

**CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST**

ANNUAL INFORMATION FORM

For the year ended December 31, 2019

Dated March 27, 2020

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APPENDIX "A" CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

ANNUAL INFORMATION FORM
CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST

(Information as at December 31, 2019, unless otherwise indicated)

1 - FORWARD-LOOKING INFORMATION

Certain statements contained, or contained in documents incorporated by reference, in this Annual Information Form of Canadian Apartment Properties Real Estate Investment Trust (“CAPREIT”) constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT’s future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, occupancy rates, rental rates, productivity, projected costs, capital investments, financial results, taxes, plans and objectives of, or involving, CAPREIT. Particularly, statements regarding CAPREIT’s future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategies, and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue” or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including that the Canadian and Irish and Dutch economies will generally experience growth, which, however, may be adversely impacted by the global economy and the ongoing health crisis related to the coronavirus (COVID-19) pandemic; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation (“CMHC”) mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates on renewal will grow at levels similar to the rate of inflation; 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 be able to enforce its leases unrestricted by additional government regulations related to the ongoing coronavirus (COVID-19) pandemic; 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 Annual Information Form are based on assumptions, CAPREIT’s management believes they are reasonable as of the date hereof; however, there can be no assurance actual results will be consistent with these forward-looking statements, and they may

prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: public health crises, disease outbreaks, reporting investment properties at fair value, real property ownership, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, taxation-related risks, government regulations, controls over financial reporting, other legal and regulatory risks, the nature of units of CAPREIT, unitholder liability, liquidity and price fluctuation of units of CAPREIT, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, cyber security risk and foreign operation and currency risks. There can be no assurance that the expectations of CAPREIT's management will prove to be correct. For a detailed discussion of risk factors, refer to the "Risks Factors" section of this Annual Information Form. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

2 - NOTE REGARDING FINANCIAL INFORMATION

Financial data included in this Annual Information Form has been prepared in accordance with International Financial Reporting Standards as set out in Part I of the CPA Canada Handbook ("**IFRS**"). This Annual Information Form should be read in conjunction with CAPREIT's management discussion and analysis of the results of operations and financial condition for the year ended December 31, 2019, incorporated herein by reference, and the consolidated annual audited financial statements for the year ended December 31, 2019, each of which is publicly available at www.sedar.com under CAPREIT's profile.

3 - NON-IFRS FINANCIAL MEASURES

In this Annual Information Form, CAPREIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("**Stabilized NOI**"), Funds From Operations ("**FFO**"), Normalized Funds From Operations ("**NFFO**") and Adjusted Cash Flow From Operations ("**ACFO**"), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios and Adjusted Cash Generated from Operating Activities (collectively the "**non-IFRS measures**"). These non-IFRS measures are further defined and discussed below. Since Stabilized NOI, FFO, NFFO and ACFO are not measures determined under IFRS, they may not be comparable to similar measures reported by other issuers. CAPREIT has presented such non-IFRS measures because management believes these non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. 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 sustainability of our distributions.

Stabilized NOI represents net rental income for properties owned by CAPREIT continuously for two years prior to the current annual reporting year end date. Stabilized NOI is

a widely used operating performance indicator in the real estate industry, and includes all rental revenues and other related ancillary income (including from home sales at manufactured home communities (“MHCs”) home sales) generated at the property level, less: (i) related direct costs such as utilities, realty taxes, insurance, repair and maintenance costs and on-site wages and salaries; and (ii) an appropriate allocation of overhead costs.

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

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

Management considers NFFO to be the key measure of CAPREIT’s operating performance. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, offset by the write-off of fair value adjustments on assumed mortgages that were refinanced early, accelerated vesting of previously granted RUR units, pre-development costs and large acquisition research costs relating to transactions that were not completed. As it is an operating performance metric, no adjustment is made to NFFO for capital expenditures. NFFO facilitates better comparability to the prior year’s performance and provides a better indicator of CAPREIT’s long-term operating performance.

Adjusted Cash Generated from Operating Activities is calculated by taking cash generated from operating activities and deducting interest expense and cash flow from financing activities.

4 - TRUST STRUCTURE

4.1 Overview

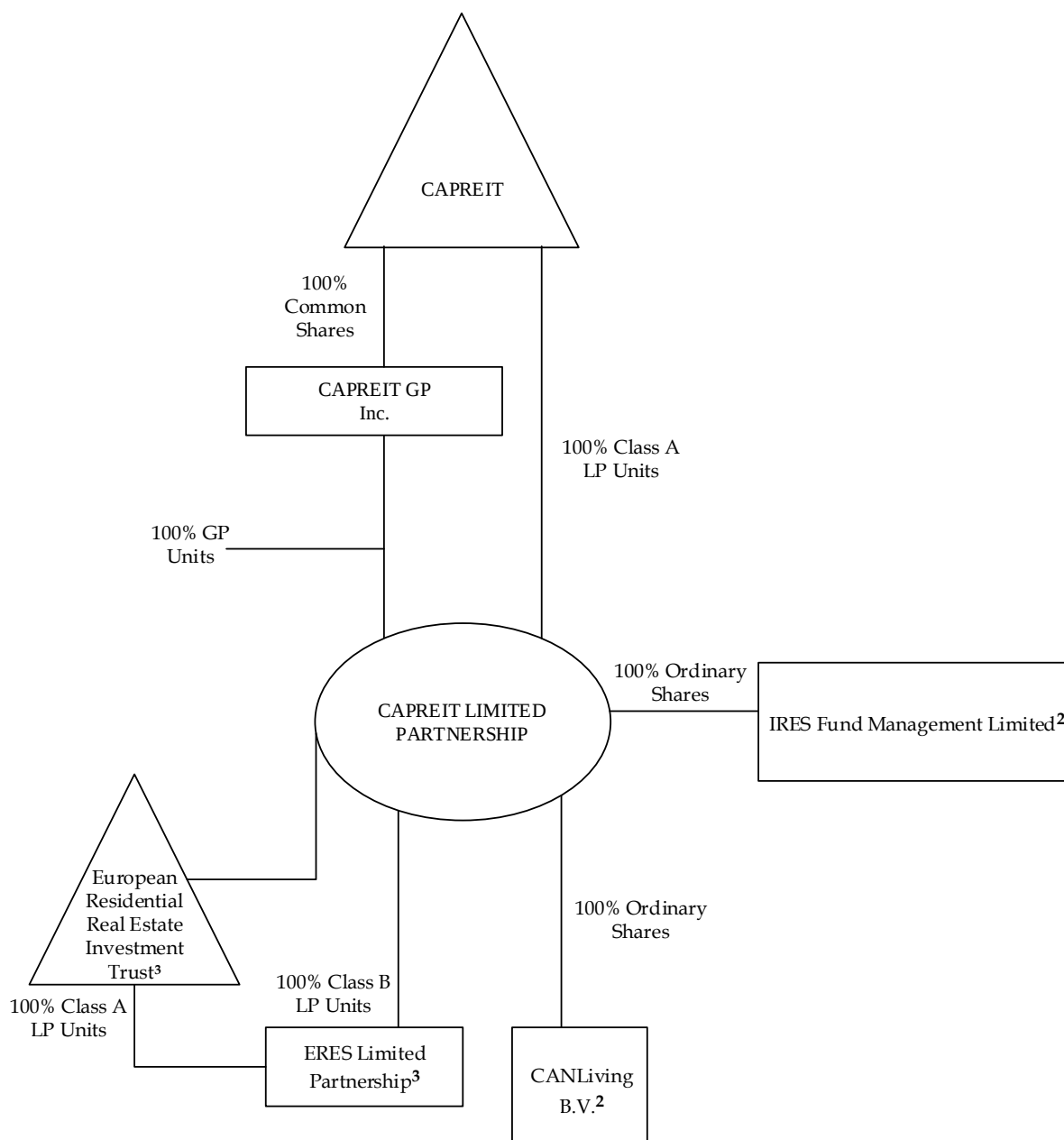
CAPREIT is an “open-end” real estate investment trust created and governed by a declaration of trust dated February 3, 1997, under the laws of the Province of Ontario, as amended and restated from time to time, including most recently on May 24, 2017 (the “**Declaration of Trust**”).

Although CAPREIT qualifies as a “mutual fund trust” as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”), CAPREIT is not a “mutual fund” as defined by applicable securities legislation.

The head and registered office of CAPREIT is located at 11 Church Street, Suite 401, Toronto, Ontario, M5E 1W1.

CAPREIT Limited Partnership (“**CAPLP**”), a subsidiary of CAPREIT, is a limited partnership established and existing under the laws of the Province of Manitoba pursuant to a limited partnership agreement dated June 26, 2007, as amended, among CAPREIT GP Inc., CAPREIT and other limited partners from time to time. CAPREIT GP Inc., a company incorporated under the laws of the Province of Ontario on June 21, 2007, is the general partner of CAPLP and CAPREIT is the sole shareholder of CAPREIT GP Inc. CAPLP is CAPREIT’s only material subsidiary.

4.2 Structure Chart (Simplified)



¹ CAPREIT indirectly holds all of its real estate beneficially through CAPLP, which holds legal title to such real estate directly (through nominee companies) or indirectly through other subsidiaries. With the exception of five nominee companies in which CAPREIT owns indirectly a 50% interest, and one nominee company in which CAPREIT owns indirectly a 33% interest, CAPREIT owns, directly or indirectly, a 100% interest in all nominee companies and subsidiaries.

² CAPREIT's investment and property management platform in Ireland is operated, locally, through IRES Fund Management Limited and CAPREIT's asset and property management platform in the Netherlands is operated locally, through CANLiving B.V.

³ CAPREIT holds 10,197,000 trust units ("ERES Units") of European Residential Real Estate Investment Trust ("ERES"), and 100% of the 142,040,821 issued and outstanding Class B limited partnership units ("ERES Class B LP Units") of ERES Limited Partnership ("ERES LP") which upon exchange of the ERES Class B LP Units into ERES Units represents, in the aggregate, an approximate 66% total interest in ERES on a fully diluted basis.

4.3 Amendments to the Declaration of Trust

On May 26, 2005, the Declaration of Trust was amended by the Board of Trustees as follows: (i) to impose a single restriction to the effect that CAPREIT's borrowings, including the acquisition and operating facility (the "**Acquisition and Operating Facility**"), shall not exceed 70% of the gross book value of CAPREIT's assets and (ii) to grant the Board of Trustees the authority to convert CAPREIT's structure from a "closed-end" to an "open-end" trust and to add a limited redemption right for holders (the "**Unitholders**") of Units (as defined below).

On May 25, 2006, the Declaration of Trust was amended by resolution of the Unitholders of CAPREIT (i) to provide investment restrictions that would permit investments by CAPREIT outside of Canada and in buildings that may not be substantially occupied; (ii) to change the investment restrictions to add flexibility to CAPREIT's ability to participate in joint ventures and to provide that CAPREIT may guarantee the indebtedness of a third party; (iii) to permit investments in securities of other entities, including corporations, provided their activities are similar to those of CAPREIT; (iv) to provide that the exclusive test for limiting indebtedness be measured on a portfolio basis and be limited to a maximum of 70% of the gross book value of CAPREIT's assets and to provide that the restrictions on CAPREIT's floating rate and short-term debt may be overridden where the Board of Trustees believes it is in the interests of CAPREIT to do so.

On January 8, 2008, the Declaration of Trust was amended by resolution of the Board of Trustees of CAPREIT to convert CAPREIT from a "closed-end" trust to an "open-end" trust. As part of the conversion, the Declaration of Trust was also amended to include a right of redemption (see "Right of Redemption"). The Declaration of Trust was also amended to modify those provisions that restrict the investments that may be made by CAPREIT in accordance with paragraph 108(2)(b) of the Tax Act.

On May 21, 2008, the Declaration of Trust was amended by resolution of the Unitholders and holders ("**Special Unitholders**", and, together with Unitholders and holders of Preferred Units (the "**Preferred Unitholders**"), the "**Trust Unitholders**") of special voting units of CAPREIT ("**Special Voting Units**", and together with Units and Preferred Units (as defined below), the "**Trust Units**") to, among other things: (i) allow CAPREIT to acquire, invest in, develop, and manage a broader range of assets (real property-related businesses outside the category of multi-unit residential real property); (ii) to remove the restriction on the amount of indebtedness of CAPREIT at floating interest rates or having original maturities of less than one year to 10% of CAPREIT's total indebtedness and (iii) to give the Board of Trustees the flexibility to establish and amend operating policies related to appropriate delegations of authority in connection with acquisitions, dispositions, and financing of CAPREIT.

On May 21, 2013, the Declaration of Trust was amended by special resolution of Unitholders and Special Unitholders to permit the Board of Trustees to adopt an advance notice policy and to permit the Board of Trustees to use the notice-and-access provisions under applicable securities laws.

On June 12, 2014, the Declaration of Trust was amended by resolution of the Board of Trustees to, among other things, (i) create a governance and nominating committee (the "**Governance and Nominating Committee**") and a human resources and compensation

committee (the “**Human Resources and Compensation Committee**”) to replace the compensation and governance committee; and (ii) amend the definition of “Independent Trustee” to mean, for the purpose of the audit committee (the “**Audit Committee**”), a trustee who, in relation to CAPREIT, is independent for the purposes of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) and, for all other purposes, a trustee who, in relation to CAPREIT, is independent for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as amended from time to time (“**NI 58-101**”) and (iii) require that all of the trustees on the Audit Committee be independent (subject to any applicable exceptions in NI 52-110).

On June 1, 2016, the Declaration of Trust was amended by special resolution of the Unitholders and Special Unitholders in order to enable CAPREIT to issue a maximum of 25,840,600 preferred units (the “**Preferred Units**”), with such designation, rights, privileges, restrictions and conditions attached to each series as determined by the Board of Trustees prior to the issuance thereof.

On May 24, 2017, the Declaration of Trust was amended by special resolution of the Unitholders and Special Unitholders in order to provide in favour of Trust Unitholders certain rights, remedies and procedures that are consistent with those available to shareholders of public corporations governed by the *Canada Business Corporations Act* as reflected in certain provisions of the draft model declaration of trust (the “**Model Declaration of Trust Provisions**”) published in November 2015 by the Canadian Coalition for Good Governance (the “**CCGG**”).

5 - INTERPRETATION

CAPREIT owns all of its property interests, owes all of its mortgage debt and debt obligations, and carries on its operating business, indirectly through CAPLP and its subsidiaries. For simplicity, and unless the context otherwise requires, we use terms in this Annual Information Form to refer to CAPREIT’s business and operations as a whole. Accordingly, in this Annual Information Form, unless the context otherwise requires, references to CAPREIT include CAPLP and its subsidiaries, including ERES. References to CAPREIT’s business, properties or portfolios and operations refer to the activities of CAPREIT and its subsidiaries as a whole, including CAPLP, CAPREIT’s ownership of and investment in properties indirectly through CAPLP and other subsidiaries and CAPREIT’s operations through its indirect interest in CAPLP, respectively.

6 - GENERAL DEVELOPMENT OF THE BUSINESS

6.1 History

CAPREIT commenced activities on February 4, 1997, when it acquired six multi-unit residential apartment buildings. On May 21, 1997, in connection with the closing of its initial public offering (“**Initial Public Offering**”) of units (the “**Units**”), CAPREIT acquired an additional six multi-unit residential apartment buildings and 117 townhomes. CAPREIT continued to expand by acquiring selected multi-unit residential properties over the years, and combining with Residential Equities Real Estate Investment Trust (“**ResREIT**”) on June 1, 2004.

CAPREIT primarily owns interests in multi-unit residential rental properties, including apartments, townhomes and MHCs located in and near major urban centres across Canada and,

through ERES, in the Netherlands. As at December 31, 2019, CAPREIT had ownership or co-ownership interests in 55,081 residential units in Canada, comprised of 43,401 residential suites and 72 MHCs comprising 11,680 land lease sites. In addition, through its interest in ERES, CAPREIT has ownership interests in 5,632 residential units in the Netherlands. As at December 31, 2019, CAPREIT had 1,026 employees (897 employees as at December 31, 2018). The investment policies and operations of CAPREIT are governed by its Declaration of Trust and are subject to the control and direction of its trustees, a majority of whom must at all times be “independent” (as defined in NI 58-101). CAPREIT’s property management and other day-to-day operations have been fully internalized since November 11, 1999. Since April 1, 2008, CAPREIT’s day-to-day operations and property management have been carried out by CAPLP, following CAPREIT’s conversion to an “open-end” real estate investment trust on January 8, 2008. See “Management of CAPREIT, Trustees and Executive Officers”.

On September 10, 2013, CAPREIT, through CAPREIT Ireland Limited, a former indirect wholly-owned subsidiary, acquired a portfolio of 338 apartment suites in four residential properties located in Dublin, Ireland. On March 20, 2014, Irish Residential Apartments REIT Limited (formerly, CAPREIT Ireland Limited) registered as a public limited company and changed its name to Irish Residential Properties REIT public limited company (“**IRES**”). It was listed on the Irish Stock Exchange (now the Euronext Dublin Exchange) on April 16, 2014, and on admission, IRES issued 200,000,000 ordinary shares to the public on top of the existing 2,000,000 ordinary shares owned by CAPLP, which resulted in dilution of CAPLP’s beneficial interest in IRES by 79.2%. On March 25, 2015, CAPREIT invested an additional €23.5 million in ordinary shares in IRES (“**IRES Shares**”) as part of IRES’ €215 million secondary equity offering. In 2018, CAPREIT acquired an additional 12.5 million IRES Shares for €17.2 million. In 2019, CAPREIT acquired an additional 17.5 million IRES Shares for €27.1 million. As at December 31, 2019, CAPLP held a beneficial interest in 95.5 million IRES Shares representing approximately 18.3% of the issued and outstanding share capital of IRES.

On March 29, 2019, CAPREIT completed the reverse takeover of European Commercial Real Estate Investment Trust (“**ECREIT**”), a TSX Venture Exchange listed issuer. The continuing entity adopted the name ERES, creating Canada’s first Europe-focused multi-residential REIT. CAPREIT beneficially owns over 142 million ERES Class B LP Units and 10.2 million ERES Units, which, upon conversion of the ERES Class B LP Units to ERES Units, represents in the aggregate an approximate 66% interest in ERES, on a fully diluted basis. In connection with the reverse takeover of ERES, CAPREIT and ERES entered into a pipeline agreement dated March 29, 2019 (the “**Pipeline Agreement**”), which makes up to €165 million available for CAPREIT to acquire properties on behalf of ERES, where ERES does not have sufficient funds to acquire such properties, for a period ending on the two-year anniversary of the Pipeline Agreement. The ERES Units are listed on the TSX Venture Exchange under the symbol “ERE.UN”. See “General Developments of the Business – Three Year Developments – ERES Transactions”.

6.2 Three Year Developments

Equity Offerings

On December 6, 2019, CAPREIT issued 9,119,500 Units at \$53.60 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$488.8 million, which included the

exercise in full of the over-allotment option granted to the underwriters in connection with the equity offering. The net proceeds of approximately \$468.6 million were used to (i) fund the acquisition of approximately \$76.4 million of unencumbered multi-residential properties; (ii) finance a \$5.6 million acquisition of the freehold interest in a Toronto property leased by CAPREIT and (iii) the remainder for future acquisitions, capital expenditures and for general trust purposes.

On April 23, 2019, CAPREIT issued 7,043,750 Units at \$49.00 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$345.1 million, which included the exercise in full of the over-allotment option granted to the underwriters in connection with the equity offering. The net proceeds of approximately \$330.4 million were used to (i) finance its \$116 million equity requirement in certain completed acquisitions, (ii) fund its \$74 million equity requirement in certain since completed acquisitions; (iii) partially repay borrowings on the Acquisition and Operating Facility; and (iv) the remainder for future acquisitions, capital expenditures and for general trust purposes.

On January 4, 2019, CAPREIT issued 5,500,000 Units at \$45.50 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$250.3 million. On January 11, 2019, CAPREIT issued an additional 825,000 Units at \$45.50 per Unit for aggregate gross proceeds of approximately \$37.5 million, pursuant to the exercise of the over-allotment option granted to the underwriters. The net proceeds of approximately \$275.4 million were used to partially repay borrowings on the Acquisition and Operating Facility and the remainder for future acquisitions, capital expenditures and for general trust purposes.

On March 15, 2018, CAPREIT issued 4,910,500 units at \$35.15 per Unit on a bought deal basis for aggregate gross proceeds of \$172.6 million, which included the exercise in full of the over-allotment option. The offering was sold through a syndicate of underwriters led by RBC Capital Markets. The net proceeds of approximately \$164.9 million were used to partially repay borrowings on the Acquisition and Operating Facility and the remainder for future acquisitions, capital expenditures and for general trust purposes.

2019 Annual and Special Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on June 13, 2019, the Unitholders and Special Unitholders, among other things, (a) approved a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation; and (b) reconfirmed the Rights Plan (as defined below).

2018 Annual and Special Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on June 6, 2018, the Unitholders and Special Unitholders approved, among other things, a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation.

2017 Annual and Special Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on May 24, 2017, the Unitholders and Special Unitholders: (a) approved a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation; and (b) approved amendments to the Declaration of Trust to provide in favour of Trust Unitholders certain rights, remedies and procedures that are consistent with those available to shareholders of public corporations governed by the *Canada Business Corporations Act* as reflected in certain provisions of the Model Declaration of Trust Provisions published in November 2015 by the CCGG.

Increases in Distributions

In 2019, CAPREIT increased its annual cash distributions from \$1.33 per Unit to \$1.38 per Unit. In 2018, CAPREIT increased its annual cash distributions from \$1.28 per Unit to \$1.33 per Unit. In 2017, CAPREIT increased its annual cash distributions from \$1.25 per Unit to \$1.28 per Unit.

Property Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2019

(\$ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
February 26, 2019	511	The Netherlands ⁽⁹⁾	\$ 153,424	\$ —	\$ 89,586	0.97%	4.00
March 14, 2019	1,104	Various ⁽⁴⁾	66,866	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
April 15, 2019	191	Langley, BC	70,000	—	44,222	2.90%	15.00
May 27, 2019	181	Various ⁽⁵⁾	11,317	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
May 28, 2019	3,898	Various ⁽⁶⁾	204,955	74,345	—	3.38%	2.39
June 7, 2019	72	Victoria, BC	26,558	—	18,368	2.44%	10.00
June 20, 2019	98	Langley, BC	39,045	—	22,839	2.92%	15.00
July 31, 2019 ⁽⁷⁾	506	Toronto, Ontario	63,790	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 1, 2019	942	The Netherlands ⁽⁹⁾	246,602	—	143,367	1.28%	7.00
August 30, 2019	553	London, Ontario	70,301	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
August 30, 2019	42	Charlottetown, PEI	7,430	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
October 15, 2019	64	Summerside, PEI	11,844	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
November 21, 2019	121	Montreal, QC	33,990	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 12, 2019	79	Calgary, AB	19,578	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
December 19, 2019	48	New Westminster,	13,475	— ⁽³⁾	—	— ⁽³⁾	— ⁽³⁾
Total	8,410		\$ 1,039,175	\$ 74,345	\$ 318,382		
Acquisition financing					\$ 73,719 ⁽⁸⁾	3.00% ⁽⁸⁾	10.00 ⁽⁸⁾

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

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

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

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

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

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

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

- (8) Subsequent acquisition financing of \$73.7 million with a weighted average interest rate of 3.00% and a weighted average term to maturity of 10 years relates to a property acquired in 2018.
- (9) These properties were sold to ERES before the year end of December 31, 2019 pursuant to the Pipeline Agreement.

