



CANADIAN APARTMENT
PROPERTIES • REIT

**FINANCIAL REVIEW
FOR THE THREE MONTHS ENDED
MARCH 31, 2022**

May 16, 2022

Report to Unitholders

Following another strong and accretive year in 2021, we continued to generate solid growth and strong operating performance in the first quarter of 2022. Occupancies rose to 98.0% at March 31, 2022, up from 97.3% at the same time last year while average monthly rents increased 3.9%. Importantly, our balance sheet and financial position remained strong and resilient with a significant liquidity position.

For the three months ended March 31, 2022 total operating revenues increased 8.4%, driven by the contribution from acquisitions completed over the last twelve months, increased stable occupancies and higher average monthly rents. Total property Net Operating Income ("NOI") rose 4.4% compared to the same period last year. Stabilized property NOI decreased slightly in the quarter due increased weather-related maintenance costs, higher utilities costs resulting from the colder winter this year and a significant increase in the cost of natural gas, and higher property taxes. Importantly, to date we have collected over 99% of our rents, a testament to our successful initiatives to work with our residents and understand their issues through the pandemic.

During 2021, we acquired 3,744 apartment suites, townhomes and manufactured housing community sites in Canada and the Netherlands for total costs of approximately \$1.05 billion. In the first three months of 2022, we further expanded our property portfolio with the purchase of 1,015 suites and sites for total costs of \$439 million. These new properties will make a strong, accretive and growing contribution in the months and years ahead. Looking ahead, while our acquisition pipeline remains strong and robust, we will also be examining our total portfolio to determine opportunities to generate value for our Unitholders and additional capital to fund more accretive growth opportunities.

For the first three months of 2022, Normalized Funds from Operations (NFFO) increased by 1.8% compared to the same period from last year, primarily due to the increase in operating revenues. Basic NFFO per Unit was consistent with the prior year, despite the 1.7% increase in the weighted average number of Units outstanding this year. Our NFFO payout ratio was a very strong 65.3% at March 31, 2022, underpinning the strength and stability of our monthly cash distributions.

We were pleased to see further acceleration in average monthly rents on turnovers and renewals in the quarter. As the pandemic has eased, and Canadians return to seeking quality and affordable rental accommodation, through the three months ended March 31, 2022 we saw a 10.2% increase in rents on suite turnover compared to only 3.4% in the prior year's first quarter. Lease renewals were up 1.3% in the quarter, much improved from the 0.9% last year when rent freezes in Ontario and British Columbia were in effect. Looking ahead, as our markets return to more normal operating conditions, we expect to see further gains in revenues as we move closer to market rent levels.

Our balance sheet and financial position remained strong and flexible at March 31, 2022 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate at quarter end was an attractive 2.53%, down from the prior year, and we continue to focus on extending our debt maturities. Importantly, we maintained a strong and flexible liquidity position with \$293 million available in cash and on our credit lines. We also own over \$1.2 billion in unencumbered Canadian properties, providing additional capacity should it be needed to fund our growth.

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



Mark Kenney
President and Chief Executive Officer



CANADIAN APARTMENT PROPERTIES • REIT

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

FOR THE THREE MONTHS ENDED MARCH 31, 2022

MAY 16, 2022

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SECTION I: OVERVIEW AND DISCLAIMER

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") of Canadian Apartment Properties Real Estate Investment Trust's ("CAPREIT") results of operations and financial condition for the three months ended March 31, 2022 and 2021 dated May 16, 2022, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 and audited consolidated annual financial statements for the year ended December 31, 2021 contained in CAPREIT's 2021 Annual Report. The results reported in CAPREIT's MD&A are on a consolidated basis including the full results of any subsidiaries.

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 and Dutch economies will generally experience growth, which, however, may be adversely impacted by the global economy and its direct or indirect impacts on the business of CAPREIT. These impacts may include the ability to increase rents and apply for above guideline increases, obtain financings at favourable interest rates; 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 the Risks and Uncertainties section in Section VI of the MD&A contained in the 2021 Annual Report. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

NON-IFRS 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 measures not recognized under IFRS which do not have standard meanings prescribed by IFRS. These include Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO"), Adjusted Cash Flow from Operations ("ACFO"), Adjusted Cash Generated from Operating Activities, Net Asset Value ("NAV"), Net Trust Expenses, Total Debt, Gross Book Value, Gross Historical Cost, and Earnings Before Interest, Tax, Depreciation, Amortization and Fair Value ("EBITDAFV") (the "Non-IFRS Financial Measures"), as well as FFO, NFFO and ACFO payout ratios, Ratio of Total Debt to Gross Book Value, Ratio of Total Debt to Gross Historical Cost, Ratio of Total Debt to Total Capitalization, Debt Service Coverage Ratio, and Interest Coverage Ratio (the "Non-IFRS Ratios" and together with the Non-IFRS Financial Measures, the "Non-IFRS Measures"). Since these measures and related per unit amounts 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, financial condition, and cash flows. These Non-IFRS measures have been assessed for compliance with the new National Instrument 52-112 and 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 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 owns or has interests in approximately 67,000 residential apartment suites, townhomes and manufactured housing community sites well-located across Canada and the Netherlands as of March 31, 2022.

CAPREIT's concentration on the residential real estate market is aimed at solid year-over-year income growth in a portfolio with stable occupancy. In addition, CAPREIT mitigates risk through demographic diversification by operating properties across the affordable, mid-tier, and luxury sectors, as well as through geographic diversification.

CAPREIT was established under the laws of the Province of Ontario by a declaration of trust (the "DOT") dated February 3, 1997, as most recently amended and restated on April 1, 2020. As at March 31, 2022, CAPREIT had 1,056 employees (1,076 employees as at December 31, 2021).

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, 2021 contained in CAPREIT's 2021 Annual Report.

SECTION II: KEY HIGHLIGHTS

SUMMARY OF Q1- 2022 RESULTS OF OPERATIONS

Key Transactions and Events

- CAPREIT continues to invest in accretive opportunities with total acquisitions for the three months ended March 31, 2022 amounting to \$345.3 million comprised of 769 suites and sites located in Canada, and \$93.7 million comprised of 246 suites located in the Netherlands
- Subsequent to March 31, 2022, CAPREIT completed acquisitions for an additional 112 units amounting to \$43.7 million and disposed of 82 units amounting to \$56.0 million
- Pursuant to Mr. Scott Cryer's departure, Mr. Stephen Co has assumed the position as CAPREIT's Interim Chief Financial Officer effective April 1, 2022 until a formal successor is appointed

Strong Operating Results

- Consistent with prior periods, CAPREIT has maintained a very high level of rent collection, with over 99% of rents collected year to date
- On turnovers, monthly residential rents for the three months ended March 31, 2022 increased by 10.2% on 3.7% of the Canadian portfolio, compared to an increase of 3.4% on 4.4% of the Canadian portfolio for the three months ended March 31, 2021
- Net Average Monthly Rent ("Net AMR") for the stabilized portfolio as at March 31, 2022 increased by 3.0% compared to March 31, 2021, while occupancies increased to 98.0% compared to 97.4% as at March 31, 2021
- Total NOI increased 4.4% from last year driven by acquisitions, offset by the impact of weather related maintenance and utilities

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with \$228.9 million of available liquidity on CAPREIT's Acquisition and Operating Facility
- Management expects to raise between \$800 million and \$850 million in total mortgage renewals and refinancings for 2022, excluding financings on acquisitions
- CAPREIT closed mortgage refinancing of \$273.8 million for the three months ended March 31, 2022, with top-ups of \$112.1 million with a weighted average term to maturity of 8.5 years and a weighted average interest rate of 2.85%, and discharges of \$32.4 million
- For the three months ended March 31, 2022, the fair value of investment properties increased by \$421.7 million. Excluding the impact of acquisitions and foreign exchange, the fair value of investment properties increased by \$74.7 million for the three months ended March 31, 2022

ACQUISITIONS AND DISPOSITIONS

The tables below summarize property acquisitions for the three months ended March 31, 2022.

Canadian Acquisitions Completed During the Three Months Ended March 31, 2022

(\$ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
January 25, 2022	59	Kelowna, BC	\$ 30,373	\$ 17,135	\$ —	3.55	4.90
February 25, 2022	24	Victoria, BC	7,230	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
March 7, 2022	514	Montréal, QC	291,202	55,571	—	2.75	6.50
March 31, 2022	172	Red Deer, AB	16,520	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	769		\$ 345,325	\$ 72,706	\$ —		
2021 Acquisition financing					\$ 158,563 ⁽⁴⁾	2.81 ⁽⁴⁾	6.24 ⁽⁴⁾

The Netherlands Acquisitions Completed During the Three Months Ended March 31, 2022

(\$ Thousands)	Suite Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
January 31, 2022	45	The Netherlands	27,773	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
March 31, 2022	201	The Netherlands	65,946	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	246		\$ 93,719	\$ —	\$ —		

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

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

⁽³⁾ The acquisition was funded from cash and cash equivalents or the Acquisition and Operating Facility.

⁽⁴⁾ Subsequent acquisition financing of \$158.6 million relates to properties acquired in 2021.

There were no property dispositions during the three months ended March 31, 2022.

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 and the financial covenants in its credit and mortgage agreements. CAPREIT's credit agreements consist of a revolving acquisition and operating facility, which includes EURIBOR, USD LIBOR and Canadian dollar 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. CAPREIT is also reviewing and implementing flexible temporary payment plans on a case-by-case basis.

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

CAPREIT's financial position and liquidity remain strong, providing it with the financial resources and flexibility to manage through these challenging times. CAPREIT did not see a substantial impact from the COVID-19 pandemic on the majority of its operational results for the three months ended March 31, 2022; however, this may not be indicative of CAPREIT's future performance.

Rent Collection

Consistent with prior periods, 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. CAPREIT has been imposing these increases on approved AGI applications.

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 issued rent guideline increases of 1.2% and 1.5% for 2022, respectively. As a result of the expiry of the regulatory rent freeze in Ontario and British Columbia, CAPREIT served tenant notices to 44% of its Canadian tenants, across which the weighted average rental increase was 1.3%, effective January 1, 2022.
- The province of Nova Scotia has capped residential rent increases at 2% each year, retroactive to September 1, 2020 until December 31, 2023, and has capped MHC rent increases at 1.0% for 2022. The rental increase rates will stay at the same level if the state of emergency extends beyond 2023 due to the pandemic.
- 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% from May 1, 2021 to 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.

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. During the three months ended March 31, 2022, COVID restrictions were gradually lifted allowing CAPREIT to perform planned and previously delayed capital expenditures.

Liquidity

Management has determined that CAPREIT is in a strong financial position despite the changes in the market and the heightened risk environment. CAPREIT's Canadian liquidity position as at March 31, 2022 remains strong with:

- \$228.9 million available on the Acquisition and Operating Facility; and
- \$1,255.8 million of Canadian investment properties that are not encumbered by mortgages. Refer to note 12 to the accompanying condensed consolidated interim financial statements for further details.

In addition, management expects to raise between \$800 and \$850 million in total mortgage renewals and refinancings for 2022, excluding financings on acquisitions. CAPREIT's mortgage program has remained stable since the outbreak of the COVID-19 pandemic, with refinancings proceeding as scheduled. The actual refinancing amounts may vary from the forecast.

PERFORMANCE MEASURES

The following table presents an overview of certain IFRS and non-IFRS measures of CAPREIT for the periods ended March 31, 2022 and 2021. Management believes these measures are useful in assessing CAPREIT's performance in relation to its objectives and business strategy.

For the Three Months Ended March 31,	2022	2021
Portfolio Performance		
Overall portfolio occupancy ⁽¹⁾	98.0%	97.3 %
Overall portfolio net Average Monthly Rents ⁽¹⁾	\$ 1,159	\$ 1,115
Operating revenues (000s)	\$ 246,628	\$ 227,506
NOI (000s)	\$ 153,172	\$ 146,652
NOI margin	62.1%	64.5 %
Financial Performance		
FFO per unit – basic ⁽²⁾	\$ 0.537	\$ 0.549
NFFO per unit – basic ⁽²⁾	\$ 0.556	\$ 0.556
Cash distributions per unit	\$ 0.362	\$ 0.345
FFO payout ratio ⁽²⁾	67.6%	63.1 %
NFFO payout ratio ⁽²⁾	65.3%	62.3 %
Liquidity and Leverage		
Total debt to gross book value ^{(1), (2)}	37.63%	35.21 %
Total debt to gross historical cost ^{(1), (2)}	53.98%	49.78 %
Weighted average mortgage interest rate ⁽¹⁾	2.53%	2.58 %
Weighted average mortgage term (years) ⁽¹⁾	5.70	5.62
Debt service coverage (times) ^{(2), (3)}	2.0x	2.0x
Interest coverage (times) ^{(2), (3)}	4.0x	4.0x
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾	\$ 228,881	\$ 578,349
Cash and cash equivalents (000s) ⁽¹⁾	\$ 63,798	\$ 51,534

⁽¹⁾ As at March 31.

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

⁽³⁾ Based on the trailing four quarters.

For the Three Months Ended March 31,	2022	2021
Other Measures		
Weighted average number of units - basic (000s)	175,479	172,469
Number of residential suites and sites acquired	1,015	—
Net Asset Value per unit - diluted ^{(1), (2)}	\$ 59.43	\$ 53.68
Closing price of Trust Units on the TSX ⁽²⁾	\$ 53.65	\$ 53.86
Market capitalization (millions) ⁽²⁾	\$ 9,457	\$ 9,336

⁽¹⁾ This measure is not defined by IFRS, does not have standard meanings and may not be comparable with other industries or companies (see Section I - Non-IFRS Measures). For a reconciliation to IFRS, see Section IV - Non-IFRS Measures.

⁽²⁾ As at March 31.

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

NET AND OCCUPIED AVERAGE MONTHLY RENTS AND OCCUPANCY

Net AMR is defined as actual residential rents, excluding vacant units, divided by the total number of suites or sites in the property, and does not include revenues from parking, laundry or other sources. Occupied AMR is defined as actual residential rents, excluding vacant units, divided by the total number of occupied suites or sites in the property, and does not include revenues from parking, laundry or other sources. Stabilized AMR includes all properties held as at March 31, 2021 and are not disposed of.

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

As at March 31,	Net AMR			Occupied AMR			Occupancy %	
	2022 AMR (\$)	2021 AMR (\$)	% Change AMR	2022 AMR (\$)	2021 AMR (\$)	% Change AMR	2022	2021
Residential Suites								
Ontario								
Greater Toronto Area ⁽¹⁾	1,537	1,482	3.7	1,551	1,512	2.6	99.1	98.0
London / Kitchener / Waterloo	1,108	1,073	3.3	1,116	1,084	3.0	99.3	99.0
Ottawa	1,419	1,373	3.4	1,422	1,377	3.3	99.7	99.7
	1,458	1,413	3.2	1,470	1,437	2.3	99.2	98.3
Québec								
Greater Montréal Region	1,018	997	2.1	1,049	1,028	2.0	97.0	97.0
Québec City	1,221	1,095	11.5	1,246	1,119	11.3	97.9	97.9
	1,077	1,021	5.5	1,107	1,050	5.4	97.3	97.2
British Columbia								
Greater Vancouver Region	1,497	1,478	1.3	1,513	1,488	1.7	98.9	99.3
Victoria and Other British Columbia	1,435	1,300	10.4	1,446	1,311	10.3	99.2	99.2
	1,475	1,421	3.8	1,489	1,431	4.1	99.0	99.3
Nova Scotia								
Halifax	1,324	1,208	9.6	1,346	1,276	5.5	98.4	94.6
Alberta								
Calgary	1,114	1,052	5.9	1,124	1,108	1.4	99.2	95.0
Edmonton	1,128	985	14.5	1,205	1,219	(1.1)	93.6	80.8
	1,117	1,037	7.7	1,142	1,131	1.0	97.8	91.7
Prince Edward Island								
Charlottetown	1,118	1,096	2.0	1,125	1,114	1.0	99.4	98.4
Saskatchewan								
Regina	1,029	992	3.7	1,066	1,041	2.4	96.6	95.3
Total Canadian residential suites	1,337	1,281	4.4	1,356	1,314	3.2	98.6	97.5
Europe								
The Netherlands ⁽²⁾	1,297	1,308	(0.8)	1,316	1,330	(1.1)	98.6	98.3
Total residential suites	1,332	1,284	3.7	1,351	1,316	2.7	98.6	97.6
MHC Sites								
Total MHC sites	404	394	2.5	422	411	2.7	95.8	95.9
Total suites and sites	1,159	1,115	3.9	1,182	1,146	3.1	98.0	97.3

⁽¹⁾ Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

⁽²⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the European portfolio for Net AMR are €935 and €886 as at March 31, 2022 and March 31, 2021, respectively, and for Occupied AMR are €949 and €901 as at March 31, 2022 and March 31, 2021, respectively.

