



CAPREIT

**FINANCIAL REVIEW
FOR THE THREE MONTHS ENDED
MARCH 31, 2018**



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May 8, 2018

Report to Unitholders

Following another year of record results in 2017, our strong operating performance continued in the first quarter of 2018. We are particularly pleased with the 7.0% increase in same property NOI as our successful sales and marketing strategies, combined with our proven property management programs, continue to generate strong organic growth. We are confident this track record will continue going forward.

For the three months ended March 31, 2018, total operating revenues increased 8.0% compared to the same period last year, driven by the contribution from acquisitions completed over the last twelve months, stable and sustainable high occupancies, and further increases in average monthly rents. A 4.7% increase in ancillary revenues, including parking, laundry and antenna income, also contributed to our strong performance. Occupancies for the stabilized residential increased to 98.8% as at March 31, 2018, compared to 98.6% for the same period last year, while average monthly rents rose 4.2%. Our annualized net rental revenue run-rate, based on the average monthly rents in place and our share of residential suites and sites as at March 31, 2018, increased to \$643.8 million, up 8.6% from the same period last year.

Operating costs decreased as a percentage of revenues in the first three months of 2018 compared to the same period last year due primarily to lower realty taxes and utility costs. Our NOI margin strengthened to 60.9% for the three months ended March 31, 2018 compared to 58.9% last year. In addition, our property management programs continue to positively impact our performance as same property NOI increased by 7.0% for the three months ended March 31, 2018, another period of strong and sustainable organic growth. Overall NOI rose 11.8% for the three months ended March 31, 2018 compared to the same period last year.

Normalized Funds from Operations ("NFFO"), the key measure of our performance, increased by 10.6% in the first three months of 2018 due primarily to the contribution from acquisitions, high stable occupancies and increased average monthly rents, as well as our focus on operational

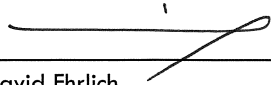
efficiency. Our growth was also accretive as basic NFFO per Unit rose 7.9% for the three months ended March 31, 2018 despite the 2.6% increase in the weighted average number of Units outstanding mainly due to our successful equity offering in March, compared to the same period last year. Our NFFO payout ratio improved to a very strong 70.4% through the first three months of 2018 compared to 74.5% last year.

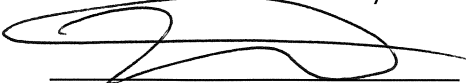
Our balance sheet and financial position remained strong at March 31, 2018 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate declined further to 3.07%, and we continue to focus on extending our debt maturities. Importantly, we have investment properties with a fair value of \$306.3 million as at March 31, 2018 that are not encumbered by mortgages, providing further flexibility and the financial resources to continue building value for our Unitholders.

We remain pleased with the continuing contribution from our 15.7% ownership interest in Irish Residential Properties REIT plc ("IRES") in Dublin Ireland. Our asset and property management fees coming from IRES were \$1.6 million through the first three months of 2018, up 14% from last year. In addition, to date we have received a total of \$13.3 million in dividends from IRES since its IPO in April 2014.

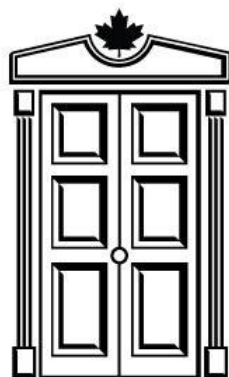
Our new portfolio in The Netherlands also continues to perform very well. To date we have acquired a total of 2,088 residential suites well-located in key city centres in the country. We also opened our own regional office in the Netherlands late last year, exporting our proven property management and marketing programs to these new properties. To date we have generated \$14.7 million in NOI from this new portfolio, and expect this contribution to grow going forward.

Last year we celebrated twenty years of growth and performance since our Initial Public Offering in November 1997. We have expanded and diversified our portfolio, strengthened our financial position, and delivered two decades of solid, sustainable and growing earnings and cash distributions to our Unitholders. We look for this track record of success to continue for years to come.



David Ehrlich
President & Chief Executive Officer

Michael Stein
Chairman



CAPREIT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION**

THREE MONTHS ENDED MARCH 31, 2018

MAY 8, 2018

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SECTION I

FORWARD-LOOKING DISCLAIMER

The following Management's Discussion and Analysis ("MD&A") of Canadian Apartment Properties Real Estate Investment Trust's ("CAPREIT") results of operations and financial condition for the three months ended March 31, 2018 and 2017 is dated May 8, 2018, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 and audited consolidated annual financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report.

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, 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 strategy and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, and Dutch economies will generally experience growth, however, may be adversely impacted by the global economy; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation ("CMHC") mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates will grow at levels similar to the rate of inflation on renewal; that rental rates on turnovers will remain stable; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT's financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT's investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this MD&A are based on assumptions, Management believes they are reasonable as of the date hereof; however there can be no assurance actual results will be consistent with these forward-looking statements, and they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: reporting investment properties at fair value, real property ownership, leasehold interests, co-ownerships, investment restrictions, operating risk, energy costs and hedging, environmental matters, catastrophic events, insurance, capital investments, indebtedness, interest rate hedging, foreign operation and currency risks, taxation, harmonization of federal goods and services tax and provincial sales tax, land transfer tax, foreign tax, government regulations, controls over financial accounting, legal and regulatory concerns, the nature of units of CAPREIT ("Trust Units"), preferred Units, and units of CAPREIT's subsidiary, CAPREIT Limited Partnership ("Exchangeable Units") (collectively, the "Units"), unitholder liability, liquidity and price fluctuation of Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, continued growth, risks related to acquisitions, and cybersecurity. There can be no assurance that the expectations of CAPREIT's Management will prove to be correct. For a detailed discussion of risk factors, refer to CAPREIT's MD&A contained in CAPREIT's 2017 Annual Report in the Risks and Uncertainties section. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

NON-IFRS FINANCIAL MEASURES

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards (“IFRS”). In this MD&A, and in earnings releases and investor conference calls, as a complement to results provided in accordance with IFRS, 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”), Adjusted Cash Flow from Operations (“ACFO”), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios, and Adjusted Cash Generated from Operating Activities (collectively, the “Non-IFRS Measures”). Since these measures are not recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. CAPREIT has presented the 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. A reconciliation of these Non-IFRS measures to the comparable IFRS measures, along with further definitions and discussion, is provided in Section III under Non-IFRS Financial Measures. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT’s performance or sustainability of our distributions.

OVERVIEW

CAPREIT is an unincorporated open-ended publicly-traded real estate investment trust and one of Canada’s largest residential landlords, serving residents in over 50,600 suites across Canada and the Netherlands. CAPREIT owns and operates a portfolio of multi-unit residential rental properties, including apartments, townhomes and manufactured home communities (“MHC”), principally located in and near major urban centres across Canada. CAPREIT’s concentration on the residential real estate market is aimed at solid year-over-year income growth in a portfolio with stable occupancy. In addition, CAPREIT mitigates risk through demographic diversification by operating properties across the affordable, mid-tier and luxury sectors as well as through geographic diversification.

CAPREIT was established under the laws of the Province of Ontario by a declaration of trust (the “DOT”) dated February 3, 1997, as most recently amended and restated on May 24, 2017. As at March 31, 2018, CAPREIT owned interests in 50,630 residential units, comprised of 44,174 residential suites and 31 MHC, comprised of 6,456 land lease sites. As at March 31, 2018, CAPREIT had 876 employees (883 employees as at December 31, 2017).

There were no property acquisitions or dispositions for the three months ended March 31, 2018. The tables below summarize property acquisitions and dispositions for the year ended 2017:

Acquisitions Completed During the Year Ended December 31, 2017

(\$ Thousands)	Demographic Sector	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	Mid-tier	32	Victoria	\$ 4,934	\$ - ⁽³⁾	\$ 2,999	2.66%	9.42
May 3, 2017	Mid-tier	256	Montréal	24,059	- ⁽³⁾		- ⁽³⁾	- ⁽³⁾
June 1, 2017	Mid-tier	44	Maple Ridge	11,241	3,713		1.94%	3.33
July 12, 2017	Various ⁽⁴⁾	849	The Netherlands	257,881	- ⁽⁴⁾	147,360	2.04% ⁽⁴⁾	7.00 ⁽⁴⁾
August 8, 2017	Mid-tier	54	The Netherlands	12,691	- ⁽⁵⁾	7,474	1.95% ⁽⁵⁾	7.00 ⁽⁵⁾
August 18, 2017	Various ⁽⁶⁾	77	The Netherlands	20,384	- ⁽⁶⁾	11,856	1.87% ⁽⁶⁾	7.00 ⁽⁶⁾
November 17, 2017	Luxury	16	Summerside, PEI	2,379	- ⁽³⁾		- ⁽³⁾	- ⁽³⁾
November 27, 2017	Luxury	56	Summerside, PEI	7,814	- ⁽³⁾		- ⁽³⁾	- ⁽³⁾
December 1, 2017	Various ⁽⁷⁾	540	The Netherlands	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 (see Liquidity and Financial Condition section).

(4) The acquisition comprised of 849 suites (142 affordable, 606 mid-tier, and 101 luxury) and was financed by a new non-amortizing mortgage of €100,842 (\$147,360) 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 (\$889), and the balance in cash from CAPREIT's Acquisition and Operating Facility.

(5) The acquisition was financed by a new non-amortizing mortgage of €5,043 (\$7,474) 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 (28 mid-tier and 49 luxury) was financed by a new non-amortizing mortgage of €7,951 (\$11,856) 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 (168 affordable, 78 mid-tier, and 294 luxury) was financed by a new non-amortizing mortgage of €49,914 (\$75,540) with a term to maturity of 5.0 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 of \$253,375, includes \$8,146 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.

Dispositions Completed During the Year Ended December 31, 2017

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

OBJECTIVES

CAPREIT's objectives are to:

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

BUSINESS STRATEGY

To meet its objectives, CAPREIT has established strategies focused on: customer service, cost management, capital investments, portfolio growth, and financial management.

For a comprehensive description of CAPREIT's business strategies, refer to CAPREIT's MD&A for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report.

KEY PERFORMANCE INDICATORS

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

Occupancy – Management strives, through a focused, hands-on approach to its business, to achieve occupancies that are in line with, or higher than, market conditions in each of the geographic regions in which CAPREIT operates while enhancing the overall qualitative profile of its resident base.

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

Net Rental Income ("NOI") – NOI is a widely used operating performance indicator in the real estate industry, and is presented in the consolidated statements of income and comprehensive income as net rental income. Management has chosen to refer to net rental income as NOI in all instances in its MD&A. As a measure of its operating performance, CAPREIT currently expects to achieve an annual NOI margin in the range of 58% to 62% of operating revenues.

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

Payout Ratio – CAPREIT anticipates a long-term annual NFFO payout ratio of between 70% and 80%. This ratio is not meant to be a measure of the sustainability of CAPREIT's distributions. Although CAPREIT intends to continue to sustain and grow distributions, the actual amount of distributions in respect to the CAPREIT Units will depend upon numerous factors, including, but not limited to, the amount of principal repayments on debt, tenant inducements, capital expenditures, and other factors that may be beyond the control of CAPREIT.

Portfolio Growth – Management's objective is to pursue acquisitions and development opportunities as opportunities arise, subject to market conditions and available financing, which meet its strategic objectives, serve to accretively increase NFFO and continue to further diversify the portfolio by geography and by demographic sector. In addition, Management continues to prudently investigate opportunities to add new suites through the development of properties within its own portfolio and to enter into joint venture relationships with other real estate entities to potentially develop new multi-unit rental residential properties on excess land or under-utilized land owned by CAPREIT or other vacant land.

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

PERFORMANCE MEASURES

The following table presents an overview of certain non-IFRS financial measures of CAPREIT for the periods ended March 31, 2018 and 2017. Management believes that these measures are useful in assessing CAPREIT's performance vis-à-vis its objectives, business strategy and KPIs. Effective March 2017, monthly cash distributions declared to Unitholders increased to \$0.1067 (\$1.28 annually) compared to \$0.1042 (\$1.25 annually) effective June 2016. There were no changes to the monthly distributions during the three months ended 31 March 2018.

For the Three Months Ended March 31,	2018	2017
Portfolio Performance		
Overall Portfolio Occupancy ⁽¹⁾	98.6%	98.6%
Overall Portfolio Average Monthly Rents ⁽¹⁾	\$ 1,054	\$ 1,007
Operating Revenues (000s)	\$ 168,019	\$ 155,610
NOI (000s)	\$ 102,402	\$ 91,598
NOI Margin	60.9%	58.9%
Operating Performance		
FFO Per Unit – Basic ⁽²⁾	\$ 0.457	\$ 0.422
NFFO Per Unit – Basic ⁽²⁾	\$ 0.463	\$ 0.429
Weighted Average Number of Units - Basic (000s)	138,554	135,076
Cash Distributions Per Unit	\$ 0.320	0.315
FFO Payout Ratio ^{(2), (6)}	71.2%	75.8%
NFFO Payout Ratio ^{(2), (6)}	70.4%	74.5%
Liquidity and Leverage		
Total Debt to Gross Book Value ⁽¹⁾	41.48%	43.99%
Total Debt to Gross Historical Cost ^{(1), (3)}	53.77%	54.51%
Weighted Average Mortgage Interest Rate ⁽¹⁾	3.07%	3.20%
Weighted Average Mortgage Term (years) ⁽¹⁾	5.45	5.90
Debt Service Coverage (times) ⁽⁴⁾	1.64	1.63
Interest Coverage (times)	3.22	3.12
Available Liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾	\$ 210,349	\$ 232,478
Other		
Number of Suites and Sites Acquired	–	32
Number of Suites Disposed	–	31
Closing Price of Trust Units ⁽¹⁾	\$ 37.15	\$ 33.30
Market Capitalization (millions) ⁽⁵⁾	\$ 5,376	\$ 4,574

(1) As at March 31.

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

(3) Based on the historical cost of investment properties.

(4) Based on the trailing four quarters.

(5) Defined as the closing price of the Units on the last trading date of the period times the number of Units outstanding (including all Unit-based incentive plans except UOP) (see discussion of Unitholders' Equity under the Liquidity and Financial Condition section).

(6) Payout ratio (a Non-IFRS Measure) is calculated based on distributions declared as a percentage of FFO and NFFO. See Section III for details.

PROPERTY PORTFOLIO

Types of Property Interests

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

For a comprehensive description of the different forms of property interests listed above, refer to CAPREIT's MD&A for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report.

Portfolio by Type of Property Interest

As at March 31,	2018	%	2017	%
Fee Simple Interests – Apartments and Townhomes	39,308	77.6	37,456	76.8
Operating Leasehold Interests	3,815	7.5	3,815	7.8
Land Leasehold Interests	1,051	2.1	1,051	2.2
Total Residential Suites	44,174	87.2	42,322	86.8
Fee Simple Interests – MHC Land Lease Sites	6,456	12.8	6,451	13.2
Total Suites and Sites	50,630	100.0	48,773	100.0

Portfolio Diversification

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

Portfolio by Demographic Sector

As at March 31,	2018	%	2017	%
Affordable	3,783	7.5	3,473	7.1
Mid-tier	24,120	47.6	23,151	47.5
Luxury	16,271	32.1	15,698	32.2
Total Residential Suites	44,174	87.2	42,322	86.8
MHC Land Lease Sites	6,456	12.8	6,451	13.2
Total Suites and Sites	50,630	100.0	48,773	100.0

Portfolio by Geography**As at March 31,**

	2018	%	2017	%
Residential Suites				
Ontario				
Greater Toronto Area	15,656	30.9	15,652	32.1
Ottawa	2,377	4.7	2,377	4.9
London / Kitchener / Waterloo	2,407	4.8	2,407	5.0
Other Ontario	1,700	3.4	1,700	3.5
	22,140	43.8	22,136	45.5
Québec				
Greater Montréal Region	7,901	15.5	7,640	15.6
Québec City	2,734	5.4	2,733	5.6
	10,635	20.9	10,373	21.2
British Columbia				
Greater Vancouver Region	2,981	5.9	3,031	6.2
Victoria	1,478	2.9	1,434	2.9
	4,459	8.8	4,465	9.1
Alberta				
Edmonton	436	0.9	436	0.9
Calgary	1,884	3.6	1,884	3.9
	2,320	4.5	2,320	4.8
Nova Scotia				
Halifax	1,659	3.3	1,659	3.4
Saskatchewan				
Saskatoon	102	0.2	102	0.1
Regina	234	0.5	234	0.5
	336	0.7	336	0.6
Prince Edward Island				
Charlottetown	537	1.1	465	1.0
Europe				
The Netherlands	2,088	4.1	568	1.2
Total Residential Suites	44,174	87.2	42,322	86.8
MHC Land Lease Sites				
Ontario	2,703	5.3	2,701	5.5
British Columbia	272	0.5	272	0.6
Alberta	417	0.8	415	0.9
Saskatchewan	246	0.6	246	0.5
Prince Edward Island	504	1.0	504	1.0
New Brunswick	2,314	4.6	2,313	4.7
Total MHC Land Lease Sites	6,456	12.8	6,451	13.2
Total Suites and Sites	50,630	100.0	48,773	100.0

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

INVESTMENT PROPERTIES

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

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

For a discussion of risk factors associated with the valuation of investment properties, refer to the Risks and Uncertainties section. For a detailed description of valuation methods and key assumptions used for investment properties, see note 6 to the accompanying audited consolidated annual financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report.

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

As at March 31, (\$ Thousands)		2018	2017
Balance, Beginning of the Period		\$ 8,886,556	\$ 7,642,017
Add:	Acquisitions	-	4,934
	Property Capital Investments ⁽¹⁾	27,827	30,758
	Foreign Currency Translation	30,546	353
	Unrealized Gain on Remeasurement at Fair Value	61,235	91,511
	Capitalized Leasing Costs ⁽²⁾	1,047	(34)
Less:	Dispositions	-	(1,945)
	Realized Loss on Dispositions	-	(80)
Investment Properties at Fair Value, End of the Period		\$ 9,007,211	\$ 7,767,514

(1) See Section IV - Property Capital Investments.

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

For the periods ended March 31, 2018 and 2017, the unrealized gain on remeasurement of investment properties is primarily the result of changes in net operating income and capitalization rates, offset by certain capital investments not having an immediate effect on stabilized net operating income and thus, not reflected in the fair value of the investment properties at the measurement date.

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

Investment Properties by Geography

As at,	Dec 2017	Change Due to Change in				Mar 2018	Dec 2017	Mar 2018
(\$ Millions)	Fair Value	Rates ⁽¹⁾	Normalized NOI ⁽²⁾	Forex Translation	Net Acquisitions	Fair Value	Rates ⁽¹⁾	Rates ⁽¹⁾
Greater Toronto Area	\$ 3,525	\$ 3	\$ 22	\$ -	\$ -	\$ 3,550	4.05%	4.04%
Other Ontario	1,013	3	7	-	-	1,023	4.58%	4.56%
Québec	1,493	4	8	-	-	1,505	4.89%	4.87%
British Columbia	1,196	9	15	-	-	1,220	3.65%	3.62%
Alberta	413	1	-	-	-	414	4.63%	4.61%
Nova Scotia	261	-	2	-	-	263	5.35%	5.35%
Saskatchewan	42	-	-	-	-	42	5.60%	5.60%
Prince Edward Island	64	-	-	-	-	64	6.06%	6.06%
The Netherlands	564	-	13	31	-	608	4.03%	4.03%
MHC Land Lease Sites	316	-	2	-	-	318	6.27%	6.27%
Total	\$ 8,887	\$ 20	\$ 69	\$ 31	\$ -	\$ 9,007	4.39%	4.38%

(1) Weighted average capitalization rates excluding implied capitalization rates on Operating and Land Leasehold Interests.

See note 6 to the accompanying unaudited condensed consolidated interim financial statements for further valuation assumption details, including discount rates as at March 31, 2018 for Operating and Land Leasehold Interests.

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

As at March 31, 2018, a 25 basis point change in capitalization rates would have the following approximate effect on the fair value of investment properties:

As at March 31, 2018

(\$ Millions)	Change (basis points) ⁽¹⁾	Estimated (Decrease) Increase
Weighted Average Capitalization Rate	+25	\$ (508)
Weighted Average Capitalization Rate	-25	\$ 512

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

SECTION II

AVERAGE MONTHLY RENTS AND OCCUPANCY

Portfolio Average Monthly Rents ("AMR") and Occupancy by Demographic Sector

As at March 31,	Total Portfolio				Properties Owned Prior to March 31, 2017				Properties Acquired Since March 31, 2017 ⁽²⁾	
	2018		2017		2018		2017 ⁽¹⁾			
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Affordable	\$ 994	98.4	\$ 908	96.8	\$ 970	98.2	\$ 908	96.8	\$ 1,268	99.7
Mid-tier	\$ 1,111	99.0	\$ 1,068	99.1	\$ 1,110	99.2	\$ 1,069	99.1	\$ 1,129	94.0
Luxury	\$ 1,251	98.4	\$ 1,201	98.2	\$ 1,248	98.4	\$ 1,201	98.2	\$ 1,332	98.1
Average Residential Suites	\$ 1,153	98.7	\$ 1,105	98.6	\$ 1,151	98.8	\$ 1,105	98.6	\$ 1,213	96.2
Average MHC Land Lease Sites	\$ 391	98.2	\$ 381	98.4	\$ 391	98.2	\$ 381	98.4	\$ 535	100.0
Overall Portfolio Average	\$ 1,054	98.6	\$ 1,007	98.6	\$ 1,048	98.7	\$ 1,007	98.6	\$ 1,212	96.2

(1) Prior period comparable AMR and occupancy have been restated for properties disposed of since March 31, 2017.

(2) Under the purchase agreements for a property acquired on May 3, 2017, CAPREIT received monthly escrow payments for the positive differences, if any, between: (a) 100.0% of the gross rent roll for such month less (b) the actual rent earned for such month, with all applicable sales taxes. CAPREIT continues to receive escrow payments when the actual gross revenues are less than the threshold up to a maximum of \$2.5 million for the property, after which rental revenue will be based on actual occupancy. The occupancy rates in the tables are reflected at 100.0% for this property. This escrow agreement has been settled in 2018.

AMR is defined as actual residential rents, net of vacancies, divided by the total number of suites in the property and does not include revenues from parking, laundry or other sources. Overall AMR for the stabilized residential suite portfolio (properties owned prior to March 31, 2017) increased in all demographic sectors to \$1,151 at March 31, 2018 from \$1,105 at March 31, 2017, resulting in a 4.2% increase. The increases are due primarily to a combination of ongoing successful sales and marketing strategies, above-guideline rent increases, suite and building improvements, and continued strength in the residential rental sector in the majority of CAPREIT's regional markets. Occupancy for the stabilized residential suite portfolio increased to 98.8% as at March 31, 2018 compared to 98.6% for the same period last year. For the total residential portfolio AMR increased 4.3% at March 31, 2018 compared to the prior year, while occupancies increased to 98.7% compared to 98.6% last year.

