



CANADIAN APARTMENT
PROPERTIES • REIT

**FINANCIAL REVIEW
FOR THE THREE MONTHS ENDED
MARCH 31, 2021**



May 13, 2021

Report to Unitholders

Following another record year in 2020, we continued to perform well through the first quarter of 2021 despite the impact on our business and markets resulting from the ongoing COVID-19 pandemic. Occupancies remain strong and stable, average monthly rents were up modestly, and we saw solid growth in our key performance benchmarks. Most importantly, our balance sheet and financial position remained strong and resilient with a significant liquidity position. It is important to note that the pandemic had no material impact on the first quarter of last year.

For the three months ended March 31, 2021 total operating revenues increased 5.3% compared to last year's first quarter, driven by the contribution from acquisitions completed over the last twelve months, strong and stable occupancies and increased average monthly rents. Occupancies for total portfolio remained stable at 97.3% while average monthly rents rose just under 1% compared to last year. Stabilized property NOI increased by 2.4% for the three months ended March 31, 2021, another period of solid and sustainable organic growth. Overall NOI rose 6.2% compared to the same period last year.

Normalized Funds from Operations (NFFO), the key measure of our performance, increased by 3.0% for the first three months of 2021 due primarily to the contribution from acquisitions, continuing stable occupancies, increased average monthly rents, and our focus on operational efficiency. Our growth was also accretive as basic NFFO per Unit rose 1.6% for the three months ended March 31, 2021 despite the 1.3% increase in the weighted average number of Units outstanding compared to last year. Our NFFO payout ratio improved to a very strong 62.3% at March 31, 2021, underpinning the strength and stability of our monthly cash distributions.

Our balance sheet and financial position remained strong and flexible at March 31, 2021 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate declined further to a low 2.58%, and we continue to focus on extending our debt maturities in the current low interest rate environment. Importantly, we maintained a strong and flexible liquidity position, with total liquidity of approximately \$1.2 billion, including availability on our credit lines of \$578 million and approximately \$1.3 billion

in unencumbered Canadian properties, which could potentially be levered up to \$0.7 billion in additional financing.

Throughout the COVID-19 pandemic, our main priorities have been to protect the health and safety of our people, our residents, and the communities in which we operate. We continue to communicate with our residents, working with them to collect our monthly rents and discussing with them any issues they may have in meeting their obligations. As a result, we have maintained a very high level of rent collection, with 99% of our rents collected, and bad debts standing at only 0.6% of total revenues, in keeping with our track record in pre-pandemic years.

While we remain uncertain as to how the COVID-19 pandemic will evolve going forward, we believe we have taken the necessary steps to mitigate its impact on our people, our residents and our business. Looking ahead, we strongly believe our business, and the multi-family real estate sector in general, remains a highly defensive and counter-cyclical asset class that can bear the broad market swings we are experiencing. With the strongest balance sheet and financial position in our over twenty-three-year history, we have the resources to weather this storm.

Looking ahead, we see a number of very positive value drivers that we are confident will generate strong and growing returns for our Unitholders over the long term. In addition to portfolio growth - and we continue to see a very strong acquisition pipeline in our key markets - we believe Unitholder value will be driven by our successful asset allocation strategy, our focus on strong suburban markets, rebounding immigration and the return of international students to Canada, the increasing size of the seniors population who are favoring large, quality single-floor rental properties in their retirement, and higher market rents in a number of the regions in which we operate. With these strong market fundamentals, we also believe we will see further appreciation in the value of our asset base.

In closing, I want to thank our residents for their support and everyone at CAPREIT for their hard work and dedication. These are unprecedented times, and it is the experience and commitment of our people that will guide us through these issues. By working together, we will get through these challenges and emerge stronger than ever before.

Mark Kenney

President and Chief Executive Officer



CANADIAN APARTMENT PROPERTIES • REIT

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

FOR THE THREE MONTHS ENDED MARCH 31, 2021

MAY 13, 2021

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SECTION I: OVERVIEW AND DISCLAIMER

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") of Canadian Apartment Properties Real Estate Investment Trust's ("CAPREIT") results of operations and financial condition for the three months ended March 31, 2021 and 2020 dated May 13, 2021, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 and audited consolidated annual financial statements for the year ended December 31, 2020 contained in CAPREIT's 2020 Annual Report.

FORWARD-LOOKING DISCLAIMER

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, occupancy rates, rental rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of or involving CAPREIT. Particularly, statements regarding CAPREIT's future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, Dutch, German and Belgian economies will generally experience growth, which, however, may be adversely impacted by the global economy and the ongoing health crisis related to the novel coronavirus ("COVID-19") pandemic and its direct or indirect impacts on the business of CAPREIT. These impacts may include the ability to enforce leases, perform capital expenditure work, increase rents and apply for above guideline increases, and obtain mortgage financings; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation ("CMHC") mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates on renewals will grow at levels similar to the rate of inflation; that rental rates on turnovers will grow; that the difference between in-place and market-based rents will be reduced upon such turnovers and renewals; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT's financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT's investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this MD&A are based on assumptions, management believes they are reasonable as of the date hereof; however, there can be no assurance actual results will be consistent with these forward-looking statements, and they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: public health crises, disease outbreaks, reporting investment properties at fair value, real property ownership, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, taxation-related risks, government regulations, controls over financial reporting, other legal and regulatory risks, the nature of units of CAPREIT ("Trust Units"), unitholder liability, liquidity and price fluctuation of Trust Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, cyber security risk, and foreign operation and currency risks. There can be no assurance that the expectations of CAPREIT's management will prove to be correct. For a detailed discussion of risk factors, refer to CAPREIT's MD&A contained in CAPREIT's 2020 Annual Report in the Risks and Uncertainties section in Section VI of this MD&A. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

NON-IFRS FINANCIAL MEASURES

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

OVERVIEW

CAPREIT is Canada's largest publicly-traded provider of quality rental housing. CAPREIT currently owns or has interests in, and manages, approximately 67,600 residential apartment suites, townhomes and manufactured housing community sites well-located across Canada, in the Netherlands and Ireland.

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 April 1, 2020. As at March 31, 2021, CAPREIT had 1,005 employees (1,029 employees as at December 31, 2020).

OBJECTIVES AND BUSINESS STRATEGY

CAPREIT's objectives are to:

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

To meet its objectives, CAPREIT has established business 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, 2020 contained in CAPREIT's 2020 Annual Report.

SECTION II: KEY HIGHLIGHTS

SUMMARY OF Q1- 2021 RESULTS OF OPERATIONS

Strong Operating Results

- CAPREIT has maintained a very high level of rent collection, with over 99% of rents collected year to date
- On turnovers, monthly residential rents for the three months ended March 31, 2021 increased by 3.4% on 4.4% of the Canadian portfolio, compared to an increase of 13.5% on 3.3% of the Canadian portfolio for the three months ended March 31, 2020. The reduced increases are primarily due to the impact of the COVID-19 pandemic on the overall rental market.
- On renewals, monthly residential rents for the three months ended March 31, 2021 increased by 0.9% on 9.3% of the Canadian portfolio, compared to 2.2% on 17.6% of the Canadian portfolio for the three months ended March 31, 2020. The reduced increases are primarily due to rent freezes enacted as a result of the COVID-19 pandemic
- Net Average Monthly Rent (“Net AMR”) for the stabilized portfolio as at March 31, 2021 increased by 0.9% compared to March 31, 2020, while occupancies slightly decreased to 97.2%
- NOI increased by 2.4% for the stabilized portfolio for the three months ended March 31, 2021, compared to a NOI increase of 5.7% for the stabilized portfolio for the three months ended March 31, 2020
- NOI margin for the total portfolio increased to 64.5% for the three months ended March 31, 2021 from 63.9% for the three months ended March 31, 2020
- NFFO per unit was up 1.6% for the three months ended March 31, 2021 compared to last year

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with \$578.3 million of available liquidity on CAPREIT's Acquisition and Operating Facility
- Management expects to raise between \$900 million and \$950 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions
- CAPREIT closed mortgage refinancing of \$38.4 million for the three months ended March 31, 2021, with top-ups of \$29.0 million with a weighted average term to maturity of 7.6 years and a weighted average interest rate of 2.23%, and discharges of \$79.7 million.
- For the three months ended March 31, 2021, excluding the impact of foreign exchange loss of \$125.3 million, the fair value of investment properties increased by \$53.3 million, or 0.4%

ACQUISITIONS AND DISPOSITIONS

There were no property acquisitions or dispositions for the three months ended March 31, 2021.

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. These KPIs may be impacted by and should be read in conjunction with the risks and uncertainties discussed under The COVID-19 Pandemic.

Occupancy – Through a focused, hands-on approach, CAPREIT strives to achieve occupancies at or greater than market conditions in each of the geographic regions where it operates. Management believes annual occupancies can be maintained at between 97% to 99% over the long term.

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

Net Operating Income – NOI is a widely used operating performance indicator in the real estate industry, and is presented in the consolidated statements of income and comprehensive income as net rental income. Management has chosen to refer to net rental income as NOI in all instances in its MD&A. As a measure of its operating performance,

CAPREIT currently expects to achieve an annual NOI margin in the range of 62% to 66% of operating revenues over the long term.

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 60% and 70%. This ratio is not meant to be a measure of the sustainability of CAPREIT's distributions. Although CAPREIT intends to continue to sustain and grow distributions, the actual amount of distributions in respect of the CAPREIT units will depend upon numerous factors including, but not limited to, the amount of debt refinancings, tenant inducements, capital expenditures and other factors that may be beyond the control of CAPREIT.

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

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

THE COVID-19 PANDEMIC

The COVID-19 pandemic has given rise to uncertainty throughout the global economy, which may have various direct or indirect impacts on the global real estate market. CAPREIT continues to monitor this evolving situation with a focus on protecting the health and safety of its employees and tenants and implementing appropriate cautionary measures to address potential risks to its business. CAPREIT has implemented a number of support measures to help ease the burden on its various tenants impacted by the pandemic, including a temporary moratorium on evictions and a freeze on rental increases in Canada. CAPREIT is also reviewing and implementing flexible temporary payment plans on a case-by-case basis.

The long-term impacts of the COVID-19 pandemic on financial forecasts, including the KPIs discussed above, are subject to a degree of uncertainty and remain subject to further review and consideration given the uncertainty associated with the full impact of the COVID-19 pandemic.

CAPREIT's financial position and liquidity remain strong, providing it with the financial resources and flexibility to manage through these challenging times. CAPREIT did not see a substantial impact from the COVID-19 pandemic on the majority of its operational results for the three months ended March 31, 2021; however, this may not be indicative of CAPREIT's future performance.

Rent Collection

CAPREIT has maintained a very high level of rent collection, with over 99% of rents collected year to date CAPREIT is closely monitoring its tenant receivables, and residents currently participating in the deferred rent payment program are approximately 0.1% of total residents.

Update on Rental Revenue

Due to the current economic uncertainty, there is a greater risk that CAPREIT's estimated net rental revenue run-rate may vary from actual rental revenue, and that such variation may be significant. In addition, tenant incentives which are occasionally used to support revenues may fluctuate significantly from historical trends and depend on the length and severity of the COVID-19 pandemic.

There are expected delays in the settlement of above guideline increase ("AGI") applications, and when settled, these increases will be excluded from the government-imposed rent freeze. CAPREIT has started imposing these increases where appropriate.

The real estate market has been affected by various measures taken by Canadian federal and provincial governments with regard to the prevention of further spread of COVID-19 and to help individuals and businesses affected by the crisis. Some of the legislative initiatives announced include:

- The provinces of Ontario and British Columbia have passed legislation to freeze rent increases until December 31, 2021, except for approved above guideline increases.
- The province of Nova Scotia has capped residential rent increases at 2% until February 1, 2022, and has capped MHC rent increases at 1.9% for 2021 and at 1.0% for 2022.
- Ontario has temporarily paused the enforcement of residential evictions to encourage abidance of stay-at-home orders.
- Rental tribunal hearings were rescheduled, suspended or stopped in most provinces at the onset of the health emergency. At this time, most rental tribunal hearings have reopened or have converted to online or telephone hearings.
- The federal government announced new recovery benefits including benefits for those not eligible for the Employment Insurance program ("EI"), called the Canada Recovery Benefit ("CRB"). These programs are expected to remain available until September 25, 2021. In addition, based on the latest federal budget, the CRB eligibility period has been extended by 12 weeks to a total of 50 weeks.
- The federal government has announced the new Canada Emergency Rent Subsidy ("CERS") to provide similar relief as well as mortgage support until June 2021. In addition, based on the latest federal budget, the federal government has extended CERS until September 25, 2021. The subsidy would gradually decrease between July to September 2021.
- The Dutch government has announced rent increase freezes until June 30, 2022 on regulated suites which are subject to rent control. For liberalized suites not subject to rent control previously, the government enacted a rental cap on annual indexation at CPI + 1.0% until April 30, 2024.
- Assistance programs, such as wage subsidies, government loans, and tax deferrals have also been enacted by the Dutch government.

The above list is not exhaustive and reflects only certain legislation enacted by government. As the situation continues to evolve, the legislation enacted by government may be subject to change.

Valuation

Due to the COVID-19 pandemic and its ongoing impact on the economy, and specifically its unknown future impact on the real estate market, there is heightened uncertainty surrounding the valuation of investment properties. Consequently, there is a need to apply a higher degree of judgment as it pertains to the forward-looking assumptions that underlie CAPREIT's valuation methodologies. In addition, less weight can be ascribed to pre-pandemic market evidence to inform opinions of value compared to recent market activity applicable to the current state of the economy. Given this impact on the availability of reliable market metrics, greater caution must be exercised in valuations than would normally be the case, as the fair values are subject to change and such changes could be significant.

There was a \$71.9 million decrease in fair value for the period ended March 31, 2021. Excluding the impact of foreign exchange, the fair value of investment properties increased by \$53.3 million, or 0.4%.

Management performed additional risk-based procedures to assess valuations, subject to the unknown direct and indirect impacts of the COVID-19 pandemic on the real estate market. Specifically, in these scenarios, management considered the pandemic-related economic risks which could negatively impact property cash flows in the short term, and in turn their valuations.

Capital Expenditures

Capital investments and developments may be impacted by factors such as a lack of access to tenant suites and physical distancing restrictions. CAPREIT expects any potential impact to be short term and will normalize over the long term. As at March 31, 2021, CAPREIT has limited its capital investments to those that can be done safely following appropriate physical distancing measures such as non-discretionary exterior work, and those required on an emergency basis or to protect the safety of residents.

The COVID-19 pandemic may result in delays in development application processing by municipalities. Given the evolving situation, CAPREIT will continue to assess and revise, if necessary, the number of applications to be submitted.

Liquidity

Management has determined that CAPREIT is in a strong financial position despite the changes in the market and the heightened risk environment. CAPREIT's Canadian liquidity position as at March 31, 2021 remains strong with:

- \$578.3 million available on the Acquisition and Operating Facility; and
- \$1,161.7 million of Canadian investment properties that are not encumbered by mortgages.

In addition, management expects to raise \$900 million to \$950 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions. CAPREIT's mortgage program has remained stable since the outbreak of the COVID-19 pandemic, with refinancings proceeding as scheduled with favourable interest rates for longer terms, including 10-year terms. The actual refinancing amounts may vary from the forecast due to the evolving situation.

PERFORMANCE MEASURES

The following table presents an overview of certain IFRS and non-IFRS financial measures of CAPREIT for the periods ended March 31, 2021 and 2020. Management believes these measures are useful in assessing CAPREIT's performance in relation to its objectives and business strategy.

For the Three Months Ended March 31,	2021	2020 ⁽⁴⁾
Portfolio Performance		
Overall portfolio occupancy ⁽¹⁾	97.3%	98.2 %
Overall portfolio net Average Monthly Rents ⁽¹⁾	\$ 1,115	\$ 1,105
Operating revenues (000s)	\$ 227,506	\$ 216,060
NOI (000s)	\$ 146,652	\$ 138,058
NOI margin	64.5%	63.9 %
Financial Performance		
FFO per unit – basic ⁽²⁾	\$ 0.549	\$ 0.544
NFFO per unit – basic ⁽²⁾	\$ 0.556	\$ 0.547
Cash distributions per unit	\$ 0.345	\$ 0.345
FFO payout ratio ⁽²⁾	63.1%	63.7 %
NFFO payout ratio ⁽²⁾	62.3%	63.3 %
Liquidity and Leverage		
Total debt to gross book value ⁽¹⁾	35.21%	35.86 %
Total debt to gross historical cost ⁽¹⁾	49.78%	48.98 %
Weighted average mortgage interest rate ⁽¹⁾	2.58%	2.82 %
Weighted average mortgage term (years) ⁽¹⁾	5.62	4.92
Debt service coverage (times) ⁽³⁾	1.99	1.97
Interest coverage (times) ⁽³⁾	3.95	3.86
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾	\$ 578,349	\$ 99,192
Cash and cash equivalents (000s) ⁽¹⁾	\$ 51,534	\$ 182,256

⁽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 IV - Non-IFRS Financial Measures.

⁽³⁾ Based on the trailing four quarters.

⁽⁴⁾ Certain 2020 comparative figures have been adjusted to conform with current period presentation.

For the Three Months Ended March 31,	2021	2020
Other Measures		
Weighted average number of units - basic (000s)	172,469	170,206
Number of residential suites and sites acquired	—	1,724
Number of suites disposed	—	6
Closing price of Trust Units ⁽¹⁾	\$ 53.86	\$ 42.59
Market capitalization (millions) ⁽¹⁾	\$ 9,336	\$ 7,258

⁽¹⁾ As at March 31.

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

NET AND OCCUPIED AVERAGE MONTHLY RENTS AND OCCUPANCY

Net AMR is defined as actual residential rents, excluding vacant units, divided by the total number of suites or sites in the property, and does not include revenues from parking, laundry or other sources. Occupied AMR is defined as actual residential rents, excluding vacant units, divided by the total number of occupied suites or sites in the property, and does not include revenues from parking, laundry or other sources. Stabilized AMR includes all properties held as at March 31, 2020 and are not disposed of.