Subsequent to year end, on February 10, 2020, CAPREIT completed the acquisition of a portfolio of eight properties containing 14 apartment buildings totaling 1,503 residential suites in Halifax, Nova Scotia, for a purchase price of \$391 million. The acquisition was funded by the assumption of \$109 million in mortgages with a weighted average interest rate of 1.94% and a weighted average term to maturity of 1.14 years, with the balance in cash from CAPREIT's December equity offering and its Acquisition and Operating Facility.

On March 4, 2020, CAPREIT completed the acquisition of a building containing 112 suites in the Greater Montreal Area, municipality of Brossard, Quebec. CAPREIT paid \$43.5 million for the property financed in cash from its Acquisition and Operating Facility.

On March 12, 2020, CAPREIT completed the acquisition of a building containing 109 suites in Edmonton, Alberta. CAPREIT paid \$28.3 million for the property financed in cash from its Acquisition and Operating Facility.

The following properties were sold to ERES pursuant to the Pipeline Agreement during the year ended December 31, 2019.

(\$ Thousands)	Suite Count	Region(s)	Sale Price	Cash Proceeds	ERES Class B LP Units Received	Mortgage Discharged
May 31, 2019	1,257	The Netherlands	\$ 350,274	\$ ---	\$ 203,773	\$ 146,451
June 28, 2019	511	The Netherlands	147,541 ⁽¹⁾	123,721	33,357	---
September 30, 2019	942	The Netherlands	248,533 ⁽¹⁾	243,624	5,003	---
Total	2,710		\$ 746,348	\$ 367,345	\$ 242,133	\$ 146,451

(1) Includes underwriting fees paid to CAPREIT

Acquisitions Completed During the Year Ended December 31, 2018

(\$ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate	Term to Maturity (Years)
						⁽¹⁾	⁽²⁾
April 24, 2018	134	Swift Current, SK	\$ 5,744	\$ - ⁽³⁾	\$ -	- ⁽³⁾	-(3)
April 30, 2018	2	Burlington, ON	2,404	- ⁽³⁾	-	- ⁽³⁾	-(3)
August 7, 2018	90	Langley, BC	34,310	21,088	-	2.56%	8.83
August 15, 2018	3	New Westminster, BC	2,536	- ⁽³⁾	-	- ⁽³⁾	-(3)
September 27, 2018	269	Vancouver, BC	103,169	- ⁽³⁾	-	- ⁽³⁾	-(3)
November 13, 2018	11	New Westminster, BC	3,373	- ⁽³⁾	-	- ⁽³⁾	-(3)
December 3, 2018	881	The Netherlands ⁽⁷⁾	253,410	-	104,796 ⁽⁴⁾	1.98% ⁽⁴⁾	7.00 ⁽⁴⁾
December 5, 2018	376	The Netherlands ⁽⁷⁾	93,396	-	46,456 ⁽⁵⁾	1.98% ⁽⁵⁾	7.00 ⁽⁵⁾
December 5, 2018	25	New Westminster, BC	6,368	1,827	-	2.49%	6.17
Total	1,791		\$ 504,710	\$ 22,915	\$ 151,252		
Acquisition Financing					\$ 26,766 ⁽⁶⁾	3.49% ⁽⁶⁾	10.0 ⁽⁶⁾

- (1) Weighted average stated interest rate on mortgage funding.
- (2) Weighted average term to maturity on mortgage funding.
- (3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility.
- (4) The acquisition, comprised of 881 suites, was financed by a new non-amortizing mortgage of €67.6 million (\$104.8 million) with a term to maturity of 7 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (5) The acquisition, comprised of 376 suites, was financed by a new non-amortizing mortgage of €29.9 million (\$46.5 million) with a term to maturity of 7 years with an interest rate of 1.98% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (6) Subsequent acquisition financing of \$26.8 million with a weighted average interest rate of 3.49% and a weighted average term to maturity of 10 years relates to properties acquired in 2016 and 2017.
- (7) These properties were sold into ERES before the year end of December 31, 2019 pursuant to the Pipeline Agreement.

Dispositions Completed During the Year Ended December 31, 2018

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

Acquisitions Completed During the Year Ended December 31, 2017

(\$ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
February 28, 2017	32	Victoria, BC	\$ 4,934	\$ - ⁽³⁾	\$ 2,999	2.66%	9.42
May 3, 2017	256	Montréal, QC	24,059	- ⁽³⁾	-	- ⁽³⁾	- ⁽³⁾
June 1, 2017	44	Maple Ridge, BC	11,241	3,713	-	1.94%	3.33
July 12, 2017	849	The Netherlands ⁽⁹⁾	257,881	- ⁽⁴⁾	147,360	2.04% ⁽⁴⁾	7.00 ⁽⁴⁾
August 8, 2017	54	The Netherlands ⁽⁹⁾	12,691	- ⁽⁵⁾	7,474	1.95% ⁽⁵⁾	7.00 ⁽⁵⁾
August 18, 2017	77	The Netherlands	20,384	- ⁽⁶⁾	11,856	1.87% ⁽⁶⁾	7.00 ⁽⁶⁾
November 17, 2017	16	Summerside, PEI	2,379	- ⁽³⁾	-	- ⁽³⁾	- ⁽³⁾
November 27, 2017	56	Summerside, PEI	7,814	- ⁽³⁾	-	- ⁽³⁾	- ⁽³⁾
December 1, 2017	540	The Netherlands ⁽⁹⁾	129,127	- ⁽⁷⁾	75,540	1.37%	5.00 ⁽⁷⁾
Total	1,924		\$ 470,510	\$ 3,713	\$ 245,229 ⁽⁸⁾		

- (1) Weighted average stated interest rate on mortgage funding.
- (2) Weighted average term to maturity on mortgage funding.
- (3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility.
- (4) The acquisition, comprised of 849 suites, was financed by a new non-amortizing mortgage of €100.8 million (\$147.4 million) with a term to maturity of 7.5 years with an interest rate of 2.04%, a contribution from a non-controlling interest of €600 thousand (\$889 thousand) and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (5) The acquisition was financed by a new non-amortizing mortgage of €5 million (\$7.5 million) with a term to maturity of 7.5 years with an interest rate of 1.95% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (6) The acquisition, comprised of 77 suites, was financed by a new non-amortizing mortgage of €8 million (\$11.9 million) with a term to maturity of 7.5 years with an interest rate of 1.87% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (7) The acquisition, comprised of 540 suites, was financed by a new non-amortizing mortgage of €49.9 million (\$75.5 million) with a term to maturity of 5 years with an interest rate of 1.37% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
- (8) Total acquisition financing in 2017 amounted to \$253.4 million, of which \$8.1 million related to properties acquired in 2015 with a weighted average interest rate of 2.47% and a weighted average term to maturity of 9.9 years.
- (9) These properties were sold to ERES pursuant to the reverse takeover of ECREIT (now ERES).

Dispositions Completed During the Year Ended December 31, 2017

(\$ Thousands)	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
February 15, 2017	31	Saskatoon, SK	\$ 2,025	\$ 575	\$ 1,356
October 12, 2017	50	Vancouver, BC	19,800	16,160	3,595
Total	81		\$ 21,825	\$ 16,735	\$ 4,951

CAPREIT continues to further diversify its property portfolio by geography and to maintain a balance among asset types and demographic segments.

ERES Transactions

On December 11, 2018, CAPREIT and ECREIT entered into a purchase agreement whereby CAPREIT agreed to sell a portfolio of multi-residential properties located in the Netherlands (the “**Netherlands Properties**”), comprising 2,091 suites in 41 properties to ECREIT for an aggregate purchase price of approximately \$634 million (the “**ECREIT Transaction**”). The ECREIT Transaction subsequently closed on March 29, 2019. The aggregate purchase price of the initial properties was satisfied with the issuance of 81.6 million ERES Class B LP Units, valued at \$326.5 million and the assumption of mortgages valued at approximately \$307 million. Prior to the closing of the ECREIT Transaction, ECREIT changed its name to ERES. ERES is managed by CAPREIT pursuant to long-term asset and property management agreements. See “General Development of the Business – Other Developments – (c) Management Agreements” for more information on the ERES property management agreements.

On May 31, 2019, CAPREIT sold 26 properties in the Netherlands to ERES, pursuant to the Pipeline Agreement, representing an aggregate of 1,257 residential suites, ancillary commercial space and parking facilities, located in 24 municipalities across the Netherlands. The sale price of the portfolio was at the original acquisition cost of \$350.3 million adjusted for working capital, satisfied through the transfer of \$146.5 million in mortgages plus \$203.8 million satisfied through the receipt of 50.6 million ERES Class B LP Units.

On June 28, 2019, CAPREIT sold 21 properties in the Netherlands to ERES representing an aggregate of 511 residential suites located in 6 municipalities across the Netherlands at the original acquisition cost of \$145.9 million adjusted for working capital and earned an underwriting fee of \$1.6 million (the “**ERES Pipeline Sale**”). ERES paid \$123.7 million in cash, \$33.4 million through the issuance of 8.3 million ERES Class B LP Units.

On September 24, 2019, ERES completed an offering of 40.2 million ERES Units for a price of \$4.15 per unit for aggregate proceeds of \$166.8 million. CAPREIT purchased 4.8 million ERES Units amounting to \$20 million.

On September 30, 2019, CAPREIT sold 18 properties in the Netherlands to ERES, representing an aggregate of 942 residential suites located in 7 municipalities across the Netherlands at the original acquisition cost of \$246.2 million and earned an underwriting fee of \$2.4 million (the “**Eagle Portfolio Sale**”, together with the ERES Pipeline Sale, the “**ERES Sale**”).

Transactions”). ERES paid \$243.6 million in cash and \$5 million through the issuance of 1.1 million ERES Class B LP Units.⁵

On December 18, 2019, ERES completed an offering of 30.9 million ERES Units for a price of \$4.65 per unit for aggregate proceeds of \$143.8 million. CAPREIT purchased 5.4 million ERES Units amounting to \$25 million.

As at the date hereof, CAPREIT holds an approximate 66% interest in ERES, on a fully diluted basis, through its holding of 100% of the ERES Class B LP Units and 10.2 million ERES Units.

Other Developments

(a) Management Agreements

On March 29, 2019, CAPREIT and CAPLP, entered into an asset management agreement (the “**Asset Management Agreement**”) with ERES, whereby CAPLP assumed the role of asset manager of ERES. In this role, CAPLP provides the services of a senior management team, advises the trustees of ERES on strategic matters and, among other things, generally advises ERES with respect to investor relations, payment of distributions and the structuring of acquisitions, dispositions and other transactions.

On March 29, 2019, CAPREIT and CAPLP entered into a services agreement with ERES, whereby CAPREIT and CAPLP agreed to provide administrative, legal, financial, marketing, payroll, treasury and various other services to ERES and ERES’ affiliates (the “**Additional Services Agreement**”).

On October 1, 2017, CANLiving B.V., a Netherlands subsidiary of CAPREIT, (“**CANLiving**”) began providing property management services to CAPREIT’s Netherlands properties and continues to provide property management services to ERES.

In connection with the appointment of CANLiving as property manager of CAPREIT’s Netherlands properties, CANLiving and CAPLP entered into a Services Agreement dated October 1, 2017 which governs the provision of real estate managerial and operational services to CANLiving.

IRES Fund Management became authorized as an alternative investment fund manager (“**AIFM**”) by the Central Bank of Ireland on October 28, 2015 and was appointed as the AIFM of IRES effective November 1, 2015 and of Irish Residential Properties Fund, an Irish subsidiary of CAPREIT, effective November 5, 2015.

IRES and IRES Fund Management entered into an amended and restated management agreement dated May 24, 2018 (as further amended or amended and restated from time to time, the “**Investment Management Agreement**”), which governs the provision of portfolio

⁵ As at December 31, 2019, ERES owns 131 properties representing an aggregate of 5,632 residential units on a consolidated basis.

management, risk management, property management and other related services from IRES Fund Management to IRES.

IRES, CAPLP and IRES Fund Management entered into an amended and restated services agreement dated May 24, 2018 (as further amended or amended and restated from time to time, the “**Services Agreement**”), which governs the provision by CAPLP of property management services, asset management services and administrative services to IRES Fund Management during the term of the Investment Management Agreement.

(b) Natural Gas Supply

CAPREIT entered into fixed natural gas contracts covering fiscal years 2017 to 2022. As at December 31, 2019, CAPREIT is committed to natural gas contracts and transportation costs at fixed prices as follows:

	Actual ⁽²⁾ 2018	Actual 2019	Estimated 2020	Estimated 2021	Estimated 2022
Gas Commodity					
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 2.82	\$ 2.48	\$ 2.17	\$ 1.70	\$ 1.85
Total of CAPREIT's Actual/Estimated Requirements	69.1%	78.8%	82.5%	67.7%	33.4%
Transport					
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 1.20	\$ 1.15	\$ 1.21	\$ 1.41	\$ 1.28
Total of CAPREIT's Actual/Estimated Requirements	80.6%	78.0%	76.3%	67.7%	33.4%

(1) Fixed weighted average cost per gigajoule (“GJ”) excludes other administrative costs.

(2) Based on actual fixed hedged gas commodity and transport costs per GJ. Also shown above is the actual percentage of utilized hedge contracts against actual total requirements.

(c) Credit Facilities

CAPREIT’s credit facilities include the \$740 million Acquisition and Operating Facility, the \$65 million existing non-revolving term credit facility maturing on June 30, 2021 (the “**Land Lease Facility**”) and the existing \$200 million temporary bridge credit facility, which matured on March 15, 2020 (the “**Second Temporary Bridge Facility**”) (collectively, the “**Credit Facilities**”).

In December 2019, CAPREIT entered into a cross currency swap to: (i) hedge a US-based loan of USD \$177.3 million into €160.0 million effective December 2019; and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.06% and maturing November 2020. In December 2019, CAPREIT entered into a cross currency swap to: (i) hedge a US-based loan of USD \$82.5 million into €74.0 million effective December 2019; and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.05% and maturing December 2021.

Effective November 15, 2019, CAPREIT amended its credit agreement to, among other things: (i) increase the Acquisition and Operating Facility to \$740 million with maturity extended to June 30, 2022; (ii) provide for the Second Temporary Bridge Facility, with draws permitted in Canadian dollars or Euros at an approximate spread of 1.65%, which replaced the First Temporary Bridge Facility (as defined below) (which was previously paid down in full); and (iii) increase its tangible net worth requirement to \$2,400 million.

In September 2019, CAPREIT entered into a cross currency swap to: (i) hedge a CAD-based loan of \$65.0 million into €44.8 million effective September 2019; and (ii) convert the variable interest rate on the CAD-based loan of banker's acceptance plus 1.40% to a fixed interest rate of EURIBOR plus 1.65% equaling 0.97% and maturing June 2021.

In June 2019, CAPREIT entered into a cross currency swap to: (i) hedge a US-based loan of USD \$186.2 million into €163.5 million effective June 2019; and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.08% and maturing June 2021.

Effective June 28, 2019, CAPREIT amended its credit agreement to, among other things: (i) amend its credit facilities, including the Acquisition and Operating Facility, through the addition of a \$100 million temporary bridge credit facility (the **"First Temporary Bridge Facility"**), with draws permitted in Canadian dollars or Euros at an approximate spread of 1.65%; and (ii) to remove the €320 million Euro LIBOR sub-limit entirely.

Effective February 4, 2019, CAPREIT amended its credit agreement to increase its €200 million Euro LIBOR sub-limit to €320 million.

Effective November 26, 2018, CAPREIT amended its credit agreement to, among other things: (i) increase its revolving credit facility by \$100 million from \$540 million to \$640 million, including a €200 million Euro LIBOR sub-limit; (ii) provide for a temporary, three month bridge credit facility of \$200 million, with draws permitted in Canadian dollars or Euro LIBOR, at an approximate floating rate of 1.65%, with the condition that any principal amounts under the bridge facility that is repaid may not be re-borrowed; and (iii) amend the tangible net worth requirement to \$2,100 million.

Effective November 24, 2017, CAPREIT amended its credit agreement to, among other things: (i) increase its Acquisition and Operating Facility by \$100 million to \$540 million and (ii) amend the tangible net worth requirement to \$1,800 million.

Effective June 30, 2017, CAPREIT amended its credit agreement to, among other things: (i) allow for US base rate and US LIBOR advances and (ii) amend the "conversion dates" for when the revolving Acquisition and Operating Facility converts to a two-year non-revolving term facility to June 30, 2018. The aggregate amount of Euro LIBOR borrowings at any time shall not exceed €150 million, while the Canadian dollar equivalent of the aggregate principal amount of all advances (including the Euro LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed \$440 million.

Previously, in June 2017, CAPREIT entered into a cross-currency swap to: (i) hedge a US-based loan of USD \$186.4 million into €163.5 million and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.20% and maturing June 2019.

Effective June 30, 2016, CAPREIT amended its credit agreement to, among other things: (a) increase its Credit Facilities to \$505 million in the aggregate; (b) increase the maximum amount of its existing \$340 million revolving Acquisition and Operating Facility to \$440 million; (c) add an additional lender in the syndicate thereto; (d) amend the tangible net worth requirement to

\$1,500 million; and (e) extend the maturity date of the existing \$65 million Land Lease Facility to June 30, 2021.

7 - DESCRIPTION OF THE BUSINESS

7.1 Summary

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

7.2 The Residential Real Estate Market

The Multi-Unit Residential Real Estate Market

CAPREIT's real property portfolio is comprised primarily of interests in income-producing multi-unit residential properties in Canada. Properties consist of well-located, low-rise and high-rise apartment buildings and townhome complexes in or near urban centres throughout Canada. This particular type of real estate differs significantly from the commercial real estate investment market particularly because of the following:

- residential tenancy agreements tend to have terms of one year or less, thereby allowing for more frequent changes to rental rates;
- cash flow for each property is generated by a diverse resident base. The temporary loss of any one of these residents through turnover or exposure to bad debt from any one of these residents, will have no significant effect on CAPREIT's overall income stream;
- the demand for residential rental accommodation is much more consistent and stable than the demand for commercial rental space, reflecting demographic trends and reflecting that the need for housing, unlike its commercial counterpart, is governed to a lesser extent by economic business cycles;
- the costs necessary to attract and retain residential tenants are generally lower and much more predictable than in the case of commercial tenancies, regardless of the stage of the business cycle;
- the value of residential properties has historically been less susceptible to economic business cycles than other classes of income-producing real estate; and
- properties can often be purchased at amounts below replacement cost.

While the characteristics detailed above mitigate the detrimental effects of severe cyclical swings in the real estate industry, the residential market is not completely immune to supply and

demand imbalances nor variances in general economic conditions including the impacts of the public health crisis related to the coronavirus (COVID-19) pandemic (see “Risk Factors”).

The Manufactured Home Communities Real Estate Market

CAPREIT has supplemented its portfolio of multi-unit residential properties with the acquisition of MHCs in Ontario, Québec, British Columbia, Alberta, Nova Scotia, Saskatchewan, Prince Edward Island and New Brunswick. Homeowners in an MHC own their homes and enter into lease agreements for the lots on which their homes are located for a monthly rental charge. In Ontario, BC, and PEI (the only provinces with permitted guideline increases for 2020: rates are 2.2%, 2.6%, and 1.3%, respectively), residents are subject to annual provincial guideline rent increases. Homeowners are responsible for all of their utility costs and all sites are connected to full municipal services. The homes are constructed by a home builder in a variety of styles and floor plans, and can be customized to an owner’s specifications. Owning and operating an MHC is similar to owning and operating a multi-unit residential property. However, owning and operating MHCs offers the following advantages: significantly lower capital investment and maintenance costs; minimal rent collection issues; reduced exposure to energy costs; stable occupancies; and generally longer lease terms with low resident turnover.

7.3 Competition

Competition for Real Property Investments

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

CAPREIT’s growth in the past has come from its focused acquisition program. Management has demonstrated an ability to locate and complete property purchases at accretive purchase prices. There is a risk that continuing competition for the acquisition of apartments, townhomes, and manufactured home communities may increase purchase prices to levels that are not accretive to Unitholders, or which could substantially increase future refinancing risk.

Ownership of apartment buildings and manufactured home communities is diverse and very fragmented, and the owner often performs rental management. CAPREIT believes there are acquisition opportunities as a result of the fragmented market and opportunities to enhance income through the application of professional management practices and gaining efficiencies of scale.

Competition for Residents

The real estate business is competitive. Numerous other developers, managers and owners of properties or residential units compete with CAPREIT in seeking residents. The

resulting 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, which could adversely affect CAPREIT's revenues and, consequently, its ability to meet its obligations and pay distributions.

Many city centres in our markets have seen a significant increase in new condominium construction. In certain markets a significant proportion of new condominiums constructed are being used as rental properties. Condominiums are targeted primarily at the luxury market and provide competition for CAPREIT in this market segment. In addition, in view of the current low interest rate environment, mortgage loans for home ownership are available at attractive interest rates, potentially providing competition to CAPREIT for residents who may prefer to enter the home-ownership market. This competition could adversely affect CAPREIT's ability to lease suites in its properties and on the rents charged and could lead to increased leasing, marketing and refurbishment costs necessary to lease and release suites.

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. 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 arising from past growth.

7.4 Owned Properties

Types of Property Interests

CAPREIT's investments in its Canadian property portfolio reflect different forms of property interests, including fee simple, operating leasehold interests and land leasehold interests.

The majority (December 31, 2019 – 70.4%; December 31, 2018 – 76.2%) of CAPREIT's Canadian investments in its apartment and townhome property portfolio, based on total residential suites and MHC land lease sites, are in the form of fee simple, representing freehold ownership of the properties subject only to typical encumbrances that run with the property, including mortgages.

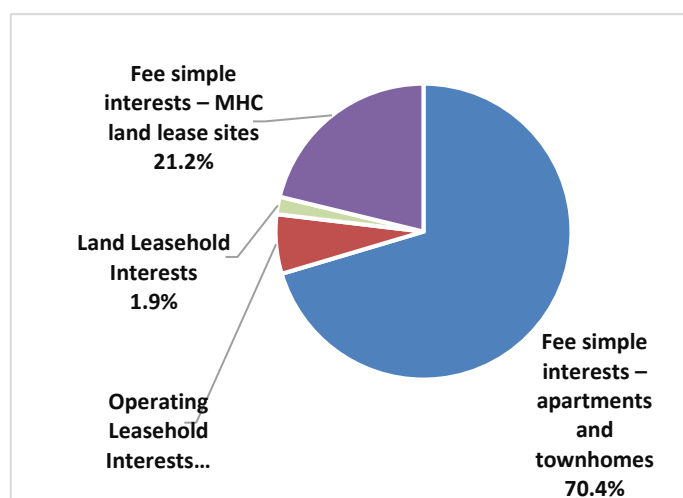
CAPREIT owns leasehold interests in 13 properties located in the GTA. The leases mature between 2033 and 2037. While separate lease arrangements exist for each property, all such leases have a common general structure: each lease is for a 35-year term and the rent for the entire lease term was fully paid at the time the leasehold interest was acquired. Operating leasehold interests accounted for approximately 6.5% of CAPREIT's total Canadian residential suites and MHC land lease sites as at December 31, 2019 (December 31, 2018 – 7.9%). CAPREIT has the option to acquire fee simple interests in 12 of the properties exercisable between the 26th and 35th year of the respective leases. In the case of the 13th property, comprising 327 suites, CAPREIT's option entitles it to acquire a prepaid operating leasehold interest in the property maturing in 2033 and an air rights lease maturing in 2072. The purchase options are independently exercisable, enabling CAPREIT to acquire additional interests in any or all of the properties. The option prices vary by property and by the year in which the option is exercised. If CAPREIT elects to exercise any option

prior to the maturity of the lease term, CAPREIT would be entitled to receive a *pro rata* amount of the prepaid original rent based on the remaining lease term. In addition, under certain circumstances, the option price may be reduced by the unamortized portion of certain capital expenditures incurred during the final ten years of the lease term.