For the total MHC land lease portfolio, AMR increased to \$391 as at March 31, 2018, compared to \$381 as at March 31, 2017 while occupancy remained strong at 98.2%. Management believes MHC land lease sites provide secure and stable cash flows due to long-term tenancies, high occupancies, steady increases in AMR, and significantly lower capital and maintenance costs.

The table below summarizes the changes in the AMR due to suite turnovers and lease renewals compared to the prior year.

Suite Turnovers and Lease Renewals - Total Portfolio

For the Three Months Ended March 31,

	2018			2017		
	Change in AMR \$	%	% Turnovers & Renewals ⁽¹⁾	Change in AMR \$	%	% Turnovers & Renewals ⁽¹⁾
Suite Turnovers	109.0	9.6	4.2	44.7	4.0	4.4
Lease Renewals	25.8	2.2	16.7	20.6	1.8	16.8
Weighted Average of Turnovers and Renewals	42.5	3.7		25.6	2.3	

(1) Percentage of suites turned over or renewed during the period based on the total number of residential suites (excluding co-ownerships and the Netherlands properties) held at the end of the period.

Overall, suite turnovers in the residential suite portfolio (excluding co-ownerships and the Netherlands properties) during the three months ended March 31, 2018 resulted in AMR increasing by approximately \$109 or 9.6% compared to an increase of approximately \$45 or 4.0% for the same period last year, primarily due to the strong rental markets of British Columbia and Ontario, offset by strategically reduced rents in the Alberta rental market to increase occupancy and decrease in rents in Saskatchewan due to decreased occupancy.

Pursuant to Management's focus on increasing overall portfolio rents for the three months ended March 31, 2018, AMR on lease renewals increased by approximately \$26 or 2.2%, compared to an increase of approximately \$21 or 1.8% for the same period last year. Increased portfolio diversification helped mitigate geographical risk in particular areas of Canada. Management continues to pursue applications for annual guideline increases ("AGIs") in Ontario, where it believes increases to raise AMR on lease renewals above the annual guideline are supported by market conditions (see discussion in the Future Outlook section). For 2018, the permitted guideline increases in Ontario and British Columbia have been set to 1.8% and 4.0%, respectively.

Portfolio Average Monthly Rents and Occupancy by Geography

As at March 31,	Total Portfolio				Properties Owned Prior to March 31, 2017				Properties Acquired Since March 31, 2017	
	2018		2017		2018		2017 ⁽¹⁾			
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Residential Suites										
Ontario										
Greater Toronto Area	\$ 1,329	99.5	\$ 1,273	99.6	\$ 1,329	99.5	\$ 1,273	99.6	\$ -	-
Ottawa	1,228	99.8	1,187	99.4	1,228	99.8	1,187	99.4	-	-
London / Kitchener / Waterloo	953	98.1	918	98.6	953	98.1	918	98.6	-	-
Other Ontario	1,235	99.2	1,183	99.3	1,235	99.2	1,183	99.3	-	-
	\$ 1,270	99.4	\$ 1,219	99.4	\$ 1,270	99.4	\$ 1,219	99.4	\$ -	-
Québec										
Greater Montréal Region	\$ 895	97.9	\$ 870	97.8	\$ 901	98.5	\$ 870	97.8	\$ 716	82.1
Québec City	989	96.7	963	96.5	989	96.7	963	96.5	-	-
	\$ 919	97.6	\$ 894	97.4	\$ 924	98.0	\$ 894	97.4	\$ 716	82.1
British Columbia										
Greater Vancouver Region	\$ 1,252	99.7	\$ 1,169	99.9	\$ 1,252	99.7	\$ 1,173	99.9	\$ -	-
Victoria	1,152	99.9	1,075	99.7	1,143	99.9	1,075	99.7	1,451	100.0
	\$ 1,219	99.8	\$ 1,139	99.8	\$ 1,216	99.8	\$ 1,141	99.8	\$ 1,451	100.0
Alberta										
Edmonton	\$ 1,079	95.9	\$ 1,121	98.4	\$ 1,079	95.9	\$ 1,121	98.4	\$ -	-
Calgary	1,052	99.0	1,059	97.6	1,052	99.0	1,059	97.6	-	-
	\$ 1,057	98.4	\$ 1,071	97.7	\$ 1,057	98.4	\$ 1,071	97.7	\$ -	-
Nova Scotia										
Halifax	\$ 1,084	96.3	\$ 1,052	93.9	\$ 1,084	96.3	\$ 1,052	93.9	\$ -	-
Saskatchewan										
Saskatoon	\$ 969	94.1	\$ 997	98.0	\$ 969	94.1	\$ 997	98.0	\$ -	-
Regina	1,004	93.2	1,010	97.0	1,004	93.2	1,010	97.0	-	-
	\$ 994	93.5	\$ 1,006	97.3	\$ 994	93.5	\$ 1,006	97.3	\$ -	-
Prince Edward Island										
Charlottetown	\$ 1,011	97.8	\$ 983	98.1	\$ 1,003	98.1	\$ 983	98.1	\$ 1,060	95.8
Europe										
The Netherlands ⁽²⁾	\$ 1,256	98.4	\$ 953	95.8	\$ 1,143	98.1	\$ 953	95.8	\$ 1,299	98.5
Total Residential Suites	\$ 1,153	98.7	\$ 1,105	98.6	\$ 1,151	98.8	\$ 1,105	98.6	\$ 1,213	96.2
MHC Land Lease Sites										
Ontario	\$ 527	100.0	\$ 516	100.0	\$ 527	100.0	\$ 516	100.0	\$ 535	100.0
British Columbia	441	100.0	425	100.0	441	100.0	425	100.0	-	-
Alberta	432	99.8	422	99.8	432	99.8	422	99.8	-	-
Saskatchewan	403	100.0	386	99.6	403	100.0	386	99.6	-	-
Prince Edward Island	147	100.0	144	100.0	147	100.0	144	100.0	-	-
New Brunswick	270	94.9	263	95.6	270	94.9	263	95.6	-	-
Total MHC Land Lease	\$ 391	98.2	\$ 381	98.4	\$ 391	98.2	\$ 381	98.4	\$ 535	100.0
Total Suites and Sites	\$ 1,054	98.6	\$ 1,007	98.6	\$ 1,048	98.7	\$ 1,007	98.6	\$ 1,212	96.2

(1) Prior period comparable AMR and occupancy have been restated for properties disposed of since March 31, 2017.

(2) Includes foreign exchange impact. The amounts in Euros for the total portfolio AMR are €792 and €670 as at March 31, 2018 and March 31, 2017, respectively

Overall AMR for the stabilized residential suite portfolio as at March 31, 2018 increased by approximately 4.2% compared to the same period last year, while occupancies increased to 98.8%. For the total residential suite portfolio, AMR increased by approximately 4.3%, as compared to March 31, 2017. The increases are primarily due to a combination of ongoing successful sales and marketing strategies, above-guideline increases and continued strength in the residential rental sector in the majority of CAPREIT's regional markets. Occupancies increased slightly to 98.7% as at March 31, 2018 compared to 98.6% last year. Management believes annual occupancies can be maintained in the 97% to 99% range over the long term and the trend for gradual increases in same-property AMR will continue, providing the basis for sustainable year-over-year increases in revenues.

Management also believes the defensive characteristics of its portfolio and its strategy to further diversify both geographically 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 sustainably increase same-property AMR and maintain high occupancy levels.

The table below shows the new tenant inducements incurred during the periods ended March 31, 2018 and 2017 as well as the amortization of tenant inducements, loss from vacancies, and bad debt expense included in net rental revenue for the same years.

Tenant Inducements, Vacancy Loss, and Bad Debt Expense

For the Three Months Ended March 31,
(\$ Thousands)

	2018		%⁽¹⁾		2017		%⁽¹⁾	
New Tenant Inducements Incurred ⁽²⁾	\$	1,230			\$	375		
Tenant Inducements Amortized	\$	483	0.3		\$	617	0.4	
Vacancy Loss Incurred		2,960	1.8			2,862	1.8	
Total Amortization and Loss	\$	3,443	2.1		\$	3,479	2.2	
Bad Debt Expense ⁽³⁾	\$	768	0.5		\$	441	0.3	

(1) As a percentage of total operating revenues.

(2) For the period ended, New Tenant Inducements Incurred increased compared to the same period last year mainly because of new commercial tenant inducements in British Columbia.

(3) Bad Debt Expense increased in most regions compared to last year, partly offset by a decrease in Alberta.

RESULTS OF OPERATIONS**Total Operating Revenues by Geography****For the Three Months Ended March 31,**

(\$ Thousands)

	2018	2017
Residential Suites		
Ontario		
Greater Toronto Area	\$ 65,358	\$ 62,581
Ottawa	6,141	5,905
London / Kitchener / Waterloo	7,058	6,792
Other Ontario	6,867	6,646
	\$ 85,424	\$ 81,924
Québec		
Greater Montréal Region	\$ 23,979	\$ 22,573
Québec City	8,946	8,722
	\$ 32,925	\$ 31,295
British Columbia		
Greater Vancouver Region	\$ 12,175	\$ 11,439
Victoria	5,549	5,164
	\$ 17,724	\$ 16,603
Alberta		
Edmonton	\$ 1,669	\$ 1,635
Calgary	7,046	7,027
	\$ 8,715	\$ 8,662
Nova Scotia		
Halifax	\$ 5,583	\$ 5,532
Saskatchewan		
Saskatoon	\$ 292	\$ 336
Regina	733	714
	\$ 1,025	\$ 1,050
Prince Edward Island		
Charlottetown	\$ 1,647	\$ 1,386
Europe		
The Netherlands ⁽¹⁾	\$ 7,179	\$ 1,549
Total Residential Suites	\$ 160,222	\$ 148,001
MHC Land Lease Sites		
Ontario	\$ 4,362	\$ 4,316
British Columbia	361	347
Alberta	545	526
Saskatchewan	299	287
Prince Edward Island	223	217
New Brunswick	2,007	1,916
Total MHC Land Lease Sites	\$ 7,797	\$ 7,609
Total Residential Suites and MHC Land Lease	\$ 168,019	\$ 155,610

(1) In € Thousands, €4,677 and €1,098 for the three months ended March 31, 2018 and March 31, 2017, respectively

Results of Operations**For the Three Months Ended March 31,**
(\$ Thousands)

	2018	% ⁽¹⁾	2017	% ⁽¹⁾
Operating Revenues				
Net Rental Revenues	\$ 159,413	94.9	\$ 147,387	94.7
Other ⁽²⁾	8,606	5.1	8,223	5.3
Total Operating Revenues	\$ 168,019	100.0	\$ 155,610	100.0
Operating Expenses				
Realty Taxes	(17,332)	10.3	(17,176)	11.0
Utilities	(18,650)	11.1	(18,730)	12.0
Other ⁽³⁾	(29,635)	17.6	(28,106)	18.1
Total Operating Expenses	\$ (65,617)	39.0	\$ (64,012)	41.1
NOI	\$ 102,402	60.9	\$ 91,598	58.9

(1) As a percentage of total operating revenues.

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

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

Operating Revenues

For the three months ended March 31, 2018, total operating revenues increased by 8.0% compared to last year, due to the contributions from acquisitions, increased same-property AMR, and continuing high occupancies. Ancillary revenues, such as parking, laundry and antenna income, increased by 4.7% for the three months ended March 31, 2018.

Estimated Net Rental Revenue Run-Rate**As at March 31,**

(\$ Thousands)

	2018	2017
Residential Rent Roll ^{(1),(2)}	\$ 621,208	\$ 570,457
Commercial Rent Roll ^{(1),(2)}	22,561	22,253
Annualized Net Rental Revenue Run-Rate	\$ 643,769	\$ 592,710

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

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

The table above shows the estimated net rental revenue run-rate (net of average historical vacancy loss, tenant inducements and bad debt) based on AMR in place for CAPREIT's share of residential suites and sites as at March 31, 2018 and 2017. The estimated annualized net rental revenue run-rate grew by 8.6% to \$643.8 million from \$592.7 million, primarily as a result of acquisitions within the last twelve months and higher rents. Net rental revenue net of dispositions for the 12 months ended March 31, 2018 was \$617.2 million (2017 – \$572.6 million).

Operating Expenses

Overall operating expenses increased for the three months ended March 31, 2018 compared to the same periods last year, primarily due to the increased size of the portfolio. However, total operating expenses as a percentage of revenues improved to 39.0% compared to 41.1% for the same period last year.

Realty Taxes

For the three months ended March 31, 2018, realty taxes as a percentage of operating revenues improved to 10.3% compared to 11.0% for the same period last year, as a result of higher operating revenues from stabilized properties and acquisitions.

Utilities

For the three months ended March 31, 2018, utility costs as a percentage of operating revenues improved to 11.1% compared to 12.0% for the same period last year.

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

For the Three Months Ended March 31, (\$ Thousands)	2018	% ⁽¹⁾	2017	% ⁽¹⁾
Electricity	\$ 6,992	4.2	\$ 7,891	5.1
Natural Gas	6,840	4.1	6,372	4.1
Water	4,818	2.9	4,467	2.8
Total	\$ 18,650	11.1	\$ 18,730	12.0

(1) As a percentage of total operating revenues.

For the three months ended March 31, 2018, electricity costs as a percentage of total operating revenues improved to 4.2% compared to 5.1% for the same period last year. In dollar terms, electricity costs for the three months ended March 31, 2018 improved compared to last year due to lower electricity rates, reduced consumption, the positive impacts of energy-saving initiatives and sub-metering. As at March 31, 2018, tenants who pay their hydro charges directly represent 67% of the total 16,638 recently sub-metered suites in Ontario and Alberta.

For the three months ended March 31, 2018, natural gas costs as a percentage of total operating revenues remained stable at 4.1% compared to 4.1% for the same period last year.

The table below provides information on CAPREIT's fixed natural gas contracts for the fiscal years 2018, 2019, and 2020:

	Actual ⁽²⁾ 2017	Proforma 2018	Estimated 2019	Estimated 2020
Gas Commodity				
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 2.87	\$ 2.87	\$ 2.77	\$ 2.70
Total of CAPREIT's Actual/Estimated	65.0%	64.4%	58.1%	41.7%
Transport				
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 1.36	\$ 1.18	\$ 0.97	\$ 0.96
Total of CAPREIT's Actual/Estimated	75.3%	75.8%	58.2%	41.7%

(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 hedge contracts against actual total requirements.

Other Operating Expenses

Other operating expenses, which include repairs and maintenance ("R&M") costs, wages and benefits, insurance and advertising, improved as a percentage of operating revenues for the three months ended March 31, 2018 to 17.6% from 18.1% for the same period last year, due primarily to decreased wages and benefit expenses partially offset by increases in R&M expenses, and insurance expenses.

NOI

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

The following table shows the NOI and the NOI margin attained for each regional market for the periods ended March 31, 2018 and 2017.

For The Three Months Ended March 31,	2018		2017		Increase (Decrease)		
(\$ Thousands)	NOI	NOI Margin (%)	NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 40,701	62.3	\$ 37,660	60.2	4.4	(1.1)	8.1
Ottawa	3,841	62.6	3,616	61.2	4.0	0.5	6.2
London / Kitchener / Waterloo	4,206	59.6	4,007	59.0	3.9	2.4	5.0
Other Ontario	4,127	60.1	3,808	57.3	3.3	(3.5)	8.4
	\$ 52,875	61.9	\$ 49,091	59.9	4.3	(0.9)	7.7
Québec							
Greater Montréal Region	\$ 12,428	51.8	\$ 11,793	52.2	6.2	7.2	5.4
Québec City	4,901	54.8	4,545	52.1	2.6	(3.2)	7.8
	\$ 17,329	52.6	\$ 16,338	52.2	5.2	4.3	6.1
British Columbia							
Greater Vancouver Region	\$ 8,382	68.9	\$ 7,489	65.5	6.4	(4.0)	11.9
Victoria	3,976	71.7	3,583	69.4	7.5	(0.5)	11.0
	\$ 12,358	69.7	\$ 11,072	66.7	6.8	(3.0)	11.6
Alberta							
Edmonton	\$ 1,073	64.3	\$ 1,058	64.7	2.1	3.3	1.4
Calgary	3,990	56.6	3,961	56.4	0.3	(0.3)	0.7
	\$ 5,063	58.1	\$ 5,019	57.9	0.6	0.3	0.9
Nova Scotia							
Halifax	\$ 3,304	59.2	\$ 3,094	55.9	0.9	(6.5)	6.8
Saskatchewan							
Saskatoon	\$ 133	45.6	\$ 168	50.0	(13.1)	(5.4)	(20.8)
Regina	413	56.3	407	57.0	2.7	4.2	1.5
	\$ 546	53.3	\$ 575	54.8	(2.4)	0.8	(5.0)
Prince Edward Island							
Charlottetown	\$ 747	45.4	\$ 572	41.3	18.8	10.6	30.6
Europe							
The Netherlands ⁽¹⁾	\$ 5,247	73.1	\$ 1,126	72.7	364.1	356.7	366.8
Total Residential Suites	\$ 97,469	60.8	\$ 86,887	58.7	8.3	2.7	12.2
MHC Land Lease Sites							
Ontario	\$ 2,956	67.8	\$ 2,902	67.2	1.1	(0.6)	1.9
British Columbia	277	76.7	262	75.5	4.0	(1.2)	5.7
Alberta	332	60.9	290	55.1	3.6	(9.8)	14.5
Saskatchewan	186	62.2	178	62.0	4.2	3.7	4.5
Prince Edward Island	75	33.6	70	32.3	2.8	0.7	7.1
New Brunswick	1,107	55.2	1,009	52.7	4.8	(0.8)	9.7
Total MHC Land Lease Sites	\$ 4,933	63.3	\$ 4,711	61.9	2.5	(1.2)	4.7
Total Suites and Sites	\$ 102,402	60.9	\$ 91,598	58.9	8.0	2.5	11.8

(1) In € Thousands, €3,440 and €798 for the three months ended March 31, 2018 and March 31, 2017, respectively

For the three months ended March 31, 2018, NOI increased by 11.8% and the NOI margin increased to 60.9% compared to 58.9% for same period last year due to increased operating revenues, lower wages and electricity costs as a percentage of operating revenues, offset by higher R&M expenses. The improvement in the NOI contribution was primarily the result of acquisitions, and higher operating revenues across the majority of the portfolio in the current year. CAPREIT remains focused on continuing to further improve NOI and NOI margin through a combination of accretive and value-enhancing acquisitions, successful sales and marketing strategies to further improve revenues, and investments in capital programs to further reduce costs and enhance the quality and value of its portfolio. For a comprehensive analysis of stabilized NOI growth or decline compared to the same period last year by region, refer to the Stabilized Portfolio Performance section.

STABILIZED PORTFOLIO PERFORMANCE

For The Three Months Ended March 31,	2018		2017		Increase (Decrease)		
(\$ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 40,701	62.3	\$ 37,660	60.2	4.4	(1.1)	8.1
Ottawa	3,841	62.6	3,616	61.2	4.0	0.5	6.2
London / Kitchener / Waterloo	4,206	59.6	4,007	59.0	3.9	2.4	5.0
Other Ontario	4,127	60.1	3,808	57.3	3.3	(3.5)	8.4
	\$ 52,875	61.9	\$ 49,091	59.9	4.3	(0.9)	7.7
Québec							
Greater Montréal Region	\$ 12,109	52.1	\$ 11,793	52.2	3.0	3.3	2.7
Québec City	4,901	54.8	4,545	52.1	2.6	(3.2)	7.8
	\$ 17,010	52.9	\$ 16,338	52.2	2.9	1.5	4.1
British Columbia							
Greater Vancouver Region	\$ 8,258	68.8	\$ 7,405	65.6	6.4	(3.4)	11.5
Victoria	3,914	71.7	3,566	69.4	6.3	(1.5)	9.8
	\$ 12,172	69.7	\$ 10,971	66.8	6.4	(2.9)	11.0
Alberta							
Edmonton	\$ 1,073	64.3	\$ 1,058	64.7	2.1	3.3	1.4
Calgary	3,990	56.6	3,961	56.4	0.3	(0.3)	0.7
	\$ 5,063	58.1	\$ 5,019	57.9	0.6	0.3	0.9
Nova Scotia							
Halifax	\$ 3,304	59.2	\$ 3,094	55.9	0.9	(6.5)	6.8
Saskatchewan							
Saskatoon	\$ 133	45.6	\$ 154	50.8	(3.6)	6.7	(13.6)
Regina	413	56.3	407	57.0	2.7	4.2	1.5
	\$ 546	53.3	\$ 561	55.2	0.8	5.0	(2.7)
Prince Edward Island							
Charlottetown	\$ 648	45.3	\$ 572	41.3	3.2	(3.9)	13.3
Europe							
The Netherlands ⁽¹⁾	\$ 1,352	71.7	\$ 1,126	72.7	21.9	26.0	20.3
Total Residential Suites	\$ 92,970	60.5	\$ 86,772	58.7	4.0	(0.4)	7.1
MHC Land Lease Sites							
Ontario	\$ 2,956	67.8	\$ 2,902	67.2	1.1	(0.6)	1.9
British Columbia	277	76.7	262	75.5	4.0	(1.2)	5.7
Alberta	332	60.9	290	55.1	3.6	(9.8)	14.5
Saskatchewan	186	62.2	178	62.0	4.2	3.7	4.5
Prince Edward Island	75	33.6	70	32.3	2.8	0.7	7.1
New Brunswick	1,107	55.2	1,009	52.7	4.8	(0.8)	9.7
Total MHC Land Lease Sites	\$ 4,933	63.3	\$ 4,711	61.9	2.5	(1.2)	4.7
Total Suites and Sites	\$ 97,903	60.6	\$ 91,483	58.9	3.9	(0.5)	7.0
Stabilized Suites and Sites	47,552		47,552				

(1) Includes foreign exchange, amounts in € Thousands are detailed as below:

For The Three Months Ended March 31,	2018		2017		Increase (Decrease)		
(€ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Europe							
The Netherlands	€ 872	71.7	€ 798	72.7	10.7	14.6	9.3

Stabilized NOI represents NOI for properties owned by CAPREIT continuously since December 31, 2016. Stabilized properties for the three months ended March 31, 2018 are defined as all properties owned by CAPREIT continuously since December 31, 2016, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2018 and 2017. As at March 31, 2018, stabilized suites and sites represent 96.1% of CAPREIT's total portfolio. Management considers stabilized NOI is considered by management to be an important financial measure of the Company's operations as it includes only the net operating income of properties that have been owned for the entire current and prior period reporting periods.

