



CANADIAN APARTMENT
PROPERTIES • REIT

**FINANCIAL REVIEW
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2021**



August 12, 2021

Report to Unitholders

Our growth and strong performance continued in the second quarter of 2021 following another record year in 2020. Occupancies remain strong and stable, average monthly rents were up, and once again 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 three months of last year.

For the six months ended June 30, 2021 total operating revenues increased 4.7%, driven by the contribution from acquisitions completed over the last twelve months, strong and stable occupancies and increased average monthly rents. Occupancies for the total portfolio remained stable at 97.2% while average monthly rents rose 1.3% compared to last year. Stabilized property NOI increased by 2.7% for the six months ended June 30, 2021, another period of solid and sustainable organic growth. Overall NOI rose 6.1% compared to the same period last year.

Through the first six months of 2021 we acquired 1,659 suites and sites in Canada and the Netherlands for total costs of \$429.6 million. This growth followed the purchase of 3,262 suites and sites in 2020. These new properties will make a strong, accretive, and growing contribution in the months and years ahead.

Normalized Funds from Operations ("NFFO") increased by 4.3% for the first six 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 3.0% for the six months ended June 30, 2021 despite the 1.4% increase in the weighted average number of Units outstanding. Our NFFO payout ratio remained a very strong 61.0% at June 30, 2021, underpinning the strength and stability of our monthly cash distributions.

Our balance sheet and financial position remained strong and flexible at June 30, 2021 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate declined further to a low 2.53%, 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 \$123 million in cash and \$251 million available on our credit lines. We also hold over \$1.5 billion in unencumbered Canadian properties. We were also pleased to see a \$357 million gain in the fair value of our property portfolio through the first six months of 2021 following a \$596 million gain at the end of 2020.

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 in keeping with our track record in pre-pandemic years.

We strongly believe our business, and the multi-family real estate sector in general, remains a highly defensive and counter-cyclical asset class. With the strongest balance sheet and financial position in our over twenty-four-year history, we have the resources to meet our growth objectives going forward.

Looking ahead, we see 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 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, the growing seniors population favoring large, quality single-floor rental properties in their retirement, and higher market rents. 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 AND SIX MONTHS ENDED JUNE 30, 2021

AUGUST 12, 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 and six months ended June 30, 2021 and 2020 dated August 12, 2021, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 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 69,300 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 June 30, 2021, CAPREIT had 1,025 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 Q2 - 2021 RESULTS OF OPERATIONS

Key Transactions and Events

- CAPREIT continues to invest in accretive opportunities with total acquisitions for the three months ended June 30, 2021 amounting to \$357 million comprised of 1,522 suites located in strong suburban markets within Ontario, British Columbia, and Québec, and \$73 million comprised of 137 suites located in the Netherlands.
- 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 \$4.5 million.

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 and six months ended June 30, 2021 increased by 4.9% on 5.1% of the Canadian portfolio and 4.2% on 9.4% of the Canadian portfolio, compared to an increase of 7.9% on 4.0% of the Canadian portfolio and 10.4% on 7.2% of the Canadian portfolio for the three and six months ended June 30, 2020.
- Net Average Monthly Rent ("Net AMR") for the stabilized portfolio as at June 30, 2021 increased by 1.4% compared to June 30, 2020.
- Net operating income ("NOI") increased by 2.9% and 2.7% for the stabilized portfolio for the three and six months ended June 30, 2021, compared to an NOI increase of 2.6% and 4.1% for the stabilized portfolio for the three and six months ended June 30, 2020.
- NOI margin for the total portfolio increased to 66.3% and 65.4% for the three and six months ended June 30, 2021 compared to 65.1% and 64.5% for the same periods last year.
- NFFO per unit was up 4.3% and 3.0% for the three and six months ended June 30, 2021 compared to the same periods last year.

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with \$122.5 million of cash and cash equivalents and \$250.7 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 \$344.8 million and \$383.1 million for the three and six months ended June 30, 2021, with top-ups net of discharges of \$172.5 million, a weighted average term to maturity of 9.7 years and a weighted average interest rate of 2.38%.
- For the three and six months ended June 30, 2021 the fair value of investment properties increased by \$884.5 million and \$812.5 million respectively. Excluding the impact of net acquisitions, operating lease buyout and foreign exchange, the fair value of investment properties increased by \$512.6 million for the six months ended June 30, 2021.

ACQUISITIONS AND DISPOSITIONS

The tables below summarize property acquisitions for the six months ended June 30, 2021.

Canadian Acquisitions Completed During the Six Months Ended June 30, 2021

(\$ Thousands)	Suite Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
May 5, 2021	485	Oshawa, ON	\$ 105,904	\$ — ⁽³⁾	\$ — ⁽³⁾	— ⁽³⁾	— ⁽³⁾
May 31, 2021	154	Montréal, QC	31,727	18,037	—	1.78	4.58
June 2, 2021	228	Victoria, BC	78,306	8,448	—	1.33	4.42
June 9, 2021	77	Victoria, BC	20,263	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
June 24, 2021	30	Victoria, BC	9,906	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
June 25, 2021	548	London, ON	110,461	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	1,522		\$ 356,567	\$ 26,485	\$ —		
2020 Acquisition financing					\$ 65,825 ⁽⁴⁾	1.82 ⁽⁴⁾	5.00 ⁽⁴⁾

The Netherlands Acquisitions Completed During the Six Months Ended June 30, 2021

(\$ Thousands)	Suite Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
June 30, 2021	104	The Netherlands	\$ 45,879	— ⁽⁵⁾	— ⁽⁵⁾	— ⁽⁵⁾	— ⁽⁵⁾
June 30, 2021	33	The Netherlands	27,202	— ⁽⁵⁾	— ⁽⁵⁾	— ⁽⁵⁾	— ⁽⁵⁾
Total	137		\$ 73,081	\$ —	\$ —		

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

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

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

⁽⁴⁾ Subsequent acquisition financing of \$65.8 million relates to properties acquired in 2020.

⁽⁵⁾ The acquisition was funded from the ERES Credit Facility and ERES Bridge Facility.

There were no property dispositions during the six months ended June 30, 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 and six months ended June 30, 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 in approximately 0.1% of total residential suites are currently participating in the deferred rent payment program.

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. In addition, Ontario has issued a rent guideline increase of 1.2% for 2022.
- 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.
- The temporary pause on residential evictions enforcement in Ontario has ended following the expiration of the provincial stay-at-home order on June 2, 2021.
- 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 October 23, 2021. In addition, based on the latest federal government announcement, the CRB eligibility period has been extended by 4 weeks to a total of 54 weeks.
- The federal government had also announced the new Canada Emergency Rent Subsidy ("CERS") that provided similar relief as well as mortgage support until June 2021. In addition, based on the latest federal government announcement, the federal government has extended CERS until October 23, 2021. The subsidy would gradually decrease between July to October 2021, however, the government has announced that they are increasing the rate of support that can be received between August 29 and September 25, 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.

There was a \$812.5 million increase in fair value for the period ended June 30, 2021. Excluding the impact of net acquisitions, operating lease buyout and foreign exchange, the fair value of investment properties increased by \$512.6 million, or 3.4%.

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 June 30, 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. As provinces emerged from the latest lockdowns in 2021, capital expenditure spending is starting to accelerate and is expected to normalize in the latter part of 2021.

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 June 30, 2021 remains strong with:

- \$250.7 million available on the Acquisition and Operating Facility; and
- \$1,504.5 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.

PERFORMANCE MEASURES

The following table presents an overview of certain IFRS and non-IFRS financial measures of CAPREIT for the periods ended June 30, 2021 and 2020. Management believes these measures are useful in assessing CAPREIT's performance in relation to its objectives and business strategy.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020 ⁽⁴⁾
Portfolio Performance				
Overall portfolio occupancy ⁽¹⁾			97.2%	98.0 %
Overall portfolio net Average Monthly Rents ⁽¹⁾			\$ 1,118	\$ 1,104
Operating revenues (000s)	\$ 228,856	\$ 219,925	\$ 456,362	\$ 435,985
NOI (000s)	\$ 151,786	\$ 143,233	\$ 298,438	\$ 281,291
NOI margin	66.3%	65.1 %	65.4%	64.5 %
Financial Performance				
FFO per unit – basic ⁽²⁾	\$ 0.564	\$ 0.551	\$ 1.113	\$ 1.095
NFFO per unit – basic ⁽²⁾	\$ 0.579	\$ 0.555	\$ 1.135	\$ 1.102
Cash distributions per unit	\$ 0.345	\$ 0.345	\$ 0.690	\$ 0.690
FFO payout ratio ⁽²⁾	61.4%	62.8 %	62.2%	63.3 %
NFFO payout ratio ⁽²⁾	59.8%	62.4 %	61.0%	62.8 %
Liquidity and Leverage				
Total debt to gross book value ⁽¹⁾			36.37%	36.02 %
Total debt to gross historical cost ⁽¹⁾			51.77%	48.99 %
Weighted average mortgage interest rate ⁽¹⁾			2.53%	2.76 %
Weighted average mortgage term (years) ⁽¹⁾			5.77	4.99
Debt service coverage (times) ⁽³⁾			2.00	1.99
Interest coverage (times) ⁽³⁾			3.99	3.91
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾			\$ 250,676	\$ 124,772
Cash and cash equivalents (000s) ⁽¹⁾			\$ 122,542	\$ 213,455

⁽¹⁾ As at June 30.

⁽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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Other Measures				
Weighted average number of units - basic (000s)	172,950	170,588	172,712	170,397
Number of residential suites and sites acquired	1,659	—	1,659	1,724
Number of suites disposed	—	—	—	—
Closing price of Trust Units on the TSX ⁽¹⁾			\$ 58.12	\$ 48.59
Market capitalization (millions) ⁽¹⁾			\$ 10,095	\$ 8,357

⁽¹⁾ As at June 30.

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 June 30, 2020 and are not disposed of.

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

As at June 30,	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	1,474	1,473	0.1	1,517	1,487	2.0	97.2	99.0
London / Kitchener / Waterloo	1,060	1,048	1.1	1,078	1,054	2.3	98.4	99.5
Ottawa	1,377	1,352	1.8	1,382	1,352	2.2	99.6	100.0
Other Ontario	1,425	1,371	3.9	1,433	1,381	3.8	99.4	99.3
	1,395	1,398	(0.2)	1,427	1,410	1.2	97.7	99.2
Québec								
Greater Montréal Region	1,003	994	0.9	1,033	1,006	2.7	97.1	98.9
Québec City	1,100	1,081	1.8	1,125	1,099	2.4	97.8	98.4
	1,026	1,016	1.0	1,055	1,028	2.6	97.3	98.8
British Columbia								
Greater Vancouver Region	1,479	1,447	2.2	1,494	1,467	1.8	99.0	98.6
Victoria	1,315	1,301	1.1	1,324	1,320	0.3	99.4	98.6
	1,419	1,402	1.2	1,432	1,423	0.6	99.1	98.6
Nova Scotia								
Halifax	1,243	1,181	5.2	1,297	1,216	6.7	95.8	97.2
Alberta								
Calgary	1,061	1,084	(2.1)	1,109	1,121	(1.1)	95.7	96.6
Edmonton	976	1,057	(7.7)	1,209	1,269	(4.7)	80.7	83.3
	1,041	1,078	(3.4)	1,130	1,150	(1.7)	92.1	93.7
Prince Edward Island								
Charlottetown	1,105	1,082	2.1	1,115	1,100	1.4	99.1	98.4
Saskatchewan								
Regina	1,012	1,021	(0.9)	1,048	1,048	—	96.6	97.4
Total Canadian residential suites	1,279	1,268	0.9	1,314	1,287	2.1	97.4	98.5
Europe								
The Netherlands ⁽¹⁾	1,308	1,324	(1.2)	1,336	1,340	(0.3)	97.9	98.8
Total residential suites	1,283	1,274	0.7	1,316	1,293	1.8	97.4	98.6
MHC Sites								
Total MHC sites	395	386	2.3	412	403	2.2	96.0	95.8
Total suites and sites	1,118	1,104	1.3	1,151	1,126	2.2	97.2	98.0

⁽¹⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the European portfolio for Net AMR are €890 and €865 as at June 30, 2021 and June 30, 2020, respectively, and for Occupied AMR are €909 and €876 as at June 30, 2021 and June 30, 2020, respectively.

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

As at June 30,	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	1,484	1,473	0.7	1,526	1,487	2.6	97.2	99.0
London / Kitchener / Waterloo	1,092	1,048	4.2	1,104	1,054	4.7	98.9	99.5
Ottawa	1,397	1,352	3.3	1,403	1,353	3.7	99.6	100.0
Other Ontario	1,425	1,371	3.9	1,433	1,381	3.8	99.4	99.3
	1,419	1,398	1.5	1,451	1,410	2.9	97.8	99.2
Québec								
Greater Montréal Region	1,005	994	1.1	1,034	1,006	2.8	97.2	98.9
Québec City	1,100	1,081	1.8	1,125	1,099	2.4	97.8	98.4
	1,028	1,016	1.2	1,057	1,028	2.8	97.3	98.8
British Columbia								
Greater Vancouver Region	1,479	1,447	2.2	1,494	1,467	1.8	99.0	98.6
Victoria	1,345	1,301	3.4	1,350	1,320	2.3	99.7	98.6
	1,438	1,402	2.6	1,450	1,423	1.9	99.2	98.6
Nova Scotia								
Halifax	1,227	1,181	3.9	1,282	1,216	5.4	95.7	97.2
Alberta								
Calgary	1,061	1,091	(2.7)	1,109	1,120	(1.0)	95.7	97.4
Edmonton	976	1,057	(7.7)	1,209	1,269	(4.7)	80.7	83.3
	1,041	1,083	(3.9)	1,130	1,151	(1.8)	92.2	94.1
Prince Edward Island								
Charlottetown	1,105	1,082	2.1	1,115	1,100	1.4	99.1	98.4
Saskatchewan								
Regina	1,012	1,021	(0.9)	1,048	1,048	0.0	96.6	97.4
Total Canadian residential suites	1,288	1,269	1.5	1,322	1,287	2.7	97.4	98.6
Europe								
The Netherlands ⁽²⁾	1,319	1,324	(0.4)	1,340	1,340	0.0	97.9	98.8
Total residential suites	1,291	1,275	1.3	1,324	1,293	2.4	97.5	98.6
MHC Sites								
Total MHC sites	396	386	2.6	412	403	2.2	95.9	95.8
Total suites and sites	1,119	1,104	1.4	1,151	1,126	2.2	97.2	98.1

⁽¹⁾ Prior year comparable Net and Occupied AMR and occupancy has been restated for properties disposed of since June 30, 2020.

⁽²⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the stabilized portfolio for Net AMR are €898 and €865 as at June 30, 2021 and June 30, 2020, respectively, resulting in a Net AMR change of 3.8%. The Occupied AMR for the stabilized portfolio is €911 and €876 as at June 30, 2021 and June 30, 2020, respectively, resulting in an Occupied AMR change of 4.0%.

The rate of growth in stabilized Net AMR has been primarily due to (i) rental increases on turnover in the rental markets of Nova Scotia, British Columbia, and Ontario, slightly offset by an increase in vacancy seen in various provinces, and a currently weakening Alberta market, both due to economic impacts related to the COVID-19 pandemic and (ii) rental increases on renewals. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.65 as at June 30, 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.

