



CANADIAN APARTMENT
PROPERTIES • REIT

**FINANCIAL REVIEW
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021**

November 9, 2021

Report to Unitholders

We continued to generate solid growth and strong operating performance in the third quarter, indicating another record year for CAPREIT in 2021. Occupancies rose again at quarter end, average monthly rents increased, and we saw solid growth in all our key performance benchmarks. Most importantly, our balance sheet and financial position remained strong and resilient with a significant liquidity position.

For the nine months ended September 30, 2021, total operating revenues increased 5.3%, 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 rose to 97.9% while average monthly rents increased 2.7% compared to last year. Stabilized property NOI increased by 2.1% for the nine months ended September 30, 2021, another period of solid and sustainable organic growth. Overall NOI rose 6.3% compared to the same period last year.

Through the first nine months of 2021 we acquired 3,122 suites and sites in Canada and the Netherlands for total costs of \$803 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. We also sold two non-core properties totalling 87 suites for proceeds of \$52.5 million.

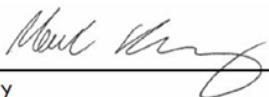
Normalized Funds from Operations ("NFFO") increased by 4.5% for the first nine months of 2021 due primarily to the increase in operating revenues and our focus on operational efficiency. Our growth was also accretive as basic NFFO per Unit rose 3.1% for the nine months ended September 30, 2021 despite the 1.3% increase in the weighted average number of Units outstanding. Our NFFO payout ratio improved to a very strong 60.2% at September 30, 2021, underpinning the strength and stability of our monthly cash distributions.

Our balance sheet and financial position remained strong and flexible at September 30, 2021 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate at quarter end was an attractive 2.55%, 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 \$138 million in cash and \$243 million available on our credit lines. We also own over \$1.2 billion in unencumbered Canadian properties, providing additional capacity to fund our growth. We were also pleased to see a \$480 million gain in the fair value of our property portfolio through the first nine 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. As a result, we have maintained a very high level of rent collection, with 99% of our rents collected to date, and bad debts in keeping with our track record in pre-pandemic years.

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, and the growing seniors' population favoring large, quality single-floor rental properties in their retirement. Additionally, as post-secondary schools reopen for in person classes and employers mandate back to work policies, we are seeing younger renters who returned home during the pandemic re-enter the rental market. 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 NINE MONTHS ENDED SEPTEMBER 30, 2021

NOVEMBER 9, 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 nine months ended September 30, 2021 and 2020 dated November 9, 2021, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 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 70,000 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 September 30, 2021, CAPREIT had 1,026 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 Q3 - 2021 RESULTS OF OPERATIONS

Key Transactions and Events

- CAPREIT continues to invest in accretive opportunities with total acquisitions for the three months ended September 30, 2021 amounting to \$374 million comprised of interests in 1,463 suites and sites located in strong markets within Ontario and British Columbia.
- Total dispositions for the three months ended September 30, 2021 of \$52 million, which included 86 suites located in Ontario and 1 single family home located in the Netherlands.

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 nine months ended September 30, 2021 increased by 6.0% on 7.5% of the Canadian portfolio and 5.0% on 16.6% of the Canadian portfolio, compared to an increase of 7.0% on 6.1% of the Canadian portfolio and 8.8% on 13.2% of the Canadian portfolio for the three and nine months ended September 30, 2020.
- Net Average Monthly Rent ("Net AMR") for the stabilized portfolio as at September 30, 2021 increased by 2.3% compared to September 30, 2020.
- Net operating income ("NOI") increased by 1.1% and 2.1% for the stabilized portfolio for the three and nine months ended September 30, 2021, compared to an NOI increase of 4.0% and 4.1% for the stabilized portfolio for the three and nine months ended September 30, 2020.
- NOI margin for the total portfolio increased to 67.0% and 65.9% for the three and nine months ended September 30, 2021 compared to 66.9% and 65.3% for the same periods last year.
- NFFO per unit was up 3.6% and 3.1% for the three and nine months ended September 30, 2021 compared to the same periods last year.

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with \$138.4 million of cash and cash equivalents and \$243.3 million of available liquidity on CAPREIT's Acquisition and Operating Facility.
- Management expects to raise between \$900 million and \$960 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions.
- CAPREIT closed mortgage refinancing of \$465.2 million and \$848.3 million for the three and nine months ended September 30, 2021, with top-ups net of discharges of \$415.3 million, a weighted average term to maturity of 7.8 years and a weighted average interest rate of 2.15%.
- For the three and nine months ended September 30, 2021 the fair value of investment properties increased by \$546.7 million and \$1,359.2 million respectively. Excluding the impact of net acquisitions, operating lease buyout and foreign exchange, the fair value of investment properties increased by \$721.7 million for the nine months ended September 30, 2021.

ACQUISITIONS AND DISPOSITIONS

The tables below summarize property acquisitions for the nine months ended September 30, 2021.

Canadian Acquisitions Completed During the Nine Months Ended September 30, 2021

(\$ Thousands)	Suite or Site 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	33,702	—	3.08	1.67
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⁾
July 5, 2021	342	Lakeshore, ON	21,703	8,573	—	4.08	4.17
August 31, 2021 ⁽⁴⁾	787	Toronto, ON	165,626	37,225	—	3.16	7.68
September 7, 2021	193	West Kelowna, BC	63,385	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
September 22, 2021 ⁽⁵⁾	141	Toronto, ON	123,111	34,077	—	1.93	0.17
Total	2,985		\$ 730,392	\$ 131,614	\$ —		
2020 Acquisition financing					\$ 132,045 ⁽⁶⁾	1.81 ⁽⁶⁾	5.24 ⁽⁶⁾

The Netherlands Acquisitions Completed During the Nine Months Ended September 30, 2021

(\$ Thousands)	Suite or Site 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	—	23,201	1.12	6.00
June 30, 2021	33	The Netherlands	27,202	—	15,044	1.12	6.00
Total	137		\$ 73,081	\$ —	\$ 38,245		

⁽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⁾ CAPREIT purchased the remaining 50% interest in a portfolio of 787 apartment suites and townhouse units. CAPREIT acquired its initial 50% interest on July 31, 2008.

⁽⁵⁾ Total acquisition cost was increased by \$8.0 million, relating to the difference between the agreed upon issuance price of \$56.00 per Exchangeable LP Unit and the fair value of the Exchangeable LP Units on the acquisition date. Refer to note 17 of the accompanying condensed consolidated interim financial statements for further information.

⁽⁶⁾ Subsequent acquisition financing of \$132.0 million relates to properties acquired in 2020.

The table below summarizes the dispositions completed during the nine months ended September 30, 2021.

Dispositions Completed During the Nine Months Ended September 30, 2021

Disposition Date	Suite Count	Region(s)	Sale Price	Cash Proceeds ⁽³⁾	Mortgage Discharged
September 2, 2021 ⁽¹⁾	1	The Netherlands	\$ 461	\$ 461	\$ —
September 29, 2021 ⁽²⁾	86	Toronto, ON	52,000	5,200	—
Total	87		\$ 52,461	\$ 5,661	\$ —

⁽¹⁾ Represents disposition of one individual single family home.

⁽²⁾ CAPREIT provided the purchaser with a vendor takeback mortgage ("VTB") for \$46.8 million. Refer to note 8 of the accompanying condensed consolidated interim financial statements for further information.

⁽³⁾ Prior to working capital adjustments.

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 nine months ended September 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.

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 and British Columbia have issued a rent guideline increase of 1.2% and 1.5% for 2022, respectively.
- The province of Nova Scotia has capped residential rent increases at 2%, retroactive to September 1, 2020 until December 31, 2023, and has capped MHC rent increases at 1.9% for 2021 and at 1.0% for 2022.
- 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"). The CRB eligibility period is 54 weeks, from September 27, 2020 to October 23, 2021. The expiring CRB will be replaced by the proposed Canada Worker Lockdown Benefit. If passed, this new program will be available for the period from October 24, 2021 until May 7, 2022 and will provide \$300 a week to eligible workers who are directly impacted by government imposed lockdowns and are not otherwise eligible for EI.
- The federal government had also announced and extended the new Canada Emergency Rent Subsidy ("CERS") that provided similar relief as well as mortgage support until October 23, 2021. The subsidy would gradually decrease between July to October 2021, however, the government has announced that they have increased the rate of support that can be received between August 29 and September 25, 2021. The expiring CERS program will be replaced by the proposed Hardest Hit Business Recovery Program, which will provide similar support to the previous program for eligible businesses. The program will be available until May 7, 2022, with the proposed subsidy rates available through to March 13, 2022. Afterwards, the subsidy rates will decrease by half.
- 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 \$1,359.2 million increase in fair value for the nine months ended September 30, 2021. Excluding the impact of net acquisitions, operating lease buyout and foreign exchange, the fair value of investment properties increased by \$721.7 million, or 4.8%.

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 September 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 September 30, 2021 remains strong with:

- \$243.3 million available on the Acquisition and Operating Facility; and
- \$1,231.5 million of Canadian investment properties that are not encumbered by mortgages. Refer to note 32 to the accompanying condensed consolidated interim financial statements for further details.

In addition, management expects to raise \$900 million and \$960 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 September 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020 ⁽⁴⁾
Portfolio Performance				
Overall portfolio occupancy ⁽¹⁾			97.9%	97.7 %
Overall portfolio net Average Monthly Rents ⁽¹⁾			\$ 1,143	\$ 1,113
Operating revenues (000s)	\$ 236,097	\$ 221,420	\$ 692,459	\$ 657,405
NOI (000s)	\$ 158,126	\$ 148,234	\$ 456,564	\$ 429,525
NOI margin	67.0%	66.9 %	65.9%	65.3 %
Financial Performance				
FFO per unit – basic ⁽²⁾	\$ 0.593	\$ 0.585	\$ 1.706	\$ 1.680
NFFO per unit – basic ⁽²⁾	\$ 0.610	\$ 0.589	\$ 1.745	\$ 1.692
Cash distributions per unit	\$ 0.357	\$ 0.345	\$ 1.047	\$ 1.035
FFO payout ratio ⁽²⁾	60.4%	59.3 %	61.6%	61.9 %
NFFO payout ratio ⁽²⁾	58.8%	58.8 %	60.2%	61.4 %
Liquidity and Leverage				
Total debt to gross book value ⁽¹⁾			37.20%	35.70 %
Total debt to gross historical cost ⁽¹⁾			52.50%	49.31 %
Weighted average mortgage interest rate ⁽¹⁾			2.55%	2.74 %
Weighted average mortgage term (years) ⁽¹⁾			5.74	4.92
Debt service coverage (times) ⁽³⁾			1.98	2.03
Interest coverage (times) ⁽³⁾			3.96	4.04
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾			\$ 243,282	\$ 137,756
Cash and cash equivalents (000s) ⁽¹⁾			\$ 138,438	\$ 234,444

⁽¹⁾ As at September 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Other Measures				
Weighted average number of units - basic (000s)	173,495	171,628	172,975	170,810
Number of residential suites and sites acquired	1,463	509	3,122	2,233
Number of suites disposed	87	188	87	194
Closing price of Trust Units on the TSX ⁽¹⁾			\$ 59.11	\$ 46.45
Market capitalization (millions) ⁽¹⁾			\$ 10,366	\$ 8,008

⁽¹⁾ As at September 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 September 30, 2020 and are not disposed of.

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

As at September 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	1,519	1,473	3.1	1,541	1,496	3.0	98.5	98.5
London / Kitchener / Waterloo	1,079	1,037	4.1	1,088	1,048	3.8	99.2	99.0
Ottawa	1,384	1,369	1.1	1,394	1,369	1.8	99.2	100.0
Other Ontario	1,437	1,382	4.0	1,443	1,390	3.8	99.6	99.5
	1,432	1,394	2.7	1,449	1,412	2.6	98.8	98.7
Québec								
Greater Montréal Region	1,005	998	0.7	1,039	1,022	1.7	96.8	97.6
Québec City	1,106	1,090	1.5	1,138	1,116	2.0	97.1	97.7
	1,030	1,021	0.9	1,063	1,045	1.7	96.9	97.7
British Columbia								
Greater Vancouver Region	1,488	1,457	2.1	1,501	1,474	1.8	99.1	98.9
Victoria and Other British Columbia	1,371	1,316	4.2	1,376	1,329	3.5	99.7	99.0
	1,443	1,415	2.0	1,452	1,430	1.5	99.3	98.9
Nova Scotia								
Halifax	1,294	1,207	7.2	1,319	1,244	6.0	98.1	97.0
Alberta								
Calgary	1,105	1,079	2.4	1,115	1,111	0.4	99.2	97.1
Edmonton	1,152	1,106	4.2	1,206	1,251	(3.6)	95.6	88.4
	1,116	1,085	2.9	1,135	1,142	(0.6)	98.3	95.0
Prince Edward Island								
Charlottetown	1,112	1,096	1.5	1,118	1,104	1.3	99.5	99.2
Saskatchewan								
Regina	1,015	974	4.2	1,061	1,046	1.4	95.7	93.2
Total Canadian residential suites	1,311	1,272	3.1	1,333	1,296	2.9	98.3	98.2
Europe								
The Netherlands ⁽¹⁾	1,350	1,378	(2.0)	1,374	1,400	(1.9)	98.2	98.4
Total residential suites	1,315	1,284	2.4	1,338	1,308	2.3	98.3	98.2
MHC Sites								
Total MHC sites	397	387	2.6	414	404	2.5	95.9	95.7
Total suites and sites	1,143	1,113	2.7	1,168	1,139	2.5	97.9	97.7

⁽¹⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the European portfolio for Net AMR are €912 and €882 as at September 30, 2021 and September 30, 2020, respectively, and for Occupied AMR are €928 and €895 as at September 30, 2021 and September 30, 2020, respectively.

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

As at September 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	1,517	1,473	3.0	1,538	1,497	2.7	98.7	98.4
London / Kitchener / Waterloo	1,092	1,037	5.3	1,101	1,048	5.1	99.2	99.0
Ottawa	1,403	1,369	2.5	1,415	1,369	3.4	99.1	100.0
Other Ontario	1,437	1,382	4.0	1,443	1,390	3.8	99.6	99.5
	1,440	1,394	3.3	1,456	1,412	3.1	98.9	98.7
Québec								
Greater Montréal Region	1,009	998	1.1	1,040	1,022	1.8	97.0	97.6
Québec City	1,106	1,090	1.5	1,138	1,116	2.0	97.1	97.7
	1,032	1,021	1.1	1,064	1,045	1.8	97.0	97.7
British Columbia								
Greater Vancouver Region	1,488	1,457	2.1	1,501	1,474	1.8	99.1	98.9
Victoria	1,356	1,316	3.0	1,357	1,329	2.1	99.9	99.0
	1,448	1,415	2.3	1,457	1,430	1.9	99.4	98.9
Nova Scotia								
Halifax	1,288	1,207	6.7	1,314	1,244	5.6	98.0	97.0
Alberta								
Calgary	1,105	1,079	2.4	1,115	1,111	0.4	99.2	97.1
Edmonton	1,152	1,106	4.2	1,206	1,251	(3.6)	95.6	88.4
	1,116	1,085	2.9	1,135	1,142	(0.6)	98.3	95.0
Prince Edward Island								
Charlottetown	1,112	1,096	1.5	1,118	1,104	1.3	99.5	99.2
Saskatchewan								
Regina	1,015	974	4.2	1,061	1,046	1.4	95.7	93.2
Total Canadian residential suites	1,309	1,272	2.9	1,331	1,296	2.7	98.4	98.1
Europe								
The Netherlands ⁽²⁾	1,352	1,378	(1.9)	1,372	1,400	(2.0)	98.5	98.4
Total residential suites	1,314	1,284	2.3	1,335	1,308	2.1	98.4	98.2
MHC Sites								
Total MHC sites	397	387	2.6	414	404	2.5	95.8	95.7
Total suites and sites	1,139	1,113	2.3	1,163	1,139	2.1	97.9	97.7

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

⁽²⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the stabilized portfolio for Net AMR are €913 and €882 as at September 30, 2021 and September 30, 2020, respectively, resulting in a Net AMR change of 3.5%. The Occupied AMR for the stabilized portfolio is €927 and €895 as at September 30, 2021 and September 30, 2020, respectively, resulting in an Occupied AMR change of 3.6%.