For the three months ended March 31, 2018, operating revenues increased by 3.9% and operating costs were lower by 0.5% compared to the same period last year. As a result, Stabilized NOI increased by 7.0% for the three months ended March 31, 2018.

For the three months ended March 31, 2018, the NOI margin for properties acquired since December 31, 2016, was 50.0%.

Ontario:

NOI for the stabilized Ontario portfolio increased by 7.7% for the three months ended March 31, 2018 compared to the same period last year, primarily due to higher operating revenues, lower utility expenses and wages, partially offset by vacancies and insurance costs. The NOI margin increased to 61.9% for the three months ended March 31, 2018 compared to 59.9% for the same period last year. Management believes the Ontario portfolio will remain strong and generate steady returns in the medium term. The rent guideline increase for 2018 has been set at 1.8%.

Québec:

NOI for the stabilized Québec portfolio increased by 4.1% for the three months ended March 31, 2018 compared to the same period last year, primarily due to higher operating revenues, lower wage expenses and vacancies, partially offset by higher R&M costs and legal and collection costs. For the three months ended March 31, 2018, the NOI margin increased to 52.9% compared to 52.2% for the same period last year. CAPREIT believes the Québec rental market will remain stable and generate steady to improving returns in the medium term.

British Columbia:

NOI for the stabilized British Columbia portfolio increased by 11.0% for the three months ended March 31, 2018 compared to the same period last year, primarily due to higher operating revenues and lower wages. For the three months ended March 31, 2018, the NOI margin increased to 69.7% from 66.8% for the same period last year. Management believes the British Columbia portfolio will remain strong and continue to generate steady returns in the medium term. The rent guideline increase for 2018 has been set at 4.0%.

Alberta:

NOI for the stabilized Alberta portfolio increased by 0.9% for the three months ended March 31, 2018 compared to last year, primarily due to lower tenant inducements, R&M costs and vacancies, partially offset by higher utilities costs. For the three months ended March 31, 2018, the NOI margin increased to 58.1% compared to 57.9% for the same period last year. In addition, with Alberta residential NOI representing only 4.9% of CAPREIT's total NOI, it is not overly exposed to any unanticipated significant downturn in the Alberta multi-unit residential rental business. Management believes its well-located properties and CAPREIT's proven property management programs should help to stabilize performance in the province and continue to generate steady returns in the medium term.

Nova Scotia:

NOI for the stabilized Nova Scotia portfolio increased by 6.8% for the three months ended March 31, 2018 compared to the same period last year, primarily due to lower vacancies, realty taxes and R&M expenses, partially offset by higher bad debt, and wages. For the three months ended March 31, 2018, the NOI margin increased to 59.2% from 55.9% for same period last year. Management believes its presence in downtown Halifax locations will continue to generate steady returns in the medium term.

MHC Land Lease Sites:

NOI for the stabilized MHC land lease sites portfolio increased by 4.7% for the three months ended March 31, 2018 compared to the same period last year, primarily due to higher operating revenues, lower R&M costs, offset by higher utilities. For the three months ended March 31, 2018, the NOI margin increased to 63.3% from 61.9% for the same period last year. Management believes its MHC land lease portfolio will continue to generate steady to improving returns in the medium term.

Netherlands:

NOI for the stabilized Netherlands portfolio increased by 9.3% for the three months ended March 31, 2018 compared to the same period last year, primarily due to higher operating revenues, lower R&M costs, partially offset by higher wages. For the three months ended March 31, 2018, the NOI margin decreased to 71.7% from 72.7% for the same period last year.

The following table reconciles stabilized NOI and NOI for net acquisitions to total NOI for the three months ended March 31, 2018 and the 2017:

For the Three Months Ended March 31,	2018	NOI	2017	NOI
(\$ Thousands)		Margin		Margin
		(%)		(%)
Stabilized NOI	\$ 97,903	60.6	\$ 91,483	58.9
Net Acquisitions NOI ⁽¹⁾	4,499	67.9	115	50.9
Total NOI	\$ 102,402	60.9	\$ 91,598	58.9

(1) Represents the NOI of acquisitions or dispositions completed during 2018 and 2017.

NET INCOME AND OTHER COMPREHENSIVE INCOME

For the Three Months Ended March 31, (\$ Thousands)	2018	2017
NOI	\$ 102,402	\$ 91,598
(Less) Plus:		
Trust Expenses	(10,140)	(6,438)
Unrealized Gain on Remeasurement of Investment Properties	61,235	91,511
Realized Loss on Disposition of Investment Properties	-	(80)
Remeasurement of Exchangeable Units	22	(311)
Remeasurement of Investments ⁽¹⁾	(739)	-
Unit-based Compensation Expenses	(2,786)	(7,120)
Interest on Mortgages Payable and Other Financing Costs	(28,965)	(29,153)
Interest on Bank Indebtedness and Other Financing Costs	(3,823)	(750)
Interest on Exchangeable Units	(42)	(51)
Other Income	3,439	3,041
Amortization	(1,273)	(964)
Unrealized and Realized Loss on Derivative Financial Instruments	(6,037)	186
Loss on Foreign Currency Translation	(9,928)	(359)
Net Income Before Income Taxes	\$ 103,365	\$ 141,110
Current and Deferred Income Tax (Expense) Recovery	(3,167)	23
Net Income	\$ 100,198	\$ 141,133
Other Comprehensive Income, Including Items That May Be Reclassified Subsequently to Net Income		
Amortization of Losses from AOCL to Interest and Other Financing Costs	\$ 709	\$ 771
Change in Fair Value of Derivative Financial Instruments	-	201
Change in Fair Value of Investments ⁽¹⁾	-	1,609
Foreign Currency Translation	21,270	463
Other Comprehensive Income	21,979	3,044
Comprehensive Income	\$ 122,177	\$ 144,177

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

Trust Expenses

Trust expenses include costs directly attributable to head office, such as salaries, trustee fees, professional fees for legal and advisory services, trustees' and officers' insurance premiums, providing third-party property and asset management services, and other general and administrative expenses, net of amounts allocated to property operating expenses for properties owned by CAPREIT. Trust expenses increased for the three months ended March 31, 2018 to \$10.1 million from \$6.4 million for same period last year primarily due to higher salaries, consulting fees, and office expenses. For the three months ended March 31, 2018, trust expenses included approximately \$2.0 million related to non-routine items including non-executive reorganization severances, consulting, legal and general expenses.

Unrealized Gain on Remeasurement of Investment Properties

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

Realized Loss on Disposition of Investment Properties

For the three months ended March 31, 2018, there were no dispositions of investment properties. For the three months ended March 31, 2017, a loss of \$0.1 million was recognized in connection with the property dispositions completed in second quarter of 2017. The loss represents the difference between the net proceeds after transaction costs from the disposition of each property compared to the fair value of the respective properties at the date of disposition.

Remeasurement of Exchangeable Units

CAPREIT accounts for its Exchangeable Units as a financial liability, remeasures such liability at each reporting period, and includes this remeasurement in the consolidated statements of income and comprehensive income. The increase in the market price of the underlying CAPREIT Trust Units since the prior reporting date resulted in a gain on remeasurement of \$22 thousand for the three months ended March 31, 2018 compared to \$0.3 million loss for the same period last year. A description of the key components of the remeasurement of Exchangeable Units is included in note 11 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2017, contained in CAPREIT's 2017 Annual Report.

Unit-based Compensation Expenses

Unit-based compensation benefits are provided to officers, trustees and certain employees and are intended to facilitate long-term ownership of Trust Units and to provide additional incentives by increasing the participants' interest, as owners, in CAPREIT. Unit-based compensation expenses include costs attributable to these incentive plans, namely the Restricted Unit Rights Plan ("RUR Plan"), Unit Option Plan ("UOP"), Deferred Unit Plan ("DUP"), Long-Term Incentive Plan ("LTIP") and Senior Executive Long-Term Incentive Plan ("SELTIP") (see notes 11 and 12 in CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2017, contained in CAPREIT's 2017 Annual Report).

As a result of CAPREIT being an open-ended mutual fund trust, whereby each Unitholder of the Trust Units is entitled to redeem their Units in accordance with the conditions specified in CAPREIT's DOT, under IFRS the underlying Trust Units relating to the Unit-based compensation awards are not classified as equity and are instead considered financial liabilities. As such, these Unit-based compensation awards must be presented as liabilities and remeasured at fair value at each reporting date. Close-ended mutual fund trusts, such as certain of CAPREIT's industry peers, are not required to remeasure their respective Unit-based compensation awards at fair value. In such cases, the related expense is limited to the amortization of the fair value on grant date of the award over the applicable vesting period.

In order to aid comparability with CAPREIT's peers, the Unit-based compensation expenses have been separated into two components: (i) the amortization of the fair value at grant date of the award over its vesting period, and (ii) the remeasurement of awards outstanding at period end at fair value.

As at March 31, 2018, the maximum number of Units issuable under all of CAPREIT's Unit-based incentive plans is 9,500,000 Units (December 31, 2017 – 9,500,000). The maximum number of Units available for future issuance under all Unit incentive plans as at March 31, 2018 is 941,857 Units (December 31, 2017 – 1,077,977 Units).

A description of the key components of the market-based rates and assumptions used to determine the fair values of the awards is included in notes 11 and 12 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2017, contained in CAPREIT's 2017 Annual Report.

CAPREIT's Unit-based compensation expense for the three months ended March 31, 2018 resulted in a loss of \$2.8 million compared to \$7.1 million for same period last year, primarily due to the lesser change in the market price of the underlying CAPREIT Trust Units in 2018 compared to 2017. The table below demonstrates the impact of each component of CAPREIT's plans on the total compensation expense.

For the Three Months Ended March 31, (\$ Thousands)	2018	2017
Remeasurement of Unit-based Compensation Liabilities	\$ 1,602	\$ 5,800
Amortization of Fair Value on Grant Date of Unit-based Compensation	1,184	1,320
Total	\$ 2,786	\$ 7,120

Interest on Mortgages Payable and Other Financing Costs

Interest on mortgages, which includes the amortization of certain financing costs, decreased for the three months ended March 31, 2018 to \$29.0 million from \$29.2 million for same period last year. As a percentage of operating revenues, mortgage interest expense decreased to 17.2% for the three months ended March 31, 2018 compared to 18.7% for same periods last year due to refinancing of mortgages at lower interest rates and higher operating revenues from stabilized properties and acquisitions. Additional information on the interest on mortgages payable and other financing costs is included in note 20 to the accompanying unaudited condensed consolidated interim financial statements and the Liquidity and Financial Condition section of this report.

Interest on Bank Indebtedness and Other Financing Costs

Interest on bank indebtedness relates to borrowings under the Credit Facilities (see Liquidity and Financial Condition discussion) and costs related to the non-controlling interest of a shareholder in CAPREIT's foreign subsidiaries. Additional information on non-controlling interest costs is included in note 20 to the accompanying audited consolidated annual financial statements.

Other Income

Other income primarily consists of dividends received from investments (see note 7 to the accompanying unaudited condensed consolidated interim financial statements), income from investment in associate, gains realized on the sale of investments, and asset management and property management fees.

For the Three Months Ended March 31, (\$ Thousands)	2018	2017
Investment Income	\$ 337	\$ 326
Net Profit from Equity-Accounted Investment	1,499	1,332
Asset and Property Management Fees	1,581	1,375
Other	22	8
Total	\$ 3,439	\$ 3,041

Effective April 11, 2014, CAPREIT entered into an external management agreement, as amended from time to time, to perform asset management and property management services for IRES, which owns properties in Dublin, Ireland. Asset management and property management fees included in Other Income for the three months ended March 31, 2018 are \$1.6 million compared to \$1.4 million in the prior year. Expenses related to the asset management and property management services are included in Trust expenses for the three months ended March 31, 2018.

Amortization

These costs represent the amortization of CAPREIT's head office property, plant and equipment on a straight-line basis over their estimated useful lives, ranging primarily between three and five years.

Unrealized and Realized Loss on Derivative Financial Instruments

- i) \$65 million interest rate swap agreement fixing the interest rate at 3.60%, which matures in September 2022. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a ten-year term. The related floating rate credit facility is for a five-year term. The credit facility was amended effective June 30, 2016 and expires on June 30, 2021. On expiry of the term it is expected to be refinanced to match the term of the interest rate swap. The hedge became ineffective in July 2017. The unrealized gain on the derivative of \$448 thousand for the three months ended March 31, 2018 has been recorded in net income, compared to the ineffective portion of unrealized gain of \$45 thousand for the three months ended March 31, 2017.
- ii) CAPREIT entered into a cross currency swap to (i) hedge a US-based loan of USD \$186,436 into euros of €163,540 effective July 2017 and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equalling 1.20% and maturing June 2019. The US-based loan was drawn from the Acquisition and Operating Facility in July 2017. The loss on the derivative has been recorded in net income for the three months ended March 31, 2018 of \$6.5 million and the cumulative mark-to market loss of \$20.5 million is in other non-current liabilities as at March 31, 2018.
- iii) The €40.0 million interest rate swap agreement effective April 21, 2014, fixed the interest rate at 2.87% (assuming a constant margin of 1.65% per annum), which matures in August 2018. The €40.0 million interest rate swap agreement was settled early in July 2017. The hedging derivative was marked-to-market in net income (\$0.1 million unrealized gain for the three months ended March 31, 2017).

Additional information on the above instruments is included in notes 15 and 16 to the accompanying unaudited condensed consolidated interim financial statements and the Liquidity and Financial Condition section.

Loss on Foreign Currency Translation

For the three months ended March 31, 2018, CAPREIT recognized a loss on foreign exchange of \$9.9 million compared to a loss of \$0.4 million for the three months ended March 31, 2017. The loss on foreign currency translation recognized in the consolidated statement of income primarily represents the foreign exchange translation on the US LIBOR and euro LIBOR borrowings for the investment in Ireland and the Netherlands. The combination of cross-currency swap (as indicated above) with the US LIBOR borrowing economically represents a fixed euro-based borrowing where the mark-to-market on the cross-currency swap is recorded under loss on derivative financial instruments on the Consolidated Statements of Income and Comprehensive Income. CAPREIT does not apply hedge accounting for its investment in Ireland and the Netherlands against the US LIBOR and euro LIBOR borrowings and cross-currency swap related to it; therefore, the accounting results may differ from the naturally offsetting asset and liability exposures to foreign exchange. The foreign exchange gain or loss on the investment in Ireland and the Netherlands is recorded in other comprehensive income ("OCI").

CAPREIT's Netherlands subsidiary owns and operates properties in The Netherlands, a foreign jurisdiction. It is exposed to foreign currency fluctuations arising between the functional currency of the foreign operation (the euro) and the functional currency of CAPREIT (the Canadian dollar). As such, CAPREIT entered into a hedge effective at the date of The Netherlands acquisition (December 23, 2016). CAPREIT hedged the net investment in The Netherlands foreign operations with €22.5 million euro-denominated debt on CAPREIT's consolidated balance sheets. Any foreign currency gains/losses arising from the euro-denominated debt was offset by the foreign currency gain/loss arising from the investment in The Netherlands foreign operations. The effective portion of foreign exchange gains and losses on the €22.5 million euro-denominated debt was recognized in OCI and the ineffective portion was recognized in net income. The hedge became ineffective July 2017 when the euro LIBOR borrowing was repaid.

SECTION III

UNIT CALCULATIONS

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

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

	Weighted Average Number of Units		Outstanding Number of Units
<i>For the Three Months Ended March 31,</i> (Thousands)	2018	2017	2018
Trust Units	138,163	134,629	142,711
Exchangeable Units ⁽¹⁾	131	161	131
Units under the DUP ⁽²⁾	260	286	269
Basic Number of Units	138,554	135,076	143,111
Plus:			
Dilutive Units under the LTIP ^{(2), (3)}	372	428	471
Dilutive Units under the SELTIP ^{(2), (3)}	367	333	555
Unit Rights under the RUR Plan ⁽²⁾	551	771	585
Dilutive Unexercised Options under the UOP ^{(2), (4)}	179	310	– ⁽⁵⁾
Diluted Number of Units	140,023	136,918	144,722

(1) See note 11 to the accompanying unaudited condensed consolidated interim financial statements for details of Exchangeable Units.

(2) See notes 11 and 12 to the audited consolidated annual financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report for details of CAPREIT's Unit-based compensation plans.

(3) Calculated using the treasury method after taking into account the respective subscriptions receivable (see note 12 to the accompanying unaudited condensed consolidated interim financial statements).

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

(5) There are 800,312 unexercised options outstanding under the UOP.

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

<i>For the Three Months Ended March 31,</i> (\$ Thousands)	2018	2017
Distributions Declared on Trust Units	\$ 44,473	\$ 42,433
Distributions Declared on Exchangeable Units	42	51
Distributions Declared on Awards Outstanding Under ⁽¹⁾		
Unit-based Compensation Plans	586	698
Total Distributions Declared	45,101	43,182
Less:		
Distributions on Trust Units Reinvested	(12,292)	(13,455)
Distributions on Unit Awards Reinvested ⁽¹⁾	(586)	(698)
Net Distributions Paid	\$ 32,223	\$ 29,029
Percentage of Distributions Reinvested	28.6%	32.8%

(1) Comprises: (i) non-cash distributions related to the DUP and the RUR plan, and (ii) retained distributions on LTIP and SELTIP Units (see notes 11 and 12 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report for a discussion of these plans).

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

The average participation rate in the DRIP and other plans under which distributions are reinvested decreased for the three months ended March 31, 2018 to 28.6% from 32.8% for the same period last year. The DRIP participation rate is subject to factors beyond Management's control and varies between investors.

Distributions declared on Units outstanding under the Unit-based compensation plans in these tables are based on all awards granted under the RUR Plan, DUP, LTIP and SELTIP (see notes 12 and 13 to the accompanying unaudited condensed consolidated interim financial statements for a discussion of these plans). When establishing the level of monthly cash distributions to Unitholders, the Board of Trustees relies on cash flow information, including forecasts and budgets.

NON-IFRS FINANCIAL MEASURES

Funds From Operations

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. FFO as presented is in accordance with the recommendations of the Real Property Association of Canada ("REALpac"), with the exception of the adjustment for amortization of certain other assets, unrealized gains or losses on FVTPL marketable securities. 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.

As noted in the Changes in New Accounting Standards section of this MD&A, CAPREIT has adopted the new standard IFRS 9 - Financial Instruments ("IFRS 9") on the required effective date of January 1, 2018. One impact of adopting this new standard is that the unrealized gains or losses on marketable securities classified as FVTPL now are included in net income, whereas they were recorded in OCI in 2017. Based on the FFO definition currently set forth by REALpac, which was amended in April 2014 and in February 2017, the unrealized gains or losses on FVTPL marketable securities should be included in FFO. However, CAPREIT believes that including such unrealized gains or losses in FFO does not represent the recurring operating performance of CAPREIT. As a result, CAPREIT has made an adjustment for it in the FFO to keep the calculation consistent with prior periods. CAPREIT's method of calculating FFO is in compliance with REALpac's definition of FFO with the exception of (i) the adjustment for amortization of certain other assets consistent with prior years and, (ii) the adjustment for unrealized gains or losses on FVTPL marketable securities.

Payout ratios compare total distributions declared and net distributions paid to these non-IFRS financial measures.

A reconciliation of net income to FFO is as follows:

For the Three Months Ended March 31, (\$ Thousands, except per Unit amounts)	2018	2017
Net Income	\$ 100,198	\$ 141,133
Adjustments:		
Unrealized Gain on Remeasurement of Investment Properties	(61,235)	(91,511)
Realized Loss on Disposition of Investment Properties	-	80
Remeasurement of Exchangeable Units	(22)	311
Remeasurement of Investments ⁽¹⁾	739	-
Remeasurement of Unit-based Compensation Liabilities	1,602	5,800
Interest on Exchangeable Units	42	51
Corporate and Deferred Income Taxes	3,167	(23)
Loss on Foreign Currency Translation	9,928	359
Unrealized and Realized Loss on Derivative Financial Instruments	6,037	(186)
Net FFO Impact Attributable to Non-Controlling Interest	1,657	24
Amortization of Property, Plant and Equipment	1,273	964
FFO	\$ 63,386	\$ 57,002
FFO per Unit – Basic	\$ 0.457	\$ 0.422
FFO per Unit – Diluted	\$ 0.453	\$ 0.416
Total Distributions Declared	\$ 45,101	\$ 43,182
FFO Payout Ratio	71.2%	75.8%
Net Distributions Paid	\$ 32,223	\$ 29,029
Excess FFO over Net Distributions Paid	\$ 31,163	\$ 27,973
FFO Effective Payout Ratio	50.8%	50.9%

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

Normalized Funds From Operations

Management considers NFFO to be the key measure of CAPREIT's operating performance. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, offset by 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 prior year's performance and provides a better indicator of CAPREIT's long-term operating performance. See the discussions under the Net Income section in this MD&A for additional information on hedging instruments currently in place. NFFO is not a measure of sustainability of distributions.

A reconciliation of FFO to NFFO is as follows:

For the Three Months Ended March 31, (\$ Thousands, except per Unit amounts)	2018	2017
FFO	\$ 63,386	\$ 57,002
Adjustments:		
Amortization of losses from AOCL to interest and other financing costs	709	771
Net Mortgage Prepayment Cost	-	164
NFFO	\$ 64,095	\$ 57,937
NFFO per Unit – Basic	\$ 0.463	\$ 0.429
NFFO per Unit – Diluted	\$ 0.458	\$ 0.423
Total Distributions Declared	\$ 45,101	\$ 43,182
NFFO Payout Ratio	70.4%	74.5%
Net Distributions Paid	\$ 32,223	\$ 29,029
Excess NFFO over Net Distributions Paid	\$ 31,872	\$ 28,908
Effective NFFO Payout Ratio	50.3%	50.1%

(1) Expenses included in trust expenses relates to transactions that were not completed.

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

NFFO for the three months ended March 31, 2018 increased by 10.6% compared to last year, primarily due to the contribution from acquisitions, and higher NOI for properties owned prior to March 31, 2017.

For the three months ended March 31, 2018, basic NFFO per Unit increased by 7.9% compared to same period last year, despite an approximate 2.6% increase in the weighted average number of Units outstanding, due primarily to strong organic NOI growth and contributions from acquisitions. Management expects per Unit FFO and NFFO and related payout ratios to strengthen further in the medium term as a result of NOI contributions from recent acquisitions.

Comparing total distributions declared to NFFO, the NFFO payout ratio for the three months ended March 31, 2018 improved to 70.4% compared to 74.5% for same period last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid, increased for the three months ended March 31, 2018 to 50.3% from 50.1% for the same period last year, both well within CAPREIT's annual target. CAPREIT anticipates a long-term annual NFFO payout ratio in the 70% to 80% range.

