



CANADIAN APARTMENT
PROPERTIES • REIT

**FINANCIAL REVIEW
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2022**



CANADIAN APARTMENT
PROPERTIES • REIT

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August 10, 2022

Report to Unitholders

We were very pleased with our financial and operational performance in the second quarter of 2022. Occupancies continued to increase to 98.2% at June 30, 2022, up from the first quarter and 97.2% at the same time last year, while average monthly rents for the stabilized portfolio increased 3.3% compared to last year. Importantly, our balance sheet and financial position remained strong and resilient with a significant liquidity position.

For the six months ended June 30, 2022, total operating revenues increased 9.2%, driven by the contribution from acquisitions completed over the last twelve months, increased occupancies and higher average monthly rents. With this increase, total property Net Operating Income ("NOI") rose 7.0% compared to the same period last year. Stabilized property NOI increased slightly in the quarter as inflationary pressures on our utilities, repairs and maintenance expenses, and realty taxes are impacting our margins.

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 six months of 2022, we continue to focus on increasing the quality of our portfolio through our active asset management program. We further expanded our property portfolio with the purchase of 1,237 suites and sites for total costs of \$516 million, with a further 300 suites subsequent to June 30th. These new properties are in line with our strategy of rejuvenating our asset composition, increasing housing supply and increasing our geographic diversification into desirable major markets in Canada. Looking ahead, we believe that these best-in-class acquisitions will make a strong, accretive and growing contribution in the months and years ahead. We also continue to reposition our portfolio, selling 505 suites in the GTA and a 50% interest in 370 suites in Ottawa. These strategic dispositions not only advance our core capital allocation strategy but also redeploy the net proceeds into our portfolio and unit repurchase program.

In May 2022, we began purchasing our Trust Units for cancellation under our approved Normal Course Issuer Bid. To date, we have purchased 1.8 million Trust Units, at a weighted average price of approximately \$47 per Trust Unit for a total cost of approximately \$84.7 million. Given that our units have been trading at a significant discount to our net asset value, we believe these purchases are another way we are enhancing long-term value for our Unitholders.

Normalized Funds from Operations ("NFFO") increased by 2.3% for the six months of 2022 due primarily to the increase in operating revenues. Basic NFFO per unit increased 0.5% from prior year and included the 1.7% increase in the weighted average number of units outstanding this year. Our NFFO payout ratio remained a very strong 63.6% at June 30, 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. Through the first six months of 2022 we saw a 10.6% increase in rents on suite turnover compared to only 4.2% in the prior year. Lease renewals were up 1.3%. Looking ahead, 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 quarter end with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate was an attractive 2.60%, and we continue to focus on managing our debt maturities. Importantly, we maintained a strong and flexible liquidity position with \$228 million cash on hand and \$443 million of availability on our credit facilities at June 30, 2022. We also own \$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 favouring large, quality single-floor rental properties in their retirement, and higher market rents.

I would like to thank you for your continued interest and support in our business.

Mark Kenney
President and Chief Executive Officer



CANADIAN APARTMENT PROPERTIES • REIT

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

AUGUST 10, 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 and six months ended June 30, 2022 and 2021 dated August 10, 2022, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 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 acquisitions, dispositions 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", "would", "should", "could", "likely", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "project", "budget", "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, investor presentations, 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 per unit, NFFO per unit 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 utilized by our investors to evaluate 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 (loss) 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 June 30, 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 June 1, 2022. As at June 30, 2022, CAPREIT had 1,097 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 Q2 - 2022 RESULTS OF OPERATIONS

Key Transactions and Events

- CAPREIT continues to invest in accretive opportunities with total acquisitions for the three months ended June 30, 2022 amounting to \$44.2 million comprised of 112 suites located in Canada, and \$34.4 million comprised of 110 suites located in the Netherlands.
- Total dispositions for the three months ended June 30, 2022 of \$252.3 million, which included 505 suites located in the Greater Toronto Area and 50% interest of 370 suites located in Ottawa. On August 3, 2022, CAPREIT announced it has entered into an agreement to dispose of a 253-suite property located in East York, Ontario for \$90.1 million, excluding disposition costs. Upon closing, expected later this month, proceeds will be used in part to repay the existing mortgage of approximately \$22.9 million. CAPREIT will continue to consider opportunities where it can strategically access attractive equity capital for redeployment into more accretive growth opportunities, including repurchasing Trust Units for cancellation under our current normal course issuer bid ("NCIB") program.
- During the three months ended June 30, 2022, CAPREIT purchased and cancelled 1,401,764 Trust Units under the NCIB program, at a weighted average purchase price of \$47.83 per Trust Unit for a total cost of \$67.1 million. During the month of July 2022, CAPREIT continued with its NCIB program, through its Automatic Unit Purchase Program with defined instructions, purchasing and cancelling 398,800 Trust Units, at a weighted average purchase price of \$44.37 per Trust Unit for a total cost of \$17.7 million.

Strong Operating Results

- On turnovers, monthly residential rents for the three and six months ended June 30, 2022 increased by 11.0% on 4.2% of the Canadian portfolio and 10.6% on 7.9% of the Canadian portfolio, respectively, compared to an increase of 4.9% on 5.1% of the Canadian portfolio and 4.2% on 9.4% of the Canadian portfolio, respectively, for the three and six months ended June 30, 2021.
- Net Average Monthly Rent ("Net AMR") for the stabilized portfolio as at June 30, 2022 increased by 3.3% compared to June 30, 2021.
- Net operating income ("NOI") increased by 2.1% and 0.3%, respectively, for the stabilized portfolio for the three and six months ended June 30, 2022, compared to an NOI increase of 2.9% and 2.7%, respectively, for the stabilized portfolio for the three and six months ended June 30, 2021.
- NFFO per unit was up 1.0% and 0.5%, respectively, for the three and six months ended June 30, 2022 compared to the same periods last year.

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with over \$670 million of available liquidity, comprising \$228.1 million of cash and cash equivalents and \$443.2 million of available capacity on CAPREIT's Acquisition and Operating Facility.
- Management expects to raise between \$800 million and \$850 million in total mortgage renewals and refinancings for the Canadian portfolio for 2022, excluding financings on acquisitions. To date, we have raised over \$600 million for the Canadian portfolio.
- CAPREIT closed consolidated mortgage refinancings of \$444.8 million and \$718.6 million, respectively, for the three and six months ended June 30, 2022, with top-ups net of discharges totalling \$322.9 million. The mortgages refinanced have a weighted average term to maturity of 8.7 years and a weighted average interest rate of 3.16%.
- For the three and six months ended June 30, 2022 the fair value of investment properties decreased by \$649.0 million and \$227.3 million, respectively. Excluding the net impact of acquisitions and dispositions, and foreign exchange adjustments, the fair value of investment properties decreased by \$391.1 million and \$316.4 million, respectively, for the three and six months ended June 30, 2022, primarily driven by capitalization rate expansion in the Canadian portfolio, partially offset by higher stabilized NOI.
- Diluted NAV per unit as at June 30, 2022 decreased to \$56.66 from \$59.43 as at March 31, 2022, largely reflecting a decrease in investment property values across the Canadian portfolio, partially offset by the effects of accretive purchases of Trust Units for cancellation through the NCIB program.

ACQUISITIONS AND DISPOSITIONS

The tables below summarize property acquisitions for the six months ended June 30, 2022.

Canadian Acquisitions Completed During the Six Months Ended June 30, 2022

(\$ Thousands)

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
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⁾
May 4, 2022	112	Kanata, ON	44,209	26,504	—	2.37	2.17
Total	881		\$ 389,534	\$ 99,210	\$ —		
2021 Acquisition financing					\$ 158,563 ⁽⁴⁾	2.81 ⁽⁴⁾	6.24 ⁽⁴⁾

The Netherlands Acquisitions Completed During the Six Months Ended June 30, 2022

(\$ Thousands)

Acquisition Date	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	\$ —	\$ 16,159	3.19	6.00
March 31, 2022	201	The Netherlands	65,946	—	36,619	3.19	6.00
May 2, 2022	110	The Netherlands	34,447	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	356		\$ 128,166	\$ —	\$ 52,778		

⁽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.

The table below summarizes the dispositions completed during the six months ended June 30, 2022.

Dispositions Completed During the Six Months Ended June 30, 2022

(\$ Thousands)

Disposition Date	Suite Count	Region(s)	Sale price	Fair Value Adjustments on Mortgages Assumed by Purchaser	Fair Value of Investment Properties	Cash Proceeds ⁽¹⁾	Mortgage Discharged or Assumed by Purchaser ⁽²⁾
April 29, 2022	82	Toronto, ON	\$ 56,000	\$ —	\$ 56,000	\$ 53,706	\$ 2,294
June 15, 2022	423	Scarborough, ON	165,000	3,186	161,814	133,351	28,463
June 20, 2022 ⁽³⁾	370	Ottawa, ON	35,125	679	34,446	25,572	8,874
Total	875		\$ 256,125	\$ 3,865	\$ 252,260	\$ 212,629	\$ 39,631

⁽¹⁾ Prior to working capital adjustments and transaction costs.

⁽²⁾ Includes mortgages payable with a total principal amount of \$5,211 discharged and \$38,285 assumed by the purchasers upon disposition. The amounts shown are net of fair value adjustments on mortgages assumed by purchaser. The weighted average stated interest rate on mortgages discharged and assumed was 2.07%.

⁽³⁾ CAPREIT disposed of its 50% interest in 370 apartment suites.

KEY PERFORMANCE INDICATORS

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

Occupancy – 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 (loss) income and comprehensive (loss) 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.

PERFORMANCE MEASURES

The following table presents an overview of certain IFRS and non-IFRS measures of CAPREIT for the periods ended June 30, 2022 and 2021. Management believes these measures are useful in assessing CAPREIT's performance in relation to its objectives and business strategy.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Portfolio Performance				
Overall portfolio occupancy ⁽¹⁾			98.2%	97.2 %
Overall portfolio net Average Monthly Rents ⁽¹⁾			\$ 1,167	\$ 1,118
Operating revenues (000s)	\$ 251,693	\$ 228,856	\$ 498,321	\$ 456,362
NOI (000s)	\$ 166,093	\$ 151,786	\$ 319,265	\$ 298,438
NOI margin	66.0%	66.3 %	64.1%	65.4 %
Financial Performance				
FFO per unit – basic ⁽²⁾	\$ 0.569	\$ 0.564	\$ 1.106	\$ 1.113
NFFO per unit – basic ⁽²⁾	\$ 0.585	\$ 0.579	\$ 1.141	\$ 1.135
Cash distributions per unit	\$ 0.362	\$ 0.345	\$ 0.725	\$ 0.690
FFO payout ratio ⁽²⁾	63.7%	61.4 %	65.6%	62.2 %
NFFO payout ratio ⁽²⁾	61.9%	59.8 %	63.6%	61.0 %
Liquidity and Leverage				
Total debt to gross book value ^{(1), (2)}			38.80%	36.37 %
Total debt to gross historical cost ^{(1), (2)}			53.66%	51.77 %
Weighted average mortgage interest rate ⁽¹⁾			2.60%	2.53 %
Weighted average mortgage term (years) ⁽¹⁾			5.82	5.77
Debt service coverage (times) ^{(2), (3)}			1.9x	2.0x
Interest coverage (times) ^{(2), (3)}			3.8x	4.0x
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾			\$ 443,213	\$ 250,676
Cash and cash equivalents (000s) ⁽¹⁾			\$ 228,110	\$ 122,542

⁽¹⁾ As at June 30.

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

⁽³⁾ Based on the trailing four quarters.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Other Measures				
Weighted average number of units - basic (000s)	175,837	172,950	175,659	172,712
Number of residential suites and sites acquired	222	1,659	1,237	1,659
Number of suites disposed ⁽¹⁾	875	—	875	—
Net Asset Value per unit - diluted ^{(2), (3)}			\$ 56.66	\$ 55.91
Closing price of Trust Units on the TSX ⁽³⁾			\$ 44.82	\$ 58.12
Market capitalization (millions) ^{(3), (4)}			\$ 7,858	\$ 10,095

⁽¹⁾ Includes CAPREIT's 50% interest in 370 apartment suites.

⁽²⁾ 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.

⁽³⁾ As at June 30.

⁽⁴⁾ Market capitalization is determined by taking all units outstanding (including all unit-based compensation plans) and multiplying by the closing price of the Trust Units at period end.

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

NET AND OCCUPIED AVERAGE MONTHLY RENTS AND OCCUPANCY

Net AMR is defined as actual residential rents, excluding vacant units, divided by the total number of suites or sites in the property, and does not include revenues from parking, laundry or other sources. Occupied AMR is defined as actual residential rents, excluding vacant units, divided by the total number of occupied suites or sites in the property, and does not include revenues from parking, laundry or other sources. Stabilized AMR includes all properties held as at June 30, 2021, but excludes properties disposed of as at June 30, 2022.