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

As at March 31,	Net AMR			Occupied AMR			Occupancy %	
	2022 AMR (\$)	2021 ⁽¹⁾ AMR (\$)	% Change AMR	2022 AMR (\$)	2021 ⁽¹⁾ AMR (\$)	% Change AMR	2022	2021 ⁽¹⁾
Residential Suites								
Ontario								
Greater Toronto Area	1,533	1,481	3.5	1,546	1,506	2.7	99.2	98.3
London / Kitchener / Waterloo	1,123	1,073	4.7	1,130	1,084	4.2	99.4	99.0
Ottawa	1,419	1,373	3.4	1,422	1,377	3.3	99.8	99.7
	1,462	1,411	3.6	1,473	1,432	2.9	99.3	98.6
Québec								
Greater Montréal Region	1,022	997	2.5	1,051	1,028	2.2	97.2	97.0
Québec City	1,112	1,095	1.6	1,140	1,119	1.9	97.6	97.9
	1,044	1,021	2.3	1,073	1,050	2.2	97.3	97.2
British Columbia								
Greater Vancouver Region	1,497	1,478	1.3	1,513	1,488	1.7	98.9	99.3
Victoria	1,374	1,300	5.7	1,383	1,311	5.5	99.3	99.2
	1,462	1,421	2.9	1,476	1,431	3.1	99.1	99.3
Nova Scotia								
Halifax	1,324	1,208	9.6	1,346	1,276	5.5	98.4	94.6
Alberta								
Calgary	1,114	1,052	5.9	1,124	1,108	1.4	99.2	95.0
Edmonton	1,128	985	14.5	1,205	1,219	(1.1)	93.6	80.8
	1,117	1,037	7.7	1,142	1,131	1.0	97.8	91.7
Prince Edward Island								
Charlottetown	1,118	1,096	2.0	1,125	1,114	1.0	99.4	98.4
Saskatchewan								
Regina	1,029	992	3.7	1,066	1,041	2.4	96.6	95.3
Total Canadian residential suites	1,329	1,280	3.8	1,347	1,311	2.7	98.6	97.7
Europe								
The Netherlands ⁽²⁾	1,278	1,308	(2.3)	1,296	1,330	(2.6)	98.6	98.3
Total residential suites	1,323	1,283	3.1	1,341	1,313	2.1	98.6	97.7
MHC Sites								
Total MHC sites	400	394	1.5	419	411	1.9	95.6	95.9
Total suites and sites	1,146	1,113	3.0	1,169	1,143	2.3	98.0	97.4

⁽¹⁾ Prior year comparable Net and Occupied AMR and occupancy has been restated for properties disposed of since March 31, 2021. Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

⁽²⁾ Includes foreign exchange impact and service charge income. The amounts in euros for the stabilized portfolio for Net AMR are €922 and €886 as at March 31, 2022 and March 31, 2021, respectively, resulting in a Net AMR change of 4.1%. The Occupied AMR for the stabilized portfolio is €935 and €901 as at March 31, 2022 and March 31, 2021, respectively, resulting in an Occupied AMR change of 3.8%.

The rate of growth in stabilized Net AMR has been primarily due to (i) rental increases on turnover in the rental markets of Ontario, British Columbia and Nova Scotia, (ii) rental increases on renewals where permissible, and (iii) strengthening occupancy rates in Alberta and Nova Scotia. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.65 as at March 31, 2022, in line with \$1.65 as at March 31, 2021.

Annual Rental Guidelines as per Rental Board

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

	2022	2021 ⁽¹⁾
Ontario	1.2%	0.0%
British Columbia	1.5%	0.0%

⁽¹⁾ Ontario and British Columbia have passed legislation to freeze rent until December 31, 2021. 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 issued rental renewal increases for the majority of its Ontario and British Columbia portfolio on January 1, 2022.

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, 2022 - March 31, 2022	January 1, 2021 - December 31, 2021
Applications Settled:		
Number of suites and sites	271	1,023
Weighted average total increase approved ^{(1), (2)}	3.57%	0.55%
Weighted average total increase applied for ^{(1), (3)}	3.32%	0.61%
Applications Outstanding:		
Number of suites and sites	8,301	7,879
Term weighted average total increase applied for ^{(1), (4)}	2.13%	2.06%

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

⁽²⁾ For applications settled during the three months ended March 31, 2022, the weighted average total increase approved is to apply over a weighted average of 1.4 year (1.0 years for the year ended December 31, 2021).

⁽³⁾ For applications settled during the three months ended March 31, 2022, the weighted average total increase applied for was to apply over a weighted average of 1.4 year (1.0 years for the year ended December 31, 2021).

⁽⁴⁾ For applications outstanding as at March 31, 2022, the weighted average total increase applied for was to apply over a weighted average of 1.5 years (1.4 years for the year ended December 31, 2021).

Suite Turnovers and Lease Renewals - Total Portfolio

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

Canadian Portfolio

For the Three Months Ended March 31,	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	141.8	10.2	3.7	48.1	3.4	4.4
Lease renewals	18.0	1.3	49.6	10.6	0.9	9.3
Weighted average of turnovers and renewals	26.6	1.9		22.6	1.7	

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

The Netherlands Portfolio

For the Three Months Ended March 31,	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	189.0	21.1	2.6	118.3	13.7	3.8
Lease renewals	—	—	—	—	—	—
Weighted average of turnovers and renewals	189.0	21.1		118.3	13.7	

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

Overall, suite turnovers in the Canadian residential portfolio (excluding co-ownerships) during the three months ended March 31, 2022 resulted in monthly rent increasing by approximately \$142 or 10.2% compared to an increase of approximately \$48 or 3.4% for the same period last year, primarily due to the strong rental markets in Ontario, British Columbia and Nova Scotia.

Monthly rents on lease renewals on the Canadian residential portfolio (excluding co-ownerships) for the three months ended March 31, 2022 resulted in monthly rent increasing by approximately \$18 or 1.3% compared to an increase of approximately \$11 or 0.9% for the same period last year. As a result of the expiry of the regulatory rent freeze in Ontario and British Columbia, CAPREIT served tenant notices to 44% of its Canadian tenants, across which the weighted average rental increase was 1.3%, effective January 1, 2022.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three months ended March 31, 2022 resulted in monthly rent increasing by approximately €189 or 21.1% compared to an increase of approximately €118 or 13.7% for the same period last year. As the Netherlands lease renewals occur once a year in July, there were no renewals increases for the three months ended March 31, 2022 and 2021. For rental increases due to indexation beginning on July 1, 2022, ERES served tenant notices to 5,766 suites, representing 95% of the residential portfolio, across which the average rental increase due to indexation is 2.95%.

Tenant Inducements, Vacancy Loss and Expected Credit Loss Expense

(\$ Thousands)

For the Three Months Ended March 31,	2022	% ⁽¹⁾	2021	% ⁽¹⁾
New tenant inducements incurred - residential	\$ 476		\$ 1,935	
New tenant inducements incurred - commercial	72		—	
Total new tenant inducements incurred	\$ 548		\$ 1,935	
Tenant inducements amortized	\$ 1,638	0.7	\$ 1,148	0.5
Vacancy loss incurred	5,582	2.3	7,046	3.1
Total amortization and vacancy loss	\$ 7,220	3.0	\$ 8,194	3.6
Bad debt allowance recognized as an expense	\$ 1,730	0.7	\$ 1,296	0.6

⁽¹⁾ As a percentage of total operating revenues.

The increase in amortization of tenant inducements was due to the increase in tenant inducements granted to address vacancy as a result of the COVID-19 pandemic in 2021. The amortization amount is expected to decrease over time as fewer tenant inducements are granted. Tenant inducements are now nearing pre-pandemic levels and management expects a similar level of tenant inducements going forward. The increased 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 March 31, (\$ Thousands)	2022		2021 ⁽⁴⁾	
	Revenue	(%)	Revenue	(%)
Residential Suites				
Ontario				
Greater Toronto Area	\$ 87,334	35.4	\$ 81,191	35.9
London / Kitchener / Waterloo	13,062	5.3	10,880	4.7
Ottawa	8,749	3.5	8,510	3.7
	\$ 109,145	44.2	\$ 100,581	44.3
Québec				
Greater Montréal Region	\$ 28,349	11.5	\$ 26,765	11.8
Québec City	10,350	4.2	9,286	4.1
	\$ 38,699	15.7	\$ 36,051	15.9
British Columbia				
Greater Vancouver Region	\$ 17,654	7.2	\$ 17,038	7.4
Victoria and Other British Columbia	9,723	3.9	6,609	2.9
	\$ 27,377	11.1	\$ 23,647	10.3
Nova Scotia				
Halifax	\$ 13,934	5.6	\$ 12,634	5.6
Alberta				
Calgary	\$ 7,017	2.8	\$ 6,739	3.0
Edmonton	2,066	0.8	1,901	0.8
	\$ 9,083	3.6	\$ 8,640	3.8
Prince Edward Island				
Charlottetown	\$ 2,143	0.9	\$ 2,105	0.9
Saskatchewan				
Regina	\$ 723	0.3	694	0.3
Total Canadian residential suites	\$ 201,104	81.4	\$ 184,352	81.1
Europe				
The Netherlands ⁽²⁾	\$ 27,518	11.2	\$ 25,687	11.3
Other Europe ⁽³⁾	2,632	1.1	2,820	1.2
	\$ 30,150	12.3	\$ 28,507	12.5
Total residential suites	\$ 231,254	93.7	\$ 212,859	93.6
MHC Sites				
Total MHC sites	\$ 15,374	6.3	\$ 14,647	6.4
Total residential suites and MHC sites	\$ 246,628	100.0	\$ 227,506	100.0

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

⁽²⁾ In € thousands, €19,398 and €16,845 for three months ended March 31, 2022 and March 31, 2021, respectively.

⁽³⁾ Comprised of revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,856 for the three months ended March 31, 2022 and €1,977 for the three months ended March 31, 2021.

⁽⁴⁾ Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

Estimated Net Rental Revenue Run-Rate

The table below shows the estimated net rental revenue run-rate (net of historical vacancy loss and tenant inducements) based on Net AMRs in place for CAPREIT's share of residential suites and sites and commercial leases as at March 31, 2022 and 2021. Increases or decreases in net rental revenue run-rate are primarily due to acquisitions or dispositions, respectively, within the last 12 months.

(\$ Thousands)

As at March 31,	2022	2021
Residential rent roll ^{(1), (2)}	\$ 916,774	\$ 830,812
Commercial rent roll ^{(1), (2)}	32,020	32,724
Annualized net rental revenue run-rate	\$ 948,794	\$ 863,536

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

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

Net rental revenue net of dispositions for the 12 months ended March 31, 2022 was \$900.8 million (2021 - \$841.9 million).

Net Operating Income ("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 generated at the property level, less: (i) related direct costs such as realty taxes, utilities, R&M costs, on-site wages and salaries, insurance costs and bad debts; and (ii) an appropriate allocation of overhead costs. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies.

Stabilized properties for the three months ended March 31, 2022 are defined as all properties owned by CAPREIT continuously since December 31, 2020, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2022 and 2021. As at March 31, 2022, stabilized suites and sites represented 93.5% of CAPREIT's total portfolio.

(\$ Thousands)

For the Three Months Ended March 31,	Total NOI			Stabilized NOI		
	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 233,551	\$ 215,472	8.4	\$ 219,284	\$ 214,515	2.2
Other ⁽²⁾	13,077	12,034	8.7	12,456	11,992	3.9
Total operating revenues	\$ 246,628	\$ 227,506	8.4	\$ 231,740	\$ 226,507	2.3
Operating Expenses						
Realty taxes	(23,447)	(21,810)	7.5	(21,971)	(21,642)	1.5
Utilities	(24,159)	(20,174)	19.8	(22,795)	(20,068)	13.6
Other ⁽³⁾	(45,850)	(38,870)	18.0	(43,220)	(38,601)	12.0
Total operating expenses	\$ (93,456)	\$ (80,854)	15.6	\$ (87,986)	\$ (80,311)	9.6
NOI	\$ 153,172	\$ 146,652	4.4	\$ 143,754	\$ 146,196	(1.7)
NOI margin	62.1 %	64.5 %		62.0 %	64.5 %	

⁽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 months ended March 31, 2022, total operating revenues for the total and stabilized portfolio increased compared to the same period last year due to increases in monthly rents on turnovers and renewals and decreases in rental vacancies. Contributions from acquisitions further contributed to higher operating revenues for the total portfolio.

Operating Expenses

Realty Taxes

For the three months ended March 31, 2022, realty taxes for the stabilized portfolio increased compared to the same period last year, primarily because of the increase in property value assessment and higher school tax component 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.

For the Three Months Ended March 31,	Total Utilities			Stabilized Utilities		
	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Electricity	\$ 8,117	\$ 7,035	15.4	\$ 7,721	\$ 7,001	10.3
Natural gas	8,812	6,297	39.9	8,219	6,242	31.7
Water	7,230	6,842	5.7	6,855	6,825	0.4
Total	\$ 24,159	\$ 20,174	19.8	\$ 22,795	\$ 20,068	13.6

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

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

For the Three Months Ended March 31, 2022	Increase due to consumption	Increase due to rate	Explanation
Electricity	5.7%	4.6%	Colder weather leading to increased usage for electricity heated properties
Natural gas	4.4%	27.3%	Increased rates due to volatile natural gas market Increased consumption due to colder weather
Water	(7.8)%	8.2%	Higher rates, partially offset by lower consumption
Total	2.6%	11.0%	

As at March 31, 2022, tenants who pay their hydro charges directly represented 72% of the total 17,860 sub-metered suites in Ontario, Alberta, and Nova Scotia.

Other Operating Expenses

Other operating expenses for the stabilized portfolio for the three months ended March 31, 2022 increased compared to the same period last year, primarily due to higher weather-related maintenance costs. The higher maintenance costs were primarily due to the colder weather increasing the amount of boilers and other weather-related maintenance needed. During the same period last year, where a majority of the regions in Ontario and Quebec were in lockdown, CAPREIT incurred lower than expected R&M expenses due to the restrictions and limitations to perform maintenance work in tenant suites. Since the restrictions and limitations in connection with the COVID-19 pandemic have been lifted in 2022, there was an increased ability to complete R&M work. As a result of the COVID-19 pandemic restrictions in 2021 and its impact on R&M expenditures, the NOI margins achieved in Q1 2021 were higher than expected and non-recurring.

NOI BY REGION

For the Three Months Ended March 31,	2022			2021 ⁽⁴⁾			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 54,002	35.4	61.8	\$ 51,672	35.1	63.7	4.5
London / Kitchener / Waterloo	7,969	5.2	61.0	7,021	4.8	64.5	13.5
Ottawa	5,640	3.7	64.5	5,696	3.9	66.9	(1.0)
	\$ 67,611	44.3	61.9	\$ 64,389	43.8	64.0	5.0
Québec							
Greater Montréal Region	\$ 14,867	9.7	52.4	\$ 15,647	10.7	58.5	(5.0)
Québec City	5,905	3.9	57.1	5,743	3.9	61.8	2.8
	\$ 20,772	13.6	53.7	\$ 21,390	14.6	59.3	(2.9)
British Columbia							
Greater Vancouver Region	\$ 11,996	7.8	68.0	\$ 11,816	8.1	69.4	1.5
Victoria and Other British Columbia	6,815	4.4	70.1	4,667	3.2	70.6	46.0
	\$ 18,811	12.2	68.7	\$ 16,483	11.3	69.7	14.1
Nova Scotia							
Halifax	\$ 7,496	4.9	53.8	\$ 7,614	5.2	60.3	(1.5)
Alberta							
Calgary	\$ 3,594	2.3	51.2	\$ 3,541	2.4	52.5	1.5
Edmonton	1,067	0.7	51.6	979	0.7	51.5	9.0
	\$ 4,661	3.0	51.3	\$ 4,520	3.1	52.3	3.1
Prince Edward Island							
Charlottetown	\$ 971	0.6	45.3	\$ 970	0.7	46.1	0.1
Saskatchewan							
Regina	\$ 346	0.2	47.9	\$ 317	0.2	45.7	9.1
Total Canadian residential suites	\$ 120,668	78.8	60.0	\$ 115,683	78.9	62.8	4.3
Europe							
The Netherlands ⁽²⁾	\$ 20,980	13.7	76.2	\$ 19,307	13.2	75.2	8.7
Other Europe ⁽³⁾	2,197	1.4	83.5	2,216	1.5	78.6	(0.9)
	\$ 23,177	15.1	76.9	\$ 21,523	14.7	75.5	7.7
Total residential suites	\$ 143,845	93.9	62.2	\$ 137,206	93.6	64.5	4.8
MHC Sites							
Total MHC sites	9,327	6.1	60.7	9,446	6.4	64.5	(1.3)
Total suites and sites	\$ 153,172	100.0	62.1	\$ 146,652	100.0	64.5	4.4

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ In € thousands, €14,773 and €12,648 for the three months ended March 31, 2022 and March 31, 2021, respectively.

⁽³⁾ Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,549 and €1,562 for the three months ended March 31, 2022 and March 31, 2021, respectively.