	2022	2021	2020
Ontario ⁽¹⁾	1.2%	0.0%	2.2%
British Columbia ⁽¹⁾	N/A	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 June 30,

	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	68.2	4.9	5.1	104.9	7.9	4.0
Lease renewals	16.1	1.4	9.8	—	—	21.6
Weighted average of turnovers and renewals	33.9	2.6		16.4	1.2	

For the Six Months Ended June 30,

	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	58.9	4.2	9.4	137.2	10.4	7.2
Lease renewals	14.4	1.2	17.8	12.5	1.0	39.0
Weighted average of turnovers and renewals	29.8	2.2		31.9	2.5	

⁽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 June 30,

	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	143.0	16.9	3.6	92.6	11.5	3.4
Lease renewals	—	—	—	—	—	—
Weighted average of turnovers and renewals	143.0	16.9		92.6	11.5	

For the Six Months Ended June 30,

	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	130.0	15.2	7.4	77.7	9.5	7.5
Lease renewals	—	—	—	—	—	—
Weighted average of turnovers and renewals	130.0	15.2		77.7	9.5	

⁽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 suite portfolio (excluding co-ownerships) during the three and six months ended June 30, 2021 resulted in monthly rent increase of approximately \$68 or 4.9% and \$59 or 4.2%, respectively,

compared to an increase of approximately \$105 or 7.9% and \$137 or 10.4%, for the same periods 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 suite portfolio (excluding co-ownerships) resulted in monthly rent increasing by approximately \$16 or 1.4% for the three months ended June 30, 2021, and \$14 or 1.2%, for the six months ended June 30, 2021, compared to approximately \$0 or 0.0% and an increase of \$13 or 1.0%, for both of the same periods last year. The nil renewal increases for the three months ended June 30, 2020 were mainly due to the impact of CAPREIT's temporary suspension of the issuance and collection of rental increases as a result of the COVID-19 pandemic.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three and six months ended June 30, 2021 resulted in monthly rent increasing by approximately €143 or 16.9% and €130 or 15.2% respectively, compared to an increase of approximately €93 or 11.5% and €78 or 9.5% respectively for the same periods last year.

As the Netherlands' lease renewals occur only once a year in July, there were no renewal increases for the three and six months ended June 30, 2021. 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. There were no increases on regulated suites due to the impact of COVID-19 pandemic rent freezes as discussed in Section II under The COVID-19 Pandemic.

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.

British Columbia has also announced a change to the annual rental increase formula that will now factor in landlords' costs for necessary capital expenditures. These buildings which incur eligible capital expenditures will be eligible for AGIs. Effective on July 1, 2021, landlords may apply all eligible capital expenditures made over the previous 18 months for AGIs. In addition, the increase will be capped at 3% each year but may be spread out over 3 years to a maximum of 9% over the 3-year period in addition to normal annual increases.

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

	January 1, 2021 - June 30, 2021	January 1, 2020 - December 31, 2020
Applications Settled:		
Number of suites and sites	1,234	970
Weighted average total increase approved ^{(1), (2)}	0.80%	2.13%
Weighted average total increase applied for ^{(1), (3)}	0.80%	2.31%
Applications Outstanding:		
Number of suites and sites	7,032	8,138
Term weighted average total increase applied for ^{(1), (4)}	1.96%	1.88%

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

⁽²⁾ For applications settled during the six months ended June 30, 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 six months ended June 30, 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 June 30, 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)

	Three Months Ended				Six Months Ended			
	June 30,		June 30,		June 30,		June 30,	
	2021	% ⁽¹⁾	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020	% ⁽¹⁾
New tenant inducements incurred - residential	\$ 1,954		\$ 226		\$ 3,889		\$ 394	
New tenant inducements incurred - commercial	30		—		30		—	
Total new tenant inducements incurred	\$ 1,984		\$ 226		\$ 3,919		\$ 394	
Tenant inducements amortized	\$ 1,699	0.7	\$ 347	0.2	\$ 2,847	0.6	\$ 717	0.2
Vacancy loss incurred	6,968	3.0	4,646	2.1	14,014	3.1	9,044	2.1
Total amortization and loss	\$ 8,667	3.7	\$ 4,993	2.3	\$ 16,861	3.7	\$ 9,761	2.3
Bad debt allowance recognized as an expense	\$ 1,285	0.6	\$ 2,369	1.1	\$ 2,581	0.6	\$ 3,065	0.7

⁽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 ⁽¹⁾

For the Three Months Ended June 30, (\$ Thousands)	2021		2020	
		%		%
Residential Suites				
Ontario				
Greater Toronto Area	\$ 73,710	32.2	\$ 72,675	33.1
London / Kitchener / Waterloo	11,019	4.8	9,552	4.3
Ottawa	8,599	3.8	6,792	3.1
Other Ontario	8,029	3.5	7,679	3.5
	\$ 101,357	44.3	\$ 96,698	44.0
Québec				
Greater Montréal Region	\$ 27,006	11.8	\$ 26,384	12.0
Québec City	9,285	4.1	9,028	4.1
	\$ 36,291	15.9	\$ 35,412	16.1
British Columbia				
Greater Vancouver Region	\$ 17,072	7.5	\$ 16,744	7.6
Victoria	7,024	3.2	6,467	3.0
	\$ 24,096	10.7	\$ 23,211	10.6
Nova Scotia				
Halifax	\$ 12,983	5.7	\$ 12,067	5.5
Alberta				
Calgary	\$ 6,703	2.9	\$ 7,545	3.4
Edmonton	1,767	0.8	2,003	0.9
	\$ 8,470	3.7	\$ 9,548	4.3
Prince Edward Island				
Charlottetown	\$ 2,112	0.9	\$ 2,082	0.9
Saskatchewan				
Regina	693	0.3	721	0.3
Total Canadian residential suites	\$ 186,002	81.5	\$ 179,739	81.7
Europe				
The Netherlands ⁽²⁾	\$ 25,075	11.0	\$ 23,467	10.7
Other Europe ⁽³⁾	2,850	1.2	2,514	1.1
	\$ 27,925	12.2	\$ 25,981	11.8
Total residential suites	\$ 213,927	93.7	\$ 205,720	93.5
MHC Sites				
Total MHC sites	14,929	6.3	14,205	6.5
Total residential suites and MHC sites	\$ 228,856	100.0	\$ 219,925	100.0

⁽¹⁾ Comprised of residential, commercial, and ancillary revenue.

⁽²⁾ In € Thousands, €16,943 and €15,454 for three months ended June 30, 2021 and June 30, 2020, respectively.

⁽³⁾ Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,801 for the three months ended June 30, 2021 and €1,652 for the three months ended June 30, 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 June 30, 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 June 30,	2021	2020 ⁽³⁾
Residential rent roll ^{(1), (2)}	\$ 854,081	\$ 805,846
Commercial rent roll ^{(1), (2)}	32,745	34,996
Annualized net rental revenue run-rate	\$ 886,826	\$ 840,842

⁽¹⁾ Based on the rent roll as at June 30, 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 June 30.

⁽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 June 30, 2021 was \$849.4 million (2020 - \$798.0 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 and six months ended June 30, 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 June 30, 2021, stabilized suites and sites represented 92.5% of CAPREIT's total portfolio.

(\$ Thousands)

For the Three Months Ended June 30,	Total NOI			Stabilized NOI		
	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Operating revenues						
Net rental revenues	\$ 216,955	\$ 208,625	4.0	\$ 203,339	\$ 201,954	0.7
Other ⁽²⁾	11,901	11,300	5.3	11,172	10,841	3.1
Total operating revenues	\$ 228,856	\$ 219,925	4.1	\$ 214,511	\$ 212,795	0.8
Operating Expenses						
Realty taxes	(21,840)	(20,724)	5.4	(20,162)	(20,067)	0.5
Utilities	(15,138)	(15,382)	(1.6)	(13,915)	(14,644)	(5.0)
Other ⁽³⁾	(40,092)	(40,586)	(1.2)	(37,427)	(39,124)	(4.3)
Total operating expenses	\$ (77,070)	\$ (76,692)	0.5	\$ (71,504)	\$ (73,835)	(3.2)
NOI	\$ 151,786	\$ 143,233	6.0	\$ 143,007	\$ 138,960	2.9
NOI margin	66.3 %	65.1 %		66.7 %	65.3 %	

(\$ Thousands)	Total NOI			Stabilized NOI		
For the Six Months Ended June 30,	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 432,427	\$ 413,240	4.6	\$ 407,424	\$ 402,273	1.3
Other ⁽²⁾	23,935	22,745	5.2	22,526	22,058	2.1
Total operating revenues	\$ 456,362	\$ 435,985	4.7	\$ 429,950	\$ 424,331	1.3
Operating Expenses						
Realty taxes	(43,650)	(40,592)	7.5	(40,825)	(39,391)	3.6
Utilities	(35,312)	(34,125)	3.5	(33,047)	(32,890)	0.5
Other ⁽³⁾	(78,962)	(79,977)	(1.3)	(74,318)	(77,656)	(4.3)
Total operating expenses	\$ (157,924)	\$ (154,694)	2.1	\$ (148,190)	\$ (149,937)	(1.2)
NOI	\$ 298,438	\$ 281,291	6.1	\$ 281,760	\$ 274,394	2.7
NOI margin	65.4 %	64.5 %		65.5 %	64.7 %	

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

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

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

Operating Revenues

For the three and six months ended June 30, 2021, total operating revenues for the total and stabilized portfolios increased compared to the same periods last year, due to increases in monthly rents and continuing high occupancies, partially offset by increased tenant allowances. Contributions from acquisitions further contributed to higher operating revenues for the total portfolio.

Operating Expenses

Realty Taxes

For the three and six months ended June 30, 2021, the stabilized portfolio's realty taxes increased compared to the same periods last year, primarily because of increased property assessment values in Québec, British Columbia and Alberta.

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)	Total Utilities			Stabilized Utilities		
For the Three Months Ended June 30,	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Electricity	\$ 4,996	\$ 5,289	(5.5)	\$ 4,479	\$ 4,874	(8.1)
Natural gas	3,157	3,311	(4.7)	2,895	3,153	(8.2)
Water	6,985	6,782	3.0	6,541	6,617	(1.1)
Total	\$ 15,138	\$ 15,382	(1.6)	\$ 13,915	\$ 14,644	(5.0)

(\$ Thousands)	Total Utilities			Stabilized Utilities		
For the Six Months Ended June 30,	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Electricity	\$ 12,031	\$ 12,141	(0.9)	\$ 11,201	\$ 11,464	(2.3)
Natural gas	9,454	9,198	2.8	8,824	8,891	(0.8)
Water	13,827	12,786	8.1	13,022	12,535	3.9
Total	\$ 35,312	\$ 34,125	3.5	\$ 33,047	\$ 32,890	0.5

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

The tables below break down the factors causing the above changes in the stabilized portfolio:

For the Three Months Ended June 30, 2021	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	(12.9)%	4.8%	Warmer weather leading to less usage, partially offset by increased rates
Natural gas	(13.5)%	5.3%	Warmer weather decreased consumption, partially offset by increased rates
Water	(5.1)%	4.0%	Decreased consumption, partially offset by increased rates
Total	(12.8)%	7.8%	

For the Six Months Ended June 30, 2021	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	(4.3)%	2.0%	Warmer winter reduced consumption, partially offset by increased rates
Natural gas	(3.4)%	2.7%	Warmer winter reduced consumption, partially offset by increased rates
Water	1.4%	2.5%	Increased consumption, coupled with increased rates
Total	(3.8)%	4.3%	

Other Operating Expenses

The stabilized other operating expenses for the three months ended June 30, 2021 decreased primarily due to lower bad debt and lower R&M costs, and partially offset by the higher advertising costs and insurance costs. The stabilized other operating expenses for the six months ended June 30, 2021 decreased primarily due to lower R&M costs and lower bad debt partially offset by higher insurance costs driven by overall increases in insurance rates. The decreased R&M costs were partially due to the reduced ability to complete work given restrictions and limitations imposed in connection with the COVID-19 pandemic happening in the earlier part of the year, combined with cost controlling measures throughout the year. The increased advertising costs were also due to the COVID-19 pandemic in an effort to increase occupancies in some weakened markets.

NOI BY REGION

The following tables show each region's NOI and NOI margin for the periods ended June 30, 2021 and 2020:

For the Three Months Ended June 30,	2021			2020			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 47,710	31.3	64.7	\$ 47,077	32.8	64.8	1.3
London / Kitchener / Waterloo	7,200	4.7	65.3	6,299	4.4	65.9	14.3
Ottawa	6,041	4.0	70.3	4,462	3.1	65.7	35.4
Other Ontario	5,111	3.4	63.7	4,712	3.3	61.4	8.5
	\$ 66,062	43.4	65.2	\$ 62,550	43.6	64.7	5.6
Québec							
Greater Montréal Region	\$ 17,135	11.3	63.4	\$ 16,153	11.3	61.2	6.1
Québec City	5,920	3.9	63.8	5,515	3.9	61.1	7.3
	\$ 23,055	15.2	63.5	\$ 21,668	15.2	61.2	6.4
British Columbia							
Greater Vancouver Region	\$ 12,191	8.0	71.4	\$ 12,097	8.4	72.2	0.8
Victoria	5,094	3.4	72.5	4,650	3.2	71.9	9.5
	\$ 17,285	11.4	71.7	\$ 16,747	11.6	72.2	3.2
Nova Scotia							
Halifax	7,671	5.1	59.1	6,846	4.8	56.7	12.1
Alberta							
Calgary	\$ 3,648	2.4	54.4	\$ 4,073	2.8	54.0	(10.4)
Edmonton	871	0.6	49.3	1,031	0.7	51.5	(15.5)
	\$ 4,519	3.0	53.4	\$ 5,104	3.5	53.5	(11.5)
Prince Edward Island							
Charlottetown	\$ 1,114	0.7	52.7	\$ 1,095	0.8	52.6	1.7
Saskatchewan							
Regina	396	0.3	57.1	391	0.3	54.2	1.3
Total Canadian residential suites	\$ 120,102	79.1	64.6	\$ 114,401	79.8	63.6	5.0
Europe							
The Netherlands ⁽²⁾	\$ 19,470	12.8	77.6	\$ 17,746	12.4	75.6	9.7
Other Europe ⁽³⁾	\$ 2,375	1.6	83.3	\$ 1,941	1.4	77.2	22.4
	\$ 21,845	14.4	78.2	\$ 19,687	13.8	75.8	11.0
Total residential suites	\$ 141,947	93.5	66.4	\$ 134,088	93.6	65.2	5.9
MHC sites							
Total MHC sites	\$ 9,839	6.5	65.9	\$ 9,145	6.4	64.4	7.6
Total suites and sites	\$ 151,786	100.0	66.3	\$ 143,233	100.0	65.1	6.0

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ In € thousands, €13,157 and €11,814 for the three months ended June 30, 2021 and June 30, 2020, respectively.

⁽³⁾ Comprised of ERES's NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,496 for the three months ended June 30, 2021 and €1,274 for the three months ended June 30, 2020.