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

As at March 31,	Net AMR			Occupied AMR			Occupancy %	
	2021 AMR (\$)	2020 AMR (\$)	% Change AMR	2021 AMR (\$)	2020 AMR (\$)	% Change AMR	2021	2020
Residential Suites								
Ontario								
Greater Toronto Area	1,488	1,465	1.6	1,522	1,480	2.8	97.8	99.0
London / Kitchener / Waterloo	1,073	1,033	3.9	1,084	1,047	3.5	99.0	98.7
Ottawa	1,373	1,343	2.2	1,377	1,344	2.5	99.7	99.9
Other Ontario	1,423	1,367	4.1	1,428	1,375	3.9	99.6	99.4
	1,413	1,389	1.7	1,437	1,403	2.4	98.3	99.0
Québec								
Greater Montréal Region	997	996	0.1	1,028	1,003	2.5	97.0	99.3
Québec City	1,095	1,080	1.4	1,119	1,094	2.3	97.9	98.7
	1,021	1,017	0.4	1,050	1,025	2.4	97.2	99.2
British Columbia								
Greater Vancouver Region	1,478	1,452	1.8	1,488	1,469	1.3	99.3	98.9
Victoria	1,300	1,316	(1.2)	1,311	1,325	(1.1)	99.2	99.4
	1,421	1,411	0.7	1,431	1,425	0.4	99.3	99.0
Nova Scotia								
Halifax	1,208	1,196	1.0	1,276	1,217	4.8	94.6	98.3
Alberta								
Calgary	1,052	1,091	(3.6)	1,108	1,130	(1.9)	95.0	96.5
Edmonton	985	1,152	(14.5)	1,219	1,274	(4.3)	80.8	90.4
	1,037	1,104	(6.1)	1,131	1,160	(2.5)	91.7	95.2
Prince Edward Island								
Charlottetown	1,096	1,083	1.2	1,114	1,100	1.3	98.4	98.4
Saskatchewan								
Regina	992	1,007	(1.5)	1,041	1,057	(1.5)	95.3	95.3
Total Canadian residential suites	1,281	1,267	1.1	1,314	1,283	2.4	97.5	98.8
Europe								
The Netherlands ⁽¹⁾	1,308	1,335	(2.0)	1,330	1,358	(2.1)	98.3	98.4
Total residential suites	1,284	1,275	0.7	1,316	1,292	1.9	97.6	98.7
MHC Sites								
Total MHC sites	394	386	2.1	411	403	2.0	95.9	95.8
Total suites and sites	1,115	1,105	0.9	1,146	1,125	1.9	97.3	98.2

⁽¹⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the total portfolio for Net AMR are €886 and €857 as at March 31, 2021 and March 31, 2020, respectively, and for Occupied AMR are €901 and €871 as at March 31, 2021 and March 31, 2020, respectively.

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

As at March 31,	Net AMR			Occupied AMR			Occupancy %	
	2021 AMR (\$)	2020 ⁽¹⁾ AMR (\$)	% Change AMR	2021 AMR (\$)	2020 ⁽¹⁾ AMR (\$)	% Change AMR	2021	2020
Residential Suites								
Ontario								
Greater Toronto Area	1,488	1,465	1.6	1,522	1,480	2.8	97.8	99.0
London / Kitchener / Waterloo	1,085	1,033	5.0	1,096	1,047	4.7	99.0	98.7
Ottawa	1,393	1,343	3.7	1,398	1,344	4.0	99.7	99.9
Other Ontario	1,423	1,367	4.1	1,428	1,375	3.9	99.7	99.4
	1,421	1,389	2.3	1,446	1,403	3.1	98.3	99.0
Québec								
Greater Montréal Region	997	996	0.1	1,028	1,003	2.5	97.0	99.3
Québec City	1,095	1,080	1.4	1,119	1,094	2.3	97.9	98.7
	1,021	1,017	0.4	1,050	1,025	2.4	97.2	99.2
British Columbia								
Greater Vancouver Region	1,478	1,452	1.8	1,488	1,469	1.3	99.3	98.9
Victoria	1,328	1,316	0.9	1,340	1,325	1.1	99.1	99.4
	1,432	1,411	1.5	1,443	1,425	1.3	99.2	99.0
Nova Scotia								
Halifax	1,190	1,196	(0.5)	1,260	1,217	3.5	94.4	98.3
Alberta								
Calgary	1,052	1,088	(3.3)	1,108	1,129	(1.9)	95.0	96.4
Edmonton	985	1,152	(14.5)	1,219	1,274	(4.3)	80.9	90.4
	1,037	1,103	(6.0)	1,131	1,161	(2.6)	91.7	95.0
Prince Edward Island								
Charlottetown	1,096	1,083	1.2	1,114	1,100	1.3	98.4	98.4
Saskatchewan								
Regina	992	1,007	(1.5)	1,041	1,057	(1.5)	95.3	95.3
Total Canadian residential suites	1,283	1,268	1.2	1,316	1,280	2.8	97.5	99.0
Europe								
The Netherlands ⁽²⁾	1,313	1,335	(1.6)	1,336	1,358	(1.6)	98.3	98.3
Total residential suites	1,287	1,276	0.9	1,319	1,292	2.1	97.6	98.7
MHC Sites								
Total MHC sites	394	386	2.1	411	403	2.0	95.9	95.8
Total suites and sites	1,115	1,105	0.9	1,147	1,125	2.0	97.2	98.2

⁽¹⁾ Prior year comparable Net and Occupied AMR and occupancy has been restated for properties disposed of since March 31, 2020.

⁽²⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the stabilized portfolio for Net AMR are €890 and €857 as at March 31, 2021 and March 31, 2020, respectively, resulting in a Net AMR change of 3.9%. The Occupied AMR for the stabilized portfolio is €905 and €871 as at March 31, 2021 and March 31, 2020, respectively, resulting in an Occupied AMR change of 3.9%.

The rate of growth in stabilized Net AMR has been primarily due to (i) rental increases on turnover in the strong rental markets of Ontario and British Columbia, slightly offset by an increase in vacancy seen in Nova Scotia, and a currently weakening Alberta market, both due to economic impacts related to the COVID-19 pandemic and (ii) increases on renewals. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.65 as at March 31, 2021.

Annual Rental Guidelines as per Rental Board

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

	2021	2020
Ontario ⁽¹⁾	0.0%	2.2%
British Columbia ⁽¹⁾	0.0%	2.6%

⁽¹⁾ The provinces of Ontario and British Columbia have passed legislation to freeze rent until December 31, 2021. This is further discussed in Section II under The COVID-19 Pandemic.

Suite Turnovers and Lease Renewals - Total Portfolio

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

Canadian Portfolio

For the Three Months Ended March 31,	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	48.1	3.4	4.4	177.3	13.5	3.3
Lease renewals	10.6	0.9	9.3	28.0	2.2	17.6
Weighted average of turnovers and renewals	22.6	1.7		51.6	4.0	

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

The Netherlands Portfolio

For the Three Months Ended March 31,	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	118.3	13.7	3.8	65.4	7.7	4.1
Lease renewals	—	—	—	—	—	—
Weighted average of turnovers and renewals	118.3	13.7		65.4	7.7	

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

Overall, suite turnovers in the Canadian residential portfolio (excluding co-ownerships) during the three months ended March 31, 2021 resulted in monthly rent increasing by approximately \$48 or 3.4% compared to an increase of approximately \$177 or 13.5% for the same period last year, primarily due to the strong rental markets in Ontario, Nova Scotia, and British Columbia. The reduced turnover increases are mainly due to the impact of the COVID-19 pandemic as discussed in Section II under The COVID-19 Pandemic.

Monthly rents on lease renewals on the Canadian residential portfolio (excluding co-ownerships) for the three months ended March 31, 2021 resulted in monthly rent increasing by approximately \$11 or 0.9% compared to an increase of approximately \$28 or 2.2% for the same period last year. Management believes the reduced renewal increases are mainly due to the impact of the COVID-19 pandemic rent freezes as discussed in Section II under The COVID-19 Pandemic.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three months ended March 31, 2021 resulted in monthly rent increasing by approximately €118 or 13.7% compared to an increase of approximately €65 or 7.7% for the same period last year. As the Netherlands lease renewals occur once a year in July, there were no renewals increases for the three months ended March 31, 2021 and 2020. The tenant notices for rent renewal increases beginning on July 1, 2021, with a weighted average rental increase of 2.3%, have been served to 94% of the Dutch liberalized residential suites, which comprise 58.5% of the total Netherlands portfolio.

Given the current market environment with the COVID-19 pandemic, there is a high level of uncertainty establishing current market rents. As such it is difficult to estimate the differential between market rents and current rents. Management expects market rents to stabilize in the medium term.

Above Guideline Increases

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

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

	January 1, 2021 - March 31, 2021	January 1, 2020 - December 31, 2020
Applications Settled:		
Number of suites and sites	471	970
Weighted average total increase approved ^{(1), (2)}	1.15%	2.13%
Weighted average total increase applied for ^{(1), (3)}	1.04%	2.31%
Applications Outstanding:		
Number of suites and sites	7,667	8,138
Term weighted average total increase applied for ^{(1), (4)}	1.86%	1.88%

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

⁽²⁾ For applications settled during the three months ended March 31, 2021, the weighted average total increase approved is to apply over a weighted average of 1.0 years (1.8 years for the year ended December 31, 2020).

⁽³⁾ For applications settled during the three months ended March 31, 2021, the weighted average total increase applied for was to apply over a weighted average of 1.0 years (1.8 years for the year ended December 31, 2020).

⁽⁴⁾ For applications outstanding as at March 31, 2021, the weighted average total increase applied for was to apply over a weighted average of 1.3 years (1.3 years for the year ended December 31, 2020).

Tenant Inducements, Vacancy Loss and Expected Credit Loss Expense

(\$ Thousands)

For the Three Months Ended March 31,	2021	% ⁽¹⁾	2020	% ⁽¹⁾
New tenant inducements incurred - residential	\$ 1,935		\$ 168	
Total new tenant inducements incurred	\$ 1,935		\$ 168	
Tenant inducements amortized	\$ 1,148	0.5	\$ 370	0.2
Vacancy loss incurred	7,046	3.1	4,398	2.0
Total amortization and loss	\$ 8,194	3.6	\$ 4,768	2.2
Additional bad debt allowance recognized as an expense	\$ 1,296	0.6	\$ 696	0.3

⁽¹⁾ As a percentage of total operating revenues.

Management believes the increase in residential tenant inducements, vacancy loss, and expected credit loss/bad debt expense ("bad debt") was due to circumstances caused by the COVID-19 pandemic, as discussed in Section II under The COVID-19 Pandemic.

RESULTS OF OPERATIONS

Total Operating Revenues by Geography

For the Three Months Ended March 31, (\$ Thousands)	2021 Revenue (%)		2020 Revenue (%)	
Residential Suites				
Ontario				
Greater Toronto Area	\$ 73,109	32.3	\$ 72,372	33.5
London / Kitchener / Waterloo	10,880	4.7	9,461	4.4
Ottawa	8,510	3.7	6,775	3.1
Other Ontario	8,082	3.6	7,702	3.6
	\$ 100,581	44.3	\$ 96,310	44.6
Québec				
Greater Montréal Region	\$ 26,765	11.8	\$ 26,040	12.0
Québec City	9,286	4.1	9,077	4.2
	\$ 36,051	15.9	\$ 35,117	16.2
British Columbia				
Greater Vancouver Region	\$ 17,038	7.4	\$ 16,615	7.7
Victoria	6,609	2.9	6,616	3.0
	\$ 23,647	10.3	\$ 23,231	10.7
Nova Scotia				
Halifax	\$ 12,634	5.6	\$ 9,623	4.5
Alberta				
Calgary	\$ 6,739	3.0	\$ 7,673	3.5
Edmonton	1,901	0.8	1,841	0.9
	\$ 8,640	3.8	\$ 9,514	4.4
Prince Edward Island				
Charlottetown	\$ 2,105	0.9	\$ 2,107	1.0
Saskatchewan				
Regina	\$ 694	0.3	723	0.3
Total Canadian residential suites	\$ 184,352	81.1	\$ 176,625	81.7
Europe				
The Netherlands ⁽¹⁾	\$ 25,687	11.3	\$ 22,371	10.4
Other Europe ⁽²⁾	2,820	1.2	3,048	1.4
	\$ 28,507	12.5	\$ 25,419	11.8
Total residential suites	\$ 212,859	93.6	\$ 202,044	93.5
MHC Sites				
Total MHC sites	\$ 14,647	6.4	\$ 14,016	6.5
Total residential suites and MHC sites	\$ 227,506	100.0	\$ 216,060	100.0

⁽¹⁾ In € thousands, €16,845 and €15,001 for three months ended March 31, 2021 and March 31, 2020, respectively.

⁽²⁾ Comprised of ERES revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,977 for the three months ended March 31, 2021 and €2,059 for the three months ended March 31, 2020.

Estimated Net Rental Revenue Run-Rate

The table below shows the estimated net rental revenue run-rate (net of average historical vacancy loss and tenant inducements) based on Net AMRs in place for CAPREIT's share of residential suites and sites and commercial leases as at March 31, 2021 and 2020. Increases or decreases in net rental revenue run-rate are primarily due to acquisitions or dispositions, respectively, within the last 12 months.

(\$ Thousands)

As at March 31,	2021	2020 ⁽³⁾
Residential rent roll ^{(1), (2)}	\$ 830,812	\$ 806,382
Commercial rent roll ^{(1), (2)}	32,724	34,184
Annualized net rental revenue run-rate	\$ 863,536	\$ 840,566

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

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

⁽³⁾ Certain 2020 comparative figures have been adjusted to conform with current period presentation.

Net rental revenue net of dispositions for the 12 months ended March 31, 2021 was \$841.9 million (2020 - \$770.0 million).

NOI

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

Stabilized properties for the three months ended March 31, 2021 are defined as all properties owned by CAPREIT continuously since December 31, 2019, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2021 and 2020. As at March 31, 2021, stabilized suites and sites represented 94.9% of CAPREIT's total portfolio excluding co-ownerships.

(\$ Thousands)

For the Three Months Ended March 31,	Total NOI			Stabilized NOI		
	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 215,472	\$ 204,615	5.3	\$ 203,899	\$ 200,319	1.8
Other ⁽²⁾	12,034	11,445	5.1	11,354	11,218	1.2
Total operating revenues	\$ 227,506	\$ 216,060	5.3	\$ 215,253	\$ 211,537	1.8
Operating Expenses						
Realty taxes	(21,810)	(19,868)	9.8	(20,585)	(19,326)	6.5
Utilities	(20,174)	(18,743)	7.6	(19,132)	(18,246)	4.9
Other ⁽³⁾	(38,870)	(39,391)	(1.3)	(36,791)	(38,534)	(4.5)
Total operating expenses	\$ (80,854)	\$ (78,002)	3.7	\$ (76,508)	\$ (76,106)	0.5
NOI	\$ 146,652	\$ 138,058	6.2	\$ 138,745	\$ 135,431	2.4
NOI margin	64.5 %	63.9 %		64.5 %	64.0 %	

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

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

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

Operating Revenues

For the three months ended March 31, 2021, total operating revenues for the total and stabilized portfolio increased compared to the same period last year, due to increases in monthly rents on renewals and turnovers, slightly offset by higher vacancy rates and increases in tenant inducements mainly in the Greater Toronto Area. Contributions from acquisitions further contributed to higher operating revenues for the total portfolio.

Operating Expenses

Realty Taxes

For the three months ended March 31, 2021, the stabilized portfolio's realty tax increased compared to the same period last year, primarily because of increased property assessment values in Québec.

Utilities

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

(\$ Thousands) For the Three Months Ended March 31,	Total Utilities			Stabilized Utilities		
	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Electricity	\$ 7,035	\$ 6,852	2.7	\$ 6,722	\$ 6,590	2.0
Natural gas	6,297	5,887	7.0	5,929	5,738	3.3
Water	6,842	6,004	14.0	6,481	5,918	9.5
Total	\$ 20,174	\$ 18,743	7.6	\$ 19,132	\$ 18,246	4.9

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

The table below breaks down the factors causing the above changes in the stabilized portfolio. Refer to the Operational Efficiency and Resilience section of the 2020 ESG Report for details on our conservation efforts.

For the Three Months Ended March 31, 2021	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	2.4%	(0.4)%	Colder weather leading to increased usage for electricity heated properties
Natural gas	1.6%	1.7%	Colder weather increased consumption, carbon taxes increased rate
Water	9.6%	(0.1)%	Higher usage during the COVID-19 pandemic
Total	2.9%	2.0%	

As at March 31, 2021, tenants who pay their hydro charges directly represented 69% of the total 17,788 sub-metered suites in Ontario, Alberta, and Nova Scotia.

A summary of CAPREIT's fixed natural gas contracts can be found in note 26 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2021.

Other Operating Expenses

The stabilized other operating expenses for the three months ended March 31, 2021 decreased compared to the same period last year, primarily due to lower R&M costs partially offset by higher bad debt and insurance costs. The reduced R&M costs were primarily due to the decreased ability to complete work given restrictions and limitations imposed in connection with the COVID-19 pandemic. The increased bad debt was driven by the economic instability caused by the COVID-19 pandemic leading to some commercial tenants and residential tenants forgoing rent payments. The increased insurance costs were driven by higher insurance rates.