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 and Ontario, (ii) rental increases on renewals, and (iii) an improving Alberta market with a higher occupancy rate. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.60 as at September 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⁾	1.5%	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. CAPREIT did not issue any rental renewal increases in Ontario and British Columbia during 2021, other than approved above guideline increases in selected suites and sites. As a result, CAPREIT can issue rental renewal increases for the majority of its Ontario and British Columbia portfolio on January 1, 2022.

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 September 30,	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	81.2	6.0	7.5	92.0	7.0	6.1
Lease renewals	16.6	1.5	14.5	12.5	1.1	20.6
Weighted average of turnovers and renewals	38.6	3.0		30.7	2.4	

For the Nine Months Ended September 30,	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	68.8	5.0	16.6	116.5	8.8	13.2
Lease renewals	15.4	1.4	31.7	13.2	1.1	59.5
Weighted average of turnovers and renewals	33.8	2.6		32.0	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 September 30,	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	138.0	15.7	3.5	68.1	7.3	3.3
Lease renewals	22.8	2.3	54.7	18.9	2.4	93.5
Weighted average of turnovers and renewals	29.7	3.1		20.6	2.6	

For the Nine Months Ended September 30,

	2021			2020		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	133.0	15.4	10.9	74.8	8.4	10.8
Lease renewals	22.8	2.3	54.7	18.9	2.4	93.5
Weighted average of turnovers and renewals	41.1	4.5		24.7	3.0	

⁽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 nine months ended September 30, 2021 resulted in monthly rent increase of approximately \$81 or 6.0% and \$69 or 5.0%, respectively, compared to an increase of approximately \$92 or 7.0% and \$117 or 8.8%, 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 \$17 or 1.5% for the three months ended September 30, 2021, and \$15 or 1.4%, for the nine months ended September 30, 2021, compared to an increase of approximately \$13 or 1.1% and \$13 or 1.1%, for both of the same periods last year.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three and nine months ended September 30, 2021 resulted in monthly rent increasing by approximately €138 or 15.7% and €133 or 15.4% respectively, compared to an increase of approximately €68 or 7.3% and €75 or 8.4% respectively for the same periods last year.

As the Netherlands' lease renewals occur only once a year in July, renewals resulted in an increase of €23 or 2.3% for the three and nine months ended September 30, 2021 compared to an increase of €19 or 2.4% for the same periods last year.

The tenant notices for rent renewal increases beginning on July 1, 2021, with a weighted average rental increase of 2.3%, were served to 94% of the Dutch liberalized residential suites, which comprised 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 - September 30, 2021	January 1, 2020 - December 31, 2020
Applications Settled:		
Number of suites and sites ⁽¹⁾	1,023	970
Weighted average total increase approved ^{(2), (3)}	0.55%	2.13%
Weighted average total increase applied for ^{(2), (4)}	0.61%	2.31%
Applications Outstanding:		
Number of suites and sites	7,478	8,138
Term weighted average total increase applied for ^{(2), (5)}	1.94%	1.88%

⁽¹⁾ Number of suites and sites are lower than the previous quarter due to a previously approved application that was moved back into pending.

⁽²⁾ Weighted by number of impacted suites and sites filed.

⁽³⁾ For applications settled during the nine months ended September 30, 2021, the weighted average total increase approved is to apply over a weighted average of 1.0 year (1.8 years for the year ended December 31, 2020).

⁽⁴⁾ For applications settled during the nine months ended September 30, 2021, the weighted average total increase applied for was to apply over a weighted average of 1.0 year (1.8 years for the year ended December 31, 2020).

⁽⁵⁾ For applications outstanding as at September 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				Nine Months Ended			
	September 30,				September 30,			
	2021	% ⁽¹⁾	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020	% ⁽¹⁾
New tenant inducements incurred - residential	\$ 1,926		\$ 755		\$ 5,815		\$ 1,149	
New tenant inducements incurred - commercial	—		—		30		—	
Total new tenant inducements incurred	\$ 1,926		\$ 755		\$ 5,845		\$ 1,149	
Tenant inducements amortized	\$ 1,950	0.8	\$ 486	0.2	\$ 4,797	0.7	\$ 1,203	0.2
Vacancy loss incurred	6,961	2.9	5,153	2.3	20,975	3.0	14,197	2.2
Total amortization and vacancy loss	\$ 8,911	3.7	\$ 5,639	2.5	\$ 25,772	3.7	\$ 15,400	2.4
Bad debt allowance recognized as an expense	\$ 1,104	0.5	\$ 692	0.3	\$ 3,685	0.5	\$ 3,757	0.6

⁽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 September 30, (\$ Thousands)	2021		2020	
		%		%
Residential Suites				
Ontario				
Greater Toronto Area	\$ 75,528	32.2	\$ 72,653	32.9
London / Kitchener / Waterloo	12,593	5.3	9,746	4.4
Ottawa	8,610	3.6	6,852	3.1
Other Ontario	8,014	3.4	7,697	3.5
	\$ 104,745	44.5	\$ 96,948	43.9
Québec				
Greater Montréal Region	\$ 27,166	11.5	\$ 26,459	11.9
Québec City	9,227	3.9	9,071	4.1
	\$ 36,393	15.4	\$ 35,530	16.0
British Columbia				
Greater Vancouver Region	\$ 17,254	7.2	\$ 16,715	7.5
Victoria and Other British Columbia	8,386	3.6	6,510	3.0
	\$ 25,640	10.8	\$ 23,225	10.5
Nova Scotia				
Halifax	\$ 13,406	5.7	\$ 12,329	5.6
Alberta				
Calgary	\$ 6,839	2.9	\$ 6,876	3.1
Edmonton	1,911	0.8	1,957	0.9
	\$ 8,750	3.7	\$ 8,833	4.0
Prince Edward Island				
Charlottetown	\$ 2,127	0.9	\$ 2,084	0.9
Saskatchewan				
Regina	707	0.3	704	0.3
Total Canadian residential suites	\$ 191,768	81.3	\$ 179,653	81.2
Europe				
The Netherlands ⁽²⁾	\$ 26,014	11.0	\$ 24,779	11.2
Other Europe ⁽³⁾	2,627	1.1	2,803	1.3
	\$ 28,641	12.1	\$ 27,582	12.5
Total residential suites	\$ 220,409	93.4	\$ 207,235	93.7
MHC Sites				
Total MHC sites	15,688	6.6	14,185	6.3
Total residential suites and MHC sites	\$ 236,097	100.0	\$ 221,420	100.0

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

⁽²⁾ In € Thousands, €17,508 and €15,899 for three months ended September 30, 2021 and September 30, 2020, respectively.

⁽³⁾ Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,769 for the three months ended September 30, 2021 and €1,797 for the three months ended September 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 September 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 September 30,	2021	2020 ⁽³⁾
Residential rent roll ^{(1), (2)}	\$ 885,327	\$ 816,696
Commercial rent roll ^{(1), (2)}	32,536	35,228
Annualized net rental revenue run-rate	\$ 917,863	\$ 851,924

⁽¹⁾ Based on the rent roll as at September 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 September 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 September 30, 2021 was \$861.0 million (2020 - \$816.4 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 nine months ended September 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 September 30, 2021, stabilized suites and sites represented 91.5% of CAPREIT's total portfolio.

(\$ Thousands)

For the Three Months Ended September 30,	Total NOI			Stabilized NOI		
	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Operating revenues						
Net rental revenues	\$ 223,853	\$ 210,485	6.4	\$ 204,654	\$ 202,900	0.9
Other ⁽²⁾	12,244	10,935	12.0	11,218	10,439	7.5
Total operating revenues	\$ 236,097	\$ 221,420	6.6	\$ 215,872	\$ 213,339	1.2
Operating Expenses						
Realty taxes	(21,768)	(20,591)	5.7	(19,587)	(19,701)	(0.6)
Utilities	(14,261)	(13,422)	6.3	(12,826)	(12,546)	2.2
Other ⁽³⁾	(41,942)	(39,173)	7.1	(38,145)	(37,330)	2.2
Total operating expenses	\$ (77,971)	\$ (73,186)	6.5	\$ (70,558)	\$ (69,577)	1.4
NOI	\$ 158,126	\$ 148,234	6.7	\$ 145,314	\$ 143,762	1.1
NOI margin	67.0 %	66.9 %		67.3 %	67.4 %	

(\$ Thousands)	Total NOI			Stabilized NOI		
For the Nine Months Ended September 30,	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 656,280	\$ 623,725	5.2	\$ 611,390	\$ 604,476	1.1
Other ⁽²⁾	36,179	33,680	7.4	33,706	32,457	3.8
Total operating revenues	\$ 692,459	\$ 657,405	5.3	\$ 645,096	\$ 636,933	1.3
Operating Expenses						
Realty taxes	(65,418)	(61,183)	6.9	(60,313)	(58,970)	2.3
Utilities	(49,573)	(47,547)	4.3	(45,820)	(45,393)	0.9
Other ⁽³⁾	(120,904)	(119,150)	1.5	(112,359)	(114,845)	(2.2)
Total operating expenses	\$ (235,895)	\$ (227,880)	3.5	\$ (218,492)	\$ (219,208)	(0.3)
NOI	\$ 456,564	\$ 429,525	6.3	\$ 426,604	\$ 417,725	2.1
NOI margin	65.9 %	65.3 %		66.1 %	65.6 %	

⁽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 nine months ended September 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 months ended September 30, 2021, the stabilized portfolio's realty taxes decreased compared to the same periods in the prior year, primarily due to a tax refund. For the nine months ended September 30, 2021, the stabilized portfolio's realty taxes increased compared to the same periods in the prior year, primarily in Québec.

Utilities

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

(\$ Thousands)	Total Utilities			Stabilized Utilities		
For the Three Months Ended September 30,	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Electricity	\$ 4,970	\$ 4,890	1.6	\$ 4,350	\$ 4,303	1.1
Natural gas	1,977	1,819	8.7	1,802	1,711	5.3
Water	7,314	6,713	9.0	6,674	6,532	2.2
Total	\$ 14,261	\$ 13,422	6.3	\$ 12,826	\$ 12,546	2.2

(\$ Thousands)	Total Utilities			Stabilized Utilities		
For the Nine Months Ended September 30,	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
Electricity	\$ 17,001	\$ 17,031	(0.2)	\$ 15,543	\$ 15,759	(1.4)
Natural gas	11,431	11,017	3.8	10,603	10,580	0.2
Water	21,141	19,499	8.4	19,674	19,054	3.3
Total	\$ 49,573	\$ 47,547	4.3	\$ 45,820	\$ 45,393	0.9

⁽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 September 30, 2021	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	3.1%	(2.0)%	Increased consumption, partially offset by decreased rates
Natural gas	1.4%	3.9%	Increased rates due to carbon tax impact, coupled with increased consumption
Water	(5.7)%	7.9%	Increased rates, partially offset by reduced consumption as less people are working from home
Total	2.3%	(0.1)%	

For the Nine Months Ended September 30, 2021	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	(2.4)%	1.0%	Warmer weather led to less consumption, partially offset by increased rates
Natural gas	(2.4)%	2.6%	Increased rates due to carbon tax impact, partially offset by lower usage
Water	(0.9)%	4.2%	Increased rates, partially offset by reduced consumption
Total	(2.2)%	3.1%	

Other Operating Expenses

The stabilized other operating expenses for the three months ended September 30, 2021 increased primarily due to higher R&M costs, insurance costs and bad debt, partially offset by lower on-site costs. The increased R&M costs were primarily due to the reduced ability to complete work during COVID-19 pandemic lockdown in the third quarter last year compared to this year. The stabilized other operating expenses for the nine months ended September 30, 2021 decreased primarily due to lower R&M costs, on-site costs and bad debt, partially offset by higher insurance costs and higher advertising costs. 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 higher insurance costs are driven by overall increases in insurance rates. 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 September 30, 2021 and 2020:

For the Three Months Ended September 30,	2021			2020			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 49,668	31.5	65.8	\$ 48,439	32.4	66.7	2.5
London / Kitchener / Waterloo	8,122	5.1	64.5	6,554	4.4	67.2	23.9
Ottawa	5,680	3.6	66.0	4,568	3.1	66.7	24.3
Other Ontario	5,194	3.3	64.8	4,829	3.3	62.7	7.6
	\$ 68,664	43.5	65.6	\$ 64,390	43.2	66.4	6.6
Québec							
Greater Montréal Region	\$ 17,043	10.8	62.7	\$ 17,586	11.9	66.5	(3.1)
Québec City	5,780	3.7	62.6	5,727	3.9	63.1	0.9
	\$ 22,823	14.5	62.7	\$ 23,313	15.8	65.6	(2.1)
British Columbia							
Greater Vancouver Region	\$ 12,469	7.9	72.3	\$ 11,637	7.9	69.6	7.1
Victoria and Other British Columbia	6,245	3.9	74.5	4,738	3.2	72.8	31.8
	\$ 18,714	11.8	73.0	\$ 16,375	11.1	70.5	14.3
Nova Scotia							
Halifax	8,402	5.3	62.7	7,518	5.1	61.0	11.8
Alberta							
Calgary	\$ 3,999	2.5	58.5	\$ 3,804	2.6	55.3	5.1
Edmonton	1,166	0.7	61.0	1,223	0.8	62.5	(4.7)
	\$ 5,165	3.2	59.0	\$ 5,027	3.4	56.9	2.7
Prince Edward Island							
Charlottetown	\$ 1,182	0.7	55.6	\$ 1,103	0.7	52.9	7.2
Saskatchewan							
Regina	349	0.2	49.4	382	0.3	54.3	(8.6)
Total Canadian residential suites	\$ 125,299	79.2	65.3	\$ 118,108	79.6	65.7	6.1
Europe							
The Netherlands ⁽²⁾	\$ 20,148	12.7	77.5	\$ 18,535	12.5	74.8	8.7
Other Europe ⁽³⁾	\$ 2,151	1.4	81.9	\$ 2,182	1.5	77.8	(1.4)
	\$ 22,299	14.1	77.9	\$ 20,717	14.0	75.1	7.6
Total residential suites	\$ 147,598	93.3	67.0	\$ 138,825	93.6	67.0	6.3
MHC sites							
Total MHC sites	\$ 10,528	6.7	67.1	\$ 9,409	6.4	66.3	11.9
Total suites and sites	\$ 158,126	100.0	67.0	\$ 148,234	100.0	66.9	6.7

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ In € thousands, €13,567 and €11,900 for the three months ended September 30, 2021 and September 30, 2020, respectively.

⁽³⁾ Comprised of ERES's NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,448 for the three months ended September 30, 2021 and €1,402 for the three months ended September 30, 2020.