For the Six Months Ended June 30,	2021			2020			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 94,272	31.7	64.2	\$ 93,559	33.3	64.5	0.8
London / Kitchener / Waterloo	14,221	4.8	64.9	12,393	4.4	65.2	14.8
Ottawa	11,737	3.9	68.6	8,787	3.1	64.8	33.6
Other Ontario	10,221	3.4	63.4	9,461	3.4	61.5	8.0
	\$ 130,451	43.8	64.6	\$ 124,200	44.2	64.3	5.0
Québec							
Greater Montréal Region	\$ 32,782	11.0	61.0	\$ 30,738	10.9	58.6	6.6
Québec City	11,663	3.9	62.8	11,001	3.9	60.8	6.0
	\$ 44,445	14.9	61.4	\$ 41,739	14.8	59.2	6.5
British Columbia							
Greater Vancouver Region	\$ 24,007	8.0	70.4	\$ 22,987	8.2	68.9	4.4
Victoria	9,761	3.3	71.6	9,399	3.3	71.8	3.9
	\$ 33,768	11.3	70.7	\$ 32,386	11.5	69.7	4.3
Nova Scotia							
Halifax	\$ 15,285	5.1	59.7	\$ 12,489	4.4	57.6	22.4
Alberta							
Calgary	\$ 7,189	2.4	53.5	\$ 8,399	3.0	55.2	(14.4)
Edmonton	1,850	0.6	50.4	2,176	0.8	56.6	(15.0)
	\$ 9,039	3.0	52.8	\$ 10,575	3.8	55.5	(14.5)
Prince Edward Island							
Charlottetown	\$ 2,084	0.7	49.4	\$ 2,081	0.7	49.7	0.1
Saskatchewan							
Regina	\$ 713	0.2	51.4	\$ 767	0.3	53.1	(7.0)
Total Canadian residential suites	\$ 235,785	79.0	63.7	\$ 224,237	79.7	62.9	5.1
Europe							
The Netherlands ⁽²⁾	\$ 38,777	13.0	76.4	\$ 34,673	12.3	75.6	11.8
Other Europe ⁽³⁾	4,591	1.5	81.0	4,503	1.6	81.0	2.0
	\$ 43,368	14.5	76.9	\$ 39,176	13.9	76.2	10.7
Total residential suites	\$ 279,153	93.5	65.4	\$ 263,413	93.6	64.6	6.0
MHC Sites							
Total MHC sites	19,285	6.5	65.2	17,878	6.4	63.3	7.9
Total suites and sites	\$ 298,438	100.0	65.4	\$ 281,291	100.0	64.5	6.1

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ In € thousands, €25,805 and €23,049 for the six months ended June 30, 2021 and June 30, 2020, respectively.

⁽³⁾ Comprised of ERES's NOI for the commercial properties located in Germany and Belgium. In € thousands, €3,058 and €3,004 for the six months ended June 30, 2021 and June 30, 2020, respectively.

STABILIZED NOI BY REGION

For the Three Months Ended June 30,	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	\$ 47,120	64.9	\$ 47,057	64.7	(0.1) ⁽¹⁾	(0.5)	0.1
London / Kitchener / Waterloo	6,602	66.1	6,299	65.9	4.5	3.9	4.8
Ottawa	5,066	71.6	4,462	65.7	4.2	(13.7)	13.5
Other Ontario	5,111	63.7	4,712	61.4	4.6	(1.7)	8.5
	\$ 63,899	65.4	\$ 62,530	64.7	1.0	(1.1) ⁽²⁾	2.2
Québec							
Greater Montréal Region	\$ 16,685	63.6	\$ 15,713	61.0	1.9	(4.8)	6.2
Québec City	5,920	63.8	5,519	61.1	2.8	(4.1)	7.3
	\$ 22,605	63.6	\$ 21,232	61.0	2.1	(4.6) ⁽³⁾	6.5
British Columbia							
Greater Vancouver Region	\$ 11,873	71.5	\$ 12,097	72.2	(0.8) ⁽¹⁾	2.0	(1.9)
Victoria	4,810	72.4	4,650	71.9	2.7	0.9	3.4
	\$ 16,683	71.7	\$ 16,747	72.2	0.2	1.7 ⁽⁴⁾	(0.4)
Nova Scotia							
Halifax	\$ 3,764	60.3	\$ 3,591	57.9	0.6	(5.2) ⁽⁵⁾	4.8
Alberta							
Calgary	\$ 3,657	54.6	\$ 3,712	53.4	(3.5)	(5.9)	(1.5)
Edmonton	603	46.1	834	51.0	(20.0)	(12.1)	(27.7)
	\$ 4,260	53.2	\$ 4,546	53.0	(6.7) ⁽⁶⁾	(7.1) ⁽⁷⁾	(6.3)
Prince Edward Island							
Charlottetown	\$ 1,114	52.7	\$ 1,100	52.8	1.4	1.6	1.3
Saskatchewan							
Regina	\$ 396	57.1	\$ 391	54.2	(3.9) ⁽⁸⁾	(10.0)	1.3
Total Canadian residential suites	\$ 112,721	65.0	\$ 110,137	63.9	0.7	(2.1)	2.3
Europe							
The Netherlands	\$ 18,188	77.8	\$ 17,737	74.6	(1.8)	(14.3)	2.5
Other Europe	2,375	83.3	1,941	77.2	13.4	(16.9)	22.4
	\$ 20,563	78.4	\$ 19,678	74.8	(0.3)	(14.6) ⁽⁹⁾	4.5
Total residential suites	\$ 133,284	66.7	\$ 129,815	65.4	0.6	(3.3)	2.7
MHC sites							
Total MHC sites	\$ 9,723	65.9	\$ 9,145	64.4	3.8	(0.7) ⁽¹⁰⁾	6.3
Total suites and sites	\$ 143,007	66.7	\$ 138,960	65.3	0.8	(3.2)	2.9
Stabilized suites and sites	60,540		60,540				

⁽¹⁾ Lower revenues: higher vacancy and tenant allowances, partially offset by higher rents on turnover.

⁽²⁾ Lower expenses: lower utilities costs and realty taxes, partially offset by higher advertising and insurance costs.

⁽³⁾ Lower expenses: lower R&M, utilities costs, and bad debt, partially offset by higher realty taxes and insurance costs.

⁽⁴⁾ Higher expenses: higher realty taxes and utilities costs, partially offset by lower bad debt and R&M costs.

⁽⁵⁾ Lower expenses: lower bad debt and R&M costs, partially offset by higher utilities and realty taxes.

⁽⁶⁾ Lower revenues: higher vacancy and lower rents, partially offset by higher residential parking revenues.

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

⁽⁸⁾ Lower revenues: higher tenant allowances, higher vacancy and lower rents.

⁽⁹⁾ In € Thousands, €13,834 and €13,138 for the three months ended June 30, 2021 and June 30, 2020, respectively. NOI increased by €696 and 5.3%. Lower expenses: lower bad debt and advertising costs, partially offset by higher R&M and site costs.

⁽¹⁰⁾ Lower expenses: lower utilities and R&M costs, partially offset by higher insurance and wage costs.

For the Six Months Ended June 30,	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	\$ 93,683	64.3	\$ 93,540	64.5	0.5	1.0	0.2
London / Kitchener / Waterloo	13,074	65.6	12,393	65.2	4.8	3.5	5.5
Ottawa	9,773	69.5	8,787	64.8	3.7	(10.1)	11.2
Other Ontario	10,221	63.4	9,461	61.5	4.7	(0.5)	8.0
	\$ 126,751	64.7	\$ 124,181	64.3	1.5	0.4 ⁽¹⁾	2.1
Québec							
Greater Montréal Region	\$ 31,962	61.0	\$ 30,157	58.4	1.5	(4.7)	6.0
Québec City	11,663	62.8	11,006	60.8	2.6	(2.7)	6.0
	\$ 43,625	61.5	\$ 41,163	59.0	1.8	(4.2) ⁽²⁾	6.0
British Columbia							
Greater Vancouver Region	\$ 23,385	70.5	\$ 22,987	68.9	(0.5)	(5.5)	1.7
Victoria	9,477	71.5	9,399	71.8	1.3	2.5	0.8
	\$ 32,862	70.8	\$ 32,386	69.7	0.0	(3.4) ⁽³⁾	1.5
Nova Scotia							
Halifax	\$ 7,266	58.8	\$ 7,206	57.8	(1.0)	(3.4) ⁽⁴⁾	0.8
Alberta							
Calgary	\$ 7,206	53.6	\$ 7,640	54.6	(3.9)	(1.8)	(5.7)
Edmonton	1,314	48.0	1,948	57.0	(19.9)	(3.0)	(32.5)
	\$ 8,520	52.7	\$ 9,588	55.1	(7.0)	(2.0) ⁽⁵⁾	(11.1)
Prince Edward Island							
Charlottetown	\$ 2,086	49.5	\$ 2,083	49.9	1.0	1.9	0.1
Saskatchewan							
Regina	\$ 713	51.4	\$ 767	53.1	(3.9)	(0.4)	(7.0)
Total Canadian residential suites	\$ 221,823	63.9	\$ 217,374	63.1	0.8	(1.4)	2.0
Europe							
The Netherlands	\$ 36,299	76.1	\$ 34,673	75.6	4.0	1.8	4.7
Other Europe	4,591	81.0	4,469	79.9	1.4	(4.1)	2.7
	\$ 40,890	76.6	\$ 39,142	76.1	3.7	1.2 ⁽⁶⁾	4.5
Total residential suites	\$ 262,713	65.6	\$ 256,516	64.8	1.2	(1.1)	2.4
MHC Sites							
Total MHC sites	\$ 19,047	65.2	\$ 17,878	63.3	3.5	(1.7) ⁽⁷⁾	6.5
Total suites and sites	\$ 281,760	65.5	\$ 274,394	64.7	1.3	(1.2)	2.7
Stabilized suites and sites	60,540		60,540				

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

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

⁽³⁾ Lower expenses: lower R&M costs and bad debt, partially offset by higher utilities and realty taxes.

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

⁽⁵⁾ Lower expenses: lower bad debt, R&M, and advertising costs, partially offset by higher realty taxes and utilities.

⁽⁶⁾ In € thousands, NOI of €27,262 and €26,086 for the six months ended June 30, 2021 and June 30, 2020, respectively. NOI increased by €1,176 and 4.5%. Higher expenses: higher site costs, R&M, and insurance costs, partially offset by lower bad debt and advertising costs.

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

The following table reconciles stabilized NOI and NOI from net acquisitions to total NOI for the periods ended June 30, 2021 and June 30, 2020:

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2021	NOI Margin (%)	2020	NOI Margin (%)	2021	NOI Margin (%)	2020	NOI Margin (%)
Stabilized NOI	\$ 143,007	66.7	\$ 138,960	65.3	\$ 281,760	65.5	\$ 274,394	64.7
Net acquisitions NOI ⁽¹⁾	8,779	69.5	4,273	85.2	16,678	69.5	6,897	85.2
Total NOI	\$ 151,786	66.3	\$ 143,233	65.1	\$ 298,438	65.4	\$ 281,291	64.5

⁽¹⁾ Represents the NOI of acquisitions and dispositions completed during 2020 and 2021.

NET INCOME AND OTHER COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
NOI	\$ 151,786	\$ 143,233	\$ 298,438	\$ 281,291
(Less) plus:				
Trust expenses	(13,120)	(10,291)	(26,696)	(21,655)
Unit-based compensation expense	(4,433)	(6,045)	(8,919)	(793)
Fair value adjustments of investment properties	364,567	(4,053)	357,488	(35,972)
Realized loss on disposition of investment properties	—	—	—	(753)
Amortization of property, plant and equipment	(2,069)	(1,953)	(4,081)	(3,724)
Fair value adjustments of Exchangeable LP Units	(1,419)	—	(2,706)	—
(Loss) gain on non-controlling interest	(4,038)	(34,650)	(19,826)	35,029
Fair value adjustments of investments	3,827	3,783	6,871	(3,087)
Gain (loss) on derivative financial instruments	4,203	(7,447)	34,725	(958)
Interest on Exchangeable LP Units	(114)	—	(229)	—
Interest on mortgages payable and other financing costs	(36,214)	(33,083)	(70,333)	(65,052)
Interest on bank indebtedness and other financing costs	(1,829)	(2,091)	(3,109)	(4,401)
Interest on leases	(1,260)	(1,737)	(2,376)	(2,254)
(Loss) gain on foreign currency translation	165	22,116	(769)	(31,692)
Other income (loss)	8,046	(3,204)	13,249	3,739
Net income before income taxes	\$ 468,098	\$ 64,578	\$ 571,727	\$ 149,718
Current and deferred income tax expense	(14,537)	(3,316)	(14,104)	(8,823)
Net income	\$ 453,561	\$ 61,262	\$ 557,623	\$ 140,895
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	\$ 619	\$ 633	\$ 1,239	\$ 1,267
(Loss) gain on foreign currency translation	(5,350)	(24,616)	(82,444)	60,786
Other comprehensive (loss) income	(4,731)	(23,983)	(81,205)	62,053
Comprehensive income	\$ 448,830	\$ 37,279	\$ 476,418	\$ 202,948

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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Trust expenses attributable to CAPREIT (excluding ERES)	\$ 11,369	\$ 8,732	\$ 23,062	\$ 19,747
Trust expenses attributable to ERES	1,751	1,559	3,634	1,908
Trust Expenses	13,120	10,291	26,696	21,655
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(699)	(655)	(1,372)	(1,242)
Less: Acquisition fees from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(236)	—	(236)	—
Less: Asset and property management fees income from IRES ⁽²⁾	(2,443)	(2,393)	(4,908)	(4,740)
Net Trust Expenses	9,742	7,243	20,180	15,673
Net Trust Expenses as % of Operating Revenue	4.3 %	3.3 %	4.4 %	3.6 %

⁽¹⁾ These fees are eliminated upon consolidation.

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

Trust expenses increased for the six months ended June 30, 2021 to \$26.7 million compared to \$21.7 million last year primarily as a result of higher salaries and benefits paid and acquisition research expenses, which were partially offset by lower consulting fees and travel expenses due to the COVID-19 pandemic. For the six months ended June 30, 2021, trust expenses included non-routine items of approximately \$2.5 million related to acquisition research expenses and reorganization costs. The \$13.1 million of trust expenses for the three months ended June 30, 2021 is a representative run rate for each of the remaining two quarters of 2021. However, given the uncertainty around the COVID-19 pandemic, actual results may vary.

Unit-Based Compensation Expense

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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Remeasurement of unit-based compensation liabilities	\$ 2,490	\$ 4,177	\$ 5,171	\$ (2,762)
Amortization of fair value on grant date of unit-based compensation	1,943	1,868	3,748	3,555
Total	\$ 4,433	\$ 6,045	\$ 8,919	\$ 793

Gain (Loss) on Derivative Financial Instruments

The gain (loss) 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 June 30, 2021 primarily relates to changes in the yield curve. The gain on derivative financial instruments for the six months ended June 30, 2021 primarily relates to changes in foreign exchange rates. 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.

Gain (Loss) on Non-Controlling Interest

For the three and six months ended June 30, 2021, CAPREIT recorded a loss of \$4.0 million and \$19.8 million on ERES units held by non-controlling unitholders. This includes distributions to ERES non-controlling unitholders of \$3.2 million and \$6.4 million for the three and six months ended June 30, 2021. The remaining balance is the mark-to-market gain or loss due to fluctuations in the ERES unit market price.

Gain (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 June 30, 2021, the euro weakened against the Canadian Dollar from a closing price of 1.5608 to 1.4699.

As of June 30,								
(\$ Thousands)								
2021								
		Other Comprehensive Income (Loss)		Net Income Gain (Loss)		Total Foreign Exchange Gain (Loss)		
	Balance	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended	
Total Foreign Assets ⁽¹⁾	€ 1,770,139 ⁽⁴⁾	\$ (13,107)	\$ (154,305)	\$ (1,355)	\$ (589)	\$ (14,462)	\$ (154,894)	
Total Foreign Liabilities ⁽²⁾	824,367	7,757	71,861	1,520	(180)	9,277	71,681	
Net Equity ⁽³⁾	945,772	(5,350)	(82,444)	165	(769)	(5,185)	(83,213)	
Cross-Currency Swap	442,358	—	—	31,737	32,345	31,737	32,345	
Net Foreign Exchange Exposure and Gain (Loss)	€ 503,414	\$ (5,350)	\$ (82,444)	\$ 31,902	\$ 31,576	\$ 26,552	\$ (50,868)	
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 242,997							

2020								
		Other Comprehensive Income (Loss)		Net Income Gain (Loss)		Total Foreign Exchange Gain (Loss)		
	Balance	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended	
Total Foreign Assets ⁽¹⁾	€ 1,569,179 ⁽⁴⁾	\$ (40,637)	\$ 110,492	\$ 27	\$ 347	\$ (40,610)	110,839	
Total Foreign Liabilities ⁽²⁾	705,913	16,021	(49,706)	22,089	(32,039)	38,110	(81,745)	
Net Equity ⁽³⁾	863,266	(24,616)	60,786	22,116	(31,692)	(2,500)	29,094	
Cross-Currency Swap	442,358	—	—	(9,680)	(3,903)	(9,680)	(3,903)	
Net Foreign Exchange Exposure and Gain (Loss)	€ 420,908	\$ (24,616)	\$ 60,786	\$ 12,436	\$ (35,595)	\$ (12,180)	\$ 25,191	
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 180,780							

⁽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 June 30, 2021, net equity includes €765,933 (June 30, 2020 - €706,259) relating to ERES in which CAPREIT has a 66% (June 30, 2020 - 66%) interest. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €242,997 (June 30, 2020 - €180,780).