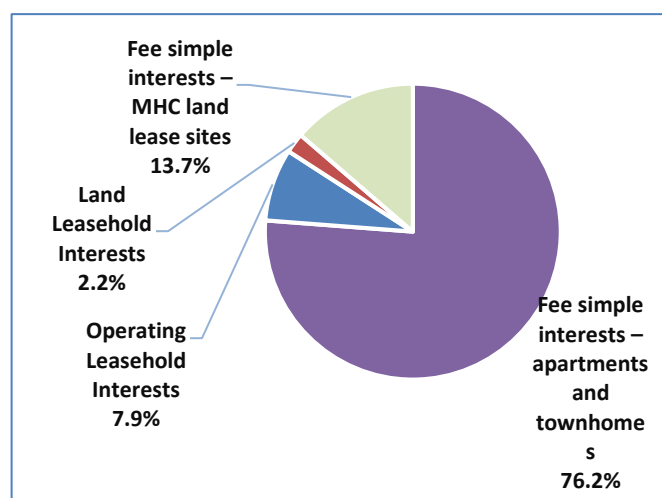
CAPREIT owns ground leasehold interests in four land parcels located in Calgary, Edmonton and Vancouver. CAPREIT has acquired a residential building on each of the four land parcels and must pay ground rent on an annual basis for its use of the land. CAPREIT's leasehold interests in one property matures in 2045, two properties in 2068 and one property in 2070. CAPREIT does not have the right to acquire the land or to extend the lease term upon maturity of the respective leases. These four leasehold interests accounted for approximately 1.9% of CAPREIT's total Canadian residential suites and MHC land lease sites as at December 31, 2019 (December 31, 2018 – 2.2%).

CAPREIT has fee simple interests in 72 MHC land lease sites in Ontario, Québec, British Columbia, Alberta, Nova Scotia, Saskatchewan, New Brunswick, and Prince Edward Island whereby CAPREIT owns lots, which it rents to residents under long-term leases. Interests in MHCs accounted for approximately 21.2% of CAPREIT's total Canadian residential suites and MHC land lease sites as at December 31, 2019 (December 31, 2018 – 13.7%).

As at December 31, 2019



As at December 31, 2018



Portfolio Diversification

CAPREIT's investment property portfolio is diversified by geography and balanced among asset types and demographic segments. CAPREIT's long-term goal is to further enhance the geographic diversification and defensive nature of its portfolio through future acquisitions, as well as through dispositions of non-core and underperforming properties.

The tables that follow provide certain additional information relating to CAPREIT's diversification by geographic region and property type.

Canadian Portfolio by Geography

As at December 31,	2019	%	2018	%
Residential Suites				
Ontario				
Greater Toronto Area	16,155	29.3	15,658	32.5
Ottawa	2,377	4.3	2,377	4.9
London / Kitchener / Waterloo	2,960	5.4	2,407	5.0
Other Ontario	1,702	3.1	1,702	3.5
	23,194	42.1	22,144	46.0
Québec				
Greater Montréal Region	7,655	13.9	7,482	15.5
Québec City	2,517	4.6	2,517	5.2
	10,172	18.5	9,999	20.8
British Columbia				
Greater Vancouver Region	3,551	6.4	3,217	6.7
Victoria	1,550	2.8	1,478	3.1
	5,101	9.3	4,695	9.7
Alberta				
Edmonton	435	0.8	435	0.9
Calgary	1,963	3.6	1,884	3.9
	2,398	4.4	2,319	4.8
Nova Scotia				
Halifax	1,659	3.0	1,659	3.4
Saskatchewan				
Regina	234	0.4	234	0.5
Prince Edward Island				
Charlottetown	643	1.2	537	1.1
Total residential suites	43,401	78.8	41,587	86.3
MHC Sites				
Ontario	3,962	7.2	2,703	5.6
Québec	429	0.8	—	—
British Columbia	488	0.9	272	0.6
Alberta	2,079	3.8	418	0.9
Nova Scotia	127	0.2	—	—
Saskatchewan	376	0.7	380	0.8
Prince Edward Island	772	1.4	504	1.0
New Brunswick	3,447	6.3	2,316	4.8
Total MHC sites	11,680	21.2	6,593	13.7
Total suites and sites	55,081	100.0	48,180	100.0

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

As at December 31, 2019	Net AMR			Occupied AMR			Occupancy %	
	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019	2018
Residential Suites								
Ontario								

Greater Toronto Area	1,451	1,383	4.9	1,464	1,390	5.3	99.1	99.5
Ottawa	1,325	1,260	5.2	1,327	1,261	5.2	99.9	99.9
London / Kitchener / Waterloo	1,023	998	2.5	1,034	1,013	2.1	99.0	98.5
Other Ontario	1,353	1,284	5.4	1,357	1,295	4.8	99.7	99.1
	1,375	1,321	4.1	1,387	1,329	4.4	99.2	99.4
Québec								
Greater Montréal Region	981	941	4.3	989	948	4.3	99.3	99.3
Québec City	1,080	1,054	2.5	1,092	1,065	2.5	98.9	99.0
	1,006	970	3.7	1,014	977	3.8	99.2	99.2
British Columbia								
Greater Vancouver Region	1,448	1,336	8.4	1,462	1,356	7.8	99.0	98.5
Victoria	1,301	1,211	7.4	1,309	1,220	7.3	99.4	99.3
	1,403	1,297	8.2	1,415	1,313	7.8	99.1	98.7
Alberta								
Edmonton	1,192	1,165	2.3	1,217	1,181	3.0	97.9	98.6
Calgary	1,096	1,068	2.6	1,128	1,088	3.7	97.2	98.2
	1,113	1,086	2.5	1,144	1,105	3.5	97.3	98.3
Nova Scotia								
Halifax	1,184	1,125	5.2	1,207	1,141	5.8	98.1	98.6
Saskatchewan								
Regina	1,035	1,035	—	1,057	1,076	(1.8)	97.9	96.2
Prince Edward Island								
Charlottetown	1,083	1,027	5.5	1,093	1,038	5.3	99.1	98.9
Total Residential Suites	1,260	1,204	4.7	1,273	1,215	4.8	99.0	99.2
MHC Sites								
Ontario	489	537	(8.9)	489	538	(9.1)	99.8	99.9
Québec	260	—	100.0	260	—	100.0	100.0	—
British Columbia	477	455	4.8	478	455	5.1	99.8	100.0
Alberta	451	436	3.4	490	439	11.6	91.9	99.3
Nova Scotia	248	—	100.0	250	—	100.0	99.2	—
Saskatchewan	426	400	6.5	427	401	6.5	99.7	99.7
Prince Edward Island	165	149	10.7	165	149	10.7	99.9	99.6
New Brunswick	273	268	1.9	298	287	3.8	91.5	93.5
Total MHC sites	383	395	(3.0)	399	405	(1.5)	96.0	97.6
Total suites and sites	1,069	1,091	(2.0)	1,087	1,103	(1.5)	98.3	98.9

7.5 Portfolio Average Monthly Rents and Occupancy by Geography

The following table summarizes certain aspects of CAPREIT's Canadian properties on a property-by-property basis.

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

As at December 31,	Net AMR			Occupied AMR			Occupancy %	
	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019 AMR (\$)	2018 AMR (\$)	% Change AMR	2019	2018
Residential Suites								
Ontario								
Greater Toronto Area	1,454	1,383	5.1	1,459	1,390	5.0	99.7	99.5
Ottawa	1,325	1,260	5.2	1,327	1,261	5.2	99.9	100.0
London / Kitchener / Waterloo	1,052	998	5.4	1,063	1,013	4.9	98.9	98.5
Other Ontario	1,353	1,284	5.4	1,357	1,295	4.8	99.7	99.1
	1,390	1,321	5.2	1,395	1,329	5.0	99.6	99.4
Québec								
Greater Montréal Region	978	941	3.9	983	948	3.7	99.5	99.3

Québec City	1,080	1,054	2.5	1,092	1,065	2.5	98.9	99.0
	1,003	970	3.4	1,010	977	3.4	99.3	99.2
British Columbia								
Greater Vancouver Region	1,414	1,336	5.8	1,428	1,356	5.3	99.0	98.5
Victoria	1,279	1,211	5.6	1,287	1,220	5.5	99.4	99.3
	1,372	1,297	5.8	1,383	1,313	5.3	99.2	98.7
Alberta								
Edmonton	1,192	1,165	2.3	1,217	1,181	3.0	97.9	98.6
Calgary	1,085	1,068	1.6	1,118	1,088	2.8	97.0	98.2
	1,105	1,086	1.7	1,137	1,105	2.9	97.2	98.3
Nova Scotia								
Halifax	1,184	1,125	5.2	1,207	1,141	5.8	98.1	98.6
Saskatchewan								
Regina	1,035	1,035	0.0	1,057	1,076	(1.8)	97.9	96.2
Prince Edward Island								
Charlottetown	1,047	1,027	1.9	1,057	1,038	1.8	99.1	98.9
Total Residential Suites	1,260	1,199	5.1	1,270	1,209	5.0	99.3	99.2
MHC Sites								
Ontario	550	537	2.4	551	538	2.4	99.8	99.9
British Columbia	468	455	2.9	469	455	3.1	99.6	100.0
Alberta	453	436	3.9	456	439	3.9	99.3	99.3
Saskatchewan	426	400	6.5	427	401	6.5	99.7	99.7
Prince Edward Island	156	149	4.7	156	149	4.7	100.0	99.6
New Brunswick	284	268	6.0	307	287	7.0	92.6	93.5
Total MHC sites	412	395	4.3	424	405	4.7	97.3	97.6
Total Suites and Sites	1,143	1,087	5.1	1,155 ¹	1,115	5.1	99.0	99.0

7.6 Cyclical Nature of the Business

CAPREIT's operations are affected by seasonal cycles and, as such, operating performance in one quarter may not be indicative of potential operating performance in any other quarter of the year. The first and fourth quarters of each year tend to generate weaker performance due to increased energy consumption during the winter months. There may be periods where actual distributions declared may exceed ACFO due to weaker performance in certain periods from seasonal fluctuations, regional market volatility, or from year to year based on the timing of property capital investments and the impact of acquisitions. These shortfalls are funded, if necessary, with CAPREIT's Acquisition and Operating Facility.

7.7 Property Capital Improvements and Investments

Part of CAPREIT's growth strategy includes (i) modernizing our asset base by targeting the purchase of more modern, recently built and brand-new properties in key growth markets ("New Build Properties") and (ii) the acquisition of properties below current replacement costs ("Below Cost Properties") which may require immediate and/or planned capital improvements and repairs. New Build Properties generate higher rents, attract residents with stronger and more stable finances, require much less ongoing maintenance and capital spending, and strengthen the overall long-term diversification of our portfolio. CAPREIT improves the operating performance of Below Cost Properties by investing annually in capital improvements to grow and sustain the portfolio's future rental income potential over the useful economic life.

Prior to acquisition, CAPREIT obtains a building condition audit conducted by an independent professional engineer in respect of each of its properties for the purposes of evaluating the condition and structural integrity of each building and major building and operating components and systems and identifying and assessing the cost of deficiencies that are the subject of any outstanding or likely work orders and/or deferred maintenance items. Each property is measured against a standard that is at least consistent with its market segment and current rent levels. Each building condition audit is completed on the basis of work which is required to be completed within approximately one to five years and may include work which is recommended to be performed in subsequent years. The investments identified by these audits, which include improvements to major building structures, parking garages and balconies, are estimated at the time of acquisition and included in the acquisition analysis to ensure the transaction is expected to be accretive to Unitholders and are funded periodically over several years from mortgage advances or refinancings and equity financings.

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. CAPREIT believes that these building improvement programs, combined with existing suite improvement, common area and environment-friendly and energy-savings initiatives, will enable CAPREIT to reposition its portfolio and maintain high occupancy levels. These investments are expected to continue to increase average monthly rents while improving life safety and resident services. CAPREIT also believes that strategic investments will position the portfolio for improved operating performance as the economy strengthens and will enhance the quality and value of the portfolio over the long term.

For the year ended December 31, 2019, CAPREIT made property and capital investments (excluding head office assets and development) of \$221.2 million, as compared to \$193.5 million for the year ended December 31, 2018.

A breakdown of property capital investments (excluding head office assets and development) is summarized by category below:

Property Capital Investments by Category

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

		155,693	70.3
Total	\$	221,225	100.0

Year Ended December 31, 2018

(\$ Thousands)

Actual Total % of Actual

Non-discretionary property capital investments:

Building improvements	\$	47,612	24.6
MHC infrastructural		1,653	0.9
Life and safety		1,987	1.0
		51,252	26.5

Discretionary property capital investments:

Suite improvements		53,863	27.9
Common area		44,342	22.9
Energy-saving initiatives		20,140	10.4
Equipment		13,243	6.8
Elevators and risers		9,056	4.7
Others		1,031	0.5
MHC common area		527	0.3
		142,202	73.5
Total	\$	193,454	100.0

(1) Includes expenditures related to the European properties.

Set out in the next table is Management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements for 2020 through 2023 for properties owned as of December 31, 2019. Building improvements represent a significant category of property capital investment at present, however may decline in the coming years.

Future Investments in Building Improvements

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

Capital Investment Strategy

CAPREIT's capital investment strategy over the long term will continue to:

- acquire newer properties or value-add properties at prices below their current replacement costs;
- invest in building improvement programs to ensure life safety conditions to reposition the portfolio or newly-acquired assets and to complete value-enhancing

capital investments combined with continued emphasis on improving life safety and resident service;

- direct discretionary capital investments at properties and initiatives, including technological, environmentally-friendly and energy-saving initiatives, where management expects to generate additional NOI as an outcome of the improvements;
- emphasize common area improvements and curbside appeal to maintain CAPREIT's high quality and occupancy goals; and
- focus on initiatives that are environmentally-friendly, energy saving and sustainable including high efficiency boilers, building automation systems, LED lighting fixtures and in-suite smart thermostats that will reduce greenhouse gas emissions and be in a position to benefit from future carbon credit programs, energy-efficient lighting systems and water savings.

7.8 Environmental

CAPREIT is exposed to potential liability in respect of environmental hazards or under various environmental laws and regulations (see "Risk Factors – Environmental Matters") accordingly management has developed environmental policies, procedures and practices to protect the environment and minimize CAPREIT's risks and liabilities.

Pursuant to the Declaration of Trust, unless determined otherwise by the Board of Trustees, it is CAPREIT's operating policy to obtain environmental assessments, conducted by a qualified independent environmental engineering firm, as an integral component of pre-acquisition due diligence.

Where an environmental assessment results in recommendations for further investigation, it is CAPREIT's standard practice to undertake these additional investigations through qualified independent professional environmental engineers until the issue is fully understood and/or resolved. CAPREIT also follows this practice for the acquisition of development land and the redevelopment of existing properties.

Environmental assessments are also reviewed and updated in advance of financing or refinancing, to fulfill any development requirements, and general due diligence of any property to assess for any changes in the environmental condition of a property or environmental legislation that may affect the compliance of a property with new legislated standards.

The environmental assessments which CAPREIT has obtained to date with respect to its properties have not revealed any potential environmental liability that management believes could have a material adverse effect on CAPREIT.

Management believes that CAPREIT can reduce its operational impact on the environment, while improving its long-term financial performance, through integrating responsible strategies and practices into every aspect of the business. By optimizing energy and water consumption at our buildings, providing employees and residents with conservation and waste diversion tools, and implementing sustainability practices across our portfolio.

Most of CAPREIT's Canadian portfolio is heated with natural gas, a clean-burning energy source. The remainder of the portfolio is heated using electricity or heating oil, and over the last few years, a number of such properties were converted to natural gas, reducing overall emissions produced, as well as operating costs. CAPREIT has also implemented a suite-metering program, installing individual meters in suite, in parts of its property portfolio where possible. Upon lease turnover, new rental agreements include metered billing payable by the resident, which acts as the strongest incentive to reduce energy consumption by tenants.

One of CAPREIT's strategies is to assess the application of energy-efficient and sustainable initiatives at every newly acquired property promptly upon acquisition, along at new development builds where feasible. These energy-efficiency initiatives, with favourable payback periods, include:

- Installation of new high-efficiency boilers and chillers;
- Installation of building automation systems to better control equipment performance and tenant comfort;
- Installation of efficient LED and fluorescent lighting technology in suites and common areas;
- Optimize electricity consumption by way of sub-metering;
- Use of reflective panels to cost-effectively reduce heat-loss;
- Regular cleaning of in-suite heating coils, fans and radiators; and
- Installation of intelligent water pumping systems to further reduce electricity use.

These boiler plants are then remotely monitored by CAPREIT, allowing for optimal temperatures for residents' comfort with minimal energy waste. Each of these initiatives requires an initial capital investment by CAPREIT but has resulted in significant decreases in energy usage and related costs. Another initiative with no upfront capital cost is the regular cleaning of all in-suite heating coils, fins and radiators by building staff, which notably reduces energy waste.

Expenditures on energy consumption optimization investments were approximately \$15.1 million in 2019, \$20.1 million in 2018 and \$12.4 million in 2017.

Similar to the strategy for reducing energy consumption, CAPREIT also promptly installs a variety of water-efficient equipment at every newly acquired property, as previously owned properties have already been modernized. Such initiatives include the use of next-generation, ultra-high-efficient toilets, low-flow showerheads and faucets using aerators as well as high-efficiency laundry facilities. Additionally, CAPREIT's commitment to reduction of water consumption continues with mature properties whereby equipment has been upgraded more than once when newer and cost-effective technology has allowed even greater reduction in water usage. Inspections are conducted on a regular basis to check for leaks and change faulty devices.

Waste-management is also a key element of CAPREIT's operational focus which expands across all levels of its business mandate. Beginning in 2007, CAPREIT implemented a waste diversion strategy and expanded recycling initiatives across its properties. Management believes this strategy is effective to improve its waste diversion efforts and reduce the volume of waste

going to landfills. CAPREIT's waste management strategy includes providing recycling and composting solutions to its residents through signage and training and installing garbage compactors to reduce the number of bin pickups, ensuring there are no pre-existing contaminations prior to property acquisitions, and revitalizing existing residential properties to facilitate greater urban density, which ultimately reduces pollution.

7.9 Divestitures

As a component of CAPREIT's growth strategy, CAPREIT monitors its portfolio and, from time to time, identifies certain non-core properties for divestitures. The funds from these divestitures are used to acquire additional strategic assets better suited to CAPREIT's portfolio composition and property management objectives, or to retire existing debt. For the year ended December 31, 2019, other than the ERES Sale Transactions, there were no divestitures. Please see "Three Year Development – Property Acquisitions and Dispositions."

7.10 Mortgage Financing

CAPREIT takes a conservative approach and actively manages its mortgage portfolio to reduce interest costs while ensuring it is not overly exposed to interest rate volatility risk. Management takes a portfolio approach to its mortgage debt, proactively staggering maturities to reduce risk while taking advantage of the current low interest rate environment. Management is also focused on ensuring the portfolio weighted average term to maturity remains above the five-year range or longer and expects to gradually extend the term, while continuing to balance the maturity profile. CAPREIT is required to comply with limitations on its debt contained in the Declaration of Trust and under the terms of its other borrowing agreements. As at December 31, 2019, CAPREIT was in compliance in all material respects with the debt restrictions under the Declaration of Trust and under the terms of its borrowing agreements.

As at December 31, 2019, the weighted average interest rate on outstanding mortgage indebtedness for CAPREIT's Canadian portfolio was 3.07% (December 31, 2018 – 3.19%), excluding 0.06% (December 31, 2018 – 0.06%) for amortization of the realized component of loss on the settlement of derivative financial instruments in accumulated other comprehensive loss ("AOCL").

In Canada, CAPREIT focuses on ownership of multi-unit residential real estate which is eligible for government-backed mortgage insurance administered by CMHC (with the exception of MHCs). As a result, CAPREIT is able to obtain lower interest rates than are available under conventional mortgages and the overall renewal risk for mortgage refinancing is reduced as the mortgage insurance premium is transferable between CMHC approved lenders and is effective for the full amortization period of the underlying mortgage (ranging between 25-35 years). As at December 31, 2019, 98.3% of CAPREIT's mortgage debt was CMHC insured (excluding MHCs) (December 31, 2018 – 97.5%).

The large borrower agreement with CMHC dated August 9, 2010 ("LBA") provides for, among other things, the cross-collateralization of mortgage loans for CAPREIT's largest CMHC-insured mortgage lenders, secured by the registration of fixed and floating charge debentures on each such lender's pool of charged CAPREIT properties. Such debentures are subordinate to the

charges securing the related mortgage loans and senior to the debentures securing the Acquisition and Operating Facility.

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

As at December 31, 2019

(\$ Thousands)

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

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

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

(3) Included in mortgages payable is a \$65 million non-amortizing credit facility on two of the MHC sites.

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

As at December 31, 2019

(\$ Thousands)

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

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

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

7.11 Credit Facilities

As of December 31, 2019, CAPREIT's Credit Facilities (excluding ERES) included the \$740 million Acquisition and Operating Facility, the \$200 million Second Temporary Bridge Facility and the existing \$65 million non-revolving term credit facility. The \$200 million Second Temporary Bridge Facility matured on March 15, 2020. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities. The Acquisition and Operating Facility is secured by fixed charge debentures on most of CAPREIT's properties, and floating charge debentures on all of CAPREIT's properties. In each case, such debentures are subordinate to the charges securing CAPREIT's mortgage financing. The margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year.

With respect to the Acquisition and Operating Facility, the aggregate principal amount of all advances (including Canadian dollar, US dollar LIBOR and Euro LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed \$740 million.

At December 31, 2019, the borrowings outstanding under the Euro-denominated facility were €4.7 million (\$6.8 million) and bear interest at the Euro LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%.

The table below summarizes CAPREIT's (excluding ERES') bank indebtedness position as at December 31, 2019 and December 31, 2018:

As at December 31, 2019 (\$ Thousands)	Acquisition and Operating Facility
Facility ⁽¹⁾	\$ 740,000
Less: USD LIBOR Borrowings ⁽²⁾	(579,821)
Euro LIBOR Borrowings ⁽³⁾	(6,846)
Letters of Credit	(7,163)
Available Borrowing Capacity	\$ 146,170
Weighted Average Floating Interest Rate	1.08%

As at December 31, 2018 (\$ Thousands)	Acquisition and Operating Facility
Facility ⁽⁴⁾	\$ 640,000
Less: USD LIBOR Borrowings ⁽²⁾	(255,105)
Euro LIBOR Borrowings ⁽³⁾	(312,260)
Letters of Credit	(6,310)
Available Borrowing Capacity	\$ 66,325
Weighted Average Floating Interest Rate	1.45%

⁽¹⁾ In addition to the Acquisition and Operating Facility, there is a \$200,000 bridge facility in place. There were no amounts drawn on this bridge facility as of December 31, 2019. This bridge facility expired March 15, 2020.

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

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

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

7.12 Employees

As of December 31, 2019, CAPREIT employed 1,026 individuals (December 31, 2018 – 897) in various capacities at CAPREIT’s corporate and regional offices and on site at its properties.