Adjusted Cash Flows From Operations and Distributions Declared

As a measure of economic cash flows, CAPREIT calculates ACFO using guidelines from the recently published whitepaper by REALpac, “White Paper on Adjusted Cashflow From Operations (ACFO) for IFRS” dated February 2017 and updated as of February 2018.

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

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

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

For the Three Months Ended March 31, (\$ Thousands, except per Unit amounts)	2018	2017	Annual 2017
Cash Generated From Operating			
Activities	\$ 81,603	\$ 59,714	\$ 358,941
Adjustments: ⁽¹⁾⁽²⁾			
Interest expense included in cash flow from financing activities	(28,766)	(27,370)	(111,138)
Non-Discretionary Property Capital Investments ⁽³⁾	(14,625)	(9,843)	(38,724)
Capitalized Leasing Costs ⁽⁴⁾	(1,615)	(472)	(3,234)
Amortization of Other Financing Costs ⁽⁵⁾	(1,643)	(1,358)	(5,689)
Non-controlling Interest	(31)	(12)	(184)
Investment Income	361	4,044	8,478
ACFO	\$ 35,284	\$ 24,703	\$ 208,450
Total Distributions Declared	\$ 45,101	\$ 43,182	\$ 176,024
(Deficit) Excess ACFO Over Distributions Declared	\$ (9,817)	\$ (18,479)	\$ 32,426
ACFO Payout Ratio	127.8%	174.8%	84.4%

(1) On a quarterly basis, a review of working capital is performed to determine whether changes in prepaids, receivable, deposits accounts payable and other liabilities, security deposits and other non-cash operating assets and liabilities were attributed to items which were not indicative of sustainable cash flows available for distribution in line with the ACFO guidance provided by REALPAC.

(2) Q1 2017 comparative balances have been restated to conform with current period presentation.

(3) Non-Discretionary Property Capital Investments for the three months ended March 31, 2018 and 2017 has been calculated as follows: Non-Discretionary Property Capital Investments per suite and site is based on the annual 2018 and 2017 forecasts respectively, divided by four for the quarter, and multiplied by the weighted average number of residential suites and sites during the period. The forecasted Non-Discretionary Property Capital Investments per suite and site for 2018 and 2017 on an annual basis is \$1,183 and \$827 respectively. The weighted average number of residential suites and sites for the three months ended March 31, 2018 and 2017 is 49,469 and 47,613 respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the table on the next page.

(4) Comprises tenant inducements and direct leasing costs.

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

For the three months ended March 31, 2018, CAPREIT's distributions declared exceeded ACFO by \$9.8 million. The excess distributions in the current quarter corresponds with the seasonality of CAPREIT's business and working capital deficiencies resulting from seasonality of normal course of operations. CAPREIT's first quarter typically has a higher payout ratio due to lower operating margins attributable to higher heating costs in the winter months. Any distributions in excess of the ACFO are funded through the DRIP and the Acquisition and Operating facility.

The table below reconciles actual non-discretionary capital investments incurred during the quarter to the forecasted amount used in the above ACFO calculation:

Non-Discretionary Property Capital Actuals to Forecast Reconciliation

For the Three Months Ended March 31,

(\$ Thousands, except per Unit amounts)

	2018	2017
Actual	\$ 3,686	\$ 5,302
Forecast ⁽¹⁾	14,625	9,843
Difference	(10,939)	(4,541)

(1) Annual forecasted Non-Discretionary Property Capital Investments per suite and site multiplied by the weighted average number of residential suites and sites during the period, applied equally for each quarter.

For the three months ended March 31, 2018, CAPREIT's actual non-discretionary property capital investments of \$3.7 million were lower than forecast by approximately \$10.9 million due to structural and roof projects that will begin later in the year.

CAPREIT's capital investments programs are affected by seasonal cycles, and professional judgement used by management to determine timing of property capital investments therefore actual and forecasted capital investments may differ during the applicable periods. As such, the forecasted Non-Discretionary Property Capital Investments per suite and site by quarter is subject to change based on revisions to that year's forecast in subsequent quarters.

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

Discretionary and Non-Discretionary Property Capital Investments

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

Non-discretionary Property Capital Investments are those investments Management believes are essential for the safety of residents and to ensure the structural integrity of the properties. These investments may enhance the property's operating effectiveness, including its profitability through increases in revenues or reduction in costs over the long-term. Included in non-discretionary capital expenditures are items such as building improvements, which include items such as roof, structural, balcony, sidewalks, windows, brick, electrical, MHC infrastructure investments, and fire safety. Management uses its professional judgement to include other capital expenditure categories that could impact the safety of residents. These Non-discretionary Property Capital Investments are in addition to regular R&M costs, which have been in the range of \$750 to \$1,150 per residential suite annually in the last five years and are expensed to NOI.

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

The following table reconciles the forecasted 2018 and actual 2017 and 2016 Non-Discretionary Property Capital Investments per suite and site:

(\$ Thousands, except per Unit amounts)	2018 Forecast	2017	2016
Non-Discretionary Property Capital Investments ⁽¹⁾	\$ 58,500	\$ 38,724	\$ 58,501
Discretionary Property Capital Investments ⁽¹⁾⁽²⁾	129,800	112,743	133,295
Total Property Capital Investments ⁽²⁾	\$ 188,300	\$ 151,467	\$ 191,796
Non-Discretionary Property Capital Investments	\$ 58,500	\$ 38,724	\$ 58,501
Weighted Average Number of Suites and Sites	49,469	48,307	46,780
Non-Discretionary Property Capital Investments per Suite and Site	\$ 1,183	\$ 802	\$ 1,251

(1) See Property Capital Investments section for further details.

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

Adjusted Cash Generated from Operating Activities

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

For the Three Months Ended March 31, (\$ Thousands, except per Unit amounts)	2018	2017
Cash Generated From Operating Activities	\$ 81,603	\$ 59,714
Adjustments		
Interest expense included in cash flow from financing activities	(28,766)	(27,370)
Adjusted Cash Generated from Operating Activities	\$ 52,837	\$ 32,344
Total Distributions Declared	\$ 45,101	\$ 43,182
Excess (shortfall)	\$ 7,736	\$ (10,838)

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

For the Three Months Ended March 31, (\$ Thousands, except per Unit amounts)	2018	2017
Net Income	\$ 100,198	\$ 141,133
Adjusted Cash Generated from Operating Activities	\$ 52,837	\$ 32,344
Total Distributions Declared	\$ 45,101	\$ 43,182
Net Distributions Paid	\$ 32,223	\$ 29,029
Excess of Net Income over Total Distributions Declared	\$ 55,097	\$ 97,951
Excess of Net Income over Net Distributions Paid	\$ 67,975	\$ 112,104
Excess/(shortfall) of Adjusted Cash Generated from Operating Activities over Total Distributions Declared	\$ 7,736	\$ (10,838)
Excess of Adjusted Cash Generated from Operating Activities over Net Distributions Declared	\$ 20,614	\$ 3,315

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

For the three months ended March 31, 2018, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$7.7 million compared to the prior year when Adjusted Cash Generated from Operating Activities were less than distributions declared by \$10.8 million. As per OSC Staff Notice 51-724, distributions in excess of Adjusted Cash Generated from Operating Activities represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period.

Management believes there is adequate overall liquidity to fund excess distributions given Adjusted Cash Generated from Operating Activities on an annual basis and through: (i) mortgage debt secured by its investment properties; (ii) secured short-term debt financing with three Canadian chartered banks; and (iii) equity financings and reinvestments from the DRIP.

SECTION IV

PROPERTY CAPITAL INVESTMENTS

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

An important component of CAPREIT's property capital investment strategy is to acquire properties at costs significantly below current replacement costs and improve their operating performance by investing annually in order to sustain and grow the portfolio's future rental income-generating potential over its useful life.

CAPREIT formulated and embarked on a multi-year capital investment plan that accelerates spending on planned building improvement programs, including upgrading parking garages, balconies and other structural improvements. These investments are closely connected to CAPREIT's property acquisitions, many of which were anticipated at the time of such acquisitions and were included in the acquisition analysis, to ensure such transactions are accretive. Management believes these investments will increase the productive capacity, the useful economic life and the operating capabilities of CAPREIT's properties and enhance their future cash flow generating potential. Management also believes these building improvement programs, combined with existing suite improvement, common area and environment-friendly and energy-saving initiatives, will enable CAPREIT to reposition its portfolio and maintain relatively high occupancy levels throughout any unfavourable economic conditions. These investments are expected to continue to increase AMR relative to market condition while improving life safety and resident satisfaction. Management believes strategic investments will position the portfolio for improved operating performance over the long term.

For the three months ended March 31, 2018, CAPREIT made property capital investments (excluding head office assets) of \$28.2 million, compared to \$30.8 million for same period last year. Overall property capital investments in the quarter included higher investments in stabilized properties at \$21.9 million compared to \$20.8 million in the prior year, offset by lower investments in acquisitions completed over the past five years. Energy-saving initiatives and suite and common area improvement costs generally tend to increase NOI more quickly compared to other capital investment categories.

CAPREIT continues to invest in environment-friendly and energy-saving initiatives, including high-efficiency boilers, energy-efficient lighting systems and water saving programs, which have permitted CAPREIT to mitigate potential increases in utility and R&M costs and have improved overall portfolio NOI significantly, as discussed in the Results of Operations section.

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

Property Capital Investments by Category

Three Months Ended March 31, 2018					2018 Forecast
(\$ Thousands)	Stabilized⁽¹⁾⁽³⁾	Net Acquisitions⁽²⁾	Total	%	Total Portfolio
Non-discretionary Property Capital Investments:					
Building Improvements	2,898	221	3,119	11.1	53,100
MHC Land Lease Sites	37	2	39	0.1	3,700
Fire Safety	318	210	528	1.9	1,700
	3,253	433	3,686	13.1	58,500
Discretionary Property Capital Investments:					
Suite Improvements	6,742	2,616	9,358	33.2	41,900
Common Area	5,818	1,495	7,313	25.9	39,100
Energy-saving Initiatives	230	48	278	1.0	4,900
Equipment	2,159	345	2,504	8.9	12,700
Boilers and Elevators	2,215	772	2,987	10.6	25,100
Appliances	758	200	958	3.4	6,100
	17,922	5,476	23,398	83.0	129,800
	21,175	5,909	27,084	96.1	188,300
Development:					
Intensification	717	27	744	2.6	5,500
Development	-	369	369	1.3	8,400
	717	396	1,113	3.9	13,900
Total	21,892	6,305	28,197	100.0	202,200

Three Months Ended March 31, 2017					2017 Actual
(\$ Thousands)	Stabilized⁽¹⁾⁽³⁾	Net Acquisitions⁽²⁾	Total	%	Total Portfolio
Non-discretionary Property Capital Investments:					
Building Improvements	1,957	3,266	5,223	17.0	35,665
MHC Land Lease Sites	34	-	34	0.1	2,438
Fire Safety	37	8	45	0.1	621
	2,028	3,274	5,302	17.2	38,724
Discretionary Property Capital Investments:					
Suite Improvements	8,024	2,986	11,010	35.7	51,570
Common Area	6,091	1,626	7,717	25.1	26,342
Energy-saving Initiatives	682	75	757	2.5	3,045
Equipment	2,376	1,015	3,391	11.0	12,208
Boilers and Elevators	259	655	914	3.1	14,532
Appliances	912	283	1,195	3.9	4,946
	18,344	6,640	24,984	81.3	112,643
	20,372	9,914	30,286	98.5	151,367
Development:					
Intensification	445	27	472	1.5	3,516
Development	-	-	-	-	1,925
	445	27	472	1.5	5,441
Total	20,817	9,941	30,758	100.0	156,808

(1) Properties owned as of December 31, 2013, excluding disposed properties.

(2) Includes properties acquired and disposed of since December 31, 2013.

(3) Comprises 40,325 residential suites and sites as at December 31, 2013.

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

The significant portfolio growth generated since 2011 has led CAPREIT to adjust its multi-year capital investment programs, as acquisitions are expected to have major capital expenditures within the first five years of purchase. Based on a revised multi-year property capital investment plan, Management expects CAPREIT to complete property capital investments (excluding development and intensification) of approximately \$185 million to \$195 million in 2018.

Set out in the next table is Management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements, including investments in MHC land lease sites, for 2018 through 2021 for properties owned as of March 31, 2018.

Future Investments in Building Improvements

(\$ Thousands)	Stabilized ⁽¹⁾		Acquisitions ⁽²⁾	
	Estimated Range		Estimated Range	
2018	\$ 41,000	- \$ 45,000	\$ 16,000	- \$ 20,000
2019	\$ 33,000	- \$ 37,000	\$ 11,000	- \$ 15,000
2020	\$ 26,000	- \$ 30,000	\$ 8,000	- \$ 12,000
2021	\$ 13,000	- \$ 17,000	\$ 3,000	- \$ 7,000

(1) Properties owned as of December 31, 2013, excluding disposed properties.

(2) Includes properties acquired since December 31, 2013.

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

CAPITAL STRUCTURE

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

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

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

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

CAPREIT is in compliance with all the investment and debt restrictions and financial covenants. The total capital managed by CAPREIT and the results of compliance with the key covenants are summarized below:

As at		March 31, 2018	December 31, 2017
(\$ Thousands)			
Mortgages Payable		\$ 3,569,937	\$ 3,581,501
Bank Indebtedness		323,338	446,895
Unit-based Compensation Liabilities		59,816	64,561
Exchangeable Units		4,854	4,876
Unitholders' Equity		5,197,052	4,923,406
Total Capital		\$ 9,154,997	\$ 9,021,239

	Threshold		
Total Debt to Gross Book Value ⁽¹⁾	Maximum 70.00%	41.48%	43.57%
Total Debt to Gross Historical Cost ⁽³⁾		53.77%	56.24%
Tangible Net Worth ⁽⁴⁾	Minimum \$1,800,000	\$ 5,261,721	\$ 4,992,842

For the four quarters ended		March 31, 2018	December 31, 2017
Debt Service Coverage Ratio (times) ^{(2), (5)}	Minimum 1.20	1.64	1.63
Interest Coverage Ratio (times) ^{(2), (6)}	Minimum 1.50	3.22	3.19

- (1) CAPREIT's DOT limits the maximum amount of total debt to 70% of GBV of CAPREIT's total assets. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments. Under the terms of CAPREIT's LBA with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of GBV, determined on a fair value basis, of total assets, or (ii) 70% of GBV, determined on a historical basis, of total assets, and may only be increased above such limits with CMHC's consent.
- (2) Based on the trailing four quarters.
- (3) Based on the historical cost of investment properties, calculated as CAPREIT's assets, as disclosed under IFRS, plus accumulated amortization on property, plant and equipment, CMHC fees, and deferred loan costs, and minus fair value adjustment on investment properties.
- (4) As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' Equity, and Unit-based rights and compensation liabilities or assets, including Exchangeable Units, are added back. As at December 31, 2016, the tangible net worth requirement was \$1,500,000, which was amended to \$1,800,000 effective November 24, 2017.
- (5) As per the Credit Facilities agreement and DOT, the debt service coverage ratio is defined as earnings before interest, depreciation, amortization, income taxes and other adjustments including non-cash costs ("EBITDA") less taxes paid divided by the sum of principal and interest payments.
- (6) As per the Credit Facilities agreement and DOT, the interest coverage ratio is defined as EBITDA less taxes paid divided by interest payments.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

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

- i) CAPREIT's business continues to be stable and is expected to generate sufficient ACFO on annual basis to fund the current level of distributions.
- ii) Management believes CAPREIT is well-positioned to meet its mortgage renewals and refinancing goals for 2018 due to the continuing availability of CMHC-insured financing. Management does not anticipate any material difficulties in completing the renewal of mortgages maturing during 2018 of approximately \$114.8 million, which have an effective interest rate of approximately 3.08%, and refinancing approximately \$86.4 million of principal repayments through 2018 with new mortgages.
- iii) Investment properties with a fair value of \$8.7 billion have been pledged as security as at March 31, 2018. In addition, CAPREIT has investment properties with a fair value of approximately \$306.3 million as at March 31, 2018 that are not encumbered by mortgages and secure only the Acquisition and Operating Facility. CAPREIT intends to maintain unencumbered investment properties with an aggregate fair value in the range of \$150 million to \$180 million over the long term.
- iv) 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 date", for when the revolving facility converts to a two-year non-revolving term facility, to June 30, 2018.

Effective November 24, 2017, CAPREIT amended its credit agreement to, among other things: (a) increase its Acquisition and Operating Facility by \$100.0 million to \$540.0 million and (b) amend the tangible net worth requirement to \$1,800 million.

- v) In respect to the Acquisition and Operating Facility, the aggregate amount of euro LIBOR borrowings at any time shall not exceed €150.0 million while the Canadian dollar equivalent of the aggregate principal amount of all advances (including the euro LIBOR and US LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed \$540.0 million.
- vi) CAPREIT has a \$65.0 million credit facility on two of the MHC land lease sites bearing interest at the bankers' acceptance rate plus 1.4% per annum. This credit facility, maturing June 30, 2021, is a non-revolving term credit facility, and any principal amount repaid under this facility may not be reborrowed prior to maturity. There is an interest rate swap agreement on this facility, fixing the bankers' acceptance rate to 2.20%, maturing in September 2022. The swap agreement fixes the all-in rate of the loan at 3.60% for a five-year term.
- vii) As at March 31, 2018, CAPREIT has US LIBOR borrowings of USD \$187.0 million that bears the US LIBOR rate plus a margin of 1.65% per annum. CAPREIT entered into a cross-currency swap to hedge the US LIBOR borrowings of USD \$187.0 million effective July 2017 and converted the variable interest rate on the US LIBOR borrowings plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equalling 1.20% and maturing in June 2019.
- viii) CAPREIT has euro LIBOR borrowings of €44.0 million included in bank indebtedness that bears interest at the euro LIBOR rate plus a margin of 1.65% per annum. The margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year. The Acquisition and Operating Facility matures on June 30, 2020.

- ix) On February 22, 2018, CAPREIT announced the sale of 4,270,000 Units for \$35.15 per Unit for aggregate gross proceeds of \$150.1 million on a bought-deal basis with an over-allotment option. The transaction closed on March 15, 2018 and under the over-allotment option, 640,500 additional Units were also issued on March 15, 2018 for gross proceeds of \$22.5 million. CAPREIT used the net proceeds of the offering to repay a portion of its borrowings under its Acquisition and Operating Facility.

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

- i) Enhanced disclosure to CMHC;
- i) Certain financial covenants and commitments and limitations on indebtedness, which are not significantly different than those required under the DOT or Credit Facilities other than as described below; under the terms of the LBA, total indebtedness of CAPREIT is limited to the greater of (i) 60% of GBV determined on a fair value basis, or (ii) 70% of GBV determined on a historical basis, and may only be increased above such limits with CMHC's consent;
- ii) The posting of a revolving letter of credit with respect to certain capital expenditures on a portfolio basis, rather than an individual property basis; and
- iii) Cross-collateralization of mortgage loans for certain CMHC-insured mortgage lenders.

CAPREIT is in compliance with all its investment and debt restrictions and financial covenants contained in the DOT, the LBA and the Credit Facilities.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at March 31, 2018 is managed through the available liquidity under the Credit Facilities as well as the ongoing refinancing of mortgages payable.

The table below summarizes CAPREIT's bank indebtedness position as at March 31, 2018 and December 31, 2017:

As at March 31, 2018

(\$ Thousands)	Acquisition and Operating Facility
Facility	\$ 540,000
Less: US LIBOR Borrowings	(241,118)
Euro LIBOR Borrowings	(69,815)
Bank Indebtedness	(12,405)
Letters of Credit	(6,313)
Available Borrowing Capacity	\$ 210,349
Weighted Average Floating Interest Rate	1.40%

As at December 31, 2017

(\$ Thousands)	Acquisition and Operating Facility
Facility	\$ 540,000
Less: US LIBOR Borrowings	(234,592)
Euro LIBOR Borrowings	(70,744)
Bank Indebtedness	(141,559)
Letters of Credit	(6,313)
Available Borrowing Capacity	\$ 86,792
Weighted Average Floating Interest Rate	1.82%

CAPREIT's key liquidity metrics are summarized as follows:

As at March 31,	2018	2017
Mortgage Debt to Gross Book Value ⁽⁵⁾	38.04%	43.04%
Total Debt to Gross Book Value	41.48%	43.99%
Total Debt to Gross Historical Cost ⁽¹⁾	53.77%	54.51%
Total Debt to Total Capitalization ⁽²⁾	42.00%	43.73%
Debt Service Coverage Ratio (times) ⁽³⁾	1.64	1.63
Interest Coverage Ratio (times) ⁽³⁾	3.22	3.12
Weighted Average Mortgage Interest Rate ⁽⁴⁾	3.07%	3.20%
Weighted Average Mortgage Term to Maturity (years)	5.45	5.90

(1) Based on the historical cost of investment properties.

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

(3) Based on the trailing four quarters ended March 31, 2018.

(4) Weighted average mortgage interest rate includes deferred financing costs and fair value adjustments on an effective interest rate basis. Including the amortization of the realized component of the loss on settlement of \$32.5 million included in AOCL, the effective portfolio weighted average interest rate at March 31, 2018 would be 3.17% (March 31, 2017 - 3.3%).

(5) Included in mortgages payable as at March 31, 2017 is a €87.9 million (\$125.0 million) non-amortizing euro LIBOR borrowing.

As at March 31, 2018, the overall leverage represented by the ratio of total debt to GBV was 41.48% compared to 43.99% for the same period last year. As at March 31, 2018, CAPREIT's total debt was 42.00% of total market capitalization compared to 43.73% for same period last year.

The effective portfolio weighted average interest rate has declined from 3.20% as at March 31, 2017 to 3.07% as at March 31, 2018, which Management expects could result in continued interest rate savings in future years. 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.

Mortgages Payable

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

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

- CAPREIT obtains lower interest rate spreads for mortgage financing; and
- CAPREIT's overall renewal risk for mortgage refinancings is reduced as the mortgage insurance premium is transferable between approved lenders and is effective for the full initial amortization period of the underlying mortgage ranging between 25 and 35 years.