⁽⁴⁾ Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

STABILIZED NOI BY REGION

For the Three Months Ended March 31,	2022		2021 ⁽⁸⁾		Increase (Decrease)		
(\$ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 51,164	62.2	\$ 51,039	63.8	2.8	7.3	0.2
London / Kitchener / Waterloo	7,088	62.4	7,021	64.5	4.3	10.4	1.0
Ottawa	5,640	64.5	5,696	66.9	2.8	10.5	(1.0)
	\$ 63,892	62.4	\$ 63,756	64.1	3.0	7.9 ⁽¹⁾	0.2
Québec							
Greater Montréal Region	\$ 14,189	52.3	\$ 15,657	58.5	1.3	16.3	(9.4)
Québec City	5,143	55.7	5,743	61.8	(0.5)	15.5	(10.4)
	\$ 19,332	53.2	\$ 21,400	59.4	0.8	16.1 ⁽²⁾	(9.7)
British Columbia							
Greater Vancouver Region	\$ 11,998	68.0	\$ 11,816	69.4	3.6	8.3	1.5
Victoria	4,829	70.2	4,667	70.6	4.1	5.5	3.5
	\$ 16,827	68.6	\$ 16,483	69.7	3.7	7.6 ⁽³⁾	2.1
Nova Scotia							
Halifax	\$ 7,496	53.8	\$ 7,614	60.3	10.3	28.2 ⁽⁴⁾	(1.5)
Alberta							
Calgary	\$ 3,588	51.1	\$ 3,549	52.7	4.2	7.6	1.1
Edmonton	1,067	51.6	979	51.5	8.7	8.4	9.0
	\$ 4,655	51.2	\$ 4,528	52.4	5.2	7.7 ⁽⁵⁾	2.8
Prince Edward Island							
Charlottetown	\$ 971	45.3	\$ 970	46.1	1.8	3.3	0.1
Saskatchewan							
Regina	\$ 346	47.9	\$ 317	45.7	4.2	0.0	9.1
Total Canadian residential suites	\$ 113,519	60.0	\$ 115,068	62.8	3.2	11.0	(1.3)
Europe							
The Netherlands	\$ 19,038	75.9	\$ 19,305	75.2	(2.3)	(5.2)	(1.4)
Other Europe	2,197	83.5	2,377	79.1	(12.4)	(30.8)	(7.6)
	\$ 21,235	76.6	\$ 21,682	75.6	(3.4)	(7.5) ⁽⁶⁾	(2.1)
Total residential suites	\$ 134,754	62.2	\$ 136,750	64.5	2.3	9.3	(1.5)
MHC Sites							
Total MHC sites	\$ 9,000	60.3	\$ 9,446	64.5	1.9	14.1 ⁽⁷⁾	(4.7)
Total suites and sites	\$ 143,754	62.0	\$ 146,196	64.5	2.3	9.6	(1.7)
Stabilized suites and sites	62,816		62,816				

⁽¹⁾ Higher expenses: higher weather-related maintenance, utilities and site costs, partially offset by lower wages.

⁽²⁾ Higher expenses: higher weather-related maintenance, wages and utilities.

⁽³⁾ Higher expenses: higher weather-related maintenance and utilities.

⁽⁴⁾ Higher expenses: higher utilities and weather-related maintenance.

⁽⁵⁾ Higher revenues: higher utilities, bad debt, wages and weather-related maintenance, partially offset by lower realty taxes.

⁽⁶⁾ In € thousands, NOI of €14,964 and €14,210 for the three months ended March 31, 2022 and March 31, 2021, respectively. NOI increased by €754 and 5.3%. Lower expenses: lower site costs and R&M, partially offset by higher utilities and realty taxes.

⁽⁷⁾ Higher expenses: higher weather-related maintenance, utilities and wages, partially offset by lower advertising costs.

⁽⁸⁾ Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

NET INCOME AND OTHER COMPREHENSIVE INCOME

(\$ Thousands)

For the Three Months Ended March 31,	2022	2021
NOI	\$ 153,172	\$ 146,652
(Less) plus:		
Trust expenses	(15,994)	(13,576)
Unit-based compensation expense	(198)	(4,486)
Fair value adjustments of investment properties	19,555	(7,079)
Fair value adjustments of Exchangeable LP Units	10,596	(1,287)
Fair value adjustments of investments	(44,398)	3,044
Loss on disposition of foreign operation	(92)	—
Amortization of property, plant and equipment	(1,913)	(2,012)
Loss on non-controlling interest	(41,944)	(15,788)
Gain on derivative financial instruments	31,577	30,522
Interest on Exchangeable LP Units	(609)	(115)
Interest on mortgages payable and other financing costs	(40,275)	(34,119)
Interest on bank indebtedness and other financing costs	(1,706)	(1,280)
Interest on leases	(1,265)	(1,116)
Loss on foreign currency translation	(12,083)	(934)
Other income	8,290	5,203
Net income before income taxes	\$ 62,713	\$ 103,629
Current and deferred income tax (expense) recovery	(17,404)	433
Net income	\$ 45,309	\$ 104,062
Other comprehensive loss, including items that may be reclassified subsequently to net income		
Amortization of losses from (AOCL) AOCI to interest and other financing costs	\$ 543	\$ 620
Loss on foreign currency translation	(52,517)	(77,094)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	7,627	—
Other comprehensive loss	(44,347)	(76,474)
Comprehensive income	\$ 962	\$ 27,588

Trust Expenses and Net 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 and transition service fees to Irish Residential Properties REIT plc ("IRES"). The table below shows trust expenses net of external fees income. While Net Trust Expenses are calculated based on items in the financial statements or supporting notes, Net Trust Expenses itself is not a standardized financial measure under IFRS and may not be comparable to similarly termed financial measures disclosed by other real estate investment trusts or companies in similar or different industries.

(\$ Thousands)

For the Three Months Ended March 31,	2022	2021
Trust expenses attributable to CAPREIT (excluding ERES)	\$ 14,001	\$ 11,693
Trust expenses attributable to ERES	1,993	1,883
Trust Expenses	15,994	13,576
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(771)	(673)
Less: Acquisition fees from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(309)	—
Less: Asset and property management fees, and transition service fees from IRES ⁽²⁾	(1,848)	(2,465)
Net Trust Expenses	13,066	10,438
Net Trust Expenses as % of Operating Revenue	5.3 %	4.6 %
Net Trust Expenses as % of Total Assets	0.07 %	0.07 %

⁽¹⁾ These fees are eliminated upon consolidation.⁽²⁾ These amounts are included within other income on the statements of income and comprehensive income.

Trust expenses increased for the three months ended March 31, 2022 to \$16.0 million compared to \$13.6 million last year primarily as a result of higher salaries and benefits and compliance expenses which were partially offset by lower consulting fees. For the three months ended March 31, 2022, trust expenses included non-routine items of approximately \$1.9 million related to costs related to transactions that were not completed and reorganization costs, compared to approximately \$0.7 million non-routine items related to transactions that were not completed for the three months ended March 31, 2021.

With the termination of the investment management agreement ("IMA") with IRES on January 31, 2022, CAPREIT will cease to generate asset and property management fees income from IRES and cease to incur certain related trust expenses. During the termination process, CAPREIT continues to provide transition services for a period of three months for total fees of approximately \$1.5 million. For further details please see the Other Income section in Section III of this MD&A.

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)

For the Three Months Ended March 31,	2022	2021
Remeasurement of unit-based compensation liabilities	\$ (1,990)	\$ 2,681
Amortization of fair value on grant date of unit-based compensation ⁽¹⁾	2,188	1,805
Total	\$ 198	\$ 4,486

⁽¹⁾ Includes \$0.4 million relating to accelerated vesting of previously granted RUR units (three months ended March 31, 2021 - \$nil).

Gain on Derivative Financial Instruments

The gain on derivative financial instruments is due to changes in the fair value of derivatives for which hedge accounting is not applied. The gain on derivative financial instruments for the three months ended March 31, 2022 primarily relates to changes in foreign exchange rates, offset by changes in the yield curve. CAPREIT uses derivative financial instruments to minimize its exposure to fluctuations in interest rates and foreign exchange rates. These derivative financial instruments allow CAPREIT to take advantage of the low EURIBOR rates, resulting in significant interest savings, and to convert its borrowings to euro-denominated liabilities to hedge against a majority of its euro-denominated assets. See note 19 to the accompanying condensed consolidated interim financial statements for further details about derivatives.

Loss on Non-Controlling Interest

For the three months ended March 31, 2022, CAPREIT recorded a loss of \$41.9 million on ERES units held by non-controlling unitholders. This includes distributions to ERES non-controlling unitholders of \$3.2 million for the three months ended March 31, 2022. The remaining balance is the mark-to-market gain or loss due to fluctuations in the ERES unit market price.

Loss on Foreign Currency Translation

CAPREIT is exposed to gain/loss on foreign currency translation due to its holdings of assets and liabilities through its investment in IRES, its ERES subsidiary, and foreign-denominated cash and borrowings held by CAPREIT. The following table summarizes the gain or loss recorded in other comprehensive loss and net income on this exposure and its associated derivative instruments. Between December 31, 2021 and March 31, 2022, the euro weakened against the Canadian Dollar from a closing price of 1.5608 to 1.3900.

As of March 31,						
(\$ Thousands)		2022				
		Other Comprehensive Income (Loss)		Net Income Gain (Loss)		Total Foreign Exchange Gain (Loss)
		Balance	Three Months Ended	Three Months Ended		Three Months Ended
Total Foreign Assets ⁽¹⁾	€	2,186,459 ⁽⁴⁾	\$ (104,539)	\$ (8,444) ⁽⁵⁾	\$ (112,983)	
Total Foreign Liabilities ⁽²⁾		1,088,056	52,022	(3,639)	48,383	
Net Equity ⁽³⁾		1,098,403	(52,517)	(12,083) ⁽⁵⁾	(64,600)	
Cross-Currency Swap		442,358	—	16,428	16,428	
Net Foreign Exchange Exposure and Gain (Loss)	€	656,045	\$ (52,517)	\$ 4,345	\$ (48,172)	
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€	319,025				

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

- ⁽¹⁾ Foreign assets are comprised of CAPREIT's euro cash, ERES assets, and CAPREIT's 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.
- ⁽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; (b) gains or losses on CAPREIT's euro borrowings are recorded in foreign currency translation under net income.
- ⁽³⁾ As at March 31, 2022, net equity includes €923,787 (March 31, 2021 - €736,943) relating to ERES in which CAPREIT has a 66% (March 31, 2021 - 66%) interest. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €319,025 (March 31, 2021 - €224,525).
- ⁽⁴⁾ Includes ERES assets of €2,011,843 and CAPREIT's investment in IRES of €154,015 (March 31, 2021 - €1,499,800 and €173,195, respectively).
- ⁽⁵⁾ Includes \$7.6 million of foreign currency loss reclassified from accumulated other comprehensive loss to loss on foreign currency translation.

Other Income

Other income primarily consists of income received from investments, net profit from investment in associate, asset management and property management fees, transition service fees and profit from sale of MHC homes.

(\$ Thousands)

For the Three Months Ended March 31,	2022	2021
Investment income ⁽¹⁾	\$ 4,615	\$ 370
Net profit from investment in associate ⁽²⁾	647	2,342
Asset and property management fees, and transition service fees ⁽³⁾	1,848	2,465
Interest income from mortgages receivable	776	—
Profit from sale of MHC inventory ⁽⁴⁾	362	—
Other	42	26
Total	\$ 8,290	\$ 5,203

⁽¹⁾ Investment income for the three months ended March 31, 2022 includes \$4.2 million of semi-annual dividends from IRES (three months ended March 31, 2021 - \$nil). Prior to January 31, 2022, dividends from IRES were deducted from the carrying value of the investment in associate instead of being included in investment income. Refer to note 26 of the accompanying condensed consolidated interim financial statements for further information.

⁽²⁾ CAPREIT's share of IRES's investment property fair value change, earnings and foreign exchange effects thereon during the period when CAPREIT exercised significant influence over IRES. For the month ended January 31, 2022 and the three months ended March 31, 2021, CAPREIT's share of IRES's investment property fair value gain is \$nil. Refer to note 26 of the accompanying condensed consolidated interim financial statements for further information.

⁽³⁾ Based on the IMA with IRES, which terminated on January 31, 2022. This also includes transition service fees of \$1.0 million (three months ended March 31, 2021 - \$nil). Refer to note 26 of the accompanying condensed consolidated interim financial statements for further information.

(\$ Thousands)

For the Three Months Ended March 31,	2022	2021
Total fee income generated	\$ 6,071	\$ 5,438
Asset and property management fees, acquisition fees and service fees from ERES which are 100% eliminated on consolidation	4,223	2,973
Asset and property management fees from IRES recognized in other income	\$ 1,848	\$ 2,465

⁽⁴⁾ Consists of income from sale of MHC home inventory of \$1.0 million offset by cost of sales of \$0.6 million. (three months ended March 31, 2021 - \$nil and \$nil, respectively)

On January 31, 2022, CAPREIT's IMA with IRES terminated, while CAPREIT continues to provide transition services for a period of three months for total fees of approximately \$1.5 million. As a result of the termination of the IMA, the impact on CAPREIT's net income is expected to be approximately \$3.0 to \$4.0 million for 2022, driven by a decrease in asset and property management fees partially offset by a decrease in related trust expenses.

SECTION IV: UNIT CALCULATIONS, NON-IFRS 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 measures on a per unit basis:

(Thousands)	Weighted Average Number of Units		Outstanding Number of Units	
For the Three Months Ended March 31,	2022	2021	2022	% ⁽¹⁾
Trust Units	173,603	171,962	173,853	98.6
Exchangeable LP Units ⁽²⁾	1,679	333	1,679	1.0
Units under the DUP ⁽³⁾	197	174	202	0.1
Basic number of units	175,479	172,469	175,734	99.7
Plus:				
Unit rights under the RUR Plan ⁽³⁾	515	603	533	0.3
Diluted number of units	175,994	173,072	176,267	100.0

⁽¹⁾ Represents percentage of total diluted units.

⁽²⁾ See note 16 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, 2021 contained in CAPREIT's 2021 Annual Report for details of CAPREIT's unit-based compensation plans.

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

(Thousands)		
For the Three Months Ended March 31,	2022	2021
Distributions declared on Trust Units	\$ 62,879	\$ 59,354
Distributions declared on Exchangeable Units	609	115
Distributions declared on awards outstanding under unit-based compensation plans ⁽¹⁾	258	269
Total distributions declared	63,746	59,738
Less:		
Distributions on Trust Units reinvested	(19,984)	(18,545)
Distributions on unit awards reinvested ⁽¹⁾	(258)	(269)
Net distributions paid	\$ 43,504	\$ 40,924
Percentage of distributions reinvested	31.8%	31.5%

⁽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, 2021 contained in CAPREIT's 2021 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 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, and (ii) the adjustment for amortization of property, plant, and equipment. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries. Management considers FFO to be an important measure of CAPREIT's operating performance. A reconciliation of net income to FFO is as follows:

(\$ Thousands, except per Unit amounts)

For the Three Months Ended March 31,	2022	2021
Net income	\$ 45,309	\$ 104,062
Adjustments:		
Fair value adjustments of investment properties	(19,555)	7,079
Remeasurement of Exchangeable LP Units	(10,596)	1,287
Remeasurement of investments	44,398	(3,044)
Remeasurement of unit-based compensation liabilities	(1,990)	2,681
Interest on Exchangeable LP Units	609	115
Deferred income tax expense (recovery)	16,464	(1,137)
Loss on foreign currency translation	12,083	934
Gain on derivative financial instruments	(31,577)	(30,522)
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	38,774	12,579
Distributions on ERES units held by non-controlling unitholders	3,170	3,209
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽¹⁾	(4,434)	(4,283)
Amortization of property, plant and equipment	1,913	2,012
Lease principal repayment	(277)	(288)
FFO	\$ 94,291	\$ 94,684
FFO per unit – basic	\$ 0.537	\$ 0.549
FFO per unit – diluted	\$ 0.536	\$ 0.547
Total distributions declared	\$ 63,746	\$ 59,738
FFO payout ratio	67.6%	63.1%
Net distributions paid	\$ 43,504	\$ 40,924
Excess FFO over net distributions paid	\$ 50,787	\$ 53,760
FFO effective payout ratio	46.1%	43.2%

⁽¹⁾ The adjustment is based on applying the 34% weighted average ownership held by ERES non-controlling unitholders (March 31, 2021 - 34%) to ERES's FFO of \$13.7 million (€9.8 million) (March 31, 2021 - \$12.6 million or €8.3 million) and adjusting for \$0.9 million of acquisition fees for the three months ended March 31, 2022 (March 31, 2021 - \$nil) charged by CAPREIT to ERES, which are eliminated upon consolidation.

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 items that are not indicative of CAPREIT's medium and/or long-term performance. These items include amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, 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)

For the Three Months Ended March 31,	2022	2021	%⁽¹⁾
FFO	\$ 94,291	\$ 94,684	(0.4)
Adjustments:			
Amortization of losses from (AOCL) AOCI to interest and other financing costs	543	620	(12.4)
Mortgage prepayment cost	446	—	100.0
Reorganization, senior management termination, and retirement costs ⁽²⁾	2,243	—	100.0
Costs relating to transactions that were not completed	99	638	(84.5)
NFFO	\$ 97,622	\$ 95,942	1.8
NFFO per unit – basic	\$ 0.556	\$ 0.556	—
NFFO per unit – diluted	\$ 0.555	\$ 0.554	0.2
Total distributions declared	\$ 63,746	\$ 59,738	6.7
NFFO payout ratio	65.3%	62.3%	
Net distributions paid	\$ 43,504	\$ 40,924	6.3
Excess NFFO over net distributions paid	\$ 54,118	\$ 55,018	(1.6)
Effective NFFO payout ratio	44.6%	42.7%	

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

⁽²⁾ Includes \$0.4 million of accelerated vesting of previously granted RUR units.