⁽⁴⁾ Includes ERES assets of €1,590,300 and CAPREIT's investment in IRES of €177,103 (June 30, 2020 - €1,412,172 and €160,946, respectively).

Other Income (Loss)

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

(\$ Thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Investment income (loss)	\$ 369	\$ (346)	\$ 739	\$ 486
Net profit (loss) from investment in associate ⁽¹⁾	5,202	(5,536)	7,544	(2,787)
Asset and property management fees ⁽²⁾	2,443	2,393	4,908	4,740
Other ⁽³⁾	32	285	58	1,300
Total	\$ 8,046	\$ (3,204)	\$ 13,249	\$ 3,739

⁽¹⁾ CAPREIT's share of IRES's investment property fair value change, earnings and foreign exchange effects thereon. For the three and six months ended June 30, 2021, CAPREIT's share of IRES's investment property fair value gain (loss) is \$2.2 million (three and six months ended June 30, 2020 - \$(7.7) million).

⁽²⁾ Other income includes asset and property management fees from IRES, which CAPREIT has a 19% ownership in and excludes asset and property management fees and service fees from ERES, which CAPREIT has a 66% ownership in. For further details on expenses incurred related to management fee income refer to discussion under Trust Expenses within Section III.

(\$ Thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Total fee income generated	\$ 6,162	\$ 5,229	\$ 11,600	\$ 10,168
Asset and property management fees, acquisition fees, and service fees from ERES eliminated on consolidation	3,719	2,836	6,692	5,428
Asset and property management fee from IRES recognized in other income	\$ 2,443	\$ 2,393	\$ 4,908	\$ 4,740

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

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	
	Three Months Ended		Six Months Ended		As at	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	% ⁽¹⁾
Trust Units	172,437	170,424	172,201	170,238	172,632	99.4
Exchangeable LP Units ⁽²⁾	333	7	333	4	333	0.2
Units under the DUP	180	157	178	155	185	0.1
Basic number of units	172,950	170,588	172,712	170,397	173,150	99.7
Plus:						
Unit rights under the RUR Plan ⁽³⁾	562	587	582	581	535	0.3
Diluted number of units	173,512	171,175	173,294	170,978	173,685	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)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Distributions declared on Trust Units	\$ 59,507	\$ 58,824	\$ 118,861	\$ 117,517
Distributions declared on Exchangeable Units	114	—	229	—
Distributions declared on awards outstanding under unit-based compensation plans ⁽¹⁾	259	253	528	502
Total distributions declared	59,880	59,077	119,618	118,019
Less:				
Distributions on Trust Units reinvested	(17,503)	(13,548)	(36,048)	(32,342)
Distributions on unit awards reinvested ⁽¹⁾	(259)	(253)	(528)	(502)
Net distributions paid	\$ 42,118	\$ 45,276	\$ 83,042	\$ 85,175
Percentage of distributions reinvested	29.7%	23.4%	30.6%	27.8%

⁽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. Exchangeable LP Units are not eligible for 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	\$ 453,561	\$ 61,262	\$ 557,623	\$ 140,895
Adjustments:				
Fair value adjustments of investment properties	(364,567)	4,053	(357,488)	35,972
Realized loss on disposition of investment properties	—	—	—	753
Remeasurement of Exchangeable LP Units	1,419	—	2,706	—
Remeasurement of investments	(3,827)	(3,783)	(6,871)	3,087
Remeasurement of unit-based compensation liabilities	2,490	4,177	5,171	(2,762)
Interest on Exchangeable LP Units	114	—	229	—
Deferred income tax expense ⁽¹⁾	13,486	2,956	12,349	8,037
(Gain) loss on foreign currency translation	(165)	(22,116)	769	31,692
FFO adjustment for income from investment in associate	(2,211)	7,690	(2,211)	7,690
(Gain) loss on derivative financial instruments	(4,203)	7,447	(34,725)	958
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	843	31,512	13,422	(41,181)
Distributions on ERES units held by non-controlling unitholders	3,195	3,138	6,404	6,152
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽²⁾	(4,396)	(3,774)	(8,679)	(7,873)
Amortization of property, plant and equipment	2,069	1,953	4,081	3,724
Lease principal repayment	(305)	(459)	(593)	(575)
FFO	\$ 97,503	\$ 94,056	\$ 192,187	\$ 186,569
FFO per unit – basic	\$ 0.564	\$ 0.551	\$ 1.113	\$ 1.095
FFO per unit – diluted	\$ 0.562	\$ 0.549	\$ 1.109	\$ 1.091
Total distributions declared	\$ 59,880	\$ 59,077	\$ 119,618	\$ 118,019
FFO payout ratio	61.4%	62.8%	62.2%	63.3%
Net distributions paid	\$ 42,118	\$ 45,276	\$ 83,042	\$ 85,175
Excess FFO over net distributions paid	\$ 55,385	\$ 48,780	\$ 109,145	\$ 101,394
FFO effective payout ratio	43.2%	48.1%	43.2%	45.7%

⁽¹⁾ The figures for the three and six months ended June 30, 2020 consists of \$3.0 million and \$6.9 million, respectively, of deferred income tax expenses, as well as \$nil and \$1.2 million, respectively, 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, large acquisition research costs relating to transactions that were not completed, and reorganization costs including severance and other employee costs. 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)	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
FFO	\$ 97,503	\$ 94,056	3.7	\$ 192,187	\$ 186,569	3.0
Adjustments:						
Amortization of losses from (AOCL) AOCI to interest and other financing costs	619	633	(2.2)	1,239	1,267	(2.2)
Net mortgage prepayment cost	165	23	617.4	165	23	617.4
Reorganization costs ⁽²⁾	1,532	—	100.0	1,532	—	100.0
Acquisition research costs ⁽³⁾	261	—	100.0	899	—	100.0
NFFO	\$ 100,080	\$ 94,712	5.7	\$ 196,022	\$ 187,859	4.3
NFFO per unit – basic	\$ 0.579	\$ 0.555	4.3	\$ 1.135	\$ 1.102	3.0
NFFO per unit – diluted	\$ 0.577	\$ 0.554	4.2	\$ 1.131	\$ 1.099	2.9
Total distributions declared	\$ 59,880	\$ 59,077	1.4	\$ 119,618	\$ 118,019	1.4
NFFO payout ratio	59.8%	62.4%		61.0%	62.8%	
Net distributions paid	\$ 42,118	\$ 45,276	(7.0)	\$ 83,042	\$ 85,175	(2.5)
Excess NFFO over net distributions paid	\$ 57,962	\$ 49,436	17.2	\$ 112,980	\$ 102,684	10.0
Effective NFFO payout ratio	42.1%	47.8%		42.4%	45.3%	

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

⁽²⁾ Includes severance and other employee costs.

⁽³⁾ Expenses included in trust expenses and related to transactions that were not completed.

The increased NFFO was primarily due to the contribution from acquisitions and higher NOI for stabilized properties. Asset management fees, property management fees, acquisition fees, and service fees received from ERES increased FFO and consequently NFFO by \$1.3 million and \$2.3 million for the three and six months ended June 30, 2021 compared to \$1.0 and \$1.8 million for the three and six months ended June 30, 2020, representing the amount of fees attributed to the ERES non-controlling unitholders.

For the three months ended June 30, 2021, basic NFFO per unit increased by 4.3% compared to the same period last year, despite an approximate 1.4% increase in the weighted average number of units outstanding. For the six months ended June 30, 2021, basic NFFO per unit increased by 3.0% compared to the same period last year despite an approximate 1.4% 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.

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)	Three Months Ended June 30,		Six Months Ended June 30,		Actual Annual
	2021	2020 ⁽⁹⁾	2021	2020 ⁽⁹⁾	2020 ⁽⁹⁾
Cash generated from operating activities	\$ 122,298	\$ 150,102	\$ 245,275	\$ 253,491	\$ 480,729
Adjustments:					
Working capital adjustment ⁽¹⁾	—	—	—	—	18,116
Interest expense included in cash flow from financing activities ⁽²⁾	(32,955)	(31,030)	(65,278)	(64,243)	(130,398)
Forecasted non-discretionary property capital investments ⁽³⁾	(21,395)	(17,640)	(42,632)	(35,280)	(70,545)
Capitalized leasing costs ⁽⁴⁾	(1,781)	(431)	(4,253)	(640)	(3,909)
Amortization of other financing costs ⁽⁵⁾	(4,509)	(2,422)	(6,774)	(4,640)	(23,725)
Investment income ⁽⁶⁾	3,978	184	4,372	6,404	11,670
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁷⁾	(3,655)	(1,465)	(7,963)	(5,353)	(13,346)
Lease principal and interest repayments	(1,565)	(2,023)	(2,969)	(2,829)	(5,664)
Tax on disposition ⁽⁸⁾	—	—	—	1,155	1,155
ACFO	\$ 60,416	\$ 95,275	\$ 119,778	\$ 148,065	\$ 264,083
Total distributions declared	\$ 59,880	\$ 59,077	\$ 119,618	\$ 118,019	\$ 237,103
Excess ACFO over distributions declared	\$ 536	\$ 36,198	\$ 160	\$ 30,046	\$ 27,607
ACFO payout ratio	99.1%	62.0%	99.9%	79.7%	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 and six months ended June 30, 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 \$1,364 and \$1,220 respectively. The estimated full year weighted average number of residential suites and sites for the six months ended June 30, 2021 and 2020 is 63,249 and 60,528, 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 six months ended June 30, 2021 includes \$3.6 million of dividends 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 six months ended June 30, 2020.

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

For the three and six months ended June 30, 2021, CAPREIT's ACFO exceeded distributions declared by \$0.5 million and \$0.2 million respectively. 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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Actual	\$ 18,828	\$ 9,800	\$ 29,275	\$ 15,441
Forecast	21,395	17,640	42,632	35,280
Difference	\$ (2,567)	\$ (7,840)	\$ (13,357)	\$ (19,839)

For the three and six months ended June 30, 2021, CAPREIT's actual non-discretionary capital investments of \$18.8 million and \$29.3 million were lower than the forecast by approximately \$2.6 million and \$13.4 million respectively, mainly due to the deferral of structural work, which is expected to pick up in the second half of the year.

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	\$ 86,242	\$ 70,545	\$ 65,532
Weighted average number of suites and sites	63,249	60,929	55,175
Non-discretionary property capital investments per suite and site	\$ 1,364	\$ 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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020 ⁽²⁾	2021	2020 ⁽²⁾
Cash generated from operating activities	\$ 122,298	\$ 150,102	\$ 245,275	\$ 253,491
Adjustments:				
Interest expense included in cash flow from financing activities ⁽¹⁾	(32,955)	(31,030)	(65,278)	(64,243)
Adjusted Cash Generated from Operating Activities	\$ 89,343	\$ 119,072	\$ 179,997	\$ 189,248
Total distributions declared	\$ 59,880	\$ 59,077	\$ 119,618	\$ 118,019
Excess	\$ 29,463	\$ 59,995	\$ 60,379	\$ 71,229

⁽¹⁾ Excludes interest with respect to leases, distributions to ERES non-controlling unitholders, and holders of Exchangeable LP Units.

⁽²⁾ Certain 2020 comparative figures have been adjusted to conform with current period presentation.

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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Net income	\$ 453,561	\$ 61,262	\$ 557,623	\$ 140,895
Adjusted Cash Generated from Operating Activities	\$ 89,343	\$ 119,072	\$ 179,997	\$ 189,248
Total distributions declared	\$ 59,880	\$ 59,077	\$ 119,618	\$ 118,019
Net distributions paid	\$ 42,118	\$ 45,276	\$ 83,042	\$ 85,175
Excess of net income over total distributions declared	\$ 393,681	\$ 2,185	\$ 438,005	\$ 22,876
Excess of net income over net distributions paid	\$ 411,443	\$ 15,986	\$ 474,581	\$ 55,720
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 29,463	\$ 59,995	\$ 60,379	\$ 71,229
Excess of Adjusted Cash Generated from Operating Activities over net distributions paid	\$ 47,225	\$ 73,796	\$ 96,955	\$ 104,073

⁽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 and six months ended June 30, 2021, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$29.5 million and \$60.4 million. As per OSC Staff Notice 51-724, if distributions are in excess of Adjusted Cash Generated from Operating Activities, then it represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period. Management believes, should it occur, there is adequate overall liquidity to fund excess distributions over Adjusted Cash Generated from Operating Activities on an annual basis through 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

Six Months Ended June 30, 2021 (\$ Thousands)	Actual Total Portfolio	% of Actual	2021 Annual Forecast Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 27,464	22.3	\$ 73,233
MHC infrastructural	1,565	1.3	8,420
Life and safety	246	0.2	4,589
	29,275	23.8	86,242
Discretionary property capital investments:			
Suite improvements	45,137	36.7	74,588
Common area	30,514	24.8	66,432
Energy-saving initiatives	9,821	8.0	27,922
Equipment	7,084	5.8	11,956
Elevators and risers	299	0.2	10,128
Others	504	0.4	1,331
MHC common area	354	0.3	1,973
	93,713	76.2	194,330
Total	\$ 122,988	100.0	\$ 280,572

Six Months Ended June 30, 2020 (\$ Thousands)	Actual Total Portfolio	% of Actual	2020 Annual Actual Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 14,093	18.3	\$ 64,447
MHC infrastructural	999	1.3	5,495
Life and safety	349	0.5	603
	15,441	20.1	70,545
Discretionary property capital investments:			
Suite improvements	27,643	35.8	68,092
Common area	17,874	23.1	51,196
Energy-saving initiatives	9,048	11.7	18,574
Equipment	4,839	6.3	13,855
Elevators and risers	1,888	2.4	6,489
Others	295	0.4	1,459
MHC common area	187	0.2	918
	61,774	79.9	160,583
Total	\$ 77,215	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 June 30, 2021.

Future Investments in Building Improvements

(\$ Thousands)	Building Improvements Estimated Range
2021	\$66,000 - \$81,000
2022	\$18,000 - \$22,000
2023	\$24,000 - \$30,000
2024	\$16,000 - \$20,000

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 Six Months Ended June 30,			
Balance, beginning of the year	\$	15,000,591	\$ 13,096,426
Add:			
Acquisitions		429,648	467,457
Property capital investments ⁽¹⁾		143,788	81,196
Capitalized leasing costs ⁽²⁾		1,229	48
Right-of-use asset ⁽³⁾		10,067	—
Operating lease buyout		4,457	150,157
Fair value adjustments		357,488	(35,972)
(Loss) gain on foreign currency translation		(134,142)	96,856
Less:			
Dispositions		—	(26,260)
Balance, end of the period	\$	15,813,126	\$ 13,829,908

⁽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.