For the Nine Months Ended September 30,	2021			2020			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 143,940	31.5	64.7	\$ 141,998	33.0	65.2	1.4
London / Kitchener / Waterloo	22,343	4.9	64.8	18,947	4.4	65.9	17.9
Ottawa	17,417	3.8	67.7	13,355	3.1	65.4	30.4
Other Ontario	15,415	3.4	63.9	14,290	3.3	61.9	7.9
	\$ 199,115	43.6	64.9	\$ 188,590	43.8	65.0	5.6
Québec							
Greater Montréal Region	\$ 49,825	10.9	61.6	\$ 48,324	11.3	61.3	3.1
Québec City	17,443	3.8	62.7	16,728	3.9	61.6	4.3
	\$ 67,268	14.7	61.9	\$ 65,052	15.2	61.3	3.4
British Columbia							
Greater Vancouver Region	\$ 36,476	8.0	71.0	\$ 34,624	8.1	69.1	5.3
Victoria and Other British Columbia	16,006	3.5	72.7	14,137	3.3	72.2	13.2
	\$ 52,482	11.5	71.5	\$ 48,761	11.4	70.0	7.6
Nova Scotia							
Halifax	\$ 23,687	5.2	60.7	\$ 20,007	4.7	58.8	18.4
Alberta							
Calgary	\$ 11,188	2.5	55.2	\$ 12,203	2.8	55.2	(8.3)
Edmonton	3,016	0.7	54.1	3,399	0.8	58.6	(11.3)
	\$ 14,204	3.2	54.9	\$ 15,602	3.6	55.9	(9.0)
Prince Edward Island							
Charlottetown	\$ 3,266	0.7	51.5	\$ 3,184	0.7	50.8	2.6
Saskatchewan							
Regina	\$ 1,062	0.2	50.7	\$ 1,149	0.3	53.5	(7.6)
Total Canadian residential suites	\$ 361,084	79.1	64.2	\$ 342,345	79.7	63.9	5.5
Europe							
The Netherlands ⁽²⁾	\$ 58,925	12.9	76.7	\$ 53,208	12.4	75.3	10.7
Other Europe ⁽³⁾	6,742	1.5	81.3	6,685	1.6	79.9	0.9
	\$ 65,667	14.4	77.2	\$ 59,893	14.0	75.8	9.6
Total residential suites	\$ 426,751	93.5	65.9	\$ 402,238	93.7	65.4	6.1
MHC Sites							
Total MHC sites	29,813	6.5	65.9	27,287	6.3	64.3	9.3
Total suites and sites	\$ 456,564	100.0	65.9	\$ 429,525	100.0	65.3	6.3

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ In € thousands, €39,372 and €34,949 for the nine months ended September 30, 2021 and September 30, 2020, respectively.

⁽³⁾ Comprised of ERES's NOI for the commercial properties located in Germany and Belgium. In € thousands, €4,506 and €4,406 for the nine months ended September 30, 2021 and September 30, 2020, respectively.

STABILIZED NOI BY REGION

For the Three Months Ended September 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	\$ 47,888	65.9	\$ 48,205	66.7	0.5	2.7	(0.7)
London / Kitchener / Waterloo	6,741	67.2	6,492	67.3	4.0	4.4	3.8
Ottawa	4,679	66.4	4,568	66.7	2.9	3.8	2.4
Other Ontario	5,194	64.8	4,829	62.7	4.1	(1.7)	7.6
	\$ 64,502	66.0	\$ 64,094	66.4	1.3	2.5 ⁽¹⁾	0.6
Québec							
Greater Montréal Region	\$ 16,482	63.0	\$ 17,172	66.4	1.3	11.8	(4.0)
Québec City	5,780	62.6	5,723	63.1	1.7	2.9	1.0
	\$ 22,262	62.9	\$ 22,895	65.6	1.4	9.3 ⁽²⁾	(2.8)
British Columbia							
Greater Vancouver Region	\$ 12,171	72.5	\$ 11,637	69.6	0.4	(9.1)	4.6
Victoria	5,007	74.7	4,738	72.8	3.0	(4.2)	5.7
	\$ 17,178	73.1	\$ 16,375	70.5	1.1	(7.8) ⁽³⁾	4.9
Nova Scotia							
Halifax	\$ 4,171	64.5	\$ 4,178	67.1	3.7	11.7 ⁽⁴⁾	(0.2)
Alberta							
Calgary	\$ 3,999	58.5	\$ 3,801	55.9	0.7	(5.1)	5.2
Edmonton	847	57.8	992	65.6	(3.2) ⁽⁵⁾	18.6	(14.6)
	\$ 4,846	58.4	\$ 4,793	57.7	0.0	(1.6) ⁽⁶⁾	1.1
Prince Edward Island							
Charlottetown	\$ 1,182	55.5	\$ 1,103	52.9	2.2	(3.5) ⁽⁷⁾	7.2
Saskatchewan							
Regina	\$ 349	49.4	\$ 382	54.3	0.4	11.2	(8.6)
Total Canadian residential suites	\$ 114,490	65.7	\$ 113,820	66.2	1.3	2.7	0.6
Europe							
The Netherlands	\$ 18,539	77.5	\$ 18,363	75.2	(2.0)	(11.1)	1.0
Other Europe	2,173	82.1	2,170	78.3	(4.5)	(21.1)	0.1
	\$ 20,712	77.9	\$ 20,533	75.5	(2.3)	(12.0) ⁽⁸⁾	0.9
Total residential suites	\$ 135,202	67.3	\$ 134,353	67.5	0.8	1.2	0.6
MHC sites							
Total MHC sites	\$ 10,112	67.1	\$ 9,409	66.3	6.3	4.0 ⁽⁹⁾	7.5
Total suites and sites	\$ 145,314	67.3	\$ 143,762	67.4	1.2	1.4	1.1
Stabilized suites and sites	60,454		60,454				

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

⁽²⁾ Higher expenses: higher realty taxes and bad debt, partially offset by lower utilities.

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

⁽⁴⁾ Higher expenses: higher bad debt and insurance costs, partially offset by lower advertising costs.

⁽⁵⁾ Lower revenues: higher tenant incentives and vacancies, partially offset by higher residential parking revenues.

⁽⁶⁾ Lower expenses: lower realty taxes, R&M, and wages, partially offset by higher utilities and bad debt.

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

⁽⁸⁾ In € Thousands, €13,939 and €13,185 for the three months ended September 30, 2021 and September 30, 2020, respectively. NOI increased by €754 and 5.7%. Lower expenses: lower site costs and R&M, partially offset by higher insurance costs and bad debt.

⁽⁹⁾ Higher expenses: higher wages and site costs, partially offset by lower insurance and advertising costs.

For the Nine Months Ended September 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	\$ 141,100	64.8	\$ 141,265	65.2	0.5	1.6	(0.1)
London / Kitchener / Waterloo	19,815	66.1	18,885	65.9	4.6	3.8	4.9
Ottawa	14,452	68.4	13,355	65.4	3.4	(5.6)	8.2
Other Ontario	15,415	63.9	14,290	61.9	4.5	(0.9)	7.9
	\$ 190,782	65.2	\$ 187,795	65.0	1.4	1.1 ⁽¹⁾	1.6
Québec							
Greater Montréal Region	\$ 48,444	61.6	\$ 47,331	61.1	1.5	0.1	2.4
Québec City	17,446	62.8	16,728	61.6	2.3	(0.9)	4.3
	\$ 65,890	61.9	\$ 64,059	61.2	1.7	(0.2) ⁽²⁾	2.9
British Columbia							
Greater Vancouver Region	\$ 35,556	71.1	\$ 34,624	69.1	(0.2)	(6.7)	2.7
Victoria	14,485	72.6	14,137	72.2	1.9	0.3	2.5
	\$ 50,041	71.6	\$ 48,761	70.0	0.4	(4.8) ⁽³⁾	2.6
Nova Scotia							
Halifax	\$ 11,437	60.8	\$ 11,384	60.9	0.6	0.8 ⁽⁴⁾	0.5
Alberta							
Calgary	\$ 11,204	55.2	\$ 11,441	55.1	(2.4)	(2.8)	(2.1)
Edmonton	2,162	51.5	2,940	59.6	(14.7)	2.6	(26.5)
	\$ 13,366	54.6	\$ 14,381	55.9	(4.8) ⁽⁵⁾	(1.9) ⁽⁶⁾	(7.1)
Prince Edward Island							
Charlottetown	\$ 3,268	51.5	\$ 3,188	50.9	1.4	0.2	2.5
Saskatchewan							
Regina	\$ 1,062	50.7	\$ 1,149	53.5	(2.5) ⁽⁷⁾	3.3 ⁽⁸⁾	(7.6)
Total Canadian residential suites	\$ 335,846	64.5	\$ 330,717	64.1	1.0	(0.1)	1.6
Europe							
The Netherlands	\$ 54,899	76.7	\$ 53,081	75.3	1.6	(3.9)	3.4
Other Europe	6,700	80.5	6,640	81.1	1.6	4.8	0.9
	\$ 61,599	77.1	\$ 59,721	75.9	1.6	(3.2) ⁽⁹⁾	3.1
Total residential suites	\$ 397,445	66.2	\$ 390,438	65.7	1.1	(0.4)	1.8
MHC Sites							
Total MHC sites	\$ 29,159	65.8	\$ 27,287	64.3	4.4	0.1 ⁽¹⁰⁾	6.9
Total suites and sites	\$ 426,604	66.1	\$ 417,725	65.6	1.3	(0.3)	2.1
Stabilized suites and sites	60,454		60,454				

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

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

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

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

⁽⁵⁾ Lower revenues: higher vacancies, lower rents, and higher tenant incentives.

⁽⁶⁾ Lower expenses: lower R&M, advertising costs, and site costs, partially offset by higher utilities.

⁽⁷⁾ Lower revenues: higher tenant incentives, higher rental vacancies and lower rents, partially offset by lower vacancies in parking.

⁽⁸⁾ Higher expenses: higher realty taxes and wages, partially offset by lower R&M and advertising costs.

⁽⁹⁾ In € thousands, NOI of €41,201 and €39,270 for the nine months ended September 30, 2021 and September 30, 2020, respectively. NOI increased by €1,931 and 4.9%. Lower expenses: lower site costs and advertising costs, partially offset by higher insurance, R&M, and utilities.

⁽¹⁰⁾ Higher expenses: higher realty taxes, insurance, wages, and site costs, partially offset by lower R&M and utilities.

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

	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2021	NOI Margin (%)	2020	NOI Margin (%)	2021	NOI Margin (%)	2020	NOI Margin (%)
Stabilized NOI	\$ 145,314	67.3	\$ 143,762	67.4	\$ 426,604	66.1	\$ 417,725	65.6
Net acquisitions NOI ⁽¹⁾	12,812	69.5	4,472	85.2	29,960	69.5	11,800	85.2
Total NOI	\$ 158,126	67.0	\$ 148,234	66.9	\$ 456,564	65.9	\$ 429,525	65.3

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

NET INCOME AND OTHER COMPREHENSIVE INCOME

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
NOI	\$ 158,126	\$ 148,234	\$ 456,564	\$ 429,525
(Less) plus:				
Trust expenses	(12,284)	(9,984)	(38,980)	(31,639)
Unit-based compensation expense	(3,500)	(694)	(12,419)	(1,487)
Fair value adjustments of investment properties	122,974	233,437	480,462	197,465
Fair value adjustments of Exchangeable LP Units	3,467	1,354	761	1,354
Fair value adjustments of investments	2,130	(348)	9,001	(3,435)
Realized loss on disposition of investment properties	(20)	(634)	(20)	(1,387)
Amortization of property, plant and equipment	(2,063)	(1,939)	(6,144)	(5,663)
(Loss) gain on non-controlling interest	(7,940)	(15,913)	(27,766)	19,116
Gain (loss) on derivative financial instruments	129	(25,800)	34,854	(26,758)
Interest on Exchangeable LP Units	(282)	(218)	(511)	(218)
Interest on mortgages payable and other financing costs	(38,143)	(33,166)	(108,476)	(98,218)
Interest on bank indebtedness and other financing costs	(1,443)	(1,804)	(4,552)	(6,205)
Interest on leases	(1,261)	(1,126)	(3,637)	(3,380)
(Loss) gain on foreign currency translation	(5,132)	11,730	(5,901)	(19,962)
Other income	5,490	5,515	18,739	9,254
Net income before income taxes	\$ 220,248	\$ 308,644	\$ 791,975	\$ 458,362
Current and deferred income tax expense	(30,035)	(8,569)	(44,139)	(17,392)
Net income	\$ 190,213	\$ 300,075	\$ 747,836	\$ 440,970
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	\$ 618	\$ 629	\$ 1,857	\$ 1,896
(Loss) gain on foreign currency translation	8,730	28,604	(73,714)	89,390
Other comprehensive (loss) income	9,348	29,233	(71,857)	91,286
Comprehensive income	\$ 199,561	\$ 329,308	\$ 675,979	\$ 532,256

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 September 30,		Nine Months Ended September 30,	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Trust expenses attributable to CAPREIT (excluding ERES)	\$ 10,698	\$ 7,593	\$ 33,760	\$ 24,831
Trust expenses attributable to ERES	1,586	2,391	5,220	6,808
Trust Expenses	12,284	9,984	38,980	31,639
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders ⁽²⁾	(700)	(642)	(2,072)	(1,884)
Less: Acquisition fees from ERES attributed to ERES non-controlling unitholders ⁽²⁾	—	(107)	(236)	(107)
Less: Asset and property management fees income from IRES ⁽³⁾	(2,519)	(2,421)	(7,427)	(7,161)
Net Trust Expenses	9,065	6,814	29,245	22,487
Net Trust Expenses as % of Operating Revenue	3.8 %	3.1 %	4.2 %	3.4 %

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

⁽²⁾ These fees are eliminated upon consolidation.

⁽³⁾ These amounts are included within other income on the statements of income and comprehensive income.

Trust expenses increased for the nine months ended September 30, 2021 to \$39.0 million compared to \$31.6 million last year primarily as a result of higher salaries and benefits, acquisition research expenses, and IT expenses, which were partially offset by lower consulting fees and travel expenses due to the COVID-19 pandemic. For the nine months ended September 30, 2021, trust expenses included non-routine items of approximately \$3.6 million related to acquisition research expenses and reorganization costs. On an annualized basis, net trust expenses as a percentage of operating revenue are expected to return to pre-pandemic levels similar to 2019. 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Remeasurement of unit-based compensation liabilities	\$ 1,862	\$ (1,236)	\$ 7,033	\$ (3,998)
Amortization of fair value on grant date of unit-based compensation	1,638	1,930	5,386	5,485
Total	\$ 3,500	\$ 694	\$ 12,419	\$ 1,487

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 September 30, 2021 primarily relates to changes in the yield curve. The gain on derivative financial instruments for the nine months ended September 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 21 to the accompanying condensed consolidated interim financial statements for further details about derivatives.

Gain (Loss) on Non-Controlling Interest

For the three and nine months ended September 30, 2021, CAPREIT recorded a loss of \$7.9 million and \$27.8 million on ERES units held by non-controlling unitholders. This includes distributions to ERES non-controlling unitholders of \$3.2 million and \$9.6 million for the three and nine months ended September 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 September 30, 2021, the euro weakened against the Canadian Dollar from a closing price of 1.5608 to 1.4801.