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

As at June 30,	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⁾	1,556	1,469	5.9	1,567	1,509	3.8	99.3	97.4
London / Kitchener / Waterloo	1,123	1,060	5.9	1,126	1,078	4.5	99.7	98.4
Ottawa	1,486	1,377	7.9	1,488	1,382	7.7	99.8	99.6
	1,479	1,395	6.0	1,487	1,427	4.2	99.4	97.7
Québec								
Greater Montréal Region	1,031	1,003	2.8	1,054	1,033	2.0	97.9	97.1
Québec City	1,281	1,100	16.5	1,312	1,125	16.6	97.7	97.8
	1,105	1,026	7.7	1,129	1,055	7.0	97.8	97.3
British Columbia								
Greater Vancouver Region	1,513	1,479	2.3	1,522	1,494	1.9	99.4	99.0
Victoria and Other British Columbia	1,455	1,315	10.6	1,465	1,324	10.6	99.3	99.4
	1,492	1,419	5.1	1,501	1,432	4.8	99.4	99.1
Nova Scotia								
Halifax	1,341	1,243	7.9	1,358	1,297	4.7	98.7	95.8
Alberta								
Calgary	1,129	1,061	6.4	1,132	1,109	2.1	99.7	95.7
Edmonton	1,031	976	5.6	1,209	1,209	—	85.3	80.7
	1,106	1,041	6.2	1,148	1,130	1.6	96.3	92.1
Prince Edward Island								
Charlottetown	1,121	1,105	1.4	1,128	1,115	1.2	99.4	99.1
Saskatchewan								
Regina	1,053	1,012	4.1	1,071	1,048	2.2	98.3	96.6
Total Canadian residential suites	1,355	1,279	5.9	1,371	1,314	4.3	98.8	97.4
Europe								
The Netherlands ⁽²⁾	1,262	1,308	(3.5)	1,283	1,336	(4.0)	98.3	97.9
Total residential suites	1,343	1,283	4.7	1,360	1,316	3.3	98.8	97.4
MHC Sites								
Total MHC sites	405	395	2.5	423	412	2.7	95.9	96.0
Total suites and sites	1,167	1,118	4.4	1,188	1,151	3.2	98.2	97.2

⁽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 €936 and €890 as at June 30, 2022 and June 30, 2021, respectively, and for Occupied AMR are €952 and €909 as at June 30, 2022 and June 30, 2021, respectively.

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

As at June 30,	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	1,542	1,473	4.7	1,553	1,508	3.0	99.3	97.7
London / Kitchener / Waterloo	1,123	1,060	5.9	1,126	1,078	4.5	99.7	98.4
Ottawa	1,471	1,416	3.9	1,472	1,420	3.7	100.0	99.8
	1,466	1,398	4.9	1,474	1,427	3.3	99.5	98.0
Québec								
Greater Montréal Region	1,031	1,003	2.8	1,054	1,033	2.0	97.9	97.1
Québec City	1,122	1,100	2.0	1,147	1,125	2.0	97.9	97.8
	1,053	1,026	2.6	1,076	1,055	2.0	97.9	97.3
British Columbia								
Greater Vancouver Region	1,513	1,479	2.3	1,522	1,494	1.9	99.4	99.0
Victoria	1,400	1,315	6.5	1,405	1,324	6.1	99.6	99.4
	1,475	1,419	3.9	1,483	1,432	3.6	99.5	99.1
Nova Scotia								
Halifax	1,341	1,243	7.9	1,358	1,297	4.7	98.7	95.7
Alberta								
Calgary	1,129	1,061	6.4	1,132	1,109	2.1	99.7	95.7
Edmonton	1,031	976	5.6	1,209	1,209	0.0	85.3	80.6
	1,106	1,041	6.2	1,148	1,130	1.6	96.3	92.2
Prince Edward Island								
Charlottetown	1,121	1,105	1.4	1,128	1,115	1.2	99.4	99.1
Saskatchewan								
Regina	1,053	1,012	4.1	1,071	1,048	2.2	98.3	96.6
Total Canadian residential suites	1,336	1,279	4.5	1,352	1,311	3.1	98.9	97.5
Europe								
The Netherlands ⁽²⁾	1,255	1,308	(4.1)	1,277	1,336	(4.4)	98.3	97.9
Total residential suites	1,327	1,282	3.5	1,343	1,314	2.2	98.8	97.5
MHC Sites								
Total MHC sites	402	395	1.8	420	412	1.9	95.7	96.0
Total suites and sites	1,152	1,115	3.3	1,173	1,147	2.3	98.2	97.3

⁽¹⁾ Prior year comparable Net and Occupied AMR and occupancy has been restated for properties disposed of since June 30, 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 €931 and €890 as at June 30, 2022 and June 30, 2021, respectively, resulting in a Net AMR change of 4.6%. The Occupied AMR for the stabilized portfolio is €947 and €909 as at June 30, 2022 and June 30, 2021, respectively, resulting in an Occupied AMR change of 4.2%.

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, and (iii) strengthening occupancy rates in all regions with larger improvements found in Alberta and Nova Scotia. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.70 as at June 30, 2022, increased from \$1.65 as at June 30, 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.

	2023 ⁽¹⁾	2022	2021 ⁽²⁾
Ontario	2.5%	1.2%	0.0%
British Columbia	N/A	1.5%	0.0%

⁽¹⁾ Ontario has capped the rental guideline increase at 2.5%, below current rates of inflation. Without the cap, the rental guideline increase would have been calculated to be 5.3% based on Ontario's Consumer Price Index.

⁽²⁾ 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 strives to ensure its residential suites are maintained to applicable standards through capital improvement initiatives, with a goal to continually improve the tenant experience at our buildings. Some improvements may include improving the security of buildings, restoring physical integrity to original condition, or improving access for those with disabilities. With these capital improvement initiatives generally come with significant costs that are initially borne by CAPREIT. In Ontario and British Columbia, landlords are legally permitted to partially recover these additional costs through above guideline increases ("AGIs") to share the responsibility of improving our buildings, our tenants' homes. Eligible costs include extraordinary increase in realty taxes, operating costs related to security services, and eligible capital expenditures, which are all presented to and approved by the Landlord and Tenant Board in Ontario, or Government of British Columbia. In Ontario, 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. In British Columbia, landlords may apply all eligible capital expenditures made over the previous 18 months for AGIs. In addition, the increase is capped at 3% each year but may be spread out over three years to a maximum of 9% over the 3-year period in addition to normal annual increases.

Suite Turnovers and Lease Renewals - Total Portfolio

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

Canadian Portfolio

For the Three Months Ended June 30,	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	155.7	11.0	4.2	68.2	4.9	5.1
Lease renewals	19.7	1.5	12.0	16.1	1.4	9.8
Weighted average of turnovers and renewals	55.0	4.0		33.9	2.6	

For the Six Months Ended June 30,	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%		\$	%	
Suite turnovers	149.2	10.6	7.9	58.9	4.2	9.4
Lease renewals	18.4	1.3	61.4	14.4	1.2	17.8
Weighted average of turnovers and renewals	33.3	2.4		29.8	2.2	

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

The Netherlands Portfolio**For the Three Months Ended June 30,**

	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	207.0	23.2	2.6	143.0	16.9	3.6
Lease renewals	—	—	—	—	—	—
Weighted average of turnovers and renewals	207.0	23.2		143.0	16.9	

For the Six Months Ended June 30,

	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	199.0	22.2	5.1	130.0	15.2	7.4
Lease renewals	—	—	—	—	—	—
Weighted average of turnovers and renewals	199.0	22.2		130.0	15.2	

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

Overall, suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) during the three and six months ended June 30, 2022 resulted in monthly rent increase of approximately \$156 or 11.0% and \$149 or 10.6%, respectively, compared to an increase of approximately \$68 or 4.9% and \$59 or 4.2%, for the same periods 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 suite portfolio (excluding co-ownerships) resulted in monthly rent increasing by approximately \$20 or 1.5% for the three months ended June 30, 2022, and \$18 or 1.3%, for the six months ended June 30, 2022, compared to an increase of approximately \$16 or 1.4% and \$14 or 1.2%, for both of the same periods last year. As a result of the expiry of the regulatory rent freeze, CAPREIT has served tenant notices to 79.6% and 79.3%, respectively, of its tenants in Ontario and British Columbia, with rent increase of 1.2% and 1.5%, respectively, during the six months ended June 30, 2022.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three and six months ended June 30, 2022 resulted in monthly rent increasing by approximately €207 or 23.2% and €199 or 22.2% respectively, compared to an increase of approximately €143 or 16.9% and €130 or 15.2% respectively for the same periods last year. Our Netherlands team is proactively repositioning the vacant suites to make available for leasing and to bring monthly rents to market.

As the Netherlands lease renewals occur once a year in July, there were no renewal increases for the three and six months ended June 30, 2022 and 2021. For rent renewal increases due to indexation beginning on July 1, 2022, ERES served tenant notices to 6,499 suites, representing 96% 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)

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2022	% ⁽¹⁾	2021	% ⁽¹⁾	2022	% ⁽¹⁾	2021	% ⁽¹⁾
New tenant inducements incurred - residential	\$ 305		\$ 1,954		\$ 781		\$ 3,889	
New tenant inducements incurred - commercial	3		30		75		30	
Total new tenant inducements incurred	\$ 308		\$ 1,984		\$ 856		\$ 3,919	
Tenant inducements amortized	\$ 1,248	0.5	\$ 1,699	0.7	\$ 2,886	0.6	\$ 2,847	0.6
Vacancy loss incurred	4,738	1.9	6,968	3.0	10,320	2.1	14,014	3.1
Total amortization and vacancy loss	\$ 5,986	2.4	\$ 8,667	3.7	\$ 13,206	2.7	\$ 16,861	3.7
Bad debt allowance recognized as an expense	\$ 1,060	0.4	\$ 1,285	0.6	\$ 2,790	0.6	\$ 2,581	0.6

⁽¹⁾ As a percentage of total operating revenues.

The amortization of tenant inducements 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.

RESULTS OF OPERATIONS

The table below summarizes revenue from investment properties by region for the three months ended June 30, 2022 and 2021. Revenue is comprised of residential, commercial, and ancillary revenue.

Total Operating Revenues by Geography

For the Three Months Ended June 30, (\$ Thousands)	2022		2021	
	Revenue	%	Revenue	%
Residential Suites				
Ontario				
Greater Toronto Area ⁽¹⁾	\$ 87,662	34.8	\$ 81,739	35.7
London / Kitchener / Waterloo	13,169	5.2	11,019	4.8
Ottawa	9,225	3.7	8,599	3.8
	\$ 110,056	43.7	\$ 101,357	44.3
Québec				
Greater Montréal Region	\$ 31,034	12.3	\$ 27,006	11.8
Québec City	10,377	4.1	9,285	4.1
	\$ 41,411	16.4	\$ 36,291	15.9
British Columbia				
Greater Vancouver Region	\$ 17,849	7.1	\$ 17,072	7.5
Victoria and Other British Columbia	10,045	4.0	7,024	3.2
	\$ 27,894	11.1	\$ 24,096	10.7
Nova Scotia				
Halifax	\$ 14,167	5.6	\$ 12,983	5.7
Alberta				
Calgary	\$ 7,192	2.9	\$ 6,703	2.9
Edmonton	1,941	0.8	1,767	0.8
	\$ 9,133	3.7	\$ 8,470	3.7
Prince Edward Island				
Charlottetown	\$ 2,166	0.9	\$ 2,112	0.9
Saskatchewan				
Regina	\$ 740	0.3	\$ 693	0.3
Total Canadian residential suites	\$ 205,567	81.7	\$ 186,002	81.5
Europe				
The Netherlands ⁽²⁾	\$ 27,753	11.0	\$ 25,075	11.0
Other Europe ⁽³⁾	2,500	1.0	2,850	1.2
	\$ 30,253	12.0	\$ 27,925	12.2
Total residential suites	\$ 235,820	93.7	\$ 213,927	93.7
MHC Sites				
Total MHC sites	\$ 15,873	6.3	\$ 14,929	6.3
Total residential suites and MHC sites	\$ 251,693	100.0	\$ 228,856	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.

⁽²⁾ In € thousands, €20,395 and €16,943 for three months ended June 30, 2022 and June 30, 2021, respectively.

⁽³⁾ Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,841 and €1,801 for the three months ended June 30, 2022 and June 30, 2021, respectively.