7.13 Foreign Operations

Effective April 11, 2014, CAPREIT, through the Investment Management Agreement (as amended and restated from time to time) performs certain investment and risk management and property services for IRES, which owns properties Ireland. In addition, CAPLP holds beneficial interest in 95.5 million ordinary shares of IRES representing approximately 18.3% of the issued and outstanding share capital of IRES, on a fully diluted basis.

On March 29, 2019, CAPREIT completed the reverse acquisition of ECREIT, creating Canada’s first Europe-focused multi-residential REIT. CAPREIT beneficially owns, controls or exercises direction over 142 million ERES Class B LP Units, and 10.2 million ERES Units, which, upon the exchange of such ERES Class B LP Units into ERES Units, represents approximately 66% of the issued and outstanding units, on a fully diluted basis. See “General Developments of the Business – Three Year Developments – ERES Transactions”.

On March 29, 2019, CAPREIT and CAPLP, entered the Asset Management Agreement and Additional Services Agreement. Through these agreements, CAPREIT provides asset management and extensive services and support to ERES.

On October 1, 2017, CANLiving began providing property management services to CAPREIT’s Netherlands properties and continues to do so for ERES.

7.14 Future Trends

The discussion that follows, including as to specific anticipated performance of the investment property portfolio by geographic region, constitutes forward-looking information and is subject to the risk factors and based on the assumptions set out herein (see “Forward-Looking Information” and “Risk Factors”). The ownership interests, expressed as percentages, are based on suite and site count in the province to CAPREIT’s total Canadian suite and site count.

Performance – Geographic Region

With a stable Canadian economy, management believes the multi-unit residential rental business will continue to strengthen in the majority of the markets in which CAPREIT operates. As a result, management expects to generate modest annual increases in overall average monthly rents while stabilizing average occupancies in the range of 97% to 99% in Canada on an annual basis. Management also anticipates operating revenues will benefit from programs over the long term to enhance revenues from parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost control initiatives have proven effective, which should lead to stable NOI over this period. The percentage of the investment

property portfolio interests for each of the regions discussed below are calculated based on suite count.

CAPREIT's investment property residential portfolio interests in Ontario represent 42.1% of CAPREIT's total investment property portfolio interests (including leasehold interests and excluding European properties) and had an occupancy rate of 99.2% as at December 31, 2019 (46% and 99.4% respectively, as at December 31, 2018). Management believes that CAPREIT's Ontario residential market will remain strong and generate steady returns in the medium term.

CAPREIT's investment property residential portfolio interests in Québec represent 18.5% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 99.2% as at December 31, 2019 (20.8% and 99.2% respectively, as at December 31, 2018). Management believes the Québec rental market will remain stable and generate steady to improving returns in the medium term.

CAPREIT's investment property residential portfolio interests in British Columbia represent 9.3% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 99.1% as at December 31, 2019 (9.7% and 98.7% respectively as at December 31, 2018). CAPREIT has established sufficient critical mass to support the establishment of local infrastructure in British Columbia. As a result, CAPREIT is well positioned to build its presence in British Columbia through accretive acquisitions and improve its operating performance. Management believes the British Columbia rental market will remain strong in the medium term.

CAPREIT's investment property residential portfolio interests in Alberta represent 4.4% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 97.3% as at December 31, 2019 (4.8% and 98.3% respectively, as at December 31, 2018). Management believes its well-located properties and CAPREIT's proven property management programs should help to stabilize performance in the province in the near term until the region returns to its more historical rental market levels. In addition, with Alberta residential NOI representing only 4.8% of CAPREIT's total Canadian NOI, it is not overly exposed to any unanticipated significant downturn in the Alberta multi-unit residential rental business.

CAPREIT's Nova Scotia investment property residential portfolio interests represent 3.0% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 98.1% as at December 31, 2019 (3.4% and 98.6% respectively, as at December 31, 2018). CAPREIT expects that its presence in primarily downtown locations in Halifax will serve to maintain or increase occupancy and rents in the medium term.

CAPREIT's Saskatchewan investment property residential portfolio interests represent 0.4% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 97.9% as at December 31, 2019 (0.5% and 96.2% respectively, as at December 31, 2018). CAPREIT believes that it can maintain or improve occupancy levels and average monthly rents, primarily on turnovers, over the medium term for the Saskatchewan market. The overall impact to CAPREIT of its Saskatchewan property portfolio is minimal at less than 0.4% of total NOI and, accordingly, operating improvements are not expected to materially affect the performance of CAPREIT.

CAPREIT's Prince Edward Island investment property residential portfolio interests represent 1.2% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 99.1% as at December 31, 2019 (1.1% and 98.9% respectively, as at December 31, 2018).

CAPREIT's MHC land lease sites investment property portfolio interests represent 21.2% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 96% as at December 31, 2019 (13.7% and 97.6% respectively, as at December 31, 2018). The MHC land lease sites investment property portfolio includes investments in Ontario, Quebec, British Columbia, Alberta, Saskatchewan, Prince Edward Island and New Brunswick. CAPREIT believes that it can maintain or improve occupancy levels and average monthly rents, over the long term. Management believes its MHC land lease sites investment property portfolio will provide accretive growth in the long term.

Management believes the defensive characteristics of its nationwide portfolio and its ongoing strategies to further diversify among Canada's major rental markets and by demographic sector will continue to protect Unitholders from downturns in any specific geographic region or demographic sector. This characteristic is demonstrated by CAPREIT's ability to increase overall average monthly rents and maintain high occupancy levels in the course of the soft economic climate experienced in certain regions over the last few years.

Our Growth Strategies

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

- Management will maintain its focus on maximizing occupancy and average monthly rents in accordance with local conditions in each of its markets. Since its inception in May 1997, CAPREIT's hands-on management style, focus on resident communications and capital investment programs aimed at increasing the long-term value of its properties have contributed to a strong track record of stable portfolio occupancy and average monthly rents.
- Management will continue to focus on reducing its operating costs as a percentage of total revenues. CAPREIT is investing in various environment-friendly and energy-saving initiatives including energy-efficient boilers and lighting systems, and is evaluating all energy purchasing programs to reduce or stabilize overall net energy costs.
- Management will continue to direct its efforts on its building infrastructure improvement programs to upgrade properties across the portfolio and to reposition the portfolio by completing value-enhancing capital investments. These investments are expected to enhance the life safety of residents, improve the portfolio's long-term cash flow generating potential and increase its useful life over the long term.
- Management will continue to prudently focus on accretive acquisitions that meet its strategic criteria and, where possible, enhance CAPREIT's geographic diversification. From time to time, CAPREIT will also identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies. Management believes

the realization and reinvestment of capital are fundamental components of its growth strategy and demonstrate the success of its investment programs.

- Management will continue to seek development opportunities within its portfolio to ensure existing assets are put towards their most accretive use. In addition, CAPREIT will continue to prudently investigate the opportunity to enter into joint venture relationships with other real estate entities to potentially develop new multi-unit rental residential properties on excess land owned by CAPREIT or other vacant land available for sale.
- Management will continue to effectively manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowings on its Credit Facilities. CAPREIT will also appropriately stagger the maturity dates within its mortgage portfolio to reduce exposure in any one year to excessive refinancing risk. Management believes that because of the continuing availability of financing insured by CMHC at a lower cost than is currently available under conventional mortgages, CAPREIT is well-positioned to meet its financing and refinancing objectives at reasonable costs over the medium term.
- Management will continue to maintain its conservative approach to its capital structure, leverage and coverage ratios and strive to further improve its distribution payout ratio, which may enable future distribution increases.
- Management will continue to provide management services to IRES and ERES in order to maximize value for all Trust Unitholders.

7.15 Intangible Properties

CAPREIT has established procedures to protect the trade-marks which are material to the business carried on by CAPREIT, including the trade-marks CAPREIT™ and Canadian Apartment Properties Real Estate Investment Trust™ and the design marks associated with those trade-marks. CAPREIT owns a number of domain names, including caprent.com. The domain name is used in connection with CAPREIT's online presence. The registrations for CAPREIT's trade-marks and domain names are renewable. Procedures are in place to ensure timely renewals.

7.16 Risk Factors

There are certain risks inherent in an investment in the Units and in the activities of CAPREIT, including the following.

Public Health Crises and Disease Outbreaks

Public health crises, including the ongoing health crisis related to the coronavirus (COVID-19) pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a "**Health Crisis**") could adversely impact CAPREIT's and its tenants' businesses, and thereby the ability of tenants to meet their payment obligations, by disrupting supply chains and transactional activities and negatively impacting local, national or global economies. A Health Crisis could further result in: a general or acute decline in economic activity in the countries and regions CAPREIT holds assets, increased unemployment, staff shortages, reduced tenant traffic, mobility restrictions and other quarantine measures, supply shortages,

increased government regulation, 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. All of these occurrences may have a material adverse effect on the business, financial condition and results of operations of CAPREIT. 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, including in respect of the collection of rent or other payment obligations, among other potential adverse impacts, that could have a material adverse effect on CAPREIT's business, financial condition including the fair values of CAPREIT's investment properties and results of operations.

Related to Reporting Investment Property at Fair Value

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

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

Related to Ownership and Operation of Real Property

Real Property Ownership

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of CAPREIT to respond to changing economic or investment conditions. If CAPREIT were required to quickly liquidate assets, there is a risk the proceeds realized from such a sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, CAPREIT is exposed to

adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

Investment Restrictions

CAPREIT has been structured and operates in adherence to the stringent investment restrictions and operating policies set out in its Declaration of Trust and as applicable under tax laws relating to real estate investment trusts (also see “Taxation Related Risks” in this section). These policies cover such matters as the type and location of properties that CAPREIT can acquire, the maximum leverage allowed, environmental matters and investment restrictions. In addition, pursuant to the Declaration of Trust, CAPREIT’s overall leverage is limited to 70% of its reported gross book value, unless a majority of trustees, at their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of CAPREIT. Fluctuations in the capitalization rates of CAPREIT’s properties could impact these fair values and CAPREIT’s debt covenant compliance.

Operating Risk

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

In general, economic conditions will also affect the performance of the portfolio. Additionally, the portfolio is currently weighted with 49.3% of the overall portfolio (by number of suites and sites) in Ontario (29.3% in the GTA), making CAPREIT’s performance particularly sensitive to economic conditions in and changes affecting, Ontario and, in particular, the GTA.

CAPREIT’s investment properties generate income through rental payments made by residents. Residential tenant leases are relatively short, exposing CAPREIT to market rental-rate volatility. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the resident replaced. The terms of any subsequent lease may be less favourable to CAPREIT than the existing lease. Renewal rates may be subject to restrictions on increases to the then current rent (see “Government Regulations” in this section). In addition, the ongoing coronavirus (COVID-19) pandemic could result in legislation or regulations that may restrict CAPREIT’s ability to enforce material provisions under its leases (see “Public Health Crises and Disease Outbreaks”). As well, unlike commercial leases, which are generally “net” leases and allow a landlord to recover expenditures, residential leases are generally “gross” leases (with the exception of sub-metering of certain utilities at some properties) under which the landlord is not able to pass on costs to residents. Moreover, there is no assurance that occupancy levels achieved to date at the properties will continue to be achieved and/or that occupancy levels expected in the future will be achieved. Any one, or a combination, of these factors may adversely affect the cash available to, or the financial position of CAPREIT.

Energy Costs

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

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

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally more restrictive, in recent years. Under various laws CAPREIT could be liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in monitoring its properties, or disposed of by or on behalf of CAPREIT at other locations. The failure to remove, monitor or remediate any such substances, if any, may adversely affect CAPREIT's ability to sell its real estate, or to borrow using such real estate as collateral, and could potentially also result in regulatory enforcement proceedings and/or private claims against CAPREIT. Although CAPREIT is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to CAPREIT in the future or otherwise adversely affect CAPREIT's business, financial condition or results of operations.

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

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

Catastrophic Events

CAPREIT's properties may be impacted by acts of nature, such as climate-related events. Depending on their severity, these events could cause threats to the safety of CAPREIT's tenants and significant damage to CAPREIT's properties and interruptions to CAPREIT's normal operations. CAPREIT may be required to incur significant unanticipated costs to manage the impact of these events. Management of the impact of a catastrophic event would also result in

time and effort being diverted from CAPREIT's day-to-day operations. There is also a possibility that CAPREIT's ability to generate revenues from impacted properties could be significantly impaired. The increased costs, time, effort and potential revenue loss could be more significant if multiple properties or operating regions are impacted by catastrophic events within a relatively short time frame.

Climate Change

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

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

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

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

Insurance

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

Capital Investments

For prudent management of its property portfolio, CAPREIT makes significant property capital investments throughout the period of ownership of its properties (for example, to upgrade and maintain building structure, balconies, parking garages, electrical and mechanical systems). CAPREIT has prepared building condition reports and has committed to a multi-year property

capital investment plan. CAPREIT must continuously monitor its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. CAPREIT requires sufficient capital to carry out its planned property capital investment and repair and refurbishment programs to upgrade its properties or be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to CAPREIT. A significant increase in capital investment requirements or difficulty in securing financing or the availability of financing on reasonable terms could adversely impact the cash available to CAPREIT and its ability to pay distributions.

Related to Financing

Indebtedness

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

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

CAPREIT's Acquisition and Operating Facility matures on June 30, 2022. CAPREIT's Acquisition and Operating Facility is at a floating interest rate and, accordingly, changes in short-term borrowing rates will affect CAPREIT's costs of borrowing. CAPREIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing or cost-effective financing. As at the date hereof, it is difficult to forecast the future state of the commercial loan market. If, because of CAPREIT's level of indebtedness, the level of cash flows, lenders' perceptions of CAPREIT's creditworthiness or other reasons, management is unable to renew, replace or extend the Credit Facilities on acceptable terms, or to arrange for alternative financing, CAPREIT may be required to take measures to conserve cash until the markets stabilize or alternative credit arrangements or other funding can be arranged, if such financing is available

on acceptable terms, or at all. Such measures could include deferring property capital investments, dispositions of one or more properties on unfavourable terms, reducing or eliminating future cash distributions or other discretionary uses of cash, or other, more severe actions. Also, disruptions in the credit markets and uncertainty in the economy could adversely affect the banks that currently provide the Credit Facilities, could cause the banks or a bank to elect not to participate in any new Credit Facilities sought, or could cause other banks that are not currently participants in the Credit Facilities to be unwilling or unable to participate in any such new facility.

Furthermore, given the relatively small size of the Canadian marketplace, there are a limited number of lenders from which CAPREIT can reasonably expect to borrow and the number of lenders currently participating in the CMHC-insured mortgage market is even smaller. Consequently, it is possible that financing which CAPREIT may require in order to grow and expand its operations 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.

Related to Taxes and Regulations

Taxation Related Risks

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

There can be no assurance that Canadian federal income tax laws in respect of the treatment of mutual fund trusts will not be changed in a manner that adversely affects CAPREIT or its Trust Unitholders. If CAPREIT ceases to qualify as a “mutual fund trust”, CAPREIT will be required to pay tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by CAPREIT may have adverse income tax consequences for certain of CAPREIT’s Unitholders, including non-resident persons and trusts governed by registered retirement savings plans, registered disability savings plans, deferred profit-sharing plans, registered retirement income funds, tax-free savings accounts and registered education savings plans (“**designated savings plans**”), which acquired an interest in CAPREIT directly or indirectly from another Trust 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, or tax-free savings accounts.

A REIT is defined under the provisions of the Tax Act that apply to a specified investment flow-through (“SIFT”) trust or partnership (the “SIFT Rules”) as a trust that is resident in Canada throughout the taxation year and that satisfies all of the following criteria:

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

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

Excluded from the application of the SIFT Rules is a partnership, such as CAPLP and CAPREIT 2 Limited Partnership, that is not publicly traded and of which the equity (and equity-like debt) is wholly owned by any combination of a SIFT trust, a SIFT partnership, a REIT, a taxable Canadian corporation, a person or partnership that does not have, in connection with the holding of a security of the partnership, property the value of which is determined, all or in part, by reference to a security that is listed or traded on a stock exchange or other public market, or an “excluded subsidiary entity” (as defined in the Tax Act) for the taxation year. If CAPREIT does not qualify for the real estate investment trust exemption rule at any point in time in a given future year, the SIFT Rules will apply to CAPREIT for that taxation year.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgment is required in the estimation of income taxes and deferred income tax assets

and liabilities in each of CAPREIT's operating jurisdictions. Income taxes may be paid where activities carried on by the foreign subsidiaries are considered to be taxable in those countries.

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

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

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

Rent Control Regulation

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

The availability of affordable housing and related housing policy and 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., including in relation to the ongoing coronavirus (COVID-19) pandemic, may become more stringent in the future. CAPREIT may incur increased operating costs as part of its compliance with any such additional government legislation and regulations relating to housing matters, which may have an adverse effect on revenues.

Additional information relating to each province where CAPREIT owns properties is provided below:

In Ontario, the *Residential Tenancies Act, 2006* (Ontario) (the “**RTA**”), which came into force January 31, 2007, provides restrictions upon the ability of a landlord to increase rents above an annually prescribed guideline, and requires that the landlord give tenants ninety days’ prior written notice of an increase in rent. Unless landlord and tenant mutually agree that landlord will add a parking space or an additional “prescribed” service, facility, privilege, accommodation or thing, rent cannot be increased more than once in any twelve-month period, or at least twelve months after a new tenant has taken occupancy of a unit.

The *Rental Fairness Act, 2017* (Ontario) (“**RFA**”), which received royal assent on May 30, 2017, amended the RTA including certain provisions dealing with rent control in Ontario. The amendments by the RFA expand the limits on annual rent renewal increases to include apartment buildings built after 1991. These buildings were previously exempt from the annual prescribed guideline. Currently only 5% of CAPREIT’s total Ontario portfolio consists of rental suites built after 1991. As a resident focused landlord, CAPREIT has consistently adhered to the government mandated rent guidance increases on all of its Ontario properties, including those constructed after 1991. Thus, the changes to the rent control provisions on the RTA will not have an impact on CAPREIT’s projected rental revenues.

Schedule 36 of the *Restoring Trust, Transparency and Accountability Act, 2018* (“**RTTA**”), which received royal assent on December 6, 2018, amended the RTA to exclude certain rental units from the restrictions on rental increases in Ontario. As a result of the changes contained in the RTTA, the restrictions on rental increases found in the RTA will not apply: (i) if the rental unit is located in a building, mobile home park or land lease community and no part of the building, mobile home park or land lease community was occupied for residential purposes on or before November 15, 2018; or (ii) the rental unit is entirely located in an addition to a building, mobile home park or land lease community and no part of the addition was occupied for residential purposes on or before November 15, 2018. A similar exemption exists for detached, semi-detached or row houses that: (i) on or at any time before November 15, 2018, contained not more than two residential units, as defined in the RTA; (ii) the rental units became residential units after November 15, 2018; and (iii) at the time the rental unit was first occupied as a residential unit, the owner or one of the owners, as applicable, lived in another residential unit in the detached house, semi-detached house or row house, or the rental unit is located in a part of the detached house, semi-detached house or row house which was unfinished space immediately before the rental unit became a residential unit. The above-noted exemption does not apply with respect to a rental unit that is subject to a tenancy in respect of which a tenancy agreement was entered into on or before November 15, 2018.

The Ontario guideline for 2020 is 2.2% for rent increases between January 1 and December 31, 2020. The guideline applies to most private residential units covered by the RTA. The guideline does not apply to vacant residential units, social housing units, nursing homes and commercial properties. Pursuant to the RTA, this guideline also does not apply to new buildings, additions to existing buildings and most new basement apartments that are occupied for the first time for residential purposes after November 15, 2018. The Ontario guideline is calculated using the Ontario Consumer Price Index, a Statistics Canada tool that measures inflation and economic

conditions over a year. Data from June to May is used to determine the guideline for the following year. Effective June 19, 2012, the Ontario provincial government amended the RTA so that the guideline for a calendar year shall not be more than 2.5%.

A landlord and tenant may mutually agree to increase the rent charged to the tenant for a rental unit above the guideline if the landlord has carried out or undertakes to carry out a specified capital expenditure in exchange for the rent increase; or the landlord has provided or undertakes to provide a new or additional service in exchange for the rent increase. As a result of the changes to the RTA by the RFA, a landlord shall not increase rent in this situation by more than the guideline plus 3% of the previous lawful rent charged and a tenant who enters into such agreement may cancel the agreement by giving written notice to the landlord within five days after signing it.

Absent a mutual agreement to increase rent, in order to increase rents above the guideline, a landlord must make an application to the Landlord and Tenant Board (the “**Board**”) based on an extraordinary increase in the cost for municipal taxes and charges, certain eligible capital expenditures incurred with respect to a residential complex or rental unit therein, or operating costs related to third-party security services provided in respect of a residential complex or building in which rental units are located. As a result of the changes to the RTA by the RFA, a landlord is no longer permitted to bring an application to increase rents above the guideline based on an extraordinary increase in the cost for utilities. An application to the Board must be made at least 90 days before the effective date of the first intended rent increase referred to in the application. If the Board is satisfied that an order permitting the rent charged to be increased by more than the guidelines is justified, the Board shall make an order specifying the percentage by which the rent charged may be increased in addition to the guideline; and specifying a twelve-month period during which an increase may take effect. A rent increase based on capital expenditures or security services may not be more than 3% above the prescribed guideline for each year, provided that if a landlord can justify a larger increase, such increase may be taken over three years. There is no limit for rent increases based on increases in the cost for municipal levies. Furthermore, a landlord’s application to increase rent can be dismissed in the event that the landlord has not completed items in work orders for which the compliance period has expired and which were found by the Board to be related to a serious breach of a health, safety, housing or maintenance standard. Similarly, a tenant can make an application to the Board on the grounds that the residential complex or units in it do not comply with health, safety, housing and maintenance standards, and in such event, the Board can order, among other things, that the landlord complete related items in work orders. As a result, CAPREIT may, in the future, incur capital or other expenditures which may not be fully recoverable from tenants.

The RTA also permits tenants to bring proceedings to reduce rent due to reductions or discontinuances in services or facilities or due to a reduction in the applicable municipal taxes. The RTA also provides for automatic rental reductions upon expiry of prescribed periods where rent has been increased in connection with eligible capital expenditures or upon reductions in municipal taxes.

The RTA provides tenants of residential rental properties with a high level of security of tenure and prescribes certain procedures, including mandatory notice periods, which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may

need to be brought before the Board it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

The applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of CAPREIT to maintain the historical level of earnings of its properties.

In Alberta, landlords are generally restricted from increasing rents payable in respect of existing residential tenancies more than once in a period of 365 days (which period commences on the commencement of the tenancy or the last increase in rent, as applicable). Pursuant to the regulations made under the *Residential Tenancies Act* (Alberta) (the "**AB RTA**"), a landlord shall not increase the rent payable by a tenant under a residential tenancy agreement in respect of a fixed-term tenancy for a term of one year or more. Further, a landlord shall not increase the rent payable by a tenant who is occupying the same premises under 2 or more consecutive residential tenancy agreements in respect of fixed-term tenancies each for a term of less than one year unless 365 days have passed since the commencement of the first of those tenancies or the last increase in rent, whichever is later. Pursuant to the regulations under the AB RTA, if the 365th day occurs during the term of a fixed-term tenancy, the landlord shall not increase the rent until the expiration of that tenancy.

Pursuant to the AB RTA a landlord shall not increase the rent payable under a residential tenancy agreement unless the landlord serves on the tenant a written notice of the increase in rent: (a) in respect of a weekly tenancy, at least 12 tenancy weeks before the effective date of the increase; (b) in respect of a monthly tenancy, at least 3 tenancy months before the effective date of the increase; and (c) in respect of any other periodic tenancy (as that term is defined in the AB RTA), at least 90 days before the effective date of the increase. A residential tenancy agreement could require a period of notice longer than the periods specified by the AB RTA and the landlord must comply with such longer period of notice before increasing the rent payable.