As of September 30,		2021					
(\$ Thousands)							
		Other Comprehensive Income (Loss)		Net Income Gain (Loss)		Total Foreign Exchange Gain (Loss)	
	Balance	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended
Total Foreign Assets ⁽¹⁾	€ 1,907,897 ⁽⁴⁾	\$ 15,303	\$ (139,002)	\$ 30	\$ (559)	\$ 15,333	\$ (139,561)
Total Foreign Liabilities ⁽²⁾	896,122	(6,573)	65,288	(5,162)	(5,342)	(11,735)	59,946
Net Equity ⁽³⁾	1,011,775	8,730	(73,714)	(5,132)	(5,901)	3,598	(79,615)
Cross-Currency Swap	442,358	—	—	(1,765)	30,580	(1,765)	30,580
Net Foreign Exchange Exposure and Gain (Loss)	€ 569,417	\$ 8,730	\$ (73,714)	\$ (6,897)	\$ 24,679	\$ 1,833	\$ (49,035)
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 288,720						

		2020					
		Other Comprehensive Income (Loss)		Net Income Gain (Loss)		Total Foreign Exchange Gain (Loss)	
	Balance	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended
Total Foreign Assets ⁽¹⁾	€ 1,610,118 ⁽⁴⁾	\$ 51,828	\$ 162,320	\$ 130	\$ 477	\$ 51,958	\$ 162,797
Total Foreign Liabilities ⁽²⁾	723,423	(23,224)	(72,930)	11,600	(20,439)	(11,624)	(93,369)
Net Equity ⁽³⁾	886,695	28,604	89,390	11,730	(19,962)	40,334	69,428
Cross-Currency Swap	442,358	—	—	(27,418)	(31,321)	(27,418)	(31,321)
Net Foreign Exchange Exposure and Gain (Loss)	€ 444,337	\$ 28,604	\$ 89,390	\$ (15,688)	\$ (51,283)	\$ 12,916	\$ 38,107
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 193,944						

⁽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 September 30, 2021, net equity includes €825,580 (September 30, 2020 - €736,450) relating to ERES in which CAPREIT has a 66% (September 30, 2020 - 66%) interest. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €288,720 (September 30, 2020 - €193,944).

⁽⁴⁾ Includes ERES assets of €1,721,702 and CAPREIT's investment in IRES of €179,539 (September 30, 2020 - €1,459,873 and €163,212, respectively).

Other Income

Other income primarily consists of income received from investments (see note 9 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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Investment income	\$ 370	\$ 370	\$ 1,109	\$ 856
Net profit (loss) from investment in associate ⁽¹⁾	2,522	2,449	10,066	(338)
Asset and property management fees ⁽²⁾	2,519	2,421	7,427	7,161
Other ⁽³⁾	79	275	137	1,575
Total	\$ 5,490	\$ 5,515	\$ 18,739	\$ 9,254

⁽¹⁾ CAPREIT's share of IRES's investment property fair value change, earnings and foreign exchange effects thereon. For the three and nine months ended September 30, 2021, CAPREIT's share of IRES's investment property fair value gain (loss) is \$nil and \$2.2 million (three and nine months ended September 30, 2020 - \$nil and \$(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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Total fee income generated	\$ 5,595	\$ 5,578	\$ 17,195	\$ 15,746
Asset and property management fees, acquisition fees, and service fees from ERES eliminated on consolidation	3,076	3,157	9,768	8,585
Asset and property management fees from IRES recognized in other income	\$ 2,519	\$ 2,421	\$ 7,427	\$ 7,161

⁽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)	<i>Weighted Average Number of Units</i>				<i>Outstanding Number of Units</i>	
	<i>Three Months Ended</i>		<i>Nine Months Ended</i>		<i>As at</i>	
	<i>September 30,</i>		<i>September 30,</i>		<i>September 30,</i>	
	2021	2020	2021	2020	2021	% ⁽¹⁾
Trust Units	172,846	170,826	172,418	170,441	173,027	98.7
Exchangeable LP Units ⁽²⁾	464	633	377	212	1,679	1.0
Units under the DUP	185	169	180	157	191	0.1
Basic number of units	173,495	171,628	172,975	170,810	174,897	99.7
Plus:						
Unit rights under the RUR Plan ⁽³⁾	490	560	551	574	477	0.3
Diluted number of units	173,985	172,188	173,526	171,384	175,374	100.0

⁽¹⁾ Represents percentage of total diluted units.

⁽²⁾ See note 17 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)	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	2021	2020	2021	2020
Distributions declared on Trust Units	\$ 61,670	\$ 59,008	\$ 180,531	\$ 176,525
Distributions declared on Exchangeable Units	282	218	511	218
Distributions declared on awards outstanding under unit-based compensation plans ⁽¹⁾	241	258	769	760
Total distributions declared	62,193	59,484	181,811	177,503
Less:				
Distributions on Trust Units reinvested	(19,092)	(17,213)	(55,140)	(49,555)
Distributions on unit awards reinvested ⁽¹⁾	(241)	(258)	(769)	(760)
Net distributions paid	\$ 42,860	\$ 42,013	\$ 125,902	\$ 127,188
Percentage of distributions reinvested	31.1%	29.4%	30.8%	28.3%

⁽¹⁾ Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 14 and 15 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2020 contained in CAPREIT's 2020 Annual Report for a discussion of these plans).

Under CAPREIT's DRIP, a participant may purchase additional units with the cash distributions paid on the eligible units, registered in the participant's name or held in a participant's account maintained pursuant to the DRIP. 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, and (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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 190,213	\$ 300,075	\$ 747,836	\$ 440,970
Adjustments:				
Fair value adjustments of investment properties	(122,974)	(233,437)	(480,462)	(197,465)
Realized loss on disposition of investment properties	20	634	20	1,387
Remeasurement of Exchangeable LP Units	(3,467)	(1,354)	(761)	(1,354)
Remeasurement of investments	(2,130)	348	(9,001)	3,435
Remeasurement of unit-based compensation liabilities	1,862	(1,236)	7,033	(3,998)
Interest on Exchangeable LP Units	282	218	511	218
Deferred income tax expense ⁽¹⁾	28,961	7,698	41,310	15,735
Loss (gain) on foreign currency translation	5,132	(11,730)	5,901	19,962
FFO adjustment for income from investment in associate	—	(56)	(2,211)	7,634
(Gain) loss on derivative financial instruments	(129)	25,800	(34,854)	26,758
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	4,721	12,722	18,143	(28,459)
Distributions on ERES units held by non-controlling unitholders	3,219	3,191	9,623	9,343
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽²⁾	(4,504)	(4,178)	(13,183)	(12,051)
Amortization of property, plant and equipment	2,063	1,939	6,144	5,663
Lease principal repayment	(307)	(292)	(900)	(867)
FFO	\$ 102,962	\$ 100,342	\$ 295,149	\$ 286,911
FFO per unit – basic	\$ 0.593	\$ 0.585	\$ 1.706	\$ 1.680
FFO per unit – diluted	\$ 0.592	\$ 0.583	\$ 1.701	\$ 1.674
Total distributions declared	\$ 62,193	\$ 59,484	\$ 181,811	\$ 177,503
FFO payout ratio	60.4%	59.3%	61.6%	61.9%
Net distributions paid	\$ 42,860	\$ 42,013	\$ 125,902	\$ 127,188
Excess FFO over net distributions paid	\$ 60,102	\$ 58,329	\$ 169,247	\$ 159,723
FFO effective payout ratio	41.6%	41.9%	42.7%	44.3%

⁽¹⁾ The figures for the three and nine months ended September 30, 2020 consist of \$7.7 million and \$14.6 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, senior management termination, and retirement 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 September 30,			Nine Months Ended September 30,		
	2021	2020	% ⁽¹⁾	2021	2020	% ⁽¹⁾
FFO	\$ 102,962	\$ 100,342	2.6	\$ 295,149	\$ 286,911	2.9
Adjustments:						
Amortization of losses from (AOCL) AOCI to interest and other financing costs	618	629	(1.7)	1,857	1,896	(2.1)
Mortgage prepayment cost	1,024	143	616.1	1,189	166	616.3
Reorganization, senior management termination, and retirement costs ⁽²⁾	1,215	—	100.0	2,747	—	100.0
Acquisition research costs ⁽³⁾	—	—	100.0	899	—	100.0
NFFO	\$ 105,819	\$ 101,114	4.7	\$ 301,841	\$ 288,973	4.5
NFFO per unit – basic	\$ 0.610	\$ 0.589	3.6	\$ 1.745	\$ 1.692	3.1
NFFO per unit – diluted	\$ 0.608	\$ 0.588	3.4	\$ 1.739	\$ 1.686	3.1
Total distributions declared	\$ 62,193	\$ 59,484	4.6	\$ 181,811	\$ 177,503	2.4
NFFO payout ratio	58.8%	58.8%		60.2%	61.4%	
Net distributions paid	\$ 42,860	\$ 42,013	2.0	\$ 125,902	\$ 127,188	(1.0)
Excess NFFO over net distributions paid	\$ 62,959	\$ 59,101	6.5	\$ 175,939	\$ 161,785	8.7
Effective NFFO payout ratio	40.5%	41.6%		41.7%	44.0%	

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

⁽²⁾ Includes severance and other employee costs relating to reorganization, senior management termination, and retirement.

⁽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 \$1.0 million and \$3.3 million for the three and nine months ended September 30, 2021 compared to \$1.0 and \$2.8 million for the three and nine months ended September 30, 2020, representing the amount of fees attributed to the ERES non-controlling unitholders.

For the three months ended September 30, 2021, basic NFFO per unit increased by 3.6% compared to the same period last year, despite an approximate 1.1% increase in the weighted average number of units outstanding. For the nine months ended September 30, 2021, basic NFFO per unit increased by 3.1% compared to the same period last year despite an approximate 1.3% increase in the weighted average number of units outstanding. Management expects per unit FFO and NFFO and related payout ratios to strengthen further in the medium term as a result of NOI contributions from recent acquisitions.

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 September 30,		Nine Months Ended September 30,		Actual Annual
	2021	2020 ⁽⁸⁾	2021	2020 ⁽⁸⁾	2020 ⁽⁸⁾
Cash generated from operating activities	\$ 156,221	\$ 126,355	\$ 401,496	\$ 379,846	\$ 480,729
Adjustments:					
Working capital adjustment ⁽¹⁾	—	18,116	—	18,116	18,116
Interest expense included in cash flow from financing activities ⁽²⁾	(33,885)	(32,544)	(99,163)	(96,787)	(130,398)
Forecasted non-discretionary property capital investments ⁽³⁾	(20,437)	(16,995)	(59,663)	(50,693)	(70,545)
Capitalized leasing costs ⁽⁴⁾	(2,247)	(1,034)	(6,500)	(1,674)	(3,909)
Amortization of other financing costs ⁽⁵⁾	(3,496)	(2,063)	(10,270)	(6,703)	(23,725)
Investment income	3,668	4,498	8,040	10,902	11,670
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁶⁾	(5,737)	(5,206)	(13,700)	(10,190)	(13,346)
Lease principal and interest repayments	(1,568)	(1,418)	(4,537)	(4,247)	(5,664)
Tax on disposition ⁽⁷⁾	—	—	—	1,155	1,155
ACFO	\$ 92,519	\$ 89,709	\$ 215,703	\$ 239,725	\$ 264,083
Total distributions declared	\$ 62,193	\$ 59,484	\$ 181,811	\$ 177,503	\$ 237,103
Excess ACFO over distributions declared	\$ 30,326	\$ 30,225	\$ 33,892	\$ 62,222	\$ 26,980
ACFO payout ratio	67.2%	66.3%	84.3%	74.0%	89.8%

⁽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 three and nine months ended September 30, 2020 and 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 nine months ended September 30, 2021 and 2020 have 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 \$1,259 and \$1,113 respectively. The estimated full year weighted average number of residential suites and sites for the nine months ended September 30, 2021 and 2020 is 63,626 and 60,705, 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⁾ This calculation is based on the weighted average ownership held by ERES non-controlling unitholders.

⁽⁷⁾ Represents \$1.2 million of income tax expense on the disposition of a German investment property for the nine months ended September 30, 2020 and year ended December 31, 2020.

⁽⁸⁾ Certain 2020 comparative figures have been adjusted to conform with current period presentation.

For the three and nine months ended September 30, 2021, CAPREIT's ACFO exceeded distributions declared by \$30.3 million and \$33.9 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Actual	\$ 25,633	\$ 24,337	\$ 54,908	\$ 39,778
Forecast	20,437	16,995	59,663	50,693
Difference	\$ 5,196	\$ 7,342	\$ (4,755)	\$ (10,915)

For the three months ended September 30, 2021, CAPREIT's actual non-discretionary capital investments of \$25.6 million was higher than the forecast by approximately \$5.2 million. For the nine months ended September 30, 2021, CAPREIT's actual non-discretionary capital investments of \$54.9 million was lower than the forecast by approximately \$4.8 million. The variances are mainly due to shifts in timing of structural work, which is expected to be completed in fourth quarter 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	\$ 80,107	\$ 70,545	\$ 65,532
Weighted average number of suites and sites	63,626	60,929	55,175
Non-discretionary property capital investments per suite and site	\$ 1,259	\$ 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 September 30,		Nine Months Ended September 30,	
	2021	2020 ⁽²⁾	2021	2020 ⁽²⁾
Cash generated from operating activities	\$ 156,221	\$ 126,355	\$ 401,496	\$ 379,846
Adjustments:				
Interest expense included in cash flow from financing activities ⁽¹⁾	(33,885)	(32,544)	(99,163)	(96,787)
Adjusted Cash Generated from Operating Activities	\$ 122,336	\$ 93,811	\$ 302,333	\$ 283,059
Total distributions declared	\$ 62,193	\$ 59,484	\$ 181,811	\$ 177,503
Excess	\$ 60,143	\$ 34,327	\$ 120,522	\$ 105,556

⁽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 September 30,		Nine Months Ended September 30,	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Net income	\$ 190,213	\$ 300,075	\$ 747,836	\$ 440,970
Adjusted Cash Generated from Operating Activities	\$ 122,336	\$ 93,811	\$ 302,333	\$ 283,059
Total distributions declared	\$ 62,193	\$ 59,484	\$ 181,811	\$ 177,503
Net distributions paid	\$ 42,860	\$ 42,013	\$ 125,902	\$ 127,188
Excess of net income over total distributions declared	\$ 128,020	\$ 240,591	\$ 566,025	\$ 263,467
Excess of net income over net distributions paid	\$ 147,353	\$ 258,062	\$ 621,934	\$ 313,782
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 60,143	\$ 34,327	\$ 120,522	\$ 105,556
Excess of Adjusted Cash Generated from Operating Activities over net distributions paid	\$ 79,476	\$ 51,798	\$ 176,431	\$ 155,871

⁽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 nine months ended September 30, 2021, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$60.1 million and \$120.5 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 their 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

Nine Months Ended September 30, 2021 (\$ Thousands)	Actual Total Portfolio	% of Actual	2021 Annual Forecast Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 50,321	24.6	\$ 70,405
MHC infrastructural	3,760	1.8	5,758
Life and safety	827	0.4	3,944
	54,908	26.8	80,107
Discretionary property capital investments:			
Suite improvements	72,382	35.4	91,679
Common area	48,207	23.6	81,887
Energy-saving initiatives	15,028	7.4	18,008
Equipment	11,202	5.5	13,306
Elevators and risers	602	0.3	6,712
Others	995	0.5	1,029
MHC common area	1,043	0.5	1,832
	149,459	73.2	214,453
Total	\$ 204,367	100.0	\$ 294,560

Nine Months Ended September 30, 2020 (\$ Thousands)	Actual Total Portfolio	% of Actual	2020 Annual Actual Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 35,457	25.0	\$ 64,447
MHC infrastructural	3,863	2.7	5,495
Life and safety	458	0.3	603
	39,778	28.0	70,545
Discretionary property capital investments:			
Suite improvements	44,666	31.7	68,092
Common area	31,384	22.2	51,196
Energy-saving initiatives	12,659	8.9	18,574
Equipment	8,272	5.8	13,855
Elevators and risers	3,751	2.6	6,489
Others	549	0.4	1,459
MHC common area	603	0.4	918
	101,884	72.0	160,583
Total	\$ 141,662	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 September 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 Nine Months Ended September 30,			
Balance, beginning of the year	\$	15,000,591	\$ 13,096,426
Add:			
Acquisitions		803,473	578,761
Property capital investments ⁽¹⁾		229,832	147,767
Capitalized leasing costs ⁽²⁾		1,346	398
Right-of-use asset ⁽³⁾		10,067	—
Operating lease buyout		4,457	150,157
Fair value adjustments		480,462	197,465
(Loss) gain on foreign currency translation		(117,955)	141,245
Less:			
Dispositions		(52,461)	(56,760)
Balance, end of the period	\$	16,359,812	\$ 14,255,459

⁽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.