NOI BY REGION

For the Three Months Ended March 31,	2021			2020			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 46,562	31.6	63.7	\$ 46,482	33.8	64.2	0.2
London / Kitchener / Waterloo	7,021	4.8	64.5	6,094	4.4	64.4	15.2
Ottawa	5,696	3.9	66.9	4,325	3.1	63.8	31.7
Other Ontario	5,110	3.5	63.2	4,749	3.4	61.7	7.6
	\$ 64,389	43.8	64.0	\$ 61,650	44.7	64.0	4.4
Québec							
Greater Montréal Region	\$ 15,647	10.7	58.5	\$ 14,585	10.6	56.0	7.3
Québec City	5,743	3.9	61.8	5,486	4.0	60.4	4.7
	\$ 21,390	14.6	59.3	\$ 20,071	14.6	57.2	6.6
British Columbia							
Greater Vancouver Region	\$ 11,816	8.1	69.4	\$ 10,890	7.9	65.5	8.5
Victoria	4,667	3.2	70.6	4,749	3.4	71.8	(1.7)
	\$ 16,483	11.3	69.7	\$ 15,639	11.3	67.3	5.4
Nova Scotia							
Halifax	\$ 7,614	5.2	60.3	\$ 5,643	4.1	58.6	34.9
Alberta							
Calgary	\$ 3,541	2.4	52.5	\$ 4,326	3.1	56.4	(18.1)
Edmonton	979	0.7	51.5	1,145	0.8	62.2	(14.5)
	\$ 4,520	3.1	52.3	\$ 5,471	3.9	57.5	(17.4)
Prince Edward Island							
Charlottetown	\$ 970	0.7	46.1	\$ 986	0.7	46.8	(1.6)
Saskatchewan							
Regina	\$ 317	0.2	45.7	\$ 376	0.3	52.0	(15.7)
Total Canadian residential suites	\$ 115,683	78.9	62.8	\$ 109,836	79.6	62.2	5.3
Europe							
The Netherlands ⁽²⁾	\$ 19,307	13.2	75.2	\$ 16,927	12.3	75.7	14.1
Other Europe ⁽³⁾	2,216	1.5	78.6	2,562	1.8	84.1	(13.5)
	\$ 21,523	14.7	75.5	\$ 19,489	14.1	76.7	10.4
Total residential suites	\$ 137,206	93.6	64.5	\$ 129,325	93.7	64.0	6.1
MHC Sites							
Total MHC sites	9,446	6.4	64.5	8,733	6.3	62.3	8.2
Total suites and sites	\$ 146,652	100.0	64.5	\$ 138,058	100.0	63.9	6.2

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ In € thousands, €12,648 and €11,235 for the three months ended March 31, 2021 and March 31, 2020, respectively.

⁽³⁾ Comprised of ERES's NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,562 and €1,730 for the three months ended March 31, 2021 and March 31, 2020, respectively.

STABILIZED NOI BY REGION

For the Three Months Ended March 31,	2021		2020		Increase (Decrease)		
(\$ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 46,562	63.7	\$ 46,482	64.2	1.0	2.5	0.2
London / Kitchener / Waterloo	6,472	65.1	6,094	64.4	5.1	3.2	6.2
Ottawa	4,706	67.3	4,325	63.8	3.2	(6.6)	8.8
Other Ontario	5,110	63.2	4,749	61.7	4.9	0.6	7.6
	\$ 62,850	64.0	\$ 61,650	64.0	1.9	1.8 ⁽¹⁾	1.9
Québec							
Greater Montréal Region	\$ 15,278	58.4	\$ 14,445	55.9	1.2	(4.6)	5.8
Québec City	5,743	61.8	5,486	60.5	2.3	(1.3)	4.7
	\$ 21,021	59.3	\$ 19,931	57.1	1.5	(3.8) ⁽²⁾	5.5
British Columbia							
Greater Vancouver Region	\$ 11,511	69.4	\$ 10,888	65.4	(0.5)	(12.2)	5.7
Victoria	4,667	70.6	4,749	72.3	0.6	6.6	(1.7)
	\$ 16,178	69.8	\$ 15,637	67.3	(0.2) ⁽³⁾	(7.7) ⁽³⁾	3.5
Nova Scotia							
Halifax	\$ 3,502	57.3	\$ 3,614	57.6	(2.5)	(1.7) ⁽⁴⁾	(3.1)
Alberta							
Calgary	\$ 3,549	52.7	\$ 3,928	55.8	(4.3)	2.5	(9.6)
Edmonton	711	49.7	1,114	62.7	(19.5)	8.4	(36.2)
	\$ 4,260	52.2	\$ 5,042	57.2	(7.4)	3.5 ⁽⁵⁾	(15.5)
Prince Edward Island							
Charlottetown	\$ 970	46.1	\$ 984	47.0	0.6	2.4	(1.4)
Saskatchewan							
Regina	\$ 317	45.7	\$ 376	52.0	(4.0)	8.6	(15.7)
Total Canadian residential suites	\$ 109,098	62.8	\$ 107,234	62.2	0.9	(0.6)	1.7
Europe							
The Netherlands	\$ 20,324	75.4	\$ 19,464	77.4	7.1	16.4 ⁽⁶⁾	4.4
Total residential suites	\$ 129,422	64.5	\$ 126,698	64.1	1.7	0.8	2.1
MHC Sites							
Total MHC sites	\$ 9,323	64.4	\$ 8,733	62.3	3.2	(2.7) ⁽⁷⁾	6.8
Total suites and sites	\$ 138,745	64.5	\$ 135,431	64.0	1.8	0.5	2.4
Stabilized suites and sites	60,531		60,531				

⁽¹⁾ Higher expenses: higher bad debt and insurance costs, partially offset by lower R&M costs.

⁽²⁾ Lower expenses: lower R&M, legal and collection costs, partially offset by higher realty taxes.

⁽³⁾ Lower expenses: higher utilities and realty taxes partially offset by lower R&M costs. Higher one-time land rent incurred in 2020. Lower revenues: higher vacancies rental and tenant allowances, partially offset by higher rental income.

⁽⁴⁾ Lower expenses: lower R&M costs, partially offset by higher utilities.

⁽⁵⁾ Higher expenses: higher utilities and realty taxes.

⁽⁶⁾ In € thousands, NOI of €13,428 and €12,948 for the three months ended March 31, 2021 and March 31, 2020, respectively. NOI increased by €480 and 3.7%. Higher expenses: higher site costs, insurance, and R&M costs.

⁽⁷⁾ Lower expenses: lower R&M costs, partially offset by higher realty taxes and site costs.

The following table reconciles stabilized NOI and NOI from net acquisitions to total NOI for the periods ended March 31, 2021 and March 31, 2020:

(\$ Thousands)

For the Three Months Ended March 31,	2021	NOI Margin (%)	2020	NOI Margin (%)
Stabilized NOI	\$ 138,745	64.5	\$ 135,431	64.0
Net acquisitions NOI ⁽¹⁾	7,907	69.5	2,627	85.2
Total NOI	\$ 146,652	64.5	\$ 138,058	63.9

⁽¹⁾ Represents the NOI of acquisitions and dispositions completed during 2020.

NET INCOME AND OTHER COMPREHENSIVE INCOME

(\$ Thousands)

For the Three Months Ended March 31,	2021	2020
NOI	\$ 146,652	\$ 138,058
(Less) plus:		
Trust expenses	(13,576)	(11,364)
Unit-based compensation (expense) recovery	(4,486)	5,252
Fair value adjustments of investment properties	(7,079)	(31,919)
Realized loss on disposition of investment properties	—	(753)
Amortization of property, plant and equipment	(2,012)	(1,771)
Fair value adjustments of Exchangeable LP Units	(1,287)	—
(Loss) gain on non-controlling interest	(15,788)	69,679
Fair value adjustments of investments	3,044	(6,870)
Gain on derivative financial instruments	30,522	6,489
Interest on Exchangeable LP Units	(115)	—
Interest on mortgages payable and other financing costs	(34,119)	(31,969)
Interest on bank indebtedness and other financing costs	(1,280)	(2,310)
Interest on leases	(1,116)	(517)
Loss on foreign currency translation	(934)	(53,808)
Other income	5,203	6,943
Net income before income taxes	\$ 103,629	\$ 85,140
Current and deferred income tax recovery (expense)	433	(5,507)
Net income	\$ 104,062	\$ 79,633
Other comprehensive (loss) income, including items that may be reclassified subsequently to net income		
Amortization of losses from (AOCL) AOCI to interest and other financing costs	\$ 620	\$ 634
(Loss) gain on foreign currency translation	(77,094)	85,402
Other comprehensive (loss) income	(76,474)	86,036
Comprehensive income	\$ 27,588	\$ 165,669

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 include costs related to the generation of asset management and services fees to ERES and asset and property management fees to Irish Residential Properties REIT plc ("IRES"). The table below shows trust expenses net of external fees income:

(\$ Thousands)

For the Three Months Ended March 31,	2021	2020
Trust expenses attributable to CAPREIT (excluding ERES)	\$ 11,693	\$ 9,456
Trust expenses attributable to ERES	1,883	1,908
Trust Expenses	13,576	11,364
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(673)	(587)
Less: Asset and property management fees income from IRES ⁽²⁾	(2,465)	(2,347)
Net Trust Expenses	10,438	8,430
Net Trust Expenses as % of Operating Revenue	4.6 %	3.9 %

⁽¹⁾ These fees are eliminated upon consolidation.

⁽²⁾ These amounts are included within other income on the statement of income and comprehensive income.

Trust expenses increased for the three months ended March 31, 2021 to \$13.6 million compared to \$11.4 million last year primarily as a result of higher salaries and benefits paid and acquisition research expenses, which were partially offset by lower travel expenses due to the COVID-19 pandemic. Non-recurring acquisitions research expenses amount to \$0.7 million. The \$13.6 million of trust expenses for the three months ended March 31, 2021 is a representative run rate for each of the remaining three quarters of 2021. However, given the uncertainty around the COVID-19 pandemic, actual results may vary.

Unit-Based Compensation Expense (Recovery)

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

(\$ Thousands)

For the Three Months Ended March 31,	2021	2020
Remeasurement of unit-based compensation liabilities	\$ 2,681	\$ (6,939)
Amortization of fair value on grant date of unit-based compensation	1,805	1,687
Total	\$ 4,486	\$ (5,252)

Gain on Derivative Financial Instruments

The gain on derivative financial instruments is due to changes in the fair value of derivatives for which hedge accounting is not applied. The gain on derivative financial instruments for the three months ended March 31, 2021 primarily relates to changes in foreign exchange rates, offset by changes in the yield curve. CAPREIT uses derivative financial instruments to minimize its exposure to fluctuations in interest rates and foreign exchange rates. These derivative financial instruments allow CAPREIT to take advantage of the low EURIBOR rates, resulting in significant interest savings, and to convert its borrowings to euro-denominated liabilities to hedge against a majority of its euro-denominated assets. See note 18 to the accompanying condensed consolidated interim financial statements for further details about derivatives.

(Loss) Gain on Non-Controlling Interest

For the period ended March 31, 2021, CAPREIT recorded a loss of \$15.8 million on ERES units held by non-controlling unitholders. This includes distributions to ERES non-controlling unitholders of \$3.2 million. The remaining balance is the mark-to-market gain or loss due to fluctuations in the ERES unit price.

Loss on Foreign Currency Translation

CAPREIT is exposed to gain/loss on foreign currency translation due to its holdings of assets and liabilities through its investment in IRES, its ERES subsidiary, and foreign-denominated cash and borrowings held by CAPREIT. The following table summarizes the gain or loss recorded in other comprehensive (loss) income and net income on this exposure and its associated derivative instruments. Between December 31, 2020 and March 31, 2021, the euro weakened against the Canadian Dollar from a closing price of 1.5608 to 1.4759.

As of March 31,		2021			
(\$ Thousands)		Other Comprehensive Gain (Loss)		Net Income Gain (Loss)	
		Total Foreign Exchange Gain (Loss)			
	Balance	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended
Total Foreign Assets ⁽¹⁾	€ 1,680,301 ⁽⁴⁾	\$ (141,198)	\$ 766	\$ (140,432)	
Total Foreign Liabilities ⁽²⁾	762,857	64,104	(1,700)	62,404	
Net Equity ⁽³⁾	917,444	(77,094)	(934)	(78,028)	
Cross-Currency Swap	442,358	—	608	608	
Net Foreign Exchange Exposure and Gain (Loss)	€ 475,086	\$ (77,094)	\$ (326)	\$ (77,420)	
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 224,525				

		2020			
		Other Comprehensive Gain (Loss)		Net Income Gain (Loss)	
		Total Foreign Exchange Gain (Loss)			
	Balance	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended
Total Foreign Assets ⁽¹⁾	€ 1,540,894 ⁽⁴⁾	\$ 151,129	\$ 320	\$ 151,447	
Total Foreign Liabilities ⁽²⁾	670,143	(65,727)	(54,128)	(119,854)	
Net Equity ⁽³⁾	870,751	85,402	(53,808)	31,593	
Cross-Currency Swap	442,358	—	5,777	5,777	
Net Foreign Exchange Exposure and Gain (Loss)	€ 428,393	\$ 85,402	\$ (48,031)	\$ 37,370	
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 188,315				

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

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

⁽³⁾ As at March 31, 2021, net equity includes €736,943 (March 31, 2020 - €706,113) relating to ERES in which CAPREIT has a 66% (March 31, 2020 - 66%) interest. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €224,525 (March 31, 2020 - €188,315).

⁽⁴⁾ Includes ERES assets of €1,499,800 and CAPREIT's investment in IRES of €173,795 (March 31, 2020 - €1,375,056 and €163,753, respectively).

Other Income

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

(\$ Thousands)

For the Three Months Ended March 31,	2021	2020
Investment income	\$ 370	\$ 832
Net profit from investment in associate ⁽¹⁾	2,342	2,749
Asset and property management fees ⁽²⁾	2,465	2,347
Other ⁽³⁾	26	1,015
Total	\$ 5,203	\$ 6,943

⁽¹⁾ CAPREIT's share of IRES's investment property fair value change, earnings and foreign exchange effects thereon. For the three months ended March 31, 2021 and 2020, CAPREIT's share of IRES's investment property fair value gain is nil.

⁽²⁾ Other income includes asset and property management fees from IRES, which CAPREIT has an 18.8% ownership in as at March 31, 2021 (March 31, 2020 - 18.3%), and excludes asset and property management fees and service fees from ERES, in which CAPREIT has a 65.9% ownership as at March 31, 2021 (March 31, 2020 - 66.0%).

(\$ Thousands)

For the Three Months Ended March 31,	2021	2020
Total fee income generated	\$ 5,438	\$ 4,939
Asset and property management fees, acquisition fees and service fees from ERES eliminated on consolidation	2,973	2,592
Asset and property management fees from IRES recognized in other income	\$ 2,465	\$ 2,347

⁽³⁾ The non-recurring other income is mainly due to the interest earned on cash and cash equivalents held in 2020.

On March 31, 2021, CAPREIT announced the termination of its investment management agreement with IRES, which will become effective March 31, 2022. As a result of the dissolution of this agreement, this is expected to reduce CAPREIT's net income by approximately \$3.0 to \$3.5 million on an annualized basis.

SECTION IV: UNIT CALCULATIONS, NON-IFRS FINANCIAL MEASURES**PER UNIT CALCULATIONS**

As a result of CAPREIT being an open-ended mutual fund trust, Unitholders are entitled to redeem their Trust Units in accordance with the conditions specified in the DOT. The impact of this redemption feature causes CAPREIT's Trust Units to be treated as financial liabilities under IFRS. Consequently, all per unit calculations are considered non-IFRS measures.

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

(Thousands)	Weighted Average Number of Units		Outstanding Number of Units	
For the Three Months Ended March 31,	2021	2020	2021	% ⁽¹⁾
Trust Units	171,962	170,055	172,244	99.4
Exchangeable LP Units ⁽²⁾	333	—	333	0.2
Units under the DUP	174	151	180	0.1
Basic number of units	172,469	170,206	172,757	99.7
Plus:				
Unit rights under the RUR Plan ⁽³⁾	603	574	582	0.3
Diluted number of units	173,072	170,780	173,339	100.0

⁽¹⁾ Represents percentage of total diluted units.

⁽²⁾ See note 15 to the accompanying condensed consolidated interim financial statements for details on Exchangeable LP Units.

⁽³⁾ See notes 14 and 15 to the audited consolidated annual financial statements for the year ended December 31, 2020 contained in CAPREIT's 2020 Annual Report for details of CAPREIT's unit-based compensation plans.

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

(Thousands)				
For the Three Months Ended March 31,	2021	2020		
Distributions declared on Trust Units	\$ 59,354	\$ 58,693		
Distributions declared on Exchangeable Units	115	—		
Distributions declared on awards outstanding under unit-based compensation plans ⁽¹⁾	269	249		
Total distributions declared	59,738	58,942		
Less:				
Distributions on Trust Units reinvested	(18,545)	(18,794)		
Distributions on unit awards reinvested ⁽¹⁾	(269)	(249)		
Net distributions paid	\$ 40,924	\$ 39,899		
Percentage of distributions reinvested	31.5%	32.3%		

⁽¹⁾ Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 14 and 15 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2020 contained in CAPREIT's 2020 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 over time, which may result in upward pressure on the total amount of net distributions paid if those participants do not elect to join the DRIP or choose cash distributions. Exchangeable LP Units are not eligible for the DRIP.

NON-IFRS FINANCIAL MEASURES

Funds From Operations

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

(\$ Thousands, except per Unit amounts)

For the Three Months Ended March 31,	2021	2020
Net income	\$ 104,062	\$ 79,633
Adjustments:		
Fair value adjustments of investment properties	7,079	31,919
Realized loss on disposition of investment properties	—	753
Remeasurement of Exchangeable LP Units	1,287	—
Remeasurement of investments	(3,044)	6,870
Remeasurement of unit-based compensation liabilities	2,681	(6,939)
Interest on Exchangeable LP Units	115	—
Deferred income tax (recovery) expense ⁽¹⁾	(1,137)	5,081
Loss on foreign currency translation	934	53,808
Gain on derivative financial instruments	(30,522)	(6,489)
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	12,579	(72,693)
Distributions on ERES units held by non-controlling unitholders	3,209	3,014
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽²⁾	(4,283)	(4,099)
Amortization of property, plant and equipment	2,012	1,771
Lease principal repayment	(288)	(116)
FFO	\$ 94,684	\$ 92,513
FFO per unit – basic	\$ 0.549	\$ 0.544
FFO per unit – diluted	\$ 0.547	\$ 0.542
Total distributions declared	\$ 59,738	\$ 58,942
FFO payout ratio	63.1%	63.7%
Net distributions paid	\$ 40,924	\$ 39,899
Excess FFO over net distributions paid	\$ 53,760	\$ 52,614
FFO effective payout ratio	43.2%	43.1%

⁽¹⁾ The adjustment for the three months ended March 31, 2020 consists of \$3.9 million of deferred income tax expenses as well as \$1.2 million of current income taxes on the disposition of a German investment property.

⁽²⁾ This calculation is based on the weighted average ownership held by ERES non-controlling unitholders.

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 mainly non-recurring items including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, accelerated vesting of previously granted RUR units, and large acquisition research costs relating to transactions that were not completed. As it is an operating performance metric, no adjustment is made to NFFO for capital expenditures. NFFO facilitates better comparability than FFO to prior years' performance and provides a better indicator of CAPREIT's long-term operating performance. For further information on CAPREIT's total property capital investments, please refer to the Property Capital Investments in Section V. See discussions

under the Net Income and Other Comprehensive Income in Section III for additional information on hedging instruments currently in place. NFFO is not a measure of the sustainability of distributions.