Estimated Net Rental Revenue Run-Rate

The table below shows the estimated net rental revenue run-rate (net of historical vacancy loss and tenant inducement amortization) based on Net AMRs in place for CAPREIT's share of residential suites and sites and commercial leases as at June 30, 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 June 30,	2022	2021
Residential rent roll ^{(1), (2)}	\$ 917,093	\$ 854,081
Commercial rent roll ^{(1), (2)}	31,497	32,745
Annualized net rental revenue run-rate	\$ 948,590	\$ 886,826

⁽¹⁾ Based on the rent roll as at June 30, net of vacancy loss and tenant inducement amortization for the 12 months ended on such date.

⁽²⁾ Includes the rent roll for all properties owned as at June 30.

Actual net rental revenue excluding net rental revenue from disposed properties for the 12 months ended June 30, 2022 was \$913.4 million (12 months ended June 30, 2021 - \$849.4 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, repairs and maintenance ("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.

Management believes stabilized NOI is a key indicator of operating performance of properties fully owned by CAPREIT in the current and prior year comparative periods. Stabilized properties for the three and six months ended June 30, 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 June 30, 2022, stabilized suites and sites represented 93.1% of total suites and sites.

(\$ Thousands)

For the Three Months Ended June 30,	Total NOI			Stabilized NOI		
	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Operating revenues						
Net rental revenues	\$ 238,479	\$ 216,955	9.9	\$ 217,931	\$ 211,398	3.1
Other ⁽²⁾	13,214	11,901	11.0	12,294	11,635	5.7
Total operating revenues	\$ 251,693	\$ 228,856	10.0	\$ 230,225	\$ 223,033	3.2
Operating Expenses						
Realty taxes	(23,806)	(21,840)	9.0	(21,839)	(21,102)	3.5
Utilities	(17,825)	(15,138)	17.8	(16,388)	(14,537)	12.7
Other ⁽³⁾	(43,969)	(40,092)	9.7	(40,038)	(38,598)	3.7
Total operating expenses	\$ (85,600)	\$ (77,070)	11.1	\$ (78,265)	\$ (74,237)	5.4
NOI	\$ 166,093	\$ 151,786	9.4	\$ 151,960	\$ 148,796	2.1
NOI margin	66.0 %	66.3 %		66.0 %	66.7 %	

(\$ Thousands)	Total NOI			Stabilized NOI		
For the Six Months Ended June 30,	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 472,030	\$ 432,427	9.2	\$ 434,521	\$ 423,267	2.7
Other ⁽²⁾	26,291	23,935	9.8	24,575	23,458	4.8
Total operating revenues	\$ 498,321	\$ 456,362	9.2	\$ 459,096	\$ 446,725	2.8
Operating Expenses						
Realty taxes	\$ (47,253)	\$ (43,650)	8.3	\$ (43,482)	\$ (42,415)	2.5
Utilities	(41,984)	(35,312)	18.9	(38,687)	(34,144)	13.3
Other ⁽³⁾	(89,819)	(78,962)	13.7	(82,717)	(76,697)	7.8
Total operating expenses	\$ (179,056)	\$ (157,924)	13.4	\$ (164,886)	\$ (153,256)	7.6
NOI	\$ 319,265	\$ 298,438	7.0	\$ 294,210	\$ 293,469	0.3
NOI margin	64.1 %	65.4 %		64.1 %	65.7 %	

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

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

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

Operating Revenues

For the three and six months ended June 30, 2022, total operating revenues for the total and stabilized portfolios increased compared to the same periods last year, primarily due to increases in monthly rents on turnovers and renewals and decreases in rental vacancies. Contributions from acquisitions, partially offset by dispositions, further contributed to higher operating revenues for the total portfolio.

Operating Expenses

Realty Taxes

For the three months and six months ended June 30, 2022, realty taxes for both the total and stabilized portfolios increased compared to the same periods in the prior year, primarily due to increases in property value assessments and realty tax rates in Québec, Nova Scotia, and Ontario, with the total portfolio's realty taxes further increasing as a result of acquisitions, partially offset by dispositions.

Utilities

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

(\$ Thousands)	Total Utilities			Stabilized Utilities		
For the Three Months Ended June 30,	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Electricity	\$ 5,781	\$ 4,996	15.7	\$ 5,326	\$ 4,825	10.4
Natural gas	4,553	3,157	44.2	4,153	3,012	37.9
Water	7,491	6,985	7.2	6,909	6,700	3.1
Total	\$ 17,825	\$ 15,138	17.8	\$ 16,388	\$ 14,537	12.7

(\$ Thousands)	Total Utilities			Stabilized Utilities		
For the Six Months Ended June 30,	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Electricity	\$ 13,898	\$ 12,031	15.5	\$ 12,937	\$ 11,712	10.5
Natural gas	13,365	9,454	41.4	12,178	9,111	33.7
Water	14,721	13,827	6.5	13,572	13,321	1.9
Total	\$ 41,984	\$ 35,312	18.9	\$ 38,687	\$ 34,144	13.3

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

The tables below break down the factors causing the above changes in the stabilized portfolio. Refer to the Driving Conservation and Decarbonization section of the 2021 ESG Report for details on our conservation efforts.

For the Three Months Ended June 30, 2022	Increase due to consumption	Increase due to rate	Explanation
Electricity	0.2%	10.2%	Increase rate due to general rate increases across portfolio
Natural gas	11.6%	26.3%	Increased rates due to volatile natural gas market and carbon tax Increased consumption due to colder weather compared to last year
Water	(0.8)%	3.9%	Higher rates, partially offset by lower consumption
Total	7.1%	5.6%	

For the Six Months Ended June 30, 2022	Increase due to consumption	Increase due to rate	Explanation
Electricity	0.8%	9.7%	Increase rate due to general rate increases across portfolio
Natural gas	6.6%	27.1%	Increased rates due to volatile natural gas market and carbon tax Increased consumption due to colder weather compared to last year
Water	(4.1)%	6.0%	Higher rates, partially offset by lower consumption
Total	2.3%	11.0%	

In an effort to protect against rising natural gas rates, CAPREIT has fixed the price of natural gas and transport for a portion of its estimated requirements until 2025. The cost of natural gas rates is comprised of commodity, transport, delivery, and carbon taxes. For 2022, 99.3% of CAPREIT's estimated requirements are hedged on the commodity itself, and 88.0% of CAPREIT's estimated requirements are hedged on transport costs. Some volatility is still to be expected on the remaining unhedged delivery costs and carbon taxes.

As at June 30, 2022, Canadian tenants who pay their electricity charges directly represented 64% of the total 59,635 suites and sites in Canada, through sub-metering or direct-metering. Additional suites have sub-metering or direct metering in place, for which the cost of electricity is currently borne by CAPREIT and will be assumed by new tenants upon turnover. CAPREIT will continue to evaluate implementing sub-metering in the remaining suites and sites. Sub-metering lowers consumption, resulting in a smaller environmental impact, lower operating expenses, and lower inflation exposure.

As at June 30, 2022 Dutch tenants who pay their utility charges directly represented 100% of the total 6,901 suites in the Netherlands.

Other Operating Expenses

For the three and six months ended June 30, 2022, other operating expenses for the total and stabilized portfolios increased compared to the same periods last year, primarily due to higher R&M costs, partially offset by lower insurance costs related to claim recoveries. The increased R&M costs were primarily due to the reduced ability to complete work during COVID-19 pandemic lockdown in the second quarter last year compared to this year. The stabilized other operating expenses for the six months ended June 30, 2022 increased primarily due to higher R&M and 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 early 2021 were higher than expected.

NOI BY REGION

The following tables show each region's NOI and NOI margin for the periods ended June 30, 2022 and 2021:

For the Three Months Ended June 30,	2022			2021			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽²⁾	\$ 57,290	34.4	65.4	\$ 52,821	34.7	64.6	8.5
London / Kitchener / Waterloo	8,391	5.1	63.7	7,200	4.7	65.3	16.5
Ottawa	6,121	3.7	66.4	6,041	4.0	70.3	1.3
	\$ 71,802	43.2	65.2	\$ 66,062	43.4	65.2	8.7
Québec							
Greater Montréal Region	\$ 18,703	11.3	60.3	\$ 17,135	11.3	63.4	9.2
Québec City	6,457	3.9	62.2	5,920	3.9	63.8	9.1
	\$ 25,160	15.2	60.8	\$ 23,055	15.2	63.5	9.1
British Columbia							
Greater Vancouver Region	\$ 13,223	8.0	74.1	\$ 12,191	8.0	71.4	8.5
Victoria and Other British Columbia	7,314	4.4	72.8	5,094	3.4	72.5	43.6
	\$ 20,537	12.4	73.6	\$ 17,285	11.4	71.7	18.8
Nova Scotia							
Halifax	\$ 8,640	5.2	61.0	\$ 7,671	5.1	59.1	12.6
Alberta							
Calgary	\$ 4,019	2.4	55.9	\$ 3,648	2.4	54.4	10.2
Edmonton	1,078	0.6	55.5	871	0.6	49.3	23.8
	\$ 5,097	3.0	55.8	\$ 4,519	3.0	53.4	12.8
Prince Edward Island							
Charlottetown	\$ 1,083	0.7	50.0	\$ 1,114	0.7	52.7	(2.8)
Saskatchewan							
Regina	\$ 439	0.3	59.3	\$ 396	0.3	57.1	10.9
Total Canadian residential suites	\$ 132,758	80.0	64.6	\$ 120,102	79.1	64.6	10.5
Europe							
The Netherlands ⁽³⁾	\$ 21,365	12.9	77.0	\$ 19,470	12.8	77.6	9.7
Other Europe ⁽⁴⁾	2,055	1.2	82.2	2,375	1.6	83.3	(13.5)
	\$ 23,420	14.1	77.4	\$ 21,845	14.4	78.2	7.2
Total residential suites	\$ 156,178	94.1	66.2	\$ 141,947	93.5	66.4	10.0
MHC sites							
Total MHC sites	\$ 9,915	5.9	62.5	\$ 9,839	6.5	65.9	0.8
Total suites and sites	\$ 166,093	100.0	66.0	\$ 151,786	100.0	66.3	9.4

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

⁽³⁾ In € thousands, €15,687 and €13,157 for the three months ended June 30, 2022 and June 30, 2021, respectively.

⁽⁴⁾ Comprised of ERES's NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,512 and €1,496 for the three months ended June 30, 2022 and June 30, 2021, respectively.

For the Six Months Ended June 30,	2022			2021			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽²⁾	\$ 111,292	34.9	63.6	\$ 104,493	35.1	64.1	6.5
London / Kitchener / Waterloo	16,360	5.1	62.4	14,221	4.8	64.9	15.0
Ottawa	11,761	3.7	65.4	11,737	3.9	68.6	0.2
	\$ 139,413	43.7	63.6	\$ 130,451	43.8	64.6	6.9
Québec							
Greater Montréal Region	\$ 33,570	10.5	56.5	\$ 32,782	11.0	61.0	2.4
Québec City	12,362	3.9	59.6	11,663	3.9	62.8	6.0
	\$ 45,932	14.4	57.3	\$ 44,445	14.9	61.4	3.3
British Columbia							
Greater Vancouver Region	\$ 25,219	7.9	71.0	\$ 24,007	8.0	70.4	5.0
Victoria and Other British Columbia	14,129	4.4	71.5	9,761	3.3	71.6	44.7
	\$ 39,348	12.3	71.2	\$ 33,768	11.3	70.7	16.5
Nova Scotia							
Halifax	\$ 16,136	5.1	57.4	\$ 15,285	5.1	59.7	5.6
Alberta							
Calgary	\$ 7,613	2.4	53.6	\$ 7,189	2.4	53.5	5.9
Edmonton	2,145	0.7	53.5	1,850	0.6	50.4	15.9
	\$ 9,758	3.1	53.6	\$ 9,039	3.0	52.8	8.0
Prince Edward Island							
Charlottetown	\$ 2,054	0.6	47.7	\$ 2,084	0.7	49.4	(1.4)
Saskatchewan							
Regina	\$ 785	0.2	53.7	\$ 713	0.2	51.4	10.1
Total Canadian residential suites	\$ 253,426	79.4	62.3	\$ 235,785	79.0	63.7	7.5
Europe							
The Netherlands ⁽³⁾	\$ 42,345	13.3	76.6	\$ 38,777	13.0	76.4	9.2
Other Europe ⁽⁴⁾	4,252	1.3	82.9	4,591	1.5	81.0	(7.4)
	\$ 46,597	14.6	77.1	\$ 43,368	14.5	76.9	7.4
Total residential suites	\$ 300,023	94.0	64.2	\$ 279,153	93.5	65.4	7.5
MHC Sites							
Total MHC sites	\$ 19,242	6.0	61.6	\$ 19,285	6.5	65.2	(0.2)
Total suites and sites	\$ 319,265	100.0	64.1	\$ 298,438	100.0	65.4	7.0

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ Other Ontario has been reclassified into Greater Toronto Area. Prior year comparative figures have been adjusted to conform with current period presentation.