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

NFFO for the three months ended March 31, 2022 increased by 1.8% compared to the same period last year, primarily due to the contribution from acquisitions and higher NOI for properties owned prior to December 31, 2020. Asset and property management fees, acquisition fees and service fees received from ERES increased FFO and consequently NFFO by \$1.4 million for the three months ended March 31, 2022 compared to \$1.0 million for the same period last year. These fees represent the amount of fees attributed to the ERES units held by non-controlling unitholders based on the weighted average ownership throughout the period.

For the three months ended March 31, 2022, basic NFFO per unit remained stable at \$0.556 compared to the same period last year, despite an approximate 1.7% increase in the weighted average number of units outstanding. Management expects per unit FFO and NFFO and related payout ratios to strengthen further in the medium term as a result of NOI contributions from recent acquisitions.

Comparing total distributions declared to NFFO, the NFFO payout ratio for the three months ended March 31, 2022 increased by 3.0% compared to for the same period last year. The effective NFFO payout ratio, which compares NFFO to

net distributions paid, increased for the three months ended March 31, 2022 to 44.6% from 42.7% for the same period last year.

Adjusted Cash Flows From Operations and Distributions Declared

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.

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.

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

(\$ Thousands, except per Unit amounts)		Annual	
For the Three Months Ended March 31,	2022	2021	2021
Cash generated from operating activities	\$ 145,258	\$ 123,312	\$ 551,433
Adjustments:			
Interest expense included in cash flow from financing activities ⁽¹⁾	(35,581)	(32,323)	(133,665)
Forecasted non-discretionary property capital investments ⁽²⁾	(21,073)	(19,652)	(78,006)
Capitalized leasing costs ⁽³⁾	(703)	(2,472)	(7,471)
Amortization of other financing costs ⁽⁴⁾	(4,634)	(2,265)	(14,574)
Investment income ⁽⁵⁾	4,657	394	8,469
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁶⁾	(5,825)	(4,308)	(18,927)
Lease principal and interest repayments	(1,542)	(1,404)	(6,107)
ACFO	\$ 80,557	\$ 61,282	\$ 301,152
Total distributions declared	\$ 63,746	\$ 59,738	\$ 245,479
Excess ACFO over distributions declared	\$ 16,811	\$ 1,544	\$ 55,673
ACFO payout ratio	79.1%	97.5%	81.5%

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

⁽²⁾ Non-discretionary property capital investments for the three months ended March 31, 2022 and 2021 have been calculated as follows: Non-Discretionary Property Capital Investments per suite and site are based on the annual 2022 and 2021 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 2022 and 2021 on an annual basis is \$1,285 and \$1,262 respectively. The estimated full year weighted average number of residential suites and sites for the three months ended March 31, 2022 and 2021 is 66,222 and 62,296, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the table on the next page.

⁽³⁾ Comprises tenant inducements and direct leasing costs.

⁽⁴⁾ Includes amortization of deferred financing costs, CMHC premiums, deferred loan costs and fair value adjustments.

⁽⁵⁾ The investment income for the three months ended March 31, 2022 includes \$4.2 million dividends paid by IRES.

⁽⁶⁾ The adjustment is based on applying the 34% weighted average ownership held by ERES non-controlling unitholders (December 31, 2021 – 34%).

For the three months ended March 31, 2022, CAPREIT's ACFO exceeded distributions declared by \$16.8 million. As per OSC Staff Notice 51-724, if distributions are in excess of ACFO, then the amount in excess represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period.

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

Non-Discretionary Property Capital Actuals to Forecast Reconciliation

(\$ Thousands)

For the Three Months Ended March 31,	2022	2021
Actual	\$ 8,571	\$ 10,447
Forecast	21,073	19,652
Difference	\$ (12,502)	\$ (9,205)

For the three months ended March 31, 2022, CAPREIT's actual non-discretionary property capital investments of \$8.6 million were lower than the forecast by approximately \$12.5 million, mainly due to timing of structural work.

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 \$800 to \$1,200 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 2022, and actual 2021 and 2020 Non-Discretionary Property Capital Investments per suite and site:

(\$ Thousands)	2022 Forecast	2021 Actual	2020 Actual
Non-discretionary property capital investments	\$ 85,064	\$ 78,006	\$ 70,545
Weighted average number of suites and sites	66,222	63,671	60,929
Non-discretionary property capital investments per suite and site	\$ 1,285	\$ 1,225	\$ 1,158

Adjusted Cash Generated from Operating Activities

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

(\$ Thousands, except per Unit amounts)

For the Three Months Ended March 31,	2022	2021
Cash generated from operating activities	\$ 145,258	\$ 123,312
Adjustments:		
Interest expense included in cash flow from financing activities ⁽¹⁾	(35,581)	(32,323)
Adjusted Cash Generated from Operating Activities	\$ 109,677	\$ 90,989
Total distributions declared	\$ 63,746	\$ 59,738
Excess	\$ 45,931	\$ 31,251

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

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

(\$ Thousands, except per Unit amounts)

For the Three Months Ended March 31,	2022	2021
Net income	\$ 45,309	\$ 104,062
Adjusted Cash Generated from Operating Activities	\$ 109,677	\$ 90,989
Total distributions declared	\$ 63,746	\$ 59,738
Net distributions paid	\$ 43,504	\$ 40,924
(Shortfall) excess of net income over total distributions declared	\$ (18,437)	\$ 44,324
Excess of net income over net distributions paid	\$ 1,805	\$ 63,138
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 45,931	\$ 31,251
Excess of Adjusted Cash Generated from Operating Activities over net distributions paid	\$ 66,173	\$ 50,065

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

For the three months ended March 31, 2022, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$45.9 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.

Net Asset Value

NAV represents total Unitholders' equity per CAPREIT's condensed consolidated interim balance sheets, adjusted to include or exclude certain amounts in order to provide what management considers to be a key measure of the intrinsic value of CAPREIT on a going concern basis. Management believes that this measure reflects the residual value of CAPREIT to its Unitholders on a going concern basis and is therefore used by management on both an aggregate and per unit basis to evaluate the net asset value attributable to Unitholders, and changes thereon based on the execution of CAPREIT's strategy. While NAV is calculated based on items in the financial statements or supporting notes, NAV itself is not a standardized financial measure under IFRS and may not be comparable to similarly termed financial measures disclosed by other real estate investment trusts or companies in similar or different industries.

A reconciliation of Unitholders' equity to NAV is as follows:

(\$ Thousands, except per unit amounts)

As at	March 31, 2022	December 31, 2021
Unitholders' equity	\$ 10,361,617	\$ 10,399,886
Adjustments:		
Exchangeable LP Units	90,087	100,684
Unit-based compensation financial liabilities excluding ERES's unit options plan	29,626	33,994
Net deferred income tax liability ⁽¹⁾	140,624	128,964
Net derivative financial asset ⁽²⁾	(56,179)	(26,953)
Goodwill	(14,573)	(15,133)
Adjustment to ERES non-controlling interest ⁽³⁾	(76,065)	(114,716)
NAV	\$ 10,475,137	\$ 10,506,726
NAV per Unit - diluted	\$ 59.43	\$ 59.78

⁽¹⁾ Represents deferred income tax liability of \$144.7 million net of deferred income tax asset of \$4.1 million (December 31, 2021 — deferred income tax liability of \$134.0 million net of deferred income tax asset of \$5.0 million)

⁽²⁾ Represents non-current and current derivative financial assets of \$39.4 million and \$17.0 million, respectively, net of non-current and current derivative financial liabilities of \$— million and \$0.2 million, respectively (December 31, 2021 — non-current and current derivative financial assets of \$22.4 million and \$8.5 million, respectively, net of non-current and current derivative financial liabilities of \$1.2 million and \$2.8 million, respectively).

⁽³⁾ CAPREIT accounts for the non-controlling interest in ERES as a liability, measured at the trading value of ERES's units not owned by CAPREIT. The adjustment is made so that the non-controlling interest in ERES is measured at ERES's disclosed NAV, rather than ERES's trading value.

(\$ Thousands)

As at	March 31, 2022	December 31, 2021
ERES's NAV	€ 999,729	€ 963,452
Ownership by ERES non-controlling interest	34 %	34 %
Foreign exchange rate	1.3900	1.4391
Impact to NAV due to ERES's non-controlling unitholders	\$ 472,472	\$ 471,411
ERES units held by non-controlling unitholders	\$ 396,407	\$ 356,695
Adjustment to ERES non-controlling interest	\$ 76,065	\$ 114,716

Total Debt and Total Debt Ratios

CAPREIT's DOT and the Credit Facilities require compliance with certain financial covenants, including the Ratio of Total Debt to Gross Book Value. Management uses Total Debt, Total Debt to Gross Book Value ratio, Mortgage debt to gross book value, Total Debt to gross historical cost, and Total Debt to total capitalization as indicators in assessing if the debt level maintained is sufficient to meet cash flow requirements and for evaluating the need to raise funds for further expansion.

A reconciliation for Total Debt is as follows:

(\$ Thousands)

As at	March 31, 2022	December 31, 2021
Mortgages Payable	\$ 6,358,664	\$ 6,100,065
Bank Indebtedness	474,441	310,866
Total Debt	\$ 6,833,105	\$ 6,410,931
 Total Assets	 \$ 18,121,622	 \$ 17,712,973
Add: Total accumulated amortization and depreciation	36,637	35,280
Gross Book Value ⁽¹⁾	\$ 18,158,259	\$ 17,748,253
Ratio of Total Debt to Gross Book Value	37.63 %	36.12 %
Ratio of Mortgages Payable to Gross Book Value	35.02 %	34.37 %
 Gross Book Value ⁽¹⁾	 \$ 18,158,259	 \$ 17,748,253
Less: Cumulative investment properties fair value adjustments	(5,500,132)	(5,480,670)
Gross Historic Cost ⁽²⁾	\$ 12,658,127	\$ 12,267,583
Ratio of Total Debt to Gross Historical Cost	53.98 %	52.26 %
 Market capitalization	 \$ 9,456,773	 \$ 10,538,673
Total Debt	6,833,105	6,410,931
Total capitalization	\$ 16,289,878	\$ 16,949,604
Ratio of Total Debt to total capitalization	41.95 %	37.82 %

⁽¹⁾ Gross Book Value ("GBV") is defined by CAPREIT's DOT.

⁽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.

Earnings Before Interest, Tax, Depreciation, Amortization, and Fair Value

EBITDAFV is calculated as prescribed in CAPREIT's Acquisition and Operating Facility for the purpose of determining the Debt Service Coverage Ratio and Interest Coverage Ratio, and is defined as net income attributable to Unitholders, reversing, where applicable, income taxes, interest expense, amortization expense, depreciation expense, adjustments to fair value and other adjustments as permitted in the CAPREIT's Acquisition and Operating Facility. Management believes EBITDAFV is useful in assessing the ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders.

A reconciliation of net income to EBITDAFV is as follows:

(\$ Thousands)

For the trailing 12 months ended	March 31, 2022	December 31, 2021
Net Income	\$ 1,334,042	\$ 1,392,795
Adjustments:		
Amortization of Property, Plant and Equipment	8,151	8,250
Fair value adjustments of Exchangeable LP Units	(11,218)	665
Unit-Based Compensation Expense	10,823	15,111
EUPP Unit-based compensation expense	(504)	(497)
Gain on derivative financial instruments	(51,337)	(50,282)
Current and deferred income tax expense (recovery)	99,018	81,181
Fair value adjustments of investments	33,354	(14,088)
Fair value adjustments of investment properties	(1,075,376)	(1,048,742)
Realized loss on disposition of investment properties	241	241
Loss on disposition of foreign operation	92	—
Loss on foreign currency translation	17,244	6,095
FFO adjustment for income from investment in associate ⁽¹⁾	(9,271)	(9,271)
Interest and other financing costs	167,687	160,462
Loss on non-controlling interest	64,807	38,651
EBITDAFV	\$ 587,753	\$ 580,571

⁽¹⁾ Relates to CAPREIT's share of IRES's investment property fair value gain.

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is defined as EBITDAFV divided by the sum of interest expense (including interest on mortgages payable and bank indebtedness) and all regularly scheduled mortgage principal repayments. The Debt Service Coverage Ratio is calculated as prescribed in the Acquisition and Operating Facility, and is based on the trailing four quarters. Management believes the Debt Service Coverage Ratio is useful in determining CAPREIT's ability to service the interest requirements of its outstanding debt.

(\$ Thousands)

As at	March 31, 2022	December 31, 2021
Interest on mortgages payable ⁽¹⁾	\$ 141,636	\$ 138,293
Interest on bank indebtedness and other deferred costs ⁽¹⁾	6,536	6,110
Mortgage principal repayments ⁽¹⁾	153,269	149,996
Debt service payments ⁽¹⁾	\$ 301,441	\$ 294,399
EBITDAFV ⁽¹⁾	\$ 587,753	\$ 580,571
Debt Service Coverage Ratio (times)	2.0x	2.0x

⁽¹⁾ For the trailing 12 months ended.

Interest Coverage Ratio

The Interest Coverage Ratio is defined as EBITDAFV divided by interest expense (including interest on mortgages payable and bank indebtedness). The Interest Coverage Ratio is calculated as prescribed in the Acquisition and Operating Facility, and is based on the trailing four quarters. Management believes the Interest Coverage Ratio is useful in determining CAPREIT's ability to service the interest requirements of its outstanding debt.

(\$ Thousands)

As at	March 31, 2022	December 31, 2021
Interest on mortgages payable ⁽¹⁾	\$ 141,636	\$ 138,293
Interest on bank indebtedness and other deferred costs ⁽¹⁾	6,536	6,110
Interest Expense ⁽¹⁾	\$ 148,172	\$ 144,403
EBITDAFV ⁽¹⁾	\$ 587,753	\$ 580,571
Interest coverage ratio (times)	4.0x	4.0x

⁽¹⁾ For the trailing 12 months ended.

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

Three Months Ended March 31, 2022 (\$ Thousands)	Actual Total Portfolio	% of Actual	2022 Annual Forecast Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 7,835	13.4	\$ 64,817
MHC infrastructural	507	0.9	13,899
Life and safety	229	0.4	6,348
	8,571	14.7	85,064
Discretionary property capital investments:			
Suite improvements	27,625	47.3	91,888
Common area	12,863	22.1	77,446
Energy-saving initiatives	3,995	6.9	36,422
Equipment	4,053	7.0	11,916
Elevators and risers	819	1.4	16,522
Others	243	0.4	2,954
MHC common area	123	0.2	2,682
	49,721	85.3	239,830
Total	\$ 58,292	100.0	\$ 324,894

Three Months Ended March 31, 2021 (\$ Thousands)	Actual Total Portfolio	% of Actual	2021 Annual Actual Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 9,924	18.8	\$ 70,583
MHC infrastructural	378	0.7	6,248
Life and safety	145	0.3	1,175
	10,447	19.8	78,006
Discretionary property capital investments:			
Suite improvements	20,865	39.5	105,634
Common area	13,853	26.3	71,884
Energy-saving initiatives	4,241	8.0	20,506
Equipment	3,036	5.8	16,193
Elevators and risers	41	0.1	2,348
Others	194	0.4	1,399
MHC common area	59	0.1	1,692
	42,289	80.2	219,656
Total	\$ 52,736	100.0	\$ 297,662

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 2022 through 2025 for properties owned as of March 31, 2022.

Future Investments in Building Improvements

(\$ Thousands)	Building Improvements Estimated Range
2022	\$58,000 - \$72,000
2023	\$32,000 - \$40,000
2024	\$30,000 - \$38,000
2025	\$32,000 - \$40,000

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)		2022	2021
For the Three Months Ended March 31,			
Balance, beginning of the year	\$	17,101,919	\$ 15,000,591
Add:			
Acquisitions		439,044	—
Property capital investments		54,980	59,592
Capitalized direct leasing costs		153	836
Fair value adjustments		19,555	(7,079)
Loss on foreign currency translation		(92,064)	(125,273)
Balance, end of the period	\$	17,523,587	\$ 14,928,667

A summary of the fair values of CAPREIT's investment properties and changes, along with key market assumptions, is presented in the following table. For the three months ended March 31, 2022, there was a \$421.7 million increase in fair value primarily due to new acquisitions and increases in normalized NOI, partially offset by foreign exchange loss on the European properties. Excluding the impact of acquisitions and foreign exchange, the fair value of investment properties increased by \$74.7 million, or 0.4%.