During the nine months ended September 30, 2021, 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. 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 nine months ended September 30, 2021, there was a \$1,359.2 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 \$721.7 million, or 4.8%.

Investment Properties by Geography

	Dec 2020	Fair Value Change Due To					Sept 2021	Sept 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	\$ 347	\$ 78	\$ 220	\$ —	\$ —	\$ 6,095	3.24 %	3.43 %
Other Ontario	1,656	111	25	80	—	—	1,872	3.72 %	4.00 %
Québec	2,043	32	35	12	—	—	2,122	4.08 %	4.18 %
British Columbia	1,619	172	17	26	—	—	1,834	3.72 %	3.80 %
Nova Scotia	745	—	20	(14)	—	—	751	4.39 %	4.43 %
Alberta	427	—	11	(4)	—	10	444	4.36 %	4.37 %
Prince Edward Island	95	—	2	2	—	—	99	5.27 %	5.47 %
Saskatchewan	28	—	2	—	—	—	30	5.15 %	5.51 %
Subtotal	12,063	662	190	322	—	10	13,247	3.63 %	3.80 %
Europe	2,300	72	19	160	(118)	—	2,433	3.77 %	3.87 %
MHC	638	22	22	(2)	—	—	680	5.76 %	5.96 %
Total	\$ 15,001	\$ 756	\$ 231	\$ 480	\$ (118)	\$ 10	\$ 16,360	3.73 %	3.91 %

For the Nine Months Ended September 30, 2021	Components of Fair Value Adjustments			
(\$ Millions)	Capitalization Rates	Normalized NOI ⁽⁴⁾	CAPEX ⁽¹⁾	Total
Greater Toronto Area	\$ 300	\$ (2)	\$ (78)	\$ 220
Other Ontario	104	1	(25)	80
Québec	48	(1)	(35)	12
British Columbia	45	(2)	(17)	26
Nova Scotia	6	—	(20)	(14)
Alberta	2	5	(11)	(4)
Prince Edward Island	4	—	(2)	2
Saskatchewan	2	—	(2)	—
Subtotal	511	1	(190)	322
Europe	151	28	(19)	160
MHC	20	—	(22)	(2)
Total	\$ 682	\$ 29	\$ (231)	\$ 480

⁽¹⁾ Represents property capital investments and capitalized leasing costs during the nine months ended September 30, 2021.

⁽²⁾ Weighted average capitalization rates excluding implied capitalization rates on operating and land leasehold interests. See note 6 to the accompanying condensed consolidated interim financial statements for further valuation assumption details, including discount rates as at September 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 September 30, 2021 (\$ Millions)	Change in NOI					
		(2.00)%	(1.00)%	— %	+1.00 %	+2.00 %
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,142	\$ 2,330	\$ 2,518	\$ 2,706	\$ 2,894
	(0.25)%	769	943	1,117	1,291	1,465
	—%	(408)	(246)	—	78	240
	+0.25%	(1,430)	(1,278)	(1,126)	(975)	(823)
	+0.50%	(2,325)	(2,182)	(2,040)	(1,898)	(1,755)

⁽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 which are targeted for planning approval assessment 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) ⁽⁴⁾
Greater Toronto Area (GTA)	3	—	1 ^{(1), (2)}	—	3,454
Québec	1	1	—	—	501
Prince Edward Island	—	—	1 ⁽³⁾	—	59
Total	4	1	2	—	4,014

⁽¹⁾ 141 Davisville Avenue, Toronto, Ontario was approved in December 2020 by the Local Planning Appeal Tribunal. The Zoning By-law Amendment permits 120 net new units in a 14-storey infill building.

⁽²⁾ Previously included in the development pipeline are 128 new units at 100 Wellesley Street East in Toronto, Ontario. Management has re-assessed the construction costs for the project and decided to halt further development activity at the current time.

⁽³⁾ CAPREIT is currently assessing market conditions in order to proceed with building permit submission.

⁽⁴⁾ 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 Nine Months Ended September 30,	2021 Actual Total Portfolio	2020 Actual Total Portfolio	2021 Annual Forecast Total Portfolio
(\$ Thousands)			
Conversion	\$ 15,520	6,106	\$ 20,393
Infill ⁽¹⁾	1,430	1,963	3,124
Redevelopment ⁽¹⁾	336	853	547
Total for development	\$ 17,286	8,922	\$ 24,064

⁽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 September 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	September 30, 2021	December 31, 2020	
Mortgages payable	\$ 5,899,947	\$ 5,401,202	
Bank indebtedness	443,559	118,553	
Unitholders' equity	9,838,034	9,273,702	
Exchangeable LP Units	99,257	16,632	
Total capital	\$ 16,280,797	\$ 14,810,089	
Threshold			
Total debt to gross book value ⁽¹⁾	Maximum 62.50%	37.20%	35.54 %
Mortgage debt to gross book value		34.60%	34.78 %
Total debt to gross historical cost ⁽²⁾		52.50%	50.11 %
Total debt to total capitalization ⁽³⁾		37.96%	38.98 %
Tangible net worth ⁽¹⁾	Minimum of \$5,000,000 + 75% of proceeds of future equity raises	\$ 9,956,033	\$ 9,307,613
For the four quarters ended ⁽⁴⁾			
Debt service coverage ratio (times) ⁽¹⁾	Minimum 1.40	1.98	2.01
Interest coverage ratio (times) ⁽¹⁾	Minimum 1.65	3.96	3.95

⁽¹⁾ See note 22 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 September 30, 2021. As at September 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 September 30, 2021 remains strong with \$243.3 million available on the Acquisition and Operating Facility.

CAPREIT has investment properties with a fair value of approximately \$1,233.6 million as at September 30, 2021 that are not encumbered by mortgages. Of these, \$1,231.5 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. Refer to note 32 to the accompanying condensed consolidated interim financial statements for further details. 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 September 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 September 30,	2021	2020
Percentage of CMHC-insured mortgages ⁽¹⁾	98.5%	98.5%
Percentage of fixed-rate mortgages ⁽²⁾	99.4%	99.2%
Weighted average mortgage interest rate ⁽³⁾	2.55%	2.74%
Weighted average mortgage term to maturity (years) ⁽⁴⁾	5.74	4.92
Cross-currency interest rate swaps ⁽⁵⁾	\$ 675,839	\$ 659,934
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)	2.54	0.58

⁽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 September 30, 2021 would be 2.60% (September 30, 2020 - 2.70%).

⁽⁴⁾ The mortgages on the Canadian and European properties have a weighted average term to maturity of 6.1 years and 4.0 years (September 30, 2020 - 5.0 years and 4.7 years), respectively.

⁽⁵⁾ Euro equivalent of €442.4 million (September 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 \$675.8 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 2.54 years as at September 30, 2021. The all-in effective interest rate on the swapped debt of \$659.9 million was 1.06%, with a remaining weighted average swap term of 0.58 years as at September 30, 2020.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to November 9, 2021, as well as those expected for the remainder of 2021:

(\$ Thousands)	Original Mortgage Amount	Original Stated Interest Rate	New Mortgage Amount	Weighted Average New Stated Interest Rate ⁽¹⁾	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) ⁽²⁾
Second Quarter	\$ 121,578	3.90 %	\$ 344,753	2.40 %	9.9	\$ 223,175 ⁽²⁾
Third Quarter	\$ 162,152	2.80 %	\$ 329,409	1.90 %	6.1	\$ 167,257 ⁽²⁾
Acquisitions	—	— %	132,045	1.81 %	5.2	132,045
Total and Weighted Average	\$ 372,803	2.92 %	\$ 844,570	2.10 %	7.6	\$ 471,767
Subsequent to the quarter:						
Committed or Completed	86,373	3.22 %	198,128	2.23 %	8.4	111,756
Acquisitions	—	— %	14,599	2.14 %	7.0	14,599
Expected for the remainder of 2021	14,776	4.80 %	48,696	—	—	33,920
Subtotal and Weighted Average	\$ 473,952	3.03 %	\$ 1,105,993	2.12 %	7.8	\$ 632,042

⁽¹⁾ Excludes prepaid CMHC premiums, other financing costs and impact of hedging.

⁽²⁾ 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 \$960 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. For mortgages which management is virtually certain will be refinanced in the next year, accelerated amortization period is taken from the date the mortgage strategy is approved to the date it is scheduled to be refinanced. During the three and nine months ended September 30, 2021, CMHC amortization expense including net write-offs of CMHC premiums on refinancings amounted to \$2.5 million and \$7.1 million. CMHC amortization expense including net write-offs of CMHC premiums on refinancings for the remainder of 2021 is expected to be approximately \$1.4 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 September 30, 2021

(\$ Thousands)

Year of Maturity	Mortgages on the Same Properties Maturing in Other Years ⁽¹⁾		Total Mortgages		NOI of Properties with Maturing Mortgage(s) ^{(2), (3)}
	Mortgage Maturities ⁽¹⁾				
2021	\$ 113,429	\$ 23,059	\$ 136,488	\$	15,075
2022	443,790	15,603	459,393		71,198
2023	410,029	225,959	635,988		73,392
2024	501,300	119,206	620,506		54,707
2025	765,912	60,710	826,622		89,985
2026 onwards	2,883,149	(444,537)	2,438,612		237,507
Total	\$ 5,117,609	\$ —	\$ 5,117,609	\$	541,864

⁽¹⁾ Mortgage balance due upon maturity.

⁽²⁾ NOI for the 12 months ended September 30, 2021.

⁽³⁾ Projected NOI included for acquisitions since September 30, 2020.

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

As at September 30, 2021

(\$ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
2021	\$ 38,531	\$ 113,429	\$ 151,960	3.1	3.40
2022	147,782	369,912	517,694	10.5	3.27
2023	131,183	321,223	452,406	9.2	3.44
2024	117,708	384,234	501,942	10.2	3.00
2025	109,139	429,906	539,045	11.0	2.64
2026	86,424	498,458	584,882	11.9	2.58
2027	65,392	265,238	330,630	6.7	2.70
2028	58,404	203,501	261,905	5.3	2.90
2029	46,989	289,874	336,863	6.9	2.86
2030	33,456	290,875	324,331	6.6	2.27
2031-2036	60,636	849,413	910,049	18.6	2.47
	\$ 895,644	\$ 4,016,063	\$ 4,911,707	100.0 %	2.76 % ⁽²⁾
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net			(119,276)		
Total			\$ 4,792,431		
Weighted average term to maturity (years)			6.14		

⁽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 September 30, 2021 is as follows:

As at September 30, 2021							
(\$ Thousands)							
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%)	(1), (2)
2021	\$ 808	\$ —	\$ 808	€ 546	0.1	—	
2022	3,241	73,878	77,119	52,104 ⁽³⁾	6.9	1.43	
2023	3,253	88,806	92,059	62,198 ⁽³⁾	8.3	1.08	
2024	2,628	117,066	119,694	80,869 ⁽³⁾	10.8	1.39	
2025	422	336,006	336,428	227,301 ⁽³⁾	30.3	1.87	
2026	—	284,422	284,422	192,183 ⁽³⁾	25.6	1.47	
2027	—	201,368	201,368	136,050 ⁽³⁾	18.1	1.32	
	\$ 10,352	\$ 1,101,546	\$ 1,111,898	€ 751,251	100.0 %	1.53 %	(2)
Deferred financing costs and fair value adjustments, net			(4,382)				
Total			\$ 1,107,516				
Weighted average term to maturity			4.02				

⁽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 September 30, 2021	
Market capitalization (\$ Thousands)	\$ 10,366,329
Total number of units outstanding	175,373,526
Trust Units	173,026,823
Deferred units	190,757
RUR Plan units	476,756
Exchangeable LP Units	1,679,190
Ownership by trustees, officers and other senior management	0.7 %

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

	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19
Overall portfolio net AMR	\$ 1,143	\$ 1,118	\$ 1,115	\$ 1,121	\$ 1,113	\$ 1,104	\$ 1,105	\$ 1,084
Operating revenues (000s) ^{(1), (3)}	\$ 236,097	\$ 228,856	\$ 227,506	\$ 225,238	\$ 221,420	\$ 219,925	\$ 216,060	\$ 208,183
NOI (000s) ^{(1), (2)}	\$ 158,126	\$ 151,786	\$ 146,652	\$ 148,646	\$ 148,234	\$ 143,233	\$ 138,058	\$ 135,704
NOI Margin ^{(1), (3)}	67.0%	66.3%	64.5%	66.0%	66.9%	65.1%	63.9%	65.2%
Net Income (000s)	\$ 190,213	\$ 453,561	\$ 104,062	\$ 484,958	\$ 300,075	\$ 61,262	\$ 79,633	\$ 492,267
FFO (000s) ^{(1), (2)}	\$ 102,962	\$ 97,503	\$ 94,684	\$ 99,311	\$ 100,342	\$ 94,056	\$ 92,513	\$ 87,863
NFFO (000s) ^{(1), (2)}	\$ 105,819	\$ 100,080	\$ 95,942	\$ 99,985	\$ 101,114	\$ 94,712	\$ 93,147	\$ 89,341
Total debt to gross book value ⁽³⁾	37.20%	36.37%	35.21%	35.54%	35.70%	36.02%	35.86%	34.70%
FFO per unit ⁽¹⁾ - basic	\$ 0.593	\$ 0.564	\$ 0.549	\$ 0.577	\$ 0.585	\$ 0.551	\$ 0.544	\$ 0.538
NFFO per unit ⁽¹⁾ - basic	\$ 0.610	\$ 0.579	\$ 0.556	\$ 0.581	\$ 0.589	\$ 0.555	\$ 0.547	\$ 0.547
Weighted average number of units (000s) - basic	173,495	172,950	172,469	172,054	171,628	170,588	170,206	163,295
Weighted average number of units (000s) - diluted	173,985	173,512	173,072	172,616	172,188	171,175	170,780	163,840

⁽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 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 nine months ended September 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 nine months ended September 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 September 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 nine months ended September 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 28 to CAPREIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2021.

COMMITMENTS AND CONTINGENCIES

A summary of commitments and contingencies can be found in notes 29 and 30 to CAPREIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2021.