⁽³⁾ In € thousands, €30,460 and €25,805 for the six months ended June 30, 2022 and June 30, 2021, respectively.

⁽⁴⁾ Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, €3,061 and €3,058 for the six months ended June 30, 2022 and June 30, 2021, respectively.

STABILIZED NOI BY REGION

For the Three Months Ended June 30,	2022		2021		Increase (Decrease)		
(\$ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽¹⁾	\$ 53,346	65.9	\$ 50,779	65.7	4.6	3.8	5.1
London / Kitchener / Waterloo	7,454	65.2	7,131	65.3	4.8	5.3	4.5
Ottawa	5,567	67.0	5,760	72.1	3.9	22.7	(3.4)
	\$ 66,367	65.9	\$ 63,670	66.2	4.6	5.2 ⁽²⁾	4.2
Québec							
Greater Montréal Region	\$ 16,339	59.8	\$ 17,037	63.4	1.8	12.1	(4.1)
Québec City	5,670	61.2	5,920	63.8	(0.2)	6.8	(4.2)
	\$ 22,009	60.1	\$ 22,957	63.5	1.3	10.7 ⁽³⁾	(4.1)
British Columbia							
Greater Vancouver Region	\$ 13,223	74.1	\$ 12,191	71.4	4.6	(5.2)	8.5
Victoria	5,090	72.8	4,810	72.4	5.3	3.8	5.8
	\$ 18,313	73.7	\$ 17,001	71.7	4.8	(2.8) ⁽⁴⁾	7.7
Nova Scotia							
Halifax	\$ 8,640	61.0	\$ 7,671	59.1	9.1	4.0 ⁽⁵⁾	12.6
Alberta							
Calgary	\$ 4,019	55.9	\$ 3,657	54.6	7.3	4.2	9.9
Edmonton	1,078	55.5	871	49.3	9.8	(3.7)	23.8
	\$ 5,097	55.8	\$ 4,528	53.5	7.8	2.4 ⁽⁶⁾	12.6
Prince Edward Island							
Charlottetown	\$ 1,083	50.0	\$ 1,114	52.7	2.6	8.5	(2.8)
Saskatchewan							
Regina	\$ 439	59.3	\$ 396	57.1	6.8	1.3	10.9
Total Canadian residential suites	\$ 121,948	64.8	\$ 117,337	65.1	4.4	5.3	3.9
Europe							
The Netherlands	\$ 18,642	76.8	\$ 19,470	77.6	(3.1)	0.7	(4.3)
Other Europe	2,055	82.2	2,150	80.7	(6.2)	(13.4)	(4.4)
	\$ 20,697	77.3	\$ 21,620	77.9	(3.4)	(0.5) ⁽⁷⁾	(4.3)
Total residential suites	\$ 142,645	66.3	\$ 138,957	66.8	3.4	4.8	2.7
MHC sites							
Total MHC sites	\$ 9,315	61.6	\$ 9,839	65.9	1.3	14.2 ⁽⁸⁾	(5.3)
Total suites and sites	\$ 151,960	66.0	\$ 148,796	66.7	3.2	5.4	2.1
Stabilized suites and sites	61,948		61,948				

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

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

⁽³⁾ Higher expenses: higher R&M and wages.

⁽⁴⁾ Lower expenses: lower insurance, partially offset by higher utilities. In Victoria, higher expenses due to higher utilities and legal costs, partially offset by lower realty taxes.

⁽⁵⁾ Higher expenses: higher R&M and utilities, partially offset by lower bad debt.

⁽⁶⁾ Higher expenses: higher utilities, partially offset by lower realty taxes and bad debt. In Edmonton, lower expenses due to lower bad debt and realty taxes, partially offset by higher utilities.

⁽⁷⁾ In € thousands, €15,223 and €14,653 for the three months ended June 30, 2022 and June 30, 2021, respectively. NOI increased by €570 and 3.9%. Lower expenses: lower R&M.

⁽⁸⁾ Higher expenses: higher R&M and utilities.

For the Six Months Ended June 30,	2022		2021		Increase (Decrease)		
(\$ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽¹⁾	\$ 103,251	64.2	\$ 100,529	64.8	3.7	5.5	2.7
London / Kitchener / Waterloo	14,542	63.8	14,151	64.9	4.6	7.9	2.8
Ottawa	10,961	66.7	11,221	70.6	3.4	17.1	(2.3)
	\$ 128,754	64.3	\$ 125,901	65.3	3.8	6.6 ⁽²⁾	2.3
Québec							
Greater Montréal Region	\$ 30,528	56.1	\$ 32,693	61.0	1.5	14.3	(6.6)
Québec City	10,813	58.4	11,663	62.8	(0.4)	11.3	(7.3)
	\$ 41,341	56.7	\$ 44,356	61.4	1.1	13.6 ⁽³⁾	(6.8)
British Columbia							
Greater Vancouver Region	\$ 25,221	71.0	\$ 24,009	70.4	4.1	1.8	5.0
Victoria	9,919	71.5	9,477	71.5	4.7	4.7	4.7
	\$ 35,140	71.2	\$ 33,486	70.7	4.2	2.6 ⁽⁴⁾	4.9
Nova Scotia							
Halifax	\$ 16,136	57.4	\$ 15,285	59.7	9.7	15.8 ⁽⁵⁾	5.6
Alberta							
Calgary	\$ 7,607	53.5	\$ 7,206	53.6	5.7	5.9	5.6
Edmonton	2,145	53.5	1,850	50.4	9.2	2.4	15.9
	\$ 9,752	53.5	\$ 9,056	52.9	6.5	5.1 ⁽⁶⁾	7.7
Prince Edward Island							
Charlottetown	\$ 2,054	47.7	\$ 2,086	49.5	2.2	5.8	(1.5)
Saskatchewan							
Regina	\$ 785	53.7	\$ 713	51.4	5.5	0.6	10.1
Total Canadian residential suites	\$ 233,962	62.5	\$ 230,883	64.0	3.8	8.3	1.3
Europe							
The Netherlands	\$ 37,681	76.3	\$ 38,774	76.4	(2.7)	(2.5)	(2.8)
Other Europe	4,252	82.9	4,527	79.8	(9.5)	(23.0)	(6.1)
	\$ 41,933	76.9	\$ 43,301	76.7	(3.4)	(4.2) ⁽⁷⁾	(3.2)
Total residential suites	\$ 275,895	64.3	\$ 274,184	65.7	2.9	7.1	0.6
MHC Sites							
Total MHC sites	\$ 18,315	60.9	\$ 19,285	65.2	1.6	14.1 ⁽⁸⁾	(5.0)
Total suites and sites	\$ 294,210	64.1	\$ 293,469	65.7	2.8	7.6	0.3
Stabilized suites and sites	61,948		61,948				

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

⁽²⁾ Higher expenses: higher R&M and utilities, partially offset by lower wages.

⁽³⁾ Higher expenses: higher R&M, wages, and utilities.

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

⁽⁵⁾ Higher expenses: higher utilities and R&M, partially offset by lower bad debt.

⁽⁶⁾ Higher expenses: higher utilities.

⁽⁷⁾ In € thousands, NOI of €30,187 and €28,863 for the six months ended June 30, 2022 and June 30, 2021, respectively. NOI increased by €1,324 and 4.6%. Lower expenses: lower R&M and site costs.

⁽⁸⁾ Higher expenses: higher R&M and utilities.

NET (LOSS) INCOME AND OTHER COMPREHENSIVE (LOSS) INCOME

(\$ Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
NOI	\$ 166,093	\$ 151,786	\$ 319,265	\$ 298,438
(Less) plus:				
Trust expenses	(17,108)	(13,120)	(33,102)	(26,696)
Unit-based compensation recovery (expense)	5,422	(4,433)	5,224	(8,919)
Fair value adjustments of investment properties	(466,663)	364,567	(447,108)	357,488
Fair value adjustments of Exchangeable LP Units	14,827	(1,419)	25,423	(2,706)
Fair value adjustments of investments	(33,803)	3,827	(78,201)	6,871
Loss on dispositions	(2,073)	—	(2,165)	—
Amortization of property, plant and equipment	(1,861)	(2,069)	(3,774)	(4,081)
Interest on Exchangeable LP Units	(608)	(114)	(1,217)	(229)
Interest on mortgages payable and other financing costs	(42,689)	(36,214)	(82,964)	(70,333)
Interest on bank indebtedness and other financing costs	(2,319)	(1,829)	(4,025)	(3,109)
Interest on leases	(1,395)	(1,260)	(2,660)	(2,376)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions	2,763	—	2,763	—
Gain (loss) on non-controlling interest	109,516	(4,038)	67,572	(19,826)
Gain on derivative financial instruments	36,845	4,203	68,422	34,725
(Loss) gain on foreign currency translation	(5,069)	165	(17,152)	(769)
Other income	2,328	8,046	10,618	13,249
Goodwill impairment loss	(14,278)	—	(14,278)	—
Net (loss) income before income taxes	\$ (250,072)	\$ 468,098	\$ (187,359)	\$ 571,727
Current and deferred income tax expense	(282)	(14,537)	(17,686)	(14,104)
Net (loss) income	\$ (250,354)	\$ 453,561	\$ (205,045)	\$ 557,623
Other comprehensive loss, including items that may be reclassified subsequently to net (loss) income				
Amortization of losses from (AOCL) AOCI to interest and other financing costs	\$ 630	\$ 619	\$ 1,173	\$ 1,239
Loss on foreign currency translation	(49,623)	(5,350)	(102,140)	(82,444)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	—	—	7,627	—
Other comprehensive loss	\$ (48,993)	\$ (4,731)	\$ (93,340)	\$ (81,205)
Comprehensive (loss) income	\$ (299,347)	\$ 448,830	\$ (298,385)	\$ 476,418

Trust Expenses and Net Trust Expenses

Trust expenses include costs directly attributable to head office, such as salaries and benefits, trustee fees, professional fees for audit, tax, 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 (a related party to CAPREIT), and asset and property management and transition service fees to Irish Residential Properties REIT plc ("IRES") (a related party to CAPREIT up to January 31, 2022 with transition services period ended April 28, 2022). 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021 ⁽¹⁾	2022	2021
Trust expenses attributable to CAPREIT (excluding ERES)	\$ 14,817	\$ 11,369	\$ 28,818	\$ 23,062
Trust expenses attributable to ERES	2,291	1,751	4,284	3,634
Trust Expenses	\$ 17,108	\$ 13,120	\$ 33,102	\$ 26,696
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(799)	(699)	(1,570)	(1,372)
Less: Acquisition fees from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(108)	(236)	(417)	(236)
Less: Asset and property management fees, and transition service fees from IRES ⁽²⁾	(404)	(2,443)	(2,252)	(4,908)
Net Trust Expenses	\$ 15,797	\$ 9,742	\$ 28,863	\$ 20,180
Net Trust Expenses as % of Operating Revenue	6.3 %	4.3 %	5.8 %	4.4 %
Net Trust Expenses as % of Total Assets	0.1 %	0.1 %	0.2 %	0.1 %

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

Trust expenses increased for the three and six months ended June 30, 2022 to \$17.1 million and \$33.1 million, respectively, compared to \$13.1 million and \$26.7 million, respectively, for the three and six months ended June 30, 2021. The increases are primarily a result of higher salaries and benefits and compliance expenses which were partially offset by lower costs related to transactions not completed. For the three and six months ended June 30, 2022, trust expenses included non-routine items of approximately \$3.5 and \$5.4 million, respectively, related to costs related to transactions that were not completed and reorganization costs. For the three and six months ended June 30, 2021, non-routine items related to transactions that were not completed were approximately \$1.8 million and \$2.5 million, respectively. Excluding non-routine items, net trust expenses as percentage of operating revenue were 4.9% and 4.7% for the three and six months ended June 30, 2022, respectively, compared to 3.5% and 3.9%, respectively, for the three and six months ended June 30, 2021.

With the termination of the investment management agreement ("IMA") with IRES on January 31, 2022, CAPREIT ceased to generate asset and property management fees income from IRES and ceased to incur certain related trust expenses. During the termination process, CAPREIT provided transition services for a period of three months for total fees of approximately \$1.4 million. For further details please see the Other Income section in Section III of this MD&A.