A reconciliation of FFO to NFFO is as follows:

(\$ Thousands, except per Unit amounts)				
For the Three Months Ended March 31,				
		2021	2020	%⁽¹⁾
FFO	\$	94,684	\$ 92,513	2.3
Adjustments:				
Amortization of losses from (AOCL) AOCL to interest and other financing costs		620	634	(2.2)
Acquisition research costs ⁽²⁾		638	—	100.0
NFFO	\$	95,942	\$ 93,147	3.0
NFFO per unit – basic	\$	0.556	0.547	1.6
NFFO per unit – diluted	\$	0.554	0.545	1.7
Total distributions declared	\$	59,738	\$ 58,942	1.4
NFFO payout ratio		62.3%	63.3%	
Net distributions paid	\$	40,924	\$ 39,899	2.6
Excess NFFO over net distributions paid	\$	55,018	\$ 53,248	3.3
Effective NFFO payout ratio		42.7%	42.8%	

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

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

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

NFFO for the three months ended March 31, 2021 increased by 3.0% compared to the same period last year, primarily due to the contribution from acquisitions and higher NOI for properties owned prior to December 31, 2019. Asset and property management fees, acquisition fees and service fees received from ERES increased FFO and consequently NFFO by \$1.0 million for the three months ended March 31, 2021 compared to \$0.9 million for the same period last year. These fees represent the amount of fees attributed to the ERES units held by non-controlling unitholders based on the weighted average ownership throughout the period.

For the three months ended March 31, 2021, basic NFFO per unit increased by 1.6% compared to the same period last year, despite an approximate 1.3% increase in the weighted average number of units outstanding. 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, 2021 improved to 62.3% compared to 63.3% for the same period last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid, improved for the three months ended March 31, 2021 to 42.7% from 42.8% for the same period last year.

Adjusted Cash Flows From Operations and Distributions Declared

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

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

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

The following table reconciles cash generated from operating activities to ACFO:

(\$ Thousands, except per unit amounts)

For the Three Months Ended March 31,	2021	2020 ⁽⁹⁾	Annual 2020
Cash generated from operating activities	\$ 123,312	\$ 103,503	\$ 481,356
Adjustments:			
Working capital adjustment ⁽¹⁾	—	—	18,116
Interest expense included in cash flow from financing activities ⁽²⁾	(32,323)	(33,213)	(130,398)
Forecasted non-discretionary property capital investments ⁽³⁾	(19,652)	(18,143)	(70,545)
Capitalized leasing costs ⁽⁴⁾	(2,472)	(209)	(3,909)
Amortization of other financing costs ⁽⁵⁾	(2,265)	(2,218)	(23,725)
Investment income ⁽⁶⁾	394	6,220	11,670
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁷⁾	(4,308)	(3,888)	(13,346)
Lease principal and interest repayments	(1,404)	(806)	(5,664)
Tax on disposition ⁽⁸⁾	—	1,155	1,155
ACFO	\$ 61,282	\$ 52,401	\$ 264,710
Total distributions declared	\$ 59,738	\$ 58,942	\$ 237,103
Excess (deficit) ACFO over distributions declared	\$ 1,544	\$ (6,541)	\$ 27,607
ACFO payout ratio	97.5%	112.5%	89.6%

⁽¹⁾ On a quarterly basis, a review of working capital is performed to determine whether changes in prepaids, receivables, deposits, accounts payable and other liabilities, security deposits and other non-cash operating assets and liabilities were attributed to items which were not indicative of sustainable cash flows available for distribution in line with the ACFO guidance provided by REALpac. As a result, the one-time current income tax payment of \$18.1 million relating to current income tax expense triggered on the acquisition of ECREIT on March 29, 2019 was added back for the year ended December 31, 2020.

⁽²⁾ Excludes interest with respect to leases, distributions to ERES non-controlling unitholders, and holders of Exchangeable LP Units.

⁽³⁾ Non-discretionary property capital investments for the three months ended March 31, 2021 and 2020 has been calculated as follows: Non-Discretionary Property Capital Investments per suite and site are based on the annual 2021 and 2020 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 2021 and 2020 on an annual basis is \$1,262 and \$1,220 respectively. The weighted average number of residential suites and sites for the three months ended March 31, 2021 and 2020 is 62,296 and 60,110, 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.

⁽⁶⁾ The investment income for the three months ended March 31, 2020 includes \$4.4 million dividend paid by IRES.

⁽⁷⁾ This calculation is based on the weighted average ownership held by ERES non-controlling unitholders.

⁽⁸⁾ Represents \$1.2 million of income tax expense on the disposition of a German investment property for the three months ended March 31, 2020.

⁽⁹⁾ Certain 2020 comparative figures have been adjusted to conform with current period presentation.

For the three months ended March 31, 2021, CAPREIT's ACFO was in excess of distributions declared by \$1.5 million. As per OSC Staff Notice 51-724, if distributions are in excess of ACFO, then it represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period.

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

Non-Discretionary Property Capital Actuals to Forecast Reconciliation

(\$ Thousands)

For the Three Months Ended March 31,	2021	2020
Actual	\$ 10,447	\$ 5,641
Forecast	19,652	18,143
Difference	\$ (9,205)	\$ (12,502)

For the three months ended March 31, 2021, CAPREIT's actual non-discretionary property capital investments of \$10.4 million were lower than the forecast by approximately \$9.2 million, mainly due to reduced ability to proceed on planned projects given restrictions and limitations imposed in connection with the COVID-19 pandemic.

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

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

Discretionary and Non-Discretionary Property Capital Investments

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

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

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

The following table presents the forecasted 2021, and actual 2020 and 2019 Non-Discretionary Property Capital Investments per suite and site:

(\$ Thousands)	2021 Forecast	2020 Actual	2019 Actual
Non-discretionary property capital investments	\$ 78,607	\$ 70,545	\$ 65,532
Weighted average number of suites and sites	62,296	60,929	55,175
Non-discretionary property capital investments per suite and site	\$ 1,262	\$ 1,158	\$ 1,188

ADJUSTED CASH GENERATED FROM OPERATING ACTIVITIES

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

(\$ Thousands, except per Unit amounts)

For the Three Months Ended March 31,	2021	2020 ⁽¹⁾
Cash generated from operating activities	\$ 123,312	\$ 103,503
Adjustments:		
Interest expense included in cash flow from financing activities ⁽²⁾	(32,323)	(33,213)
Adjusted Cash Generated from Operating Activities	\$ 90,989	\$ 70,290
Total distributions declared	\$ 59,738	\$ 58,942
Excess	\$ 31,251	\$ 11,348

⁽¹⁾ Certain 2020 comparative figures have been adjusted to conform with current period presentation.

⁽²⁾ Excludes interest with respect to leases, distributions to ERES non-controlling unitholders, and holders of Exchangeable LP Units.

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

(\$ Thousands, except per unit amounts)

For the Three Months Ended March 31,	2021	2020 ⁽¹⁾
Net income	\$ 104,062	\$ 79,633
Adjusted Cash Generated from Operating Activities	\$ 90,989	\$ 70,290
Total distributions declared	\$ 59,738	\$ 58,942
Net distributions paid	\$ 40,924	\$ 39,899
Excess of net income over total distributions declared	\$ 44,324	\$ 20,691
Excess of net income over net distributions paid	\$ 63,138	\$ 39,734
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 31,251	\$ 11,348
Excess of Adjusted Cash Generated from Operating Activities over net distributions paid	\$ 50,065	\$ 30,391

⁽¹⁾ Certain 2020 comparative figures have been adjusted to conform with current period presentation.

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

For the three months ended March 31, 2021, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$31.3 million. As per OSC Staff Notice 51-724, if distributions are in excess of Adjusted Cash Generated from Operating Activities, then it represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period. Management believes, should it occur, there is adequate overall liquidity to fund excess distributions over Adjusted Cash Generated from Operating Activities on an annual basis through the Acquisition and Operating Facility.

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

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

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

Energy-saving initiatives and suite and common area improvement costs generally tend to increase NOI more quickly compared to other capital investment categories. A breakdown of property capital investments (excluding head office assets and development) is summarized by category below.

Property Capital Investments by Category

Three Months Ended March 31, 2021 (\$ Thousands)	Actual Total Portfolio	% of Actual	2021 Annual Forecast Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 9,924	18.8	\$ 64,823
MHC infrastructural	378	0.7	8,420
Life and safety	145	0.3	5,364
	10,447	19.8	78,607
Discretionary property capital investments:			
Suite improvements	20,865	39.5	70,042
Common area	13,853	26.3	63,897
Energy-saving initiatives	4,241	8.0	30,126
Equipment	3,036	5.8	10,499
Elevators and risers	41	0.1	12,675
Others	194	0.4	1,248
MHC common area	59	0.1	1,973
	42,289	80.2	190,460
Total	\$ 52,736	100.0	\$ 269,067

Three Months Ended March 31, 2020 (\$ Thousands)	Actual Total Portfolio	% of Actual	2020 Annual Actual Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 5,220	12.2	\$ 64,447
MHC infrastructural	170	0.4	5,495
Life and safety	251	0.6	603
	5,641	13.2	70,545
Discretionary property capital investments:			
Suite improvements	15,723	36.9	68,092
Common area	9,766	22.8	51,196
Energy-saving initiatives	7,232	16.9	18,574
Equipment	2,881	6.7	13,855
Elevators and risers	1,389	3.2	6,489
Others	65	0.2	1,459
MHC common area	50	0.1	918
	37,106	86.8	160,583
Total	\$ 42,747	100.0	\$ 231,128

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

Set out in the table below is management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements, including investments in MHC sites, for 2021 through 2024 for properties owned as of March 31, 2021.

Future Investments in Building Improvements

(\$ Thousands)	Building Improvements Estimated Range
2021	\$58,000 - \$72,000
2022	\$15,000 - \$19,000
2023	\$23,000 - \$29,000
2024	\$14,000 - \$18,000

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

INVESTMENT PROPERTIES

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

(\$ Thousands)		2021	2020
For the Three Months Ended March 31,			
Balance, beginning of the year	\$	15,000,591	\$ 13,096,426
Add:			
Acquisitions		—	467,457
Property capital investments ⁽¹⁾		59,592	43,244
Capitalized leasing costs ⁽²⁾		836	(39)
Operating lease buyout		—	19,045
Fair value adjustments		(7,079)	(31,919)
(Loss) gain on foreign currency translation		(125,273)	134,571
Less:			
Dispositions		—	(26,260)
Balance, end of the period	\$	14,928,667	\$ 13,702,525

⁽¹⁾ See Section V - Property Capital Investments, Conversions, Infill, and Redevelopment included within the Development Summary.

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

Subsequent to the quarter, CAPREIT completed the buyout of another operating lease property for a net buyout price of approximately \$4.2 million, resulting in the conversion from an operating leasehold interest, with an option to purchase, to a traditional fee simple property interest, resulting in a fair value gain of \$1.6 million during the three months ended March 31, 2021. The operating lease buyout coincides with CAPREIT's strategic initiative of simplifying the company's ownership structure, increasing net asset value, and strengthening overall liquidity and flexibility.

A summary of the fair values of CAPREIT's investment properties and changes, along with key market assumptions, is presented below. For the three months ended March 31, 2021, there was a \$71.9 million decrease in fair value primarily due to foreign exchange loss on the European properties, partially offset by capitalization rate compression. Excluding the impact of foreign exchange, the fair value of investment properties increased by \$53.3 million, or 0.4%.

Investment Properties by Geography

	Dec 2020	Fair Value Change Due To			Mar 2021	Mar 2021	Dec 2020
(\$ Millions)	Fair Value	CAPEX ⁽¹⁾	Fair Value Adjustments	Foreign Exchange Translation	Fair Value	Cap Rates ⁽²⁾	Cap Rates ⁽²⁾
Greater Toronto Area	\$ 5,450	\$ 18	\$ 27	\$ —	\$ 5,496	3.39 %	3.43 %
Other Ontario	1,656	5	10	—	1,671	3.96 %	4.00 %
Québec	2,043	10	(14)	—	2,039	4.18 %	4.18 %
British Columbia	1,619	5	(9)	—	1,615	3.80 %	3.80 %
Nova Scotia	745	6	(10)	—	741	4.43 %	4.43 %
Alberta	427	3	1	—	431	4.36 %	4.37 %
Prince Edward Island	95	—	1	—	96	5.44 %	5.47 %
Saskatchewan	28	—	—	—	28	5.51 %	5.51 %
Subtotal	12,063	47	6	—	12,117	3.78 %	3.80 %
Europe	2,300	6	(6)	(125)	2,174	3.87 %	3.87 %
MHC	638	7	(7)	—	638	5.96 %	5.96 %
Total	\$ 15,001	\$ 60	\$ (7)	\$ (125)	\$ 14,929	3.90 %	3.91 %

For the Three Months Ended March 31, 2021	Components of Fair Value Adjustments			
(\$ Millions)	Cap Rates	Normalized NOI ⁽³⁾	CAPEX ⁽¹⁾	Total
Greater Toronto Area	\$ 56	\$ (11)	\$ (18)	\$ 27
Other Ontario	15	—	(5)	10
Québec	—	(4)	(10)	(14)
British Columbia	1	(5)	(5)	(9)
Nova Scotia	(1)	(3)	(6)	(10)
Alberta	1	3	(3)	1
Prince Edward Island	1	—	—	1
Saskatchewan	—	—	—	—
Subtotal	73	(20)	(47)	6
Europe	(11)	11	(6)	(6)
MHC	—	—	(7)	(7)
Total	\$ 62	\$ (9)	\$ (60)	\$ (7)

⁽¹⁾ Represents property capital investments and capitalized leasing costs during the three months ended March 31, 2021.

⁽²⁾ Weighted average capitalization rates excluding implied capitalization rates on operating and land leasehold interests. See note 5 to the accompanying condensed consolidated interim financial statements for further valuation assumption details, including discount rates as at March 31, 2021 for operating and land leasehold interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

⁽³⁾ Represents fair value adjustments due to normalized net operating income for valuation purposes.

The table below summarizes the impact of changes in both the capitalization rate and normalized NOI on CAPREIT's fair value of investment properties. It should be noted that the sensitivity analysis below utilizes the direct capitalization method, where the impact of any short-term changes in NOI on fair value will be overstated. Currently, management believes that any impact to NOI resulting from the COVID-19 pandemic would be short-term in nature. Using a discounted cash flow model, the impact would be much smaller than that shown below.

As at March 31, 2021 (\$ Millions)	Change in NOI					
		(2.00)%	(1.00)%	— %	+1.00 %	+2.00 %
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 1,908	\$ 2,079	\$ 2,250	\$ 2,421	\$ 2,592
	(0.25)%	726	885	1,044	1,202	1,361
	—%	(297)	(148)	—	148	297
	+0.25%	(1,191)	(1,051)	(912)	(773)	(633)
	+0.50%	(1,979)	(1,848)	(1,716)	(1,585)	(1,454)

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

DEVELOPMENT

Development Progress

The development program remains a component of CAPREIT's growth strategy by allowing for the potential to unlock value within the portfolio's existing assets through intensification and redevelopment to deliver strong net asset value growth to its Unitholders. CAPREIT's development strategy encompasses a combination of three different approaches to add new units to the portfolio: (i) forward purchase of newly constructed properties, (ii) intensification through means of conversion and infill of existing income producing properties ("IPPs") and (iii) full or partial redevelopment.

Development Pipeline

Over the long term, CAPREIT has intensification and redevelopment potential in excess of 10,000 units, subject to market conditions, cost of construction, and other factors. Shown below are the number of sites and proposed net new units by major market targeted for planning approval submission in the next 12 months:

Major Market	Pre-Application (# of sites)	Active Application (# of sites)	Zoning Entitlement (# of sites)	Construction (# of sites)	Potential Growth (Estimated # of net new units) ⁽³⁾
British Columbia	—	—	—	—	—
Greater Toronto Area (GTA)	3	—	2 ⁽¹⁾	—	3,582
Québec	1	1	—	—	501
Prince Edward Island	—	—	1 ⁽²⁾	—	59
Total	4	1	3	—	4,142

⁽¹⁾ 100 Wellesley Street East and 141 Davisville Avenue, Toronto, Ontario were approved in May 2020 and December 2020, respectively, by the Local Planning Appeal Tribunal. For 100 Wellesley Street East, Zoning By-Law Amendment permits 128 net new units in a 10-storey infill building with an additional storey of amenity. For 141 Davisville Avenue, Zoning By-law Amendment permits 120 net new units in a 14-storey infill building.

⁽²⁾ CAPREIT is currently assessing market conditions in order to proceed with building permit submission.

⁽³⁾ CAPREIT regularly re-evaluates its assets for highest and best use where the value may be realized through development or sale of a property.

Development Summary

For the Three Months Ended March 31,	2021 Actual Total Portfolio	2020 Actual Total Portfolio	2021 Annual Forecast Total Portfolio
(\$ Thousands)			
Conversion	\$ 6,704	497	\$ 20,298
Infill ⁽¹⁾	344	617	16,072
Redevelopment ⁽¹⁾	151	336	2,348
Total for development	\$ 7,199	1,450	\$ 38,718

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

Development costs include costs related to planning, rezoning, architectural surveys, application fees and building permits. Actual costs may vary from forecast as expectations of processing time for development applications become better defined. The regulatory and application processing is subject to factors beyond management's control and varies between projects.