In the case of MHCs, the *Mobile Home Sites Tenancies Act* (Alberta) prescribes that the landlord deliver written notice of a rent increase at least 180 days prior to the date the increase is to be effective; however a tenancy agreement may prescribe a period of notice longer than 180 days and the landlord must comply with such longer period of notice before increasing the rent payable. Further, a landlord shall not increase the rent payable under a tenancy agreement unless 365 days have passed since the commencement of the tenancy or last rent increase.

In British Columbia, landlords are restricted from increasing rents payable in respect of existing residential tenancies within twelve months of the date on which the tenant's rent was first payable for the rental unit or a previous rental increase, and any such rental increases require three months' prior notice to the tenants. The *Residential Tenancy Act*, S.B.C. 2002 (the "**BC RTA**"), and in the case of MHCs, the *Manufactured Home Park Tenancy Act*, S.B.C. 2002 (the "**BC MHTA**"), restrict the ability of a landlord to increase rents above a prescribed amount. Effective September 26, 2018, for rent increases with an effective date on or after January 1, 2019, a landlord may not impose a rent increase that is greater than the percentage amount equal to the inflation rate, or in the case of MHCs, a rent increase that is greater than the sum of the inflation rate, plus a proportional amount (being the sum of the change in local government levies and utility fees in respect of the manufactured home park divided by the number of manufactured home sites in

the landlord's manufactured home park). The inflation rate is the 12 month average percent change in the all-items Consumer Price Index for British Columbia ending in the July that is most recently available for the calendar year in which the rent increase takes effect. The allowable rent increase for 2020 is 2.6% and for MHCs the allowable rent increase is 2.6% plus a proportional amount.

Unless tenants agree in writing, a landlord may only impose a rent increase greater than the prescribed amount by an order granted following an application (fees are between \$300 - \$600) made pursuant to the applicable legislation, followed by notice to all tenants and a hearing. Grounds for a rent increase exceeding the prescribed amount include situations where: (i) the landlord has completed significant repairs or renovations that could not have been foreseen under reasonable circumstances and will not re-occur within a reasonable time period; (ii) where there have been extraordinary increases in operating expenses that have caused the landlord to incur a financial loss; or (iii) financial loss has been incurred arising from an unforeseen increase in financing costs. As a result, CAPREIT may, in the future, incur capital or other expenditures which may not be fully recoverable from tenants, unless such an application was successfully made.

Effective December 11, 2017 in British Columbia, a landlord can no longer apply for a rent increase above the prescribed amount on the basis that the rent is significantly lower than other similar rental units in the same geographic area. Effective also on December 11, 2017, a landlord can no longer require a tenant to move out on the date the tenancy agreement ends unless the landlord is an individual and that landlord or a close family member of that landlord intends in good faith at the time of entering into the tenancy agreement to occupy the rental unit at the end of the term. Unless the landlord and the tenant agree to another fixed term, the tenancy will automatically continue as a month-to-month tenancy until one party serves notice in accordance with the legislation or both parties agree to end the tenancy. The effect of this change is that a landlord can no longer increase rent beyond the prescribed amount between tenancy agreements with the same tenant.

Effective May 17, 2018 in British Columbia, a number of amendments were made to the BC RTA. A landlord must now give four months' notice to end a tenancy for demolition, renovation, repair or conversion of the rental unit and tenants have 30 days to dispute the notice. The previous requirement was two months' notice. If the tenancy is for a fixed term, the effective date of the notice must not be earlier than the end of the fixed term. A tenant has a right of first refusal to enter into a new tenancy agreement at a rent determined by the landlord if the landlord ends their tenancy for the stated purpose of renovating or repairing the rental unit. This right of first refusal applies only to a rental unit in a residential property containing 5 or more units. A landlord must compensate a tenant 12 months' rent (unless otherwise excused by an arbitrator in extenuating circumstances) if the tenant exercises the right of first refusal and, within 45 days before the completion of the renovation or repairs, the landlord does not give the tenant a notice of the availability date of the rental unit and a tenancy agreement to sign. As well, a landlord or purchaser of a rental unit, as applicable, must compensate a tenant 12 months' rent (unless otherwise excused by an arbitrator in extenuating circumstances), if a landlord or purchaser ends a tenancy for the stated reason that (i) the landlord or close family member of the landlord intends to occupy the rental unit, (ii) the landlord has entered into an agreement to sell the rental unit and the purchaser or a close family member of the purchaser intends to occupy the rental unit or (iii)

the landlord intends to demolish, renovate, repair or convert the rental unit and the landlord or the purchaser do not take steps to accomplish the stated purpose for ending the tenancy within a reasonable period after the effective date of the notice or do not use the rental unit for the stated purpose for at least 6 months beginning within a reasonable period after the effective date of the notice.

Effective June 6, 2018 in British Columbia, there are new requirements when a landlord gives a 12 month notice to end a tenancy under the BC MHTA to convert all or a significant portion of the manufactured home park to a non-residential use or a different residential use. A landlord must compensate a tenant \$20,000 on or before the effective date of the notice and a tenant can apply for additional compensation equal to the difference between the assessed value of the home and \$20,000 in certain circumstances. A landlord must also compensate a tenant the greater of 12 months' rent or \$5,000 (unless excused by an arbitrator in extenuating circumstances) if a manufactured home park is closed to be converted for residential or non-residential use and steps have not been taken to accomplish the stated purpose for ending the tenancy within a reasonable period after the effective date of the notice.

In Nova Scotia, Section 10 (3A) of the *Residential Tenancies Act* (the "NS RTA") states that a landlord shall not give to the tenant a notice to quit residential premises except in accordance with Section 10. Section 10 then sets out the limited circumstances under which a landlord may provide notice to quit. Under the NS RTA (subsection 1(6A)) tenants are granted a right of redemption. Where a year-to-year, month-to-month or fixed term tenant is in arrears, within 15 days of receiving a notice to quit, the tenant may pay the rent that is in arrears and upon payment, the notice to quit is void. Alternatively, a tenant may apply to the Director for an order setting aside the notice to quit. The NS RTA provides that the Director may set aside a notice to quit given by a landlord.

The NS RTA provides that landlords are restricted from increasing rents payable in respect of existing residential tenancies more than once in a period of one year (a withdrawal of services is deemed to be a rent increase) and any such rental increases require four months' prior notice for a year-to-year or month-to-month lease or eight weeks' notice for a week-to-week lease (Section 11). For a fixed-term lease, the lease must set out the amount and effective dates of any increases.

2018 saw a number of amendments to the NS RTA. Amendments to subsections 10A(3) and (4) were among the few that were in force as of January 2019. The changes to these provisions eliminate the need for landlord consent when a tenant wishes to change the term of a year-to-year lease to month-to-month, although the tenant must still provide 3 months' notice. The 2018 amendments also introduced a new provision, section 10AA, setting out the limited circumstances in which a landlord may terminate existing tenancies for the purpose of selling a residential complex. Finally, amendments to section 15 modify the rules of service on applications to the Director.

Manufactured Homes have unique status under the NS RTA, which defines "Manufactured Home" to include any trailer designed to be equipped with wheels, regardless of whether it is so equipped, and intended to provide a residence. Two or more occupied Manufactured Homes on a single parcel make up a "Land Lease Community". A plot of ground within a Land Lease Community designed to accommodate a Manufactured Home is defined as

a “Manufactured Home Space”. Note that the NS RTA provisions apply equally to each of a Manufactured Home and a Manufactured Home Space.

Leases of Manufactured Homes and Home Spaces are subject to a unique set of a statutory conditions, set out in subsection 9(2) of the NS RTA, which place a number of restrictions and obligations on landlords. For instance, a landlord cannot, by the inclusion of a term in the lease agreement or otherwise, restrict the tenant’s ability to sell or lease the tenant’s own trailer. However, a tenant who chooses to do so must obtain the landlord’s consent to a sale or sublease, which the landlord cannot unreasonably withhold. The NS RTA restricts landlords from accepting any commission in respect of a grant of consent. A landlord who assists a tenant in negotiating the sale or lease of their manufactured home cannot, without a written agency agreement, accept any compensation. In terms of the overall maintenance of the Land Lease Community, landlords are responsible for ensuring its compliance with municipal by-laws. While landlords cannot prevent tenants from purchasing goods and services from providers of the tenants’ own choosing, they are permitted to set minimum standards for Manufactured Home equipment. The restrictions and obligations outlined above are all in addition to the standard statutory conditions set out in subsection 9(1) of the NS RTA.

With respect to rental increases, the same restrictions apply to leases of manufactured homes with one notable exception. Landlords who wish to increase the rent payable in respect of an existing tenancy must serve the tenant with written notice of the increase no later than 7 months prior to the anniversary date (Section 11(2)). For manufactured homes, annual rental increases, referred to as the Annual Allowable Rental Increase Amount (the “AARIA”), are governed by regulation (Section 11B). The AARIA for 2020 is 1.7%. There is a provision permitting a landlord to make an application for a rental increase greater than the AARIA, pursuant to guidelines governed by applicable regulations.

In New Brunswick, the *Residential Tenancies Act* (the “NB RTA”) sets out certain restrictions on landlords. In order to increase rent, a landlord must provide a tenant with the proper amount of written notice of the increase. The amount of the notice depends on the type of tenancy and whether the tenant lives on a mobile home site or is a long-term tenant. If the tenancy is weekly or monthly, two months’ notice is required. For yearly and fixed term tenancies, three months’ notice must be given to tenants.

The NB RTA provides that a tenant is a long-term tenant if the same tenant has lived in the same rental for at least five years in a row. The landlord must give three months’ written notice to increase the rent to long-term tenants, and the landlord may only increase the rent fairly and by the same amount as other similar units in the same building or only by what is reasonable in other similar units in the same area. In the event a tenant disputes the increase, he or she can apply to the rentalsman within fifteen days of receipt of the notice to have the increase reviewed. The rentalsman will require the landlord establish that the requirements necessary for increasing rent have been met.

In the event the tenant is a tenant of a mobile home site, pursuant to the NB RTA the landlord must give at least six months’ written notice. In addition, the landlord must also increase the rent for each mobile home site in the mobile home park or in the same area of the park by the same percentage. As with long-term tenants, a tenant of a mobile home site may apply to the

rentalsman to have the notice reviewed, and the landlord will be required to establish it has met the necessary requirements for increasing rent.

In Prince Edward Island, the *Rental of Residential Property Act* R.S.P.E.I. c. R-13.1 (the “**PEI RRPA**”) is administered by the Director of Residential Rental Property (the “**PEI Director**”) who is appointed by the Island Regulatory and Appeals Commission (the “**PEI Commission**”).

The PEI RRPA provides that lessors are restricted from increasing rent more than once in a 12 month period, and must provide the lessee, in the case of a monthly rental arrangement, with at least 3 months’ notice, and the case of a weekly rental arrangement, at least 3 weeks’ notice, of any increase in rent using the prescribed Form 10. The amount of rent increase shall not exceed the prescribed percentage amount established by order of the PEI Commission between January 1 and December 31 of any year. The allowable percentage increase for 2020 is 1.30% for furnace oil or other petroleum source heated premises, 1.30% for non-heated premises, and 1.30% for mobile home sites in mobile home parks.

Where lessors seek a rent increase greater than the permitted percentage for any given year, application is required to be made to the PEI Director for approval of the proposed increase no later than 10 days after notifying the lessee. Application must be made on the prescribed Form 12 and served on the lessee. A lessee may apply to the PEI Director, no later than 10 days after being served with a Form 12, to have the PEI Director review the proposed rent increase. Application must be made by the lessee on prescribed Form 13. The PEI Director will then give notice of the place and date of hearing to the lessor and lessee. Factors that the PEI Director may consider at the hearing include: (a) whether the increase in rent is necessary to prevent financial loss by the lessor in operation of the building; (b) increased operating costs or capital expenditures as advised by the lessor; (c) the expectation of the lessor to have a reasonable return on his capital investment; and (d) any other matters as may be prescribed by the regulations. The lessor may not charge or collect a rent increase pending the outcome of a rental increase application. A right of appeal lies to the PEI Commission from a decision of the PEI Director within 20 days of the date of the decision, and shall be heard within 30 days of receipt of notice of the appeal.

In Saskatchewan, pursuant to *The Residential Tenancies Act, 2006*, SS 2006, c R-22.0001 and the regulations made thereunder (collectively, the “**Saskatchewan RTA**”), landlords are restricted from increasing rents payable in respect of fixed term tenancies unless the amount of the increase and time when an increase is to come into effect were agreed to between the landlord and the tenant at the time they entered into the tenancy agreement. No later than two months before a fixed term tenancy ends, a landlord must provide written notice to fixed lease tenants regarding its willingness to enter into a new agreement and, if willing, to specify the terms of the new agreement. The notice must be in the approved form and must also state that a failure by the tenant to respond will be deemed to be a rejection of the offer to enter into a new tenancy agreement. There are no legislated restrictions on the amount of an increase in rent a landlord can specify in the new agreement.

The Saskatchewan RTA provides landlords, such as CAPREIT, who are members in good standing of the Saskatchewan Landlord Association Inc. (“**SKLA**”), with preferred rent increase timelines for periodic tenancies. Landlords who are members of SKLA, such as CAPREIT, are restricted from increasing rents payable in respect of existing periodic tenancies or existing mobile home sites more than once in a period of six months and any such rental increase requires

six months' prior notice to the tenants. For new periodic tenancies and new mobile home sites, landlords are restricted from increasing rents payable until twelve months after the commencement of the tenancy, and thereafter six months after any previous increase, and any such rental increase requires six months' prior notice. There is no restriction in the Saskatchewan RTA on the amount by which a landlord can increase rent for periodic tenancies and an increase in rent for additional occupants is not subject to the above time or notice provisions provided the written tenancy agreement sets out the amount by which rent varies with the number of occupants. Notwithstanding a landlord's ability to increase rent in accordance with the time and notice provisions, landlords cannot terminate or restrict services or facilities, nor impose or increase a charge for a service or facility unless the tenant agrees or the landlord obtains an order from the Office of Residential Tenancies.

The Saskatchewan RTA creates three restrictions which are unique to landlords of MHC. Pursuant to the Saskatchewan RTA, landlords cannot: (a) limit the occupancy of the mobile home unless the residential property has never been used as a mobile home site; (b) unreasonably restrict or interfere with a tenant's attempt to sell a mobile home situated on the residential property; and (c) charge any fee in connection with a sale or attempted sale of a mobile home situated on the residential property unless the landlord has provided some service with respect to that sale or attempted sale.

In Québec, the Civil Code of Quebec provides restrictions upon the ability of a landlord to increase rents, as well as notice requirements in respect of rent increases. A new tenant or a subtenant may apply to the court for the fixing of the rent if his rent is higher than the lowest rent paid during the twelve months preceding the beginning of the lease or sublease, as the case may be, unless that rent has already been fixed by the court.

A tenant is entitled to maintain occupancy of its premises until renewal of its lease. At the renewal of the lease, the landlord may modify its conditions, particularly the term or the rent, but only if a notice of modification is given to the tenant not less than three months nor more than six months before the expiration of the given lease. If the term of the lease is less than twelve months, the notice shall be given not less than one month nor more than two months before the end of the lease term. A landlord may not modify a lease with an indeterminate term unless he gives the tenant a notice of not less than one month nor more than two months. A tenant who objects to the modification proposed by the landlord is required to notify the landlord, within one month after receiving the notice of modification of the lease, that he or she objects or that he or she is vacating the premises; otherwise, the tenant is deemed to have agreed to the renewal of the lease on the conditions proposed by the landlord. Where a tenant refuses any such rent increase, the landlord may bring an application to a residential tenancies tribunal within one month after receiving the notice of objection, otherwise, the lease is renewed of right on the same conditions. The tribunal reviews such matters on a case-by-case basis. Even if there is no ceiling on rent increases or fixed rates of increase, the tribunal will generally apply the annual percentages prescribed by the Regulation respecting the criteria for the fixing of rent.

Alberta, Nova Scotia (except with respect to MHCs as discussed above) and Saskatchewan do not specifically limit the rents payable by residential tenants.

Controls over Financial Reporting

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

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

Other Legal and Regulatory Risks

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

Related to CAPREIT's Securities, Organization and Structure

Nature of CAPREIT Trust Units

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

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

Unitholder Liability

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

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

Liquidity and Price Fluctuation of Units

CAPREIT is an unincorporated “open-ended” investment trust and its Units are listed on the Toronto Stock Exchange (“TSX”). There can be no assurance that an active trading market in the Units will be sustained.

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

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

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

Dilution

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

Distributions

Cash distributions are not guaranteed. Distributions on the Units are established by the Board of Trustees and are subject to change at the discretion of the Board of Trustees. While CAPREIT has historically made monthly cash distributions to Unitholders, the actual amount of distributions paid in respect of the Units will depend upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of CAPREIT. The market value of the Units will deteriorate if CAPREIT is unable to meet its distribution targets in the future, and that deterioration could be significant. In addition, the composition of the cash distributions for tax purposes may change over time and could affect the after-tax return for Unitholders.

Distribution Reinvestment Plan ("DRIP") Participation

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

Risk related to CAPREIT's investment in ERES

CAPREIT currently beneficially owns, controls or exercises direction over 142 million ERES Class B LP Units and 10.2 million ERES Units, which, upon the exchange of the ERES Class B LP Units into ERES Units, represents approximately 66% of the issued and outstanding units of ERES, on a fully diluted basis. The trading price of ERES Units may be volatile, and subject to fluctuations due to market conditions and other factors which are often unrelated to operating results and which are beyond CAPREIT's control. Fluctuations in the market price and valuations of CAPREIT's holding in ERES may affect the price of the Units.

Potential Conflicts of Interest

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

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

Mark Kenney is President and Chief Executive Officer of CAPREIT. He is also a Non-Executive Director of IRES as IRES Fund Management's nominee. This may give rise to conflicts of interest with his roles at CAPREIT and IRES particularly in any dispute relating to the Investment Management Agreement or the Services Agreement. Voting restrictions have been put in place in the memorandum and articles of association of IRES to manage any conflicts of interest that may arise out of these roles and the Declaration of Trust also contains "conflict of interest" provisions (see "Conflict of Interest Restrictions and Provisions") but such conflicts of interest may still exist.

In addition, certain officers and trustees of CAPREIT are also officers and trustees 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 Declaration of Trust contains "conflicts of interest" provisions requiring trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Dependence on Key Personnel

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

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

Related to the Real Estate Industry

General Economic Conditions

All real property investments are subject to elements of risk. The real value of real property and any improvements thereto depends on the credit and financial stability of residents and the vacancy rates of such properties. The properties generate revenue through rental payments made by residents. CAPREIT is affected by changes in general economic conditions (such as the availability and cost of mortgage funds), local real estate markets (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available rental premises, including new

developments, and various other factors. If a significant number of residents are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms, cash available for distribution may be adversely affected.

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

Competition for Residents

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

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

Competition for Real Property Investments

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

Acquisitions

CAPREIT's external growth prospects will depend in large part on identifying suitable acquisition opportunities that meet CAPREIT's investment criteria and satisfy its rigorous due diligence process. In addition, external growth prospects will be affected by purchase price, ability to obtain adequate financing or financing on reasonable terms, consummating acquisitions

(including obtaining necessary consents) and effectively integrating and operating the acquired properties. Acquired properties may not meet financial or operational expectations due to unexpected costs associated with acquiring the property, as well as the general investment risks inherent in any real estate investment or acquisition, including future refinancing risks. Moreover, newly acquired properties may require significant management attention or property capital investments that would otherwise be allocated to other properties. If CAPREIT is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected.

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

Privacy and Cyber Security Risk

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

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

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

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

degrees, in the event of a breach. Non-compliance with either of the Canadian or European laws would also expose CAPREIT and/or its affiliates to the risks above.

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

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

Foreign Operation and Currency Risks

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

8 - DESCRIPTION OF CAPITAL STRUCTURE AND GOVERNING POLICIES

8.1 General

CAPREIT is an unincorporated "open-end" real estate investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario.

8.2 Trust Units

The beneficial interests in CAPREIT are divided into three classes of trust units, described and designated as Trust Units. The aggregate number of Units and Special Voting Units which CAPREIT may issue is unlimited. The aggregate number of Preferred Units which CAPREIT may issue is limited to 25,840,600. There have not been any Preferred Units issuances to date. The Declaration of Trust provides that the Board of Trustees may create additional classes of units of CAPREIT having such attributes as may be ascribed from time to time provided that, other than Preferred Units, in no event, shall any such additional class of units contain any rights, terms or conditions which are more favourable than the rights terms and conditions attaching to the Units and Special Voting Units outstanding as of the date hereof. As at December 31, 2019, there were 169,869,197 Units (excluding 150,996 Deferred Units (as defined herein) and 542,087 RURs (as defined herein)), and a further 729,783 Units are issuable pursuant to CAPREIT's Unit incentive plans, which consist of a Unit Option Plan (as defined below), Employee Unit Purchase Plan, Deferred Unit Plan and RUR Plan (effective April 4, 2014, the Board of Trustees terminated CAPREIT's Unit Purchase Plan, SELTIP and LTIP (all as defined below)). As at December 31, 2019, there were no Options (as defined below), LTIP and SELTIP issued and outstanding. As at December 31, 2019, there were no Special Voting Units issued and outstanding. As of December 31, 2019, there were no Preferred Units issued and outstanding.

Except as otherwise provided in the terms of a particular series of Preferred Units as fixed by the Board of Trustees, the Units, Special Voting Units or any series of Preferred Units shall not have or be deemed to have any term, condition, right or other attribute which would provide Unitholders, Special Unitholders or Preferred Unitholders of any series with an interest in the income of CAPREIT as a percentage in any distribution received by that Trust Unitholder that is greater or lesser than an interest in the income of CAPREIT as a percentage of any distribution received by the holder of any other Units, Special Voting Units or Preferred Units of any series. As of December 31, 2019, there were no Preferred Units or Special Voting Units issued and outstanding.

Units

Each Unit represents a Unitholder's proportionate undivided beneficial interest in CAPREIT, subject to the rights of Preferred Unitholders. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Each Unit confers the right to one vote at any meeting of Unitholders, except at a meeting of Preferred Unitholders in specified circumstances, and, subject to the rights of Preferred Unitholders, to participate *pro rata* in any distributions by CAPREIT and, in the event of termination of CAPREIT, in the net assets of CAPREIT remaining after satisfaction of the rights of Preferred Unitholders and 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 Board of Trustees without Unitholder approval. No certificates or interests for fractional Units will be issued or credited, as applicable, and fractional Units will not entitle the holders thereof to vote.

Preferred Units

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on May 25, 2016, Unitholders and Special Unitholders approved amendments to the Declaration of Trust to facilitate the issuance of a new class of preferred equity securities, issuable in series, being designated as the Preferred Units. The Preferred Units may be issued from time to time in one or more series, and the Board of Trustees may fix from time to time before such issue the number of Preferred Units which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Units and the currency thereof, including, without limiting the generality of the foregoing, any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of CAPREIT, and any sinking fund or other provisions. No Preferred Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Preferred Units will be issued in registered form and are transferable. Issued and outstanding Preferred Units may be subdivided or consolidated from time to time by the Board of Trustees without Preferred Unitholder approval. No certificates or interests for fractional Preferred Units will be issued or credited, as applicable, and fractional Preferred Units will not entitle the holders thereof to vote.