Unit-Based Compensation Recovery (Expense)

Unit-based compensation recovery (expense) 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 fair value remeasurement of unit-based compensation liability outstanding at period end.

(\$ Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Remeasurement of unit-based compensation liabilities	\$ 7,196	\$ (2,490)	\$ 9,186	\$ (5,171)
Amortization of fair value on grant date of unit-based compensation ⁽¹⁾	(1,774)	(1,943)	(3,962)	(3,748)
Total	\$ 5,422	\$ (4,433)	\$ 5,224	\$ (8,919)

⁽¹⁾ Includes \$0.6 and \$1.0 million, respectively, for the three and six months ended June 30, 2022, relating to accelerated vesting of previously granted RUR units (three and six months ended June 30, 2021 - \$nil).

Gain (Loss) on Non-Controlling Interest

For the three and six months ended June 30, 2022, CAPREIT recorded a gain of \$109.5 million and \$67.6 million, respectively, on ERES units held by non-controlling unitholders. This includes distributions to ERES non-controlling unitholders of \$3.2 million and \$6.4 million, respectively, for the three and six months ended June 30, 2022. The remaining balance is the mark-to-market gain or loss due to fluctuations in the ERES unit market price.

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 and six months ended June 30, 2022 primarily relates to changes in foreign exchange rates and the yield curve. CAPREIT uses derivative financial instruments to minimize its exposure to fluctuations in foreign exchange rates and interest 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 derivative financial instruments.

Gain (Loss) on Foreign Currency Translation

CAPREIT is exposed to gain/loss on foreign currency translation due to its holdings of assets and liabilities through its investment in IRES, its ERES subsidiary, and foreign-denominated cash and borrowings held by CAPREIT. Between December 31, 2021 and June 30, 2022, the euro weakened against the Canadian dollar from a closing price of \$1.5608 per euro to \$1.3473 per euro.

The following table summarizes the gain or loss recorded in other comprehensive loss and net (loss) income on this exposure and its associated derivative financial instruments.

As at June 30, 2022								
(\$ Thousands)								
		Other Comprehensive Income (Loss)		Net (Loss) Income Gain (Loss)		Total Foreign Exchange Gain (Loss)		
	Balance	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended	
Total Foreign Assets ⁽¹⁾	€ 2,162,404 ⁽⁴⁾	\$(100,736)	\$ (205,275)	\$ 7,821	\$ (623) ⁽⁵⁾	\$ (92,915)	\$ (205,898)	
Total Foreign Liabilities ⁽²⁾	1,086,444	51,113	103,135	(12,890)	(16,529)	38,223	86,606	
Net Equity ⁽³⁾	€ 1,075,960	\$ (49,623)	\$ (102,140)	\$ (5,069)	\$ (17,152) ⁽⁵⁾	\$ (54,692)	\$ (119,292)	
Cross-Currency Swap	442,358	—	—	22,335	38,763	22,335	38,763	
Net Foreign Exchange Exposure and Gain (Loss)	€ 633,602	\$ (49,623)	\$ (102,140)	\$ 17,266	\$ 21,611	\$ (32,357)	\$ (80,529)	
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 313,284							

As at June 30, 2021

(\$ Thousands)

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

- (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 (loss) 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 (loss) income.
- (3) As at June 30, 2022, net equity includes €942,111 (June 30, 2021 - €765,933) relating to ERES in which CAPREIT has a 66% (June 30, 2021 - 66%) interest. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €313,284 (June 30, 2021 - €242,997).
- (4) Includes ERES assets of €2,023,905 and CAPREIT's investment in IRES of €135,209 (June 30, 2021 - €1,590,300 and €177,103, respectively).
- (5) Includes \$7.6 million of foreign currency loss reclassified from accumulated other comprehensive loss to loss on foreign currency translation.

Goodwill Impairment Loss

Pursuant to the reverse acquisition of European Commercial Real Estate Investment Trust ("ECREIT") on March 29, 2019, CAPREIT recognized the residual of the consideration transferred over the fair value of net assets acquired as goodwill on the consolidated balance sheets at the time. CAPREIT determined that ERES's market capitalization was an indicator of impairment as at June 30, 2022 and as such, performed a full impairment test. The impairment test concluded that goodwill was impaired and CAPREIT recognized a goodwill impairment loss of \$14.3 million in the statements of (loss) income and comprehensive (loss) income, thereby writing off the goodwill balance in full. Refer to note 8 of the accompanying condensed consolidated interim financial statements for further information.

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 inventory.

(\$ Thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Investment income ⁽¹⁾	\$ 381	\$ 369	\$ 4,996	\$ 739
Net profit from investment in associate ⁽²⁾	—	5,202	647	7,544
Asset and property management fees, and transition service fees ⁽³⁾	404	2,443	2,252	4,908
Interest income from mortgages receivable	652	—	1,428	—
Profit from sale of MHC inventory ⁽⁴⁾	594	—	956	—
Other	297	32	339	58
Total	\$ 2,328	\$ 8,046	\$ 10,618	\$ 13,249

- (1) Investment income for the three and six months ended June 30, 2022 includes \$nil and \$4.2 million, respectively, of semi-annual dividends from IRES (three and six months ended June 30, 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 25 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, CAPREIT's share of IRES's investment property fair value gain is nil (three and six months ended June 30, 2021 - \$2.2 million). Refer to note 25 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 includes transition service fees of \$0.4 million and \$1.4 million for the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021 - \$nil). Refer to note 25 of the accompanying condensed consolidated interim financial statements for further information.

(\$ Thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Total fee income generated	\$ 4,107	\$ 6,162	\$ 10,178	\$ 11,600
Asset and property management fees, acquisition fees, and service fees from ERES eliminated on consolidation	3,703	3,719	7,926	6,692
Asset and property management fees from IRES recognized in other income	\$ 404	\$ 2,443	\$ 2,252	\$ 4,908

⁽⁴⁾ Consists of income from sale of MHC home inventory of \$1.8 million and \$2.7 million, offset by cost of sales of \$1.2 million and \$1.8 million for the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021 - \$nil and \$nil, respectively).

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	
	Three Months Ended		Six Months Ended		As at	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	% ⁽¹⁾
Trust Units	173,983	172,437	173,794	172,201	173,067	98.7
Exchangeable LP Units ⁽²⁾	1,679	333	1,679	333	1,679	0.9
Units under the DUP ⁽³⁾	175	180	186	178	121	0.1
Basic number of units	175,837	172,950	175,659	172,712	174,867	99.7
Plus:						
Unit rights under the RUR Plan ⁽³⁾	485	562	500	582	452	0.3
Diluted number of units	176,322	173,512	176,159	173,294	175,319	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 15 and 16 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)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Distributions declared on Trust Units	\$ 62,843	\$ 59,507	\$ 125,722	\$ 118,861
Distributions declared on Exchangeable LP Units	608	114	1,217	229
Distributions declared on awards outstanding under unit-based compensation plans ⁽¹⁾	244	259	502	528
Total distributions declared	\$ 63,695	\$ 59,880	\$ 127,441	\$ 119,618
Less:				
Distributions on Trust Units reinvested	(19,777)	(17,503)	(39,761)	(36,048)
Distributions on unit awards reinvested ⁽¹⁾	(244)	(259)	(502)	(528)
Net distributions paid in cash	\$ 43,674	\$ 42,118	\$ 87,178	\$ 83,042
Percentage of distributions reinvested	31.4%	29.7%	31.6%	30.6%

⁽¹⁾ Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 15 and 16 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.

On May 19, 2022, CAPREIT approved changes to its DRIP to permit the suspension of the issuance of bonus Trust Units to participants. Consequently, commencing with the June 2022 distribution, participants in the DRIP as of the record date of June 30, 2022 will receive units at a price equal to the weighted average trading price of Trust Units on the TSX for the five trading days immediately preceding each distribution date, without any bonus Trust Units being issued. The total

consideration for units issued represents the amount of cash distributions reinvested in additional units. Subsequently, the percentage of distributions reinvested decreased to approximately 2% for the June distribution.

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 (loss) income to FFO is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss) income	\$ (250,354)	\$ 453,561	\$ (205,045)	\$ 557,623
Adjustments:				
Remeasurement of unit-based compensation liabilities	(7,196)	2,490	(9,186)	5,171
Fair value adjustments of investment properties	466,663	(364,567)	447,108	(357,488)
Fair value adjustments of Exchangeable LP Units	(14,827)	1,419	(25,423)	2,706
Fair value adjustments of investments	33,803	(3,827)	78,201	(6,871)
Loss on dispositions	2,073	—	2,073	—
Amortization of property, plant and equipment	1,861	2,069	3,774	4,081
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	(112,739)	843	(73,965)	13,422
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽¹⁾	(4,496)	(4,396)	(8,930)	(8,679)
Distributions on ERES units held by non-controlling unitholders	3,223	3,195	6,393	6,404
Gain on derivative financial instruments	(36,845)	(4,203)	(68,422)	(34,725)
Interest on Exchangeable LP Units	608	114	1,217	229
Lease principal repayment	(169)	(305)	(446)	(593)
Loss (gain) on foreign currency translation	5,069	(165)	17,152	769
FFO adjustment for income from investment in associate	—	(2,211)	—	(2,211)
Impairment of goodwill	14,278	—	14,278	—
Deferred income tax (recovery) expense	(889)	13,486	15,575	12,349
FFO	\$ 100,063	\$ 97,503	\$ 194,354	\$ 192,187
FFO per unit – basic	\$ 0.569	\$ 0.564	\$ 1.106	\$ 1.113
FFO per unit – diluted	\$ 0.568	\$ 0.562	\$ 1.103	\$ 1.109
Total distributions declared	\$ 63,695	\$ 59,880	\$ 127,441	\$ 119,618
FFO payout ratio	63.7%	61.4%	65.6%	62.2%
Net distributions paid	\$ 43,674	\$ 42,118	\$ 87,178	\$ 83,042
Excess FFO over net distributions paid	\$ 56,389	\$ 55,385	\$ 107,176	\$ 109,145
FFO effective payout ratio	43.6%	43.2%	44.9%	43.2%

⁽¹⁾ For the three and six months ended June 30, 2022, the adjustment is based on applying the 34% weighted average ownership held by ERES non-controlling unitholders (June 30, 2021 - 34%) to ERES's FFO of \$13.5 million (€9.9 million) and \$27.5 million (€19.7 million), respectively, (2021 - \$13.6 million or €8.7 million and \$26.2 million or €17.0 million) and adjusting for \$0.3 million and \$1.2 million of acquisition fees for the three and six months ended June 30, 2022 (June 30, 2021 - \$0.7 million and \$0.7 million) 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 reorganization, senior management termination, and retirement costs, costs relating to transactions that were not completed, mortgage fair value adjustments, net of mortgage settlement costs on dispositions, mortgage prepayment costs, and amortization of losses on certain hedging instruments previously settled and paid. 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 (Loss) Income and Other Comprehensive (Loss) Income in Section III for additional information on hedging instruments currently in place. NFFO is not a measure of the sustainability of distributions. A reconciliation of FFO to NFFO is as follows:

(\$ Thousands, except per unit amounts)	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
FFO	\$ 100,063	\$ 97,503	2.6	\$ 194,354	\$ 192,187	1.1
Adjustments:						
Reorganization, senior management termination, and retirement costs ⁽²⁾	4,007	1,532	161.6	6,250	1,532	308.0
Costs relating to transactions that were not completed	38	261	(85.4)	137	899	(84.8)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions ⁽³⁾	(2,763)	—	100.0	(2,763)	—	100.0
Mortgage prepayment cost	896	165	443.0	1,342	165	713.3
Amortization of losses from (AOCL) AOCI to interest and other financing costs	630	619	1.8	1,173	1,239	(5.3)
NFFO	\$ 102,871	\$ 100,080	2.8	\$ 200,493	\$ 196,022	2.3
NFFO per unit – basic	\$ 0.585	\$ 0.579	1.0	\$ 1.141	\$ 1.135	0.5
NFFO per unit – diluted	\$ 0.583	\$ 0.577	1.0	\$ 1.138	\$ 1.131	0.6
Total distributions declared	\$ 63,695	\$ 59,880	6.4	\$ 127,441	\$ 119,618	6.5
NFFO payout ratio	61.9%	59.8%		63.6%	61.0%	
Net distributions paid	\$ 43,674	\$ 42,118	3.7	\$ 87,178	\$ 83,042	5.0
Excess NFFO over net distributions paid	\$ 59,197	\$ 57,962	2.1	\$ 113,315	\$ 112,980	0.3
Effective NFFO payout ratio	42.5%	42.1%		43.5%	42.4%	

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

⁽²⁾ For the three and six months ended June 30, 2022, includes \$0.6 million and \$1.0 million, respectively, of accelerated vesting of previously granted RUR units.