⁽³⁾ On April 1, 2021, the basic annual rent of an existing land lease was increased in accordance with the lease agreement, which stipulates that the basic annual rent be renegotiated every 20 years to reflect the land market value.

CAPREIT completed the buyout of another operating lease property for a net buyout price of approximately \$4.5 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 \$3.1 million during the six months ended June 30, 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 six months ended June 30, 2021, there was a \$812.5 million increase in fair value primarily due to capitalization rate compression, new acquisitions, the buyout of one operating lease, progress on the development pipeline, partially offset by foreign exchange loss on the European properties. Excluding the impact of net acquisitions, operating lease buyout and foreign exchange, the fair value of investment properties increased by \$512.6 million, or 3.4%.

Investment Properties by Geography

	Dec 2020	Fair Value Change Due To					Jun 2021	Jun 2021	Dec 2020
(\$ Millions)	Fair Value	Net Acquisitions	CAPEX ⁽¹⁾	Fair Value Adjustments	Foreign Exchange Translation	Right-of-Use Asset ⁽³⁾	Fair Value	Cap Rates ⁽²⁾	Cap Rates ⁽²⁾
Greater Toronto Area	\$ 5,450	\$ 4	\$ 47	\$ 222	\$ —	\$ —	\$ 5,723	3.26 %	3.43 %
Other Ontario	1,656	217	15	74	—	—	1,962	3.76 %	4.00 %
Québec	2,043	32	24	11	—	—	2,110	4.10 %	4.18 %
British Columbia	1,619	108	12	17	—	—	1,756	3.70 %	3.80 %
Nova Scotia	745	—	12	(10)	—	—	747	4.41 %	4.43 %
Alberta	427	—	7	—	—	10	444	4.36 %	4.37 %
Prince Edward Island	95	—	—	1	—	—	96	5.43 %	5.47 %
Saskatchewan	28	—	—	1	—	—	29	5.30 %	5.51 %
Subtotal	12,063	361	117	316	—	10	12,867	3.66 %	3.80 %
Europe	2,300	73	13	44	(134)	—	2,296	3.87 %	3.87 %
MHC	638	—	15	(3)	—	—	650	5.85 %	5.96 %
Total	\$ 15,001	\$ 434	\$ 145	\$ 357	\$ (134)	\$ 10	\$ 15,813	3.77 %	3.91 %

For the Six Months Ended June 30, 2021		Components of Fair Value Adjustments			Total
(\$ Millions)		Capitalization Rates	Normalized NOI ⁽⁴⁾	CAPEX ⁽¹⁾	
Greater Toronto Area	\$	273	\$ (4)	\$ (47)	\$ 222
Other Ontario		87	2	(15)	74
Québec		37	(2)	(24)	11
British Columbia		34	(5)	(12)	17
Nova Scotia		3	(1)	(12)	(10)
Alberta		1	6	(7)	—
Prince Edward Island		1	—	—	1
Saskatchewan		1	—	—	1
Subtotal		437	(4)	(117)	316
Europe		73	(16)	(13)	44
MHC		12	—	(15)	(3)
Total	\$	522	\$ (20)	\$ (145)	\$ 357

⁽¹⁾ Represents property capital investments and capitalized leasing costs during the six months ended June 30, 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 June 30, 2021 for operating and land leasehold interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

⁽³⁾ On April 1, 2021, the basic annual rent of an existing land lease was increased in accordance with the lease agreement, which stipulates that the basic annual rent be renegotiated every 20 years to reflect the land market value.

⁽⁴⁾ 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 June 30, 2021 (\$ Millions)	Change in NOI					
		(2.00)%	(1.00)%	— %	+1.00 %	+2.00 %
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,127	\$ 2,309	\$ 2,491	\$ 2,673	\$ 2,856
	(0.25)%	813	982	1,151	1,320	1,489
	—%	(315)	(157)	—	157	315
	+0.25%	(1,295)	(1,148)	(1,001)	(853)	(706)
	+0.50%	(2,156)	(2,017)	(1,879)	(1,740)	(1,601)

⁽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 projects and proposed net new units by major market targeted for planning approval submission in the next 12 months, are pending approval, or are approved:

Major Market	Pre-Application (# of projects)	Active Application (# of projects)	Zoning Entitlement (# of projects)	Construction (# of projects)	Potential Growth (Estimated # of net new units) ⁽³⁾
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 Six Months Ended June 30,	2021 Actual Total Portfolio	2020 Actual Total Portfolio	2021 Annual Forecast Total Portfolio
(\$ Thousands)			
Conversion	\$ 11,598	3,980	\$ 23,854
Infill ⁽¹⁾	1,023	1,273	9,102
Redevelopment ⁽¹⁾	240	567	452
Total for development	\$ 12,861	5,820	\$ 33,408

⁽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 June 30, 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		June 30, 2021	December 31, 2020
Mortgages payable		\$ 5,521,198	\$ 5,401,202
Bank indebtedness		433,808	118,553
Unitholders' equity		9,676,998	9,273,702
Exchangeable LP Units		19,337	16,632
Total capital		\$ 15,651,341	\$ 14,810,089

	Threshold		
Total debt to gross book value ⁽¹⁾	Maximum 62.50%	36.37%	35.54 %
Mortgage debt to gross book value		33.72%	34.78 %
Total debt to gross historical cost ⁽²⁾		51.77%	50.11 %
Total debt to total capitalization ⁽³⁾		37.10%	38.98 %
Tangible net worth ⁽¹⁾	Minimum of \$5,000,000 + 75% of proceeds of future equity raises	\$ 9,715,073	\$ 9,307,613

For the four quarters ended ⁽⁴⁾		June 30, 2021	December 31, 2020
Debt service coverage ratio (times) ⁽¹⁾	Minimum 1.40	2.00	2.01
Interest coverage ratio (times) ⁽¹⁾	Minimum 1.65	3.99	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, prepaid CMHC premiums 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.

⁽⁴⁾ CAPREIT's FFO payout ratio did not exceed 100% for the trailing four quarters ended June 30, 2021. As at June 30, 2021, CAPREIT is in compliance with its debt covenant on the FFO payout ratio.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

Management believes there is adequate overall liquidity to fund property capital investment commitments to provide for future growth in the business. CAPREIT finances these commitments through: (i) 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 June 30, 2021 remains strong with \$250.7 million available on the Acquisition and Operating Facility.

CAPREIT's Acquisition and Operating Facility bears an interest rate of 2.01%, 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 \$1,574.3 million as at June 30, 2021 that are not encumbered by mortgages. Of these, \$1,504.5 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 June 30, 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 June 30,	2021	2020
Percentage of CMHC-insured mortgages ⁽¹⁾	99.1%	98.5%
Percentage of fixed-rate mortgages ⁽²⁾	99.4%	99.2%
Weighted average mortgage interest rate ⁽³⁾	2.53%	2.76%
Weighted average mortgage term to maturity (years) ⁽⁴⁾	5.77	4.99
Cross-currency interest rate swaps ⁽⁵⁾	\$ 672,975	\$ 672,824
Weighted average interest rate on swaps - pay	0.24%	1.06%
Weighted average interest rate on swaps - receive	1.13%	1.83%
Weighted average remaining term to maturity on swaps (years)	2.79	0.83

⁽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 June 30, 2021 would be 2.58% (June 30, 2020 - 2.74%).

⁽⁴⁾ The mortgages on the Canadian and European properties have a weighted average term to maturity of 6.2 years and 3.9 years (June 30, 2020 - 5.0 years and 4.9 years), respectively.

⁽⁵⁾ Euro equivalent of €442.4 million (June 30, 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 \$673.0 million is 0.91%. 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 2.79 years as at June 30, 2021. The all-in effective interest rate on the swapped debt of \$672.8 million was 1.06%, with a remaining weighted average swap term of 0.83 years as at June 30, 2020.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to August 12, 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⁾
Second Quarter	\$ 121,578	3.90 %	\$ 344,753	2.40 %	9.9	\$ 223,175 ⁽³⁾
Acquisitions	—	— %	65,825	1.82 %	5.0	65,825
Total and Weighted Average	\$ 210,651	2.98 %	\$ 448,941	2.31 %	9.0	\$ 238,290
Subsequent to the quarter:						
Committed or Completed	179,081	2.90 %	374,697	1.91 %	7.0	195,616
Acquisitions	—	— %	66,220	1.79 %	5.5	66,220
Expected for the remainder of 2021	64,020	3.36 %	156,116	—	—	92,096
Subtotal and Weighted Average	\$ 453,752	3.00 %	\$ 1,045,974	2.11 %	7.9	\$ 592,222

⁽¹⁾ Weighted average.

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

⁽³⁾ Includes \$86.8 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.

CMHC premiums are 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 and six months ended June 30, 2021, CMHC amortization expense including net write-offs of CMHC premiums on refinancings amounted to \$3.6 million and \$4.6 million. CMHC amortization expense including net write-offs of CMHC premiums on refinancings for the remainder of 2021 is expected to be approximately \$5.3 million.

CMHC amortization expense, including write-offs, for next year is expected to be in the range of \$11.0 million to \$12.0 million, 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 June 30, 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	\$ 233,277	\$ 101,020	\$ 334,297	\$ 38,663
2022	414,905	15,603	430,508	68,008
2023	469,183	225,959	695,142	78,931
2024	427,631	106,263	533,894	51,821
2025	679,697	31,145	710,842	82,520
2026 onwards	2,543,802	(479,990)	2,063,812	208,862
Total	\$ 4,768,495	\$ —	\$ 4,768,495	\$ 528,805

⁽¹⁾ Mortgage balance due upon maturity.⁽²⁾ NOI for the 12 months ended June 30, 2021.⁽³⁾ Projected NOI included for acquisitions since June 30, 2020.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at June 30, 2021 is as follows:

As at June 30, 2021

(\$ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
2021	\$ 71,555	\$ 233,277	\$ 304,832	6.6	3.34
2022	137,753	341,536	479,289	10.4	3.16
2023	121,086	321,223	442,309	9.6	3.35
2024	108,323	311,372	419,695	9.1	3.12
2025	101,732	346,006	447,738	9.7	2.81
2026	80,292	463,618	543,910	11.8	2.55
2027	60,263	238,788	299,051	6.5	2.67
2028	53,745	203,501	257,246	5.6	2.83
2029	42,296	284,556	326,852	7.1	2.80
2030	28,884	290,875	319,759	6.9	2.14
2031-2036	53,847	714,858	768,705	16.7	2.31
	\$ 859,776	\$ 3,749,610	\$ 4,609,386	100.0 %	2.74 % ⁽²⁾
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net			(114,420)		
Total			\$ 4,494,966		
Weighted average term to maturity (years)			6.19		

⁽¹⁾ Effective weighted average interest rates for maturing mortgages only.⁽²⁾ Effective weighted average interest rate includes the amortization of deferred financing costs, prepaid CMHC premiums, and fair value adjustments.

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at June 30, 2021 is as follows:

As at June 30, 2021							
(\$ Thousands)							
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%)	(1), (2)
2021	\$ 1,605	\$ —	\$ 1,605	€ 1,092	0.2	—	
2022	3,219	73,369	76,588	52,104 ⁽³⁾	7.4	1.43	
2023	3,231	147,960	151,191	102,858 ⁽³⁾	14.7	1.49	
2024	2,610	116,259	118,869	80,869 ⁽³⁾	11.5	1.39	
2025	419	333,691	334,110	227,301 ⁽³⁾	32.4	1.87	
2026	—	282,489	282,489	192,183 ⁽³⁾	27.4	1.47	
2027	—	65,117	65,117	44,300 ⁽³⁾	6.3	1.74	
	\$ 11,084	\$ 1,018,885	\$ 1,029,969	€ 700,707	100.0 %	1.61 %	(2)
Deferred financing costs and fair value adjustments, net			(3,737)				
Total			\$ 1,026,232				
Weighted average term to maturity			3.91				

⁽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 June 30, 2021	
Market capitalization (\$ Thousands)	\$ 10,094,537
Total number of units outstanding	173,684,391
Trust Units	172,631,520
Deferred units	185,303
RUR Plan units	534,865
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**

	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Overall portfolio net AMR	\$ 1,118	\$ 1,115	\$ 1,121	\$ 1,113	\$ 1,104	\$ 1,105	\$ 1,084	\$ 1,069
Operating revenues (000s) ^{(1), (3)}	\$ 228,856	\$ 227,506	\$ 225,238	\$ 221,420	\$ 219,925	\$ 216,060	\$ 208,183	\$ 199,417
NOI (000s) ^{(1), (2)}	\$ 151,786	\$ 146,652	\$ 148,646	\$ 148,234	\$ 143,233	\$ 138,058	\$ 135,704	\$ 132,844
NOI Margin ^{(1), (3)}	66.3%	64.5%	66.0%	66.9%	65.1%	63.9%	65.2%	66.6%
Net Income (000s)	\$ 453,561	\$ 104,062	\$ 484,958	\$ 300,075	\$ 61,262	\$ 79,633	\$ 492,267	\$ 330,341
FFO (000s) ^{(1), (2)}	\$ 97,503	\$ 94,684	\$ 99,311	\$ 100,342	\$ 94,056	\$ 92,513	\$ 87,863	\$ 88,860
NFFO (000s) ^{(1), (2)}	\$ 100,080	\$ 95,942	\$ 99,985	\$ 101,114	\$ 94,712	\$ 93,147	\$ 89,341	\$ 89,513
Total debt to gross book value ⁽⁴⁾	36.37%	35.21%	35.54%	35.70%	36.02%	35.86%	34.70%	36.43%
FFO per unit ⁽¹⁾ - basic	\$ 0.564	\$ 0.549	\$ 0.577	\$ 0.585	\$ 0.551	\$ 0.544	\$ 0.538	\$ 0.554
NFFO per unit ⁽¹⁾ - basic	\$ 0.579	\$ 0.556	\$ 0.581	\$ 0.589	\$ 0.555	\$ 0.547	\$ 0.547	\$ 0.558
Weighted average number of units (000s) - basic	172,950	172,469	172,054	171,628	170,588	170,206	163,295	160,328
Weighted average number of units (000s) - diluted	173,512	173,072	172,616	172,188	171,175	170,780	163,840	160,895

⁽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.

⁽⁴⁾ Certain 2020 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 and six months ended June 30, 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 and six months ended June 30, 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 June 30, 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 six months ended June 30, 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. 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 and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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.