CAPITAL STRUCTURE

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

As at March 31, 2021, CAPREIT is in compliance with all the investment and debt restrictions and financial covenants contained in the DOT, the LBA and the Credit Facilities. The total capital managed by CAPREIT and the results of compliance with the key covenants and liquidity metrics are summarized below:

(\$ Thousands)			
As at		March 31, 2021	December 31, 2020
Mortgages payable		\$ 5,254,638	\$ 5,401,202
Bank indebtedness		169,534	118,553
Unitholders' equity		9,266,602	9,273,702
Exchangeable LP Units		17,919	16,632
Total capital		\$ 14,708,693	\$ 14,810,089

	Threshold		
Total debt to gross book value ⁽¹⁾	Maximum 70.00%	35.21%	35.54 %
Mortgage debt to gross book value		34.11%	34.78 %
Total debt to gross historical cost ⁽²⁾		49.78%	50.11 %
Total debt to total capitalization ⁽³⁾		36.75%	38.98 %
Tangible net worth ⁽¹⁾	Minimum \$2,400,000	\$ 9,301,746	\$ 9,307,613

For the four quarters ended		March 31, 2021	December 31, 2020
Debt service coverage ratio (times) ⁽¹⁾	Minimum 1.20	1.99	2.01
Interest coverage ratio (times) ⁽¹⁾	Minimum 1.50	3.95	3.95

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

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

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

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

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

- i) CAPREIT's business continues to be stable and is expected to generate sufficient ACFO on an annual basis to fund the current level of distributions.
- ii) CAPREIT's Canadian liquidity position as at March 31, 2021 remains strong with \$578.3 million available on the Acquisition and Operating Facility.

CAPREIT's Acquisition and Operating Facility bears an interest rate of 1.47%, after factoring the cross-currency interest rate swaps, as discussed in note 18 of the accompanying condensed consolidated interim financial statements.

CAPREIT has investment properties with a fair value of approximately \$1,163.8 million as at March 31, 2021 that are not encumbered by mortgages. Of these, \$1,161.7 million of the investment properties are located in Canada and secure only the Acquisition and Operating Facility, while the remaining properties are located in Europe. CAPREIT intends to maintain unencumbered investment properties with an aggregate fair value in the range of \$800 million to \$900 million over the medium term. The majority of CAPREIT's MHC sites are included in this pool.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheet as at March 31, 2021, is funded through the DRIP and the Credit Facilities. Management does a liquidity forecast on a monthly basis which includes refinancings, property capital investments, potential acquisitions and potential dispositions to monitor the available capacity.

Mortgages Payable

CAPREIT is governed by the LBA and is in compliance with all of its requirements.

(\$ Thousands)		
As at March 31,	2021	2020
Percentage of CMHC-insured mortgages ⁽¹⁾	99.0%	98.4%
Percentage of fixed-rate mortgages ⁽²⁾	99.4%	99.2%
Weighted average mortgage interest rate ⁽³⁾	2.58%	2.82%
Weighted average mortgage term to maturity (years) ⁽⁴⁾	5.62	4.92
Cross-currency interest rate swaps ⁽⁵⁾	\$ 674,469	\$ 697,756
Weighted average interest rate on swaps - pay	0.24%	1.06%
Weighted average interest rate on swaps - receive	1.18%	3.37%
Weighted average remaining term to maturity on swaps (years)	3.04	1.05

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

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

⁽³⁾ Weighted average mortgage interest rate includes deferred financing costs, fair value adjustments, and prepaid CMHC premiums on an effective interest rate basis. Including the amortization of the realized component of the loss on settlement of \$32.5 million included in accumulated other comprehensive (loss) income, the effective portfolio weighted average interest rate as at March 31, 2021 would be 2.63% (March 31, 2020 - 2.87%).

⁽⁴⁾ The Canadian and European properties have a weighted average mortgage term to maturity of 6.0 years (March 31, 2020 - 4.9 years) and 4.1 years (March 31, 2020 - 5.1 years), respectively.

⁽⁵⁾ Euro equivalent of €442.4 million (March 31, 2020 - €442.4 million) and excludes ERES cross-currency interest rates swaps.

Based on new cross-currency interest rate swaps entered in late 2020 and early January 2021, the weighted average all-in effective interest rate on the total swapped debt of \$674.5 million is expected to range between 0.24% and 1.22%, depending on the assumption of maturity date of debt being swapped. The swaps have been staggered between 1 to 5 years to take advantage of the low rates, with a current weighted average swap term of 3.04 years as at March 31, 2021. In 2020, the all-in effective interest rate on the swapped debt of \$697.8 million was 1.06%, with a remaining weighted average swap term of 1.05 years as at March 31, 2020.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to May 13, 2021, as well as those expected for the remainder of 2021:

(\$ Thousands)	Original Mortgage Amount	Original Stated Interest Rate	New Mortgage Amount	New Stated Interest Rate ^{(1), (2)}	Weighted Average Term on New Mortgages (Years)	Net Top-Up Financing Amount
The Canadian Portfolio						
First Quarter	\$ 89,073	1.76 %	\$ 38,363	2.23 %	7.6	\$ (50,710) ⁽³⁾
Total and Weighted Average	\$ 89,073	1.76 %	\$ 38,363	2.23 %	7.6	\$ (50,710)
Committed or Completed	35,777	4.38 %	107,508	2.61 %	10.0	71,731
Expected for the remainder of 2021	327,823	3.19 %	790,178	—	—	462,355
Grand Total and Weighted Average	\$ 452,673	3.00 %	\$ 936,049	2.51 %	9.4	\$ 483,376

⁽¹⁾ Weighted average.

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

⁽³⁾ Includes \$79.7 million of mortgage discharges not refinanced, including the repayment of the non revolving \$65.0 million credit facility on two of the MHC sites.

Management expects to raise between \$900 million and \$950 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions, while continuing to benefit from the low interest rate environment. As a strategy, CAPREIT leverages CMHC insurance to get access to stable financing at lower interest rates than would be available with conventional mortgage financing or other forms of debt. The premiums associated with the initial mortgage financing along with any additional premiums on future expected mortgage renewals or refinancing are analyzed to ensure the all-in cost of CMHC financing continues to be CAPREIT's cheapest form of debt.

As a result of a change in debt strategy in late 2020, management reviewed the estimated useful life of existing CMHC premiums and determined that CMHC premiums will now be amortized over the amortization period of the underlying mortgages and written off at the time of refinancing of the mortgage at which time new premiums on the full loan amount will need to be paid. During the three months ended March 31, 2021, CMHC amortization expense of existing premiums including the net write-offs of CMHC premiums on refinancings amounted to \$1.0 million. CMHC amortization expense of existing premiums including the net write-offs of CMHC premiums on refinancings for the remainder of 2021 is expected to be approximately \$7.0 million. The following chart shows the expected net write-offs of CMHC premiums by quarter. Actual write-offs may vary from the forecast.

(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2021 Total
	Actual	Forecast	Forecast	Forecast	
CMHC premium write-off, net	\$184	\$2,400	\$1,000	\$800	\$4,384

CMHC amortization expense, including write-offs, for each of the next three years is expected to be in the range of \$9.0 million to \$12.0 million annually, depending on refinancing activity.

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.

As at March 31, 2021
(\$ Thousands)

Year of Maturity	Mortgage Maturities ⁽¹⁾	Mortgages on the Same Properties Maturing in Other Years ⁽¹⁾	Total Mortgages	NOI of Properties with Maturing Mortgage(s) ^{(2), (3)}
2021	\$ 355,065	\$ 101,020	\$ 456,085	\$ 60,857
2022	415,204	15,603	430,807	69,401
2023	469,787	225,959	695,746	78,170
2024	428,105	106,263	534,368	45,179
2025	657,136	2,694	659,830	82,008
2026 onwards	2,209,018	(451,539)	1,757,479	188,523
Total	\$ 4,534,315	\$ —	\$ 4,534,315	\$ 524,138

⁽¹⁾ Mortgage balance due upon maturity.

⁽²⁾ NOI for the 12 months ended March 31, 2021.

⁽³⁾ Projected NOI included for acquisitions since March 31, 2020.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at March 31, 2021 is as follows:

As at March 31, 2021
(\$ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
2021	\$ 103,318	\$ 355,065	\$ 458,383	10.6	3.59
2022	129,360	341,536	470,896	10.9	3.16
2023	112,506	321,223	433,729	10.0	3.33
2024	99,552	311,372	410,924	9.5	3.13
2025	92,780	322,083	414,863	9.6	2.85
2026	72,034	314,481	386,515	8.9	2.79
2027	55,730	238,788	294,518	6.8	2.68
2028	49,092	203,501	252,593	5.8	2.85
2029	37,518	284,556	322,074	7.4	2.80
2030	23,979	290,875	314,854	7.3	2.14
2031-2035	42,625	527,785	570,410	13.2	2.27
	\$ 818,494	\$ 3,511,265	\$ 4,329,759	100.0 %	2.82 % ⁽²⁾
Deferred financing costs, fair value adjustments, prepaid CMHC premiums, net			(105,972)		
Total			\$ 4,223,787		
Weighted average term to maturity (years)			5.99		

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

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

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at March 31, 2021 is as follows:

As at March 31, 2021							
(\$ Thousands)							
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%)	(1), (2)
2021	\$ 2,416	\$ —	\$ 2,416	€ 1,637	0.2	—	
2022	3,232	73,668	76,900	52,104 ⁽³⁾	7.4	1.43	
2023	3,244	148,564	151,808	102,858 ⁽³⁾	14.7	1.49	
2024	2,622	116,733	119,355	80,869 ⁽³⁾	11.5	1.39	
2025	421	335,053	335,474	227,301 ⁽³⁾	32.4	1.87	
2026	—	283,650	283,650	192,184 ⁽³⁾	27.4	1.47	
2027	—	65,382	65,382	44,300 ⁽³⁾	6.3	1.74	
	\$ 11,935	\$ 1,023,050	\$ 1,034,985	€ 701,253	100.0 %	1.61 %	(2)
Deferred financing costs, fair value adjustments, net				(4,134)			
Total				\$ 1,030,851			
Weighted average term to maturity				4.20			

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

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

⁽³⁾ Included in mortgages payable are non-amortizing mortgages from ERES.

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

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

Market capitalization and units outstanding are as follows:

As at March 31, 2021	
Market capitalization (\$ Thousands)	\$ 9,336,007
Total number of units outstanding	173,338,419
Trust Units	172,244,023
Deferred units	180,104
RUR Plan units	581,589
Exchangeable LP Units	332,703
Ownership by trustees, officers and other senior management	0.7 %

SECTION VI: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES**SELECTED CONSOLIDATED QUARTERLY INFORMATION**

	Q1 21	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19
Overall portfolio net AMR	\$ 1,115	\$ 1,121	\$ 1,113	\$ 1,104	\$ 1,105	\$ 1,084	\$ 1,069	\$ 1,050
Operating revenues (000s) ^{(1), (3)}	\$ 227,506	\$ 225,238	\$ 221,420	\$ 219,925	\$ 216,060	\$ 208,183	\$ 199,417	\$ 191,285
NOI (000s) ^{(1), (2)}	\$ 146,652	\$ 148,646	\$ 148,234	\$ 143,233	\$ 138,058	\$ 135,704	\$ 132,844	\$ 125,767
NOI Margin ^{(1), (3)}	64.5%	66.0%	66.9%	65.1%	63.9%	65.2%	66.6%	65.7%
Net Income (000s)	\$ 104,062	\$ 484,958	\$ 300,075	\$ 61,262	\$ 79,633	\$ 492,267	\$ 330,341	\$ 167,329
FFO (000s) ^{(1), (2)}	\$ 94,684	\$ 99,311	\$ 100,342	\$ 94,056	\$ 92,513	\$ 87,863	\$ 88,860	\$ 84,091
NFFO (000s) ^{(1), (2)}	\$ 95,942	\$ 99,985	\$ 101,114	\$ 94,712	\$ 93,147	\$ 89,341	\$ 89,513	\$ 85,062
Total debt to gross book value	35.21%	35.54%	35.70%	36.02%	35.86%	34.70%	36.43%	36.02%
FFO per unit ⁽¹⁾ - basic	\$ 0.549	\$ 0.577	\$ 0.585	\$ 0.551	\$ 0.544	\$ 0.538	\$ 0.554	\$ 0.531
NFFO per unit ⁽¹⁾ - basic	\$ 0.556	\$ 0.581	\$ 0.589	\$ 0.555	\$ 0.547	\$ 0.547	\$ 0.558	\$ 0.538
Weighted average number of units (000s) - basic	172,469	172,054	171,628	170,588	170,206	163,295	160,328	158,237
Weighted average number of units (000s) - diluted	173,072	172,616	172,188	171,175	170,780	163,840	160,895	158,806

⁽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.

⁽³⁾ Certain 2019 comparative figures have been adjusted to conform with current period presentation.

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

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS**Summary of Significant Accounting Policies**

A summary of significant accounting policies can be found in note 2 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2021.

Critical Accounting Estimates, Assumptions, and Judgments

A summary of accounting estimates, assumptions and judgments can be found in note 3 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2021.

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, 2021, 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, 2021 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and the activities of CAPREIT. The following is a description of risks in CAPREIT's day-to-day operations. In addition to the risks described herein, reference is made to the risks and uncertainties section in CAPREIT's MD&A for the year ended December 31, 2020 in the Risks and Uncertainties section contained in CAPREIT's 2020 Annual Report and in CAPREIT's latest Annual Information Form.

COVID-19 and Other Public Health Crises

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

The current public health crisis has also resulted in general economic slowdown and extreme volatility in financial markets. In addition to impacting CAPREIT's Trust Unit price, this may create difficulty in raising capital in debt and equity markets, which could in turn adversely impact CAPREIT's strategy. While various governments and central banks have announced or implemented a range of measures targeted to alleviate these impacts and encourage economic growth, the impact of these measures remains uncertain, particularly in the short term.

Captive Insurance

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

RELATED PARTY TRANSACTIONS

A summary of related party transactions can be found in note 25 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2021.

COMMITMENTS AND CONTINGENCIES

A summary of commitments and contingencies can be found in notes 26 and 27 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2021.

SUBSEQUENT EVENTS

A summary of subsequent events can be found in note 29 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2021.

FUTURE OUTLOOK

CAPREIT believes the multi-unit residential rental business will continue to strengthen in the majority of the markets in which it operates over the long term. With strong market fundamentals, and through its proven property and asset management programs, CAPREIT expects to generate modest annual increases in same-property Net AMR while stabilizing average occupancies in the range of 97% to 99% on an annual basis, which may be temporarily impacted by the COVID-19 pandemic. CAPREIT also anticipates operating revenues will benefit from programs that enhance ancillary revenues, including fees for parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost management initiatives are proving effective, leading to stable and growing same property NOI over the long term.

CAPREIT believes the strong defensive characteristics of its property portfolio, due to diversification by geography in Canada and the Netherlands, and by property type, including its strong presence in the Canadian MHC business, will serve to mitigate the negative impact of any future unfavourable economic conditions that certain regions may experience (please refer to "COVID-19 and Other Public Health Crises" above).

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

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

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

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

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

CAPREIT continues to manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowing costs on its Credit Facilities while appropriately staggering the maturity dates within its mortgage portfolio to reduce exposure to refinancing risk. CAPREIT believes that, with the continuing availability of lower cost CMHC-insured financing, CAPREIT is well positioned to meet its financing and refinancing objectives at reasonable costs. Effective July 1, 2020, CMHC has revised its requirements for the eligibility of multi-unit CMHC-insured financing and limited it to financing for the purpose of property purchase, construction, capital repairs or improvements, or securing permanent financing. Due to CAPREIT's well-defined use of proceeds, the rule changes are not expected to have a material impact.

CAPREIT maintains a conservative approach to its capital structure, leverage and coverage ratios to further improve its distribution payout ratio. CAPREIT 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.

Through numerous ESG programs, CAPREIT ensures it remains a responsible steward of the environment, attracts and retains the best people in its business, builds strong relationships with its residents and the communities in which they live, adopts best practice programs in corporate governance, and maintains open and transparent communication with its investors. In support of CAPREIT's ESG integration, CAPREIT initiated its inaugural Global Real Estate Sustainability Benchmark ("GRESB") submission in 2020, the results of which will underpin the development of our strategy going forward. Further details on the progress of CAPREIT's ESG performance are disclosed in its 2020 ESG Report.

In April 2021, the federal government unveiled the proposed 2021 budget which included a wide variety of changes including spending measures and income tax changes. Upon initial examination, these tax changes are expected to have minor to no impact on CAPREIT.

As discussed in context in various sections of this MD&A, management continues to monitor the potential impact to CAPREIT of the COVID-19 pandemic and assess and implement, as applicable, various measures designed to help ensure the health and safety of our communities and to mitigate the potential areas of risk to our business.

SECTION VII: SUPPLEMENTAL INFORMATION**PROPERTY PORTFOLIO****Types of Property Interests**

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

Portfolio Diversification

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

Portfolio by Geography

As at March 31,	2021	%	2020	%
Residential Suites				
Ontario				
Greater Toronto Area	16,162	25.3	16,156	25.9
London / Kitchener / Waterloo	3,261	5.1	2,960	4.8
Ottawa	2,750	4.3	2,377	3.8
Other Ontario	1,702	2.7	1,702	2.7
	23,875	37.4	23,195	37.2
Québec				
Greater Montréal Region	7,771	12.2	7,767	12.4
Québec City	2,517	3.9	2,517	4.0
	10,288	16.1	10,284	16.4
British Columbia				
Greater Vancouver Region	3,551	5.6	3,551	5.7
Victoria	1,697	2.6	1,550	2.5
	5,248	8.2	5,101	8.2
Nova Scotia				
Halifax	3,288	5.1	3,162	5.1
Alberta				
Calgary	1,775	2.8	1,963	3.1
Edmonton	543	0.9	544	0.9
	2,318	3.7	2,507	4.0
Prince Edward Island				
Charlottetown	637	1.0	637	1.0
Saskatchewan				
Regina	234	0.4	234	0.4
Total Canadian residential suites	45,888	71.9	45,120	72.3
Europe				
The Netherlands	6,047	9.5	5,632	9.0
Total residential suites	51,935	81.4	50,752	81.3
MHC Sites				
Total MHC sites	11,858	18.6	11,681	18.7
Total suites and sites	63,793	100.0	62,433	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.