⁽³⁾ Represents the fair value adjustment on the mortgages assumed by the purchasers upon disposition of two properties in June 2022. Refer to note 5 of the accompanying condensed consolidated interim financial statements for further information.

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 and six months ended June 30, 2022 increased by 2.8% and 2.3%, respectively, 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 management fees, property management fees, acquisition fees, and service fees received from ERES increased FFO and consequently NFFO by \$1.3 million and \$2.7 million, respectively, for the three and six months ended June 30, 2022 compared to \$1.3 and \$2.3 million, respectively, for the three and six months ended June 30, 2021. 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 periods.

For the three months ended June 30, 2022, basic NFFO per unit increased by 1.0% compared to the same period last year, despite a 1.7% increase in the weighted average number of units outstanding. For the six months ended June 30, 2022, basic NFFO per unit increased by 0.5% compared to the same period last year, despite an a 1.7% increase in the weighted average number of units outstanding.

Comparing total distributions declared to NFFO, the NFFO payout ratio for the three and six months ended June 30, 2022 increased by 2.1% and 2.6%, respectively, compared to 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 seasonal fluctuations in certain periods, 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)	Three Months Ended June 30,		Six Months Ended June 30,		Actual Annual
	2022	2021	2022	2021	2021
Cash generated from operating activities	\$ 123,256	\$ 122,298	\$ 268,514	\$ 245,275	\$ 551,433
Adjustments:					
Interest expense included in cash flow from financing activities ⁽¹⁾	(39,549)	(32,955)	(75,130)	(65,278)	(133,665)
Forecasted non-discretionary property capital investments ⁽²⁾	(22,386)	(21,395)	(44,362)	(42,632)	(78,006)
Capitalized leasing costs ⁽³⁾	(358)	(1,781)	(1,061)	(4,253)	(7,471)
Amortization of other financing costs ⁽⁴⁾	(5,300)	(4,509)	(9,934)	(6,774)	(14,574)
Investment income ⁽⁵⁾	679	3,978	5,336	4,372	8,469
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁶⁾	(2,375)	(3,655)	(8,200)	(7,963)	(18,927)
Lease principal and interest repayments	(1,564)	(1,565)	(3,106)	(2,969)	(6,107)
ACFO	\$ 52,403	\$ 60,416	\$ 132,057	\$ 119,778	\$ 301,152
Total distributions declared	\$ 63,695	\$ 59,880	\$ 127,441	\$ 119,618	\$ 245,479
(Deficit) Excess ACFO over distributions declared	\$ (11,292)	\$ 536	\$ 4,616	\$ 160	\$ 55,673
ACFO payout ratio	121.5%	99.1%	96.5%	99.9%	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 and six months ended June 30, 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 \$1,344 and \$1,364 respectively. The estimated full year weighted average number of residential suites and sites for the six months ended June 30, 2022 and 2021 is 65,985 and 63,249, 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 and six months ended June 30, 2022 includes \$nil and \$4.2 million, respectively, of semi-annual dividends from IRES (three and six months ended June 30, 2021 - \$3.6 million).
- (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 June 30, 2022, CAPREIT's ACFO was in deficit of distributions declared by \$11.3 million. The excess distributions in the current quarter is due to fluctuations in non-cash working capital. Any distributions in excess of the ACFO are funded through the Acquisition and Operating facility. For the six months ended June 30, 2022, CAPREIT's ACFO exceeded distributions declared by \$4.6 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:

Reconciliation of Actual to Forecasted Spending of Non-Discretionary Property Capital

(\$ Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Actual spending	\$ 14,210	\$ 18,828	\$ 22,781	\$ 29,275
Forecasted spending	22,386	21,395	44,362	42,632
Difference	\$ (8,176)	\$ (2,567)	\$ (21,581)	\$ (13,357)

For the three and six months ended June 30, 2022, CAPREIT's actual non-discretionary capital investments of \$14.2 million and \$22.8 million were lower than the forecast by approximately \$8.2 million and \$21.6 million respectively, mainly due to the changes in the 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	\$ 88,676	\$ 78,006	\$ 70,545
Weighted average number of suites and sites	65,985	63,671	60,929
Non-discretionary property capital investments per suite and site	\$ 1,344	\$ 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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021 ⁽²⁾	2022	2021
Cash generated from operating activities	\$ 123,256	\$ 122,298	\$ 268,514	\$ 245,275
Adjustments:				
Interest expense included in cash flow from financing activities ⁽¹⁾	(39,549)	(32,955)	(75,130)	(65,278)
Adjusted Cash Generated from Operating Activities	\$ 83,707	\$ 89,343	\$ 193,384	\$ 179,997
Total distributions declared	\$ 63,695	\$ 59,880	\$ 127,441	\$ 119,618
Excess	\$ 20,012	\$ 29,463	\$ 65,943	\$ 60,379

⁽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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021 ⁽¹⁾	2022	2021
Net (loss) income	\$ (250,354)	\$ 453,561	\$ (205,045)	\$ 557,623
Adjusted Cash Generated from Operating Activities	\$ 83,707	\$ 89,343	\$ 193,384	\$ 179,997
Total distributions declared	\$ 63,695	\$ 59,880	\$ 127,441	\$ 119,618
Net distributions paid	\$ 43,674	\$ 42,118	\$ 87,178	\$ 83,042
(Shortfall) excess of net (loss) income over total distributions declared	\$ (314,049)	\$ 393,681	\$ (332,486)	\$ 438,005
(Shortfall) excess of net (loss) income over net distributions paid	\$ (294,028)	\$ 411,443	\$ (292,223)	\$ 474,581
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 20,012	\$ 29,463	\$ 65,943	\$ 60,379
Excess of Adjusted Cash Generated from Operating Activities over net distributions paid	\$ 40,033	\$ 47,225	\$ 106,206	\$ 96,955

CAPREIT does not use net income as a basis for distributions as it includes non-cash items such as 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 and six months ended June 30, 2022, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$20.0 million and \$65.9 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 consolidated 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	June 30, 2022	December 31, 2021
Unitholders' equity	\$ 9,961,288	\$ 10,399,886
Adjustments:		
Exchangeable LP Units	75,261	100,684
Unit-based compensation financial liabilities excluding ERES's unit options plan	18,699	33,994
Net deferred income tax liability ⁽¹⁾	135,818	128,964
Net derivative financial asset ⁽²⁾	(87,391)	(26,953)
Goodwill	—	(15,133)
Adjustment to ERES non-controlling interest ⁽³⁾	(169,906)	(114,716)
NAV	\$ 9,933,769	\$ 10,506,726
Diluted number of units	175,319	175,761
NAV per Unit - diluted	\$ 56.66	\$ 59.78

⁽¹⁾ Represents deferred income tax liability of \$140.2 million net of deferred income tax asset of \$4.4 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 \$64.3 million and \$23.1 million, respectively, net of non-current and current derivative financial liabilities of \$nil million and \$nil 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	June 30, 2022	December 31, 2021
ERES's NAV	€ 992,362	€ 963,452
Ownership by ERES non-controlling interest	34 %	34 %
Foreign exchange rate	1.3473	1.4391
Impact to NAV due to ERES's non-controlling unitholders	\$ 454,583	\$ 471,411
ERES units held by non-controlling unitholders	\$ 284,677	\$ 356,695
Adjustment to ERES non-controlling interest	\$ 169,906	\$ 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	June 30, 2022	December 31, 2021
Mortgages Payable	\$ 6,567,584	\$ 6,100,065
Bank Indebtedness	260,220	310,866
Total Debt	\$ 6,827,804	\$ 6,410,931
 Total Assets	 \$ 17,557,997	 \$ 17,712,973
Add: Total accumulated amortization and depreciation	38,525	35,280
Gross Book Value ⁽¹⁾	\$ 17,596,522	\$ 17,748,253
Ratio of Total Debt to Gross Book Value	38.80 %	36.12 %
Ratio of Mortgages Payable to Gross Book Value	37.32 %	34.37 %
 Gross Book Value ⁽¹⁾	 \$ 17,596,522	 \$ 17,748,253
Less: Cumulative investment properties fair value adjustments	(4,871,280)	(5,480,670)
Gross Historic Cost ⁽²⁾	\$ 12,725,242	\$ 12,267,583
Ratio of Total Debt to Gross Historical Cost	53.66 %	52.26 %
 Market capitalization ⁽³⁾	 \$ 7,857,798	 \$ 10,538,673
Total Debt	6,827,804	6,410,931
Total capitalization	\$ 14,685,602	\$ 16,949,604
Ratio of Total Debt to total capitalization	46.49 %	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.

⁽³⁾ Market capitalization is determined by taking all units outstanding (including all unit-based compensation plans) and multiplying by the closing price of the Trust Units at period end.

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

EBITDAFV is calculated as prescribed in CAPREIT's Acquisition and Operating Facility agreement 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 under CAPREIT's Acquisition and Operating Facility agreement. 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	June 30, 2022	December 31, 2021
Net Income	\$ 630,127	\$ 1,392,795
Adjustments:		
Amortization of Property, Plant and Equipment	7,943	8,250
Fair value adjustments of Exchangeable LP Units	(27,464)	665
Unit-Based Compensation Expense	968	15,111
EUPP Unit-based compensation expense	(508)	(497)
Gain on derivative financial instruments	(83,979)	(50,282)
Current and deferred income tax expense (recovery)	84,763	81,181
Fair value adjustments of investments	70,984	(14,088)
Fair value adjustments of investment properties	(244,146)	(1,048,742)
Loss on dispositions	2,406	241
Loss on foreign currency translation	22,478	6,095
Impairment of goodwill	14,278	—
FFO adjustment for income from investment in associate ⁽¹⁾	(7,060)	(9,271)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions	(2,763)	—
Interest and other financing costs	175,283	160,462
Loss on non-controlling interest	(48,747)	38,651
EBITDAFV	\$ 594,563	\$ 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 agreement, and is based on the trailing 12 months ended. 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	June 30, 2022	December 31, 2021
Interest on mortgages payable ⁽¹⁾	\$ 148,301	\$ 138,293
Interest on bank indebtedness and other deferred costs ⁽¹⁾	7,026	6,110
Mortgage principal repayments ⁽¹⁾	156,791	149,996
Debt service payments ⁽¹⁾	\$ 312,118	\$ 294,399
EBITDAFV ⁽¹⁾	\$ 594,563	\$ 580,571
Debt Service Coverage Ratio (times)	1.9x	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 agreement, and is based on the trailing 12 months ended. 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	June 30, 2022	December 31, 2021
Interest on mortgages payable ⁽¹⁾	\$ 148,301	\$ 138,293
Interest on bank indebtedness and other deferred costs ⁽¹⁾	7,026	6,110
Interest Expense ⁽¹⁾	\$ 155,327	\$ 144,403
EBITDAFV ⁽¹⁾	\$ 594,563	\$ 580,571
Interest coverage ratio (times)	3.8x	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

Six Months Ended June 30, 2022 (\$ Thousands)	Actual Total Portfolio	% of Actual	2022 Annual Forecast Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 20,264	16.2	\$ 72,587
MHC infrastructural	1,516	1.2	9,668
Life and safety	1,001	0.8	6,421
	\$ 22,781	18.2	\$ 88,676
Discretionary property capital investments:			
Suite improvements	\$ 55,090	44.0	\$ 96,816
Common area	27,342	21.8	75,851
Energy-saving initiatives	8,806	7.0	31,620
Equipment	7,768	6.2	14,014
Elevators and risers	2,327	1.9	14,310
Others	637	0.5	2,490
MHC common area	525	0.4	2,348
	\$ 102,495	81.8	\$ 237,449
Total	\$ 125,276	100.0	\$ 326,125

Six Months Ended June 30, 2021 (\$ Thousands)	Actual Total Portfolio	% of Actual	2021 Annual Actual Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 27,464	22.3	\$ 70,583
MHC infrastructural	1,565	1.3	6,248
Life and safety	246	0.2	1,175
	\$ 29,275	23.8	\$ 78,006
Discretionary property capital investments:			
Suite improvements	\$ 45,137	36.7	\$ 105,634
Common area	30,514	24.8	71,884
Energy-saving initiatives	9,821	8.0	20,506
Equipment	7,084	5.8	16,193
Elevators and risers	299	0.2	2,348
Others	504	0.4	1,399
MHC common area	354	0.3	1,692
	\$ 93,713	76.2	\$ 219,656
Total	\$ 122,988	100.0	\$ 297,662

CAPREIT's property 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 June 30, 2022.