Investment Properties by Geography

	Dec 2021	Fair Value Change Due To				Mar 2022	Mar 2022	Dec 2021
(\$ Millions)	Fair Value	Net Acquisitions	CAPEX ⁽¹⁾	Fair Value Adjustments	Foreign Exchange Translation	Fair Value	Cap Rates ⁽²⁾	Cap Rates ⁽²⁾
Greater Toronto Area	\$ 6,789	\$ —	\$ 15	\$ (6)	\$ —	\$ 6,798	3.26 %	3.25 %
Other Ontario	1,405	—	6	1	—	1,412	3.85 %	3.83 %
Québec	2,250	291	11	(12)	—	2,540	3.97 %	4.02 %
British Columbia	1,893	38	6	(6)	—	1,931	3.72 %	3.69 %
Nova Scotia	805	—	5	(3)	—	807	4.24 %	4.33 %
Alberta	443	—	2	(1)	—	444	4.34 %	4.17 %
Prince Edward Island	101	—	—	1	—	102	5.11 %	5.12 %
Saskatchewan	31	—	—	—	—	31	5.05 %	5.13 %
Subtotal	13,717	329	45	(26)	—	14,065	3.62 %	3.60 %
Europe	2,676	93	6	46	(92)	2,729	3.54 %	3.55 %
MHC	709	17	4	—	—	730	5.67 %	5.66 %
Total	\$ 17,102	\$ 439	\$ 55	\$ 20	\$ (92)	\$ 17,524	3.69 %	3.68 %

⁽¹⁾ Represents property capital investments and capitalized direct leasing costs during the three months ended March 31, 2022

⁽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 March 31, 2022 for operating and land leasehold interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

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.

As at March 31, 2022 (\$ Millions)	Change in NOI					
		(2.00)%	(1.00)%	— %	+1.00 %	+2.00 %
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,452	\$ 2,655	\$ 2,858	\$ 3,060	\$ 3,263
	(0.25)%	950	1,138	1,325	1,513	1,701
	—%	(335)	(160)	—	189	363
	+0.25%	(1,448)	(1,284)	(1,121)	(958)	(795)
	+0.50%	(2,422)	(2,268)	(2,115)	(1,962)	(1,809)

⁽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, subject to market conditions, cost of construction, and other factors. CAPREIT regularly re-evaluates its assets for highest and best use where the value may be realized through rental or condominium development or sale of a property.

Development Summary

For the Three Months Ended March 31, (\$ Thousands)	2022 Actual Total Portfolio	2021 Actual Total Portfolio
Conversion	\$ 416	6,704
Infill ⁽¹⁾	806	344
Redevelopment ⁽¹⁾	94	151
Total for development	\$ 1,316	7,199

⁽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 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. In addition, projects are impacted by variable costs, supply chain issues, and inflationary pressures, which affect financial viability and total return. As such, CAPREIT is no longer providing forecasted development spending due to the highly variable nature of costs depending on numerous external factors.

CAPITAL STRUCTURE

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

As at March 31, 2022, CAPREIT is in compliance with all the investment and debt restrictions and financial covenants contained in the DOT and the Credit Facilities. The total capital managed by CAPREIT and the results of compliance with the some of the key covenants and liquidity metrics are summarized in the following table:

(\$ Thousands)

As at	March 31, 2022	December 31, 2021
Mortgages payable	\$ 6,358,664	\$ 6,100,065
Bank indebtedness	474,441	310,866
Unitholders' equity	10,361,617	10,399,886
Exchangeable LP Units	90,087	100,684
Total capital	\$ 17,284,809	\$ 16,911,501

Threshold			
Total debt to gross book value ⁽¹⁾	Maximum 62.50%	37.63%	36.12 %
Mortgage debt to gross book value ⁽¹⁾		35.02%	34.37 %
Total debt to gross historical cost ⁽¹⁾		53.98%	52.26 %
Total debt to total capitalization ⁽¹⁾		41.95%	37.82 %

For the four quarters ended ⁽²⁾		March 31, 2022	December 31, 2021
Debt service coverage ratio (times) ^{(1), (3)}	Minimum 1.40	2.0x	2.0x
Interest coverage ratio (times) ^{(1), (3)}	Minimum 1.65	4.0x	4.0x

⁽¹⁾ 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 Measures). For a reconciliation to IFRS, see Section IV - Non-IFRS Measures.

⁽²⁾ CAPREIT's FFO payout ratio did not exceed 100% for the trailing four quarters ended March 31, 2022. As at March 31, 2022, CAPREIT is in compliance with its debt covenant on the FFO payout ratio.

⁽³⁾ For the trailing 12 months ended.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

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

- i) CAPREIT's business continues to be stable and is expected to generate sufficient ACFO on an annual basis to fund the current level of distributions.
- ii) CAPREIT's Canadian liquidity position as at March 31, 2022 remains strong with \$228.9 million available on the Acquisition and Operating Facility.

CAPREIT has investment properties with a fair value of approximately \$1,347.4 million as at March 31, 2022 that are not encumbered by mortgages. Of these, \$1,092.4 million of the investment properties are located in Canada and secure only the Acquisition and Operating Facility. \$274.9 million of these investment properties also carry a negative pledge relating to the ERES Credit Facility. Refer to note 13 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 sheets as at March 31, 2022, 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 in compliance with all of its CMHC and lender requirements.

(\$ Thousands)		
As at March 31,	2022	2021
Percentage of CMHC-insured mortgages ⁽¹⁾	98.3%	99.0%
Percentage of fixed-rate mortgages ⁽²⁾	99.2%	99.4%
Weighted average mortgage interest rate ⁽³⁾	2.53%	2.58%
Weighted average mortgage term to maturity (years) ⁽⁴⁾	5.70	5.62
Cross-currency interest rate swaps ⁽⁵⁾	\$ 677,180	\$ 674,469
Weighted average interest rate on swaps - pay	0.27%	0.24%
Weighted average interest rate on swaps - receive	1.23%	1.18%
Weighted average remaining term to maturity on swaps (years)	2.30	3.04

⁽¹⁾ Excludes 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, the effective portfolio weighted average interest rate as at March 31, 2022 would be 2.56% (March 31, 2021 - 2.63%).

⁽⁴⁾ The mortgages on the Canadian and European properties have a weighted average term to maturity of 6.1 years and 3.9 years (March 31, 2021 - 6.0 years and 4.1 years), respectively.

⁽⁵⁾ Euro equivalent of €442.4 million (March 31, 2021 - €442.4 million) and excludes ERES cross-currency interest rate swaps.

Based on cross-currency interest rate swaps entered, the weighted average all-in effective interest rate on the total Canadian swapped debt of \$677.2 million is 0.96%. The swaps have been staggered between one to five years to take advantage of the low rates, with a current weighted average swap term of 2.30 years as at March 31, 2022.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to May 16, 2022, as well as those expected for the remainder of 2022:

(\$ 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	\$ 161,763	3.13 %	\$ 273,825	2.85 %	8.5	\$ 112,062 ⁽²⁾
Acquisitions	—	— %	158,563	2.81 %	6.2	158,563
Total and Weighted Average	\$ 161,763	3.13 %	\$ 432,388	2.84 %	7.7	\$ 270,625
Subsequent to the quarter:						
Committed or Completed	97,942	3.02 %	279,290	3.32 %	9.4	181,348
Expected for the remainder of 2022	126,825	3.16 %	254,094	— %	—	127,269
Grand Total and Weighted Average	\$ 386,530	3.11 %	\$ 965,772	3.23 %	8.7	\$ 579,242

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

⁽²⁾ Includes \$32.4 million of mortgage discharges not refinanced

Management expects to raise between \$800 and \$850 million in total mortgage renewals and refinancings for 2022, excluding financings on acquisitions. 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 mortgage loans when incurred. If CAPREIT fully refinances an existing mortgage, any unamortized prepaid CMHC premiums and fees associated with the existing mortgages on that property will be written off through interest and other financing costs in the period in which full refinancing occurs. CAPREIT accelerates the amortization for prepaid CMHC premiums for mortgages that management intends to fully refinance within the year, from the date the decision is made to refinance to the date the mortgage is due to be refinanced. During the three months ended March 31, 2022, CMHC amortization expense including net write-offs of CMHC premiums on refinancings amounted to \$3.8 million.

CMHC amortization expense, including write-offs, for 2022 is expected to be in the range of \$10.0 million to \$11.0 million, depending on refinancing activity. Due to the timing of refinancing activities, a larger portion of the expense is expected to be incurred in the first half of the year.

For the purposes of estimating top-up financing potential, the following table provides annualized NOI for those properties with mortgages maturing over the next five years and beyond. A property's full NOI is included in the first year in which a mortgage matures. The balance of mortgages remaining on the same property but maturing in other years is also shown.

As at March 31, 2022

(\$ Thousands)

Year of Maturity	Mortgage Maturities ⁽¹⁾	Mortgages on the Same Properties Maturing in Other Years ⁽¹⁾	Total Mortgages	NOI of Properties with Maturing Mortgage(s) ^{(2), (3)}
2022	\$ 320,822	\$ 8,201	\$ 329,023	\$ 51,090
2023	404,624	187,410	592,034	72,773
2024	476,065	153,906	629,971	54,077
2025	798,698	31,145	829,843	93,497
2026	788,447	(11,288)	777,159	79,717
2027 onwards	2,731,461	(369,374)	2,362,087	223,563
Total	\$ 5,520,117	\$ —	\$ 5,520,117	\$ 574,717

⁽¹⁾ Mortgage balance due upon maturity.

⁽²⁾ NOI for the 12 months ended March 31, 2022.

⁽³⁾ Projected NOI included for acquisitions since March 31, 2021.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at March 31, 2022 is as follows:

As at March 31, 2022 (\$ Thousands)					
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
2022	120,362	253,955	374,317	7.0	3.15
2023	146,277	321,223	467,500	8.7	3.26
2024	133,654	366,124	499,778	9.3	2.76
2025	124,643	480,388	605,031	11.3	2.49
2026	102,176	521,307	623,483	11.6	2.46
2027	79,093	375,206	454,299	8.5	2.62
2028	70,575	322,643	393,218	7.3	2.66
2029	75,024	403,967	478,991	8.9	2.73
2030	39,552	307,596	347,148	6.5	2.08
2031-2036	69,375	1,042,865	1,112,240	20.9	2.68
	\$ 960,731	\$ 4,395,274	\$ 5,356,005	100.0 %	2.75 %
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net			(125,875)		
Total			\$ 5,230,130		
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 March 31, 2022 is as follows:

As at March 31, 2022 (\$ Thousands)							
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}	
2022	\$ 2,284	\$ 66,867	\$ 69,151	€ 51,557 ⁽³⁾	6.3	1.43	
2023	3,055	83,401	86,456	62,198 ⁽³⁾	7.6	1.08	
2024	2,469	109,941	112,410	80,869 ⁽³⁾	9.9	1.39	
2025	396	318,310	318,706	227,301 ⁽³⁾	27.9	1.87	
2026	—	267,140	267,140	192,184 ⁽³⁾	23.6	1.47	
2027	—	279,184	279,184	200,849 ⁽³⁾	24.6	1.38	
	\$ 8,204	\$ 1,124,843	\$ 1,133,047	€ 814,958	100.0 %	1.52 %	
Deferred financing costs and fair value adjustments, net			(4,513)				
Total			\$ 1,128,534				
Weighted average term to maturity			3.68				

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

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

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

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

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

Market capitalization and units outstanding are as follows:

As at March 31, 2022		
Market capitalization (\$ Thousands)	\$	9,456,773
Total number of units outstanding		176,267,908
Trust Units		173,852,895
Deferred units		202,399
RUR Plan units		533,424
Exchangeable LP Units		1,679,190
Ownership by trustees, officers and other senior management		0.7 %

Normal Course Issuer Bid

On a periodic basis, CAPREIT may apply to the Toronto Stock Exchange ("TSX") for approval of a normal course issuer bid ("NCIB"). Pursuant to regulations governing NCIBs, CAPREIT will receive approval to purchase and cancel a specified number of Trust Units, representing 10% of the public float of its Trust Units at the time of TSX approval. The NCIB will terminate on the earlier of the termination date or at such time as purchases under the NCIB are completed. CAPREIT will continue to evaluate the NCIB program and believes the purchase of its outstanding Trust Units from time to time may be an appropriate use of its resources.

The table below summarizes the NCIB program in place as at March 31, 2022. No Trust Units were acquired and cancelled under the NCIB program.

Period Covered Under Each NCIB	Approval Limit
March 24, 2022 to March 23, 2023	17,067,144

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

	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20
Overall portfolio net AMR	\$ 1,159	\$ 1,149	\$ 1,143	\$ 1,118	\$ 1,115	\$ 1,121	\$ 1,113	\$ 1,104
Operating revenues (000s) ⁽¹⁾	\$ 246,628	\$ 240,678	\$ 236,097	\$ 228,856	\$ 227,506	\$ 225,238	\$ 221,420	\$ 219,925
NOI (000s) ⁽¹⁾	\$ 153,172	\$ 153,429	\$ 158,126	\$ 151,786	\$ 146,652	\$ 148,646	\$ 148,234	\$ 143,233
NOI Margin ⁽¹⁾	62.1%	63.7%	67.0%	66.3%	64.5%	66.0%	66.9%	65.1%
Net Income (000s)	\$ 45,309	\$ 644,959	\$ 190,213	\$ 453,561	\$ 104,062	\$ 484,958	\$ 300,075	\$ 61,262
FFO (000s) ^{(1), (2)}	\$ 94,291	\$ 97,270	\$ 102,962	\$ 97,503	\$ 94,684	\$ 99,311	\$ 100,342	\$ 94,056
NFFO (000s) ^{(1), (2)}	\$ 97,622	\$ 100,353	\$ 105,819	\$ 100,080	\$ 95,942	\$ 99,985	\$ 101,114	\$ 94,712
Total debt to gross book value ⁽³⁾	37.63%	36.12%	37.20%	36.37%	35.21%	35.54%	35.70%	36.02%
FFO per unit ⁽¹⁾ - basic	\$ 0.537	\$ 0.556	\$ 0.593	\$ 0.564	\$ 0.549	\$ 0.577	\$ 0.585	\$ 0.551
NFFO per unit ⁽¹⁾ - basic	\$ 0.556	\$ 0.573	\$ 0.610	\$ 0.579	\$ 0.556	\$ 0.581	\$ 0.589	\$ 0.555
Weighted average number of units (000s) - basic	175,479	175,089	173,495	172,950	172,469	172,054	171,628	170,588
Weighted average number of units (000s) - diluted	175,994	175,567	173,985	173,512	173,072	172,616	172,188	171,175

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

⁽²⁾ Non-IFRS 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 the Acquisition and Operating Facility. CAPREIT determines its annual distributions and the annual distribution rate by, among other considerations, its assessment of ACFO (a non-IFRS measure). As such, CAPREIT believes the cash distributions are not an economic return of capital, but a distribution of adjusted cash flow from operating activities.

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

A summary of significant accounting policies can be found in note 2 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2022 and to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2021.

Critical Accounting Estimates, Assumptions, and Judgments

A summary of accounting estimates, assumptions and judgments can be found in note 3 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2022.

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 interim Chief Financial Officer have satisfied themselves that as at March 31, 2022, the design of disclosure controls and procedures and the design of internal controls over financial reporting continue to be appropriate.

CAPREIT did not make any significant changes to the design of internal controls over financial reporting in the three months ended March 31, 2022 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. Risks and uncertainties are disclosed in CAPREIT's MD&A for the year ended December 31, 2021 in the Risks and Uncertainties section contained in CAPREIT's 2021 Annual Report and in CAPREIT's latest Annual Information Form.

RELATED PARTY TRANSACTIONS

A summary of related party transactions can be found in note 26 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2022.

COMMITMENTS AND CONTINGENCIES

A summary of commitments and contingencies can be found in notes 27 and 28 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2022.

SUBSEQUENT EVENTS

A summary of subsequent events can be found in note 30 to CAPREIT's condensed consolidated interim financial statements for the three months ended March 31, 2022.

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, over the long-term. 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.

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, improving environment performance and/or enhancing property values through capital investment and property improvement programs. CAPREIT is also looking to modernize and reduce the average age of its property portfolio by acquiring newer, recently constructed properties where management believes it can enhance returns on investment through its established property management platform. 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 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 and may also enhance the environment performance of the assets.

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-residential rental or condominium 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 suites over time through its development and intensification initiatives, primarily in major markets 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 and lengthening mortgage terms within its mortgage portfolio to reduce exposure to refinancing risk. As interest rates have risen and are expected to continue to rise in the short term, CAPREIT's conservative approach towards its debt strategy serves to mitigate the impact of rising rates. 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.

In April 2022, the federal government unveiled the proposed 2022 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 minimal to no impact on CAPREIT. CAPREIT will continue to monitor government announcements on any potential tax legislation that impacts CAPREIT's structure and its business.

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. The COVID-19 pandemic may also have an impact on certain aspects of the economy such as supply chains and inflation. Various costs including trust expenses, wages, and repairs and maintenance costs are expected to further increase in 2022 due to inflationary cost pressures.