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 June 30,	2021	%	2020	%
Residential Suites				
Ontario				
Greater Toronto Area	16,647	25.4	16,156	25.9
London / Kitchener / Waterloo	3,809	5.8	2,960	4.8
Ottawa	2,750	4.2	2,377	3.8
Other Ontario	1,702	2.6	1,702	2.7
	24,908	38.0	23,195	37.2
Québec				
Greater Montréal Region	7,933	12.1	7,767	12.4
Québec City	2,517	3.9	2,517	4.0
	10,450	16.0	10,284	16.4
British Columbia				
Greater Vancouver Region	3,551	5.4	3,551	5.7
Victoria	2,032	3.1	1,550	2.5
	5,583	8.5	5,101	8.2
Nova Scotia				
Halifax	3,288	5.0	3,162	5.1
Alberta				
Calgary	1,775	2.7	1,963	3.1
Edmonton	543	0.8	544	0.9
	2,318	3.5	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	47,418	72.4	45,120	72.3
Europe				
The Netherlands	6,184	9.5	5,632	9.0
Total residential suites	53,602	81.9	50,752	81.3
MHC Sites				
Total MHC sites	11,859	18.1	11,683	18.7
Total suites and sites	65,461	100.0	62,435	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 AND SIX MONTHS ENDED
JUNE 30, 2021
(UNAUDITED)**

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CONSOLIDATED BALANCE SHEETS

(CA\$ thousands)

(Unaudited)

As at	Note	June 30, 2021	December 31, 2020
Non-current assets			
Investment properties	5	\$ 15,813,126	\$ 15,000,591
Investment in associate	6	244,985	257,210
Derivative asset	18	22,372	778
Other non-current assets	7	79,830	73,810
Total non-current assets		16,160,313	15,332,389
Current assets			
Derivative asset	18	1,959	55
Other current assets	7	56,756	44,965
Cash and cash equivalents		122,542	121,722
Total current assets		181,257	166,742
Total assets		\$ 16,341,570	\$ 15,499,131
Non-current liabilities			
Mortgages payable	11	\$ 5,066,764	\$ 4,811,131
Bank indebtedness	12	342,232	104,810
Unit-based compensation financial liabilities	13, 14	13,913	14,123
ERES units held by non-controlling unitholders	10	343,030	328,535
Derivative liability	18	1,659	8,023
Deferred income tax liability	20	69,453	59,964
Lease liabilities		46,044	36,565
Total non-current liabilities		5,883,095	5,363,151
Current liabilities			
Mortgages payable	11	454,434	590,071
Bank indebtedness	12	91,576	13,743
Unit-based compensation financial liabilities	13, 14	20,293	19,624
Derivative liability	18	6,583	15,366
Accounts payable and accrued liabilities	9	113,024	131,888
Other current liabilities	8	14,357	13,985
Security deposits		42,020	41,218
Exchangeable LP Units	15	19,337	16,632
Distributions payable		19,853	19,751
Total current liabilities		781,477	862,278
Total liabilities		\$ 6,664,572	\$ 6,225,429
Unitholders' equity			
Unit capital		\$ 4,149,651	\$ 4,103,912
Accumulated other comprehensive (loss) income	21	(11,158)	70,047
Retained earnings		5,538,505	5,099,743
Total unitholders' equity		\$ 9,676,998	\$ 9,273,702
Total liabilities and unitholders' equity		\$ 16,341,570	\$ 15,499,131

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(CA\$ thousands)

		Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited)	Note	2021	2020	2021	2020
Operating revenues					
Revenue from investment properties	24	\$ 228,856	\$ 219,925	\$ 456,362	\$ 435,985
Operating expenses					
Realty taxes		(21,840)	(20,724)	(43,650)	(40,592)
Property operating costs		(55,230)	(55,968)	(114,274)	(114,102)
Total operating expenses		(77,070)	(76,692)	(157,924)	(154,694)
Net rental income		151,786	143,233	298,438	281,291
Trust expenses		(13,120)	(10,291)	(26,696)	(21,655)
Unit-based compensation expense	14	(4,433)	(6,045)	(8,919)	(793)
Fair value adjustments of investment properties	5	364,567	(4,053)	357,488	(35,972)
Realized loss on disposition of investment properties	5	—	—	—	(753)
Amortization of property, plant and equipment		(2,069)	(1,953)	(4,081)	(3,724)
Fair value adjustments of Exchangeable LP Units	15	(1,419)	—	(2,706)	—
(Loss) gain on non-controlling interest	10	(4,038)	(34,650)	(19,826)	35,029
Fair value adjustments of investments		3,827	3,783	6,871	(3,087)
Gain (loss) on derivative financial instruments	18	4,203	(7,447)	34,725	(958)
Interest and other financing costs	22	(39,417)	(36,911)	(76,047)	(71,707)
(Loss) gain on foreign currency translation		165	22,116	(769)	(31,692)
Other income (loss)	24	8,046	(3,204)	13,249	3,739
Net income before income taxes		468,098	64,578	571,727	149,718
Current and deferred income tax expense	20	(14,537)	(3,316)	(14,104)	(8,823)
Net income		\$ 453,561	\$ 61,262	\$ 557,623	\$ 140,895
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	\$ 619	\$ 633	\$ 1,239	\$ 1,267
(Loss) gain on foreign currency translation	21	(5,350)	(24,616)	(82,444)	60,786
Other comprehensive (loss) income		\$ (4,731)	\$ (23,983)	\$ (81,205)	\$ 62,053
Comprehensive income		\$ 448,830	\$ 37,279	\$ 476,418	\$ 202,948

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	36,048	—	—	36,048
RUR Plan	14,16	8,213	—	—	8,213
Employee Unit Purchase Plan	14	1,478	—	—	1,478
Total unit capital		45,739	—	—	45,739
Net income and other comprehensive loss					
Net income		—	557,623	—	557,623
Other comprehensive loss		—	—	(81,205)	(81,205)
Total net income and other comprehensive loss		—	557,623	(81,205)	476,418
Distributions on Trust Units					
Distributions declared and paid		—	(99,008)	—	(99,008)
Distributions payable		—	(19,853)	—	(19,853)
Total distributions on Trust Units		—	(118,861)	—	(118,861)
Unitholders' equity, June 30, 2021		\$ 4,149,651	\$ 5,538,505	\$ (11,158)	\$ 9,676,998

(Unaudited)	Note	Unit capital	Retained earnings	Accumulated Other Comprehensive Income (Loss)	Total
Unitholders' equity, January 1, 2020		\$ 4,013,941	\$ 4,409,464	\$ (19,510)	\$ 8,403,895
Unit capital					
Distribution Reinvestment Plan	16	32,342	—	—	32,342
RUR Plan	14,16	3,835	—	—	3,835
Employee Unit Purchase Plan	14	1,278	—	—	1,278
Total unit capital		37,455	—	—	37,455
Net income and other comprehensive income					
Net income		—	140,895	—	140,895
Other comprehensive income		—	—	62,053	62,053
Total net income and other comprehensive income		—	140,895	62,053	202,948
Distributions on Trust Units					
Distributions declared and paid		—	(97,894)	—	(97,894)
Distributions payable		—	(19,623)	—	(19,623)
Total distributions on Trust Units		—	(117,517)	—	(117,517)
Unitholders' equity, June 30, 2020		\$ 4,051,396	\$ 4,432,842	\$ 42,543	\$ 8,526,781

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA\$ thousands)

(Unaudited)	Note	Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2021	2020	2021	2020
Cash provided by (used in):					
Operating activities					
Net income		\$ 453,561	\$ 61,262	\$ 557,623	\$ 140,895
Items related to operating activities not affecting cash:					
Fair value adjustments - investment properties		(364,567)	4,053	(357,488)	35,972
Fair value adjustments - Exchangeable LP Units		1,419	—	2,706	—
Fair value adjustments - investments		(3,827)	(3,783)	(6,871)	3,087
Mark-to-market loss (gain) on ERES units	10	843	31,512	13,422	(41,181)
Loss on disposition of investment properties	5	—	—	—	753
(Gain) loss on derivative financial instruments	18	(4,203)	7,447	(34,725)	958
Amortization	7, 21, 22	7,195	5,007	12,093	9,632
Unit-based compensation expense	14	4,433	6,045	8,919	793
Straight-line rent adjustment		(27)	(27)	(55)	(87)
Deferred income tax expense	20	13,486	2,956	12,349	6,882
Net (profit) loss from investment in associate	24	(5,202)	5,536	(7,544)	2,787
Unrealized foreign currency loss		(165)	(22,116)	769	31,692
Net income items related to financing and investing activities	23	36,878	35,764	73,396	68,830
Changes in non-cash operating assets and liabilities	23	(17,526)	16,446	(29,319)	(7,522)
Cash provided by operating activities		122,298	150,102	245,275	253,491
Investing activities					
Acquisition of investment properties	23	(406,568)	(528)	(409,301)	(342,364)
Capital investments	23	(68,115)	(51,195)	(142,963)	(98,528)
Operating lease buyout	5, 23	(4,457)	(100,366)	(4,457)	(119,411)
Disposition of investment properties	23	—	—	—	15,333
Change in restricted cash		(655)	(38)	(824)	(360)
Investment income received		3,978	184	4,372	6,404
Cash used in investing activities		(475,817)	(151,943)	(553,173)	(538,926)
Financing activities					
Mortgage financings	23	410,578	296,630	448,941	424,220
Mortgage principal repayments	23	(36,660)	(33,795)	(73,503)	(66,699)
Mortgages repaid on maturity	23	(121,578)	(98,234)	(210,651)	(121,942)
Lease payments		(1,565)	(2,023)	(2,969)	(2,829)
Financing costs		(2,299)	(1,354)	(2,854)	(2,191)
CMHC premiums on mortgages payable		(11,155)	(3,109)	(12,361)	(6,076)
Interest paid on mortgages and bank indebtedness	23	(32,955)	(31,030)	(65,278)	(64,243)
Bank indebtedness	23	264,828	(43,259)	317,066	(47,843)
Proceeds on issuance of Trust Units, net of issuance costs	23	711	622	1,586	1,135
Net cash distributions	23	(44,546)	(47,751)	(88,282)	(90,907)
Cash provided by financing activities		425,359	36,697	311,695	22,625
Changes in cash and cash equivalents during the period					
		71,840	34,856	3,797	(262,810)
Effect of exchange rate changes on cash		(832)	(3,657)	(2,977)	(1,063)
Cash and cash equivalents, beginning of the period		51,534	182,256	121,722	477,328
Cash and cash equivalents, end of the period		\$ 122,542	\$ 213,455	\$ 122,542	\$ 213,455

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

June 30, 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 June 30, 2021, CAPREIT directly and indirectly holds a 66% (December 31, 2020 - 66%) ownership of European Residential Real Estate Investment Trust ("ERES"), which operates primarily in the Netherlands, with the remaining 34% (December 31, 2020 - 34%) held by non-controlling unitholders. CAPREIT owns units of ERES ("ERES units") and Class B Limited Partnership units ("ERES Class B LP Units") of ERES Limited Partnership ("ERES LP"). ERES Class B LP Units are exchangeable, on a one-for-one basis, for ERES units at the option of the holder, and have economic and voting rights through special voting units of ERES that are equivalent, in all material respects, to ERES units.

CAPREIT is listed on the Toronto Stock Exchange ("TSX") under the 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 August 12, 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 six months ended June 30, 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)

June 30, 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

CAPREIT completed the following investment property acquisitions since January 1, 2021, which have contributed to the operating results effective from their respective acquisition dates. The below tables do not include \$4,457 relating to CAPREIT's operating lease buyout in the six months ended June 30, 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2021

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

Acquisitions Completed During the Six Months Ended June 30, 2021

Acquisition Date	Suite Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
May 5, 2021	485	Oshawa, ON	\$ 105,904	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
May 31, 2021	154	Montréal, QC	31,727	18,037	—	1.78	4.58
June 2, 2021	228	Victoria, BC	78,306	8,448	—	1.33	4.42
June 9, 2021	77	Victoria, BC	20,263	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
June 24, 2021	30	Victoria, BC	9,906	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
June 25, 2021	548	London, ON	110,461	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
June 30, 2021	104	The Netherlands	45,879	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾
June 30, 2021	33	The Netherlands	27,202	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾
Total	1,659		\$ 429,648	\$ 26,485	\$ —		

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

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

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

⁽⁴⁾ The acquisition was funded from the ERES Credit Facility and ERES Bridge Facility.

There were no property dispositions during the six months ended June 30, 2021.

5. Investment Properties

Reconciliation of Carrying Amounts of Investment Properties by Type

For the Six Months Ended June 30, 2021	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance of investment properties, beginning of the period	\$ 14,624,762	\$ 114,775	\$ 261,054	\$ 15,000,591
Additions:				
Acquisitions	429,648	—	—	429,648
Property capital investments	138,983	1,242	3,563	143,788
Capitalized leasing costs ⁽¹⁾	1,201	20	8	1,229
Right-of-use asset ⁽²⁾	—	—	10,067	10,067
Operating lease buyout ⁽³⁾	—	4,457	—	4,457
Transfer between investment property types ⁽³⁾	23,810	(23,810)	—	—
Fair value adjustments	357,074	1,723	(1,309)	357,488
Loss on foreign currency translation	(134,142)	—	—	(134,142)
Balance of investment properties, end of the period	\$ 15,441,336	\$ 98,407	\$ 273,383	\$ 15,813,126

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

⁽²⁾ On April 1, 2021, the basic annual rent of an existing land lease was increased in accordance with the lease agreement, which stipulates that the basic annual rent be renegotiated every 20 years to reflect the land market value.

⁽³⁾ During the six months ended June 30, 2021, CAPREIT purchased the freehold interest on one of its operating leasehold properties and converted the ownership into fee simple.

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

For the Six Months Ended June 30, 2020	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	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	75,348	4,180	1,668	81,196
Capitalized leasing costs ⁽¹⁾	62	2	(16)	48
Operating lease buyout ⁽²⁾	—	150,157	—	150,157
Dispositions	(26,260)	—	—	(26,260)
Transfer between investment property types ⁽²⁾	894,349	(972,721)	78,372	—
Fair value adjustments	(27,635)	(1,070)	(7,267)	(35,972)
Gain on foreign currency translation	96,856	—	—	96,856
Balance of investment properties, end of the period	\$ 13,414,681	\$ 146,417	\$ 268,810	\$ 13,829,908

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

⁽²⁾ During the six months ended June 30, 2020, CAPREIT purchased the freehold interest on nine of its operating leasehold properties and converted the ownership into eight fee simple and one land leasehold interest.

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 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.

A summary of the market assumptions and ranges for each type of property interest, along with their fair values, is presented below as at June 30, 2021 and December 31, 2020:

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

As at June 30, 2021

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽¹⁾	\$ 14,791,416	\$ 3,562	Capitalization rate	8.70 %	1.87 %	3.68 %
MHC sites	649,920	1,874	Capitalization rate	8.13 %	3.85 %	5.85 %
Operating leasehold interests ^{(2), (3)}	98,407	2,789	Discount rate ⁽⁶⁾	5.50 %	5.25 %	5.33 %
Land leasehold interests ⁽⁴⁾	226,980	3,152	Discount rate ⁽⁶⁾	7.50 %	5.50 %	6.48 %
Total Investment Properties excluding right-of-use assets	\$ 15,766,723					
Add: Right-of-use assets, net of fair value change	46,403					
Total Investment Properties	\$ 15,813,126					

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 \$2,296,367 (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 5.58% and a terminal capitalization rate of 4.74% (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 \$33,247 as at June 30, 2021 (December 31, 2020 - \$42,235).

⁽³⁾ For the two operating leasehold interests remaining as at June 30, 2021 (December 31, 2020 - three), the contractual weighted average remaining lease term on operating leasehold interests is 14.9 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 two operating leasehold interests is 4.9 years as at June 30, 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 June 30, 2021 and December 31, 2020, respectively.

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 June 30, 2021	Change in NOI					
	(2.00)%	(1.00)%	—%	+1.00%	+2.00%	
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,126,708	\$ 2,308,955	\$ 2,491,202	\$ 2,673,449	\$ 2,855,696
	(0.25)%	813,406	982,252	1,151,098	1,319,944	1,488,790
	— %	(314,742)	(157,408)	—	157,261	314,595
	+0.25 %	(1,295,171)	(1,147,841)	(1,000,511)	(853,182)	(705,852)
	+0.50 %	(2,155,665)	(2,017,116)	(1,878,567)	(1,740,017)	(1,601,468)

⁽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.

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

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 June 30, 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	June 30, 2021	December 31, 2020
Carrying value of investment in associate	\$ 244,985	\$ 257,210
Share ownership (%)	18.7%	18.8%
Number of IRES shares	98,910,000	98,910,000
IRES share price (€)	1.52	1.50
Fair value of investment in associate based on quoted market price ⁽¹⁾	\$ 220,989	\$ 231,568

⁽¹⁾ CAPREIT has determined that the deficiency of the market capitalization of IRES over the carrying amount of the investment as at June 30, 2021 is an indicator of impairment. An impairment analysis was performed and an impairment loss of \$nil was recorded for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - \$nil).