Future Investments in Building Improvements

(\$ Thousands)	Building Improvements Estimated Range
2022	\$65,000 - \$80,000
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 Six Months Ended June 30,			
Balance, beginning of the year	\$	17,101,919	\$ 15,000,591
Add (deduct):			
Acquisitions		517,700	429,648
Property capital investments		130,500	143,788
Capitalized direct leasing costs		209	1,229
Fair value adjustments		(447,108)	357,488
Loss on foreign currency translation		(176,388)	(134,142)
Dispositions		(252,260)	—
Right-of-use asset		—	10,067
Operating lease buyout		—	4,457
Balance, end of the period	\$	16,874,572	\$ 15,813,126

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 six months ended June 30, 2022, there was a \$227.3 million decrease in overall carrying value primarily due fair value losses, foreign currency translation, and dispositions, partially offset by acquisitions. Excluding the impact of net acquisitions and foreign exchange, the fair value of investment properties decreased by \$316.4 million, or 1.9%.

Investment Properties by Geography

	Dec 2021	Fair Value Change Due To				Jun 2022	Jun 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	\$ (218)	\$ 40	\$ (209)	\$ —	\$ 6,402	3.45 %	3.25 %
Other Ontario	1,405	10	12	(43)	—	1,384	4.04 %	3.83 %
Québec	2,250	291	27	(96)	—	2,472	4.09 %	4.02 %
British Columbia	1,893	38	13	(66)	—	1,878	3.93 %	3.69 %
Nova Scotia	805	—	10	(28)	—	787	4.43 %	4.17 %
Alberta	443	—	5	(14)	—	434	4.53 %	4.33 %
Prince Edward Island	101	—	—	(2)	—	99	5.32 %	5.13 %
Saskatchewan	31	—	—	—	—	31	5.19 %	5.12 %
Subtotal	\$ 13,717	\$ 121	\$ 107	\$ (458)	\$ —	\$ 13,487	3.80 %	3.60 %
Europe	2,676	128	14	31	(176)	2,673	3.61 %	3.55 %
MHC	709	16	10	(20)	—	715	5.86 %	5.66 %
Total	\$ 17,102	\$ 265	\$ 131	\$ (447)	\$ (176)	\$ 16,875	3.84 %	3.68 %

⁽¹⁾ Represents property capital investments and capitalized direct leasing costs during the six months ended June 30, 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 June 30, 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 June 30, 2022 (\$ Millions)	Change in NOI					
	(2.00)%	(1.00)%	— %	+1.00 %	+2.00 %	
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,206	\$ 2,399	\$ 2,593	\$ 2,787	\$ 2,981
	(0.25)%	841	1,021	1,201	1,381	1,561
	—%	(336)	(168)	—	168	336
	+0.25%	(1,362)	(1,204)	(1,047)	(890)	(732)
	+0.50%	(2,265)	(2,117)	(1,968)	(1,820)	(1,672)

⁽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.

The recent regulatory and macroeconomic developments, including the acute increases to interest rates and inflation, has impacted the availability of some reliable market metrics. As such, the fair values of CAPREIT's investment properties are subject to significant change, and such changes may be material. Management is applying, to the greatest extent practicable, prudence and sound judgment in its basis for fair valuing its investment properties in the current unpredictable environment.

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 Six Months Ended June 30,	2022	2021
(\$ Thousands)	Actual Total Portfolio	Actual Total Portfolio
Conversion	\$ 4,747	\$ 11,598
Infill ⁽¹⁾	3,850	1,023
Redevelopment ⁽¹⁾	413	240
Total for development	\$ 9,010	\$ 12,861

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

As at June 30, 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 some of the key covenants and liquidity metrics are summarized in the following table:

(\$ Thousands)

As at	June 30, 2022	December 31, 2021
Mortgages payable	\$ 6,567,584	\$ 6,100,065
Bank indebtedness	260,220	310,866
Unitholders' equity	9,961,288	10,399,886
Exchangeable LP Units	75,261	100,684
Total capital	\$ 16,864,353	\$ 16,911,501

Threshold			
Total debt to gross book value ⁽¹⁾	Maximum 62.50%	38.80%	36.12 %
Mortgage debt to gross book value ⁽¹⁾		37.32%	34.37 %
Total debt to gross historical cost ⁽¹⁾		53.66%	52.26 %
Total debt to total capitalization ⁽¹⁾		46.49%	37.82 %

For the 12 months ended ⁽²⁾		June 30, 2022	December 31, 2021
Debt service coverage ratio (times) ^{(1), (3)}	Minimum 1.40	1.9x	2.0x
Interest coverage ratio (times) ^{(1), (3)}	Minimum 1.65	3.8x	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 12 months ended June 30, 2022. As at June 30, 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. Management's assessment of CAPREIT's liquidity position continues to be stable for the foreseeable future based on its evaluation of capital resources, as summarized below:

- i) CAPREIT's business continues to be stable and is expected to generate sufficient ACFO on an annual basis to fund the current level of distributions.
- ii) CAPREIT's Canadian liquidity position as at June 30, 2022 remains strong with over \$670 million comprising \$228.1 million of cash and cash equivalents and \$443.2 million available on its Acquisition and Operating Facility.

CAPREIT has investment properties with a fair value of approximately \$1,186.5 million as at June 30, 2022 that are not encumbered by mortgages. Of these, \$993.9 million of the investment properties are located in Canada and are only secured against the Acquisition and Operating Facility. \$269.8 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 June 30, 2022, and defined as current assets less current liabilities, is funded through 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 June 30,	2022	2021
Percentage of CMHC-insured mortgages ⁽¹⁾	98.3%	99.1%
Percentage of fixed-rate mortgages ⁽²⁾	99.2%	99.4%
Weighted average mortgage effective interest rate ⁽³⁾	2.60%	2.53%
Weighted average mortgage term to maturity (years) ⁽⁴⁾	5.82	5.77
Cross-currency interest rate swaps ⁽⁵⁾	\$ 677,180	\$ 672,975
Weighted average interest rate on swaps - pay	0.27%	0.24%
Weighted average interest rate on swaps - receive	1.39%	1.13%
Weighted average remaining term to maturity on swaps (years)	2.05	2.79

⁽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 June 30, 2022 would be 2.62% (June 30, 2021 - 2.58%).

⁽⁴⁾ The mortgages on the Canadian and European properties have a weighted average term to maturity of 6.2 years and 3.9 years (June 30, 2021 - 6.2 years and 3.9 years), respectively.

⁽⁵⁾ Euro equivalent of €442.4 million (June 30, 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 0.94%. The swaps have been staggered between one to five years to take advantage of the past prevailing low rates, with a current weighted average swap term of 2.05 years as at June 30, 2022.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to August 10, 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⁾
Second Quarter	166,701	2.90 %	338,591	3.40 %	9.7	171,891 ⁽²⁾
Acquisitions	—	— %	158,563	2.81 %	6.2	158,563
Total and Weighted Average	\$ 328,464	3.01 %	\$ 770,979	3.08 %	8.6	\$ 442,516
Expected for the remainder of 2022	\$ 130,853	2.97 %	\$ 235,534			\$ 104,681
Subtotal and Weighted Average	\$ 459,317	3.00 %	\$ 1,006,513	3.08 %	8.6	\$ 547,197
The ERES Portfolio						
Refinancings	\$ 67,248	1.40 %	\$ 106,201	3.19 %	6.0	\$ 38,952
Acquisitions	—	— %	52,778	3.19 %	6.0	52,778
Total and Weighted Average	\$ 67,248	1.37 %	\$ 158,979	3.19 %	6.0	\$ 91,730
Grand Total and Weighted Average	\$ 526,564	2.79 %	\$ 1,165,492	3.09 %	8.3	\$ 638,928

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

⁽²⁾ Includes \$75.9 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 or discharges an existing mortgage, any unamortized prepaid CMHC premiums and fees associated with the existing mortgages on that property will be written off in the period in which full refinancing or discharge 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 six months ended June 30, 2022, CMHC amortization expense including net write-offs of CMHC premiums on refinancings amounted to \$8.1 million.

CMHC amortization expense, including write-offs, for 2022 is expected to be in the range of \$12.0 million to \$13.0 million, depending on refinancing activity. Due to the timing of refinancing activities, a larger portion of the expense was 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 June 30, 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)}
Remainder of 2022	\$ 130,853	\$ —	\$ 130,853	\$ 22,755
2023	400,133	187,410	587,543	72,543
2024	497,776	84,879	582,655	55,373
2025	786,610	31,145	817,755	92,410
2026	752,444	(11,288)	741,156	77,647
2027 onwards	3,155,798	(292,146)	2,863,652	248,810
Total	\$ 5,723,614	\$ —	\$ 5,723,614	\$ 569,538

⁽¹⁾ Mortgage balance due upon maturity.⁽²⁾ NOI for the 12 months ended June 30, 2022.⁽³⁾ Projected NOI included for acquisitions since June 30, 2021.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at June 30, 2022 is as follows:

As at June 30, 2022

(\$ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
Remainder of 2022	\$ 80,371	\$ 130,853	\$ 211,224	3.8	3.04
2023	151,180	319,296	470,476	8.5	3.26
2024	138,578	391,216	529,794	9.6	2.81
2025	129,347	480,388	609,735	11.1	2.45
2026	107,036	493,518	600,554	10.9	2.41
2027	84,634	407,770	492,404	8.9	2.68
2028	76,017	322,643	398,660	7.2	2.62
2029	80,658	398,222	478,880	8.7	2.73
2030	45,504	307,596	353,100	6.4	2.08
2031-2036	80,136	1,289,987	1,370,123	24.9	2.95
	\$ 973,461	\$ 4,541,489	\$ 5,514,950	100.0 %	2.78 %
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net			\$ (131,647)		
Total			\$ 5,383,303		
Weighted average term to maturity (years)			6.24		

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

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at June 30, 2022 is as follows:

As at June 30, 2022							
(\$ Thousands)							
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%)	(1), (2)
Remainder of 2022	\$ 1,477	\$ —	\$ 1,477	€ 1,096 ⁽³⁾	0.1	—	
2023	2,961	80,837	83,798	62,198 ⁽³⁾	7.0	1.08	
2024	2,393	106,560	108,953	80,869 ⁽³⁾	9.2	1.39	
2025	384	306,222	306,606	227,301 ⁽³⁾	25.8	1.87	
2026	—	258,926	258,926	192,184 ⁽³⁾	21.8	1.47	
2027	—	270,601	270,601	200,850 ⁽³⁾	22.7	1.38	
2028	—	158,979	158,979	118,000 ⁽³⁾	13.4	3.29	
	\$ 7,215	\$ 1,182,125	\$ 1,189,340	€ 882,498	100.0 %	1.77 %	
Deferred financing costs and fair value adjustments, net			\$ (5,059)				
Total			\$ 1,184,281				
Weighted average term to maturity			3.94				

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

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

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

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

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

Market capitalization and units outstanding are as follows:

As at June 30, 2022	
Market capitalization (\$ Thousands) ⁽¹⁾	\$7,857,798
Total number of units outstanding	175,319,016
Trust Units	173,066,938
Deferred units	120,633
RUR Plan units	452,255
Exchangeable LP Units	1,679,190
Ownership by trustees, officers and other senior management	0.4%

⁽¹⁾ Market capitalization is determined by taking all units outstanding (including all unit-based compensation plans) and multiplying by the closing price of the Trust Units at period end.

Normal Course Issuer Bid

In March 2022, CAPREIT received TSX approval of its notice of intention to proceed with an NCIB. Pursuant to the notice, CAPREIT may purchase up to 17,067,144 of its Trust Units, representing 10% of the public float of its Trust Units at the time of TSX approval, during the twelve-month period commencing March 24, 2022 and ending March 23, 2023. Under the NCIB, other than purchases made under block purchase exemption, CAPREIT may purchase up to 91,823 Trust Units on the TSX during any trading day, which is equal to 25% of 367,292 Trust Units, being the average daily trading volume during the last six months. Any Trust Units purchased under the NCIB will be cancelled.

CAPREIT entered into an automatic purchase plan effective during the term of the NCIB. Based on predefined instructions, the automatic purchase plan allows for purchases by CAPREIT of Trust Units during certain pre-determined blackout periods.

During the three and six months ended June 30, 2022, CAPREIT purchased and cancelled 1,401,764 Trust Units under the NCIB, at a weighted average purchase price of \$47.83 for a total cost of \$67.1 million. For the year ended December 31, 2021, the Trust did not have a NCIB program in place and as a result did not purchase and cancel any Trust Units.

During the month of July 2022, CAPREIT continued with its NCIB program, through its Automatic Unit Purchase Program with defined instructions, purchasing and cancelling 398,800 Trust Units, at a weighted average purchase price of \$44.37 per Trust Unit for a total cost of \$17.7 million.