SECTION VII: SUPPLEMENTAL INFORMATION

PROPERTY PORTFOLIO

Types of Property Interests

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

Portfolio Diversification

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

Portfolio by Geography

As at March 31,	2022	%	2021	%
Residential Suites				
Ontario				
Greater Toronto Area ⁽¹⁾	17,897	26.6	17,864	28.0
London / Kitchener / Waterloo	3,808	5.7	3,261	5.1
Ottawa	2,750	4.1	2,750	4.3
	24,455	36.4	23,875	37.4
Québec				
Greater Montréal Region	7,933	11.8	7,771	12.2
Québec City	3,291	4.9	2,517	3.9
	11,224	16.7	10,288	16.1
British Columbia				
Greater Vancouver Region	3,743	5.6	3,551	5.6
Victoria and Other British Columbia	2,117	3.2	1,697	2.6
	5,860	8.8	5,248	8.2
Nova Scotia				
Halifax	3,288	4.9	3,288	5.1
Alberta				
Calgary	1,775	2.6	1,775	2.8
Edmonton	543	0.8	543	0.9
	2,318	3.4	2,318	3.7
Prince Edward Island				
Charlottetown	637	1.0	637	1.0
Saskatchewan				
Regina	234	0.3	234	0.4
Total Canadian residential suites	48,016	71.5	45,888	71.9
Europe				
The Netherlands	6,791	10.1	6,047	9.5
Total residential suites	54,807	81.6	51,935	81.4
MHC Sites				
Total MHC sites	12,375	18.4	11,858	18.6
Total suites and sites	67,182	100.0	63,793	100.0

⁽¹⁾ Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

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



CANADIAN APARTMENT
PROPERTIES • REIT

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2022
(UNAUDITED)**

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CONSOLIDATED BALANCE SHEETS

(CA\$ thousands)

(Unaudited)

As at	Note	March 31, 2022	December 31, 2021
Non-current assets			
Investment properties	6	\$ 17,523,587	\$ 17,101,919
Investment in associate	3, 26	—	246,505
Investments	3, 26	254,256	51,286
Mortgages receivable	7	114,990	114,990
Derivative asset	19	39,438	22,420
Other non-current assets	8	39,163	38,671
Total non-current assets		17,971,434	17,575,791
Current assets			
Derivative asset	19	16,967	8,506
Other current assets	8	69,423	55,265
Cash and cash equivalents		63,798	73,411
Total current assets		150,188	137,182
Total assets		\$ 18,121,622	\$ 17,712,973
Non-current liabilities			
Mortgages payable	12	\$ 5,864,017	\$ 5,456,605
Bank indebtedness	13	474,441	310,866
Unit-based compensation financial liabilities	14, 15	11,383	14,272
ERES units held by non-controlling unitholders	11	396,407	356,695
Derivative liability	19	13	1,157
Deferred income tax liability	21	144,719	133,974
Lease liabilities		47,985	48,316
Total non-current liabilities		6,938,965	6,321,885
Current liabilities			
Mortgages payable	12	494,647	643,460
Unit-based compensation financial liabilities	14, 15	22,755	22,623
Derivative liability	19	213	2,816
Accounts payable and accrued liabilities	10	132,498	141,499
Other current liabilities	9	14,815	15,492
Security deposits		45,018	43,675
Exchangeable LP Units	16	90,087	100,684
Distributions payable		21,007	20,953
Total current liabilities		821,040	991,202
Total liabilities		\$ 7,760,005	\$ 7,313,087
Unitholders' equity			
Unit capital		\$ 4,217,741	\$ 4,194,093
Accumulated other comprehensive loss	22	(87,744)	(43,397)
Retained earnings		6,231,620	6,249,190
Total unitholders' equity		\$ 10,361,617	\$ 10,399,886
Total liabilities and unitholders' equity		\$ 18,121,622	\$ 17,712,973

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(CA\$ thousands)

(Unaudited)

For the Three Months Ended March 31,	Note	2022	2021
Operating revenues			
Revenue from investment properties	25	\$ 246,628	\$ 227,506
Operating expenses			
Realty taxes		(23,447)	(21,810)
Property operating costs		(70,009)	(59,044)
Total operating expenses		(93,456)	(80,854)
Net rental income		153,172	146,652
Trust expenses		(15,994)	(13,576)
Unit-based compensation expense	15	(198)	(4,486)
Fair value adjustments of investment properties	6	19,555	(7,079)
Fair value adjustments of Exchangeable LP Units	16	10,596	(1,287)
Fair value adjustments of investments		(44,398)	3,044
Loss on disposition of foreign operation	26	(92)	—
Amortization of property, plant and equipment		(1,913)	(2,012)
Loss on non-controlling interest	11	(41,944)	(15,788)
Gain on derivative financial instruments	19	31,577	30,522
Interest and other financing costs	23	(43,855)	(36,630)
Loss on foreign currency translation	26	(12,083)	(934)
Other income	25	8,290	5,203
Net income before income taxes		62,713	103,629
Current and deferred income tax (expense) recovery	21	(17,404)	433
Net income		\$ 45,309	\$ 104,062
Other comprehensive loss, including items that may be reclassified subsequently to net income			
Amortization of losses from (AOCL) AOCI to interest and other financing costs	22	\$ 543	\$ 620
Loss on foreign currency translation	22	(52,517)	(77,094)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	22	7,627	—
Other comprehensive loss		\$ (44,347)	\$ (76,474)
Comprehensive income		\$ 962	\$ 27,588

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 loss	Total
Unitholders' equity, January 1, 2022		\$ 4,194,093	\$ 6,249,190	\$ (43,397)	\$ 10,399,886
Unit capital					
Distribution Reinvestment Plan	17	19,984	—	—	19,984
RUR Plan	15,17	2,843	—	—	2,843
Employee Unit Purchase Plan	15,17	821	—	—	821
Total unit capital		23,648	—	—	23,648
Net income and other comprehensive loss					
Net income		—	45,309	—	45,309
Other comprehensive loss		—	—	(44,347)	(44,347)
Total net income and other comprehensive loss		—	45,309	(44,347)	962
Distributions on Trust Units					
Distributions declared and paid		—	(41,872)	—	(41,872)
Distributions payable		—	(21,007)	—	(21,007)
Total distributions on Trust Units		—	(62,879)	—	(62,879)
Unitholders' equity, March 31, 2022		\$ 4,217,741	\$ 6,231,620	\$ (87,744)	\$ 10,361,617

(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	17	18,545	—	—	18,545
RUR Plan	15,17	5,344	—	—	5,344
Employee Unit Purchase Plan	15,17	777	—	—	777
Total unit capital		24,666	—	—	24,666
Net income and other comprehensive loss					
Net income		—	104,062	—	104,062
Other comprehensive loss		—	—	(76,474)	(76,474)
Total net income and other comprehensive loss		—	104,062	(76,474)	27,588
Distributions on Trust Units					
Distributions declared and paid		—	(39,546)	—	(39,546)
Distributions payable		—	(19,808)	—	(19,808)
Total distributions on Trust Units		—	(59,354)	—	(59,354)
Unitholders' equity, March 31, 2021		\$ 4,128,578	\$ 5,144,451	\$ (6,427)	\$ 9,266,602

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA\$ thousands)

(Unaudited)

For the Three Months Ended March 31,	Note	2022	2021
Cash provided by (used in):			
Operating activities			
Net income		\$ 45,309	\$ 104,062
Items related to operating activities not affecting cash:			
Fair value adjustments - investment properties		(19,555)	7,079
Fair value adjustments - Exchangeable LP Units		(10,596)	1,287
Fair value adjustments - investments		44,398	(3,044)
Mark-to-market loss on ERES units	11	38,774	12,579
Gain on derivative financial instruments	19	(31,577)	(30,522)
Amortization	8, 22, 23	6,759	4,898
Unit-based compensation expense	15	198	4,486
Straight-line rent adjustment		(44)	(28)
Deferred income tax expense (recovery)	21	16,464	(1,137)
Net profit from investment in associate	25	(647)	(2,342)
Loss on disposition of foreign operation	26	92	—
Unrealized foreign currency loss		4,456	934
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	26	7,627	—
Net income items related to financing and investing activities	24	36,706	36,518
Changes in non-cash operating assets and liabilities	24	6,894	(11,458)
Cash provided by operating activities		145,258	123,312
Investing activities			
Acquisition of investment properties	24	(370,975)	(2,733)
Capital investments	24	(83,216)	(74,848)
Acquisition of investments	26	(8,331)	—
Change in restricted cash		1,499	(169)
Investment income received		4,657	394
Cash used in investing activities		(456,366)	(77,356)
Financing activities			
Mortgage financings	24	432,388	38,363
Mortgage principal repayments	24	(40,116)	(36,843)
Mortgages repaid on maturity	24	(161,763)	(89,073)
Lease payments		(1,542)	(1,404)
Financing costs		(1,781)	(555)
CMHC premiums on mortgages payable		(8,361)	(1,206)
Interest paid on mortgages and bank indebtedness	24	(35,581)	(32,323)
Bank indebtedness	24	165,149	52,238
Proceeds on issuance of Trust Units, net of issuance costs	24	943	875
Net cash distributions	24	(45,653)	(44,071)
Cash provided by (used in) financing activities		303,683	(113,999)
Changes in cash and cash equivalents during the period		(7,425)	(68,043)
Effect of exchange rate changes on cash		(2,188)	(2,145)
Cash and cash equivalents, beginning of the period		73,411	121,722
Cash and cash equivalents, end of the period		\$ 63,798	\$ 51,534

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2022

(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 investment properties along with the related mortgages and all the debt obligations of CAPREIT.

As at March 31, 2022, CAPREIT directly and indirectly holds a 66% (December 31, 2021 - 66%) ownership of publicly traded European Residential Real Estate Investment Trust ("ERES"), which operates primarily in the Netherlands, with the remaining 34% (December 31, 2021 - 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 May 16, 2022, have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The condensed consolidated interim financial statements are prepared on a going concern basis and are presented in Canadian dollars, which is also CAPREIT's functional currency. CAPREIT's results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in utility costs and other factors. CAPREIT has historically experienced higher utility expenses in the first and last quarters as a result of the winter months, which create variations in the quarterly results.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2021. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended December 31, 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

Future Accounting Changes

There are no changes to CAPREIT's assessment of new or amended IFRS issued by the IASB for annual reporting periods beginning after December 31, 2022. Refer to the audited consolidated annual financial statements for the year ended December 31, 2021 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, 2021, other than as described below.

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

On January 31, 2022, CAPREIT's external investment management agreement ("IMA") to perform property and asset management services for IRES terminated. As a result, CAPREIT ceased to have significant influence over IRES, and its investment in IRES will now be recognized as an investment measured at fair value through profit or loss ("FVTPL") instead of an investment in associate. Therefore, the valuation of the investment in IRES is no longer an area of estimation as at March 31, 2022. CAPREIT is providing transition services to IRES for a period of three months as from January 31, 2022, in line with the transition service agreement between CAPREIT and IRES. Refer to note 26 for further information.

4. Recent Investment Property Acquisitions

CAPREIT completed the following investment property acquisitions since January 1, 2022, which have contributed to the operating results effective from their respective acquisition dates.

Acquisitions Completed During the Three Months Ended March 31, 2022

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⁾
January 25, 2022	59	Kelowna, BC	\$ 30,373	17,135	—	3.55	4.90
January 31, 2022	45	The Netherlands	27,773	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
February 25, 2022	24	Victoria, BC	7,230	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
March 7, 2022	514	Montréal, QC	291,202	55,571	—	2.75	6.50
March 31, 2022	172	Red Deer, AB	16,520	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
March 31, 2022	201	The Netherlands	65,946	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	1,015		\$ 439,044	\$ 72,706	\$ —		

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

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

⁽³⁾ The acquisition was funded from cash and cash equivalents or the Acquisition and Operating Facility.

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

5. Dispositions

There were no property dispositions during the three months ended March 31, 2022.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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6. Investment Properties

Reconciliation of Carrying Amounts of Investment Properties by Type

For the Three Months Ended March 31, 2022	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance of investment properties, beginning of the period	\$ 16,719,821	\$ 114,150	\$ 267,948	\$ 17,101,919
Additions:				
Acquisitions	439,044	—	—	439,044
Property capital investments	53,763	173	1,044	54,980
Capitalized direct leasing costs	28	—	125	153
Fair value adjustments	20,607	137	(1,189)	19,555
Loss on foreign currency translation	(92,064)	—	—	(92,064)
Balance of investment properties, end of the period	\$ 17,141,199	\$ 114,460	\$ 267,928	\$ 17,523,587

For the Three Months Ended March 31, 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:				
Property capital investments	57,537	437	1,618	59,592
Capitalized leasing costs ⁽¹⁾	796	6	34	836
Fair value adjustments	(6,619)	1,213	(1,673)	(7,079)
Loss on foreign currency translation	(125,273)	—	—	(125,273)
Balance of investment properties, end of the period	\$ 14,551,203	\$ 116,431	\$ 261,033	\$ 14,928,667

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

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.

External valuations for the Canadian portfolio are performed at year-end with quarterly updates provided on capitalization rates. As at March 31, 2022, CAPREIT received capitalization rates from its external appraiser on approximately 94% by value or 69% by number of properties of its Canadian investment properties (December 31, 2021 - 94% and 68%, respectively). For the remainder of the portfolio, capitalization rates are determined by the internal valuation team based on recent market transactions. For quarterly interim reporting purposes, CAPREIT updates its rental revenue and operating costs forecast based on market assumptions. The fair values of all of CAPREIT's European residential portfolio are determined by qualified external appraisers quarterly.

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, 2021 contained in CAPREIT's 2021 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.

A summary of the market assumptions and ranges for each type of property interest, along with their fair values, is presented below as at March 31, 2022 and December 31, 2021:

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

As at March 31, 2022

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽¹⁾	\$ 16,411,929	\$ 3,547	Capitalization rate	9.64 %	2.05 %	3.59 %
MHC sites	729,270	1,889	Capitalization rate	8.17 %	4.86 %	5.67 %
Operating leasehold interests ^{(2), (3)}	114,460	2,871	Discount rate ⁽⁶⁾	5.25 %	5.00 %	5.08 %
Land leasehold interests ⁽⁴⁾	221,970	3,341	Discount rate ⁽⁶⁾	7.50 %	5.50 %	6.43 %
Total Investment Properties excluding right-of-use assets	\$ 17,477,629					
Add: Right-of-use assets, net of fair value change	45,958					
Total Investment Properties	\$ 17,523,587					

As at December 31, 2021

Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽¹⁾	\$ 16,011,231	\$ 3,591	Capitalization rate	9.53%	2.05%	3.57%
MHC sites	708,590	1,913	Capitalization rate	8.14%	4.85%	5.67%
Operating leasehold interests ^{(2), (3)}	114,150	2,854	Discount rate ⁽⁶⁾	5.25%	5.00%	5.08%
Land leasehold interests ⁽⁴⁾	221,842	3,316	Discount rate ⁽⁶⁾	7.50%	5.50%	6.43%
Total Investment Properties excluding right-of-use assets	\$ 17,055,813					
Add: Right-of-use assets, net of fair value change	46,106					
Total Investment Properties	\$ 17,101,919					

⁽¹⁾ The fee simple interests include \$2,729,237 (December 31, 2021 - \$2,676,150) of CAPREIT's European portfolio with an implied capitalization rate of 3.54% (December 31, 2021 - 3.55%), which were valued using the discounted cash flow ("DCF") method at a weighted average discount rate of 5.60% and a terminal capitalization rate of 4.59% (December 31, 2021 - 5.64% and 4.46%, respectively).

⁽²⁾ The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of \$50,010 as at March 31, 2022 (December 31, 2021 - \$50,010).

⁽³⁾ For the two operating leasehold interests remaining as at March 31, 2022 (December 31, 2021 - two), the contractual weighted average remaining lease term on operating leasehold interests is 14.2 years (December 31, 2021 - 14.4 years) based on the assumption that the early purchase option is not exercised. If the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the two operating leasehold interests is 4.2 years as at March 31, 2022 (December 31, 2021 - 4.4 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 March 31, 2022 and December 31, 2021, respectively.

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

As at March 31, 2022	Change in NOI					
		(2.00)%	(1.00)%	—%	+1.00%	+2.00%
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,451,930	\$ 2,654,783	\$ 2,857,635	\$ 3,060,488	\$ 3,263,340
	(0.25)%	950,431	1,137,962	1,325,493	1,513,024	1,700,555
	— %	(334,549)	(160,130)	—	188,709	363,128
	+0.25 %	(1,447,551)	(1,284,489)	(1,121,427)	(958,365)	(795,303)
	+0.50 %	(2,421,506)	(2,268,383)	(2,115,259)	(1,962,136)	(1,809,012)

⁽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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

7. Mortgages Receivable

CAPREIT issued vendor takeback mortgages ("VTBs") in connection with the disposal of two investment properties. Interest is payable monthly or quarterly, with the principal due at maturity. The borrowers 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 mortgages receivable:

Issuance date	Maturity year	Interest rate	March 31, 2022	December 31, 2021
September 29, 2021 ⁽¹⁾	2023	2.33 % \$	46,800 \$	46,800
October 1, 2021	2024	3.00 %	68,190	68,190
Total		\$	114,990 \$	114,990

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

8. Other Assets

As at	Note	March 31, 2022	December 31, 2021
Other non-current assets			
Property, plant and equipment ⁽¹⁾		\$ 49,023	\$ 47,430
Accumulated amortization of property, plant and equipment		(34,811)	(33,606)
Net property, plant and equipment		14,212	13,824
Right-of-use asset, net of amortization ⁽²⁾		3,226	3,365
Deferred loan costs, net ⁽³⁾		1,180	1,339
Deferred tax asset	21	4,095	5,010
Goodwill ⁽⁴⁾		14,573	15,133
Straight-line rent receivable		1,877	\$ —
Total		\$ 39,163	\$ 38,671
Other current assets			
Prepaid expenses		\$ 10,206	\$ 10,732
Other receivables and tenant inducements		26,249	17,866
Restricted cash		9,516	10,986
Deposits		13,558	7,543
MHC home inventory		9,894	8,138
Total		\$ 69,423	\$ 55,265

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

⁽²⁾ Amortization during the three months ended March 31, 2022 is \$139 (three months ended March 31, 2021 - \$153).