SUBSEQUENT EVENTS

A summary of subsequent events can be found in note 32 to CAPREIT's condensed consolidated interim financial statements for the three and nine months ended September 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 September 30,	2021	%	2020	%
Residential Suites				
Ontario				
Greater Toronto Area	16,701	25.3	16,158	25.7
London / Kitchener / Waterloo	3,808	5.8	3,261	5.2
Ottawa	2,750	4.1	2,377	3.8
Other Ontario	1,702	2.6	1,702	2.7
	24,961	37.8	23,498	37.4
Québec				
Greater Montréal Region	7,933	12.0	7,767	12.4
Québec City	2,517	3.8	2,517	4.0
	10,450	15.8	10,284	16.4
British Columbia				
Greater Vancouver Region	3,551	5.4	3,551	5.6
Victoria and Other British Columbia	2,225	3.3	1,550	2.5
	5,776	8.7	5,101	8.1
Nova Scotia				
Halifax	3,288	5.0	3,250	5.2
Alberta				
Calgary	1,775	2.7	1,775	2.8
Edmonton	543	0.8	544	0.9
	2,318	3.5	2,319	3.7
Prince Edward Island				
Charlottetown	637	1.0	637	1.0
Saskatchewan				
Regina	234	0.3	234	0.4
Total Canadian residential suites	47,664	72.1	45,323	72.2
Europe				
The Netherlands	6,183	9.4	5,752	9.2
Total residential suites	53,847	81.5	51,075	81.4
MHC Sites				
Total MHC sites	12,204	18.5	11,685	18.6
Total suites and sites	66,051	100.0	62,760	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 NINE MONTHS ENDED
SEPTEMBER 30, 2021
(UNAUDITED)**

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CONSOLIDATED BALANCE SHEETS

(CA\$ thousands)

(Unaudited)

As at	Note	September 30, 2021	December 31, 2020
Non-current assets			
Investment properties	6	\$ 16,359,812	\$ 15,000,591
Investment in associate	7	244,940	257,210
Mortgage receivable	8	46,800	—
Derivative asset	21	18,036	778
Other non-current assets	9	80,597	73,810
Total non-current assets		16,750,185	15,332,389
Current assets			
Derivative asset	21	1,824	55
Other current assets	9	127,173	44,965
Cash and cash equivalents		138,438	121,722
Total current assets		267,435	166,742
Total assets		\$ 17,017,620	\$ 15,499,131
Non-current liabilities			
Mortgages payable	13	\$ 5,482,380	\$ 4,811,131
Bank indebtedness	14	349,686	104,810
Unit-based compensation financial liabilities	15, 16	13,356	14,123
ERES units held by non-controlling unitholders	12	348,377	328,535
Derivative liability	21	1,811	8,023
Deferred income tax liability	23	98,317	59,964
Lease liabilities		45,737	36,565
Total non-current liabilities		6,339,664	5,363,151
Current liabilities			
Mortgages payable	13	417,567	590,071
Bank indebtedness	14	93,873	13,743
Unit-based compensation financial liabilities	15, 16	20,965	19,624
Derivative liability	21	4,109	15,366
Accounts payable and accrued liabilities	11	125,883	131,888
Other current liabilities	10	13,883	13,985
Security deposits		43,478	41,218
Exchangeable LP Units	17	99,257	16,632
Distributions payable		20,907	19,751
Total current liabilities		839,922	862,278
Total liabilities		\$ 7,179,586	\$ 6,225,429
Unitholders' equity			
Unit capital		\$ 4,172,796	\$ 4,103,912
Accumulated other comprehensive (loss) income	24	(1,810)	70,047
Retained earnings		5,667,048	5,099,743
Total unitholders' equity		\$ 9,838,034	\$ 9,273,702
Total liabilities and unitholders' equity		\$ 17,017,620	\$ 15,499,131

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(CA\$ thousands)

(Unaudited)	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Operating revenues					
Revenue from investment properties	27	\$ 236,097	\$ 221,420	\$ 692,459	\$ 657,405
Operating expenses					
Realty taxes		(21,768)	(20,591)	(65,418)	(61,183)
Property operating costs		(56,203)	(52,595)	(170,477)	(166,697)
Total operating expenses		(77,971)	(73,186)	(235,895)	(227,880)
Net rental income		158,126	148,234	456,564	429,525
Trust expenses		(12,284)	(9,984)	(38,980)	(31,639)
Unit-based compensation expense	16	(3,500)	(694)	(12,419)	(1,487)
Fair value adjustments of investment properties	6	122,974	233,437	480,462	197,465
Fair value adjustments of Exchangeable LP Units	17	3,467	1,354	761	1,354
Fair value adjustments of investments		2,130	(348)	9,001	(3,435)
Realized loss on disposition of investment properties	5	(20)	(634)	(20)	(1,387)
Amortization of property, plant and equipment		(2,063)	(1,939)	(6,144)	(5,663)
(Loss) gain on non-controlling interest	12	(7,940)	(15,913)	(27,766)	19,116
Gain (loss) on derivative financial instruments	21	129	(25,800)	34,854	(26,758)
Interest and other financing costs	25	(41,129)	(36,314)	(117,176)	(108,021)
(Loss) gain on foreign currency translation		(5,132)	11,730	(5,901)	(19,962)
Other income	27	5,490	5,515	18,739	9,254
Net income before income taxes		220,248	308,644	791,975	458,362
Current and deferred income tax expense	23	(30,035)	(8,569)	(44,139)	(17,392)
Net income		\$ 190,213	\$ 300,075	\$ 747,836	\$ 440,970
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	24	\$ 618	\$ 629	\$ 1,857	\$ 1,896
(Loss) gain on foreign currency translation	24	8,730	28,604	(73,714)	89,390
Other comprehensive (loss) income		\$ 9,348	\$ 29,233	\$ (71,857)	\$ 91,286
Comprehensive income		\$ 199,561	\$ 329,308	\$ 675,979	\$ 532,256

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	18	55,140	—	—	55,140
RUR Plan	16,18	11,463	—	—	11,463
Employee Unit Purchase Plan	16	2,281	—	—	2,281
Total unit capital		68,884	—	—	68,884
Net income and other comprehensive loss					
Net income		—	747,836	—	747,836
Other comprehensive loss		—	—	(71,857)	(71,857)
Total net income and other comprehensive loss		—	747,836	(71,857)	675,979
Distributions on Trust Units					
Distributions declared and paid	19	—	(159,624)	—	(159,624)
Distributions payable	19	—	(20,907)	—	(20,907)
Total distributions on Trust Units		—	(180,531)	—	(180,531)
Unitholders' equity, September 30, 2021		\$ 4,172,796	\$ 5,667,048	\$ (1,810)	\$ 9,838,034

(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	18	49,555	—	—	49,555
RUR Plan	16,18	3,882	—	—	3,882
Employee Unit Purchase Plan	16	2,005	—	—	2,005
Total unit capital		55,442	—	—	55,442
Net income and other comprehensive income					
Net income		—	440,970	—	440,970
Other comprehensive income		—	—	91,286	91,286
Total net income and other comprehensive income		—	440,970	91,286	532,256
Distributions on Trust Units					
Distributions declared and paid	19	—	(156,856)	—	(156,856)
Distributions payable	19	—	(19,669)	—	(19,669)
Total distributions on Trust Units		—	(176,525)	—	(176,525)
Unitholders' equity, September 30, 2020		\$ 4,069,383	\$ 4,673,909	\$ 71,776	\$ 8,815,068

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA\$ thousands)

(Unaudited)	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Cash provided by (used in):					
Operating activities					
Net income		\$ 190,213	\$ 300,075	\$ 747,836	\$ 440,970
Items related to operating activities not affecting cash:					
Fair value adjustments - investment properties		(122,974)	(233,437)	(480,462)	(197,465)
Fair value adjustments - Exchangeable LP Units		(3,467)	(1,354)	(761)	(1,354)
Fair value adjustments - investments		(2,130)	348	(9,001)	3,435
Mark-to-market loss (gain) on ERES units	12	4,721	12,722	18,143	(28,459)
Loss on disposition of investment properties	5	20	634	20	1,387
(Gain) loss on derivative financial instruments	21	(129)	25,800	(34,854)	26,758
Amortization	9, 24, 25	6,176	4,628	18,269	14,260
Unit-based compensation expense	16	3,500	694	12,419	1,487
Straight-line rent adjustment		(112)	(54)	(167)	(141)
Deferred income tax expense	23	28,961	7,698	41,310	14,580
Net (profit) loss from investment in associate	27	(2,522)	(2,449)	(10,066)	338
Unrealized foreign currency loss		5,132	(11,730)	5,901	19,962
Net income items related to financing and investing activities	26	38,718	37,216	112,114	106,046
Changes in non-cash operating assets and liabilities	26	10,114	(14,436)	(19,205)	(21,958)
Cash provided by operating activities		156,221	126,355	401,496	379,846
Investing activities					
Acquisition of investment properties	26	(252,020)	(110,451)	(661,321)	(452,815)
Capital investments	26	(83,801)	(56,176)	(226,764)	(154,704)
Operating lease buyout	6, 26	—	—	(4,457)	(119,411)
Disposition of investment properties	26	5,648	17,979	5,648	33,312
Change in restricted cash		(989)	(136)	(1,813)	(496)
Investment income received		3,668	4,498	8,040	10,902
Cash used in investing activities		(327,494)	(144,286)	(880,667)	(683,212)
Financing activities					
Mortgage financings	26	531,428	143,499	980,369	567,719
Mortgage principal repayments	26	(37,093)	(34,713)	(110,596)	(101,412)
Mortgages repaid on maturity	26	(222,333)	(18,161)	(432,984)	(140,103)
Lease payments		(1,568)	(1,418)	(4,537)	(4,247)
Financing costs		(3,504)	(1,055)	(6,358)	(3,246)
CMHC premiums on mortgages payable		(6,615)	(4,048)	(18,976)	(10,124)
Interest paid on mortgages and bank indebtedness	26	(33,885)	(32,544)	(99,163)	(96,787)
Bank indebtedness	26	3,916	31,134	320,982	(16,709)
Proceeds on issuance of Trust Units, net of issuance costs	26	784	693	2,370	1,828
Net cash distributions	26	(44,227)	(44,861)	(132,509)	(135,768)
Cash provided by financing activities		186,903	38,526	498,598	61,151
Changes in cash and cash equivalents during the period					
		15,630	20,595	19,427	(242,215)
Effect of exchange rate changes on cash		266	394	(2,711)	(669)
Cash and cash equivalents, beginning of the period		122,542	213,455	121,722	477,328
Cash and cash equivalents, end of the period		\$ 138,438	\$ 234,444	\$ 138,438	\$ 234,444

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

September 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 September 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 November 9, 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 nine months ended September 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)

September 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.

Mortgage receivable

Mortgage receivables arise when CAPREIT disposes of investment properties and provides the purchaser with a vendor takeback mortgage ("VTB"). The VTB is a financial asset under IFRS 9, Financial Instruments ("IFRS 9"), and is measured initially at fair value and subsequently at amortized cost. Under IFRS 9, CAPREIT is required to measure the expected credit loss ("ECL") allowance of the VTB at an amount equal to the 12-month ECL at initial recognition or if there has been no significant increase in credit risk of the VTB since initial recognition. CAPREIT will increase the loss allowance of the VTB to an amount equal to the lifetime ECL if there has been a significant increase in credit risk of the VTB since initial recognition.

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 introduced 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

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 nine months ended September 30, 2021.

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

Acquisitions Completed During the Nine Months Ended September 30, 2021

Acquisition Date	Suite or Site 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	33,702	—	3.08	1.67
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	—	23,201	1.12	6.00
June 30, 2021	33	The Netherlands	27,202	—	15,044	1.12	6.00
July 5, 2021	342	Lakeshore, ON	21,703	8,573	—	4.08	4.17
August 31, 2021 ⁽⁴⁾	787	Toronto, ON	165,626	37,225	—	3.16	7.68
September 7, 2021	193	West Kelowna, BC	63,385	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
September 22, 2021 ⁽⁵⁾	141	Toronto, ON	123,111	34,077	—	1.93	0.17
Total	3,122		\$ 803,473	\$ 131,614	\$ 38,245		

⁽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⁾ CAPREIT purchased the remaining 50% interest in a portfolio of 787 apartment suites and townhouse units. CAPREIT acquired its initial 50% interest on July 31, 2008.

⁽⁵⁾ Total acquisition cost was increased by \$7,985, relating to the difference between the agreed upon issuance price of \$56.00 per Exchangeable LP Unit and the fair value of the Exchangeable LP Units on the acquisition date. Refer to note 17 for further information.

5. Dispositions

The table below summarizes the disposition completed during the nine months ended September 30, 2021.

Disposition Completed During the Nine Months Ended September 30, 2021

Disposition Date	Suite Count	Region(s)	Sale Price	Cash Proceeds ⁽³⁾	Mortgage Discharged
September 2, 2021 ⁽¹⁾	1	The Netherlands	\$ 461	\$ 461	\$ —
September 29, 2021 ⁽²⁾	86	Toronto, ON	52,000	5,200	—
Total	87		\$ 52,461	\$ 5,661	\$ —

⁽¹⁾ Represents disposition of one individual single family home.

⁽²⁾ CAPREIT provided the purchaser with a VTB for \$46,800. Refer to note 8 for further information.

⁽³⁾ Prior to working capital adjustments

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6. Investment Properties

Reconciliation of Carrying Amounts of Investment Properties by Type

For the Nine Months Ended September 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	803,473	—	—	803,473
Property capital investments	221,817	2,017	5,998	229,832
Capitalized leasing costs ⁽¹⁾	1,334	10	2	1,346
Right-of-use asset ⁽²⁾	—	—	10,067	10,067
Operating lease buyout ⁽³⁾	—	4,457	—	4,457
Dispositions	(52,461)	—	—	(52,461)
Transfer between investment property types ⁽³⁾	23,810	(23,810)	—	—
Fair value adjustments	482,780	988	(3,306)	480,462
Loss on foreign currency translation	(117,955)	—	—	(117,955)
Balance of investment properties, end of the period	\$ 15,987,560	\$ 98,437	\$ 273,815	\$ 16,359,812

⁽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 nine months ended September 30, 2021, CAPREIT purchased the freehold interest on one of its operating leasehold properties and converted the ownership into fee simple.

For the Nine Months Ended September 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	578,761	—	—	578,761
Property capital investments	140,389	4,823	2,555	147,767
Capitalized leasing costs ⁽¹⁾	450	(1)	(51)	398
Operating lease buyout ⁽²⁾	—	150,157	—	150,157
Dispositions	(56,760)	—	—	(56,760)
Transfer between investment property types ⁽²⁾	894,349	(972,721)	78,372	—
Fair value adjustments	202,589	4,974	(10,098)	197,465
Gain on foreign currency translation	141,245	—	—	141,245
Balance of investment properties, end of the period	\$ 13,835,527	\$ 153,101	\$ 266,831	\$ 14,255,459

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

⁽²⁾ During the nine months ended September 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.

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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 residential 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 September 30, 2021 and December 31, 2020:

As at September 30, 2021

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽¹⁾	\$ 15,307,940	\$ 3,600	Capitalization rate	8.80 %	2.74 %	3.64 %
MHC sites	679,620	1,892	Capitalization rate	8.14 %	4.60 %	5.76 %
Operating leasehold interests ^{(2), (3)}	98,437	2,789	Discount rate ⁽⁶⁾	5.50 %	5.25 %	5.33 %
Land leasehold interests ⁽⁴⁾	227,560	3,150	Discount rate ⁽⁶⁾	7.50 %	5.50 %	6.48 %
Total Investment Properties excluding right-of-use assets	\$ 16,313,557					
Add: Right-of-use assets, net of fair value change	46,255					
Total Investment Properties	\$ 16,359,812					

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 \$2,432,679 (December 31, 2020 - \$2,299,435) of CAPREIT's European portfolio with an implied capitalization rate of 3.77% (December 31, 2020 - 3.87%), which were valued using the Discounted Cash Flow ("DCF") method at a weighted average discount rate of 5.64% and a terminal capitalization rate of 4.62% (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 September 30, 2021 (December 31, 2020 - \$42,235).

⁽³⁾ For the two operating leasehold interests remaining as at September 30, 2021 (December 31, 2020 - three), the contractual weighted average remaining lease term on operating leasehold interests is 14.6 years (December 31, 2020 - 14.9 years) based on the assumption that the early purchase option is not exercised. If the purchase option is exercised at the earliest allowable date, the

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weighted average remaining lease term on the two operating leasehold interests is 4.6 years as at September 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 DCF method. A weighted average stabilized net operating income growth for operating leasehold interests of 3.0% has been assumed as at September 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 September 30, 2021	Change in NOI					
		(2.00)%	(1.00)%	—%	+1.00%	+2.00%
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,141,620	\$ 2,329,598	\$ 2,517,576	\$ 2,705,554	\$ 2,893,533
	(0.25)%	769,141	943,115	1,117,088	1,291,062	1,465,035
	— %	(408,019)	(246,058)	—	77,865	239,827
	+0.25 %	(1,429,515)	(1,277,976)	(1,126,438)	(974,900)	(823,362)
	+0.50 %	(2,324,803)	(2,182,401)	(2,039,998)	(1,897,596)	(1,755,193)

(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.