The Preferred Units of each series shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units) and the distribution of assets of CAPREIT or return of capital in the event of the liquidation, dissolution or winding-up of CAPREIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of CAPREIT among its Unitholders and Special Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and Special Voting Units, and over any other security of CAPREIT ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given such other preferences, not inconsistent with the Declaration of Trust, over the Units, Special Voting Units and any other securities of CAPREIT ranking by their terms junior to the Preferred Units, as may be fixed by the Board of Trustees.

If any cumulative distributions or amounts payable on the return of capital in respect of a series of Preferred Units are not paid in full, all series of Preferred Units of equal ranking shall participate ratably in respect of accumulated distributions and return of capital based on the accumulated distributions and return of capital of a series of Preferred Units as a proportion of the accumulated distributions and return of capital of all series of Preferred Units of equal ranking.

The terms of a particular series of Preferred Units as fixed by the Board of Trustees shall be set out in a "Certificate of Preferred Unit Terms" which certificate shall be approved by the Board of Trustees prior to the issue of such Preferred Units and, upon such approval, the certificate shall become a part of the Declaration of Trust.

Special Voting Units

Holders of Special Voting Units are not entitled to any share of or interest in the distributions or net assets of CAPREIT. Special Voting Units may be issued in series and may only be issued in connection with or in relation to securities of any trust, limited partnership or corporation other than CAPREIT that are convertible or exchangeable directly for Units without

the payment of additional consideration thereof (the “**Exchangeable Securities**”) issued and shall be automatically cancelled on the issuance of Units on exercise, conversion or cancellation of Exchangeable Securities. Subject to the restrictions set forth in the Declaration of Trust, each holder of Special Voting Units is entitled to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities to which such Special Voting Units relate are, directly or indirectly, exchangeable or convertible (other than in respect of Exchangeable Securities which have been so exchanged, converted or cancelled). Holders of Special Voting Units are not entitled to any distributions of any nature whatsoever from CAPREIT nor do they have any legal or beneficial interests in any assets of CAPREIT on termination or winding-up of CAPREIT.

8.3 Meetings of Trust Unitholders

The Declaration of Trust provides that meetings of Trust Unitholders entitled to vote must be called and held for the appointment, election or removal of trustees; the appointment or removal of the auditors of CAPREIT; the approval of amendments to the Declaration of Trust (except as described under “**Amendments to Declaration of Trust**” and except for any amendment resulting from or in connection with the issuance of any new series of Preferred Units or the conversion or reclassification of one series of Preferred Units into another series); provided that Preferred Unitholders shall not be entitled to vote on any amendment which directly or indirectly adds, removes or changes any of the rights, privileges, restrictions and conditions in respect of the Units; and further provided that any amendment which directly or indirectly adds, removes or changes in an adverse manner any of the rights, privileges, restrictions and conditions in respect of any series of Preferred Units cannot occur without the affirmative vote of at least two-thirds of the votes cast at a duly called and held meeting of the Preferred Unitholders of that series or those series so affected, except for in connection with the issuance of any new series of Preferred Units or the conversion or reclassification of one series of Preferred Unit into another series, including the amendment of any right with respect to any outstanding Units or Preferred Units to reduce the amount payable thereon upon termination of CAPREIT or to diminish or eliminate any voting rights pertaining thereto, the amendment of the duration or termination provisions of CAPREIT and the amendment of the powers, duties, obligations, liabilities or indemnification of the trustees; the sale or transfer of the assets of CAPREIT as an entirety or substantially as an entirety other than as part of an internal reorganization of the assets of CAPREIT as approved by the Board of Trustees; and the termination of CAPREIT. Meetings of the Trust Unitholders entitled to vote will be held at such time and place as the Board of Trustees shall prescribe for the purpose of electing trustees, appointing the auditors of CAPREIT and transacting such other business as the Board of Trustees may determine or as may properly be brought before the meeting. The annual meeting of Trust Unitholders entitled to vote shall be held after delivery to the Trust Unitholders of the annual report and, in any event, within 180 days after the end of each fiscal year of CAPREIT, or such later date (not later than fifteen months after holding the last preceding annual meeting of the Trust Unitholders entitled to vote) as the Board of Trustees may determine is in the best interests of the Trust Unitholders, subject to the receipt of all applicable regulatory approvals.

A meeting of Trust Unitholders may be convened at any time and for any purpose by the Board of Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Trust Units then outstanding by a written requisition. A

requisition must state in reasonable detail the business proposed to be transacted at the meeting. Trust Unitholders have the right to obtain a list of Trust Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Canada Business Corporations Act*.

Trust Unitholders entitled to vote at a meeting may attend and vote at all meetings of Trust Unitholders either in person or by proxy and a proxy need not be a Trust Unitholder. Unitholders and Special Unitholders shall be entitled to vote at all meetings of Trust Unitholders, except at a class meeting of the Preferred Unitholders.

8.4 Purchases of Units and Preferred Units

Provided the holder thereof agrees or the terms of the Units or Preferred Units so provide, CAPREIT may from time to time purchase for cancellation Units or Preferred Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof. A Unitholder will not have the right at any time to require CAPREIT to purchase such Unitholder’s Units, except as described under “Right of Redemption” below (see “Market for Securities – Normal Course Issuer Bids”).

8.5 Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units or Special Voting Units, within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (or Special Voting Units, if the take-over bid is made for Special Voting Units), other than Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror, are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) held by Unitholders who did not accept the offer either at the election of such Unitholders, on the terms offered by the offeror or at the fair value of such Unitholders’ Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) determined in accordance with the procedures set out in the Declaration of Trust. The take-over bid provisions of the Declaration of Trust shall apply *mutatis mutandis* to any series of Preferred Units that is the subject of a take-over bid (whether or not the Preferred Units are voting securities or equity securities for the purposes of the *Securities Act* (Ontario)).

8.6 Issuance of Trust Units

CAPREIT may issue new Trust Units from time to time. Trust Unitholders do not have any pre-emptive rights whereby additional Trust Units proposed to be issued are first offered to existing Trust Unitholders. New Units or Preferred Units may be issued for cash through public offerings, through rights offerings to existing Unitholders or Preferred Unitholders (i.e., in which Unitholders or Preferred Unitholders receive rights to subscribe for new Units or Preferred Units in proportion to their existing holdings of Units or Preferred Units, as applicable, which rights may be exercised or sold to other investors) or through private placements (i.e., offerings to specific investors which are not made generally to the public or existing Unitholders or Preferred

Unitholders), except that Special Voting Units shall only be issued in connection with the issuance of Exchangeable Securities. In certain instances, CAPREIT may also issue new Trust Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which Trust Units may be issued will be determined by the Board of Trustees, and in the case of offerings of Units or Preferred Units, generally in consultation with investment dealers or brokers, if applicable, who may act as underwriters or agents in connection with such offerings.

8.7 Right of Redemption

Units (but not Preferred Units and Special Voting Units) are redeemable at any time on demand by the holders thereof upon delivery to CAPREIT of (i) the certificate or certificates representing such Units to be redeemed or (ii) written instructions as to the number of Units to be redeemed, accompanied by a duly completed and properly executed notice requesting redemption. A Unitholder not otherwise holding a registered Unit certificate that wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to CAPREIT and to CDS. No form or manner of completion or execution shall be sufficient unless the same is in all respects reasonably acceptable to the Board of Trustees and is accompanied by any further evidence that the Board of Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Upon receipt of the redemption request by CAPREIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten (10) trading day period ending on the date on which the Units are surrendered to CAPREIT for redemption; and (ii) the "closing market price" of the Units on the principal market on which the Units are quoted for trading on the date that the Units are surrendered to CAPREIT for redemption.

"**Market price**" will be an amount equal to the simple average of the closing price of the Units for each of the ten (10) trading days on the principal market on which the Units are quoted for trading and on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Units traded on a particular day, the market price shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five (5) of the ten (10) trading days, the "market price" shall be the weighted average of the following prices established for each of the ten trading days: the average last bid and last ask prices for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides for a closing price; and the weighted average of the highest and lowest price of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day. The "**closing market price**" on a particular day shall be an amount equal to the closing price of the Units if there was a trade on that day and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of Units if there was trading and

the exchange or other market provides only the highest and lowest prices of Units traded on that day; and the weighted average of the last bid and last ask prices of the Units if there was no trading on that day.

The aggregate cash Redemption Price payable by CAPREIT in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that (i) the total amount payable by CAPREIT in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that such limitation may be waived at the discretion of the Board of Trustees; (ii) at the time such Units are tendered for redemption the outstanding Units of CAPREIT shall be listed for trading on a stock exchange or traded or quoted on any other market which the Board of Trustees considers, in its sole discretion, provides representative fair market value prices for the Units; or (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the ten day trading period commencing immediately after the date on which the Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for such Units shall be satisfied by the distribution *in specie* of certain securities held by CAPREIT, as determined by the Board of Trustees and, subject to any applicable regulatory approvals. No fractional securities owned by CAPREIT (the “**Securities**”) will be distributed and where a number of Securities to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. CAPREIT shall be entitled to all income paid or accrued and unpaid on the Securities on or before the date of the distribution *in specie*. The holders of Securities will be subject to the provisions of all material agreements that relate to such Securities.

8.8 Limitation on Non-Resident Ownership

At no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units or Preferred Units, on a basic or fully-diluted basis (and for greater certainty, including Units into which Exchangeable Securities may be converted or exchanged), and the Board of Trustees shall inform the transfer agent and registrar of this restriction. The transfer agent and registrar, at the request of CAPREIT, shall require declarations as to the jurisdictions in which beneficial owners of Units or Preferred Units are resident. If the transfer agent and registrar becomes aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% of the Units or Preferred Units (on a basic or fully-diluted basis, including Units into which Exchangeable Securities may be converted or exchanged) are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar will advise the Board of Trustees and, upon receiving direction from the Board of Trustees, may make a public announcement thereof and shall not accept a subscription for Units or Preferred Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident and does not hold such Units or Preferred Units for the benefit of non-residents. If, notwithstanding the foregoing, the transfer agent and registrar determines that more than 49% of the Units or Preferred Units

(on a basic or fully-diluted basis, including Units, Preferred Units into which Exchangeable Securities may be converted or exchanged) are held by non-residents, the transfer agent and registrar upon receiving direction and a suitable indemnity from the Board of Trustees, may send a notice to non-resident holders of the Units, Preferred Units or Exchangeable Securities, chosen in inverse order to the order of acquisition or registration or in such manner as the Board of Trustees may consider equitable and practicable, requiring them to sell their Units, Preferred Units or Exchangeable Securities or a portion thereof within a specified period of not more than 30 days. If the Unitholders or Preferred Unitholders receiving such notice have not sold the specified number of Units, Preferred Units or Exchangeable Securities or provided the Board of Trustees with satisfactory evidence that they are not non-residents within such period, the transfer agent and registrar may on behalf of such unitholders sell such Units, Preferred Units or Exchangeable Securities and, in the interim, shall suspend the voting and distribution rights attached to such Units, Preferred Units or Exchangeable Securities (other than the right to receive the net proceeds from the sale). Upon such sale or conversion, the affected holders shall cease to be Unitholders, Preferred Unitholders or Exchangeable Securities and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate, if any, representing such securities.

8.9 Information and Reports

CAPREIT will furnish to Trust Unitholders such consolidated financial statements (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Trust Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each annual or special meeting of Trust Unitholders, the Board of Trustees will provide the Trust Unitholders (along with notice of such meeting) with information similar to that required to be provided to shareholders of a public corporation governed by the *Canada Business Corporations Act*.

8.10 Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments (including termination of CAPREIT) require approval by at least two-thirds of the votes cast at a meeting of the Trust Unitholders called for such purpose by Trust Unitholders entitled to vote thereon. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of the Trust Unitholders called for such purpose by Trust Unitholders entitled to vote thereon.

The Board of Trustees may, without the approval of the Trust Unitholders, make certain amendments to the Declaration of Trust, including:

- amendments for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Board of Trustees or over CAPREIT, its status as a "mutual fund trust", a "registered investment" or, if applicable, a "real estate investment trust" under the Tax Act or the distribution of Units or Special Voting Units;

- amendments which, in the opinion of the Board of Trustees, provide additional protection for the Trust Unitholders;
- amendments, which in the opinion of the Board of Trustees, are necessary or desirable to remove any conflicts or inconsistencies in the Declaration of Trust;
- amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments in the opinion of the Board of Trustees are necessary or desirable and not prejudicial to the Trust Unitholders;
- such amendments to the Declaration of Trust as the Board of Trustees in its discretion deems necessary or desirable as a result of changes in taxation laws or accounting standards from time to time which may affect CAPREIT, Trust Unitholders or annuitants under a plan of which a Trust Unitholder acts as a trustee or carrier;
- amendments, which in the opinion of the Board of Trustees, are not prejudicial to Trust Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Trust Unitholder vote is specifically otherwise required); and
- amendments, which in the opinion of the Board of Trustees, are necessary or desirable to enable CAPREIT to issue Trust Units for which the purchase price is payable on an instalment basis, as permitted pursuant to section 5.4 (Consideration of Units) of the Declaration of Trust.

8.11 Term of CAPREIT and Sale of Substantially All Assets

CAPREIT has been established for an indefinite term. Pursuant to the Declaration of Trust, termination of CAPREIT or the sale or transfer of the assets of CAPREIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of CAPREIT as approved by the Board of Trustees) requires approval by at least two-thirds of the votes cast at a meeting of the Trust Unitholders entitled to vote thereon.

8.12 Unitholders' Rights Plan

CAPREIT has established an amended and restated Unitholders' rights plan agreement (the "**Rights Plan**"). The Rights Plan utilizes the mechanism of a permitted bid (a "**Permitted Bid**") (as hereinafter described) to ensure that a person seeking control of CAPREIT gives Unitholders and the Board of Trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and must be open for 105 days after the bid is made or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* ("**MI 62-104**") must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104. If more than 50% of the Units held by Independent Unitholders (as hereinafter defined) are deposited or tendered to the bid and not

withdrawn, the bidder may take up and pay for such Units. The take-over bid must then be extended for a further period of ten days on the same terms to allow those Unitholders who did not initially tender their Units to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 105-day period, or such shorter period as permitted by MI 62-104, because the bid must be open for acceptance for at least a further ten days after the expiry of the initial tender period. The intention of the Rights Plan is to make it impractical for any person to acquire more than 20% of the outstanding Units without the approval of the Board of Trustees, except pursuant to the Permitted Bid procedures or pursuant to certain other exemptions outlined below. Management believes that the Rights Plan, taken as a whole, should not be an unreasonable obstacle to a serious bidder willing to make a bona fide and financially fair offer open to all Unitholders while permitting the Board of Trustees to fully consider the bidder's offer and, if appropriate, investigate and pursue alternatives.

The terms of the Rights Plan were established on a basis that takes account of concerns previously expressed by institutional investors with respect to certain of the provisions of such plans. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons (see "Portfolio Managers" below).

Summary

The following is a summary of the principal terms of the Rights Plan. The provisions of the Rights Plan shall apply *mutatis mutandis* to Special Voting Units and any series of Preferred Units that are the subject of a take-over bid.

Term

At CAPREIT's annual and special meeting of Trust Unitholders held on June 13, 2019, Unitholders reconfirmed and approved amendments to the Rights Plan. The Rights Plan must be reconfirmed and approved by a resolution passed by a majority of the votes cast by Independent Trust Unitholders who vote in respect of such reconfirmation and approval at a meeting of Unitholders to be held not later than the date of CAPREIT's 2022 annual meeting of Trust Unitholders (or any adjournment or postponement thereof) and thereafter at such meeting to be held, *mutatis mutandis*, every three years thereafter.

Issue of Rights

One right (a "**Right**") has been issued in respect of each Trust Unit outstanding at the Record Time (as defined in the Rights Plan) and one Right has and will be issued in respect of each Trust Unit issued after the Record Time and prior to the Separation Time (as defined below). The initial exercise price of each Right is: (i) until the Separation Time, an amount equal to three times the Market Price (as defined in the Rights Plan), from time to time per Trust Unit and (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Trust Unit, subject to appropriate anti-dilution adjustments.

Rights Exercise Privilege

The Rights will separate from the Trust Units to which they are attached and will become exercisable at the time (the “**Separation Time**”) that is ten trading days after the earlier of: (i) a person having acquired, or (ii) the commencement or announcement date in respect of a take-over bid to acquire, 20% or more of the Trust Units of CAPREIT, other than by an acquisition pursuant to a Permitted Bid.

The acquisition by a person (an “**Acquiring Person**”), including persons acting in concert, of 20% or more of the Trust Units of CAPREIT, other than by way of a Permitted Bid in certain circumstances, is referred to as a “**Flip-in Event**”. Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by CAPREIT or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Trust Units, reported earnings per Trust Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on the certificates for Trust Units (or by a legend included in the registration record of book-entry form Trust Units) and will not be transferable separately from the attached Trust Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates or by book-entry form registration, which will be transferable and traded separately from the Trust Units.

Permitted Bid Requirements

The requirements of a Permitted Bid include the following:

- The take-over bid must be made by way of a take-over bid circular.
- The take-over bid must be made to all holders of Trust Units (or instalment receipts related to Trust Units, if any), other than the bidder.
- The take-over bid must contain, and the provisions for the take-up and payment for securities tendered or deposited thereunder must be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the take-over bid prior to the close of business on a date which is not less than 105 days following the date of the take-over bid or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of MI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104.
- The take-over bid must contain irrevocable and unqualified provisions that securities may be deposited pursuant to the take-over bid at any time prior to the close of business on

the date of first take-up or payment for securities and that all securities deposited pursuant to the take-over bid may be withdrawn, unless restricted by law, at any time prior to the close of business on such date.

- The take-over bid must contain, and the provisions for take-up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the take-over bid unless, at such date, more than 50% of the outstanding Trust Units held by Independent Trust Unitholders (defined below), determined as at the close of business on the date of first take-up or payment for securities under the take-over bid, have been deposited or tendered to the take-over bid and not withdrawn.
- The take-over bid must contain an irrevocable and unqualified provision that in the event that more than 50% of the Trust Units held by Trust Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the “**Independent Trust Unitholders**”) are deposited to the take-over bid and not withdrawn as at the close of business on the date of first take-up or payment for securities under the take-over bid, the offeror will make a public announcement of that fact and the take-over bid will remain open for deposits and tenders of securities for not less than 10 days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid (other than the requirements set out in clause (ii) of that definition in the Rights Plan) and contain, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Trust Units will be taken up or paid for pursuant to the take-over bid prior to the close of business on the date that is no earlier than the minimum number of days such take-over bid must remain open for deposits of securities thereunder pursuant to MI 62-104 after the date of the take-over bid constituting the Competing Permitted Bid.

Waiver and Redemption

The Board of Trustees acting in good faith may, with the consent of the Trust Unitholders (or instalment receipts related to Trust Units, if any), prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event. At any time prior to the occurrence of a Flip-in Event, the Board of Trustees may, at their option, redeem all, but not less than all, of the then outstanding Rights at a price of \$0.00001 each.

Waiver of Inadvertent Flip-in Event

The Board of Trustees acting in good faith may, in respect of any Flip-in Event, waive the application of the Rights Plan to that Flip-in Event, provided that (i) the Board of Trustees have determined that the Acquiring Person became an Acquiring Person by inadvertence and without any intent or knowledge that it would become an Acquiring Person, and (ii) such Acquiring Person has reduced its beneficial ownership of Trust Units (or instalment receipts related to Trust Units, if any) such that at the time of waiver it is no longer an Acquiring Person.

Portfolio Managers

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

Supplement and Amendments

CAPREIT is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or, subject to certain exceptions, which are required to maintain the validity of the Rights Plan as a result of any changes in law or regulation.

General

Until a Right is exercised, the holders thereof, as such, will have no rights as a Trust Unitholder.

9 - EQUITY INCENTIVE PLANS

9.1 Active Plans

(1) Restricted Unit Rights Plan

CAPREIT has adopted a restricted unit rights plan (the “**RUR Plan**”) as the primary plan through which long-term incentive compensation will be awarded. The Human Resources and Compensation Committee of the Board of Trustees may award restricted unit rights (“**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 interest of its Participants with Unitholders through the use of RURs which, upon vesting, are exercisable for Units. RUR Plan Units will be issued from treasury upon vesting.

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 upon which the Distribution RURs are earned become vested.

The maximum available for future issuance under all Unit incentive plans as at December 31, 2019 was 729,783 Units. As at December 31, 2019, 542,087 RURs were issued and outstanding under the RUR Plan.

(2) Employee Unit Purchase Plan

CAPREIT has adopted an employee unit purchase plan (“**Employee Unit Purchase Plan**”) that is available to certain full-time employees and senior officers of CAPREIT (a “**Participant**”). Under the terms of the Employee Unit Purchase Plan, each Participant is entitled to acquire a

number of Units up to a maximum of 10% of their respective annual salary from payroll deductions. A Participant may not assign, transfer or dispose of his interest in the Employee Unit Purchase Plan and CAPREIT reserves the right to amend or terminate the Employee Unit Purchase Plan at any time. Units issuable under the Employee Unit Purchase Plan will be issued at the weighted average trading price of the Units on the TSX for the five trading days immediately preceding the date of issue. In addition, Participants (including “insiders”) receive an additional amount equal to 20% of the Units purchased pursuant to the Employee Unit Purchase Plan, which amount is automatically paid in the form of additional Units at the time of purchase of Units. The maximum available for future issuance under all Unit incentive plans as at December 31, 2019 was 729,783 Units. As at December 31, 2019, 40,340 Units have been issued under the Employee Unit Purchase Plan.

(3) **Deferred Unit Plan**

CAPREIT has adopted a deferred unit plan (the “**Deferred Unit Plan**”) to promote a greater alignment of interests between the non-executive trustees of CAPREIT and Unitholders.

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

Under no circumstances shall Deferred Units be considered Units nor entitle a participant to any Unitholder rights, including, without limitation, voting rights, distribution entitlements (other than as described below) or rights on liquidation. One Deferred Unit is equivalent in value to one Unit.

The Deferred Units earn additional Deferred Units for the distributions that would otherwise have been paid on the Deferred Units. The Deferred Units and additional Deferred 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 his Deferred Unit account and redeem them for Units at any one time or from time to time in any five-year period (a “**Redemption Period**”). The Redemption Period commences on the date the Deferred Units are first credited to a trustee’s Deferred Unit account and expires on the fifth anniversary thereof; with each subsequent Redemption Period occurring in five-year increments thereafter. In the event that a trustee does not elect to withdraw up to a total of twenty percent (20%) of the Deferred Units credited to his Deferred Unit account and redeem them for Units during a Redemption Period, the remaining balance of up to twenty percent (20%) of the Deferred Units credited to his Deferred Unit account at the end of such Redemption Period shall be carried forward to the next Redemption Period. Upon withdrawal, one Unit is issued for each withdrawn Deferred Unit.

The maximum available for future issuance under all Unit incentive plans as at December 31, 2019 was 729,783 Units. As at December 31, 2019, 150,996 Deferred Units have been issued and were outstanding under the Deferred Unit Plan.

(4) Unit Option Plan

CAPREIT has adopted a Unit option plan (the “**Unit Option Plan**”). Participation in the Unit Option Plan is restricted to (i) trustees, officers and employees of CAPREIT, (ii) persons or companies engaged to provide ongoing management or consulting services for CAPREIT, and (iii) personal holding companies or family trusts of any persons referred to in (i) and (ii), all as approved by the Human Resources and Compensation Committee of the Board of Trustees. Options under the Unit Option Plan (the “**Options**”) have a maximum term of ten years and are exercisable at a price not less than the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the date of that grant, except with respect to any options issued to Thomas Schwartz, the former president and chief executive officer, relating to an equity offering, which are exercisable at the greater of the price the Units are issued under such equity offering and the market price. The maximum available for future issuance under all Unit incentive plans as at December 31, 2019 was 729,783 Units. As at December 31, 2019, no Options are outstanding under the Unit Option Plan. The Board of Trustees’ current policy is not to award any further Options under the Unit Option Plan.