⁽³⁾ Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of \$1,825 (December 31, 2021 - \$1,673).

⁽⁴⁾ CAPREIT has determined that the decline in the market capitalization of ERES as at March 31, 2022 is an indicator of impairment and as such, an impairment assessment was performed. No impairment has been recorded for the three months ended March 31, 2022 (December 31, 2021 - \$nil).

9. Other Current Liabilities

As at	Note	March 31, 2022	December 31, 2021
Current tax liability	21	\$ 1,341	\$ 2,808
Mortgage interest payable		12,304	11,565
Current lease liabilities		1,170	1,119
Total		\$ 14,815	\$ 15,492

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**March 31, 2022**

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

10. Accounts Payable and Accrued Liabilities

As at	March 31, 2022	December 31, 2021
Accounts payable	\$ 44,106	\$ 56,835
Accrued liabilities	67,694	63,659
Deferred revenue	16,829	15,708
Distributions payable to ERES non-controlling unitholders	935	745
Other	2,934	4,552
Total	\$ 132,498	\$ 141,499

11. ERES Units Held by Non-Controlling Unitholders

As at March 31, 2022, CAPREIT valued the ERES units held by non-controlling unitholders at \$396,407 (December 31, 2021 - \$356,695) based on the closing price on the TSX and classified the units as a liability on the consolidated balance sheets. The mark-to-market loss arises from the increase in ERES's unit market price.

For the Three Months Ended March 31,	2022	2021
Mark-to-market loss on ERES units	\$ 38,774	\$ 12,579
Distributions to ERES non-controlling unitholders	3,170	3,209
Loss on non-controlling interest	\$ 41,944	\$ 15,788

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**March 31, 2022**

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

12. Mortgages Payable

As at March 31, 2022, mortgages payable bear interest at a weighted average effective rate of 2.56% (December 31, 2021 - 2.52%) and mature between 2022 and 2036. The effective interest rate as at March 31, 2022 includes 0.03% (December 31, 2021 - 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 (December 31, 2021 - \$32,494). As at March 31, 2022, 99.2% of CAPREIT's mortgages payable are financed at fixed interest rates (December 31, 2021 - 99.1%). Investment properties at fair value of \$16,176,211 have been pledged as security as at March 31, 2022 (December 31, 2021 - \$15,919,474). CAPREIT has investment properties with a fair value of \$1,347,376 as at March 31, 2022 that are not encumbered by mortgages (December 31, 2021 - \$1,182,445). Of these, \$1,092,370 of the investment properties are located in Canada (December 31, 2021 - \$893,320) and secure only CAPREIT's acquisition and operating facility ("Acquisition and Operating Facility"). \$274,910 of these Canadian investment properties also carry a negative pledge relating to the ERES revolving credit facility ("ERES Credit Facility") (December 31, 2021 - \$274,240). As at March 31, 2022, unamortized deferred financing costs of \$18,427, unamortized fair value loss of \$2,276 and unamortized prepaid CMHC premiums of \$114,237 are netted against mortgages payable (December 31, 2021 - \$17,989, \$1,992 and \$109,660, respectively).

Future principal repayments as at March 31, 2022 for the years indicated are as follows:

As at March 31, 2022	Principal Amount	% of Total Principal
2022	\$ 443,468 ⁽¹⁾	6.8
2023	553,956 ⁽¹⁾	8.5
2024	612,188 ⁽¹⁾	9.4
2025	923,737 ⁽¹⁾	14.2
2026	890,623 ⁽¹⁾	13.7
2027 - 2036	3,065,080 ⁽¹⁾	47.4
	6,489,052	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(130,388)	
Total portfolio	\$ 6,358,664	

As at	March 31, 2022	December 31, 2021
Represented by:		
Mortgages payable - non-current ⁽¹⁾	\$ 5,864,017	\$ 5,456,605
Mortgages payable - current ⁽¹⁾	494,647	643,460
	\$ 6,358,664	\$ 6,100,065

⁽¹⁾ Included in mortgages payable as at March 31, 2022 are non-amortizing mortgages from ERES.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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13. Bank Indebtedness

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, as well as the €100,000 ERES Credit Facility (collectively, the "Credit Facilities").

As at March 31, 2022	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 600,000	\$ 139,002	\$ 739,002
Less: USD LIBOR borrowings	— ⁽¹⁾	(109,860) ⁽⁵⁾	(109,860)
EURIBOR borrowings	(65,120) ⁽²⁾	—	(65,120)
Canadian borrowings	(299,461) ⁽³⁾	—	(299,461)
Letters of credit	(6,538)	—	(6,538)
Available borrowing capacity	\$ 228,881	\$ 29,142	\$ 258,023
Weighted average interest rate including interest rate swaps	1.77 % ⁽⁴⁾	0.74 % ⁽⁶⁾	1.53 %

As at December 31, 2021	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 600,000	\$ 143,910	\$ 743,910
Less: USD LIBOR borrowings	(104,329) ⁽¹⁾	(102,049) ⁽⁵⁾	(206,378)
Canadian borrowings	(104,488) ⁽³⁾	—	(104,488)
Letters of credit	(6,673)	—	(6,673)
Available borrowing capacity	\$ 384,510	\$ 41,861	\$ 426,371
Weighted average interest rate including interest rate swaps	1.44 % ⁽⁴⁾	0.57 % ⁽⁶⁾	1.15 %

⁽¹⁾ CAPREIT has USD LIBOR borrowings of \$nil (December 31, 2021 - USD \$82,292) that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum as at March 31, 2022 (December 31, 2021 - 1.35%).

⁽²⁾ CAPREIT has EURIBOR borrowings of €46,848 (December 31, 2021 - €nil) that bear interest at the EURIBOR rate, subject to a floor of 0%, plus a margin of 1.35% per annum as at March 31, 2022 (December 31, 2021 - 1.35%).

⁽³⁾ Canadian borrowings bear interest at the bankers' acceptance rate plus a margin of 1.35% per annum as at March 31, 2022 (December 31, 2021 - 1.35%).

⁽⁴⁾ Excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 1.88% (December 31, 2021 - 1.76%). For details on the swaps, refer to note 19.

⁽⁵⁾ ERES has USD LIBOR borrowings of USD \$87,800 (December 31, 2021 - USD \$80,300) that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum as at March 31, 2022 (December 31, 2021 - 1.35%).

⁽⁶⁾ Excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 1.80% (December 31, 2021 - 1.45%). For details on the swaps, refer to note 19.

14. Unit-based Compensation Financial Liabilities

Units are issuable pursuant to CAPREIT's unit-based compensation plans, namely the Employee Unit Purchase Plan ("EUPP"), the Deferred Unit Plan ("DUP") and the Restricted Unit Rights Plan ("RUR Plan"). As at March 31, 2022, the maximum number of units issuable under CAPREIT's unit-based incentive plans (excluding ERES) is 9,500,000 units (December 31, 2021 - 9,500,000 units). The maximum number of units available for future issuance under these unit-based incentive plan agreements as at March 31, 2022 is 227,897 units (December 31, 2021 - 355,228 units).

ERES units are issuable pursuant to ERES's unit options plan ("ERES UOP"). The maximum number of unit options that may be reserved under the ERES UOP is 10% of the outstanding ERES units (including ERES Class B LP Units). As at March 31, 2022, the maximum number of unit options issuable under the ERES UOP is 17,729,025 unit options (December 31, 2021 - 18,419,405 unit options).

The unit rights and unit options issued or outstanding under CAPREIT's incentive plans and the ERES UOP as at March 31, 2022 and 2021 are as follows:

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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Three Months Ended March 31, 2022				
(Number of units)	ERES UOP	DUP	RUR	Total CAPREIT ⁽¹⁾
Unit rights and unit options outstanding as at January 1, 2022	4,699,694	196,423	479,700	676,123
Issued, cancelled or granted during the period				
Issued or granted	760,000	4,690	103,292	107,982
Exercised or settled in Trust Units	(20,800)	—	(52,936)	(52,936)
Cancelled or forfeited	(16,000)	—	(6)	(6)
Distributions reinvested	—	1,286	3,374	4,660
Unit rights and unit options outstanding as at March 31, 2022	5,422,894	202,399	533,424	735,823

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

⁽¹⁾ Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the three months ended March 31, 2022 and for the year ended December 31, 2021, including the settlement of such liabilities through the issuance of Trust Units and ERES units.

For the Period Ended	March 31, 2022	December 31, 2021
Total unit-based compensation financial liabilities, beginning of the period	\$ 36,895	\$ 33,747
Unit-based compensation expense	61	14,615
Settlement of unit-based compensation awards for Trust Units and ERES units	(2,721)	(11,306)
Gain on foreign currency translation	(97)	(161)
Total unit-based compensation financial liabilities, end of the period	\$ 34,138	\$ 36,895

Unit-based compensation financial liabilities are as follows:

As at	March 31, 2022	December 31, 2021
Non-current		
RUR	\$ 11,284	\$ 14,179
ERES UOP	99	93
	\$ 11,383	\$ 14,272
Current		
DUP	\$ 10,858	\$ 11,777
RUR	7,484	8,038
ERES UOP	4,413	2,808
	\$ 22,755	\$ 22,623
Total unit-based compensation financial liabilities	\$ 34,138	\$ 36,895

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

As at March 31, 2022, 0.7% (March 31, 2021 - 0.7%) of all Trust Units outstanding and unit-based compensation financial liabilities were held by trustees, officers and other senior management of CAPREIT.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**March 31, 2022**

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15. Unit-Based Compensation Expense

These costs represent unit-based compensation expense, which include fair value remeasurements at each reporting date recognized over the respective vesting periods for each plan for the periods ended March 31, 2022 and 2021, as follows:

For the Three Months Ended March 31,	2022	2021
DUP	\$ (919)	\$ 962
RUR Plan	(605)	3,173
EUPP	137	130
ERES UOP	1,585	221
Unit-based compensation expense	\$ 198	\$ 4,486

16. Exchangeable LP Units

The carrying value of the Class B limited partnership units of CAPLP ("Exchangeable LP Units") is measured at their fair value of \$90,087 as at March 31, 2022 (December 31, 2021 - \$100,684), 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 Three Months Ended March 31,	2022	2021
Exchangeable LP Units outstanding, beginning of the period	1,679,190	332,703
Issued or granted	—	—
Exercised or settled	—	—
Exchangeable LP Units outstanding, end of the period	1,679,190	332,703

17. Unitholders' Equity

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

For the Three Months Ended March 31,	2022	2021
Trust Units outstanding, beginning of the period	173,406,406	171,751,839
Issued or granted during the period in connection with the following:		
Distribution Reinvestment Plan ("DRIP")	378,858	377,865
EUPP	14,695	15,069
RUR Plan	52,936	99,250
Trust Units outstanding, end of the period	173,852,895	172,244,023

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

At March 31, 2022, the fair value of CAPREIT's mortgages payable is estimated to be \$6,207,000 (December 31, 2021 - \$6,294,000) due to changes in interest rates and foreign exchange rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions. At March 31, 2022, the principal outstanding on CAPREIT's mortgages payable is \$6,489,052 (December 31, 2021 - \$6,225,722) as shown in note 12.

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	\$ —	\$ —	\$ 17,141,199 ⁽¹⁾	\$ 17,141,199
Operating leasehold interests	—	—	114,460 ⁽¹⁾	114,460
Land leasehold interests	—	—	267,928 ⁽¹⁾	267,928
Investments	254,256	—	—	254,256
Derivative financial assets	—	56,405 ⁽²⁾	—	56,405
Liabilities				
Derivative financial liabilities	—	(226) ⁽²⁾	—	(226)
ERES units held by non-controlling unitholders	(396,407)	—	—	(396,407)
Unit-based compensation financial liabilities	—	(34,138)	—	(34,138)
Exchangeable LP Units	—	(90,087)	—	(90,087)
Total	\$ (142,151)	\$ (68,046)	\$ 17,523,587	\$ 17,313,390

⁽¹⁾ Fair values for investment properties are calculated using either the direct income capitalization ("DC") or the DCF 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⁾ The valuation of the interest rate swap and cross-currency swap instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the derivatives. The fair value is determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. If the total mark-to-market value is positive, CAPREIT will consider a credit value adjustment to reflect the credit risk of the counterparty, and if the total mark-to-market value is negative, CAPREIT will consider a credit value adjustment to reflect CAPREIT's own credit risk in the fair value measurement of the interest rate swap agreements.

Although CAPREIT has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by CAPREIT. As at March 31, 2022, CAPREIT has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of the derivative. As a result, CAPREIT has determined that the derivative valuations in their entirety should be classified as Level 2 of the fair value hierarchy. For assets and liabilities measured at fair value as at March 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 during the period.

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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.

For the three months ended March 31, 2022 and 2021, a 100 basis point change in interest rates would have the following effect:

	Change in interest rates (basis points)	Increase (decrease) in net income	
		March 31, 2022	March 31, 2021
Floating rate debt	+100	\$ (400)	\$ (60)
Floating rate debt	-100	\$ 400	\$ 60
Cross-currency and/or interest rate swaps ⁽¹⁾	+100	\$ 12,383	\$ 2,144
Cross-currency and/or interest rate swaps ⁽¹⁾	-100	\$ (12,388)	\$ (2,177)

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

CAPREIT's objective in managing interest rate risk is to minimize the volatility of interest expenses due to fluctuations in market interest rates. As at March 31, 2022, interest rate risk has been minimized, as 99.2% (March 31, 2021 - 99.4%) of the mortgages payable are financed at fixed interest rates, with maturities staggered over a number of years. Taking into consideration interest rate swaps where hedge accounting has not been applied, 100.0% of the mortgages payable are financed at fixed interest rates (March 31, 2021 - 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 98.3% of CAPREIT's mortgages are CMHC-insured (excluding \$1,158,529 of mortgages on the MHC sites and the ERES properties), which reduces the risk in refinancing mortgages. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 and 40 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders and to provide future growth in its business. As at March 31, 2022, CAPREIT had undrawn lines of credit in the amount of \$228,881 (December 31, 2021 - \$384,510), excluding borrowing capacity under the ERES Credit Facility.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at March 31, 2022, 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.

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The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at March 31, 2022 are as follows:

	2022 ⁽²⁾	2023 - 2024	2025 - 2026	2027 onward
Mortgages payable	\$ 443,468	\$ 1,166,144	\$ 1,814,360	\$ 3,065,080
Bank indebtedness	—	474,441	—	—
Mortgage interest	109,573	246,679	185,748	230,112
Bank indebtedness interest ⁽¹⁾	4,991	9,710	—	—
Other liabilities ⁽³⁾	146,143	—	—	—
Derivative financial liabilities	213	—	13	—
ERES units held by non-controlling unitholders	—	—	—	396,407
Lease liabilities	877	2,451	2,639	43,188
Security deposits	45,018	—	—	—
Distributions payable	21,007	—	—	—
	\$ 771,290	\$ 1,899,425	\$ 2,002,760	\$ 3,734,787

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

⁽²⁾ Estimates of the amounts as at March 31, 2022.

⁽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 VTBs by ensuring that adequate collateral has been obtained for the VTBs. The VTBs are 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 ERES and CAPREIT's subsidiaries in the Netherlands and Ireland 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 cross-currency swaps and EURIBOR borrowings. The loss on foreign currency translation relating to ERES and CAPREIT's subsidiaries in the Netherlands and Ireland is recognized in other comprehensive loss. The mark-to-market on the cross-currency swaps and foreign exchange translation on the USD LIBOR and EURIBOR borrowings are recognized in the consolidated statements of income and comprehensive income.

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19. Derivative Financial Instruments

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

As at March 31, 2022						
Type of instrument	Notional amount	Maturity year	Weighted average receiving leg rate	Weighted average paying leg rate	Derivative asset (liability)	
CCIR Swap ⁽¹⁾	\$ 106,486	2023	CDOR +1.35%	1.21 %	4,110	
CCIR Swaps ⁽²⁾	\$ 570,694	2022 - 2025	1.07 %	0.08 %	40,267	
ERES Interest Rate Swap ⁽³⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %	161	
ERES Interest Rate Swaps	€ 156,550	2027	EURIBOR	(0.06)%	11,854	
ERES CCIR Swaps ⁽⁴⁾	US\$ 87,800	2022	USD LIBOR + 1.35%	EURIBOR + 1.15%	(213)	
Consolidated Total					\$ 56,179	

As at December 31, 2021

Type of instrument	Notional amount	Maturity year	Weighted average receiving leg rate	Weighted average paying leg rate	Derivative asset (liability)	
CCIR Swap ⁽⁵⁾	US\$ 82,525	2022	USD LIBOR +1.65%	1.05 %	\$ (2,115)	
CCIR Swaps ⁽²⁾	\$ 570,694	2022 - 2025	1.07 %	0.08 %	29,550	
ERES Interest Rate Swap ⁽³⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %	(769)	
ERES Interest Rate Swaps	€ 156,550	2027	EURIBOR	(0.06)%	987	
ERES CCIR Swaps ⁽⁴⁾	US\$ 80,300	2022	USD LIBOR + 1.35%	EURIBOR + 1.15%	(701)	
Consolidated Total					\$ 26,952	

⁽¹⁾ Euro equivalent of €74,000.