As at March 31,	2018	2017
Percentage of CMHC-Insured Mortgages ⁽¹⁾	97.3%	95.9%
Percentage of Fixed-Rate Mortgages	100.0%	98.1%

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

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

As at March 31, (\$ Thousands)	2018	2017
Balance, Beginning of Period	\$ 3,581,501	\$ 3,492,923
Add: Refinanced	3,595	45,280
Foreign Currency Translation	16,594	628
Less: Mortgage Repayments ⁽¹⁾	(28,977)	(34,674)
Mortgages Matured	(3,207)	(24,021)
Mortgages Repaid on Dispositions of Investment Properties	-	(1,356)
Change in Deferred Financing Costs, Fair Value Adjustments, Net	431	(77)
Balance, End of Period⁽²⁾	\$ 3,569,937	\$ 3,478,703

(1) Includes repayment of euro LIBOR borrowing of €5,000 in 2017.

(2) Included in mortgages payable as at March 31, 2017 is a €87.9 million (\$125.0 million) non-amortizing euro LIBOR borrowing.

The following table presents refinancings, weighted average interests rates obtained, and mortgage top-ups closed or committed up to May 8, 2018, as well as those expected for the remainder of 2018.

	Original⁽¹⁾		New^{(1),(2)}		Weighted	Top-Up
(\$ Thousands)	Original Mortgage Amount	Stated Interest Rate	New Mortgage Amount	Stated Interest Rate	Average Term on New Mortgages (Yrs)	Financing Amount
First Quarter	\$ 3,207	3.64%	\$ 3,595	2.80%	5.0	\$ 388
Acquisitions	-	-	-	-	-	-
Total and Weighted Average	\$ 3,207	3.64%	\$ 3,595	2.80%	5.0	\$ 388
<i>Subsequent to March 31, 2018:</i>						
Committed or Completed	52,680	4.12%	96,086	3.35%	10.0	43,406
Expected for the Remainder of 2018	62,109	2.64%	121,336	-	-	59,227
Grand Total and Weighted Average	\$ 117,996	3.33%	\$ 221,017	3.33%	9.8	\$ 103,021

(1) Weighted average.

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

For purposes of estimating top-up financing potential, the following table provides annualized NOI for those properties with mortgages maturing over the next five years and beyond. A property's full NOI is included in the first year in which a mortgage matures. The balance of mortgages remaining on the same property but maturing in other years is also shown. Management expects to raise between \$175 million and \$225 million in total mortgage renewals and refinancings for 2018 excluding financings on acquisitions.

As at March 31, 2018

(\$ Thousands)

Year of Maturity	Mortgage Maturities⁽¹⁾	Mortgages on the Same Properties⁽¹⁾ Maturing in Other Years	Total Mortgages	NOI of Properties with Maturing Mortgage(s)^{(2),(3)}
2018	\$ 114,789	\$ 17,290	\$ 132,079	\$ 19,025
2019	273,324	56,001	329,325	48,046
2020	226,193	50,205	276,398	32,868
2021	349,066	(32,852)	316,214	48,362
2022	416,375	264,577	680,952	76,964
2023 Onward	1,515,766	(355,221)	1,160,545	168,873
Total	\$ 2,895,513	\$ -	\$ 2,895,513	\$ 394,138

(1) Mortgage balance due upon maturity.

(2) NOI for the twelve months ended March 31, 2018.

(3) Projected NOI included for acquisitions since March 31, 2017.

The breakdown of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at March 31, 2018 is as follows:

Period	Principal Repayments	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1),(2)}
2018	\$ 86,393	\$ 114,789	\$ 201,182	5.6	3.08
2019	111,902	273,324	385,226	10.8	3.41
2020	105,976	226,193	332,169	9.3	2.60
2021	94,835	349,066	443,901 ⁽³⁾	12.4	3.83
2022	85,017	416,375	501,392 ⁽⁴⁾	14.0	2.87
2023	66,975	317,343	384,318 ⁽⁴⁾	10.7	3.05
2024	52,940	410,660	463,600 ⁽⁴⁾	13.0	3.20
2025	43,824	321,159	364,983	10.2	2.75
2026	22,559	298,212	320,771	9.0	2.75
2027	6,220	117,292	123,512	3.5	3.06
2028-2030	5,445	51,100	56,545	1.5	3.73
	\$ 682,086	\$ 2,895,513	\$ 3,577,599	100.0	3.07⁽²⁾
Deferred Financing Costs, Fair Value Adjustments, Net			(7,662)		
Total			\$ 3,569,937		

(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. Including the amortization of the realized component of the loss on settlement of \$32.5 million included in AOCL, the effective portfolio weighted average interest rate as at March 31, 2018 would be 3.17% (March 31, 2017- 3.30%).

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

(4) Included in mortgages payable, are mortgages related to The Netherlands properties, as detailed below:

Period	Mortgage Balance		Interest Rate (%)
	€ Thousands	\$ Thousands	
2022	49,914	79,199	1.37
2023	40,660	64,515	2.05
2024	113,836	180,527	2.02
Total	€ 204,410	\$ 324,241	1.87

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

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

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

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

Equity offerings and over-allotments for the periods ending March 31, 2018:

(\$ Thousands, except per Unit amounts)	Price	Gross	Transaction	Net	Units
Period	Per Unit	Proceeds	Costs	Proceeds	Issued
March 2018					
Bought-deal	\$ 35.15	\$ 150,091	\$ 6,780	\$ 143,311	4,270,000
Over-allotment	\$ 35.15	22,514	901	21,613	640,500
Total		\$ 172,605	\$ 7,681	\$ 164,924	4,910,500

As at March 31, 2018

Market Capitalization (\$ thousands)	\$ 5,376,429
Number of Units Outstanding	144,722,169
LTIP and SELTIP Units	1,025,398
Deferred Units	268,678
RUR Plan Units	585,465
Exchangeable Units	130,655
Number of Unit Options Outstanding and Exercisable	800,312
Ownership by Trustees, Officers and Senior Managers	1.0%

SECTION V

SELECTED CONSOLIDATED QUARTERLY INFORMATION

		Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16
Overall Portfolio AMR		\$ 1,054	\$ 1,044	\$ 1,029	\$ 1,015	\$ 1,007	\$ 1,003	\$ 999	\$ 980
Operating Revenues (000s) ⁽¹⁾		\$ 168,019	\$ 164,432	\$ 161,713	\$ 157,087	\$ 155,610	\$ 152,725	\$ 151,812	\$ 146,656
NOI (000s) ^{(1),(2)}		\$ 102,402	\$ 100,300	\$ 102,655	\$ 98,705	\$ 91,598	\$ 95,210	\$ 96,274	\$ 91,083
NOI Margin ⁽¹⁾		60.9%	61.0%	63.5%	62.8%	58.9%	62.3%	63.4%	62.1%
Net Income (Loss) (000s)		\$ 100,198	\$ 376,960	\$ 215,833	\$ 102,885	\$ 141,133	\$ 124,338	\$ 130,663	\$ 98,381
FFO (000s) ^{(1),(2)}		\$ 63,386	\$ 61,000	\$ 64,685	\$ 62,836	\$ 57,002	\$ 58,085	\$ 61,424	\$ 57,670
NFFO (000s) ^{(1),(2)}		\$ 64,095	\$ 61,893	\$ 67,036	\$ 63,608	\$ 57,937	\$ 58,860	\$ 62,201	\$ 58,452
Total Debt to Gross									
Book Value		41.48%	43.57%	44.76%	44.00%	43.99%	44.31%	44.31%	47.02%
FFO per Unit ⁽¹⁾	- Basic	\$ 0.457	\$ 0.446	\$ 0.475	\$ 0.463	\$ 0.422	\$ 0.432	\$ 0.464	\$ 0.449
NFFO per Unit ⁽¹⁾	- Basic	\$ 0.463	\$ 0.452	\$ 0.492	\$ 0.469	\$ 0.429	\$ 0.437	\$ 0.47	\$ 0.455
Weighted Average	- Basic	138,554	136,824	136,295	135,629	135,076	134,585	132,246	128,469
Number of Units (000s)	- Diluted	140,022	138,684	138,131	137,554	136,918	136,275	133,991	130,209

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

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

CAPREIT's operations are affected by seasonal cycles, and operating performance in one quarter may not be indicative of operating performance in any other quarter of the year. The fourth and first quarters of each year typically tend to generate weaker performance due to increased energy consumption in the winter months.

SECTION VI

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

New Accounting Standards

As of May 8, 2018, there have been no new or amended IFRS issued by the International Accounting Standards Board since the last update provided by CAPREIT in CAPREIT's 2017 Annual Report for the year ended December 31, 2017 that have a material impact on CAPREIT's fiscal years beginning after December 31, 2017. For a detailed description of CAPREIT's accounting policies, refer to CAPREIT's 2017 Annual Report.

CAPREIT has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provision.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Impact of adoption:

(i) Investments

Quoted debt instruments previously held as available-for-sale financial assets with unrealized gains and losses recorded in OCI will, instead, be measured at fair value through net income. CAPREIT has adopted the new standards on the required effective date of January 1, 2018 and will not restate comparative information. The adjustments arising from the new standard are not reflected in the balance sheet as at December 31, 2017, but are recognised in the opening balance sheet on January 1, 2018.

The cumulative unrealized gain of \$8,858 related to fair value through profit or loss investments, which was presented as accumulated OCI, has been reclassified to retained earnings upon adoption.

(ii) Hedging

No impact on hedge accounting treatment from adoption of the new accounting standard.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)**IFRS 15 Revenue from Contracts with Customers – Impact of adoption**

CAPREIT has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which will be replacing many reporting standards commonly used in the real estate industry, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and IFRIC 15 ‘Agreements for the Construction of Real Estate’. The new standard provides a single, comprehensive revenue recognition model. While early adoption was permitted for IFRS reporters, this standard is effective for the interim periods within years beginning on or after January 1, 2018. CAPREIT’s assessment included a review of relevant contracts for the following key areas which CAPREIT believes are in scope of IFRS 15 including, but not limited to, laundry, cable, common area maintenance recoveries, and property and asset management fees. CAPREIT has assessed the impact of IFRS 15 and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard, and no impact on note disclosure. CAPREIT has adopted the new standard on the required effective date on modified retrospective basis without restatement of prior period comparatives.

Future Accounting Changes

CAPREIT has assessed the new or amended IFRS issued by the International Accounting Standards Board (“IASB”) and are expected to apply to CAPREIT for annual reporting periods beginning after December 31, 2018:

IFRS 16, Leases (“IFRS 16”)

This new standard on leases supersedes IAS 17, Leases and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract: i.e. the customer (‘lessee’) and the supplier (‘lessor’). From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. IFRS 16 is effective from January 1, 2019; however, a company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15, Revenue from Contracts with Customers. The Company is currently assessing the impact of IFRS 16 to its consolidated financial statements.

Critical Accounting Estimates, Assumptions, and Judgements

In preparing the unaudited condensed consolidated interim financial statements in accordance with IFRS, certain accounting policies require the use of estimates, assumptions and judgement that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the unaudited condensed consolidated interim financial statements and accompanying notes. Areas of such estimation include, but are not limited to valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, accounting for deferred income taxes, and Unit-based compensation liabilities. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

Management believes the nature of the business and CAPREIT’s portfolio is defensive against economic downturns and, therefore, the current economic conditions have not had as significant an impact on CAPREIT’s critical accounting estimates as may have been realized in other industries. However, the current economic conditions impacting the general economy or those more specific to the housing industry or to CAPREIT could have the potential to alter accounting estimates and could impact CAPREIT’s financial condition, changes in financial condition or results of operations. Disclosures in the MD&A, including specifically the Property Portfolio, Results of Operations, Property Capital Investments, Liquidity and Financial Condition and Future Outlook sections, outline the risks and both the positive and negative impacts on CAPREIT’s performance that have resulted, or may in the future result, from economic conditions.

Estimates and judgements deemed by Management to be more significant, due to subjectivity, are as follows:

Valuation of Investment Properties

Fair values are supported by independent external valuations and detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise both the capitalized net operating income method and the discounted cash flow method and include estimating, among other things, future stabilized net operating income, capitalization rates, reversionary capitalization rates, discount rates and other future cash flows applicable to investment properties.

Valuation of Unit-based Compensation Liabilities

The basis of valuation for CAPREIT's Unit-based compensation liabilities, such as market assumptions, estimates and valuation methodology, is set out in note 11 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report.

Valuation of Derivative Financial Instruments

The fair value of a derivative financial instrument is based on assumptions of future events and involves significant estimates. The basis of valuation for CAPREIT's derivatives is set out in note 15 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report.

Investment in Irish Residential Properties REIT plc ("IRES")

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

Interest Classification in the Cash Flows

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

CONTROLS AND PROCEDURES

CAPREIT maintains appropriate information systems, procedures and controls to provide reasonable assurance that information disclosed externally is complete, reliable and timely. Pursuant to the Canadian Securities Administrators requirements under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, CAPREIT's Chief Executive Officer and the Chief Financial Officer have satisfied themselves that as at March 31, 2018, the design of disclosure controls and procedures and the design of internal controls over financial reporting continue to be appropriate.

CAPREIT did not make any significant changes to the design of internal controls over financial reporting in the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential conditions.

SECTION VII

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and the activities of CAPREIT, which investors should carefully consider before investing in Units. Risks and uncertainties are disclosed in CAPREIT's MD&A for the year ended December 31, 2017 in the Risks and Uncertainties section contained in CAPREIT's 2017 Annual Report and in CAPREIT's latest Annual Information Form.

RELATED PARTY TRANSACTIONS

As at March 31, 2018, CAPREIT has a 15.7% share ownership in IRES and has determined that it has significant influence over IRES. The share ownership interest is held through a wholly-owned subsidiary of CAPREIT, Irish Residential Properties Fund. For a more detailed description, see note 7 to the accompanying unaudited condensed consolidated interim financial statements.

CAPREIT's wholly-owned subsidiary, IRES Fund Management Limited ("IRES FM"), is an alternative investment fund manager under the European Union (Alternative Investment Fund Managers) Regulation, 2013 (the "AIFM Regulations") for IRES. The investment management agreement between IRES FM and IRES stipulates that IRES pays 3.0% per annum of its gross rental income as property management fees and 0.5% per annum of its net asset value together with relevant reimbursements as asset management fees to IRES FM. The investment management agreement governs the provision of portfolio management, risk management and other related services to IRES by IRES FM. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the investment management agreement, and thereafter shall continue in force for consecutive five-year periods.

Included in other income is \$1.6 million and \$1.4 million, respectively, for the three months ended March 31, 2018 and 2017 from asset management and property management fees. Expenses related to the asset and property management services are included in trust expenses.

David Ehrlich resigned as Chief Executive Officer of IRES effective November 1, 2017 and took up the role of President and Chief Executive Officer of CAPREIT. Effective November 1, 2017, Mr. Ehrlich is not entitled to receive any further remuneration from IRES under his employment agreement dated December 12, 2016 between IRES and Mr. Ehrlich. Mr. Ehrlich continues to serve on the board of IRES as a non-executive director, as the investment manager's nominee. He does not receive any fees from IRES in this role.

Prior thereto, effective January 1, 2017, in addition to being an employee of IRES, Mr. Ehrlich became an employee of CAPREIT Limited Partnership pursuant to an employment agreement dated December 13, 2016 between CAPREIT Limited Partnership and Mr. Ehrlich (under which he carried out management services related to IRES under the services agreement and investment management agreement) (the "CAPREIT Employment Agreement"). The CAPREIT Employment Agreement terminated effective November 1, 2017, upon Mr. Ehrlich's resignation as Chief Executive Officer of IRES.

Mr. Ehrlich received the following compensation under the CAPREIT Employment Agreement. On February 28, 2017, Mr. Ehrlich received a one-time grant equal to \$500 thousand in RURs in accordance with the terms of CAPREIT's Amended and Restated RUR Plan, dated May 27, 2014, as amended from time to time. Pursuant to the terms of the CAPREIT Employment Agreement, he was also entitled to be granted \$150 thousand in RURs on an annual basis. For the year ended December 31, 2017, Mr. Ehrlich received \$75 thousand in RURs, with the remaining \$50 thousand paid subsequent to year end.

CAPREIT had the following transactions with key management personnel, the former President and Chief Executive Officer, and trustees. In 2017, the loans outstanding to key management personnel, the former President and Chief Executive Officer, and trustees for indebtedness relating to the SELTIP and LTIP as at March 31, 2017 were \$7.1 million and \$5.8 million, respectively. These amounts are taken into consideration when calculating the fair value of the Unit-based compensation financial liabilities. Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR, and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are entitled to termination benefits that provide for payments of up to 36 months of benefits (based on base salary, bonus and other benefits) depending on cause.

Key management personnel and trustee compensation included in the consolidated statements of income and comprehensive income is comprised of:

For the Three Months Ended March 31, (\$ Thousands)	2018	2017
Short-term employee benefits	\$ 868	\$ 867
Unit-based compensation - grant date amortization	603	852
	1,471	1,719
Unit-based compensation - fair value remeasurement	38	5,402
Other benefits	-	-
Total	\$ 1,509	\$ 7,121

CAPREIT leases office space from a company in which a former officer had an 18% beneficial interest. The rent paid for the office space (which is based on fair market rents at the date the lease was entered into) for the three months ended March 31, 2018 was \$1.1 million (2017 - \$1.0 million) excluding property operating costs, and has been expensed as trust expenses. In 2017, the above lease was amended and extended to October 2022 with a new minimum annual rental payment of \$611 from November 2017 to October 2022.

COMMITMENTS AND CONTINGENCIES

From time to time, CAPREIT enters into commitments for fixed-price natural gas, hydro and land lease agreements, as outlined in note 23 to the accompanying unaudited condensed consolidated interim financial statements.

CAPREIT is contingently liable under guarantees provided to certain of CAPREIT's lenders for certain non-recourse debt in the event of defaults and with respect to litigation and claims that arise in the ordinary course of business. These matters are generally covered by insurance. In the opinion of Management, any liability that may arise from such contingencies would not be expected to have a material adverse effect on the consolidated financial statements of CAPREIT.

SECTION VIII

SUBSEQUENT EVENTS

On April 24, 2018, CAPREIT completed the acquisition of a property comprising of 134 MHC sites located in Swift Current, Saskatchewan. The purchase price of \$5.65 million was financed with CAPREIT's Acquisition and Operating credit facility.

On May 8, 2018, CAPREIT announced that its Board of Trustees had approved a 3.9% increase in monthly cash distributions to \$0.1108 per Unit, or \$1.33 per Unit on an annualized basis. The increase is effective with the May 2018 distribution payable on June 15, 2018 to Unitholders of record as at May 31, 2018.

FUTURE OUTLOOK

Management believes the multi-unit residential rental business will continue to improve in the majority of the markets in which CAPREIT operates. As a result, Management expects to generate modest annual increases in same-property AMR while stabilizing average occupancies in the range of 97% to 98% on an annual basis. Management also anticipates operating revenues will benefit from programs over the long term to enhance ancillary revenues from parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost management initiatives have proven effective, which should lead to stable NOI over this period.

CAPREIT believes the strong defensive characteristics of its property portfolio, due to diversification by both geography and demographic sector, will serve to mitigate the negative impact of any future unfavourable economic conditions that certain regions may experience. CAPREIT intends to continue to seek opportunities to further diversify its property portfolio. While CAPREIT's strategy is to remain principally focused on its core Canadian markets, CAPREIT continues to consider select opportunities in other geographic markets.

On April 20, 2017, the Ontario government announced it will be introducing a bill in the legislature, which was passed, and changed the *Residential Tenancies Act, 2006*. The changes include extending rent control to units built after 1991, which were previously exempt. The change means annual rent increases for all tenants will be in accordance with the AGI established by the Landlord and Tenant Board ("the Board") with the exception of any rents above the approved AGI approved by the Board (as described below). As of March 31, 2018, only 3.7% of CAPREIT's total Ontario portfolio consisted of properties built after 1991. Additionally, as a resident-focused landlord, CAPREIT has consistently adhered to the government mandated rent guideline increase in the Province of Ontario for all of its Ontario properties, including those constructed after 1991.

Another proposed change is new incentives to developers for the construction of affordable rental housing. The key incentive will be an up-front provincial rebate of development cost charges. The government intends to free up more provincial land for building affordable housing, both for sale and for rental.

Effective May 15, 2017, CMHC introduced enhancements to its multi-unit mortgage loan insurance which are:

- Extending its affordable housing flexibilities to existing rental properties, including Social Housing projects with up to five years remaining in the operating agreement, to support the preservation of existing affordable housing. Previously, affordable housing flexibilities were only available for new rental properties.
- Expanding its definition of affordability to recognize federal, provincial, territorial or municipal housing objectives. The new affordability criteria also aligns with other CMHC initiatives and is intended to incent housing developers into the affordable rental housing market.
- Introducing greater underwriting flexibilities to better support key multi-unit market segments that address the rental housing needs of Canadians including standard apartments, student housing, single room occupancy ("SRO") projects, retirement homes, and supportive housing projects. Greater underwriting flexibility is provided surrounding non-residential space, furnished suites, bulk leases, amortization periods, off-campus student housing, second mortgages, non-recourse lending and personal guarantee requirements.

- Introducing a revised premium schedule aligned with CMHC's continued participation in market segments that address the rental needs of Canadians, and is reflective of the risks associated with those segments. The revised premium schedule also supports the expansion and preservation of affordable housing units. Premium surcharges will no longer be collected for construction advances, release of rental achievement holdback, student housing or retirement homes.

CAPREIT is currently assessing the impact of the above proposed changes and continues to monitor any new future developments.

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

First, Management maintains a focus on maximizing occupancy and AMR 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 AMR.

A significant component of CAPREIT's ability to manage annual rental increases is determined by the AGI established by certain provincial governments, currently in Ontario and British Columbia, under rent control legislation that CAPREIT must adhere to in setting annual rental rates for renewing tenants. In the Province of Ontario and British Columbia, the guideline increase for 2018 was set at 1.8% and 4.0%, respectively. In 2017, the rent guideline increase was 1.5% in Ontario and 3.7% in British Columbia. An amendment to the *Residential Tenancies Act, 2006*, enacted on June 19, 2012, set Ontario's annual rent increase guideline to not more than 2.5% beginning in 2013. The Ontario rent control legislation provides that landlords may apply to the Board to raise rents by more than the approved AGI. The Board can allow such an AGI for: (i) eligible capital expenditures; (ii) unusually high increases in property taxes and/or utility costs; and (iii) increases in eligible security costs. The maximum AGI permitted in connection with eligible capital expenditures is three percent per year to a maximum of nine percent over a three-year period. These same limitations do not apply to AGI applications related to unusually high increases in property taxes and/or utilities, or increases in eligible security costs.

In line with its focus to maximize AMR, CAPREIT continues to pursue AGIs where it believes appropriate and to this effect, has filed applications for completed property capital investments and/or unusually high increases in realty taxes, as well as one application relating to an unusually high increase in water costs. In addition, CAPREIT continues to assess the viability of a number of additional AGI applications. The impact of these AGI applications could be significant at the property level; however, it is presently indeterminable due to the inherent uncertainties associated with the adjudication process and the impact of tenant turnover at the affected properties.