(5) Executive RRSP Plan

The CAPREIT Executive Registered Retirement Savings Plan (the “**RRSP Plan**”) was established in 2008 in order to assist designated executives in accumulating retirement savings.

Under the RRSP Plan, CAPREIT or one of its affiliates may make contributions on designated executives’ behalf, in such amounts and in such years as it determines at its sole discretion. The contributions will be deposited into participants’ self-directed RRSP accounts to be used solely for purposes of the RRSP Plan. It is CAPREIT’s general expectation that RRSP Plan contributions will be made annually and equal to 5% of participating executives’ base salary, subject to applicable Tax Act limitations. However, there is no guarantee that contributions will be made in any particular year or that any contributions which are made will equal any specific amount. Without limiting the generality of the foregoing, the making of contributions or the level thereof in any given year may depend on CAPREIT and/or individual performance in that year.

10 - INVESTMENT RESTRICTIONS AND OPERATING POLICIES

10.1 Investment Restrictions

The Declaration of Trust provides for certain restrictions on investments which may be made by CAPREIT. The assets of CAPREIT may be invested only in accordance with the following restrictions:

- (a) CAPREIT shall focus its activities primarily on the acquisition, holding, developing, maintaining, improving, leasing, or management of income producing real property with an emphasis on real property which is being utilized

or intended to be utilized to provide living accommodation (the “**Focus Activities**”);

- (b) notwithstanding anything else contained in the Declaration of Trust, CAPREIT shall not make any investment, take any action or omit to take any action that would result in Trust Units not being units of a “mutual fund trust” within the meaning of the Tax Act, that would result in Units being disqualified for investment by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans or that would, if CAPREIT is a registered investment within the meaning of the Tax Act, result in CAPREIT paying a tax under the registered investment provisions of the Tax Act imposed for exceeding certain investment limits;
- (c) CAPREIT may, directly or indirectly, make such investments, do all such things and carry out all such activities as are necessary or desirable in connection with the conduct of its activities provided they are not otherwise specifically prohibited under the Declaration of Trust;
- (d) CAPREIT may invest in freehold, leasehold, or other interests in property (real, personal, moveable or immovable);
- (e) CAPREIT may make its investments and conduct its activities directly or indirectly through an investment in one or more persons on such terms as the Board of Trustees may from time to time determine;
- (f) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, or money market instruments of, or guaranteed by, a Canadian bank listed on Schedule I to the *Bank Act* (Canada) maturing prior to one year from the date of issue, CAPREIT may not hold securities other than securities of a person:
 - (i) acquired in connection with the carrying on, directly or indirectly, of CAPREIT’s activities or the holding of its assets; or
 - (ii) which focuses its activities primarily on Focus Activities and ancillary activities;
- (g) CAPREIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (h) CAPREIT shall not acquire any interest in a single real property if, after giving effect to the proposed acquisition, the cost to CAPREIT of such acquisition (net of the amount of acquisition debt) will exceed 20% of CAPREIT’s Adjusted Unitholders’ Equity (as defined in the Declaration of Trust);
- (i) CAPREIT may invest in operating businesses;

- (j) CAPREIT may invest in mortgages and mortgage bonds (including a participating or convertible mortgage) where the aggregate amount of such investments after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity; and
- (k) notwithstanding any other provision of the Declaration of Trust but subject always to (b) above, CAPREIT may make investments not otherwise permitted under the Declaration of Trust, provided the aggregate amount of such investments (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by CAPREIT and secured by a mortgage on such property) will not exceed 20% of the Adjusted Unitholders' Equity of CAPREIT after giving effect to the proposed investment.

10.2 Operating Policies

The Declaration of Trust provides that the operations and affairs of CAPREIT shall be conducted in accordance with the following policies:

- (a) CAPREIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 - *Mutual Funds*, as amended from time to time;
- (b) (i) any written instrument creating an obligation which is or includes the granting by CAPREIT of a mortgage, and (ii) to the extent the Board of Trustees determines to be practicable and consistent with its fiduciary duty to act in the best interests of the Trust Unitholders, any written instrument which is, in the judgment of the Board of Trustees, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the trustees, Trust Unitholders, annuitants under a plan of which a Trust Unitholder acts as a trustee or carrier, or officers, employees or agents of CAPREIT, but that only property of CAPREIT or a specific portion thereof shall be bound; CAPREIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by CAPREIT upon the acquisition of real property;
- (c) CAPREIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of CAPREIT (including the amount then advanced under the Credit Facilities) would be more than 70% of the Gross Book Value, unless a majority of the trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of CAPREIT. For the purposes of this subparagraph, "indebtedness" means (without duplication) on a consolidated basis:
 - (i) any obligation of CAPREIT for borrowed money (other than under the Credit Facilities),

- (ii) any obligation of CAPREIT (other than under the Credit Facilities) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions,
- (iii) any obligation of CAPREIT issued or assumed as the deferred purchase price of property, and
- (iv) any capital lease obligation of CAPREIT;

provided that (A) for the purposes of (i) through (iv), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of CAPREIT in accordance with generally accepted accounting principles, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, security deposits, distributions payable to Unitholders or Preferred Unitholders, contingent liabilities and accrued liabilities arising in the ordinary course, and (C) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding;

- (d) CAPREIT shall obtain an independent appraisal of each real property that it intends to acquire;
- (e) CAPREIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of CAPREIT and the accidental loss of value of the assets of CAPREIT from risks, in amounts, with such insurers, and on such terms as the Board of Trustees considers appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- (f) unless the Board of Trustees determines it is not necessary, CAPREIT shall have conducted a Phase I environmental audit of each real property to be acquired by it and, if the Phase I environmental audit report recommends that further environmental audits be conducted, CAPREIT shall have conducted such further environmental audits, in each case by an independent and experienced environmental consultant; such audit, as a condition to any acquisition, shall be satisfactory to the Board of Trustees.

10.3 Amendments to Investment Restrictions and Operating Policies

Pursuant to the Declaration of Trust, all of the investment restrictions set out under the headings “Investment Restrictions” and the operating policies set out under the heading “Operating Policies” may be amended only with the affirmative vote of at least two-thirds of the votes cast at a meeting of Trust Unitholders duly called and held by Trust Unitholders entitled to vote thereon, except for amendments, which in the opinion of the Board of Trustees, are not prejudicial to Trust Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Trust Unitholder vote is specifically otherwise required).

11 - DISTRIBUTIONS

11.1 Distribution Policy

The following outlines the distribution policy of CAPREIT as contained in the Declaration of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Trust Unitholders entitled to vote thereon.

Distributions are determined by the Board of Trustees. All declared distributions are due and payable on or about the 15th day of each month with the exception of the year end distribution which is payable on December 31st and due on January 15th of the immediately following year. Distributions may be adjusted for amounts paid in prior periods. Unitholders of record at the close of business on the distribution record date in respect of a month shall be entitled to receive proportionately any distribution declared payable by the Board of Trustees for such month, subject to the preferential entitlements of Preferred Unitholders.

Distributions are made in cash or Units pursuant to any distribution reinvestment plan or Unit purchase plan.

CAPREIT shall pay or declare payable to Preferred Unitholders of each series as may from time to time be issued and outstanding, and such Preferred Unitholders will have a right to receive, such portion of the income of CAPREIT as the Board of Trustees have determined to distribute to such Preferred Unitholders as prescribed by the rights, privileges, restrictions and conditions established by the Board of Trustees on the creation of such series of Preferred Units. For so long as any Preferred Units remain issued and outstanding, CAPREIT shall not pay or declare payable any amount to Unitholders (other than amounts that are paid solely through the issuance of additional Units) unless and until the distribution entitlements of the Preferred Units have been paid in full.

The cost for Canadian tax purposes of Units or Preferred Units held by a Canadian resident Unitholder or Preferred Unitholder will generally be reduced by the non-taxable portion of distributions made to the Unitholder or Preferred Unitholder, as applicable, other than the non-taxable portion of certain capital gains. A Unitholder or Preferred Unitholder will generally realize a capital gain to the extent that the Unitholder's or Preferred Unitholder's tax cost of his or her Units or Preferred Units, as applicable, would otherwise be a negative amount. Unitholders and Preferred Unitholders should seek advice from their respective tax advisors with respect to any specific tax matters.

11.2 Cash Distributions

For the months January 2017 to February 2017, CAPREIT's (excluding ERES') annualized distribution (the "**Annualized Distribution**") was \$1.25 per Unit payable monthly. For the months of March 2017 to May 2018, the Annualized Distribution was \$1.28 per Unit payable monthly. For the months of June 2018 to February 2019, the Annualized Distribution was \$1.33 per Unit payable monthly. For the months of March 2019 to December 2019, the Annualized Distribution was \$1.38 per Unit, payable monthly. In determining the amount of monthly cash distributions, the Board of Trustees relies upon cash flow information, including NFFO, and management forecasts and budgets.

On February 26, 2019, CAPREIT announced that its Board of Trustees had approved a 2.8% increase in monthly cash distributions to \$0.1150 per Unit, or \$1.38 per Unit on an annualized basis. The increase became effective with the March 2019 distribution paid on April 15, 2019 to Unitholders of record as of March 29, 2019.

The following table summarizes the cash distributions for the last three years as at December 31, 2019.

Distribution Period	Annualized Cash Distributions
January 2017 - February 2017	\$1.25
March 2017 - May 2018	\$1.28
June 2018 - February 2019	\$1.33
March 2019 - December 2019	\$1.38

11.3 Distribution Reinvestment Plan

CAPREIT has established a DRIP. Under the DRIP, a participant may purchase additional Units with the cash distributions paid on the eligible Units which are registered in the name of the participant or held in a participant's account maintained pursuant to the DRIP. Each participant will also receive a right to receive an additional amount equal to 5% of their monthly distributions reinvested pursuant to the DRIP, which amount shall automatically be paid on each distribution date in the form of additional Units. The price at which Units will be purchased with cash distributions will be the weighted average of the trading price for Units of CAPREIT on the TSX for the five trading days immediately preceding the relevant distribution date. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP. Full investment of participants' funds is possible under the DRIP because the DRIP permits fractions of Units as well as whole Units to be purchased and held for participants. Distributions in respect of whole Units and fractions of Units acquired under the DRIP will be held by the agent for the DRIP for the participants' account and automatically invested under the DRIP in additional Units. For the year ended December 31, 2019, the average participation rate in the DRIP was approximately 31.2% of Units outstanding compared to 28.6% for the year ended December 31, 2018.

12 - MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of results of operations and financial position of CAPREIT for the year ended December 31, 2019 is incorporated herein by reference.

13 - MARKET FOR SECURITIES

Trading Price and Volume

Units of CAPREIT are listed and posted for trading on the TSX under the symbol "CAR.UN". As at December 31, 2019, there were 169,869,197 Units (excluding 150,996 Deferred Units and 542,087 RURs) issued and outstanding. The following table indicates the high and low

trading price and the volume of the Units traded on the TSX on a monthly basis for the year ended December 31, 2019:

Date	High	Low	Volume Traded
January	\$46.85	\$43.03	7,564,397
February	\$50.54	\$46.36	6,092,157
March	\$52.10	\$49.30	6,484,998
April	\$51.44	\$47.46	9,839,173
May	\$50.60	\$47.73	7,237,051
June	\$49.85	\$47.51	6,453,224
July	\$50.14	\$48.27	5,082,236
August	\$53.73	\$48.60	6,953,672
September	\$55.39	\$52.10	7,242,013
October	\$56.82	\$53.56	6,847,967
November	\$56.02	\$52.60	15,826,808
December	\$55.93	\$51.59	10,317,682

14 - MANAGEMENT OF CAPREIT, TRUSTEES AND EXECUTIVE OFFICERS

14.1 General

The investment policies and operations of CAPREIT are subject to the control and direction of the trustees, a majority of whom must be independent trustees (as defined in NI 58-101). All of the Trustees of CAPREIT are independent, other than Mr. Kenney, as President and Chief Executive Officer of CAPREIT. Trustees hold office for a term ending following the annual meeting subsequent to the annual meeting at which they were elected by Trust Unitholders entitled to vote.

14.2 Trustees and Executive Officers

The name, province of residence, office held with CAPREIT, principal occupations held during the preceding 5 years and the period during which each trustee or executive officer has served are as follows:

Name and Place of Residence	Office	Principal Occupations during preceding five years	Year first became a Trustee or Executive Officer	Number of Units, Deferred Units and RURs beneficially owned, controlled or directed, directly or indirectly as at December 31, 2019 ⁽¹⁾
Michael Stein Toronto, Ontario, Canada	Chairman and a Trustee	Chairman and Chief Executive Officer of MPI Group Inc. (a real estate investment and development company)	1997	496,405 Units 75,192 Deferred Units
Harold Burke ⁽⁵⁾ Aurora, Ontario, Canada	Trustee	Consultant and Former Senior Vice President of Taxation, Dream Asset Management Corporation	2010	29,392 Deferred Units

Name and Place of Residence	Office	Principal Occupations during preceding five years	Year first became a Trustee or Executive Officer	Number of Units, Deferred Units and RURs beneficially owned, controlled or directed, directly or indirectly as at December 31, 2019 ⁽¹⁾
Gina Parvaneh Cody ⁽²⁾⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada	Trustee	Corporate Director	2017	23,000 Units 10,225 Deferred Units
Poonam Puri ⁽³⁾⁽⁴⁾⁽⁵⁾ Toronto, Ontario, Canada	Trustee	Professor at Osgoode Hall Law School	2019	1,740 Units/Deferred Units
Jamie Schwartz ⁽²⁾⁽⁴⁾⁽⁵⁾ Toronto, Ontario, Canada	Trustee	Director, Large Cap Corporate Banking, TD Securities Inc.	2018	175 Units 6,273 Deferred Units
Elaine Todres ⁽²⁾⁽⁴⁾ Toronto, Ontario, Canada	Trustee	Chief Executive Officer of Todres Leadership Counsel (a consultancy company)	2013	3,000 Units 28,174 Deferred Units
René Tremblay ⁽⁶⁾ Montréal, Québec, Canada	Trustee	Corporate Director and former President of Taubman Asia	2020	Nil Units/Deferred Units
Mark Kenney Newmarket, Ontario, Canada	President, Chief Executive Officer and Trustee	President, Chief Executive Officer and Chief Operating Officer of CAPREIT	2002	203,635 Units 159,789 RURs
Scott Cryer Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of CAPREIT	2011	9,807 Units 74,200 RURs

Notes:

- (1) Individual trustees and executive officers have furnished information as to Units beneficially owned, or controlled or directed, directly or indirectly, by them.
- (2) Member of Human Resources and Compensation Committee.
- (3) Member of the Governance and Nominating Committee.
- (4) Member of Investment Committee.
- (5) Member of Audit Committee.
- (6) Mr. Tremblay joined the Board of Trustees of CAPREIT effective January 1, 2020.

Based on information provided by such persons, as of December 31, 2019, the trustees and executive officers of CAPREIT, as a group, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 1,121,007 Units, Deferred Units and RURs of CAPREIT, representing approximately 0.66% of CAPREIT's issued and outstanding Units.

The nature and extent of the experience of the trustees and executive officers of CAPREIT in the real estate industry and their principal occupations during the last five years and their current public board memberships are as follows.

Michael Stein has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Mr. Stein also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is the Chairman of the board of trustees of ERES (TSXV/ERE), a director of FirstService Corporation (TSX/NASDAQ), a director of McEwan Mining Inc. (TSX/NYSE) and Chairman of the board of directors of Cliffside Capital Ltd. (TSX-V). Between 2000 and 2006, Mr. Stein was a member of the board of directors of Goldcorp Inc., a public natural resource company the shares of which are listed on the TSX and New York Stock Exchange. Between 1978 and 1987, Mr. Stein held progressively senior positions, ultimately holding the position of Executive Vice President responsible for operations, with The Mortgage Insurance Co. of Canada. Mr. Stein is a graduate engineer and holds a master of business administration in finance and international business from Columbia University in New York.

Harold Burke is a former Senior Vice President of Taxation of Dream Asset Management Corporation, a real estate asset manager and developer, which he joined in July 2008. Mr. Burke has more than 30 years of professional practice in the tax area, at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP, and another major Canadian accounting firm. Mr. Burke is a trustee and Chair of the audit committee of ERES (TSXV/ERE). Mr. Burke is recognized as a specialist in the area of real estate-related financial services as well as in domestic and international taxation issues. While a senior partner at PricewaterhouseCoopers LLP, Mr. Burke advised a diverse domestic and foreign clientele many of which were public, private and institutional, on a variety of matters including mergers and acquisitions, capital markets financing and investment structuring. He is a Chartered Professional Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Gina Parvaneh Cody holds a Masters and a Doctorate in Building Engineering from Concordia University. Dr. Cody has more than 30 years of professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm. Dr. Cody has provided professional engineering services to some of Canada's largest REITs, financial institutions, builders and developers. Dr. Cody is a trustee of ERES (TSXV/ERE). Dr. Cody retired in 2016 as the Executive Chair of CCI Group Inc., a Toronto based national engineering company. Prior to her retirement, Dr. Cody served the Professional Engineers of Ontario (PEO) for over 15 years as a member of the Discipline Committee and for over 8 years as a member and subsequently chair of the Professional Practice Committee. Dr. Cody was granted both the Certificate of Fellowship and the Award of Honor by PEO. Dr. Cody is currently a member of the Board of Governors as well as the Governance Committee and Chair of the Real Estate Planning Committee and Industrial Advisory Council of Concordia University. Dr. Cody is also the benefactor of the Gina Cody School of Engineering and Computer Science at Concordia University.

Poonam Puri is a tenured Professor of Law at Osgoode Hall Law School and a corporate lawyer and Affiliated Scholar at Davies Ward Phillips & Vineberg LLP. Ms. Puri is one of Canada's most respected experts in corporate governance and has extensive board experience in engineering, transportation, infrastructure and healthcare, including as a past director for Arizona Mining, Greater Toronto Airports Authority and as a former commissioner and director of the Ontario Securities Commission. She currently serves on the boards of the Canada

Infrastructure Bank, Holland Bloorview Kids Rehabilitation Hospital, and Tethyan Resources. Ms. Puri has been recognized as one of the top 25 most influential lawyers in Canada by Canadian Lawyer Magazine in 2017 and 2015 and is a former recipient of Canada's Top 40 under 40 award and Canada's Most Powerful Women: Top 100 Award. Ms. Puri holds a Masters in Law from Harvard University, a Bachelor of Laws from the University of Toronto and the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Jamie Schwartz is a Director in the Large Cap Corporate Banking Group with TD Securities Inc. Mr. Schwartz has over 20 years of experience working in the banking, real estate and hospitality industries. Since 2011, Mr. Schwartz has worked for TD Securities in Toronto and New York, with responsibility for structuring and managing corporate debt. Before that, Mr. Jamie Schwartz worked in TD Securities' commercial mortgage group, providing mortgage financing for all classes of real estate assets across Canada. Before joining TD Securities, Mr. Schwartz was Vice President at HVS Consulting and Valuation, a global consulting organization, where he spent almost 10 years providing real estate strategic advisory services to the hospitality industry.

Elaine Todres has had a distinguished career in government, the not for profit sector and the volunteer community. After having completed a doctorate in Political Science at the University of Pittsburgh, Dr. Todres joined the civil service of Ontario where she ultimately served as a Deputy Minister for ten years. Her portfolios ranged from human resources and the Civil Service Commission, culture and cultural industries, telecommunications, tourism, solicitor general, the corrections system and emergency response. In 1997, Dr. Todres became the President of the Baycrest Centre Foundation where she stayed for three years, completing a capital campaign for the new Apotex Centre – Jewish Home for the Aged. Dr. Todres is the Chief Executive Officer of Todres Leadership Counsel, a boutique consultancy practice specializing in strategy, leadership, organizational transformation, and governance. Dr. Todres has served on many community and hospital boards, including as chair of Women's College Hospital Foundation. She served as director of The Northern Trust Company, Canada from August 2005 to February 2014. Dr. Todres holds the ICD.D designation.

René Tremblay was appointed as a member of CAPREIT's Board of Trustees, effective January 1, 2020. Mr. Tremblay has over 35 years of experience in the real estate industry, having been involved in international investment and development for 25 years in numerous countries, including Brazil, Poland, France, Scotland, Spain, China, South Korea, Mexico, Germany, Canada, Luxembourg, Russia, Turkey and the United States. Mr. Tremblay joined Taubman Centers, a leader in the shopping center industry in 2010 as President of Taubman Asia where he was responsible for driving Taubman's shopping center expansion in the Asia-Pacific Region. He is the Chairman of Cominar REIT and currently serves on the board of Cogir Real Estate and the International Council of Shopping Centers. Mr. Tremblay's prior board experience includes serving as chairman of the real estate group of Caisse de dépôt et placement du Québec - one of the fifteen largest diversified real estate portfolios in the world.

Mark Kenney joined CAPREIT in 1998 and is the President, Chief Executive Officer and member of its Board of Trustees. Prior to this appointment, Mr. Kenney held the position of Chief Operating Officer of CAPREIT. Mr. Kenney has over 25 years of experience in the multi-family sector, having worked previously at Realstar Management Partnership as District Manager of

Western Canada and Northern Ontario (1995 to 1998) and Greenwin Property Management as Senior Property Manager prior to 1995. Mr. Kenney currently serves as a non-executive director of IRES. Mr. Kenney is also a director of the Federation of Rental Providers of Ontario since 2009 and was a director of the Greater Toronto Apartment Association from 1998 to 2009. Mr. Kenney maintains active membership in the Halifax, Montreal, Calgary, and Vancouver Apartment Associations, and holds a Bachelor of Economics degree from Carleton University.

Scott Cryer joined CAPREIT in September 2009 and has been the Chief Financial Officer since 2011. Mr. Cryer is also the Chief Financial Officer of ERES (TSXV/ERE). He previously held the role of Chief Financial Officer of IRES. Prior to joining CAPREIT, Mr. Cryer had an eleven year career of increasing responsibility in the Real Estate Assurance and Advisory practice of Deloitte & Touche LLP. He received his Chartered Accountant designation in 2000 and holds a Bachelor of Economics degree from the University of Western Ontario. Mr. Cryer is also a Director on the Board of IRES Fund Management.

14.3 Trustees

The Declaration of Trust provides that the assets and operations of CAPREIT will be subject to the control and authority of a minimum of seven and a maximum of eleven trustees. The number of trustees within such minimum and maximum numbers may be changed by the Trust Unitholders or, if authorized by the Trust Unitholders, by the Board of Trustees, provided that the Board of Trustees may not, between meetings of Trust Unitholders entitled to vote, appoint an additional trustee if, after such appointment, the total number of trustees would be greater than one and one-third times the number of trustees in office immediately following the last annual meeting of Trust Unitholders entitled to vote. At the 1998 annual and special meeting of Unitholders, Unitholders approved a resolution authorizing the Board of Trustees to increase or decrease, from time to time, the number of trustees. There are currently eight (8) trustees on the Board of Trustees. A majority of the trustees are required to be independent of the management of CAPREIT. A vacancy occurring among the trustees may be filled by resolution of the remaining trustees or by the Trust Unitholders at a meeting of the Trust Unitholders entitled to vote. A trustee elected or appointed to fill a vacancy shall hold office for the remaining term of the trustee he or she is succeeding.