⁽²⁾ Euro equivalent of €368,358 (December 31, 2021 - €368,358). These CCIR swaps consist of a current derivative asset of \$12,857 (December 31, 2021 - \$8,506) and a non-current derivative asset of \$27,410 (December 31, 2021 - \$21,044).

⁽³⁾ As at March 31, 2022, the interest rate swap consists of a non-current derivative asset of \$174 (December 31, 2021 - \$389) and a non-current derivative liability of \$13 (December 31, 2021 - \$1,157).

⁽⁴⁾ Euro equivalent of €79,550 (December 31, 2021 - €71,050).

⁽⁵⁾ Euro equivalent of €74,000. This CCIR swap was settled in February 2022.

20. Capital Management

CAPREIT defines capital as the aggregate of Unitholders' equity, mortgages payable, bank indebtedness and Exchangeable LP Units, as outlined below:

As at	March 31, 2022	December 31, 2021
Mortgages payable	\$ 6,358,664	\$ 6,100,065
Bank indebtedness	474,441	310,866
Unitholders' equity	10,361,617	10,399,886
Exchangeable LP Units	90,087	100,684
Total capital	\$ 17,284,809	\$ 16,911,501

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. The primary ratios used for assessing capital management are the total debt to gross book value, average term to maturity of debt and weighted average interest rate. These indicators assist CAPREIT in assessing if the debt level maintained is sufficient to meet cash flow requirements and for evaluating the need to raise funds for further expansion.

Capital adequacy is monitored against investment and debt restrictions contained in CAPREIT's DOT and Credit Facilities. In addition, borrowings must not exceed the borrowing base, calculated as a predefined percentage of the fair value of the

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investment properties determined on a quarterly basis. As at March 31, 2022, CAPREIT is in compliance with all the investment and debt restrictions and financial covenants contained in its DOT and Credit Facilities. CAPREIT is required to comply with certain financial covenants stipulated in its mortgage financing agreements. As at March 31, 2022, CAPREIT is in compliance with all mortgage financing covenants (December 31, 2021 — compliant).

21. 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 operating 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.

For the Three Months Ended March 31,	2022	2021
Income before income taxes	\$ 62,713	\$ 103,629
Amounts of loss (income) not deductible (taxable) for tax purposes ⁽¹⁾	4,784	(103,467)
Income before income taxes in foreign subsidiary entities	67,497	162
Tax calculated at the Dutch corporate tax rate of 25.8%	17,414	41
Increase (decrease) resulting from:		
Effect of different tax rates in countries in which CAPREIT operates	9	(309)
Adjustment for income taxed at a lower rate	(476)	(153)
Unrecognized deferred tax assets	225	147
Other adjustments	232	(159)
Current and deferred income tax expense (recovery)	\$ 17,404	\$ (433)

⁽¹⁾ Consists primarily of Canadian income including fair value adjustment of Canadian investment properties, interest on and fair value adjustments of Exchangeable LP Units, and other adjustments.

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

For the Three Months Ended March 31,	2022	2021
Current income tax expense	\$ 940	\$ 704
Deferred income tax expense (recovery)	16,464	(1,137)
Current and deferred income tax expense (recovery)	\$ 17,404	\$ (433)

The deferred income tax liability of \$144,719 (December 31, 2021 - \$133,974) is primarily related to the difference in tax and book basis of investment properties. The deferred income tax asset of \$4,095 (December 31, 2021 - \$5,010) also relates to the difference in the tax and book basis of investment properties, as well as loss carry-forwards.

As at March 31, 2022, CAPREIT has total non-capital loss carry-forwards of \$18,137 (December 31, 2021 - \$18,040). Of these losses, \$13,620 (December 31, 2021 - \$13,449) 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 \$4,517 (December 31, 2021 - \$4,591) are in respect of German subsidiaries and have no expiry period. CAPREIT has not recognized a deferred tax asset for a deductible temporary difference of \$5,512 as it does not expect this difference to reverse in the foreseeable future.

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22. Accumulated Other Comprehensive Loss

For the Three Months Ended March 31,	2022	2021
(AOCL) AOCI balance, beginning of the period	\$ (43,397)	\$ 70,047
Other comprehensive loss:		
Amortization from (AOCL) AOCI to interest and other financing costs ⁽¹⁾	543	620
Loss on foreign currency translation	(52,517)	(77,094)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES ⁽²⁾	7,627	—
Other comprehensive loss	(44,347)	(76,474)
AOCL balance, end of the period	\$ (87,744)	\$ (6,427)
As at	March 31, 2022	December 31, 2021
AOCL comprises:		
Net cumulative loss on derivative financial instruments	\$ (43)	\$ (110)
Net cumulative loss on forward interest rate hedge ⁽¹⁾	(1,116)	(1,592)
Cumulative loss on foreign currency translation	(86,585)	(41,695)
AOCL balance, end of the period	\$ (87,744)	\$ (43,397)

⁽¹⁾ The estimated amount of the amortization expected to be reclassified to net income from AOCL in the next 12 months is \$794.

⁽²⁾ Refer to note 26 for further information.

23. Interest and Other Financing Costs

For the Three Months Ended March 31,	2022	2021
Interest on mortgages payable ⁽¹⁾	\$ 36,491	\$ 33,149
Amortization of CMHC premiums and fees	3,784	970
Interest on bank indebtedness and other deferred costs ⁽²⁾	1,706	1,280
Interest on Exchangeable LP Units	609	115
Interest on land and air rights lease liability	1,265	1,116
Total	\$ 43,855	\$ 36,630

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and OCI hedge interest for the three months ended March 31, 2022 of \$1,241 (March 31, 2021 - \$1,695).

⁽²⁾ Includes amortization of deferred loan costs of \$152 (March 31, 2021 - \$219).

24. Supplemental Cash Flow Information

a) Net Income Items Related to Investing and Financing Activities

For the Three Months Ended March 31,	2022	2021
Dividend and interest income	\$ (4,657)	\$ (394)
Distributions to holders of Exchangeable LP Units	609	115
Distributions to ERES non-controlling unitholders	3,170	3,209
Interest expense on mortgages	34,765	31,410
Interest expense on bank indebtedness	1,554	1,062
Interest expense on leases	1,265	1,116
Net disbursements	\$ 36,706	\$ 36,518

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b) Changes in Non-cash Operating Assets and Liabilities

For the Three Months Ended March 31,	2022	2021
Prepaid expenses	\$ 462	\$ (4,572)
Tenant inducements, direct leasing costs and other adjustments	892	(808)
Other receivables	(6,148)	333
Deposits	33	(570)
MHC home inventory	(1,756)	—
Accounts payable and other liabilities	12,175	(1,274)
Derivative liability	1,043	(4,082)
Security deposits	1,596	(360)
Current tax liability	(1,403)	(125)
Net increase (decrease) in non-cash operating assets and liabilities	\$ 6,894	\$ (11,458)

c) Net Cash Distributions

For the Three Months Ended March 31,	2022	2021
Distributions declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	\$ (66,658)	\$ (62,678)
Add: Distributions payable to Unitholders at beginning of the period	(20,953)	(19,751)
Less: Distributions payable to Unitholders at end of the period	21,007	19,808
Less: Distributions to participants in the CAPREIT DRIP	19,984	18,545
Add: Distributions payable to ERES non-controlling unitholders at beginning of the period	(745)	(920)
Less: Distributions payable to ERES non-controlling unitholders at end of the period	935	905
Less: Distributions to non-controlling participants in the ERES DRIP	938	—
Add: Distributions payable to holders of Exchangeable LP Units at beginning of the period	(406)	(38)
Less: Distributions payable to holders of Exchangeable LP Units at end of the period	203	38
Gain on foreign currency translation	42	20
Net disbursements	\$ (45,653)	\$ (44,071)

d) Capital Investments

For the Three Months Ended March 31,	2022	2021
Capital investments	\$ (62,907)	\$ (60,708)
Change in capital investments included in accounts payable and other liabilities	(20,309)	(14,140)
Net disbursements	\$ (83,216)	\$ (74,848)

e) Acquisition of Investment Properties

For the Three Months Ended March 31,	2022	2021
Acquired properties	\$ (439,044)	\$ —
Fair value adjustment of assumed debt	906	—
Assumed debt	72,706	—
Deposit on purchases	(5,543)	(2,733)
Net disbursements	\$ (370,975)	\$ (2,733)

f) Issuance of Trust Units

For the Three Months Ended March 31,	2022	2021
Issuance of Trust Units	\$ 3,664	\$ 6,121
Settlement of unit-based compensation awards for Trust Units	(2,721)	(5,246)
Net proceeds	\$ 943	\$ 875

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g) Mortgage Portfolio

For the Three Months Ended March 31,	2022	2021
Balance, beginning of the period	\$ 6,100,065	\$ 5,401,202
Add:		
New borrowings on acquisitions	158,563	—
Refinanced	273,825	38,363
Less:		
Mortgage principal amortization	(40,116)	(36,843)
Mortgages matured	(161,763)	(89,073)
Non-cash Adjustments:		
Mortgages assumed	72,691	—
Gain on foreign currency translation	(39,869)	(59,283)
Net change in deferred financings costs, fair value adjustment and prepaid CMHC premiums	(4,732)	272
Balance, end of the period	\$ 6,358,664	\$ 5,254,638

h) Bank Indebtedness

For the Three Months Ended March 31,	2022	2021
Balance, beginning of the period	\$ 310,866	118,553
Net borrowings before foreign currency translation	165,149	52,238
Gain on foreign currency translation	(1,574)	(1,257)
Balance, end of the period	\$ 474,441	\$ 169,534

25. Revenue and Other Income

Other income

For the Three Months Ended March 31,	2022	2021
Investment income ⁽¹⁾	\$ 4,615	\$ 370
Net profit from investment in associate ⁽²⁾	647	2,342
Asset and property management fees, and transition service fees ⁽³⁾	1,848	2,465
Interest income from mortgages receivable	776	—
Profit from sale of MHC home inventory ⁽⁴⁾	362	—
Other	42	26
Total	\$ 8,290	\$ 5,203

⁽¹⁾ Investment income for the three months ended March 31, 2022 includes \$4,235 of semi-annual dividends from IRES (three months ended March 31, 2021 - \$nil). Prior to January 31, 2022, dividends from IRES were deducted from the carrying value of the investment in associate instead of being included in investment income. Refer to note 26 for further information.

⁽²⁾ CAPREIT's share of IRES's investment property fair value change, earnings and foreign exchange effects thereon during the period when CAPREIT exercised significant influence over IRES. For the month ended January 31, 2022 and the three months ended March 31, 2021, CAPREIT's share of IRES's investment property fair value gain is \$nil. Refer to note 26 for further information.

⁽³⁾ Based on the IMA with IRES, which terminated on January 31, 2022. This also includes transition service fees of \$1,003 (three months ended March 31, 2021 - \$nil). Refer to note 26 for further information.

⁽⁴⁾ Consists of income from sale of MHC home inventory of \$986 offset by cost of sales of \$624 (three months ended March 31, 2021 - \$nil and \$nil, respectively)

In accordance with 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, transition service fees and profit from sale of MHC home inventory listed above and miscellaneous revenues. For the three months ended March 31, 2022, miscellaneous revenues of \$5,985 were included in revenue from investment properties (three months ended March 31, 2021 - \$4,677). Miscellaneous revenues consist of cable income, certain common area maintenance recoveries, service charges and premium service components.

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26. Related Party Transactions

a) IRES Transactions

Included in other income for the three months ended March 31, 2022 are asset management and property management fees and transition service fees of \$1,848 (three months ended March 31, 2021 - \$2,465). Expenses related to the asset and property management services and transition service fees are included in trust expenses. The amount receivable from IRES as at March 31, 2022 is \$769 (December 31, 2021 - \$3,237).

As indicated in note 3, CAPREIT's IMA with IRES terminated on January 31, 2022. As a result, CAPREIT ceased to have significant influence over IRES, and its investment in IRES will now be recognized as an investment at FVTPL. On the same date, IRES exercised its obligation to acquire CAPREIT's subsidiary, IRES Fund Management Limited, for €1. Due to the loss of significant influence over IRES, \$7,627 of accumulated foreign currency loss was reclassified from accumulated other comprehensive loss to loss on foreign currency translation on the statements of income and comprehensive income.

On January 31, 2022, prior to the loss of significant influence, the carrying value of the investment in associate was \$244,907 (December 31, 2021 - \$246,505). Upon the change in accounting treatment, the fair value of the investment on the same date was \$236,110. As a result, CAPREIT incurred a fair value loss of \$8,811 due to the loss of significant influence. On March 31, 2022, CAPREIT remeasured the investment in IRES at its fair value of \$199,906. The fair value losses are included in fair value adjustments of investments on the statements of income and comprehensive income.

Furthermore, given that IRES is no longer an associate, IRES is no longer a related party as at March 31, 2022.

b) Transactions with Key Management Personnel

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

For the Three Months Ended March 31,	2022	2021
Short-term benefits	\$ 762	\$ 940
Termination benefits	1,849	—
Unit-based compensation - grant date amortization ⁽¹⁾	1,123	647
	3,734	1,587
Unit-based compensation - fair value remeasurement	(2,002)	1,562
Total	\$ 1,732	\$ 3,149

⁽¹⁾ Includes \$393 relating to accelerated vesting of previously granted RUR units (three months ended March 31, 2021 - \$nil).

c) ERES Transactions

Pipeline Agreement

There were no acquisitions made pursuant to the Pipeline Agreement during the three months ended March 31, 2022.

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

Promissory Note

On October 28, 2021, the CAPREIT Board of Trustees approved the provision of up to \$229,353 (€165,000) in funding to ERES via promissory note arrangement, carrying an interest rate as agreed upon by CAPREIT and ERES on drawn amounts, for a term of up to six months, with the ability to fully repay prior to maturity, without penalty, and extend beyond, if required. Promissory notes issued during the three months ended March 31, 2022 are summarized in the table below.

Issuance Date	Interest Rate per Annum	Maturity Date	Amount (€)	Amount (\$)
January 26, 2022	1.30 %	July 26, 2022	€ 19,000	\$ 27,014
March 28, 2022	1.30 %	September 28, 2022	48,450	66,701
Total		€	67,450	\$ 93,715

Promissory notes from ERES to CAPREIT are eliminated upon consolidation in these condensed consolidated interim financial statements.

The table below summarizes fees charged to ERES:

For the Three Months Ended March 31,	2022	2021
Asset management fees	\$ 1,994	\$ 1,832
Acquisition fees	903	—
Property management fees	1,067	999
Service fees	259	142
Interest from promissory note	69	—
Total	\$ 4,292	\$ 2,973

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

27. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at March 31, 2022 in the aggregate amount of \$12,502 for its natural gas and transport requirements. These commitments, which range from one to four years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

	Remaining 2022	2023	2024	2025
Gas Commodity				
Fixed weighted average cost per GJ ⁽¹⁾	\$ 2.18	\$ 2.31	\$ 2.31	\$ 2.26
Total of CAPREIT's estimated requirements	98.9 %	64.2 %	51.5 %	30.1 %
Transport				
Fixed weighted average cost per GJ ⁽¹⁾	\$ 1.06	\$ 0.81	\$ 0.75	\$ 0.79
Total of CAPREIT's estimated requirements	86.0 %	64.2 %	51.5 %	30.1 %

⁽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 \$58,060 were outstanding as at March 31, 2022 (December 31, 2021 - \$37,153).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**March 31, 2022**

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

28. 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.

29. Segmented Information

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

For the Three Months Ended March 31, 2022				
Selected income statement items		Canada	Europe	Consolidated financial statements
Revenue from investment properties	\$	216,478	\$ 30,150	\$ 246,628
Operating expenses		(86,483)	(6,973)	(93,456)
Net rental income	\$	129,995	\$ 23,177	\$ 153,172
Fair value adjustments of investment properties	\$	(25,977)	\$ 45,532	\$ 19,555

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

As at March 31, 2022				
Selected balance sheet items		Canada	Europe	Consolidated financial statements
Investment properties	\$	14,794,350	\$ 2,729,237	\$ 17,523,587
Mortgages payable		5,227,193	1,131,471	6,358,664

As at December 31, 2021				
Selected balance sheet items		Canada	Europe	Consolidated financial statements
Investment properties	\$	14,425,769	\$ 2,676,150	\$ 17,101,919
Mortgages payable		4,928,030	1,172,035	6,100,065

30. Subsequent Events

On April 29, 2022, CAPREIT completed the disposition of an 82-suite apartment property located in downtown Toronto. CAPREIT was paid \$56,000 for the property.

On May 2, 2022, ERES completed the acquisition of five multi-residential properties comprised of 110 suites located in Rotterdam, the Netherlands, for a purchase price of \$31,155 (€23,000) (excluding transaction costs and fees). The acquisition was funded via promissory note issued to CAPREIT on April 27, 2022 in the principal amount of \$34,824 (€25,650), carrying an interest rate of 1.50% per annum and with a maturity date of October 27, 2022, to be replaced with long-term mortgage financing at a future date.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2022

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

On May 4, 2022, CAPREIT completed the acquisition of a portfolio of apartments and townhomes consisting of 112 suites located in Ottawa, ON. CAPREIT paid \$43,700, funded by the Acquisition and Operating Facility.

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."