CANADIAN APARTMENT
PROPERTIES • REIT

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2021
(UNAUDITED)**

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CONSOLIDATED BALANCE SHEETS

(CA\$ thousands)

(Unaudited)

As at	Note	March 31, 2021	December 31, 2020
Non-current assets			
Investment properties	5	\$ 14,928,667	\$ 15,000,591
Investment in associate	6	240,783	257,210
Derivative asset	18	18,855	778
Other non-current assets	7	74,595	73,810
Total non-current assets		15,262,900	15,332,389
Current assets			
Derivative asset	18	206	55
Other current assets	7	56,788	44,965
Cash and cash equivalents		51,534	121,722
Total current assets		108,528	166,742
Total assets		\$ 15,371,428	\$ 15,499,131
Non-current liabilities			
Mortgages payable	11	\$ 4,683,130	\$ 4,811,131
Bank indebtedness	12	154,559	104,810
Unit-based compensation financial liabilities	13, 14	14,326	14,123
ERES units held by non-controlling unitholders	10	341,449	328,535
Derivative liability	18	1,918	8,023
Deferred income tax liability	20	55,609	59,964
Lease liabilities		36,280	36,565
Total non-current liabilities		5,287,271	5,363,151
Current liabilities			
Mortgages payable	11	571,508	590,071
Bank indebtedness	12	14,975	13,743
Unit-based compensation financial liabilities	13, 14	18,434	19,624
Derivative liability	18	5,515	15,366
Accounts payable and accrued liabilities	9	114,955	131,888
Other current liabilities	8	13,905	13,985
Security deposits		40,536	41,218
Exchangeable LP Units	15	17,919	16,632
Distributions payable		19,808	19,751
Total current liabilities		817,555	862,278
Total liabilities		\$ 6,104,826	\$ 6,225,429
Unitholders' equity			
Unit capital		\$ 4,128,578	\$ 4,103,912
Accumulated other comprehensive (loss) income	21	(6,427)	70,047
Retained earnings		5,144,451	5,099,743
Total unitholders' equity		\$ 9,266,602	\$ 9,273,702
Total liabilities and unitholders' equity		\$ 15,371,428	\$ 15,499,131

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(CA\$ thousands)

(Unaudited)

For the Three Months Ended March 31,	Note	2021	2020
Operating revenues			
Revenue from investment properties	24	\$ 227,506	\$ 216,060
Operating expenses			
Realty taxes		(21,810)	(19,868)
Property operating costs		(59,044)	(58,134)
Total operating expenses		(80,854)	(78,002)
Net rental income		146,652	138,058
Trust expenses		(13,576)	(11,364)
Unit-based compensation (expense) recovery	14	(4,486)	5,252
Fair value adjustments of investment properties	5	(7,079)	(31,919)
Realized loss on disposition of investment properties	5	—	(753)
Amortization of property, plant and equipment		(2,012)	(1,771)
Fair value adjustments of Exchangeable LP Units	15	(1,287)	—
(Loss) gain on non-controlling interest	10	(15,788)	69,679
Fair value adjustments of investments		3,044	(6,870)
Gain on derivative financial instruments	18	30,522	6,489
Interest and other financing costs	22	(36,630)	(34,796)
Loss on foreign currency translation		(934)	(53,808)
Other income	24	5,203	6,943
Net income before income taxes		103,629	85,140
Current and deferred income tax recovery (expense)	20	433	(5,507)
Net income		\$ 104,062	\$ 79,633
Other comprehensive (loss) income, including items that may be reclassified subsequently to net income			
Amortization of losses from (AOCL) AOCI to interest and other financing costs	21	\$ 620	\$ 634
(Loss) gain on foreign currency translation	21	(77,094)	85,402
Other comprehensive (loss) income		\$ (76,474)	\$ 86,036
Comprehensive income		\$ 27,588	\$ 165,669

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(CA\$ thousands)

(Unaudited)	Note	Unit capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2021		\$ 4,103,912	\$ 5,099,743	\$ 70,047	\$ 9,273,702
Unit capital					
Distribution Reinvestment Plan	16	18,545	—	—	18,545
RUR Plan	14,16	5,344	—	—	5,344
Employee Unit Purchase Plan	14	777	—	—	777
Total unit capital		24,666	—	—	24,666
Net income and other comprehensive loss					
Net income		—	104,062	—	104,062
Other comprehensive loss		—	—	(76,474)	(76,474)
Total net income and other comprehensive loss		—	104,062	(76,474)	27,588
Distributions on Trust Units					
Distributions declared and paid		—	(39,546)	—	(39,546)
Distributions payable		—	(19,808)	—	(19,808)
Total distributions on Trust Units		—	(59,354)	—	(59,354)
Unitholders' equity, March 31, 2021		\$ 4,128,578	\$ 5,144,451	\$ (6,427)	\$ 9,266,602

(Unaudited)	Note	Unit capital	Retained earnings	Accumulated other comprehensive (loss) income	Total
Unitholders' equity, January 1, 2020		\$ 4,013,941	\$ 4,409,464	\$ (19,510)	\$ 8,403,895
Unit capital					
Distribution Reinvestment Plan	16	18,794	—	—	18,794
RUR Plan	14,16	1,131	—	—	1,131
Employee Unit Purchase Plan	14	661	—	—	661
Total unit capital		20,586	—	—	20,586
Net income and other comprehensive income					
Net income		—	79,633	—	79,633
Other comprehensive income		—	—	86,036	86,036
Total net income and other comprehensive income		—	79,633	86,036	165,669
Distributions on Trust Units					
Distributions declared and paid		—	(39,113)	—	(39,113)
Distributions payable		—	(19,580)	—	(19,580)
Total distributions on Trust Units		—	(58,693)	—	(58,693)
Unitholders' equity, March 31, 2020		\$ 4,034,527	\$ 4,430,404	\$ 66,526	\$ 8,531,457

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA\$ thousands)

(Unaudited)

For the Three Months Ended March 31,	Note	2021	2020
Cash provided by (used in):			
Operating activities			
Net income		\$ 104,062	\$ 79,633
Items related to operating activities not affecting cash:			
Fair value adjustments - investment properties		7,079	31,919
Fair value adjustments - Exchangeable LP Units		1,287	—
Fair value adjustments - investments		(3,044)	6,870
Mark-to-market loss (gain) on ERES units	10	12,579	(72,693)
Loss on disposition of investment properties	5	—	753
Gain on derivative financial instruments	18	(30,522)	(6,489)
Amortization	7, 21, 22	4,898	4,625
Unit-based compensation expense (recovery)	14	4,486	(5,252)
Straight-line rent adjustment		(28)	(60)
Deferred income tax (recovery) expense	20	(1,137)	3,926
Net profit from investment in associate	24	(2,342)	(2,749)
Unrealized foreign currency loss		934	53,808
Total items related to operating activities not affecting cash		98,252	94,291
Net income items related to financing and investing activities	23	36,518	33,066
Changes in non-cash operating assets and liabilities	23	(11,458)	(23,854)
Cash provided by operating activities		123,312	103,503
Investing activities			
Acquisition of investment properties	23	(2,733)	(341,836)
Capital investments	23	(74,848)	(47,333)
Operating lease buyout	5	—	(19,045)
Disposition of investment properties	23	—	15,333
Change in restricted cash		(169)	(322)
Investment income received		394	6,220
Cash used in investing activities		(77,356)	(386,983)
Financing activities			
Mortgage financings	23	38,363	127,590
Mortgage principal repayments	23	(36,843)	(32,904)
Mortgages repaid on maturity	23	(89,073)	(23,708)
Lease payments		(1,404)	(806)
Financing costs		(555)	(837)
CMHC premiums on mortgages payable		(1,206)	(2,967)
Interest paid on mortgages and bank indebtedness	23	(32,323)	(33,213)
Bank indebtedness	23	52,238	(4,584)
Proceeds on issuance of Trust Units, net of issuance costs	23	875	513
Net cash distributions	23	(44,071)	(43,270)
Cash used in financing activities		(113,999)	(14,186)
Changes in cash and cash equivalents during the period		(68,043)	(297,666)
Effect of exchange rate changes on cash		(2,145)	2,594
Cash and cash equivalents, beginning of the period		121,722	477,328
Cash and cash equivalents, end of the period		\$ 51,534	\$ 182,256

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2021

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

1. Organization of the Trust

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

CAPREIT converted from a closed-ended mutual fund trust to an open-ended mutual fund trust on January 8, 2008, and is governed under the laws of the Province of Ontario by a declaration of trust ("DOT") dated February 3, 1997, as most recently amended and restated on April 1, 2020. CAPREIT commenced active operations on February 4, 1997 when it acquired an initial portfolio of properties. CAPREIT became a reporting issuer on May 21, 1997 pursuant to an initial public offering prospectus of its units ("Trust Units") dated May 12, 1997.

CAPREIT Limited Partnership ("CAPLP"), a subsidiary of CAPREIT established under the laws of the Province of Manitoba pursuant to a limited partnership agreement dated June 26, 2007, and as most recently amended and restated on June 22, 2020, owns directly or indirectly the beneficial interest of all its properties along with the related mortgages and all the debt obligations of CAPREIT.

As at March 31, 2021, CAPREIT directly and indirectly holds a 65.9% (December 31, 2020 - 66.0%) ownership of European Residential Real Estate Investment Trust ("ERES"), which operates primarily in the Netherlands, with the remaining 34.1% (December 31, 2020 - 34.0%) held by non-controlling unitholders. CAPREIT owns units of ERES ("ERES units") and Class B Limited Partnership units ("ERES Class B LP Units") of ERES Limited Partnership ("ERES LP"). ERES Class B LP Units are exchangeable, on a one-for-one basis, for ERES units at the option of the holder, and have economic and voting rights through special voting units of ERES that are equivalent, in all material respects, to ERES units.

CAPREIT is listed on the Toronto Stock Exchange ("TSX") under the 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 13, 2021, 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, 2021 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.

Certain prior year figures in 2020 have been restated to conform with current year presentation.

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, 2020, other than as described below. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended December 31, 2020.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2021

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

Captive Insurance

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

Impact of Accounting Standards Effective January 1, 2021 on CAPREIT's Current Year Consolidated Financial Statements

Interest Rate Benchmark Reform (Phase 2)

The IASB published 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' in relation to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The IASB introduces a practical expedient for modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis, which are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16. Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform, but hedging relationships must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. The amendments are effective for annual periods beginning on or after January 1, 2021. CAPREIT adopted the amendments on January 1, 2021 and assessed that there is no impact on transition in the current or future reporting periods based on current transactions in place.

Future Accounting Changes

There were no changes to CAPREIT's assessment of new or amended IFRS issued by the IASB for annual reporting periods beginning after December 31, 2021. Refer to the audited consolidated annual financial statements for the year ended December 31, 2020 for further information.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying CAPREIT's accounting policies. The critical accounting estimates and judgments have been set out in detail in note 3 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2020.

4. Recent Investment Property Acquisitions and Dispositions

There were no property acquisitions or dispositions during the three months ended March 31, 2021.

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5. Investment Properties

Reconciliation of Carrying Amounts of Investment Properties by Type

For the Three Months Ended March 31, 2021	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests ⁽²⁾	Total
Balance of investment properties, beginning of the period	\$ 14,624,762	\$ 114,775	\$ 261,054	\$ 15,000,591
Additions:				
Property capital investments	57,537	437	1,618	59,592
Capitalized leasing costs ⁽¹⁾	796	6	34	836
Fair value adjustments	(6,619)	1,213	(1,673)	(7,079)
Loss on foreign currency translation	(125,273)	—	—	(125,273)
Balance of investment properties, end of the period	\$ 14,551,203	\$ 116,431	\$ 261,033	\$ 14,928,667

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

⁽²⁾ Includes one property transferred from operating leasehold interests to land leasehold interests as a result of an operating lease buyout in June 2020.

For the Three Months Ended March 31, 2020	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests ⁽²⁾	Total
Balance of investment properties, beginning of the period	\$ 11,934,504	\$ 965,869	\$ 196,053	\$ 13,096,426
Additions:				
Acquisitions	467,457	—	—	467,457
Property capital investments	38,639	3,786	819	43,244
Capitalized leasing costs ⁽¹⁾	(25)	2	(16)	(39)
Operating lease buyout ⁽²⁾	—	19,045	—	19,045
Dispositions	(26,260)	—	—	(26,260)
Transfer between investment property types ⁽²⁾	128,035	(128,035)	—	—
Fair value adjustments	(26,173)	(3,790)	(1,956)	(31,919)
Gain on foreign currency translation	134,571	—	—	134,571
Balance of investment properties, end of the period	\$ 12,650,748	\$ 856,877	\$ 194,900	\$ 13,702,525

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

⁽²⁾ During the three months ended March 31, 2020, CAPREIT purchased the freehold interest on one of its operating leasehold properties and converted the ownership into fee simple.

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 values of all of CAPREIT's investment properties are determined by qualified external appraisers annually for the Canadian portfolio and quarterly for the European portfolio. The qualified external appraisers hold recognized relevant professional qualifications and have recent experience in the location and category of the respective property. For the Canadian portfolio, CAPREIT utilizes market assumptions for rent changes, capitalization rates and discount rates provided by external appraisal firms to determine the fair value of the investment properties on a quarterly basis for interim reporting purposes. Capitalization rates used by the appraisers are based on recently closed transactions for similar properties and other current market indicators for similar properties. To the extent that the stabilized forecasted cash flows of an investment property change significantly in a quarter, the fair value of the investment property would be reassessed by the external appraisers and the fair value adjusted accordingly.

Investment properties have been valued using the same valuation methods and key assumptions as those described in note 6 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2020 contained in

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CAPREIT's 2020 Annual Report. When considering highest and best use, CAPREIT takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

In addition, due to the COVID-19 pandemic and the ongoing impact on the economy, and specifically its unknown future impact on the real estate market, there is heightened uncertainty surrounding the valuation of the investment properties. Consequently, there is a need to apply a higher degree of judgment as it pertains to the forward-looking assumptions that underlie CAPREIT's valuation methodologies. In addition, less weight can be ascribed to previous market evidence, for comparative purposes, to inform opinions of value. Given this impact on the availability of reliable market metrics, fair values are subject to significant change. The fair values of CAPREIT's investment properties as at March 31, 2021 are therefore subject to significant change.

A summary of the market assumptions and ranges for each type of property interest, along with their fair values, is presented below as at March 31, 2021 and December 31, 2020:

As at March 31, 2021

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽¹⁾	\$ 13,913,653	\$ 3,668	Capitalization rate	8.64 %	2.25 %	3.81 %
MHC sites	637,550	1,854	Capitalization rate	8.15 %	4.68 %	5.96 %
Operating leasehold interests ^{(2), (3)}	116,431	2,460	Discount rate ⁽⁶⁾	5.50 %	5.25 %	5.32 %
Land leasehold interests ⁽⁴⁾	224,550	3,124	Discount rate ⁽⁶⁾	7.50 %	5.50 %	6.47 %
Total Investment Properties excluding right-of-use assets	\$ 14,892,184					
Add: Right-of-use assets, net of fair value change	36,483					
Total Investment Properties	\$ 14,928,667					

As at December 31, 2020

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽¹⁾	\$ 13,986,832	\$ 3,768	Capitalization rate	8.61%	2.25%	3.82%
MHC sites	637,930	1,881	Capitalization rate	8.14%	4.68%	5.96%
Operating leasehold interests ^{(2), (3)}	114,775	2,487	Discount rate ⁽⁶⁾	5.50%	5.25%	5.32%
Land leasehold interests ⁽⁴⁾	224,440	3,122	Discount rate ⁽⁶⁾	7.50%	5.50%	6.47%
Total Investment Properties excluding right-of-use assets	\$ 14,963,977					
Add: Right-of-use assets, net of fair value change	36,614					
Total Investment Properties	\$ 15,000,591					

⁽¹⁾ The fee simple interests include \$2,174,179 (December 31, 2020 - \$2,299,435) of CAPREIT's European portfolio with an implied capitalization rate of 3.87% (December 31, 2020 - 3.87%), which were valued using the DCF method at a weighted average discount rate of 5.74% and a terminal capitalization rate of 4.93% (December 31, 2020 - 5.75% and 4.92%, respectively).

⁽²⁾ The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of \$43,892 as at March 31, 2021 (December 31, 2020 - \$42,235).

⁽³⁾ For the three operating leasehold interests remaining as at March 31, 2021 and December 31, 2020, the contractual weighted average remaining lease term on operating leasehold interests is 14.6 years (December 31, 2020 - 14.9 years) based on the assumption that the early purchase option is not exercised. If the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the three operating leasehold interests is 4.6 years as at March 31, 2021 (December 31, 2020 - 4.9 years).

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

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

⁽⁶⁾ Represents the discount rate used to determine the fair value of operating leasehold and land leasehold interests using the Discounted Cash Flow ("DCF") method. A weighted average stabilized net operating income growth for operating leasehold interests of 3.0% has been assumed as at March 31, 2021 and December 31, 2020, respectively.

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The tables below summarize the impact of changes in both the capitalization rate and stabilized NOI on the fair value of CAPREIT's investment properties:

As at March 31, 2021	Change in NOI					
		(2.00)%	(1.00)%	—%	+1.00%	+2.00%
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 1,908,152	\$ 2,079,136	\$ 2,250,121	\$ 2,421,105	\$ 2,592,089
	(0.25)%	725,672	884,590	1,043,508	1,202,427	1,361,345
	— %	(296,979)	(148,496)	—	148,470	296,953
	+0.25 %	(1,190,742)	(1,051,379)	(912,016)	(772,653)	(633,290)
	+0.50 %	(1,978,937)	(1,847,616)	(1,716,296)	(1,584,976)	(1,453,656)

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

6. Investment in Associate

CAPREIT's subsidiary, IRES Fund Management Limited, entered into an external investment management agreement to perform property and asset management services for IRES, an Irish residential REIT listed on the Euronext Dublin exchange. CAPREIT has determined that its investment in IRES should be accounted for using the equity method of accounting given the significant influence it has over IRES. In making the determination that CAPREIT does not control IRES, CAPREIT used judgment when considering the extent of its ownership interest in IRES, the level of its involvement, responsibilities and remuneration as IRES's investment manager, and the control and influence exerted over IRES by its independent board of directors and CEO. As at March 31, 2021, CAPREIT concluded that it continues to exert significant influence over IRES. CAPREIT will continue to reassess this conclusion should its ownership interest or the terms of the asset management agreement change. Refer to note 25 for further details.

The table below discloses further details about CAPREIT's investment in IRES:

As at	March 31, 2021	December 31, 2020
Carrying value of investment in associate	\$ 240,783	\$ 257,210
Share ownership (%)	18.8%	18.8%
Number of IRES shares	98,910,000	98,910,000
IRES share price (€)	1.63	1.50
Fair value of investment in associate based on quoted market price ⁽¹⁾	\$ 237,949	\$ 231,568

⁽¹⁾ CAPREIT has determined that the deficiency of the market capitalization of IRES over the carrying amount of the investment as at March 31, 2021 is an indicator of impairment. An impairment analysis was performed and an impairment of \$nil was recorded for the three months ended March 31, 2021 (December 31, 2020 - \$nil).