7. 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 September 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 28 for further details.

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

As at	September 30, 2021	December 31, 2020
Carrying value of investment in associate	\$ 244,940	\$ 257,210
Share ownership (%)	18.7%	18.8%
Number of IRES shares	98,910,000	98,910,000
IRES share price (€)	1.44	1.50
Fair value of investment in associate based on quoted market price ⁽¹⁾	\$ 210,811	\$ 231,568

(1) CAPREIT has determined that the deficiency of the market capitalization of IRES over the carrying amount of the investment as at September 30, 2021 is an indicator of impairment. An impairment analysis was performed and no impairment was identified for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - no impairment).

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8. Mortgage Receivable

As disclosed in note 5, CAPREIT issued a VTB on September 29, 2021 in connection with the disposal of an investment property. Interest is payable quarterly with the principal due at maturity. The borrower can prepay the principal, in whole or in part, at any time or times during the term of the mortgage without notice or penalty. The table below presents the mortgage receivable:

Issuance date	Maturity year	Interest rate	September 30, 2021	December 31, 2020
September 29, 2021 ⁽¹⁾	2023	2.33 %	46,800	—

⁽¹⁾ The borrower has the option to extend the VTB for an additional year at an interest rate of 4.00% per annum.

9. Other Assets

As at	Note	September 30, 2021	December 31, 2020
Other non-current assets			
Property, plant and equipment ⁽¹⁾		\$ 46,469	\$ 59,850
Accumulated amortization of property, plant and equipment		(31,650)	(43,330)
Net property, plant and equipment		14,819	16,520
Right-of-use asset, net of amortization ⁽²⁾		686	1,141
Deferred loan costs, net ⁽³⁾		993	451
Fair value through profit or loss investment		46,199	37,198
Deferred tax asset	23	2,321	2,032
Goodwill ⁽⁴⁾		15,579	16,468
Total		\$ 80,597	\$ 73,810
Other current assets			
Prepaid expenses		\$ 22,146	\$ 9,969
Other receivables		18,409	15,411
Restricted cash		11,057	9,355
Deposits		75,561	10,230
Total		\$ 127,173	\$ 44,965

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

⁽²⁾ Amortization during the three and nine months ended September 30, 2021 is \$152 and \$455 respectively (three and nine months ended September 30, 2020 - \$156 and \$479 respectively).

⁽³⁾ Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of \$1,535 (December 31, 2020 - \$12,994).

⁽⁴⁾ CAPREIT has determined that the decline in the market capitalization of ERES as at September 30, 2021 is an indicator of impairment and as such, an impairment assessment was performed. No impairment has been recorded for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - no impairment).

10. Other Current Liabilities

As at	Note	September 30, 2021	December 31, 2020
Current tax liability	23	\$ 1,807	\$ 2,362
Mortgage interest payable		10,904	10,446
Current lease liabilities		1,172	1,177
Total		\$ 13,883	\$ 13,985

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

11. Accounts Payable and Accrued Liabilities

As at	September 30, 2021	December 31, 2020
Accounts payable	\$ 48,908	\$ 58,378
Accrued liabilities	56,562	51,843
Deferred revenue	15,645	14,399
Distributions payable to ERES non-controlling unitholders	913	920
Other	3,855	6,348
Total	\$ 125,883	\$ 131,888

12. ERES Units Held by Non-Controlling Unitholders

As at September 30, 2021, CAPREIT valued the ERES units held by non-controlling unitholders at \$348,377 (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		Nine Months Ended,	
	September 30,		September 30,	
	2021	2020	2021	2020
Mark-to-market loss (gain) on ERES units	\$ 4,721	\$ 12,722	\$ 18,143	\$ (28,459)
Distributions to ERES non-controlling unitholders	3,219	3,191	9,623	9,343
Loss (gain) on non-controlling interest	\$ 7,940	\$ 15,913	\$ 27,766	\$ (19,116)

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13. Mortgages Payable

As at September 30, 2021, mortgages payable bear interest at a weighted average effective rate of 2.60% (December 31, 2020 - 2.61%) and mature between 2021 and 2036. The effective interest rate as at September 30, 2021 includes 0.05% (December 31, 2020 - 0.05%) for the amortization of the realized component of the loss on settlement of derivative financial instruments of \$32,494 included in accumulated other comprehensive (loss) income (December 31, 2020 - \$32,494). As at September 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 \$15,126,172 have been pledged as security as at September 30, 2021 (December 31, 2020 - \$14,023,910). CAPREIT has investment properties with a fair value of \$1,233,640 as at September 30, 2021 that are not encumbered by mortgages (December 31, 2020 - \$976,681). Of these, \$1,231,464 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. Refer to note 32 for further information. As at September 30, 2021, unamortized deferred financing costs of \$17,810, unamortized fair value loss of \$2,259 and unamortized prepaid CMHC premiums of \$108,107 are netted against mortgages payable (December 31, 2020 - \$15,453, \$1,330 and \$96,255, respectively).

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

As at September 30, 2021	Principal Amount	% of Total Principal
2021	\$ 152,768	2.5
2022	594,813 ⁽¹⁾	9.9
2023	544,465 ⁽¹⁾	9.0
2024	621,636 ⁽¹⁾	10.3
2025	875,473 ⁽¹⁾	14.5
2026 - 2036	3,234,450 ⁽¹⁾	53.8
	6,023,605	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(123,658)	
Total portfolio	\$ 5,899,947	

As at	September 30, 2021	December 31, 2020
Represented by:		
Mortgages payable - non-current ⁽¹⁾	\$ 5,482,380	\$ 4,811,131
Mortgages payable - current	417,567	590,071
	\$ 5,899,947	\$ 5,401,202

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

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14. 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 22.

CAPREIT's credit facilities consist of the \$600,000 Acquisition and Operating Facility, which can be borrowed in US dollars ("USD"), euros 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.

The ERES Credit Facility and the ERES Bridge Facility, each originally maturing on July 8, 2021, were extended to October 29, 2021, under the same terms and conditions. As of September 30, 2021, \$93,873 (€63,423) was drawn on the ERES Credit Facility and ERES Bridge Facility combined (December 31, 2020 - \$13,743 (€8,805)). Refer to note 32 for further information.

As at September 30, 2021	Acquisition and Operating Facility	ERES Credit Facility and Bridge Facility	Consolidated Total
Facility	\$ 600,000	\$ 148,010	\$ 748,010
Less: USD LIBOR borrowings	(104,872) ⁽¹⁾	(93,873)	(198,745)
Canadian borrowings	(244,814) ⁽²⁾	—	(244,814)
Letters of credit	(7,032)	—	(7,032)
Available borrowing capacity	\$ 243,282	\$ 54,137	\$ 297,419
Weighted average interest rate including interest rate swaps	1.58 % ⁽³⁾	1.06 % ⁽⁴⁾	1.47 %

As at December 31, 2020	Acquisition and Operating Facility	ERES Credit Facility and Bridge Facility	Consolidated Total
Facility	\$ 740,000	\$ 156,080	\$ 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 % ⁽⁴⁾	1.05 %

⁽¹⁾ CAPREIT has net USD LIBOR borrowings of USD \$82,310 (December 31, 2020 - USD \$82,320) that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum as at September 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 September 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 1.79% (December 31, 2020 - 1.78%). For details on the swaps, refer to note 21.

⁽⁴⁾ The ERES Credit Facility and ERES Bridge Facility bear 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 and ERES Bridge Facility is 1.73% (December 31, 2020 - 1.79%). For details on the swaps, refer to note 21.

15. 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 September 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 September 30, 2021 is 375,698 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 September 30, 2021, the maximum number of outstanding unit options issuable under the ERES UOP is 18,374,971 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 September 30, 2021 and 2020 are as follows:

Nine Months Ended September 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	12,615	113,511	126,126
Exercised or settled in Trust Units	—	—	(204,683)	(204,683)
Cancelled or forfeited	—	—	(5,831)	(5,831)
Distributions reinvested	—	3,337	10,372	13,709
Unit rights and unit options outstanding as at September 30, 2021	4,729,694	190,757	476,756	667,513

Nine Months Ended September 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	—	14,848	87,985	102,833
Exercised or settled in Trust Units	—	—	(80,408)	(80,408)
Cancelled or forfeited	(56,320)	—	(2,393)	(2,393)
Distributions reinvested	—	3,340	12,125	15,465
Unit rights and unit options outstanding as at September 30, 2020	4,199,694	169,184	559,396	728,580

⁽¹⁾ Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the nine months ended September 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	September 30, 2021	December 31, 2020
Total unit-based compensation financial liabilities, beginning of the period	\$ 33,747	\$ 33,049
Unit-based compensation expense	12,039	4,705
Settlement of unit-based compensation awards for Trust Units and ERES units	(11,374)	(4,043)
(Gain) loss on foreign currency translation	(91)	36
Total unit-based compensation financial liabilities, end of the period	\$ 34,321	\$ 33,747

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Unit-based compensation financial liabilities are as follows:

As at	September 30, 2021	December 31, 2020
Non-current		
RUR	\$ 12,978	\$ 13,887
ERES UOP	378	236
	\$ 13,356	\$ 14,123
Current		
DUP	\$ 11,275	\$ 8,738
RUR	7,538	9,345
ERES UOP	2,152	1,541
	\$ 20,965	\$ 19,624
Total unit-based compensation financial liabilities	\$ 34,321	\$ 33,747

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

As at September 30, 2021, 0.7% (September 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.

16. 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 September 30, 2021 and 2020, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
DUP	\$ 511	\$ (25)	\$ 2,542	\$ (147)
RUR Plan	2,328	248	8,752	593
EUPP	131	121	380	334
ERES UOP	530	350	745	707
Unit-based compensation expense	\$ 3,500	\$ 694	\$ 12,419	\$ 1,487

17. Exchangeable LP Units

The carrying value of the Exchangeable LP Units is measured at their fair value of \$99,257 as at September 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 Nine Months Ended September 30,	2021	2020
Exchangeable LP Units outstanding, beginning of the period	332,703	—
Issued or granted ⁽¹⁾	1,346,487	632,761
Exchangeable LP Units outstanding, end of the period	1,679,190	632,761

⁽¹⁾ Exchangeable LP Units were issued in connection with the acquisition of an investment property as described in notes 4 and 26.

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18. 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 Nine Months Ended September 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	1,029,723	1,046,424
EUPP	40,578	40,531
RUR Plan	204,683	80,408
Trust Units outstanding, end of the period	173,026,823	171,036,560

19. Distributions on Trust Units

CAPREIT paid distributions to its Unitholders in accordance with its DOT. Distributions declared by its Board of Trustees were paid monthly, on or about the 15th day of each month. Effective August 2021, monthly cash distributions declared to Unitholders increased to \$0.1208 (\$1.45 annually) from \$0.1150 (\$1.38 annually).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Distributions declared on Trust Units	\$ 61,670	\$ 59,008	\$ 180,531	\$ 176,525
Distributions per unit	\$ 0.357	\$ 0.345	\$ 1.047	\$ 1.035

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

At September 30, 2021, the fair value of CAPREIT's mortgages payable is estimated to be \$6,068,000 (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 September 30, 2021, the principal outstanding on CAPREIT's mortgages payable is \$6,023,605 (December 31, 2020 - \$5,511,580) as shown in note 13.

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	\$ —	\$ —	\$ 15,987,560 ⁽¹⁾	\$ 15,987,560
Operating leasehold interests	—	—	98,437 ⁽¹⁾	98,437
Land leasehold interests	—	—	273,815 ⁽¹⁾	273,815
Investments	46,199 ⁽²⁾	—	—	46,199
Derivative financial assets	—	19,860 ⁽³⁾	—	19,860
Liabilities				
Derivative financial liabilities	—	(5,920) ⁽³⁾	—	(5,920)
ERES units held by non-controlling unitholders	(348,377)	—	—	(348,377)
Unit-based compensation financial liabilities	—	(34,321)	—	(34,321)
Exchangeable LP Units	—	(99,257)	—	(99,257)
Total	\$ (302,178)	\$ (119,638)	\$ 16,359,812	\$ 15,937,996

⁽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 6 for detailed information on the valuation methodologies and fair value reconciliation.

⁽²⁾ CAPREIT's investments (excluding CAPREIT's equity-accounted investment in IRES) are accounted for as fair value through profit or loss ("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 September 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 September 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 nine months ended September 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	
		September 30, 2021	September 30, 2020
Floating rate debt	+100	\$ 735	\$ 1
Floating rate debt	-100	\$ (735)	\$ (1)
Cross-currency and/or interest rate swaps ⁽¹⁾	+100	\$ 1,486	\$ 5,947
Cross-currency and/or interest rate swaps ⁽¹⁾	-100	\$ (1,505)	\$ (5,994)

⁽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 September 30, 2021, interest rate risk has been minimized, as 99.4% (September 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 (September 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 98.5% of CAPREIT's mortgages are CMHC-insured (excluding \$1,143,715 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 September 30, 2021, CAPREIT had undrawn lines of credit in the amount of \$243,282 (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 14, 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 September 30, 2021 are as follows:

	2021 ⁽²⁾	2022 - 2023	2024 - 2025	2026 onward
Mortgages payable	\$ 152,768	\$ 1,139,278	\$ 1,497,109	\$ 3,234,450
Bank indebtedness	93,873	—	349,686	—
Mortgage interest	82,785	203,672	147,550	180,741
Bank indebtedness interest ⁽¹⁾	2,313	9,178	2,137	—
Other liabilities ⁽³⁾	138,594	—	—	—
Derivative financial liabilities	4,109	—	1,811	—
ERES units held by non-controlling unitholders	—	—	—	348,377
Lease liabilities	281	1,760	1,399	43,469
Security deposits	43,478	—	—	—
Distributions payable	20,907	—	—	—
	\$ 539,108	\$ 1,353,888	\$ 1,999,692	\$ 3,807,037

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

⁽²⁾ Estimates of the amounts as at September 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.

CAPREIT mitigates the risk of credit loss with respect to the borrower of a VTB by ensuring that adequate collateral has been obtained for the VTB. The VTB is secured by the property that was purchased by the borrower.

Foreign Currency Risk

Foreign currency risk is the financial risk exposure to unanticipated changes in the exchange rate between two currencies. CAPREIT is exposed to foreign currency risk as CAPREIT's functional and presentation currency is Canadian dollars while the functional currency of 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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21. 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 September 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	US LIBOR + 1.65%	1.05 %	\$	(4,109)
CCIR Swaps ⁽²⁾	\$ 570,694	2022 - 2025	1.07 %	0.08 %		17,543
ERES Interest Rate Swap ⁽³⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %		(1,318)
ERES CCIR Swaps ⁽⁴⁾	US\$ 73,500	2021	US LIBOR + 1.65%	EURIBOR + 1.62%		1,824
Consolidated Total					\$	13,940

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 Swap ⁽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 September 30, 2021, the interest rate swap consists of a non-current derivative asset of \$493 (December 31, 2020 - \$778) and a non-current derivative liability of \$1,811 (December 31, 2020 - \$2,179).

⁽⁴⁾ Euro equivalent of €62,150 (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.

22. 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	September 30, 2021	December 31, 2020
Mortgages payable	\$ 5,899,947	\$ 5,401,202
Bank indebtedness	443,559	118,553
Unitholders' equity	9,838,034	9,273,702
Exchangeable LP Units	99,257	16,632
Total capital	\$ 16,280,797	\$ 14,810,089

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As described in note 14, 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	September 30, 2021	December 31, 2020
Total debt to gross book value ⁽²⁾	Maximum 62.50 %	37.20 %	35.54 %
	Minimum of \$5,000,000 + 75% of proceeds of future equity raises		
Tangible net worth ⁽³⁾		\$ 9,956,033	\$ 9,307,613
Debt service coverage ratio (times) ^{(4), (5)}	Minimum 1.40	1.98	2.01
Interest coverage ratio (times) ^{(4), (6)}	Minimum 1.65	3.96	3.95

⁽¹⁾ CAPREIT's FFO payout ratio did not exceed 100% for the trailing four quarters ended September 30, 2021. As at September 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 September 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.