The following table summarizes the status of cumulative AGI applications filed as at March 31, 2018 and December 31, 2017 for the last three years:

	March 31, 2018	December 31, 2017
Number of Suites and Sites Filed	15,478	14,573
Applications Settled:		
Number of Applications	75	61
Term Weighted Average Total Increase ⁽¹⁾	2.58%	2.84%
Weighted Average Term (years) ^{(1), (2)}	1.64	1.66
Applications Outstanding:		
Number of Applications	31	39
Term Weighted Average Total Increase ⁽¹⁾	4.07%	3.75%
Weighted Average Term (years) ^{(1), (2)}	1.61	1.58

(1) Weighted by number of impacted suites filed.

(2) Represents the number of years over which the AGI application is expected to apply.

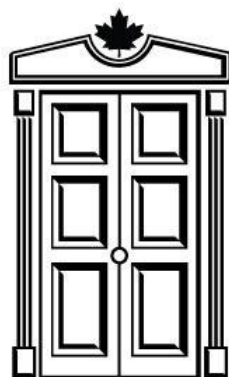
Second, Management continues to focus on reducing its operating costs as a percentage of total revenues. CAPREIT invests in various environment-friendly and energy-saving initiatives, including energy-efficient boilers and lighting systems, and is evaluating all energy-purchasing programs to reduce or stabilize overall net energy costs.

Third, Management continues 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.

Fourth, CAPREIT continues to prudently focus on accretive acquisitions that meet its strategic criteria and enhance CAPREIT's geographic diversification. From time to time, CAPREIT may also identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies, or where Management believes their value has been maximized. Management believes the realization and reinvestment of capital are fundamental components of its growth strategy and demonstrate the success of its investment programs. In addition, Management has recently entered into and continues 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.

Fifth, CAPREIT will continue to effectively manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowing costs on its credit facilities, while appropriately staggering the maturity dates within its mortgage portfolio to ensure it is not exposed to a refinancing risk in any single year. Management believes that as a result of the continuing availability of financing insured by CMHC that is at 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.

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



CAPREIT

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
MARCH 31, 2018
(UNAUDITED)**

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CONSOLIDATED BALANCE SHEETS

(CA\$ Thousands)

As at	Note	March 31, 2018	December 31, 2017
Non-Current Assets			
Investment properties	6	\$ 9,007,211	\$ 8,886,556
Other non-current assets	7	247,675	244,217
		9,254,886	9,130,773
Current Assets			
Other current assets	7	44,798	32,611
Cash and cash equivalents		23,972	23,786
		68,770	56,397
		\$ 9,323,656	\$ 9,187,170
Non-Current Liabilities			
Mortgages payable	9	\$ 3,307,011	\$ 3,348,213
Bank indebtedness	10	323,338	446,895
Unit-based compensation financial liabilities	11, 12	11,509	9,898
Other non-current liabilities	8	28,785	20,645
Deferred income tax liability	18	10,430	7,263
		3,681,073	3,832,914
Current Liabilities			
Mortgages payable	9	262,926	233,288
Unit-based compensation financial liabilities	11, 12	48,306	54,662
Accounts payable and accrued liabilities		71,395	81,411
Other current liabilities	8	9,534	9,547
Security deposits		33,185	32,352
Exchangeable Units	11	4,854	4,876
Distributions payable		15,332	14,714
		445,532	430,850
		\$ 4,126,605	\$ 4,263,764
Unitholders' Equity			
Unit capital		\$ 2,719,360	\$ 2,523,419
Accumulated other comprehensive income (loss) ("AOCL")	19	19,636	6,515
Retained earnings		2,458,055	2,393,472
		\$ 5,197,051	\$ 4,923,406
		\$ 9,323,656	\$ 9,187,170

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(CA\$ Thousands)

For the Three Months Ended March 31,		2018	2017
	Note		
Operating Revenues			
Revenue from investment properties	2	\$ 168,019	\$ 155,610
Operating Expenses			
Realty taxes		(17,332)	(17,176)
Property operating costs		(48,285)	(46,836)
		(65,617)	(64,012)
Net Rental Income		102,402	91,598
Trust expenses		(10,140)	(6,438)
Unit-based compensation expenses	12	(2,786)	(7,120)
Fair value adjustments of investment properties	6	61,235	91,511
Realized loss on disposition of investment properties	5	-	(80)
Amortization of property, plant and equipment		(1,273)	(964)
Fair value adjustments of exchangeable units	11	22	(311)
Fair value adjustments of Investments	2	(739)	-
(Loss) gain on derivative financial instruments	16	(6,037)	186
Interest and other financing costs	20	(32,830)	(29,954)
Foreign currency translation		(9,928)	(359)
Other income		3,439	3,041
Net Income Before Income Taxes		103,365	141,110
Current and deferred income tax (expense) recovery	18	(3,167)	23
Net Income		\$ 100,198	\$ 141,133
Other Comprehensive Income, Including Items that may be reclassified subsequently to Net Income			
Amortization of losses from AOCL to interest and other financing costs	19	\$ 709	\$ 771
Change in fair value of derivative financial instruments	16, 19	-	201
Change in fair value of investments	2, 19	-	1,609
Foreign currency translation		21,270	463
Other Comprehensive Income		\$ 21,979	\$ 3,044
Comprehensive Income		\$ 122,177	\$ 144,177

See accompanying notes to consolidated financial statements.

(CA\$ Thousands)

	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	
Unitholders' Equity, January 1, 2018		\$ 2,523,419	\$ 2,393,472	\$ 6,515	\$ 4,923,406	
Change in Accounting Standard	2	-	8,858	(8,858)	-	
Restated Unitholders' Equity, January 1, 2018		2,523,419	2,402,330	(2,343)	4,923,406	
Unit Capital						
New Units Issued	13	164,924	-	-	164,924	
Distribution Reinvestment Plan	13	12,278	-	-	12,278	
Unit Option Plan	12,13	16,455	-	-	16,455	
RUR Plan	12,13	1,869	-	-	1,869	
Employee Unit Purchase Plan	12	415	-	-	415	
		195,941	-	-	195,941	
Retained Earnings and Other Comprehensive Income						
Net income		-	100,198	-	100,198	
Other comprehensive income		-	-	21,979	21,979	
		-	100,198	21,979	122,177	
Distributions on Trust Units						
Distributions declared and paid	14	-	(29,141)	-	(29,141)	
Distributions payable	14	-	(15,332)	-	(15,332)	
		-	(44,473)	-	(44,473)	
Unitholders' Equity, March 31, 2018		\$ 2,719,360	\$ 2,458,055	\$ 19,636	\$ 5,197,051	

						Accumulated Other Comprehensive Loss		
	Note	Unit Capital	Retained Earnings				Total	
Unitholders' Equity, January 1, 2017		\$ 2,441,002	\$ 1,729,733	\$		(12,586)	\$	4,158,149
Unit Capital								
Distribution Reinvestment Plan	13	13,296	-			-		13,296
Unit Option Plan		-	-			-		-
RUR Plan	12,13	1,166	-			-		1,166
Long-Term Incentive Plan	12,13	643	-			-		643
Employee Unit Purchase Plan	12	342	-			-		342
		15,447	-			-		15,447
Retained Earnings and Other Comprehensive Income								
Net income		-	141,133			-		141,133
Other comprehensive income		-	-			3,044		3,044
		-	141,133			3,044		144,177
Distributions on Trust Units								
Distributions declared and paid	14	-	(27,920)			-		(27,920)
Distributions payable	14	-	(14,513)			-		(14,513)
		-	(42,433)			-		(42,433)
Unitholders' Equity, March 31, 2017		\$ 2,456,449	\$ 1,828,433	\$		(9,542)	\$	4,275,340

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA\$ Thousands)

For the Three Months Ended March 31,		2018	2017
	Note		
Cash Provided By (Used In):			
Operating Activities			
Net income		\$ 100,198	\$ 141,133
Items related to operating activities not affecting cash:			
Fair value adjustments - investment properties		(61,235)	(91,511)
Fair value adjustments - Exchangeable Units		(22)	311
Fair value adjustments - Investments	2	739	-
Loss on disposition of investment properties	5	-	80
Loss on derivative financial instruments	16	6,037	(186)
Amortization	7, 19, 20	3,625	3,092
Unit-based compensation expenses		2,786	7,120
Straight-line rent adjustment		(1)	(152)
Deferred income tax expense		3,167	-
Net profit from equity-accounted investments		(1,499)	(1,332)
Foreign currency translation		9,928	359
		63,723	58,914
Net income items related to financing and investing activities	21	30,092	23,362
Changes in non-cash operating assets and liabilities	21	(12,212)	(22,562)
Cash Provided by Operating Activities		81,603	59,714
Investing Activities			
Acquisition of investment properties	21	(3,837)	(7,699)
Capital investments	21	(31,483)	(36,281)
Disposition of investment properties	21	-	575
Change in restricted cash		(121)	(75)
Investment income received		361	4,044
Cash Used in Investing Activities		(35,080)	(39,436)
Financing Activities			
Mortgage financings		3,595	45,280
Mortgage principal repayments		(28,977)	(34,674)
Mortgages repaid on maturity		(3,207)	(24,021)
Financing costs		(37)	(337)
CMHC premiums on mortgages payable		(86)	(1,051)
Interest paid	21	(28,766)	(27,370)
Bank indebtedness		(133,485)	50,063
Proceeds on issuance of Units	21	176,201	579
Net cash distributions to Unitholders	21	(31,575)	(28,747)
Cash Used by Financing Activities		(46,337)	(20,278)
Changes in Cash and Cash Equivalents During the Period		(1,315)	-
Effect of exchange rate changes on cash		1,501	-
Cash and Cash Equivalents, Beginning of the Period		23,786	-
Cash and Cash Equivalents, End of the Period		\$ 23,972	\$ -

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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

1. Organization of the Trust

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

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

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

CAPREIT's wholly-owned subsidiary, IRES Fund Management Limited, entered into an external investment management agreement to perform property and asset management services for Irish Residential Properties REIT plc ("IRES"), an Irish residential REIT listed on the Irish Stock Exchange. As at March 31, 2018, CAPREIT holds 65.5 million ordinary shares representing 15.7% of the issued share capital of IRES.

In addition, CAPREIT holds its Netherland properties through Netherlands partnerships with partners that hold a nominal interest in such partnerships.

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

2. Summary of Significant Accounting Policies

Basis of presentation

These condensed consolidated interim financial statements, which have been approved by CAPREIT's Board of Trustees on May 8, 2018, have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The condensed consolidated interim financial statements are prepared on a going concern basis and are presented in Canadian dollars, which is also CAPREIT's functional currency. CAPREIT's results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in utility costs and other factors. CAPREIT has historically experienced higher utility expenses in the first and last quarters as a result of the winter months, which create variations in the quarterly results.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2017, other than as described below.

CAPREIT has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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

IFRS 9, Financial Instruments ("IFRS 9")

The revised IFRS 9 incorporates requirements for the classification and measurement of financial liabilities over the existing derecognition requirements of IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 also introduces new requirements for classifying and measuring financial assets; specifically, investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss. IFRS 9 was further amended in November 2013 to: (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9); and (iii) remove the previous mandatory effective date of January 1, 2015.

The final amendment of IFRS 9 as at July 2014 included: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking "expected loss" impairment model; and (iii) a mandatory effective date for IFRS 9 for annual periods beginning on or after January 1, 2018. During 2017, CAPREIT performed an assessment of key areas within the scope of IFRS 9 which includes, but not limited to, the classification and measurement of mortgages and loans receivable and fair value through profit or loss securities, as well as additional disclosures required by IFRS 7, "Financial Instruments - Disclosure" upon initial adoption of IFRS 9. CAPREIT has adopted the new standards on the required effective date of January 1, 2018 and will not restate comparative information. Quoted debt instruments previously held as available-for-sale financial assets with unrealized gains and losses recorded in OCI are instead measured at fair value through profit or loss, which will increase volatility due to unrealized gains and losses being recorded in profit or loss, with prior period adjustments reclassified to retained earnings.

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Investments

Quoted debt instruments previously held as available-for-sale financial assets with unrealized gains and losses recorded in OCI will, instead, be measured at fair value through net income. CAPREIT has adopted the new standards on the required effective date of January 1, 2018 and will not restate comparative information. The adjustments arising from the new standard are not reflected in the balance sheet as at December 31, 2017, but are recognised in the opening balance sheet on January 1, 2018.

The cumulative unrealized gain of \$8,858 related to fair value through profit or loss investments, which was presented as accumulated OCI, has been reclassified to retained earnings upon adoption.

The total impact on the group's retained earnings as at January 1, 2018 is as follows:

	Impact on AOCL	Impact on Retained Earnings
Opening balances January 1, 2018	\$ 6,515	\$ 2,393,472
Reclassify investments from available-for-sale to FVPL	(8,858)	8,858
Adjustment from adoption of IFRS 9 on January 1, 2018	(8,858)	8,858
Opening adjusted balances January 1, 2018	\$ (2,343)	\$ 2,402,330

IFRS 9 Financial Instruments – Accounting policies

Hedging

No impact on hedge accounting treatment from adoption of the new accounting standard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

CAPREIT has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which will be replacing many reporting standards commonly used in the real estate industry, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 15 'Agreements for the Construction of Real Estate'. The new standard provides a single, comprehensive revenue recognition model. While early adoption was permitted for IFRS reporters, this standard is effective for the interim periods within years beginning on or after January 1, 2018. CAPREIT's assessment included a review of relevant contracts for the following key areas which CAPREIT believes are in scope of IFRS 15 including, but not limited to property and asset management fees. CAPREIT has assessed the impact of IFRS 15 and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard, and no impact on note disclosure. CAPREIT has adopted the new standard on the required effective date on modified retrospective basis without restatement of prior period comparatives.

Future Accounting Changes

CAPREIT has assessed the new or amended IFRS issued by the International Accounting Standards Board ("IASB") and are expected to apply to CAPREIT for annual reporting periods beginning after December 31, 2018:

IFRS 16, Leases ("IFRS 16")

This new standard on leases supersedes IAS 17, Leases and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract: i.e. the customer ('lessee') and the supplier ('lessor'). From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. IFRS 16 is effective from January 1, 2019; however, a company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15, Revenue from Contracts with Customers. The Company is currently assessing the impact of IFRS 16 to its consolidated financial statements.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying CAPREIT's accounting policies. The critical accounting estimates and judgements have been set out in detail in note 3 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2017.

The estimates or judgement deemed to be most significant, due to subjectivity and the potential risk of causing a material adjustment within the next financial year to the carrying amounts of assets and liabilities, are noted below:

- i) Valuation of investment properties
- ii) Valuation of financial instruments
- iii) Unit-based compensation
- iv) Investment in Irish Residential Properties REIT plc ("IRES")
- v) Classification of interest paid in the Consolidated Statements of Cash Flows

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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

4. Recent Investment Property Acquisitions

There were no property acquisitions for the three months ended March 31, 2018.

CAPREIT completed the following investment property acquisitions since January 1, 2017, which have contributed to the operating results effective from their respective acquisition dates:

For the Year Ended December 31, 2017

	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	\$ 4,934	\$ - ⁽³⁾	\$ 2,999	2.66%	9.42 ⁽³⁾
May 3, 2017	256	Montréal	24,059	- ⁽³⁾		- ⁽³⁾	- ⁽³⁾
June 1, 2017	44	Maple Ridge	11,241	3,713		1.94%	3.33
July 12, 2017	849	The Netherlands	257,881	- ⁽⁴⁾	147,360	2.04% ⁽⁴⁾	7.00 ⁽⁴⁾
August 8, 2017	54	The Netherlands	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	129,127	- ⁽⁷⁾	75,540	1.37%	5.00 ⁽⁷⁾
	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 (see note 10).

(4) The acquisition comprised of 849 suites (142 affordable, 606 mid-tier, and 101 luxury) and was financed by a new non-amortizing mortgage of €100,842 (\$147,360) 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 (\$889), and the balance in cash from CAPREIT's Acquisition and Operating Facility.

(5) The acquisition was financed by a new non-amortizing mortgage of €5,043 (\$7,474) 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 (28 mid-tier and 49 luxury) was financed by a new non-amortizing mortgage of €7,951 (\$11,856) 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 (168 affordable, 78 mid-tier, and 294 luxury) was financed by a new non-amortizing mortgage of €49,914 (\$75,540) with a term to maturity of 5.0 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 of \$253,375, includes \$8,146 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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

5. Dispositions

There were no property dispositions for the three months ended March 31, 2018.

The tables below summarize the dispositions completed since January 1, 2017. These dispositions do not meet the definition of discontinued operations under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Dispositions Completed During the Year Ended December 31, 2017

Disposition Date	Suite Count	Regions	Sale Price	Cash Proceeds	Mortgage Discharged
February 15, 2017	31	Saskatoon	\$ 2,025	\$ 575	\$ 1,356
October 12, 2017	50	Vancouver	19,800	16,160	3,595
	81		\$ 21,825	\$ 16,735	\$ 4,951

For the three months ended March 31, 2018 and 2017, a loss of \$nil (as there were no dispositions) and \$80, respectively, was recognized in connection with the property dispositions. The loss represents the difference between the net proceeds after transaction costs from the disposition compared to the fair value of the respective properties at the date of disposition.

6. Investment Properties

Valuation basis

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

The fair value of all investment properties is established by qualified, independent appraisers annually. Each quarter, CAPREIT utilizes market assumptions for rent increases, capitalization and discount rates provided by the external appraisers to determine the fair value of the investment properties for interim reporting purposes. Changes in the externally provided capitalization rates or results of operations from one reporting period to the next would increase or decrease the fair value of the investment properties.

Investment properties have been valued using the same valuation methods and key assumptions as those described in note 6 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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

A summary of the market assumptions and ranges for each type of property interest along with their fair values are presented below as at March 31, 2018 and December 31, 2017:

As at March 31, 2018

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽¹⁾	Rate Type	Max	Min	Weighted Average
Fee Simple Interests – Apartments and Townhomes	\$ 7,759,141	2,915	Capitalization rate	7.59%	2.85%	4.32%
MHC Land Lease Sites	318,400	2,622	Capitalization rate	7.50%	4.67%	6.27%
Operating Leasehold Interests ^{(2), (3), (4)}	742,810	3,649	Discount rate ⁽⁵⁾	6.00%	5.50%	5.58%
Land Leasehold Interests ⁽²⁾	186,860	4,186	Discount rate	6.50%	6.35%	6.43%
Total Investment Properties	\$ 9,007,211					

As at December 31, 2017

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽¹⁾	Rate Type	Max	Min	Weighted Average
Fee Simple Interests – Apartments and Townhomes	\$ 7,645,106	2,834	Capitalization rate	7.59%	2.95%	4.33%
MHC Land Lease Sites	316,710	2,608	Capitalization rate	7.50%	4.67%	6.27%
Operating Leasehold Interests ^{(2), (3), (4)}	738,990	3,622	Discount rate ⁽⁵⁾	6.00%	5.50%	5.58%
Land Leasehold Interests ⁽²⁾	185,750	4,142	Discount rate	6.50%	6.35%	6.43%
Total Investment Properties	\$ 8,886,556					

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

(2) The fair values of Operating Leasehold Interests subject to a contractual air rights lease and Land Leasehold Interests subject to land leases reflect the estimated air rights or land lease payments over the term of the leases.

(3) The fair values of Operating Leasehold Interests include the fair values of the Options to purchase the related freehold interests of \$230,520 as at March 31, 2018 and December 31, 2017.

(4) The weighted average remaining lease term on Operating Leasehold Interests is 15.6 years as at March 31, 2018 (December 31, 2017 – 15.8 years).

(5) Represents the discount rate used to determine the fair value for Operating Leasehold Interests using the Discounted Cash Flow ("DCF") method. A weighted average stabilized net operating income growth of 2.9% has been assumed as at March 31, 2018 and December 31, 2017.

Reconciliation of carrying amounts of investment properties by type

	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
For the Three Months Ended March 31, 2018				
Balance at the beginning of the three months	\$ 7,961,816	\$ 738,990	\$ 185,750	\$ 8,886,556
Additions:				
Property capital investments	23,807	3,149	871	27,827
Capitalized leasing costs ⁽¹⁾	161	25	861	1,047
Foreign currency translation	30,546	-	-	30,546
Unrealized fair value adjustments	61,211	646	(622)	61,235
Balance of Investment Properties at end of the three months	\$ 8,077,541	\$ 742,810	\$ 186,860	\$ 9,007,211

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

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For the Three Months Ended March 31, 2017	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance at the beginning of the three months	\$ 6,829,587	\$ 627,740	\$ 184,690	\$ 7,642,017
Additions:				
Acquisitions	4,934	-	-	4,934
Property capital investments	27,381	2,326	1,051	30,758
Capitalized leasing costs ⁽¹⁾	(239)	110	95	(34)
Foreign currency translation	353	-	-	353
Dispositions	(1,945)	-	-	(1,945)
Realized loss on dispositions of investment properties	(80)	-	-	(80)
Unrealized fair value adjustments	90,843	1,034	(366)	91,511
Balance of Investment Properties at end of the three months	\$ 6,950,834	\$ 631,210	\$ 185,470	\$ 7,767,514

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

7. Other Assets

As at	March 31, 2018	December 31, 2017
Other Non-Current Assets		
Property, plant and equipment ⁽¹⁾	\$ 41,655	\$ 40,462
Accumulated amortization of property, plant and equipment	(27,053)	(25,795)
Net property, plant and equipment	14,602	14,667
Prepaid CMHC premiums, net ⁽²⁾	74,258	75,140
Deferred loan costs, net ⁽³⁾	947	1,153
Fair value through profit or loss Investment ⁽⁵⁾	30,176	30,915
Investment in associate ⁽⁴⁾	127,692	122,342
Total	\$ 247,675	\$ 244,217
Other Current Assets		
Prepaid expenses	\$ 11,963	\$ 5,947
Other receivables	11,017	9,178
Restricted cash	7,217	7,096
Deposits	14,601	10,390
Total	\$ 44,798	\$ 32,611

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

(2) Represents prepaid CMHC premiums on mortgages payable net of accumulated amortization of \$24,983 (December 31, 2017 - \$24,014).

(3) Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of \$9,469 (December 31, 2017 - \$9,263).

(4) CAPREIT has determined that its investment in IRES should be accounted for using the equity method of accounting given the significant influence it has over IRES. In making the determination that CAPREIT does not control IRES, CAPREIT used judgement when considering the extent of its ownership interest in IRES, the level of its involvement, responsibilities and remuneration as IRES' investment manager and the control and influence exerted over IRES by its independent Board of Directors and CEO. As at March 31, 2018, CAPREIT concluded that it continues to exert significant influence over IRES. CAPREIT will continue to reassess this conclusion should its ownership interest or terms of the asset management agreement change. Refer to note 22 for further details.