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7. Other Assets

As at	Note	March 31, 2021	December 31, 2020
Other non-current assets			
Property, plant and equipment ⁽¹⁾		\$ 36,080	\$ 59,850
Accumulated amortization of property, plant and equipment		(20,411)	(43,330)
Net property, plant and equipment		15,669	16,520
Right-of-use asset, net of amortization ⁽²⁾		988	1,141
Deferred loan costs, net ⁽³⁾		224	451
Fair value through profit or loss investment		40,242	37,198
Deferred tax asset	20	1,937	2,032
Goodwill ⁽⁴⁾		15,535	16,468
Total		\$ 74,595	\$ 73,810
Other current assets			
Prepaid expenses		\$ 14,422	\$ 9,969
Other receivables		19,426	15,411
Restricted cash		9,408	9,355
Deposits		13,532	10,230
Total		\$ 56,788	\$ 44,965

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

⁽²⁾ Amortization during the three months ended March 31, 2021 is \$153 (three months ended March 31, 2020 - \$172).

⁽³⁾ Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of \$13,213 (December 31, 2020 - \$12,994).

⁽⁴⁾ CAPREIT has determined that the decline in the market capitalization of ERES as at March 31, 2021 is an indicator of impairment and as such, an impairment assessment was performed. An impairment of \$nil has been recorded for the three months ended March 31, 2021 (December 31, 2020 - \$nil).

8. Other Current Liabilities

As at	Note	March 31, 2021	December 31, 2020
Current tax liability	20	\$ 2,141	\$ 2,362
Mortgage interest payable		10,590	10,446
Current lease liabilities		1,174	1,177
Total		\$ 13,905	\$ 13,985

9. Accounts Payable and Accrued Liabilities

As at	March 31, 2021	December 31, 2020
Accounts payable	\$ 37,406	\$ 58,378
Accrued liabilities	56,659	51,843
Deferred revenue	14,845	14,399
Distributions payable to ERES non-controlling unitholders	905	920
Other	5,140	6,348
Total	\$ 114,955	\$ 131,888

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10. ERES Units Held by Non-Controlling Unitholders

As at March 31, 2021, CAPREIT valued the ERES units held by non-controlling unitholders at \$341,449 (December 31, 2020 - \$328,535) and classified the units as a liability on the consolidated balance sheets. The mark-to-market loss (gain) arises from the (increase) decrease in ERES's unit price.

For the Three Months Ended March 31,	2021	2020
Mark-to-market loss (gain) on ERES units	\$ 12,579	\$ (72,693)
Distributions to ERES non-controlling unitholders	3,209	3,014
Loss (gain) on non-controlling interest	\$ 15,788	\$ (69,679)

11. Mortgages Payable

As at March 31, 2021, mortgages payable bear interest at a weighted average effective rate of 2.63% (December 31, 2020 - 2.61%) and mature between 2021 and 2035. The effective interest rate as at March 31, 2021 includes 0.05% (December 31, 2020 - 0.05%) for the amortization of the realized component of the loss on settlement of derivative financial instruments of \$32,494 included in accumulated other comprehensive (loss) income (December 31, 2020 - \$32,494). As at March 31, 2021, 99.4% of CAPREIT's mortgages payable are financed at fixed interest rates (December 31, 2020 - 99.3%). Investment properties at fair value of \$13,764,916 have been pledged as security as at March 31, 2021 (December 31, 2020 - \$14,023,910). CAPREIT has investment properties with a fair value of \$1,163,751 as at March 31, 2021 that are not encumbered by mortgages (December 31, 2020 - \$976,681). Of these, \$1,161,670 of the investment properties are located in Canada (December 31, 2020 - \$974,480) and secure only CAPREIT's acquisition and operating facility ("Acquisition and Operating Facility"), while the remaining properties are located in Europe. As at March 31, 2021, unamortized deferred financing costs of \$14,885, unamortized fair value loss of \$1,270 and unamortized prepaid CMHC premiums of \$96,491 are netted against mortgages payable (December 31, 2020 - \$15,453, \$1,330 and \$96,255, respectively).

Future principal repayments as at March 31, 2021 for the years indicated are as follows:

As at March 31, 2021	Principal Amount	% of Total Principal
2021	\$ 460,799	8.6
2022	547,796 ⁽¹⁾	10.2
2023	585,537 ⁽¹⁾	10.9
2024	530,279 ⁽¹⁾	9.9
2025	750,337 ⁽¹⁾	14.0
2026 - 2035	2,489,996 ⁽¹⁾	46.4
	5,364,744	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(110,106)	
Total portfolio	\$ 5,254,638	

As at	March 31, 2021	December 31, 2020
Represented by:		
Mortgages payable - non-current ⁽¹⁾	\$ 4,683,130	\$ 4,811,131
Mortgages payable - current	571,508	590,071
	\$ 5,254,638	\$ 5,401,202

⁽¹⁾ Included in mortgages payable as at March 31, 2021 are non-amortizing mortgages from ERES.

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12. Bank Indebtedness

As at March 31, 2021	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 740,000	\$ 73,795 ⁽⁴⁾	\$ 813,795
Less: USD LIBOR borrowings	(103,604) ⁽¹⁾	(14,975)	(118,579)
Canadian borrowings	(50,955) ⁽²⁾	—	(50,955)
Letters of credit	(7,092)	—	(7,092)
Available borrowing capacity	\$ 578,349	\$ 58,820	\$ 637,169
Weighted average interest rate including interest rate swaps	1.47 % ⁽³⁾	1.04 % ⁽⁵⁾	1.44 %

As at December 31, 2020	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 740,000	\$ 78,040 ⁽⁴⁾	\$ 818,040
Less: USD LIBOR borrowings	(104,810) ⁽¹⁾	(13,743)	(118,553)
Letters of credit	(7,193)	—	(7,193)
Available borrowing capacity	\$ 627,997	\$ 64,297	\$ 692,294
Weighted average interest rate including interest rate swaps	1.10 % ⁽³⁾	0.65 % ⁽⁵⁾	1.05 %

⁽¹⁾ CAPREIT has net USD LIBOR borrowings of USD \$82,389 (December 31, 2020 - USD \$82,320) that bear interest at the USD LIBOR rate plus a margin of 1.65% per annum.

⁽²⁾ Canadian borrowings bear interest at the bankers' acceptance rate plus a margin of 1.65% per annum.

⁽³⁾ Excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 1.88% (December 31, 2020 - 1.78%). For details on the swaps, refer to note 18. The Acquisition and Operating Facility matures on June 30, 2022.

⁽⁴⁾ In addition to the above ERES Credit Facility, there is a \$73,795 (€50,000) ERES Bridge Facility. No amounts are drawn on the ERES Bridge Facility as of March 31, 2021. The ERES Bridge Facility will expire on July 8, 2021.

⁽⁵⁾ The ERES Credit Facility bears interest at the USD LIBOR rate plus a margin of 1.65% per annum. Excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 1.76% (December 31, 2020 - 1.79%). For details on the swaps, refer to note 18. The ERES Credit Facility matures on July 8, 2021.

13. Unit-based Compensation Financial Liabilities

Units are issuable pursuant to CAPREIT's unit-based compensation plans, namely the Employee Unit Purchase Plan ("EUPP"), the Deferred Unit Plan ("DUP") and the Restricted Unit Rights Plan ("RUR Plan"). As at March 31, 2021, the maximum number of units issuable under CAPREIT's unit-based incentive plans (excluding ERES) is 9,500,000 units (December 31, 2020 - 9,500,000 units). The maximum number of units available for future issuance under these unit-based incentive plan agreements as at March 31, 2021 is 412,461 units (December 31, 2020 - 550,279 units).

ERES units are issuable pursuant to ERES's unit options plan ("ERES UOP"). The maximum number of unit options that may be reserved under the ERES UOP is 10% of the outstanding ERES units (including ERES Class B LP Units). As at March 31, 2021, the maximum number of outstanding unit options issuable under the ERES UOP is 18,342,591 unit options (December 31, 2020 - 18,861,857 unit options).

The unit rights and unit options issued or outstanding under CAPREIT's incentive plans and the ERES UOP as at March 31, 2021 and 2020 are as follows:

Three Months Ended March 31, 2021 (Number of units)	ERES UOP	DUP	RUR	Total CAPREIT ⁽¹⁾
Unit rights and unit options outstanding as at January 1, 2021	4,199,694	174,805	563,387	738,192
Issued, cancelled or granted during the period				
Issued or granted	530,000	4,124	113,511	117,635
Exercised or settled in Trust Units	—	—	(99,250)	(99,250)
Cancelled or forfeited	—	—	(86)	(86)
Distributions reinvested	—	1,175	4,027	5,202
Unit rights and unit options outstanding as at March 31, 2021	4,729,694	180,104	581,589	761,693

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Three Months Ended March 31, 2020

(Number of units)	ERES UOP	DUP	RUR	Total CAPREIT ⁽¹⁾
Unit rights and unit options outstanding as at January 1, 2020	4,256,014	150,996	542,087	693,083
Issued, cancelled or granted during the period				
Issued or granted	—	5,384	87,985	93,369
Exercised or settled in Trust Units	—	—	(21,944)	(21,944)
Cancelled or forfeited	(56,320)	—	(236)	(236)
Distributions reinvested	—	949	3,590	4,539
Unit rights and unit options outstanding as at March 31, 2020	4,199,694	157,329	611,482	768,811

⁽¹⁾ Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the three months ended March 31, 2021 and for the year ended December 31, 2020, including the settlement of such liabilities through the issuance of Trust Units and ERES units.

For the Period Ended	March 31, 2021	December 31, 2020
Total unit-based compensation financial liabilities, beginning of the period	\$ 33,747	\$ 33,049
Unit-based compensation expense	4,356	4,705
Settlement of unit-based compensation awards for Trust Units and ERES units	(5,246)	(4,043)
(Gain) loss on foreign currency translation	(97)	36
Total unit-based compensation financial liabilities, end of the period	\$ 32,760	\$ 33,747

Unit-based compensation financial liabilities are as follows:

As at	March 31, 2021	December 31, 2020
Non-current		
RUR	\$ 14,102	\$ 13,887
ERES UOP	224	236
	\$ 14,326	\$ 14,123
Current		
DUP	\$ 9,700	\$ 8,738
RUR	6,954	9,345
ERES UOP	1,780	1,541
	\$ 18,434	\$ 19,624
Total unit-based compensation financial liabilities	\$ 32,760	\$ 33,747

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

As at March 31, 2021, 0.7% (March 31, 2020 - 0.7%) of all Trust Units outstanding and unit-based compensation financial liabilities were held by trustees, officers and other senior management of CAPREIT.

14. Unit-Based Compensation Expense (Recovery)

These costs represent unit-based compensation expense (recovery), which include fair value remeasurements at each reporting date recognized over the respective vesting periods for each plan for the periods ended March 31, 2021 and 2020, as follows:

For the Three Months Ended March 31,	2021	2020
DUP	\$ 962	\$ (1,289)
RUR Plan	3,173	(3,483)
EUPP	130	110
ERES UOP	221	(590)
Unit-based compensation expense (recovery)	\$ 4,486	\$ (5,252)

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15. Exchangeable LP Units

The carrying value of the Exchangeable LP Units is measured at their fair value of \$17,919 as at March 31, 2021 (December 31, 2020 - \$16,632), which is based on the closing price of the Trust Units. The number of issued and outstanding Exchangeable LP Units is as follows:

For the Three Months Ended March 31,	2021	2020
Exchangeable LP Units outstanding, beginning of the period	332,703	—
Issued or granted	—	—
Exercised or settled	—	—
Exchangeable LP Units outstanding, end of the period	332,703	—

16. Unitholders' Equity

The number of issued and outstanding Trust Units (excluding unit rights issued or outstanding under CAPREIT's incentive plans) is as follows:

For the Three Months Ended March 31,	2021	2020
Trust Units outstanding, beginning of the period	171,751,839	169,869,197
Issued or granted during the period in connection with the following:		
DRIP	377,865	358,498
EUPP	15,069	12,152
RUR Plan	99,250	21,944
Trust Units outstanding, end of the period	172,244,023	170,261,791

17. Financial Instruments, Investment Properties and Risk Management**a) Fair Value of Financial Instruments**

At March 31, 2021, the fair value of CAPREIT's mortgages payable is estimated to be \$5,551,000 (December 31, 2020 - \$5,854,000) due to changes in interest rates and foreign exchange rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions. At March 31, 2021, the principal outstanding on CAPREIT's mortgages payable is \$5,364,744 (December 31, 2020 - \$5,511,580) as shown in note 11.

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

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	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs	Total
Recurring Measurements				
Assets				
Investment properties				
Fee simple and MHC land lease sites	\$ —	\$ —	\$ 14,551,203 ⁽¹⁾	\$ 14,551,203
Operating leasehold interests	—	—	116,431 ⁽¹⁾	116,431
Land leasehold interests	—	—	261,033 ⁽¹⁾	261,033
Investments	40,242 ⁽²⁾	—	—	40,242
Derivative financial assets	—	19,061 ⁽³⁾	—	19,061
Liabilities				
Derivative financial liabilities	—	(7,433) ⁽³⁾	—	(7,433)
ERES units held by non-controlling unitholders	(341,449)	—	—	(341,449)
Unit-based compensation financial liabilities	—	(32,760)	—	(32,760)
Exchangeable LP Units	—	(17,919)	—	(17,919)
Total	\$ (301,207)	\$ (39,051)	\$ 14,928,667	\$ 14,588,409

⁽¹⁾ Fair values for investment properties are calculated using either the direct income capitalization or the discounted cash flow methods, which result in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 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 ("FVTPL") and are measured at fair value based on the quoted market price in an active market of the asset.

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

Although CAPREIT has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by CAPREIT. As at March 31, 2021, CAPREIT has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of the derivative. As a result, CAPREIT has determined that the derivative valuations in their entirety should be classified as Level 2 of the fair value hierarchy. For assets and liabilities measured at fair value as at March 31, 2021, there were no transfers between Level 1, Level 2 and Level 3 during the period.

b) Risk Management

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

Interest Rate Risk

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

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For the three months ended March 31, 2021 and 2020, a 100 basis point change in interest rates would have the following effect:

	Change in interest rates (basis points)	Increase (decrease) in net income	
		March 31, 2021	March 31, 2020
Floating rate debt	+100	\$ 60	\$ —
Floating rate debt	-100	\$ (60)	\$ —
Cross-currency and/or interest rate swaps ⁽¹⁾	+100	\$ 2,144	\$ 9,254
Cross-currency and/or interest rate swaps ⁽¹⁾	-100	\$ (2,177)	\$ (8,572)

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

CAPREIT's objective in managing interest rate risk is to minimize the volatility of interest expenses due to fluctuations in market interest rates. As at March 31, 2021, interest rate risk has been minimized, as 99.4% (March 31, 2020 - 99.2%) of the mortgages payable are financed at fixed interest rates, with maturities staggered over a number of years. Taking into consideration interest rate swaps where hedge accounting has not been applied, 100.0% of the mortgages payable are financed at fixed interest rates (March 31, 2020 - 100.0%).

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 99.0% of CAPREIT's mortgages are CMHC-insured (excluding \$1,074,415 of mortgages on the MHC sites and the ERES properties), which reduces the risk in refinancing mortgages. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 and 40 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders and to provide future growth in its business. As at March 31, 2021, CAPREIT had undrawn lines of credit in the amount of \$578,349 (December 31, 2020 - \$627,997), excluding borrowing capacity under the ERES Credit Facility and the ERES Bridge Facility.

CAPREIT has available borrowing capacity in its Credit Facilities, as described in note 12, in addition to cash on hand. As a result, management has determined that CAPREIT is in a strong financial position despite the changes in the market and the heightened risk environment resulting from the COVID-19 pandemic.

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The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at March 31, 2021 are as follows:

	2021 ⁽²⁾	2022 - 2023	2024 - 2025	2026 onward
Mortgages payable	\$ 460,799	\$ 1,133,333	\$ 1,280,616	\$ 2,489,996
Bank indebtedness	14,975	154,559	—	—
Mortgage interest	90,961	203,868	144,385	177,178
Bank indebtedness interest ⁽¹⁾	2,458	1,615	—	—
Other liabilities ⁽³⁾	127,686	—	—	—
Derivative financial liabilities	5,515	—	1,918	—
ERES units held by non-controlling unitholders	—	—	—	341,449
Lease liabilities	889	1,675	1,305	33,585
Security deposits	40,536	—	—	—
Distributions payable	19,808	—	—	—
	\$ 763,627	\$ 1,495,050	\$ 1,428,224	\$ 3,042,208

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

⁽²⁾ Estimates of the amounts as at March 31, 2021.

⁽³⁾ Related to accounts payable and accrued liabilities, current tax liability and mortgage interest payable.

Credit Risk

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that CAPREIT's residents may experience financial difficulty and 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. The maximum exposure to credit risk at the reporting date is the carrying value of the tenant receivables.

Foreign Currency Risk

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

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

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18. Derivative Financial Instruments

CAPREIT has certain derivative financial instruments in place, namely interest rate swaps and cross-currency interest rate ("CCIR") swaps. These derivative contracts, for which hedge accounting is not being applied, consist of the following:

As at March 31, 2021						
Type of instrument	Notional amount	Maturity year	Weighted average receiving leg rate	Weighted average paying leg rate	Derivative asset (liability)	
CCIR Swap ⁽¹⁾	US\$ 82,525	2021	USD LIBOR + 1.65%	1.05 %	\$	(5,515)
CCIR Swaps ⁽²⁾	\$ 570,694	2022 - 2025	1.07 %	0.08 %		18,166
ERES Interest Rate Swaps ⁽³⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %		(1,229)
ERES CCIR Swaps ⁽⁴⁾	US\$ 11,900	2021	USD LIBOR + 1.65%	EURIBOR + 1.60%		206
Consolidated Total					\$	11,628

As at December 31, 2020

Type of instrument	Notional amount	Maturity year	Weighted average receiving leg rate	Weighted average paying leg rate	Derivative asset (liability)	
CCIR Swap ⁽⁵⁾	\$ 65,000	2021	BA + 1.40%	0.97 %	\$	(5,048)
CCIR Swap ⁽¹⁾	US\$ 82,525	2021	USD LIBOR + 1.65%	1.05 %		(10,318)
CCIR Swaps ⁽²⁾	\$ 500,986	2022 - 2025	1.11 %	0.10 %		(5,844)
ERES Interest Rate Swaps ⁽³⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %		(1,401)
ERES CCIR Swaps ⁽⁶⁾	US\$ 10,800	2021	USD LIBOR + 1.65%	EURIBOR + 1.20%		55
Consolidated Total					\$	(22,556)

⁽¹⁾ Euro equivalent of €74,000.