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23. Income Taxes

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income before income taxes	\$ 220,248	\$ 308,644	\$ 791,975	\$ 458,362
Income not subject to taxation ⁽¹⁾	(99,549)	(267,838)	(612,032)	(376,239)
Income before income taxes in foreign subsidiary entities	120,699	40,806	179,943	82,123
Tax calculated at the Dutch corporate tax rate of 25%	30,175	10,202	44,986	20,531
Increase (decrease) resulting from:				
Effect of different tax rates in countries in which CAPREIT operates	286	(144)	(215)	(327)
Adjustments to deferred taxes for the change in tax rates	—	(1,320)	—	(2,549)
Adjustment for income taxed at a lower rate	(444)	(247)	(936)	(666)
Unrecognized deferred tax assets	187	—	479	—
Other adjustments	(169)	78	(175)	403
Current and deferred income tax expense	\$ 30,035	\$ 8,569	\$ 44,139	\$ 17,392

⁽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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Current income tax expense	\$ 1,074	\$ 871	\$ 2,829	\$ 2,812
Deferred income tax expense	28,961	7,698	41,310	14,580
Current and deferred income tax expense	\$ 30,035	\$ 8,569	\$ 44,139	\$ 17,392

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

As at	September 30, 2021	December 31, 2020
Deferred tax liability related to difference in tax and book basis of investment properties	\$ (99,748)	\$ (61,632)
Deferred tax asset related to loss carryforward	3,752	3,700

As at September 30, 2021, CAPREIT has total non-capital loss carryforwards of \$16,776 (December 31, 2020 - \$16,501). Of these losses, \$12,025 (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 \$4,751 (December 31, 2020 - \$4,553) are in respect of German subsidiaries and have no expiry period.

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24. Accumulated Other Comprehensive (Loss) Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
AOI (AOCL) balance, beginning of the period	\$ (11,158)	\$ 42,543	\$ 70,047	\$ (19,510)
Other comprehensive income (loss):				
Amortization from (AOCL) AOI to interest and other financing costs ⁽¹⁾	618	629	1,857	1,896
(Loss) gain on foreign currency translation	8,730	28,604	(73,714)	89,390
Other comprehensive (loss) income	9,348	29,233	(71,857)	91,286
(AOCL) AOI balance, end of the period	\$ (1,810)	\$ 71,776	\$ (1,810)	\$ 71,776

As at	September 30, 2021	December 31, 2020
(AOCL) AOI comprises:		
Net cumulative loss on derivative financial instruments	\$ (178)	\$ (380)
Net cumulative loss on forward interest rate hedge ⁽¹⁾	(2,107)	(3,762)
Cumulative (loss) gain on foreign currency translation	(2,652)	71,062
Reversal of cumulative foreign currency translation relating to IRES ownership dilution	3,127	3,127
(AOCL) AOI balance, end of the period	\$ (1,810)	\$ 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 \$1,733.

25. Interest and Other Financing Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest on mortgages payable ⁽¹⁾	\$ 35,620	\$ 32,207	\$ 101,352	\$ 95,094
Amortization of CMHC premiums and fees	2,523	959	7,124	3,124
Interest on bank indebtedness and other deferred costs ⁽²⁾	1,443	1,804	4,552	6,205
Interest on Exchangeable LP Units	282	218	511	218
Interest on land and air rights lease liability	1,261	1,126	3,637	3,380
	\$ 41,129	\$ 36,314	\$ 117,176	\$ 108,021

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and other comprehensive (loss) income hedge interest for the three and nine months ended September 30, 2021 of \$1,477 and \$4,430 respectively (three and nine months ended September 30, 2020 - \$1,428 and \$4,444 respectively).

⁽²⁾ Includes amortization of deferred loan costs for the three and nine months ended September 30, 2021 of \$114 and \$572 respectively (three and nine months ended September 30, 2020 - \$289 and \$1,017 respectively).

26. Supplemental Cash Flow Information

a) Net Income Items Related to Investing and Financing Activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Dividend and interest income	\$ (450)	\$ (400)	\$ (1,243)	\$ (2,432)
Distributions to holders of Exchangeable LP Units	282	218	511	218
Distributions to ERES non-controlling unitholders	3,219	3,191	9,623	9,343
Interest expense on mortgages	33,077	30,771	95,605	90,350
Interest expense on bank indebtedness	1,329	2,310	3,981	5,187
Interest expense on leases	1,261	1,126	3,637	3,380
Net disbursements	\$ 38,718	\$ 37,216	\$ 112,114	\$ 106,046

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

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

b) Changes in Non-cash Operating Assets and Liabilities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Prepaid expenses	\$ (1,487)	\$ (1,120)	\$ (12,305)	\$ (7,545)
Tenant inducements, direct leasing costs and other adjustments	(5)	(296)	(1,179)	(257)
Other receivables	458	1,875	(1,049)	(1,837)
Deposits	105	(1,030)	(867)	(2,924)
Accounts payable and other liabilities	11,460	3,771	537	5,634
Derivative liability	—	—	(4,082)	—
Security deposits	1,507	(138)	2,656	928
Current tax liability	(1,924)	(17,498)	(2,916)	(15,957)
Net decrease in non-cash operating assets and liabilities	\$ 10,114	\$ (14,436)	\$ (19,205)	\$ (21,958)

c) Net Cash Distributions

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Distributions declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	\$ (65,171)	\$ (62,417)	\$ (190,665)	\$ (186,086)
Add: Distributions payable to Unitholders at beginning of the period	(19,853)	(19,623)	(19,751)	(19,533)
Less: Distributions payable to Unitholders at end of the period	20,907	19,669	20,907	19,669
Less: Distributions to participants in the CAPREIT DRIP	19,092	17,213	55,140	49,555
Add: Distributions payable to ERES non-controlling unitholders at beginning of the period	(904)	(1,029)	(920)	(832)
Less: Distributions payable to ERES non-controlling unitholders at end of the period	913	1,067	913	1,067
Less: Distributions to non-controlling participants in the ERES DRIP	626	212	1,699	368
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	203	73	203	73
Gain (loss) on foreign currency translation	(2)	(26)	3	(49)
Net disbursements	\$ (44,227)	\$ (44,861)	\$ (132,509)	\$ (135,768)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2021

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

d) Capital Investments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Capital investments	\$ (86,719)	\$ (69,526)	\$ (224,230)	\$ (154,663)
Change in capital investments included in accounts payable and other liabilities	2,918	13,350	(2,534)	(41)
Net disbursements	\$ (83,801)	\$ (56,176)	\$ (226,764)	\$ (154,704)

e) Acquisition of Investment Properties

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Acquired properties	\$ (373,825)	(111,304)	\$ (803,473)	\$ (578,761)
Fair value adjustment of assumed debt	1,118	—	1,246	(463)
Assumed debt	105,129	—	131,614	108,744
Deposit on purchases	(67,828)	(4,088)	(74,094)	12,724
Issuance of Exchangeable LP Units	83,386	—	83,386	—
Change in investment properties included in accounts payable and other liabilities	—	4,941	—	4,941
Net disbursements	\$ (252,020)	\$ (110,451)	\$ (661,321)	\$ (452,815)

f) Operating Lease Buyout

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease buyout	\$ —	\$ —	\$ (4,457)	\$ (150,157)
Issuance of Exchangeable LP Units	—	—	—	30,746
Net disbursements	\$ —	\$ —	\$ (4,457)	\$ (119,411)

g) Disposition of Investment Properties

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Proceeds	\$ 52,461	\$ 30,500	\$ 52,461	\$ 56,760
Closing costs	(20)	(634)	(20)	(1,387)
Working capital adjustments	7	(722)	7	(730)
Issuance of VTB	(46,800)	—	(46,800)	—
Mortgages discharged	—	(11,165)	—	(21,331)
Net proceeds	\$ 5,648	\$ 17,979	\$ 5,648	\$ 33,312

h) Issuance of Trust Units

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Issuance of Trust Units	\$ 4,051	\$ 772	\$ 13,744	\$ 5,885
Settlement of unit-based compensation awards for Trust Units	(3,268)	(79)	(11,374)	(4,057)
Net proceeds	\$ 784	\$ 693	\$ 2,370	\$ 1,828

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2021

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

i) Mortgage Portfolio

For the Nine Months Ended September 30,	2021	2020
Balance, beginning of the period	\$ 5,401,202	\$ 4,228,805
Add:		
New borrowings on acquisitions	132,045	300,511
Refinanced	848,324	267,208
Less:		
Mortgage principal repayments	(110,596)	(101,412)
Mortgages matured	(432,984)	(140,103)
Mortgages repaid on dispositions of investment properties	—	(21,331)
Non-cash adjustments:		
Mortgages assumed	131,614	108,744
(Gain) loss on foreign currency translation	(56,381)	62,816
Net change in deferred financings costs, fair value adjustment and prepaid CMHC premiums	(13,277)	(7,934)
Balance, end of the period	\$ 5,899,947	\$ 4,697,304

Prepaid CMHC premiums previously classified as other non-current assets are now presented as a reduction to mortgages payable. The comparative period has been reclassified to conform with current year presentation. The impact of this reclassification on the mortgages payable balance as at January 1, 2020 is a decrease of \$79,767, resulting in an adjusted balance of \$4,228,805 and a corresponding reduction in the prepaid CMHC premium asset. The net change in deferred financing costs, fair value adjustment and prepaid CMHC premiums increased by \$7,000, resulting in an adjusted amount of \$(7,934). The mortgages payable balance as at September 30, 2020 decreased by \$86,767, resulting in an adjusted balance of \$4,697,304 and a corresponding reduction in the prepaid CMHC premium asset.

j) Bank Indebtedness

For the Nine Months Ended September 30,	2021	2020
Balance, beginning of the period	\$ 118,553	\$ 623,893
Net borrowings (repayments) before foreign currency translation	320,982	(16,709)
Loss on foreign currency translation	4,024	19,031
Balance, end of the period	\$ 443,559	\$ 626,215

27. Revenue and Other Income

Other income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Investment income	\$ 370	\$ 370	\$ 1,109	\$ 856
Net profit (loss) from investment in associate ⁽¹⁾	2,522	2,449	10,066	(338)
Asset and property management fees ⁽²⁾	2,519	2,421	7,427	7,161
Other	79	275	137	1,575
Total	\$ 5,490	\$ 5,515	\$ 18,739	\$ 9,254

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

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 nine months ended September 30, 2021, miscellaneous revenues of \$4,399 and \$13,784 respectively were included in revenue from investment properties (three and nine months ended September 30, 2020 - \$5,158 and \$14,441 respectively). Miscellaneous revenues consist of cable income, common area maintenance recoveries and premium service components.

28. Related Party Transactions

a) IRES Transactions

Included in other income for the three and nine months ended September 30, 2021 are asset management and property management fees of \$2,519 and \$7,427, respectively (three and nine months ended September 30, 2020 - \$2,421 and \$7,161, 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 September 30, 2021 is \$5,110 (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.

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.

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Short-term benefits	\$ 706	\$ 846	\$ 2,512	\$ 2,613
Unit-based compensation - grant date amortization	758	688	2,203	1,931
	1,464	1,534	4,715	4,544
Unit-based compensation - fair value remeasurement	886	(678)	4,011	(2,056)
Total	\$ 2,350	\$ 856	\$ 8,726	\$ 2,488

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 nine months ended September 30, 2021.

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

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The table below summarizes fees charged to ERES:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Asset management fees	\$ 1,891	\$ 1,750	\$ 5,520	\$ 5,070
Acquisition fees	—	315	691	315
Property management fees	1,023	954	3,000	2,730
Service fees	162	138	557	470
Total	\$ 3,076	\$ 3,157	\$ 9,768	\$ 8,585

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

29. Commitments**Natural Gas**

Through the combination of fixed and variable price contracts, CAPREIT is committed as at September 30, 2021 in the aggregate amount of \$13,528 for its natural gas and transport requirements. These commitments, which range from one to five years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

	Remaining 2021	2022	2023	2024	2025
Gas Commodity					
Fixed weighted average cost per GJ ⁽¹⁾	\$ 1.89	\$ 2.08	\$ 2.31	\$ 2.31	\$ 2.26
Total of CAPREIT's estimated requirements	48.3 %	58.8 %	67.0 %	53.8 %	31.5 %
Transport					
Fixed weighted average cost per GJ ⁽¹⁾	\$ 1.23	\$ 1.05	\$ 0.81	\$ 0.75	\$ 0.79
Total of CAPREIT's estimated requirements	48.3 %	58.8 %	67.0 %	53.8 %	31.5 %

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

Property capital investments

Commitments primarily related to capital investments in investment properties of \$78,257 were outstanding as at September 30, 2021 (December 31, 2020 - \$21,618).

30. Contingencies

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

31. Segmented Information

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2021

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

For the Three Months Ended September 30, 2021				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	207,456 \$	28,641 \$	236,097
Operating expenses		(71,629)	(6,342)	(77,971)
Net rental income	\$	135,827 \$	22,299 \$	158,126
Fair value adjustments of investment properties	\$	8,285 \$	114,689 \$	122,974

For the Three Months Ended September 30, 2020				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	193,838 \$	27,582 \$	221,420
Operating expenses		(66,321)	(6,865)	(73,186)
Net rental income	\$	127,517 \$	20,717 \$	148,234
Fair value adjustments of investment properties	\$	199,618 \$	33,819 \$	233,437

For the Nine Months Ended September 30, 2021				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	607,386 \$	85,073 \$	692,459
Operating expenses		(216,489)	(19,406)	(235,895)
Net rental income	\$	390,897 \$	65,667 \$	456,564
Fair value adjustments of investment properties	\$	319,609 \$	160,853 \$	480,462

For the Nine Months Ended September 30, 2020				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	578,423 \$	78,982 \$	657,405
Operating expenses		(208,791)	(19,089)	(227,880)
Net rental income	\$	369,632 \$	59,893 \$	429,525
Fair value adjustments of investment properties	\$	132,715 \$	64,750 \$	197,465

As at September 30, 2021				
Selected balance sheet items		Canada	Europe	Consolidated financial statements
Investment properties	\$	13,927,133 \$	2,432,679 \$	16,359,812
Mortgages payable		4,788,997	1,110,950	5,899,947

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

32. Subsequent Events

On October 1, 2021, CAPREIT completed the acquisition of a portfolio of three apartment buildings located in Québec City aggregating 260 residential suites. CAPREIT paid \$72,750 for the portfolio, funded by CAPREIT's Acquisition and Operating Facility.

On October 1, 2021, CAPREIT sold its one-third managing interest in Kings Club located in downtown Toronto for \$90,920. CAPREIT provided a VTB to the purchaser to finance 75% of the purchase price at an annual interest rate of 3.0% due in 36 months from closing.

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On October 29, 2021, ERES amended and renewed its existing ERES Credit Facility with the same two Canadian chartered banks, providing up to €100,000 for a three-year period ending on October 29, 2024, which resulted in (i) combining the ERES Credit Facility and ERES Bridge Facility into one facility; (ii) lower interest rates and fees, (iii) certain modifications to CAPREIT's financial covenants; and (iv) a negative pledge of an unencumbered property pool provided by CAPREIT, such that it represents 1.50x the facility amount of €100,000.

Unitholder Information

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STOCK EXCHANGE LISTING

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