7. Other Assets

As at	Note	June 30, 2021	December 31, 2020
Other non-current assets			
Property, plant and equipment ⁽¹⁾		\$ 47,426	\$ 59,850
Accumulated amortization of property, plant and equipment		(31,843)	(43,330)
Net property, plant and equipment		15,583	16,520
Right-of-use asset, net of amortization ⁽²⁾		838	1,141
Deferred loan costs, net ⁽³⁾		1,019	451
Fair value through profit or loss investment		44,069	37,198
Deferred tax asset	20	2,853	2,032
Goodwill ⁽⁴⁾		15,468	16,468
Total		\$ 79,830	\$ 73,810
Other current assets			
Prepaid expenses		\$ 20,674	\$ 9,969
Other receivables		17,721	15,411
Restricted cash		10,054	9,355
Deposits		8,307	10,230
Total		\$ 56,756	\$ 44,965

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

⁽²⁾ Amortization during the three and six months ended June 30, 2021 is \$150 and \$303 respectively (three and six months ended June 30, 2020 - \$151 and \$323 respectively).

⁽³⁾ Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of \$1,421 (December 31, 2020 - \$12,994).

⁽⁴⁾ CAPREIT has determined that the decline in the market capitalization of ERES as at June 30, 2021 is an indicator of impairment and as such, an impairment assessment was performed. An impairment loss of \$nil has been recorded for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - \$nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**June 30, 2021**

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8. Other Current Liabilities

As at	Note	June 30, 2021	December 31, 2020
Current tax liability	20	\$ 2,872	\$ 2,362
Mortgage interest payable		10,313	10,446
Current lease liabilities		1,172	1,177
Total		\$ 14,357	\$ 13,985

9. Accounts Payable and Accrued Liabilities

As at	June 30, 2021	December 31, 2020
Accounts payable	\$ 39,484	\$ 58,378
Accrued liabilities	52,417	51,843
Deferred revenue	14,987	14,399
Distributions payable to ERES non-controlling unitholders	904	920
Other	5,232	6,348
Total	\$ 113,024	\$ 131,888

10. ERES Units Held by Non-Controlling Unitholders

As at June 30, 2021, CAPREIT valued the ERES units held by non-controlling unitholders at \$343,030 (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 market price.

	Three Months Ended		Six Months Ended,	
	June 30,		June 30,	
	2021	2020	2021	2020
Mark-to-market loss (gain) on ERES units	\$ 843	\$ 31,512	\$ 13,422	\$ (41,181)
Distributions to ERES non-controlling unitholders	3,195	3,138	6,404	6,152
Loss (gain) on non-controlling interest	\$ 4,038	\$ 34,650	\$ 19,826	\$ (35,029)

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11. Mortgages Payable

As at June 30, 2021, mortgages payable bear interest at a weighted average effective rate of 2.58% (December 31, 2020 - 2.61%) and mature between 2021 and 2036. The effective interest rate as at June 30, 2021 includes 0.04% (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 June 30, 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 \$14,238,856 have been pledged as security as at June 30, 2021 (December 31, 2020 - \$14,023,910). CAPREIT has investment properties with a fair value of \$1,574,270 as at June 30, 2021 that are not encumbered by mortgages (December 31, 2020 - \$976,681). Of these, \$1,504,494 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 June 30, 2021, unamortized deferred financing costs of \$15,456, unamortized fair value loss of \$1,314 and unamortized prepaid CMHC premiums of \$104,015 are netted against mortgages payable (December 31, 2020 - \$15,453, \$1,330 and \$96,255, respectively).

Future principal repayments as at June 30, 2021 for the years indicated are as follows:

As at June 30, 2021	Principal Amount	% of Total Principal
2021	\$ 306,437	5.4
2022	555,877 ⁽¹⁾	9.9
2023	593,500 ⁽¹⁾	10.5
2024	538,564 ⁽¹⁾	9.6
2025	781,848 ⁽¹⁾	13.9
2026 - 2036	2,863,129 ⁽¹⁾	50.7
	5,639,355	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(118,157)	
Total portfolio	\$ 5,521,198	

As at	June 30, 2021	December 31, 2020
Represented by:		
Mortgages payable - non-current ⁽¹⁾	\$ 5,066,764	\$ 4,811,131
Mortgages payable - current	454,434	590,071
	\$ 5,521,198	\$ 5,401,202

⁽¹⁾ Included in mortgages payable as at June 30, 2021 are non-amortizing mortgages from ERES.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

12. Bank Indebtedness

Effective June 18, 2021, CAPREIT entered into a new credit facility agreement. CAPREIT made the following changes to its credit facility agreement, among other things: (i) decreased its Acquisition and Operating Facility from \$740,000 to \$600,000, (ii) lower interest rates and fees, (iii) replaced the conversion feature with a three-year term from June 18, 2021 including the possibility to request a renewal or extension at any time, subject to the lenders' consent, and (iv) changed certain financial covenants, which are further discussed in note 19.

CAPREIT's credit facilities consist of the \$600,000 Acquisition and Operating Facility, which can be borrowed in US dollars ("USD"), euro or Canadian dollars (collectively, the "Credit Facilities"). The \$65,000 five-year non-revolving term credit facility that was included in the previous Credit Facilities was repaid on January 15, 2021. The Acquisition and Operating Facility matures on June 18, 2024. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances, bankers' acceptances, and USD and euro LIBOR utilized during the year. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities. The Credit Facilities are used to fund operations, acquisitions, capital improvements, letters of credit and working capital deficiencies.

As of June 30, 2021, \$18,081 (€12,301) was drawn on the ERES Bridge Facility (December 31, 2020 - €nil). Refer to note 29 for further information.

As at June 30, 2021	Acquisition and Operating Facility	ERES Credit Facility and Bridge Facility	Consolidated Total
Facility	\$ 600,000	\$ 146,990 ⁽⁴⁾	\$ 746,990
Less: USD LIBOR borrowings	(102,056) ⁽¹⁾	(91,576)	(193,632)
Canadian borrowings	(240,176) ⁽²⁾	—	(240,176)
Letters of credit	(7,092)	—	(7,092)
Available borrowing capacity	\$ 250,676	\$ 55,414	\$ 306,090
Weighted average interest rate including interest rate swaps	2.01 % ⁽³⁾	1.08 % ⁽⁵⁾	1.81 %

As at December 31, 2020	Acquisition and Operating Facility	ERES Credit Facility and Bridge Facility	Consolidated Total
Facility	\$ 740,000	\$ 156,080 ⁽⁴⁾	\$ 896,080
Less: USD LIBOR borrowings	(104,810) ⁽¹⁾	(13,743)	(118,553)
Letters of credit	(7,193)	—	(7,193)
Available borrowing capacity	\$ 627,997	\$ 142,337	\$ 770,334
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 \$82,343 (December 31, 2020 - USD \$82,320) that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum as at June 30, 2021 (December 31, 2020 - 1.65%).

⁽²⁾ Canadian borrowings bear interest at the bankers' acceptance rate plus a margin of 1.35% per annum as at June 30, 2021 (December 31, 2020 - 1.65%).

⁽³⁾ Excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 2.21% (December 31, 2020 - 1.78%). For details on the swaps, refer to note 18.

⁽⁴⁾ Included is a \$73,495 (€50,000) ERES Bridge Facility (December 31, 2020 - \$78,040). \$18,081 (€12,301) was drawn on the ERES Bridge Facility as of June 30, 2021 (December 31, 2020 - \$nil).

⁽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 1.74% (December 31, 2020 - 1.79%). For details on the swaps, refer to note 18.

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 June 30, 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 June 30, 2021 is 391,532 units (December 31, 2020 - 550,279 units).

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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 June 30, 2021, the maximum number of outstanding unit options issuable under the ERES UOP is 18,361,068 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 June 30, 2021 and 2020 are as follows:

Six Months Ended June 30, 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	8,222	113,511	121,733
Exercised or settled in Trust Units	—	—	(149,440)	(149,440)
Cancelled or forfeited	—	—	(87)	(87)
Distributions reinvested	—	2,276	7,494	9,770
Unit rights and unit options outstanding as at June 30, 2021	4,729,694	185,303	534,865	720,168
Six Months Ended June 30, 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	—	9,975	87,985	97,960
Exercised or settled in Trust Units	—	—	(79,364)	(79,364)
Cancelled or forfeited	(56,320)	—	(236)	(236)
Distributions reinvested	—	2,127	7,973	10,100
Unit rights and unit options outstanding as at June 30, 2020	4,199,694	163,098	558,445	721,543

⁽¹⁾ Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the six months ended June 30, 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	June 30, 2021	December 31, 2020
Total unit-based compensation financial liabilities, beginning of the period	\$ 33,747	\$ 33,049
Unit-based compensation expense	8,670	4,705
Settlement of unit-based compensation awards for Trust Units and ERES units	(8,106)	(4,043)
(Gain) loss on foreign currency translation	(105)	36
Total unit-based compensation financial liabilities, end of the period	\$ 34,206	\$ 33,747

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Unit-based compensation financial liabilities are as follows:

As at	June 30, 2021	December 31, 2020
Non-current		
RUR	\$ 13,652	\$ 13,887
ERES UOP	261	236
	\$ 13,913	\$ 14,123
Current		
DUP	\$ 10,770	\$ 8,738
RUR	7,787	9,345
ERES UOP	1,736	1,541
	\$ 20,293	\$ 19,624
Total unit-based compensation financial liabilities	\$ 34,206	\$ 33,747

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

As at June 30, 2021, 0.7% (June 30, 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

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 June 30, 2021 and 2020, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
DUP	\$ 1,069	\$ 1,167	\$ 2,031	\$ (122)
RUR Plan	3,251	3,828	6,424	345
EUPP	119	103	249	213
ERES UOP	(6)	947	215	357
Unit-based compensation expense	\$ 4,433	\$ 6,045	\$ 8,919	\$ 793

15. Exchangeable LP Units

The carrying value of the Exchangeable LP Units is measured at their fair value of \$19,337 as at June 30, 2021 (December 31, 2020 - \$16,632), which is based on the closing price of the Trust Units on the TSX. The number of issued and outstanding Exchangeable LP Units is as follows:

For the Six Months Ended June 30,	2021	2020
Exchangeable LP Units outstanding, beginning of the period	332,703	—
Issued or granted	—	632,761
Exchangeable LP Units outstanding, end of the period	332,703	632,761

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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 Six Months Ended June 30,	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	702,908	658,351
EUPP	27,333	25,028
RUR Plan	149,440	79,364
Trust Units outstanding, end of the period	172,631,520	170,631,940

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

At June 30, 2021, the fair value of CAPREIT's mortgages payable is estimated to be \$5,745,000 (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 June 30, 2021, the principal outstanding on CAPREIT's mortgages payable is \$5,639,355 (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	\$ —	\$ —	\$ 15,441,336 ⁽¹⁾	\$ 15,441,336
Operating leasehold interests	—	—	98,407 ⁽¹⁾	98,407
Land leasehold interests	—	—	273,383 ⁽¹⁾	273,383
Investments	44,069 ⁽²⁾	—	—	44,069
Derivative financial assets	—	24,331 ⁽³⁾	—	24,331
Liabilities				
Derivative financial liabilities	—	(8,242) ⁽³⁾	—	(8,242)
ERES units held by non-controlling unitholders	(343,030)	—	—	(343,030)
Unit-based compensation financial liabilities	—	(34,206)	—	(34,206)
Exchangeable LP Units	—	(19,337)	—	(19,337)
Total	\$ (298,961)	\$ (37,454)	\$ 15,813,126	\$ 15,476,711

⁽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 June 30, 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 June 30, 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 six months ended June 30, 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	
		June 30, 2021	June 30, 2020
Floating rate debt	+100	\$ 409	\$ —
Floating rate debt	-100	\$ (409)	\$ —
Cross-currency and/or interest rate swaps ⁽¹⁾	+100	\$ 1,599	\$ 6,407
Cross-currency and/or interest rate swaps ⁽¹⁾	-100	\$ (1,618)	\$ (6,747)

⁽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 June 30, 2021, interest rate risk has been minimized, as 99.4% (June 30, 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 (June 30, 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 99.1% of CAPREIT's mortgages are CMHC-insured (excluding \$1,062,034 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 June 30, 2021, CAPREIT had undrawn lines of credit in the amount of \$250,676 (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 June 30, 2021 are as follows:

	2021 ⁽²⁾	2022 - 2023	2024 - 2025	2026 onward
Mortgages payable	\$ 306,437	\$ 1,149,377	\$ 1,320,412	\$ 2,863,129
Bank indebtedness	91,576	—	342,232	—
Mortgage interest	86,853	203,743	144,302	177,160
Bank indebtedness interest ⁽¹⁾	2,313	9,178	2,137	—
Other liabilities ⁽³⁾	126,209	—	—	—
Derivative financial liabilities	6,583	—	1,659	—
ERES units held by non-controlling unitholders	—	—	—	343,030
Lease liabilities	588	1,760	1,399	43,469
Security deposits	42,020	—	—	—
Distributions payable	19,853	—	—	—
	\$ 682,432	\$ 1,364,058	\$ 1,812,141	\$ 3,426,788

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

⁽²⁾ Estimates of the amounts as at June 30, 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) gain 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 June 30, 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 %	\$	(6,583)
CCIR Swaps ⁽²⁾	\$ 570,694	2022 - 2025	1.07 %	0.08 %		21,799
ERES Interest Rate Swaps ⁽³⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %		(1,086)
ERES CCIR Swaps ⁽⁴⁾	US\$ 74,000	2021	USD LIBOR + 1.65%	EURIBOR + 1.63%		1,959
Consolidated Total					\$	16,089

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 ⁽⁴⁾	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 June 30, 2021, the interest rate swap consists of a non-current derivative asset of \$573 (December 31, 2020 - \$778) and a non-current derivative liability of \$1,659 (December 31, 2020 - \$2,179).

⁽⁴⁾ Euro equivalent of €61,050 (December 31, 2020 - €8,800).

⁽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.

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	June 30, 2021	December 31, 2020
Mortgages payable	\$ 5,521,198	\$ 5,401,202
Bank indebtedness	433,808	118,553
Unitholders' equity	9,676,998	9,273,702
Exchangeable LP Units	19,337	16,632
Total capital	\$ 15,651,341	\$ 14,810,089

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As described in note 12, CAPREIT entered into a new credit facility agreement on June 18, 2021. The new Credit Facilities introduced the following covenants: (i) total debt to gross book value of CAPREIT's total assets shall be less than 62.50%, and (ii) the funds from operations ("FFO") payout ratio shall not exceed 100% based on the trailing four quarters. FFO shall be calculated in accordance with the recommendations of the Real Property Association of Canada ("REALpac") and will be subject to the adjustments disclosed in the most recent annual report and such other adjustments as may be agreed with the lender. Furthermore, the following changes were made to the financial covenants under the new Credit Facilities: (i) the minimum tangible net worth increased from \$2,400,000 to the sum of \$5,000,000 and 75% of the net cash proceeds received in connection with any issuance or sale of equity by CAPREIT after the closing date of the new Credit Facilities, (ii) the minimum debt service coverage ratio increased from 1.20 to 1.40, and (iii) the minimum interest coverage ratio increased from 1.50 to 1.65.

