants stipulated in its mortgage financing agreements. As at December 31, 2023, ERES is in compliance with all mortgage financing covenants.

32. Reclassification of Comparative Financial Statements

Certain 2022 comparative figures included in the consolidated balance sheets, consolidated statements of net income (loss) and comprehensive income (loss), and consolidated statements of cash flows have been rearranged or combined to conform with the current period presentation, with no change to total non-current and current assets, total non-current and current liabilities, net income (loss) and comprehensive income (loss), total cash provided by operating activities, total cash used in investing activities, and total cash used in financing activities. CAPREIT assessed the materiality of the reclassifications and determined the impact to be immaterial to the consolidated annual financial statements. The following tables summarize the effects of the reclassifications described above:

Consolidated Balance Sheet	Balance as at December 31, 2022 as originally reported	Adjustment	Balance as at December 31, 2022 after reclassification
Non-current assets			
Mortgages receivable	$ 46,800	$ (46,800)	$ –
Deferred income tax asset	–	6,173	6,173
Other assets	32,828	40,627	73,455
	79,628	–	79,628
Current assets			
Other assets	69,943	(15,907)	54,036
Amounts receivable	–	15,907	15,907
	69,943	–	69,943
Non-current liabilities			
Mortgages payable	$ 5,963,820	$ (5,963,820)	$ –
Bank indebtedness	388,975	(388,975)	–
Debt	–	6,352,795	6,352,795
Lease liabilities	47,460	(47,460)	–
Other liabilities	–	47,460	47,460
	6,400,255	–	6,400,255
Current liabilities			
Mortgages payable	613,277	(613,277)	–
Debt	–	613,277	613,277
Accounts payable and accrued liabilities	137,908	(16,357)	121,551
Security deposits	46,775	(46,775)	–
Distributions payable	20,469	(20,469)	–
Other liabilities	17,720	83,601	101,321
	836,149	–	836,149

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)	For the year ended December 31, 2022 as originally reported	Adjustment	For the year ended December 31, 2022 after reclassification
Unit-based compensation recovery	$ 3,414	$ (3,414)	$ –
Unit-based compensation amortization expense	–	(7,256)	(7,256)
Fair value adjustments of Exchangeable LP Units	29,016	(29,016)	–
Fair value adjustments of investments	(101,261)	101,261	–
Gain on derivative financial instruments	54,135	(54,135)	–
Fair value adjustments of financial instruments	–	(7,440)	(7,440)
Loss on dispositions	(3,318)	3,318	–
Amortization of PP&E	(7,462)	7,462	–
Goodwill impairment loss	(14,278)	14,278	–
Loss on transactions and other activities	–	(25,058)	(25,058)
Interest and other financing costs	(182,869)	182,869	–
Interest expense on debt and other financing costs	–	(180,434)	(180,434)
Interest expense on Exchangeable LP Units	–	(2,435)	(2,435)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions	1,766	(1,766)	–
Net gain on derecognition of debt	–	1,766	1,766
Total current income tax expense and deferred income tax recovery, net	10,034	(10,034)	–
Current income tax expense	–	(4,843)	(4,843)
Deferred income tax recovery	–	14,877	14,877
	(210,823)	–	(210,823)

There has been no reclassification with respect to revenues from investment properties; however, note 19 contains additional disclosure of $182,664 related to the non-lease component earned from tenants that is included within revenue from investment properties for the year ended December 31, 2022.

Consolidated Statements of Cash Flows	For the year ended December 31, 2022 as originally reported	Adjustment	For the year ended December 31, 2022 after reclassification
Operating activities			
Fair value adjustments – Exchangeable LP Units	$ (29,016)	$ 29,016	$ –
Fair value adjustments – investments	101,261	(101,261)	–
Gain on derivative financial instruments	(54,135)	54,135	–
Fair value adjustments of financial instruments	–	7,440	7,440
Unit-based compensation recovery	(3,414)	3,414	–
Unit-based compensation amortization expense	–	7,256	7,256
Amortization	26,293	(26,293)	–
Loss on dispositions	3,318	(3,318)	–
Straight-line rent adjustment	(96)	96	–
Deferred income tax recovery	(14,877)	14,877	–
Net profit from investment in associate	(647)	647	–
Unrealized foreign currency loss	13,373	(13,373)	–
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	7,627	(7,627)	–
Impairment of goodwill	14,278	(14,278)	–
Other adjustments	–	30,440	30,440
Items related to investing and financing activities	165,007	(165,007)	–
Dividend and interest income related to investing activities	–	(10,185)	(10,185)
Items related to financing activities	–	194,021	194,021
	228,972	–	228,972
Financing activities			
Mortgage financings	1,090,638	(1,090,638)	–
Net borrowings on credit facilities	63,832	(63,832)	–
Borrowings	–	1,394,016	1,394,016
Mortgage principal repayments	(162,048)	162,048	–
Principal repayments	–	(162,048)	(162,048)
Mortgages repaid on maturity and disposition	(479,349)	479,349	–
Lump-sum repayments	–	(718,895)	(718,895)
Financing costs	(7,652)	7,652	–
CMHC premiums on mortgages payable	(20,463)	20,463	–
Financing costs and CMHC premiums paid	–	(28,059)	(28,059)
Deposits related to financing activities	–	(56)	(56)
Net cash distributions and other net interest payments	(219,761)	219,761	–
Distributions paid to Unitholders	–	(207,846)	(207,846)
Interest paid to ERES non-controlling unitholders	–	(9,274)	(9,274)
Interest paid to Exchangeable LP unitholders	–	(2,641)	(2,641)
	265,197	–	265,197

33. Subsequent Events

The table below summarizes the disposition of an investment property completed subsequent to December 31, 2023:

Disposition Date	Suite Count	Region	Sale Price[1]
January 15, 2024	32	Victoria, BC	$ 12,289

[1] Sale price excludes disposition costs and other adjustments.

On February 22, 2024, CAPREIT will file a prospectus supplement to establish an at-the-market program ("ATM Program") that would allow CAPREIT to issue Trust Units up to an aggregate sale price of $400,000 from treasury to the public from time to time at prevailing market prices, directly on the TSX or on other marketplaces to the extent permitted.

Unitholder Information

Head Office

11 Church Street, Suite 401
Toronto, Ontario M5E 1W1
Tel: 416.861.9404
Fax: 416.861.9209
website: 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

Roman Brailovski
Executive Vice President, Operations

Investor Information

Analysts, Unitholders and others seeking financial data should visit CAPREIT's website at www.capreit.ca or contact:

Mark Kenney
President and Chief Executive Officer
Tel: 416-861-9404
E-mail: ir@capreit.net

Registrar and Transfer Agent

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Tel: 1-800-663-9097
E-mail: caregistry@computershare.com

Auditor

Ernst & Young LLP

Stock Exchange Listing

Trust Units of CAPREIT are listed on the Toronto Stock Exchange under the trading symbol "CAR.UN."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