All of the trustees are elected annually by resolution passed by a majority of the votes cast at a meeting of the Trust Unitholders entitled to vote.

The Declaration of Trust provides for the appointment by the Board of Trustees of an Audit Committee, Human Resources and Compensation Committee, Governance and Nominating Committee and an investment committee (the “**Investment Committee**”). The approval of the independent trustees is required prior to CAPREIT making any acquisition or disposition of real property, and for the assumption or granting of any mortgage. A trustee may be removed with or without cause by two-thirds of the votes in the aggregate cast at a meeting called for that purpose of Trust Unitholders entitled to vote thereon or by the written consent of Trust Unitholders holding in the aggregate not less than two-thirds of the outstanding Trust Units entitled to vote thereon or with cause by the resolution passed by an affirmative vote of not less than two-thirds of the remaining trustees.

The standard of care and duties of the trustees provided in the Declaration of Trust are similar to those imposed on a director of a corporation governed by the *Canada Business Corporations Act*. Accordingly, each trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of CAPREIT and the Trust Unitholders and, in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

14.4 Cease Trade Orders, Bankruptcies, Penalties and Sanctions

Corporate Cease Trade Orders or Bankruptcies

No trustee or executive officer of CAPREIT, nor any personal holding company of any such person, is, as at the date of this Annual Information Form or within the 10 years before the date of this Annual Information Form has been, a director, trustee, chief executive officer or chief financial officer of any company (including CAPREIT) that, (i) while that person was acting in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) after that person ceased to act in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, and which resulted from an event that occurred while the person was acting in that capacity.

Other than as described below, no trustee or executive officer of CAPREIT or, to the knowledge of CAPREIT, a Trust Unitholder holding a sufficient number of Trust Units of CAPREIT to affect materially the control of CAPREIT, nor any personal holding company of any such person, (i) is as of the date of this Annual Information Form or has been within 10 years before the date of this Annual Information Form, a director, trustee or executive officer of a company (including CAPREIT) that while that person was acting in such capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has within the 10 years before the date of this Annual Information Form become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, trustee or officer.

Michael Stein served as a director of a privately held United Kingdom-registered company from February 2012 to January 2019. On March 21, 2019, the company voluntarily appointed an administrator under the United Kingdom insolvency act (*Insolvency Act 1986*).

Penalties or Sanctions

No trustee or executive officer of CAPREIT or, to the knowledge of CAPREIT, a Trust Unitholder holding a sufficient number of Trust Units to affect materially the control of CAPREIT, nor any personal holding company of any such person, has (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or entered into a settlement agreement with a Canadian securities

regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

14.5 Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Trust Unitholders without creating undue limitations on CAPREIT. Given that the trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each trustee to disclose to CAPREIT any interest in a material contract or transaction or proposed material contract or transaction with CAPREIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture arrangement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with CAPREIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the trustees, a trustee is required to disclose in writing to CAPREIT or request to have entered into the minutes of meetings of the Board of Trustees the nature and extent of his interest forthwith after the trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a trustee, officer, employee or agent of CAPREIT or any affiliate of CAPREIT or one for indemnity under the provisions of the Declaration of Trust or the purchase of liability insurance.

CAPREIT has also adopted a Code of Business Ethics and Conduct, which provides a framework of guidelines and principles to govern and encourage ethical and professional behaviour in conducting its business. The Code of Business Ethics and Conduct applies to all trustees, officers and employees of CAPREIT and provides guidelines for identifying and reporting conflicts of interest or potential conflicts of interest.

14.6 Independent Trustee Matters

The following matters require the approval of at least a majority of the independent trustees to become effective:

- the entering into of an arrangement in which a Non-Independent Trustee (as defined in the Declaration of Trust) or an officer of CAPREIT has a material interest;
- the enforcement of any agreement entered into by CAPREIT with a Non-Independent Trustee (as defined in the Declaration of Trust) or an officer of CAPREIT or an affiliate or associate of such party;
- the grant of options under any Unit option plan or any rights to participate in any other long term incentive plans adopted by CAPREIT;

- the demolition of all or substantially all of a property owned by CAPREIT;
- to increase the number of trustees by no more than one-third in accordance with Section 2.1 of the Declaration of Trust and to appoint trustees to fill the vacancies so created; or
- to recommend to Trust Unitholders that the number of trustees be increased, where a vote of Trust Unitholders thereon is required, and to nominate individuals as trustees to fill the vacancies so created.

14.7 Audit Committee

The Audit Committee must consist of at least three trustees, all of whom must be independent and financially literate, as those terms are defined NI 52-110, subject to any applicable exceptions in NI 52-110. The Audit Committee assists the trustees in fulfilling their oversight responsibilities in respect of CAPREIT's accounting and reporting practices.

Pursuant to its charter, a copy of which is attached hereto as Appendix "A", the Audit Committee is responsible for the review of the consolidated financial statements, accounting policies and reporting procedures of CAPREIT. In addition, the Audit Committee is responsible for reviewing, on an annual basis, the principal risks that CAPREIT is faced with, and considering whether adequate systems are in place to manage such risks and that such systems appear effective. It also supervises the activities of CAPREIT's Director, Internal Audit.

The Audit Committee reviews CAPREIT's quarterly and annual consolidated financial statements and other required financial documents or documents that contain financial disclosure (such as press releases), reviews with management and the external auditors the state of internal controls, and makes appropriate reports thereon to the Board of Trustees. The Audit Committee has unrestricted access to the senior management of CAPREIT and to CAPREIT's external auditor, who regularly attends the Audit Committee meetings.

As at the date of this Annual Information Form, the Audit Committee consists of the following members: Harold Burke, Poonam Puri, and Jamie Schwartz. Harold Burke serves as Chair of the Audit Committee. All members of the Audit Committee are independent and financially literate, as those terms are defined in NI 52-110. The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by CAPREIT to prepare its annual and quarterly consolidated financial statements.

Name of Audit Committee Member	Relevant Education and Experience
Harold Burke	• Consultant and former Senior Vice President of Taxation, Dream Asset Management Corporation, an integrated real estate asset manager and developer • More than 30 years professional practice in the tax area at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP and another major Canadian accounting firm • Chartered Professional Accountant • Holds the Institute of Corporate Directors, Institute-Certified Designation, ICD.D
Poonam Puri	• Tenured Professor of Law at Osgoode Hall Law School and former Associate Dean and Associate Dean - Research, Graduate Studies and Institutional Relations • Affiliated Scholar and corporate lawyer at Davies Ward Phillips & Vineberg LLP • Experienced corporate director in a variety of industries including engineering, transportation, infrastructure and healthcare, including as a past director of Arizona Mining, Greater Toronto Airports Authority and Cole Engineering Limited as well as a former commissioner and director of Ontario Securities Commission • Currently serves on the boards of the Canada Infrastructure Bank, Holland Bloorview Kids Rehabilitation Hospital and Tethyan Resources • Holds a Masters in Law from Harvard University, a Bachelor of Laws from the University of Toronto and the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.
Jamie Schwartz	• More than 20 years of experience working in the banking, real estate and hospitality industries • Director, Large Cap Corporate Banking Group with TD Securities Inc. • Former Vice President at HVS Consulting and Valuation, a global consulting organization

Further to CAPREIT's Audit Committee Charter, the Audit Committee has adopted specific policies and procedures for the engagement of non-audit services provided by its external auditor. The Audit Committee must pre-approve all engagements (and fees related thereto) for non-audit services. In connection with this requirement, the Audit Committee has adopted an internal policy allowing management to engage external non-audit services, subject to the following approval process:

Limit Required Approval

Up to \$50,000 Chief Executive Officer or Chief Financial Officer

\$50,000 to \$100,000 Chair of the Audit Committee

Over \$100,000 Audit Committee

In addition to compliance with the above process, management must notify the Audit Committee of any assignments to the external auditor for non-audit services prior to the next scheduled Audit Committee meeting.

The Audit Committee is responsible for monitoring CAPREIT's external auditor and ensuring that the external auditor is and remains independent of management. For a description of the external auditor service fees see section 18 below.

14.8 Human Resources and Compensation Committee

The Declaration of Trust requires the creation of a Human Resources and Compensation Committee, consisting of at least three trustees, to review matters relating to human resources,

including compensation of trustees and officers of CAPREIT. All of the members of the Human Resources and Compensation Committee must at all times be “independent”, as this term is defined in NI 58-101.

As at the date of this Annual Information Form, the members of the Human Resources and Compensation Committee are as follows: Gina Parvaneh Cody, Jamie Schwartz and Elaine Todres. Elaine Todres serves as Chair of the Human Resources and Compensation Committee.

14.9 Governance and Nominating Committee

The Declaration of Trust requires the creation of a Governance and Nominating Committee, consisting of at least three trustees, to review matters relating to the governance of CAPREIT including the nomination of trustees. All of the members of the Governance and Nominating Committee must at all times be “independent”, as this term is defined in NI 58-101.

As at the date of this Annual Information Form, the members of the Governance and Nominating Committee are as follows: Gina Parvaneh Cody, Harold Burke and Poonam Puri. Gina Parvaneh Cody serves as Chair of the Governance and Nominating Committee.

14.10 Investment Committee

The Declaration of Trust provides that the trustees shall appoint from among their number an Investment Committee consisting of at least three trustees. A majority of the members of the Investment Committee must have had at least five years of substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be “independent”, as this term is defined in NI 58-101. The duties of the Investment Committee are to, unless delegated by the Board of Trustees to officers of CAPREIT: (i) review all investment and financing proposals for CAPREIT; (ii) where the approval of the Board of Trustees is required, recommend to the Board of Trustees approval or rejection of proposed transactions by CAPREIT (including acquisitions and dispositions of investments by CAPREIT); (iii) where the approval of the Investment Committee is required, approve or reject proposed transactions by CAPREIT (including acquisitions and dispositions of investments by CAPREIT); and (iv) approve all proposed borrowings and the assumption or granting of any mortgage or other security interest in real property.

As at the date of this Annual Information Form, the members of the Investment Committee are as follows: Gina Parvaneh Cody, Poonam Puri, Jamie Schwartz and Elaine Todres. Gina Parvaneh Cody serves as Chair of the Investment Committee.

14.11 Remuneration of Trustees and Officers

A person who is employed by and receives salary from CAPREIT will not receive any remuneration from CAPREIT for serving as a trustee. Trustees who were not so employed during fiscal 2019 received a flat annual retainer from CAPREIT in the amount of \$85,000, in addition each of the Chair of the Audit Committee, Investment Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee, received an additional \$25,000 for 2019 for serving as Chair of such committee, and the lead trustee, received an additional \$15,000 for serving as lead trustee, and the Chairman of the Board of Trustees

received an additional \$100,000. Pursuant to the terms of the Deferred Unit Plan, in 2019, each non-executive trustee was entitled to elect to receive up to 100% of his board compensation (being \$85,000), in the form of Deferred Units, in lieu of cash, which amount was matched by CAPREIT. As a result, for non-executive trustees who elected to receive 100% of their board compensation in the form of Deferred Units, such trustee's annual compensation for 2019 (including the impact of Deferred Units issued and matched by CAPREIT, but excluding additional Chair or lead trustee fees described above), amounted to \$170,000.

In fiscal 2019, no additional meeting or written resolutions fees were paid to the trustees. The officers of CAPREIT are entitled to participate in the Unit Option Plan described under the heading "Unit Option Plan", however, the Board of Trustees' current policy is not to award any further Options. In addition, officers are entitled to participate in the Employee Unit Purchase Plan described under the heading "Employee Unit Purchase Plan". Non-executive trustees are entitled to participate in the Deferred Unit Plan described under the heading "Deferred Unit Plan".

15 - LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of CAPREIT is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against it or relating to its business which would be material to CAPREIT's financial condition or results of operations.

During the year ended December 31, 2019, no penalties or sanctions were imposed against CAPREIT by a court relating to securities legislation or by a securities regulatory authority, no other penalties or sanctions were imposed by a court or regulatory body against CAPREIT that would likely be considered important to a reasonable investor in making an investment decision, and CAPREIT entered into no settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

16 - INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, there are no material interests, direct or indirect, of any of CAPREIT's trustees or executive officers, any Unitholders that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding Trust Units, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect CAPREIT.

17 - TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

18 - MATERIAL CONTRACTS

See "General Development of the Business – Amendments to the Declaration of Trust"; "Description of Capital Structure and Governance Policies" generally in relation to the Declaration of Trust; "Description of Capital Structure and Governance Policies – Unitholders'

Rights Plan”; “Description of Capital Structure and Governance Policies – Deferred Unit Plan”; “Description of Capital Structure and Governance Policies – Restricted Unit Rights Plan” and “Description of Capital Structure and Governance Policies – Employee Unit Purchase Plan”.

19 - INTEREST OF EXPERTS

CAPREIT’s auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have prepared an independent auditors’ report dated February 26, 2020 in respect of CAPREIT’s consolidated annual financial statements with accompanying notes as at and for the years ended December 31, 2019 and 2018. PricewaterhouseCoopers LLP has advised that they are independent with respect to CAPREIT within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

20 - EXTERNAL AUDITOR FEES

The following chart summarizes the fees for services provided by the auditors to CAPREIT, excluding ERES, for the fiscal years 2019 and 2018.

Summary of External Audit Fees

Nature of Fees	2019	2018
Audit fees: Includes fees billed for audit and review services in respect of the annual and quarterly consolidated financial statements and other regulatory filings.	\$779,906	\$1,010,039
Audit-related fees: Includes fees billed for services related to consultations regarding financial accounting and reporting standards not classified as audit, prospectuses filed during the respective years, and other compliance related matters not included under “Audit fees”.	\$571,838	\$461,799
Tax-related fees:		
• Compliance. Includes fees billed for tax compliance and the review of tax returns.	\$292,890	\$180,614
• Consulting. Includes tax fees billed for tax planning and tax advisory services.	\$293,923	\$458,464
• One-Time Capital Restructuring Events. Includes fees billed for the reverse takeover of ECREIT.	\$851,088	\$292,316
All other fees: Includes fees billed for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including other advisory services.	\$-	\$-
Total	\$2,789,645	\$2,403,232

The Audit Committee considered and agreed that the above fees are compatible with maintaining the independence of CAPREIT’s auditors. Further, the Audit Committee determined that, in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to CAPREIT by CAPREIT’s external auditors and in such case, only with the prior approval of the Audit Committee.

21 - ADDITIONAL INFORMATION

Additional information, including trustee and officer remuneration and indebtedness, principal holders of CAPREIT's securities and securities authorized for issuance under equity compensation plans is contained in CAPREIT's information circular for its most recent annual and special meeting of Unitholders and Special Unitholders which involved the election of trustees. Additional information, including CAPREIT's consolidated audited annual financial statements and management's discussion and analysis for the year ended December 31, 2019, may be found on SEDAR at www.sedar.com under CAPREIT's profile. CAPREIT will provide any person, upon request to the Chief Financial Officer of CAPREIT, any of the following documents:

- (a) one copy of the Annual Information Form of CAPREIT, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
- (b) one copy of the consolidated audited financial statements of CAPREIT for its most recently completed financial year together with the accompanying report of the auditor and one copy of any quarterly consolidated financial statements of CAPREIT subsequent to the consolidated annual audited financial statements for its most recently completed financial year; and
- (c) one copy of the information circular of CAPREIT in respect of its most recent annual meeting of Unitholders and Special Unitholders that involved the election of trustees or one copy of any annual filing prepared in lieu of that information circular, as appropriate.

When the securities of CAPREIT are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus that has been filed by CAPREIT in respect of a distribution of securities, the foregoing documents, in addition to any other documents that are incorporated by reference into the short form prospectus or preliminary short form prospectus, will be provided free of charge. At other times, CAPREIT may require the payment of a reasonable charge if the request is made by a person who is not a securityholder of CAPREIT.

**APPENDIX “A”
CHARTER OF THE AUDIT COMMITTEE OF
THE BOARD OF TRUSTEES**

**CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST**

SECTION 1 PURPOSE

The Audit Committee (the “**Committee**”) is a committee of the Trustees (the “**Trustees**”) of Canadian Apartment Real Estate Investment Trust, (the “**Trust**”). The Committee and its Chair are appointed by the Trustees for the purpose of assisting the Trustees in fulfilling their oversight responsibilities. The Committee will primarily fulfill this role by carrying out the activities enumerated in this Charter. The Committee is, however, independent of the Trustees and the Trust, and in carrying out its role of assisting the Trustees in fulfilling their oversight responsibilities the Committee shall have the ability to determine its own agenda and any additional activities that the Committee shall carry out.

SECTION 2 COMPOSITION

The Committee is comprised of not less than three trustees, each of whom is, and must at all times be, independent and financially literate within the meaning of applicable Canadian securities laws. The members of the Committee, and its Chair, shall be appointed by the Trustees on an annual basis or until their successors are duly appointed. A majority of the members of the Committee must be resident Canadians.

SECTION 3 LIMITATIONS ON COMMITTEE’S DUTIES

In contributing to the Committee’s discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the Trustees are subject.

It is not the duty of the Committee to prepare financial statements or ensure their accuracy or absence of errors and omissions, to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Trust’s internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Trust by the external auditor, (iv)

financial statements of the Trust represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Trust in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, auditor, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

SECTION 4 FUNCTION

The primary function of the Audit Committee is to assist the Board of Trustees in fulfilling their roles as Trustees of the Trust by:

- (a) recommending to the Board the appointment and compensation of the Trust's external auditor;
- (b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;
- (c) establishing pre-approval processes for all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Trust by the Trust's external auditor;
- (d) reviewing and approving the annual and interim financial statements, related management discussion and analysis ("**MD&A**"), and annual and interim earnings press releases before such information is publicly disclosed to determine whether they are complete and consistent with the information known to the Committee members about the Trust and its operations;
- (e) satisfying themselves that adequate procedures are in place for the review of the Trust's public disclosure of financial information, including any information extracted or derived from its financial statements, and including periodically assessing the adequacy of such procedures;
- (f) establishing procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters and including the establishment and review of a whistle blower policy;
- (g) reviewing and approving any proposed hiring of a current or former partner or employee of the current and former external auditor of the Trust;
- (h) reviewing and approving any proposed hiring of the Trust's internal auditor (the "**Internal Auditor**"), as may be recommended to the Audit Committee by management;
- (i) determining the annual compensation of the internal auditor; and
- (j) overseeing the work of the Internal Auditor.

The Audit Committee should primarily fulfill these responsibilities by carrying out the activities enumerated in this Charter. However, it is not the duty of the Committee to prepare financial statements, or to plan or conduct audits, as these are the responsibility of management and in certain cases the external auditor, as the case may be.

SECTION 5 COMPOSITION OF THE COMMITTEE AND MEETINGS

- (1) The Audit Committee must be constituted as required under Multilateral Instrument 52-110 *Audit Committees*, as it may be amended from time to time ("MI 52-110").
- (2) All members of the Committee must (except to the extent permitted by MI 52-110) be free from any direct or indirect relationship with the Trust that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Committee.
- (3) All members of the Committee must (except to the extent permitted by MI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust's financial statements).
- (4) The members of the Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- (5) Any member of the Audit Committee may be removed or replaced at any time by the Board of Trustees and shall cease to be a member of the Audit Committee on ceasing to be a Trustee. The Board of Trustees may fill vacancies on the Audit Committee by election from among the Board of Trustees. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains.
- (6) The Committee shall meet at least four times annually, or more frequently as circumstances require.
- (7) The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Trust with senior employees, officers and the external auditor of the Trust, and others as they consider appropriate.
- (8) In order to foster open communication, the Committee or its Chair shall meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

In addition, the Committee or its Chair should meet with management quarterly in connection with the Trust's interim financial statements.

- (9) Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall determine by resolution.
- (10) Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members, which shall not be less than 48 hours. The notice period may be waived by all members of the Committee. Each of the Chairman of the Board and the external auditor, and the Chief Executive Officer, the Chief Financial Officer or the Secretary of the Trust, shall be entitled to request that any member of the Committee to call a meeting.
- (11) The Committee shall determine any desired agenda items.

SECTION 6 ACTIVITIES

The Audit Committee shall, in addition to the matters described in section 1:

- (1) Review and recommend to the Board changes to this Charter as considered appropriate from time to time.
- (2) Regularly update the Board about Committee activities and make appropriate recommendations.
- (3) Review the public disclosure regarding the Audit Committee required by MI 52-110.
- (4) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Trust to assess their independence.
- (5) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (6) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (7) Review, with the Trust's counsel, any legal matters that could have a significant impact on the Trust's financial statements.
- (8) Periodically obtain updates from management, general counsel, others as appropriate regarding compliance.
- (9) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.

- (10) Review correspondence and findings of any examinations by regulatory agencies.
- (11) Arrange for the external auditor to be available to the Committee and the Board of Trustees as needed.
- (12) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor.
- (13) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Trust's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
- (14) Review all material balance sheet issues paying particular attention to judgemental areas and complex and/or unusual transactions, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (15) Consider proposed major changes to the Trust's accounting principles and practices.
- (16) Review with management and the external auditor the Trust's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financing reporting.
- (17) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (18) Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- (19) Following completion of the annual audit and, if applicable, quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (20) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

- (21) Review the system in place to seek to ensure that the financial statements, MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.
- (22) Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- (23) Review activities, organizational structure and qualifications of the Chief Financial Officer and the staff in the financial reporting area and see to it that matters related to succession planning are raised for consideration by the Board of Trustees.
- (24) Review management's program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.
- (25) Review and approve the Internal Audit Charter.
- (26) Review and approve the annual work plan of the Internal Auditor.
- (27) Receive and review reports from the Internal Auditor regarding the status of the work plan and any control issues, which may arise. At a minimum, quarterly reports shall be provided.
- (28) Arrange for the Internal Auditor to be available to the Committee and the Board of Trustees as needed.
- (29) Evaluate the performance and determine the compensation of the Director, Internal Audit.

SECTION 7 GENERAL MATTERS

- (1) The Committee is authorized to retain independent counsel, accountants, consultants and any other professionals ("Advisors") it deems necessary to carry out its duties, and the Committee shall have the authority to determine the compensation of and to cause the Trust to pay any such Advisors.
- (2) The Committee is authorized to communicate directly with the external (and, if applicable, internal) auditors as it sees fit.
- (3) If considered appropriate by it, the Committee is authorized to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, and to perform any other activities as the Committee or the Board deems necessary or appropriate.
- (4) Review the public disclosure regarding the Committee required from time to time by applicable Canadian securities laws, including:

- (i) the Charter of the Committee;
 - (ii) the composition of the Committee;
 - (iii) the relevant education and experience of each member of the Committee;
 - (iv) the external auditor services and fees; and
 - (v) such other matters as the Trust is required to disclose concerning the Committee.
- (5) Review in advance, and approve, the hiring and appointment of the Trust's senior financial executives.
- (6) Perform any other activities as the Committee or the Trustees deems necessary or appropriate.
- (7) Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible for preparing financial statements, for planning or conducting internal or external audits or for determining that the Trust's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, as these are the responsibility of management and in certain cases the external auditor, as the case may be. Nothing contained in this Charter is intended to make the Committee liable for any non-compliance by the Trust with applicable laws or regulations.
- (8) The Committee is a committee of the Board of Trustees and is not and shall not be deemed to be an agent of the Trust's unitholders for any purpose whatsoever. The Board of Trustees may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to security holders of the Trust or to any other liability whatsoever.