(5) Refer to note 2 for details on change of accounting treatment due to IFRS 9 adoption.

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

As at	March 31, 2018
IRES Investment	
Share ownership (%)	15.7%
Number of IRES shares	65,500,000
IRES share price (€)	1.39

8. Other Liabilities

As at	Note	March 31, 2018	December 31, 2017
Other Non-Current Liabilities			
Derivative liability	16	\$ 20,109	\$ 14,071
Redemption liability ⁽¹⁾		8,676	6,574
Total		\$ 28,785	\$ 20,645
Other Current Liabilities			
Mortgage interest payable		\$ 9,534	\$ 9,547
Total		\$ 9,534	\$ 9,547

(1) The non-controlling interest related to the subsidiaries in The Netherlands has been classified as a financial liability as a result of a put option feature which allows the minority shareholder at its discretion to require CAPREIT to purchase its interest at a future date.

9. Mortgages Payable

As at March 31, 2018, mortgages payable bear interest at a weighted average effective rate of 3.17% (December 31, 2017 – 3.17%), and mature between 2018 and 2030. The effective interest rate as at March 31, 2018 includes 0.10% (December 31, 2017 – 0.10%) for the amortization of the realized component of the loss on settlement of derivative financial instruments of \$32,494 included in AOCL. 100.0% of CAPREIT's mortgages payable are financed at fixed interest rates as at March 31, 2018. Investment properties at fair value of \$8,700,871 have been pledged as security as at March 31, 2018. CAPREIT has investment properties with a fair value of \$306,340 as at March 31, 2018 that are not encumbered by mortgages and secure only the Acquisition and Operating Facility. As at March 31, 2018, unamortized deferred financing costs of \$10,948 and fair value adjustments of (\$3,286) are netted against mortgages payable.

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Future principal repayments for the period ending December 31 for the years indicated are as follows:

As at March 31, 2018		Principal Amount	% of Total Principal
2018	\$	201,182	5.6
2019		385,226	10.8
2020		332,169	9.3
2021		443,901 ⁽¹⁾	12.4
2022		501,392 ⁽²⁾	14.0
Subsequent to 2022		1,713,729 ⁽²⁾	47.9
		3,577,599	100.0
Deferred financing costs and fair value adjustments		(7,662)	
Total Portfolio	\$	3,569,937	

As at		March 31, 2018	December 31, 2017
Represented by:			
Mortgages Payable - non-current ⁽¹⁾	\$	3,307,011	\$ 3,348,213
Mortgages Payable - current		262,926	233,288
	\$	3,569,937	\$ 3,581,501

(1) Included in mortgages payable as at March 31, 2018 is a \$65,000 non-amortizing credit facility on two of the MHC land lease sites.

(2) Included in mortgages payable, are mortgages related to The Netherlands properties, as detailed below:

As at March 31, 2018		Principal Amount		Interest Rate (%)
		€ Thousands	\$ Thousands	
2022	€	49,914	\$ 79,199	1.37
Subsequent to 2022		154,496	245,042	2.03
Total	€	204,410	\$ 324,241	1.87

10. Bank Indebtedness

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 date” for when the revolving facility converts to a two-year non-revolving term facility to June 30, 2018.

Effective November 24, 2017, CAPREIT amended its credit agreement to, among other things: (i) increase its Acquisition and Operating Credit Facility by \$100,000 to \$540,000 and (ii) amend the tangible net worth requirement to \$1,800,000.

CAPREIT's Credit Facilities include the \$540,000 Acquisition and Operating Facility, and the existing \$65,000 five-year non-revolving term credit facility (collectively, the “Credit Facilities”). The \$65,000 five-year non-revolving term credit facility bears interest at the bankers' acceptance rate plus 1.4% per annum (included in mortgages payable). As at March 31, 2018, CAPREIT has US LIBOR borrowings of USD \$187,000 that bears the US LIBOR rate plus a margin of 1.65% per annum. CAPREIT has euro LIBOR borrowings of €44,000 included in bank indebtedness that bears interest at the euro LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%. The margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year. The Acquisition and Operating Facility matures June 30, 2020. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities in order to fund operations, acquisitions, capital improvements, letters of credit and other uses.

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As at March 31, 2018		Acquisition and Operating Facility
Facility	\$	540,000
Less: USD LIBOR Borrowings		(241,118)
Euro LIBOR Borrowings		(69,815)
Bank Indebtedness		(12,405)
Letters of Credit		(6,313)
Available Borrowing Capacity	\$	210,349
Weighted Average Floating Interest Rate		1.40%

As at December 31, 2017		Acquisition and Operating Facility
Facility	\$	540,000
Less: USD LIBOR Borrowings		(234,592)
Euro LIBOR Borrowings		(70,744)
Bank Indebtedness		(141,559)
Letters of Credit		(6,313)
Available Borrowing Capacity	\$	86,792
Weighted Average Floating Interest Rate		1.82%

11. Unit-based Compensation Financial Liabilities and Exchangeable Units

Units are issuable pursuant to CAPREIT's Unit-based compensation plans, namely the Unit Option Plan ("UOP"), the Employee Unit Purchase Plan ("EUPP"), the Deferred Unit Plan ("DUP") and the Restricted Unit Rights Plan ("RUR Plan") (each of which is more fully described in note 12). As at March 31, 2018, the maximum number of Units issuable under all of CAPREIT's Unit-based incentive plans is 9,500,000 Units (December 31, 2017 – 9,500,000). The maximum number of Units available for future issuance under all Unit incentive plans as at March 31, 2018 is 941,857 Units (December 31, 2017 – 1,077,977 Units).

On April 4, 2014, the Long-Term Incentive Plan ("LTIP"), the Senior Executive Long-Term Incentive Plan ("SELTIP"), and the Unit Purchase Plan ("UPP") were terminated by the trustees of CAPREIT, although awards previously granted under the LTIP and SELTIP remain outstanding under the original terms of such plans.

The Units, Unit Rights and Unit Options issued or outstanding under CAPREIT's incentive plans and Exchangeable Units as at March 31, 2018 and 2017 are as follows:

Three Months Ended March 31, 2018	UOP	DUP	RUR	SELTIP/ LTIP⁽¹⁾	Exch. Units⁽²⁾	Total
(Number of Units)						
Units, Unit Rights and Unit Options outstanding as at January 1, 2018	1,263,962	260,159	521,980	1,025,398	130,655	3,202,154
Issued, cancelled or granted during the period:						
Issued or granted	–	6,176	111,146	–	–	117,322
Exercised or settled	(463,650)	–	(52,538)	–	–	(516,188)
Distributions reinvested	–	2,343	4,877	–	–	7,220
Units, Unit Rights and Unit Options outstanding as at March 31, 2018	800,312	268,678	585,465	1,025,398	130,655	2,810,508

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Three Months Ended March 31, 2017	UOP	DUP	RUR	SELTIP/ LTIP⁽¹⁾	Exch. Units⁽²⁾	Total
(Number of Units)						
Units, Unit Rights and Unit Options outstanding as at January 1, 2017	1,488,212	285,876	718,398	1,185,398	161,311	3,839,195
Issued, cancelled or granted during the period:						
Issued or granted	-	6,748	159,026	-	-	165,774
Exercised or settled	-	-	(36,601)	(20,000)	-	(56,601)
Distributions reinvested	-	2,814	7,473	-	-	10,287
Units, Unit Rights and Unit Options outstanding as at March 31, 2017	1,488,212	295,438	848,296	1,165,398	- 161,311 -	3,958,655

- (1) The distributions payable on SELTIP and LTIP Units do not increase the number of Units outstanding on these plans but are incorporated into the fair value of the plans.
- (2) The outstanding 130,655 Exchangeable Units are entitled to distributions equivalent to distributions on Trust Units, must be exchanged solely for Trust Units on a one-for-one basis, and are exchangeable at any time at the option of the holder. An equivalent number of Special Voting Units were issued at the same time as the Exchangeable Units. The holders of these Units have no entitlement to any share of or interest in the distributions or net assets of CAPREIT. Through Special Voting Units, holders of Exchangeable Units are entitled to an equivalent number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Exchangeable Units held. The carrying value of these Units is measured at an amortized cost of \$4,854 as at March 31, 2018 (December 31, 2017 - \$4,876), which approximates the closing price of the Trust Units.

The table below summarizes the change in the total Unit-based compensation financial liabilities for the periods ended March 31, 2018 and 2017, including the settlement of such liabilities through the issuance of Trust Units.

As at	March 31, 2018	December 31, 2017
Total Unit-based compensation financial liabilities, beginning of the period	\$ 64,560	\$ 60,278
Unit-based compensation expenses	2,717	25,809
Settlement of Unit-based compensation awards for Trust Units ⁽¹⁾	(7,462)	(21,527)
Total Unit-based compensation financial liabilities, end of the period	\$ 59,815	\$ 64,560

(1) Refer to note 21(g) for further details.

The Unit-based compensation financial liabilities comprise:

As at	March 31, 2018	December 31, 2017
Current		
LTIP	\$ 14,070	\$ 14,039
SELTIP	14,618	14,620
DUP	9,965	9,703
RUR	2,428	4,874
UOP	7,225	11,426
	48,306	54,662
Non-Current		
RUR	11,509	9,898
Total Unit-based compensation financial liabilities, end of the period	\$ 59,815	\$ 64,560

Units or Unit-based compensation financial liabilities held by trustees, officers and other senior management

As at March 31, 2018, 1.0% (March 31, 2017 – 3.3%) of all Trust Units outstanding were held by trustees, officers and other senior management of CAPREIT.

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12. Unit-based Compensation Expenses

These costs represent Unit-based compensation expenses, which include fair value remeasurement at each reporting date recognized over the respective vesting periods for each plan for the periods ended March 31, 2018 and 2017, as follows:

	Three Months Ended March 31,	
	2018	2017
UOP	\$ 1,392	\$ 1,473
LTIP	31	1,312
SELTIP	(1)	1,128
DUP	261	871
RUR Plan	1,034	2,279
EUPP	69	57
Unit-based Compensation Expenses	\$ 2,786	\$ 7,120

This Unit-based compensation note disclosure should be read in conjunction with CAPREIT's note 12 to the audited consolidated financial statements for the year ended December 31, 2017 contained in CAPREIT's 2017 Annual Report, which provides a detailed description for each of the Unit-based compensation plans.

a) UOP

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

As at	March 31, 2018	December 31, 2017
Number of Units	800,312	1,263,962
Weighted average issue price	\$ 27.84	\$ 26.22
Weighted average risk-free rate (%)	1.8	1.9
Weighted average distribution yield (%)	3.4	3.4
Weighted average expected years	0.4	6.4
Weighted average volatility (%)	13.5	17.0
Weighted average Unit option value	\$ 9.03	\$ 9.04

(1) The weighted average expected years reduced significantly due to shortened expiry date of Unit Options held by a former officer.

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b) LTIP and SELTIP

The fair value of LTIP and SELTIP awards is determined by using an option pricing model that uses market-based valuation assumptions. The following table summarizes the market-based rates and assumptions as well as projections of certain inputs used in determining the fair values using an option pricing model for LTIP and SELTIP Units outstanding at the respective measurement dates:

LTIP		
As at	March 31, 2018	December 31, 2017
Number of Units	470,683	470,683
Weighted average loan rate (%)	4.55	4.55
Weighted average issue price	\$ 14.32	\$ 14.32
Weighted average loan balance per Unit - current	\$ 7.27	\$ 7.50
Weighted average loan balance per Unit - at maturity	\$ 6.62	\$ 6.70
Weighted average risk-free rate (%)	1.8	1.7
Weighted average distribution yield (%)	3.4	3.4
Weighted average expected years	0.7	0.9
Weighted average volatility (%)	13.8	13.6
Weighted average Unit value	\$ 29.90	\$ 29.83

SELTIP		
As at	March 31, 2018	December 31, 2017
Number of Units	554,715	554,715
Weighted average loan rate (%)	4.96	4.96
Weighted average issue price	\$ 17.84	\$ 17.84
Weighted average loan balance per Unit - current	\$ 11.90	\$ 12.07
Weighted average loan balance per Unit - at maturity ⁽¹⁾	\$ 10.90	\$ 1.42
Weighted average risk-free rate (%)	2.0	2.0
Weighted average distribution yield (%)	3.4	3.4
Weighted average expected years	1.4	18.3
Weighted average volatility (%)	16.8	20.6
Weighted average Unit value	\$ 25.27	\$ 26.36

(1) Balance at maturity is based on the assumption SELTIP will be held till the end of the 30 year term.

c) DUP

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

	March 31, 2018			March 31, 2017		
	Weighted Avg Issue Price	Fair Value per Unit	Number of Units	Weighted Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the period	\$ 24.34	\$ 37.32	260,159	\$ 23.85	\$ 31.37	285,876
Granted during the period	37.15	-	6,176	33.30	-	6,748
Additional Unit distributions	36.02	-	2,343	31.80	-	2,814
Outstanding, end of the period	\$ 24.74	\$ 37.15	268,678	\$ 24.14	\$ 33.30	295,438

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d) *RUR Plan*

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

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

	March 31, 2018			March 31, 2017		
	Weighted Avg Issue Price	Fair Value per Unit	Number of Units	Weighted Avg Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the period	\$ 27.11	\$ 37.32	521,980	\$ 24.25	\$ 31.37	718,398
Granted during the period	36.35	-	111,146	32.02	-	159,026
Additional Unit distributions	35.63	-	4,877	31.85	-	7,473
Settled or cancelled during the period	26.05	-	(52,538)	21.27	-	(36,601)
Outstanding, end of the period	\$ 29.03	\$ 37.15	585,465	\$ 25.90	\$ 33.30	848,296

e) *EUPP*

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

13. Unitholders' Equity

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. The authorized capital of CAPREIT consists of an unlimited number of Units, an unlimited number of Special Voting Units and 25,840,600 Preferred Units. As at March 31, 2018, no Preferred Units were issued and outstanding. Trust Units represent a Unitholder's proportionate undivided beneficial interest in CAPREIT. No Trust Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by CAPREIT and, in the event of termination of CAPREIT, in the net assets of CAPREIT remaining after satisfaction of all liabilities. Units will be issued in registered form and are transferable. Issued and outstanding Units may be subdivided or consolidated from time to time by the trustees without Unitholder approval. No certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

By virtue of CAPREIT being an open-ended mutual fund trust, Unitholders of Trust Units are entitled to redeem their Units at any time at prices determined and payable in accordance with the conditions specified in the DOT. As a result, under IFRS, Trust Units are defined as financial liabilities; however, for the purposes of financial statement classification and presentation, the Trust Units may be presented as equity instruments as they meet the puttable instrument exemption under IAS 32, Financial Instruments: Presentation. For the purposes of presenting earnings on a per Unit basis as well as for Unit-based compensation plans, CAPREIT's Trust Units are not treated as equity instruments.

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The number of issued and outstanding Trust Units (excluding Units, Unit Rights and Unit Options issued or outstanding under CAPREIT's incentive plans) is as follows:

For the Three Months Ended March 31,	Ref	2018	2017
Units outstanding, beginning of the period		136,911,892	134,388,458
Issued or granted during the period in connection with the following:			
New Units issued	(a)	4,910,500	-
Distribution Reinvestment Plan ("DRIP")	(b)	361,815	438,293
EUPP	(c)	11,578	10,643
RUR Plan	(d)	52,538	36,599
UOP	(e)	463,650	-
LTIP	(f)	-	20,000
Units outstanding, end of the period		142,711,973	134,893,993

a) New Units Issued in 2018

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
March 2018 (the "March 2018 Equity Offering")					
Bought-Deal (March 15, 2018)	\$ 35.15	\$ 150,091	\$ 6,780	\$ 143,311	4,270,000
Over-allotment (March 15, 2018)	\$ 35.15	22,514	901	21,613	640,500
Total		\$ 172,605	\$ 7,681	\$ 164,924	4,910,500

b) Distribution Reinvestment Plan ("DRIP")

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

c) Employee Unit Purchase Plan ("EUPP")

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

d) Restricted Unit Rights Plan ("RUR Plan")

During the first quarter of 2018, 52,538 RUR Units were settled for an equivalent number of Trust Units. During the first quarter of 2017, 36,601 RUR Units were settled, out of which 36,599 RUR Units were settled for an equivalent number of Trust Units and the remaining RUR Units were settled in cash.

e) Unit Option Plan ("UOP Plan")

During the first quarter of 2018, 463,650 options were exercised and an equivalent number of Trust Units were issued.

f) Long-Term Incentive Plan ("LTIP")

During the first quarter of 2017, 20,000 Units previously issued were settled. The remaining instalments were repaid in full in respect of the settled Units.

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14. Distributions on Trust Units

CAPREIT paid distributions to its Unitholders in accordance with its DOT. Distributions declared by its Board of Trustees were paid monthly, on or about the 15th day of each month. Effective March 2017, monthly cash distributions declared to Unitholders increased to \$0.1067 (\$1.28 annually) compared to \$0.1042 (\$1.25 annually) effective June 2016. There were no changes to the monthly distributions during the three months ended March 31, 2018.

	Three Months Ended March 31,	
	2018	2017
Distributions declared on Trust Units	\$ 44,473	\$ 42,433
Distributions per Unit	\$ 0.320	\$ 0.315

15. Financial Instruments, Investment Properties and Risk Management

a) Fair value of financial instruments

At March 31, 2018, the fair value of CAPREIT's mortgages payable is estimated to be \$3,526,000 (December 31, 2017 - \$3,554,000) due to changes in interest rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions.

CAPREIT's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the asset or liability.

	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable	Level 3 Significant unobservable	Total
Recurring Measurements				
Assets				
Investment properties				
Fee simple and MHC land lease sites	\$ -	\$ -	\$ 8,077,541 ⁽¹⁾	\$ 8,077,541
Operating leasehold interests	-	-	742,810 ⁽¹⁾	742,810
Land leasehold interests	-	-	186,860 ⁽¹⁾	186,860
Investments	30,176 ⁽²⁾	-	-	30,176
Derivative financial instruments - interest	-	391 ⁽³⁾	-	391
Liabilities				
Derivative financial instruments - cross				
currency swap	-	(20,500) ⁽³⁾	-	(20,500)
Total	\$ 30,176	\$ (20,109)	\$ 9,007,211	\$ 9,017,278

(1) Fair values for investment properties are calculated using the direct income capitalization and discounted cash flow methods, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 6 for detailed information on the valuation methodologies and fair value reconciliation.

(2) CAPREIT's investments (excluding CAPREIT's equity accounted investment in IRES) are accounted for as fair value through profit or loss and are measured at fair value based on the quoted market price in an active market of the asset.

(3) The valuation of the interest rate swap and cross-currency swap instruments are determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. The fair value is determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. If the total mark-to-market value is positive, CAPREIT will consider a current value adjustment to reflect the credit risk of the counterparty and if the total mark-to-market value is negative CAPREIT will consider a current value adjustment to reflect CAPREIT's own credit risk in the fair value measurement of the interest rate swap agreements.

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Although CAPREIT has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by CAPREIT itself. As at March 31, 2018, CAPREIT has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of the derivative. As a result, CAPREIT has determined that the derivative valuations in their entirety should be classified as Level 2 of the fair value hierarchy.

b) Risk management

The main risks arising from CAPREIT's financial instruments are interest rate, liquidity, credit and foreign currency risks. CAPREIT's approach to managing these risks is summarized as follows:

Interest rate risk

CAPREIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced on terms as favourable as those of the existing indebtedness. In addition, interest on CAPREIT's bank indebtedness is subject to floating interest rates. CAPREIT is also subject to the risks associated with changes in interest rates or different financing terms from the hedging derivative assumptions, which may result in the hedging relationship being ineffective, causing volatility in earnings.

For the three months ended March 31, 2018 and 2017, a 100 basis point change in interest rates would have the following effect:

	Change in interest rates (basis points)	Increase (decrease) in net income		Increase (decrease) in OCI	
		2018	2017	2018	2017
Floating rate debt	+100	\$ (347)	\$ (123)	\$ -	\$ -
Floating rate debt	-100	\$ 347	\$ 123	\$ -	\$ -
Interest rate swap agreements	+100	\$ 2,707	\$ -	\$ -	\$ 3,403
Interest rate swap agreements	-100	\$ (2,832)	\$ -	\$ -	\$ (3,593)
Euro interest rate swap agreements	+100	\$ -	\$ 818	\$ -	\$ -
Euro interest rate swap agreements	-100	\$ -	\$ (802)	\$ -	\$ -
Cross currency swap ⁽¹⁾	+100	\$ 3,369	\$ -	\$ -	\$ -
Cross currency swap ⁽¹⁾	-100	\$ (3,446)	\$ -	\$ -	\$ -

(1) Represents the parallel interest rate shift of both the LIBOR and EURIBOR forward rates.

CAPREIT's objective in managing interest rate risk is to minimize the volatility of earnings. As at March 31, 2018, interest rate risk has been minimized as 100.0% (March 31, 2017 – 98.1%) of the mortgages payable are financed at fixed interest rates, with maturities staggered over a number of years.

Liquidity risk

Liquidity risk is the risk that CAPREIT may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. Approximately 97.3% of CAPREIT's mortgages are CMHC-insured (excluding \$389,241 of mortgages on the MHC), which reduces the risk in refinancing mortgages. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 and 35 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

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In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders, and to provide future growth in its business. As at March 31, 2018, CAPREIT had undrawn lines of credit in the amount of \$210,349 (December 31, 2017 - \$86,792).

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at March 31, 2018 are as follows:

		2018	2019- 2020	2021- 2022	2023 onward
Mortgages payable	\$	201,182	\$ 717,395	\$ 945,293	\$ 1,713,729
Bank indebtedness		-	328,098	-	-
Mortgage interest ⁽¹⁾		77,303	178,163	128,653	114,394
Bank indebtedness interest ⁽¹⁾		3,471	6,873	-	-
Other liabilities		80,929	28,785	-	-
Security deposits		33,185	-	-	-
Exchangeable Units		4,854	-	-	-
Distributions payable		15,332	-	-	-
	\$	416,256	\$ 1,259,314	\$ 1,073,946	\$ 1,828,123

(1) Based on current in-place interest rates for the remaining term to maturity.

Credit risk

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that CAPREIT's residents may experience financial difficulty and be unable to meet their rental obligations.

CAPREIT monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

CAPREIT mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying its portfolio.

CAPREIT monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. All residential accounts receivable balances exceeding 30 days are written off to bad debt expense and recognized in the consolidated statements of income and comprehensive income. Subsequent recoveries of amounts previously written off are credited in the consolidated statements of income and comprehensive income. Accordingly, no allowance for doubtful accounts is established. The maximum exposure to credit risk at the reporting date is the carrying value of the tenant receivables.