The results of CAPREIT's compliance with the key covenants are summarized below ⁽¹⁾:

	Threshold	June 30, 2021	December 31, 2020
Total debt to gross book value ⁽²⁾	Maximum 62.50 %	36.37 %	35.54 %
	Minimum of \$5,000,000 + 75% of proceeds of future equity raises		
Tangible net worth ⁽³⁾		\$ 9,715,073	\$ 9,307,613
Debt service coverage ratio (times) ^{(4), (5)}	Minimum 1.40	2.00	2.01
Interest coverage ratio (times) ^{(4), (6)}	Minimum 1.65	3.99	3.95

⁽¹⁾ CAPREIT's FFO payout ratio did not exceed 100% for the trailing four quarters ended June 30, 2021. As at June 30, 2021, CAPREIT is in compliance with its debt covenant on the FFO payout ratio.

⁽²⁾ CAPREIT's new Credit Facilities limit the maximum amount of total debt to 62.5% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's consolidated 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.

⁽³⁾ As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' equity and unit-based rights and compensation liabilities or assets, including Exchangeable LP Units added back, and excluding goodwill.

⁽⁴⁾ Based on the trailing four quarters.

⁽⁵⁾ As per the Credit Facilities agreement, 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.

⁽⁶⁾ As per the Credit Facilities agreement, 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 June 30, 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

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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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Income before income taxes	\$ 468,098	\$ 64,578	\$ 571,727	\$ 149,718
Income not subject to taxation ⁽¹⁾	(409,016)	(50,506)	(512,483)	(108,401)
Income before income taxes in foreign subsidiary entities	59,082	14,072	59,244	41,317
Tax calculated at the Dutch corporate tax rate of 25%	14,770	3,518	14,811	10,329
Increase (decrease) resulting from:				
Effect of different tax rates in countries in which CAPREIT operates	(192)	(64)	(501)	(183)
Adjustments to deferred taxes for the change in tax rates	—	(363)	—	(1,229)
Adjustment for income taxed at a lower rate	(339)	(135)	(492)	(419)
Unrecognized deferred tax assets	145	—	292	—
Other adjustments	153	360	(6)	325
Current and deferred income tax expense (net)	\$ 14,537	\$ 3,316	\$ 14,104	\$ 8,823

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Current income tax expense	\$ 1,051	\$ 360	\$ 1,755	\$ 1,941
Deferred income tax expense	13,486	2,956	12,349	6,882
Current and deferred income tax expense (net)	\$ 14,537	\$ 3,316	\$ 14,104	\$ 8,823

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

As at	June 30, 2021	December 31, 2020
Deferred tax liability related to difference in tax and book basis of investment properties	\$ (70,082)	\$ (61,632)
Deferred tax asset related to loss carryforward	3,482	3,700

As at June 30, 2021, CAPREIT has total non-capital loss carryforwards of \$15,609 (December 31, 2020 - \$16,501). Of these losses, \$11,086 (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 \$4,523 (December 31, 2020 - \$4,553) are in respect of German subsidiaries and have no expiry period.

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21. Accumulated Other Comprehensive (Loss) Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
AOI (AOCL) balance, beginning of the period	\$ (6,427)	\$ 66,526	\$ 70,047	\$ (19,510)
Other comprehensive (loss) income:				
Amortization from (AOCL) AOI to interest and other financing costs ⁽¹⁾	619	633	1,239	1,267
(Loss) gain on foreign currency translation	(5,350)	(24,616)	(82,444)	60,786
Other comprehensive (loss) income	(4,731)	(23,983)	(81,205)	62,053
(AOCL) AOI balance, end of the period	\$ (11,158)	\$ 42,543	\$ (11,158)	\$ 42,543
As at	June 30, 2021		December 31, 2020	
(AOCL) AOI comprises:				
Net cumulative loss on derivative financial instruments	\$	(246)	\$	(380)
Net cumulative loss on forward interest rate hedge ⁽¹⁾		(2,657)		(3,762)
Cumulative (loss) gain on foreign currency translation		(11,382)		71,062
Reversal of cumulative foreign currency translation relating to IRES ownership dilution		3,127		3,127
(AOCL) AOI balance, end of the period	\$	(11,158)	\$	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 \$2,045.

22. Interest and Other Financing Costs

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest on mortgages payable ⁽¹⁾	\$ 32,583	\$ 32,000	\$ 65,732	\$ 62,887
Amortization of CMHC premiums and fees	3,631	1,083	4,601	2,165
Interest on bank indebtedness and other deferred costs ⁽²⁾	1,829	2,091	3,109	4,401
Interest on Exchangeable LP Units	114	—	229	—
Interest on land and air rights lease liability	1,260	1,737	2,376	2,254
	\$ 39,417	\$ 36,911	\$ 76,047	\$ 71,707

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and other comprehensive (loss) income hedge interest for the three and six months ended June 30, 2021 of \$1,258 and \$2,953 respectively (three and six months ended June 30, 2020 - \$1,638 and \$3,016 respectively).

⁽²⁾ Includes amortization of deferred loan costs for the three and six months ended June 30, 2021 of \$239 and \$458 respectively (three and six months ended June 30, 2020 - \$335 and \$728 respectively).

23. Supplemental Cash Flow Information

a) Net Income Items Related to Investing and Financing Activities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Dividend and interest income	\$ (399)	\$ (184)	\$ (793)	\$ (2,032)
Distributions to holders of Exchangeable LP Units	114	—	229	—
Distributions to ERES non-controlling unitholders	3,195	3,138	6,404	6,152
Interest expense on mortgages	31,118	30,110	62,528	59,579
Interest expense on bank indebtedness	1,590	963	2,652	2,877
Interest expense on leases	1,260	1,737	2,376	2,254
Net disbursements	\$ 36,878	\$ 35,764	\$ 73,396	\$ 68,830

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b) Changes in Non-cash Operating Assets and Liabilities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Prepaid expenses	\$ (6,246)	\$ (2,818)	\$ (10,818)	\$ (6,425)
Tenant inducements, direct leasing costs and other adjustments	(366)	(60)	(1,174)	39
Other receivables	(1,840)	(1,039)	(1,507)	(3,712)
Deposits	(402)	(906)	(972)	(1,894)
Accounts payable and other liabilities	(9,314)	20,737	(10,923)	1,863
Derivative liability	—	—	(4,082)	—
Security deposits	1,509	(613)	1,149	1,066
Current tax liability	(867)	1,145	(992)	1,541
Net decrease in non-cash operating assets and liabilities	\$ (17,526)	\$ 16,446	\$ (29,319)	\$ (7,522)

c) Net Cash Distributions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Distributions declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	\$ (62,816)	\$ (61,962)	\$ (125,494)	\$ (123,669)
Add: Distributions payable to Unitholders at beginning of the period	(19,808)	(19,580)	(19,751)	(19,533)
Less: Distributions payable to Unitholders at end of the period	19,853	19,623	19,853	19,623
Less: Distributions to participants in the CAPREIT DRIP	17,503	13,548	36,048	32,342
Add: Distributions payable to ERES non-controlling unitholders at beginning of the period	(905)	(460)	(920)	(832)
Less: Distributions payable to ERES non-controlling unitholders at end of the period	904	1,029	904	1,029
Less: Distributions to non-controlling participants in the ERES DRIP	738	42	1,073	156
Add: Distributions payable to holders of Exchangeable LP Units at beginning of the period	(38)	—	(38)	—
Less: Distributions payable to holders of Exchangeable LP Units at end of the period	38	—	38	—
Gain (loss) on foreign currency translation	(15)	9	5	(23)
Net disbursements	\$ (44,546)	\$ (47,751)	\$ (88,282)	\$ (90,907)

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d) Capital Investments

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Capital investments	\$ (76,803)	\$ (40,217)	\$ (137,511)	\$ (85,137)
Change in capital investments included in accounts payable and other liabilities	8,688	(10,978)	(5,452)	(13,391)
Net disbursements	\$ (68,115)	\$ (51,195)	\$ (142,963)	\$ (98,528)

e) Acquisition of Investment Properties

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Acquired properties	\$ (429,648)	—	\$ (429,648)	\$ (467,457)
Fair value adjustment of assumed debt	128	—	128	(463)
Assumed debt	26,485	—	26,485	108,744
Deposit on purchases	(3,533)	(528)	(6,266)	16,812
Net disbursements	\$ (406,568)	\$ (528)	\$ (409,301)	\$ (342,364)

f) Operating Lease Buyout

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease buyout	\$ (4,457)	\$ (131,112)	\$ (4,457)	\$ (150,157)
Issuance of Exchangeable LP Units	—	30,746	—	30,746
Net disbursements	\$ (4,457)	\$ (100,366)	\$ (4,457)	\$ (119,411)

g) Disposition of Investment Properties

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Proceeds	\$ —	\$ —	\$ —	\$ 26,260
Closing costs	—	—	—	(753)
Working capital adjustments	—	—	—	(8)
Mortgages discharged	—	—	—	(10,166)
Net proceeds	\$ —	\$ —	\$ —	\$ 15,333

h) Issuance of Trust Units

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Issuance of Trust Units	\$ 3,572	\$ 3,321	\$ 9,693	\$ 5,113
Settlement of unit-based compensation awards for Trust Units	(2,860)	(2,699)	(8,106)	(3,978)
Net proceeds	\$ 711	\$ 622	\$ 1,586	\$ 1,135

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i) Mortgage Portfolio

For the Six Months Ended June 30,	2021	2020
Balance, beginning of the period	\$ 5,401,202	\$ 4,228,805
Add:		
New borrowings on acquisitions	65,825	200,928
Refinanced	383,116	223,292
Less:		
Mortgage principal repayments	(73,503)	(66,699)
Mortgages matured	(210,651)	(121,942)
Mortgages repaid on dispositions of investment properties	—	(10,166)
Non-cash adjustments:		
Mortgages assumed	26,485	108,744
(Gain) loss on foreign currency translation	(63,497)	41,561
Net change in deferred financings costs, fair value adjustment and prepaid CMHC premiums	(7,779)	(4,858)
Balance, end of the period	\$ 5,521,198	\$ 4,599,665

j) Bank Indebtedness

For the Six Months Ended June 30,	2021	2020
Balance, beginning of the period	\$ 118,553	\$ 623,893
Net borrowings (repayments) before foreign currency translation	317,066	(47,843)
(Gain) loss on foreign currency translation	(1,811)	31,955
Balance, end of the period	\$ 433,808	\$ 608,005

24. Revenue and Other Income (Loss)

Other income (loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Investment income (loss)	\$ 369	\$ (346)	\$ 739	\$ 486
Net profit (loss) from investment in associate ⁽¹⁾	5,202	(5,536)	7,544	(2,787)
Asset and property management fees ⁽²⁾	2,443	2,393	4,908	4,740
Other	32	285	58	1,300
Total	\$ 8,046	\$ (3,204)	\$ 13,249	\$ 3,739

⁽¹⁾ CAPREIT's share of IRES's investment property fair value change, earnings and foreign exchange effects thereon. For the three and six months ended June 30, 2021, CAPREIT's share of IRES's investment property fair value gain (loss) is \$2,211 (three and six months ended June 30, 2020 - \$(7,690)).

⁽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 and six months ended June 30, 2021, miscellaneous revenues of \$4,708 and \$9,385 respectively were included in revenue from investment properties (three and six months ended June 30, 2020 - \$4,327 and \$9,283 respectively). Miscellaneous revenues consist of cable income, common area maintenance recoveries and premium service components.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**June 30, 2021**

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

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

Included in other income for the three and six months ended June 30, 2021 are asset management and property management fees of \$2,443 and \$4,908, respectively (three and six months ended June 30, 2020 - \$2,393 and \$4,740, respectively). Expenses related to the asset and property management services are included in trust expenses. The amount receivable from IRES, including dividends receivable, as at June 30, 2021 is \$2,449 (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. Refer to note 29 for further information.

b) Transactions with Key Management Personnel

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 866	\$ 840	\$ 1,806	\$ 1,767
Unit-based compensation - grant date amortization	798	681	1,445	1,243
	1,664	1,521	3,251	3,010
Unit-based compensation - fair value remeasurement	1,563	2,190	3,125	(1,378)
Total	\$ 3,227	\$ 3,711	\$ 6,376	\$ 1,632

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 and six months ended June 30, 2021.

The table below summarizes fees charged to ERES:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Asset management fees	\$ 1,797	\$ 1,784	\$ 3,629	\$ 3,320
Acquisition fees	691	—	691	—
Property management fees	978	910	1,977	1,776
Service fees	253	142	395	332
Total	\$ 3,719	\$ 2,836	\$ 6,692	\$ 5,428

June 30, 2021

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

Natural Gas

		Remaining 2021		2022		2023		2024		2025
Gas Commodity										
Fixed weighted average cost per GJ ⁽¹⁾	\$	1.78	\$	2.08	\$	2.31	\$	2.31	\$	2.26
Total of CAPREIT's estimated requirements		76.4 %		58.8 %		67.0 %		53.8 %		31.5 %
Transport										
Fixed weighted average cost per GJ ⁽¹⁾	\$	1.33	\$	1.05	\$	0.81	\$	0.75	\$	0.79
Total of CAPREIT's estimated requirements		76.4 %		58.8 %		67.0 %		53.8 %		31.5 %

Property capital investments

27. Contingencies

28. Segmented Information

For the Three Months Ended June 30, 2021					
Selected income statement items		Canada		Europe	Consolidated Financial Statements
Revenue from investment properties	\$	200,931	\$	27,925	\$ 228,856
Operating expenses		(70,990)		(6,080)	(77,070)
Net rental income	\$	129,941	\$	21,845	\$ 151,786
Fair value adjustments of investment properties	\$	312,415	\$	52,152	\$ 364,567

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2021

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

For the Three Months Ended June 30, 2020

Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	\$	193,944	\$	25,981	\$	219,925
Operating expenses		(70,398)		(6,294)		(76,692)
Net rental income	\$	123,546	\$	19,687	\$	143,233
Fair value adjustments of investment properties	\$	(12,584)	\$	8,531	\$	(4,053)

For the Six Months Ended June 30, 2021

Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	\$	399,930	\$	56,432	\$	456,362
Operating expenses		(144,860)		(13,064)		(157,924)
Net rental income	\$	255,070	\$	43,368	\$	298,438
Fair value adjustments of investment properties	\$	311,324	\$	46,164	\$	357,488

For the Six Months Ended June 30, 2020

Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	\$	384,585	\$	51,400	\$	435,985
Operating expenses		(142,470)		(12,224)		(154,694)
Net rental income	\$	242,115	\$	39,176	\$	281,291
Fair value adjustments of investment properties	\$	(66,903)	\$	30,931	\$	(35,972)

As at June 30, 2021

Selected balance sheet items		Canada		Europe		Consolidated financial statements
Investment properties	\$	13,516,759	\$	2,296,367	\$	15,813,126
Mortgages payable		4,491,570		1,029,628		5,521,198

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 July 5, 2021, CAPREIT completed the acquisition of two MHC properties containing 342 sites in the town of Lakeshore close to Windsor, Ontario. CAPREIT paid approximately \$20,590 for the two properties, funded by cash and the assumption of a \$8,573 mortgage maturing in October 2025.

Subsequent to period-end, ERES extended the maturity of both the ERES Credit Facility and the ERES Bridge Facility, each originally maturing on July 8, 2021, for an additional period ending on September 10, 2021, under the same terms and conditions.

On August 6, 2021, IRES served a notice of termination of the IMA and exercised its obligation to acquire IRES Fund Management Limited for €1, effective January 31, 2022 and subject to approval from the Central Bank of Ireland. In the interim, CAPREIT will continue to provide all the services pursuant to the current IMA and services agreement on their existing terms.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2021

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

On August 12, 2021, the Board of Trustees approved an increase in monthly distributions to \$0.1208 per Unit, or \$1.45 per Unit on an annualized basis. The increase is effective with the August 2021 distribution payable on September 15, 2021 to Unitholders of record as at August 31, 2021.

Unitholder Information

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Corinne Pruzanski
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STOCK EXCHANGE LISTING

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