⁽²⁾ Euro equivalent of €368,358 (December 31, 2020 - €323,540)

⁽³⁾ As at March 31, 2021, the interest rate swap consists of a non-current derivative asset of \$689 (December 31, 2020 - \$778) and a non-current derivative liability of \$1,918 (December 31, 2020 - \$2,179).

⁽⁴⁾ Euro equivalent of €10,000.

⁽⁵⁾ Euro equivalent of €44,818. The CCIR was terminated in January 2021 prior to its maturity date of June 2021. The gain on settlement was \$966.

⁽⁶⁾ Euro equivalent of €8,800.

19. Capital Management

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

The total capital managed by CAPREIT is as follows:

As at	March 31, 2021	December 31, 2020
Mortgages payable	\$ 5,254,638	\$ 5,401,202
Bank indebtedness	169,534	118,553
Unitholders' equity	9,266,602	9,273,702
Exchangeable LP Units	17,919	16,632
Total capital	\$ 14,708,693	\$ 14,810,089

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The results of CAPREIT's compliance with the key covenants are summarized below:

	Threshold	March 31, 2021	December 31, 2020
Total debt to gross book value ⁽¹⁾	Maximum 70.00 %	35.21 %	35.54 %
Tangible net worth ⁽²⁾	Minimum \$2,400,000	\$ 9,301,746	\$ 9,307,613
Debt service coverage ratio (times) ^{(3), (4)}	Minimum 1.20	1.99	2.01
Interest coverage ratio (times) ^{(3), (5)}	Minimum 1.50	3.95	3.95

⁽¹⁾ CAPREIT's DOT limits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's consolidated financial statements, determined on a fair value basis for investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees and deferred loan costs. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments. Under the terms of CAPREIT's Large Borrower Agreement ("LBA") with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of gross book value, determined on a fair value basis, of total assets or (ii) 70% of gross book value, determined on a historical basis, of total assets, and may only be increased above such limits with CMHC's consent.

⁽²⁾ As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' equity and unit-based rights and compensation liabilities or assets, including Exchangeable LP Units added back, and excluding goodwill. The tangible net worth requirement is \$2,400,000 (December 31, 2020 - \$2,400,000).

⁽³⁾ Based on the trailing four quarters.

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

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

CAPREIT's subsidiary, ERES, is subject to various debt covenants contained in ERES's credit facilities. ERES must have a maximum debt to gross book value of 65%, a maximum debt to market value of portfolio of 60%, a minimum tangible net worth of €372,400, a minimum debt service coverage ratio of 1.35 and a minimum interest coverage ratio of 1.50. As at March 31, 2021, ERES is in compliance with its debt covenants.

Due to the emergence of the COVID-19 pandemic, CAPREIT has been closely monitoring its investment and debt restrictions along with the financial covenants contained in CAPREIT's Credit Facilities, LBA and DOT. Management has performed stress-testing on CAPREIT's covenants prescribed above to ensure that CAPREIT continues to meet its covenant obligations in the long term.

20. Income Taxes

CAPREIT is taxed as a "mutual fund trust" as defined under the Income Tax Act (Canada) and continues to meet the prescribed conditions relating to the nature of its assets and revenues in order to qualify as a real estate investment trust ("REIT") eligible for the REIT exception to the specified investment flow-through ("SIFT") rules. CAPREIT expects to distribute all of its taxable income to its Unitholders; accordingly, no provision for Canadian income tax has been made. Income tax obligations relating to the distributions from CAPREIT are with the individual Unitholders, with the exception of Canadian withholding taxes for distributions to non-resident Unitholders.

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

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For the Three Months Ended March 31,	2021	2020
Income before income taxes	\$ 103,629	\$ 85,140
Income not subject to taxation ⁽¹⁾	(103,467)	(57,895)
Income before income taxes in foreign subsidiary entities	162	27,245
Tax calculated at the Dutch corporate tax rate of 25%	41	6,811
Increase (decrease) resulting from:		
Effect of different tax rates in countries in which CAPREIT operates	(309)	(119)
Adjustments to deferred taxes for the change in tax rates	—	(866)
Adjustment for income taxed at a lower rate	(153)	(284)
Unrecognized deferred tax assets	147	—
Other adjustments	(159)	(35)
Current and deferred income tax (recovery) expense (net)	\$ (433)	\$ 5,507

⁽¹⁾ Relates to Canadian income subject to tax at the Unitholder level.

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

For the Three Months Ended March 31,	2021	2020
Current income tax expense	\$ 704	\$ 1,581
Deferred income tax (recovery) expense	(1,137)	3,926
Current and deferred income tax (recovery) expense (net)	\$ (433)	\$ 5,507

Deferred income tax asset (liability) is primarily due to the following:

As at	March 31, 2021	December 31, 2020
Deferred tax liability related to difference in tax and book basis of investment properties	\$ (56,793)	\$ (61,632)
Deferred tax asset related to loss carryforward	3,121	3,700

As at March 31, 2021, CAPREIT has total non-capital loss carryforwards of \$16,000 (December 31, 2020 - \$16,501). Of these losses, \$11,659 (December 31, 2020 - \$11,948) are in respect of the Dutch subsidiaries which, starting on January 1, 2022, will have no expiry period but the utilization will be subject to annual limits. The remaining losses of \$4,341 (December 31, 2020 - \$4,553) are in respect of German subsidiaries and have no expiry period.

21. Accumulated Other Comprehensive (Loss) Income

For the Three Months Ended March 31,	2021	2020
AOI (AOCL) balance, beginning of the period	\$ 70,047	\$ (19,510)
Other comprehensive (loss) income:		
Amortization from (AOCL) AOI to interest and other financing costs ⁽¹⁾	620	634
(Loss) gain on foreign currency translation	(77,094)	85,402
Other comprehensive (loss) income	(76,474)	86,036
(AOCL) AOI balance, end of the period	\$ (6,427)	\$ 66,526

As at	March 31, 2021	December 31, 2020
(AOCL) AOI comprises:		
Net cumulative loss on derivative financial instruments	\$ (313)	\$ (380)
Net cumulative loss on forward interest rate hedge ⁽¹⁾	(3,209)	(3,762)
Cumulative (loss) gain on foreign currency translation	(6,032)	71,062
Reversal of cumulative foreign currency translation relating to IRES ownership dilution	3,127	3,127
(AOCL) AOI balance, end of the period	\$ (6,427)	\$ 70,047

⁽¹⁾ The estimated amount of the amortization expected to be reclassified to net income from (AOCL) AOI in the next 12 months is \$2,230.

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22. Interest and Other Financing Costs

For the Three Months Ended March 31,	2021	2020
Interest on mortgages payable ⁽¹⁾	\$ 33,149	\$ 30,887
Amortization of CMHC premiums and fees	970	1,082
Interest on bank indebtedness and other deferred costs ⁽²⁾	1,280	2,310
Interest on Exchangeable LP Units	115	—
Interest on land and air rights lease liability	1,116	517
Total	\$ 36,630	\$ 34,796

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and OCI hedge interest for the three months ended March 31, 2021 of \$1,695 (March 31, 2020 - \$1,378).

⁽²⁾ Includes amortization of deferred loan costs of \$219 (March 31, 2020 - \$393).

23. Supplemental Cash Flow Information

a) Net Income Items Related to Investing and Financing Activities

For the Three Months Ended March 31,	2021	2020
Dividend and interest income	\$ (394)	\$ (1,848)
Distributions to holders of Exchangeable LP Units	115	—
Distributions to ERES non-controlling unitholders	3,209	3,014
Interest expense on mortgages	31,410	29,469
Interest expense on bank indebtedness	1,062	1,914
Interest expense on leases	1,116	517
Net disbursements	\$ 36,518	\$ 33,066

b) Changes in Non-cash Operating Assets and Liabilities

For the Three Months Ended March 31,	2021	2020
Prepaid expenses	\$ (4,572)	\$ (3,607)
Tenant inducements, direct leasing costs and other adjustments	(808)	99
Other receivables	333	(2,673)
Deposits	(570)	(988)
Accounts payable and other liabilities	(1,274)	(18,760)
Derivative liability	(4,082)	—
Security deposits	(360)	1,679
Current tax liability	(125)	396
Net decrease in non-cash operating assets and liabilities	\$ (11,458)	\$ (23,854)

c) Net Cash Distributions

For the Three Months Ended March 31,	2021	2020
Distributions declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	\$ (62,678)	\$ (61,707)
Add: Distributions payable to Unitholders at beginning of the period	(19,751)	(19,533)
Less: Distributions payable to Unitholders at end of the period	19,808	19,580
Less: Distributions to participants in the DRIP	18,545	18,794
Add: Distributions payable to ERES non-controlling unitholders at beginning of the period	(920)	(832)
Less: Distributions payable to ERES non-controlling unitholders at end of the period	905	460
Add: Distributions payable to holders of Exchangeable LP Units at beginning of the period	(38)	—
Less: Distributions payable to holders of Exchangeable LP Units at end of the period	38	—
Gain (loss) on foreign currency translation	20	(32)
Net disbursements	\$ (44,071)	\$ (43,270)

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d) Capital Investments

For the Three Months Ended March 31,	2021	2020
Capital investments	\$ (60,708)	\$ (44,920)
Change in capital investments included in accounts payable and other liabilities	(14,140)	(2,413)
Net disbursements	\$ (74,848)	\$ (47,333)

e) Acquisition of Investment Properties

For the Three Months Ended March 31,	2021	2020
Acquired properties	\$ —	\$ (467,457)
Fair value adjustment of assumed debt	—	(463)
Assumed debt	—	108,744
Deposit on purchases	(2,733)	17,340
Net disbursements	\$ (2,733)	\$ (341,836)

f) Disposition of Investment Properties

For the Three Months Ended March 31,	2021	2020
Proceeds	\$ —	\$ 26,260
Closing costs	—	(753)
Working capital adjustments	—	(8)
Mortgages discharged	—	(10,166)
Net proceeds	\$ —	\$ 15,333

g) Issuance of Trust Units

For the Three Months Ended March 31,	2021	2020
Issuance of Trust Units	\$ 6,121	\$ 1,792
Settlement of unit-based compensation awards for Trust Units	(5,246)	(1,279)
Net proceeds	\$ 875	\$ 513

h) Mortgage Portfolio

For the Three Months Ended March 31,	2021	2020
Balance, beginning of the period	\$ 5,401,202	\$ 4,228,805
Add:		
New borrowings on acquisitions	—	69,694
Refinanced	38,363	57,896
Less:		
Mortgage principal amortization	(36,843)	(32,904)
Mortgages matured	(89,073)	(23,708)
Mortgages repaid on dispositions of investment properties	—	(10,166)
Non-cash Adjustments:		
Mortgages assumed	—	108,744
(Gain) loss on foreign currency translation	(59,283)	59,423
Net change in deferred financings costs, fair value adjustment and prepaid CMHC premiums	272	(2,437)
Balance, end of the period	\$ 5,254,638	\$ 4,455,347

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i) Bank Indebtedness

For the Three Months Ended March 31,	2021	2020
Balance, beginning of the period	\$ 118,553	\$ 623,893
Net borrowings (repayments) before foreign currency translation	52,238	(4,584)
(Gain) loss on foreign currency translation	(1,257)	54,155
Balance, end of the period	\$ 169,534	\$ 673,464

24. Revenue and Other IncomeOther income

For the Three Months Ended March 31,	2021	2020
Investment income	\$ 370	\$ 832
Net profit from investment in associate ⁽¹⁾	2,342	2,749
Asset and property management fees ⁽²⁾	2,465	2,347
Other	26	1,015
Total	\$ 5,203	\$ 6,943

⁽¹⁾ CAPREIT's share of IRES's investment property fair value change, earnings and foreign exchange effects thereon. For the three months ended March 31, 2021 and 2020, CAPREIT's share of IRES's investment property fair value gain is \$nil.

⁽²⁾ Based on investment management agreement with IRES, which owns properties in Ireland.

In accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), management has evaluated the lease and non-lease components of its revenue and income. Revenues under IFRS 15 consist of asset and property management fees listed above and miscellaneous revenues. For the three months ended March 31, 2021, miscellaneous revenues of \$4,677 were included in revenue from investment properties (three months ended March 31, 2020 - \$4,956). Miscellaneous revenues consist of cable income, common area maintenance recoveries and premium service components.

25. Related Party Transactions**a) IRES Transactions**

Included in other income for the three months ended March 31, 2021 are asset management and property management fees of \$2,465 (three months ended March 31, 2020 - \$2,347). Expenses related to the asset and property management services are included in trust expenses. The amount receivable from IRES, including dividends receivable, as at March 31, 2021 is \$6,996 (December 31, 2020 - \$1,831).

On March 31, 2021, CAPREIT provided 12 months' notice of termination of its investment management agreement ("IMA") with IRES, which will become effective March 31, 2022. The services agreement will terminate automatically upon termination of the IMA. The initial five-year term IMA between CAPREIT and IRES expired on November 1, 2020. The IMA subsequently rolled into a second five-year term under the original terms. Under the second five-year term, both parties have termination rights under the IMA. IRES has the right to terminate the IMA if it determines that internalization of the management of IRES, subject to relevant regulatory approval, is in IRES's best interests.

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b) Transactions with Key Management Personnel

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

For the Three Months Ended March 31,	2021	2020
Short-term employee benefits	\$ 940	\$ 927
Unit-based compensation - grant date amortization	647	562
	1,587	1,489
Unit-based compensation - fair value remeasurement	1,562	(3,568)
Total	\$ 3,149	\$ (2,079)

c) ERES Transactions

Pipeline Agreement

On March 10, 2021, the Pipeline Agreement was extended under the same terms and conditions for a subsequent two-year period, ending on March 29, 2023.

There were no acquisitions made pursuant to the Pipeline Agreement during the three months ended March 31, 2021.

The table below summarizes fees charged to ERES:

For the Three Months Ended March 31,	2021	2020
Asset management fees	\$ 1,832	\$ 1,536
Property management fees	999	866
Service fees	142	190
Total	\$ 2,973	\$ 2,592

Any fees charged by CAPREIT to ERES are eliminated upon consolidation in these condensed consolidated interim financial statements.

26. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at March 31, 2021 in the aggregate amount of \$10,449 for its natural gas and transport requirements. These commitments, which range from one to four years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

	Remaining 2021	2022	2023	2024
Gas Commodity				
Fixed weighted average cost per GJ ⁽¹⁾	\$ 1.75	\$ 2.07	\$ 2.34	\$ 2.50
Total of CAPREIT's estimated requirements	82.7 %	56.8 %	50.6 %	15.8 %
Transport				
Fixed weighted average cost per GJ ⁽¹⁾	\$ 1.36	\$ 1.06	\$ 0.81	\$ 0.65
Total of CAPREIT's estimated requirements	82.7 %	56.8 %	50.6 %	15.8 %

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

Property capital investments

Commitments primarily related to capital investments in investment properties of \$68,799 were outstanding as at March 31, 2021 (December 31, 2020 - \$21,618).

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27. Contingencies

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

28. Segmented Information

CAPREIT owns and operates investment properties located in Canada, the Netherlands, Germany and Belgium. In measuring performance, CAPREIT distinguishes its operations on a geographic basis and, accordingly, has identified two reportable segments for disclosure purposes after aggregation. Segments include (i) Canada and (ii) the Netherlands and other European markets. CAPREIT's chief operating decision-maker reviews operating results of the Canadian and European properties to make decisions about resources to be allocated to the segments and assess their performance.

For the Three Months Ended March 31, 2021				
Selected income statement items		Canada	Europe	Consolidated financial statements
Revenue from investment properties	\$	198,999	\$ 28,507	\$ 227,506
Operating expenses		(73,870)	(6,984)	(80,854)
Net rental income	\$	125,129	\$ 21,523	\$ 146,652
Fair value adjustments of investment properties	\$	(1,091)	\$ (5,988)	\$ (7,079)

For the Three Months Ended March 31, 2020				
Selected income statement items		Canada	Europe	Consolidated financial statements
Revenue from investment properties	\$	190,641	\$ 25,419	\$ 216,060
Operating expenses		(72,072)	(5,930)	(78,002)
Net rental income	\$	118,569	\$ 19,489	\$ 138,058
Fair value adjustments of investment properties	\$	(54,319)	\$ 22,400	\$ (31,919)

As at March 31, 2021				
Selected balance sheet items		Canada	Europe	Consolidated financial statements
Investment properties	\$	12,754,488	\$ 2,174,179	\$ 14,928,667
Mortgages payable		4,220,100	1,034,538	5,254,638

As at December 31, 2020				
Selected balance sheet items		Canada	Europe	Consolidated financial statements
Investment properties	\$	12,701,156	\$ 2,299,435	\$ 15,000,591
Mortgages payable		4,306,405	1,094,797	5,401,202

29. Subsequent Events

On April 15, 2021, CAPREIT completed the buyout of an existing operating lease for a property located in midtown Toronto, Ontario, converting the ownership to a traditional fee simple property interest. The net buyout price was approximately \$4,183, funded by cash.

On May 5, 2021, CAPREIT completed the acquisition of a portfolio of four apartment properties totalling 484 suites in Oshawa, Ontario. The purchase price of \$103,654 was funded from CAPREIT's Acquisition and Operating Facility.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2021

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

On May 13, 2021, CAPREIT filed a base shelf prospectus in connection with the qualification to offer for sale and issue up to \$2,000,000 of securities.

Unitholder Information

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Chairman

Mark Kenney
President and Chief Executive Officer

Scott Cryer
Chief Financial Officer

Jodi Lieberman
Chief Human Resources Officer

Corinne Pruzanski
General Counsel and Corporate Secretary

INVESTOR INFORMATION

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

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STOCK EXCHANGE LISTING

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