Foreign currency risk

Foreign currency risk is the financial risk exposure to unanticipated changes in the exchange rate between two currencies. CAPREIT is exposed to foreign currency risk as CAPREIT's functional and presentation currency is Canadian dollars while the functional currency of CAPREIT's fund management subsidiary in Dublin, Ireland, investment in IRES, and CAPREIT's subsidiaries in The Netherlands is the euro.

CAPREIT manages and mitigates the exposure to foreign currency risk on its investment in IRES and subsidiaries in the Netherlands with its US LIBOR borrowings, cross currency swap, and Euro LIBOR borrowings. The gain or loss on foreign currency translation relating to CAPREIT's subsidiaries in Dublin, Ireland, and the Netherlands and IRES investment is recognized in other comprehensive income. The mark-to-market on the cross currency swap and foreign exchange translation on the US LIBOR and Euro LIBOR borrowings are recognized in the consolidated statement of income.

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16. Realized and Unrealized Gains and Losses on Derivative Financial Instruments

a) *Contracts for which hedge accounting is no longer effective*

- (i) During 2005, CAPREIT entered into interest rate forward contracts aggregating to \$145,740 (the "Interest Rate Forward Contracts") to hedge its exposure to the potential rise in interest rates for refinancings of mortgages maturing in 2009.

CAPREIT settled these Interest Rate Forward Contracts in 2009. The associated cumulative unamortized loss of \$9,908 included in AOCL at September 30, 2008 is being amortized to mortgage interest expense over the original terms of the hedged contracts. For the three months ended March 31, 2018, \$133 (March 31, 2017 - \$193) was amortized from AOCL to mortgage interest expense.

- (ii) CAPREIT's Netherlands subsidiaries own and operate properties in The Netherlands, a foreign jurisdiction. They are exposed to foreign currency fluctuations arising between the functional currency of the foreign operation (the euro) and the functional currency of CAPREIT (the Canadian dollar). As such, CAPREIT entered into a hedge effective at the date of The Netherlands acquisition (December 23, 2016). CAPREIT hedged the net investment in The Netherlands foreign operations with €22,500 euro-denominated debt on CAPREIT's consolidated balance sheet. Any foreign currency gains/losses arising from the euro-denominated debt was offset by the foreign currency gain/loss arising from the investment in The Netherlands foreign operations. The effective portion of foreign exchange gains and losses on the €22,500 euro-denominated debt was recognized in OCI. The hedge ceased July 2017 when the euro-denominated debt was repaid.

- (iii) As at March 31, 2018, CAPREIT has a \$65,000 interest rate swap agreement fixing the bankers' acceptance rate at 2.20%, which matures in September 2022, for which hedge accounting is not being applied. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a 10-year term (see note 9 for further details). The related floating rate credit facility is for a five-year non-revolving term with an effective interest rate of 3.60%, and any principal that is repaid may not be reborrowed. The credit facility was amended effective June 30, 2016 and expires on June 30, 2021. On expiry of the term, it is expected to be refinanced to match the term of the interest rate swap. The hedge became ineffective July 2017. The ineffective gain component of the derivative of \$448 for the three months ended March 31, 2018 has been recorded under derivative financial instruments on the consolidated statements of income and comprehensive income, and the cumulative mark-to-market gain of \$391 is in other non-current liabilities as at March 31, 2018. The accumulated loss recorded in AOCL will be amortized in the consolidated statements of income from AOCL over the remaining term of the credit facility.

The interest rate swap agreement has been summarized as follows:

As at	March 31, 2018	December 31, 2017
Derivative liability, beginning of the period	\$ (57)	\$ (2,608)
Change in intrinsic value	448	2,551
Derivative asset (liability), end of the period	\$ 391	\$ (57)

b) *Contracts for which hedge accounting is being applied*

- (i) In June 2011, CAPREIT entered into a hedging program, which effectively hedged interest rates on approximately \$312,000 of mortgages maturing between September 2011 and June 2013. The maturing mortgages have been refinanced for 10-year terms and as a result bear interest rates between a floor rate of 3.00% and a ceiling rate of 3.62%, before the credit spread. The change in the intrinsic value of the forward interest rate hedge has been included in OCI (see note 19). The hedging program matured in June 2013, for which hedge accounting was being applied. The ineffective portion and the difference between the settled amount and the mark-to-market has been recognized in net income. All contracts have been settled.

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The forward interest rate derivative liability has been summarized as follows:

As at	March 31, 2018	December 31, 2017
Derivative liability in AOCL, beginning of the period	\$ (10,547)	\$ (12,833)
Amortization from AOCL to interest and other financing costs	570	2,286
Derivative liability in AOCL, end of the period	\$ (9,977)	\$ (10,547)

c) Contracts for which hedge accounting is not being applied

- (i) CAPREIT had a €40,000 interest rate swap agreement fixing the EURIBOR rate at 1.22%, which matures in August 2018, for which hedge accounting is not being applied. The €40,000 interest rate swap agreement was settled in July 2017.
- (ii) In June 2017, CAPREIT entered into a cross-currency swap to (i) hedge a US-based loan of USD \$186,436 into €163,540 effective July 2017 and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equalling 1.20% and maturing in June 2019. The US-based loan was drawn from the Acquisition and Operating Facility in July 2017. The loss on the derivative has been recorded under loss on derivative financial instruments on the consolidated statements of income and comprehensive income for the three months ended March 31, 2018 of \$6,485 and the cumulative mark-to-market loss of \$20,500 is in other non-current liabilities as at March 31, 2018.

17. Capital Management

CAPREIT defines capital as the aggregate of Unitholders' equity, mortgages payable, bank indebtedness, Unit-based compensation financial liabilities, and Exchangeable Units. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund its distributions to Unitholders, to meet its repayment obligations under its mortgages and credit facilities, and to ensure sufficient funds are available to meet capital commitments. Capital adequacy is monitored against investment and debt restrictions contained in CAPREIT's DOT and Credit Facilities.

CAPREIT's Credit Facilities (see note 10) require compliance with certain financial covenants. In addition, borrowings must not exceed the borrowing base, calculated at a predefined percentage of the market value of the properties.

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

Under the terms of CAPREIT's LBA with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of gross book value determined on a fair value basis or (ii) 70% of gross book value determined on a historical basis, and may only be increased above such limits with CMHC's consent.

The LBA provides for, among other things: (i) certain financial covenants and limitations on indebtedness; (ii) the posting of a revolving letter of credit with respect to certain capital expenditures on a portfolio rather than an individual property basis; and (iii) cross-collateralization of mortgage loans for certain CMHC-insured mortgage lenders.

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The total capital managed by CAPREIT and the results of its compliance with the key covenants are summarized as follows:

As at		March 31, 2018	December 31, 2017
Mortgages Payable		\$ 3,569,937	\$ 3,581,501
Bank Indebtedness		323,338	446,895
Unit-based Compensation Liabilities		59,816	64,561
Exchangeable Units		4,854	4,876
Unitholders' Equity		5,197,052	4,923,406
Total Capital		\$ 9,154,997	\$ 9,021,239
Threshold			
Total Debt to Gross Book Value ⁽¹⁾	Maximum 70.00%	41.48%	43.57%
Tangible Net Worth ⁽³⁾	Minimum \$1,800,000	\$ 5,261,721	\$ 4,992,842
Debt Service Coverage Ratio (times) ^{(2),(4)}	Minimum 1.20	1.64	1.63
Interest Coverage Ratio (times) ^{(2),(5)}	Minimum 1.50	3.22	3.19

(1) CAPREIT's DOT limits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's financial statements, determined on a fair value basis for investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees, and deferred loan costs. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments.

Under the terms of CAPREIT's LBA with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of gross book value, determined on a fair value basis, of total assets or (ii) 70% of gross book value, determined on a historical basis, of total assets and may only be increased above such limits with CMHC's consent.

(2) Based on the trailing four quarters.

(3) As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' Equity and Unit-based rights and compensation liabilities or assets, including Exchangeable Units added back. As at December 31, 2016, the tangible net worth requirement was \$1,500,000 and was amended to \$1,800,000 effective November 24, 2017.

(4) As per the Credit Facilities agreement and DOT, the debt service coverage ratio is defined as earnings before interest, income taxes, depreciation and amortization and other adjustments, including non-cash costs ("EBITDA"), less income taxes paid divided by the sum of principal and interest payments.

(5) As per the Credit Facilities agreement and DOT, the interest coverage ratio is defined as EBITDA less taxes paid divided by interest payments.

18. Deferred Income Taxes

For 2017 and 2018, CAPREIT is taxed as a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act") and continues to meet the prescribed conditions relating to the nature of its assets and revenues in order to qualify as a Real Estate Investment Trust eligible for the REIT exception to the specified investment flow-through ("SIFT") rules. The Trust expects to distribute all of its taxable income to its unitholders, accordingly no provision for income tax has been made. Income tax obligations relating to the distributions from CAPREIT are with the individual unitholder.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgement 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 on occasion where activities relating to the foreign subsidiaries are considered to be taxable in those countries.

The Netherlands deferred tax liability is as follows:

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As at	March 31, 2018	December 31, 2017
Deferred Tax Liability		
Related to Difference in Tax and Book Basis for Investment Properties	\$ 10,430	\$ 7,263
Total	\$ 10,430	\$ 7,263

CAPREIT did not record any taxable income attributable to the Netherlands subsidiaries for the quarter ended March 31, 2018. Therefore, the current income tax was nil. The income tax rate on taxable income in the Netherlands is 20% on the first 200 thousand euros and 25% on the remaining taxable income. CAPREIT recorded deferred tax expense attributable to the Netherlands amounting to \$3,167 for the quarter ended March 31, 2018, representing the difference in tax and book basis for investment properties of €7,634 and applying a capital gains tax rate of 25%.

19. Accumulated Other Comprehensive Income (Loss)

For the Three Months Ended March 31,	2018	2017
AOCL balance, beginning of period	\$ (2,343)	\$ (12,586)
Other comprehensive income:		
Amortization from AOCL to interest and other financing costs ^{(1), (2)}	709	771
Change in fair value of derivative financial instruments (note 16(b))	-	201
Change in fair value of investments ⁽³⁾	-	1,609
Foreign currency translation	21,270	463
Other comprehensive income	21,979	3,044
AOCL balance, end of period	\$ 19,636	\$ (9,542)

	March 31, 2018	December 31, 2017
AOCL comprises:		
Loss on derivative financial instruments		
Cumulative realized loss ⁽¹⁾	\$ (9,908)	\$ (9,908)
Accumulated amortization to interest and other financing costs	8,766	8,633
Unamortized balance of loss on cash flow hedges previously settled	(100)	(106)
Loss on interest rate swap agreements	(1,253)	(1,253)
Loss on forward interest rate hedge ⁽²⁾	(22,884)	(22,884)
Accumulated amortization to interest and other financing costs	12,907	12,337
Change in fair value of investments ⁽³⁾	-	11,689
Cumulative gain (loss) on foreign currency translation	28,981	7,711
Reversal of cumulative foreign currency translation relating to IRES ownership dilution	3,127	3,127
Cumulative realized gain on sale of investments ⁽³⁾	-	(2,831)
AOCL balance, end of the period	\$ 19,636	\$ 6,515

- (1) The cumulative realized loss on derivative financial instruments aggregating to \$9,908 will be amortized to net income as mortgage interest expense over periods ending December 2017 to September 2022, being the original terms of the hedged contracts. The estimated amount of the amortization that is expected to be reclassified to net income from AOCL in the next 12 months is \$292.
- (2) The realized loss component of the \$22,884 OCI loss on forward interest rate hedges is \$22,585, which will be amortized to net income as mortgage interest expense over the original 10-year term of the hedged contracts. The estimated amount of the amortization expected to be reclassified to net income from AOCL in the next 12 months is \$2,274
- (3) Refer to note 2 for details on change of accounting treatment due to IFRS 9 adoption.

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20. Interest and Other Financing Costs

For the Three Months Ended March 31,	2018	2017
Interest on mortgages payable ⁽¹⁾	\$ 27,996	\$ 28,226
Amortization of CMHC premiums and fees	969	927
Interest on bank indebtedness and other deferred costs ⁽²⁾	2,136	714
Interest on Exchangeable Units	42	51
Non- controlling interest costs ⁽³⁾	1,687	-
	\$ 32,830	\$ 29,918

(1) Includes amortization of deferred financing costs, fair value adjustments and OCI hedge interest of \$1,177 (March 31, 2017 - \$1,021).

(2) Includes amortization of deferred loan costs of \$206 (March 31, 2017 - \$181).

(3) Represents costs related to the non-controlling interest of the minority shareholders in CAPREIT's foreign subsidiaries.

21. Supplemental Cash Flow Information

a) Net income items related to investing and financing activities

For the Three Months Ended March 31,	2018	2017
Dividend and Interest Income	\$ 361	\$ 4,044
Interest paid on Exchangeable Units	(42)	(51)
Interest paid on mortgages payable	(26,807)	(26,795)
Interest paid on bank indebtedness	(1,917)	(524)
Non-cash non-controlling interest costs	(1,687)	(36)
Net disbursement	\$ (30,092)	\$ (23,362)

b) Changes in non-cash operating assets and liabilities

For the Three Months Ended March 31,	2018	2017
Prepaid expenses	\$ (6,016)	\$ (6,108)
Tenant inducements, direct leasing costs, and other adjustments	2,435	(168)
Other receivables	(1,854)	(4,055)
Deferred loan costs	-	(3)
Deposits ⁽¹⁾	(374)	(261)
Accounts payable and other liabilities	(7,236)	(12,310)
Security deposits	833	343
Net disbursement	\$ (12,212)	\$ (22,562)

(1) Reclassification of prior period items related to acquisition deposits to conform to current year presentation.

c) Net cash distributions to Unitholders

For the Three Months Ended March 31,	2018	2017
Distributions declared to Unitholders	\$ (44,473)	\$ (42,433)
Add: Distributions payable at beginning of period	(14,714)	(14,123)
Less: Distributions payable at end of period	15,332	14,513
Less: Distributions to participants in the DRIP	12,280	13,296
Net disbursement	\$ (31,575)	\$ (28,747)

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d) Capital investments

For the Three Months Ended March 31,	2018	2017
Capital investments	\$ (29,021)	\$ (31,384)
Change in capital investments included in accounts payable and other liabilities	(2,462)	(4,897)
Net disbursement	\$ (31,483)	\$ (36,281)

e) Acquisition of investment properties

For the Three Months Ended March 31,	2018	2017
Acquired properties	\$ -	\$ (4,934)
Deposit on purchases ⁽¹⁾	(3,837)	(2,765)
Net disbursement	\$ (3,837)	\$ (7,699)

(1) Reclassification of prior period items related to acquisition deposits to conform to current year presentation.

f) Disposition of investment properties

For the Three Months Ended March 31,	2018	2017
Proceeds	\$ -	\$ 2,025
Closing costs	-	(94)
Mortgages assumed by purchasers and discharged	-	(1,356)
Net proceeds	\$ -	\$ 575

g) Issuance of Trust Units

For the Three Months Ended March 31,	2018	2017
Issuance of Trust Units	\$ 183,663	\$ 2,151
Settlement of Unit-based Compensation Awards for Trust Units	(7,462)	(1,572)
Net proceeds	\$ 176,201	\$ 579

h) Mortgage Portfolio

The following table summarizes the movement in mortgages payable during the period:

As at March 31, (\$ Thousands)	2018	2017
Balance, Beginning of Period	\$ 3,581,501	\$ 3,492,923
Refinanced	3,595	45,280
Less: Mortgage Repayments ⁽¹⁾	(28,977)	(34,674)
Mortgages Matured	(3,207)	(24,021)
Mortgages Repaid on Dispositions of Investment Properties	-	(1,356)
Non-cash Adjustments:		
Foreign Currency Translation	16,594	628
Change in Deferred Financing Costs, Fair Value Adjustments, Net	431	(77)
Balance, End of Period	\$ 3,569,937	\$ 3,478,703

(1) Includes repayment of euro LIBOR borrowing of €5,000 in 2017.

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22. Related Party Transactions

- a) As at March 31, 2018, CAPREIT has a 15.7% share ownership in IRES and has determined that it has significant influence over IRES. The share ownership is held through a wholly-owned subsidiary of CAPREIT, Irish Residential Properties Fund. See note 5 for a more detailed description.

CAPREIT's wholly-owned subsidiary, IRES Fund Management Limited ("IRES FM"), is an alternative investment fund manager under the European Union (Alternative Investment Fund Managers) Regulation, 2013 (the "AIFM Regulations") for IRES. The investment management agreement between IRES FM and IRES stipulates that IRES pays 3.0% per annum of its gross rental income as property management fees and 0.5% per annum of its net asset value together with relevant reimbursements as asset management fees to IRES FM. The investment management agreement governs the provision of portfolio management, risk management and other related services to IRES by IRES FM. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the investment management agreement, and thereafter shall continue in force for consecutive five-year periods.

Included in other income for the three months ended March 31, 2018 is \$1,581 (2017 – \$1,375) from asset management and property management fees. Expenses related to the asset and property management services are included in trust expenses. The amount receivable from IRES as at March 31, 2018 is \$2,951 (December 31, 2017 - \$2,911).

David Ehrlich resigned as Chief Executive Officer of IRES effective November 1, 2017 and took up the role of President and Chief Executive Officer of CAPREIT. Effective November 1, 2017, Mr. Ehrlich is not entitled to receive any further remuneration from IRES under his employment agreement dated December 12, 2016 between IRES and Mr. Ehrlich. Mr. Ehrlich continues to serve on the board of IRES as a non-executive director, as the investment manager's nominee. He does not receive any fees from IRES in this role.

Prior thereto, effective January 1, 2017, in addition to being an employee of IRES, Mr. Ehrlich became an employee of CAPREIT Limited Partnership pursuant to an employment agreement dated December 13, 2016 between CAPREIT Limited Partnership and Mr. Ehrlich (under which he carried out management services related to IRES under the services agreement and investment management agreement) (the "CAPREIT Employment Agreement"). The CAPREIT Employment Agreement terminated effective November 1, 2017, upon Mr. Ehrlich's resignation as Chief Executive Officer of IRES.

Mr. Ehrlich received the following compensation under the CAPREIT Employment Agreement. On February 28, 2017, Mr. Ehrlich received a one-time grant equal to \$500 in RURs in accordance with the terms of CAPREIT's Amended and Restated RUR Plan, dated May 27, 2014, as amended from time to time. Pursuant to the terms of the CAPREIT Employment Agreement, he was also entitled to be granted \$150 in RURs on an annual basis. For the year ended December 31, 2017, Mr. Ehrlich received \$75 in RURs, with the remaining \$50 paid subsequent to year end.

- b) CAPREIT had the following transactions with key management personnel, the former President and CEO, and trustees. The loans outstanding to key management personnel, the former President and CEO, and trustees for indebtedness relating to the SELTIP and LTIP as at March 31, 2017 were \$7,094 and \$5,830 respectively. These amounts are taken into consideration when calculating the fair value of the Unit-based compensation financial liabilities. Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR, and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are entitled to termination benefits that provide for payments of up to 36 months of benefits (based on base salary, bonus and other benefits) depending on cause.

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Key management personnel and trustee compensation included in the consolidated statements of income and comprehensive income comprises:

For the Three Months Ended March 31, (\$ Thousands)	2018	2017
Short-term employee benefits	\$ 868	\$ 867
Unit-based compensation - grant date amortization	603	852
Unit-based compensation - fair value remeasurement	1,471	1,719
Other benefits	38	5,402
	-	-
Total	\$ 1,509	\$ 7,121

- c) CAPREIT has a lease for office space with a company in which a former officer had an 18% beneficial interest. The rent paid for the office space for the three months ended March 31, 2018 and 2017 was \$346 and \$259, respectively, excluding property operating costs, and has been expensed as trust expenses. In 2017, the above lease was amended and extended to October 2022 with a new minimum annual rental payment of \$611 from November 2017 to October 2022. Minimum rental payments for these years are as follows:

	2018	2019	2020-2022
Minimum rent	\$ 611	\$ 611	\$ 1,731

23. Commitments

Natural gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at March 31, 2018, in the aggregate amount of \$10,939 for its natural gas and transport requirements. These commitments, which range from one to three years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

	Remaining		
	2018	2019	2020
Gas Commodity			
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 2.91	\$ 2.77	\$ 2.70
Total of CAPREIT's Estimated Requirements	75.9%	58.1%	41.7%
Transport			
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 1.18	\$ 0.97	\$ 0.96
Total of CAPREIT's Estimated Requirements	95.0%	58.2%	41.7%

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

Land Leasehold Interests

Four of the investment properties have ground leases with various expiry dates (subject to revisions at periodic intervals) between March 31, 2045 and March 31, 2070. One land lease matures in 2045, two mature in 2068 and another matures in 2070. Generally, each lease provides for annual rent and additional rent calculated from the results of property operations.

Annual lease payments under these four leasehold interests are included in property operating costs. For additional details of minimum annual rent under these leases, see note 25 to the annual consolidated financial statements contained in CAPREIT's 2017 Annual Report.

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Property capital investments

Commitments primarily related to capital investments in investment properties of \$41,298 were outstanding as at March 31, 2018 (December 31, 2017 - \$25,010).

24. Contingencies

CAPREIT is contingently liable under guarantees provided to certain of CAPREIT's lenders in the event of default, and with respect to litigation and claims that arise in the ordinary course of business. Matters relating to litigation and claims are generally covered by insurance, or have been provided for in Trust expenses where appropriate.

25. Subsequent Events

On April 24, 2018, CAPREIT completed the acquisition of a property comprising of 134 MHC sites located in Swift Current, Saskatchewan. The purchase price of \$5,650 was financed with CAPREIT's Acquisition and Operating credit facility.

On May 8, 2018, CAPREIT announced that its Board of Trustees had approved a 3.9% increase in monthly cash distributions to \$0.1108 per Unit, or \$1.33 per Unit on an annualized basis. The increase is effective with the May 2018 distribution payable on June 15, 2018 to Unitholders of record as at May 31, 2018.

Unitholder Information

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President and CEO

Michael Stein
Chairman

Scott Cryer
Chief Financial Officer

Mark Kenney
Chief Operating Officer

Roberto Israel
Chief Information Officer

Jodi Lieberman
Chief Human Resources Officer

Corinne Pruzanski
General Counsel and Corporate Secretary

INVESTOR INFORMATION

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

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REGISTRAR AND TRANSFER AGENT

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AUDITOR

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LEGAL COUNSEL

Stikeman Elliott LLP

STOCK EXCHANGE LISTING

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