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

	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20
Overall portfolio net AMR	\$ 1,167	\$ 1,159	\$ 1,149	\$ 1,143	\$ 1,118	\$ 1,115	\$ 1,121	\$ 1,113
Operating revenues (000s) ⁽¹⁾	\$ 251,693	\$ 246,628	\$ 240,678	\$ 236,097	\$ 228,856	\$ 227,506	\$ 225,238	\$ 221,420
NOI (000s) ⁽¹⁾	\$ 166,093	\$ 153,172	\$ 153,429	\$ 158,126	\$ 151,786	\$ 146,652	\$ 148,646	\$ 148,234
NOI Margin ⁽¹⁾	66.0%	62.1%	63.7%	67.0%	66.3%	64.5%	66.0%	66.9%
Net (Loss) income (000s)	\$ (250,354)	\$ 45,309	\$ 644,959	\$ 190,213	\$ 453,561	\$ 104,062	\$ 484,958	\$ 300,075
FFO (000s) ^{(1), (2)}	\$ 100,063	\$ 94,291	\$ 97,270	\$ 102,962	\$ 97,503	\$ 94,684	\$ 99,311	\$ 100,342
NFFO (000s) ^{(1), (2)}	\$ 102,871	\$ 97,622	\$ 100,353	\$ 105,819	\$ 100,080	\$ 95,942	\$ 99,985	\$ 101,114
Total debt to gross book value ⁽³⁾	38.80%	37.63%	36.12%	37.20%	36.37%	35.21%	35.54%	35.70%
FFO per unit ⁽¹⁾ - basic	\$ 0.569	\$ 0.537	\$ 0.556	\$ 0.593	\$ 0.564	\$ 0.549	\$ 0.577	\$ 0.585
NFFO per unit ⁽¹⁾ - basic	\$ 0.585	\$ 0.556	\$ 0.573	\$ 0.610	\$ 0.579	\$ 0.556	\$ 0.581	\$ 0.589
Weighted average number of units (000s) - basic	175,837	175,479	175,089	173,495	172,950	172,469	172,054	171,628
Weighted average number of units (000s) - diluted	176,322	175,994	175,567	173,985	173,512	173,072	172,616	172,188

⁽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 first and fourth quarters of each year are typically more subject 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 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 and six months ended June 30, 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 critical accounting estimates, assumptions and judgments can be found in note 3 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2021.

CONTROLS AND PROCEDURES

CAPREIT maintains appropriate information systems, procedures and controls to provide reasonable assurance that information disclosed externally is complete, reliable and timely. Pursuant to the Canadian Securities Administrators requirements under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, CAPREIT's Chief Executive Officer and Chief Financial Officer have satisfied themselves that as at June 30, 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 six months ended June 30, 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 25 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2022.

COMMITMENTS AND CONTINGENCIES

A summary of commitments and contingencies can be found in notes 26 and 27 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2022.

SUBSEQUENT EVENTS

A summary of subsequent events can be found in note 29 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 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. Despite various costs including trust expenses, wages, and repairs and maintenance costs are expected to further increase in 2022 due to inflationary cost pressures, numerous successful cost management initiatives are proving effective, leading to stable and growing stabilized 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 quality of living and 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 environmental 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.

SECTION VII: SUPPLEMENTAL INFORMATION

PROPERTY PORTFOLIO

Types of Property Interests

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

Portfolio Diversification

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

Portfolio by Geography

As at June 30,	2022	%	2021	%
Residential Suites				
Ontario				
Greater Toronto Area ⁽¹⁾	17,392	26.1	18,349	28.0
London / Kitchener / Waterloo	3,808	5.7	3,809	5.8
Ottawa	2,492	3.7	2,750	4.2
	23,692	35.5	24,908	38.0
Québec				
Greater Montréal Region	7,933	11.9	7,933	12.1
Québec City	3,291	4.9	2,517	3.9
	11,224	16.8	10,450	16.0
British Columbia				
Greater Vancouver Region	3,743	5.6	3,551	5.4
Victoria and Other British Columbia	2,117	3.2	2,032	3.1
	5,860	8.8	5,583	8.5
Nova Scotia				
Halifax	3,288	4.9	3,288	5.0
Alberta				
Calgary	1,775	2.7	1,775	2.7
Edmonton	543	0.8	543	0.8
	2,318	3.5	2,318	3.5
Prince Edward Island				
Charlottetown	637	1.1	637	1.0
Saskatchewan				
Regina	234	0.4	234	0.4
Total Canadian residential suites	47,253	71.0	47,418	72.4
Europe				
The Netherlands	6,901	10.4	6,184	9.5
Total residential suites	54,154	81.4	53,602	81.9
MHC Sites				
Total MHC sites	12,382	18.6	11,859	18.1
Total suites and sites	66,536	100.0	65,461	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 AND SIX MONTHS ENDED
JUNE 30, 2022
(UNAUDITED)**

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CONSOLIDATED BALANCE SHEETS

(CA\$ thousands)

Unaudited

As at	Note	June 30, 2022	December 31, 2021
Non-current assets			
Investment properties	6	\$ 16,874,572	\$ 17,101,919
Investments	3, 25	215,090	51,286
Investment in associate	3, 25	—	246,505
Mortgages receivable	7	46,800	114,990
Derivative assets	19	64,289	22,420
Other non-current assets	8	22,940	38,671
Total non-current assets		17,223,691	17,575,791
Current assets			
Derivative assets	19	23,102	8,506
Other current assets	8	83,094	55,265
Cash and cash equivalents		228,110	73,411
Total current assets		334,306	137,182
Total assets		\$ 17,557,997	\$ 17,712,973
Non-current liabilities			
Mortgages payable	12	\$ 6,113,263	\$ 5,456,605
Bank indebtedness	13	260,220	310,866
Unit-based compensation financial liabilities	14, 15	8,236	14,272
ERES units held by non-controlling unitholders	11	284,677	356,695
Derivative liabilities	19	—	1,157
Deferred income tax liability	20	140,232	133,974
Lease liabilities		48,065	48,316
Total non-current liabilities		6,854,693	6,321,885
Current liabilities			
Mortgages payable	12	454,321	643,460
Unit-based compensation financial liabilities	14, 15	11,920	22,623
Derivative liabilities	19	—	2,816
Accounts payable and accrued liabilities	10	119,671	141,499
Other current liabilities	9	14,906	15,492
Security deposits		45,025	43,675
Exchangeable LP Units	16	75,261	100,684
Distributions payable		20,912	20,953
Total current liabilities		742,016	991,202
Total liabilities		\$ 7,596,709	\$ 7,313,087
Unitholders' equity			
Unit capital	17	\$ 4,211,495	\$ 4,194,093
Retained earnings	17	5,886,530	6,249,190
Accumulated other comprehensive loss	21	(136,737)	(43,397)
Total unitholders' equity		\$ 9,961,288	\$ 10,399,886
Total liabilities and unitholders' equity		\$ 17,557,997	\$ 17,712,973

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

(CA\$ thousands)

Unaudited

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2022	2021	2022	2021
Operating revenues					
Revenue from investment properties	24	\$ 251,693	\$ 228,856	\$ 498,321	\$ 456,362
Operating expenses					
Realty taxes		(23,806)	(21,840)	(47,253)	(43,650)
Property operating costs		(61,794)	(55,230)	(131,803)	(114,274)
Total operating expenses		(85,600)	(77,070)	(179,056)	(157,924)
Net rental income		166,093	151,786	319,265	298,438
Trust expenses		(17,108)	(13,120)	(33,102)	(26,696)
Unit-based compensation recovery (expense)	15	5,422	(4,433)	5,224	(8,919)
Fair value adjustments of investment properties	6	(466,663)	364,567	(447,108)	357,488
Fair value adjustments of Exchangeable LP Units		14,827	(1,419)	25,423	(2,706)
Fair value adjustments of investments		(33,803)	3,827	(78,201)	6,871
Loss on dispositions	5, 25	(2,073)	—	(2,165)	—
Amortization of property, plant and equipment		(1,861)	(2,069)	(3,774)	(4,081)
Gain (loss) on non-controlling interest	11	109,516	(4,038)	67,572	(19,826)
Gain on derivative financial instruments	19	36,845	4,203	68,422	34,725
Interest and other financing costs	22	(47,011)	(39,417)	(90,866)	(76,047)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions		2,763	—	2,763	—
(Loss) gain on foreign currency translation	25	(5,069)	165	(17,152)	(769)
Other income	24	2,328	8,046	10,618	13,249
Impairment of goodwill	8	(14,278)	—	(14,278)	—
Net (loss) income before income taxes		(250,072)	468,098	(187,359)	571,727
Current and deferred income tax expense	20	(282)	(14,537)	(17,686)	(14,104)
Net (loss) income		\$ (250,354)	\$ 453,561	\$ (205,045)	\$ 557,623
Other comprehensive loss, including items that may be reclassified subsequently to net (loss) income					
Amortization of losses from (AOCL) AOCI to interest and other financing costs	21	\$ 630	\$ 619	\$ 1,173	\$ 1,239
Loss on foreign currency translation	21	(49,623)	(5,350)	(102,140)	(82,444)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	21	—	—	7,627	—
Other comprehensive loss		\$ (48,993)	\$ (4,731)	\$ (93,340)	\$ (81,205)
Comprehensive (loss) income		\$ (299,347)	\$ 448,830	\$ (298,385)	\$ 476,418

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	39,761	—	—	39,761
Deferred Unit Plan	15,17	4,329	—	—	4,329
RUR Plan	15,17	6,922	—	—	6,922
Employee Unit Purchase Plan	15,17	1,547	—	—	1,547
Cancellation of Trust Units under NCIB	17	(35,157)	(31,893)	—	(67,050)
Total unit capital		17,402	(31,893)	—	(14,491)
Net loss and other comprehensive loss					
Net loss		—	(205,045)	—	(205,045)
Other comprehensive loss	21	—	—	(93,340)	(93,340)
Total net loss and other comprehensive loss		—	(205,045)	(93,340)	(298,385)
Distributions on Trust Units					
Distributions declared and paid		—	(104,810)	—	(104,810)
Distributions payable		—	(20,912)	—	(20,912)
Total distributions on Trust Units		—	(125,722)	—	(125,722)
Unitholders' equity, June 30, 2022		\$ 4,211,495	\$ 5,886,530	\$ (136,737)	\$ 9,961,288

	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	36,048	—	—	36,048
RUR Plan	15,17	8,213	—	—	8,213
Employee Unit Purchase Plan	15,17	1,478	—	—	1,478
Total unit capital		45,739	—	—	45,739
Net income and other comprehensive loss					
Net income		—	557,623	—	557,623
Other comprehensive loss	21	—	—	(81,205)	(81,205)
Total net income and other comprehensive loss		—	557,623	(81,205)	476,418
Distributions on Trust Units					
Distributions declared and paid		—	(99,008)	—	(99,008)
Distributions payable		—	(19,853)	—	(19,853)
Total distributions on Trust Units		—	(118,861)	—	(118,861)
Unitholders' equity, June 30, 2021		\$ 4,149,651	\$ 5,538,505	\$ (11,158)	\$ 9,676,998

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA\$ thousands)

Unaudited

		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
	Note	2022	2021	2022	2021
Cash provided by (used in):					
Operating activities					
Net (loss) income		\$ (250,354)	\$ 453,561	\$ (205,045)	\$ 557,623
Items related to operating activities not affecting cash:					
Fair value adjustments - investment properties		466,663	(364,567)	447,108	(357,488)
Fair value adjustments - Exchangeable LP Units		(14,827)	1,419	(25,423)	2,706
Fair value adjustments - investments		33,803	(3,827)	78,201	(6,871)
Mark-to-market (gain) loss on ERES units	11	(112,739)	843	(73,965)	13,422
Loss on dispositions	5, 25	2,073	—	2,165	—
Gain on derivative financial instruments	19	(36,845)	(4,203)	(68,422)	(34,725)
Amortization	8, 21, 22	8,125	7,195	14,884	12,093
Unit-based compensation (recovery) expense	15	(5,422)	4,433	(5,224)	8,919
Straight-line rent adjustment		(95)	(27)	(139)	(55)
Deferred income tax expense	20	(889)	13,486	15,575	12,349
Net profit from investment in associate	24	—	(5,202)	(647)	(7,544)
Unrealized foreign currency loss (gain)		5,069	(165)	9,525	769
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	25	—	—	7,627	—
Impairment of goodwill	8	14,278	—	14,278	—
Items related to financing and investing activities	23	41,348	36,878	78,054	73,396
Changes in non-cash operating assets and liabilities	23	(26,932)	(17,526)	(20,038)	(29,319)
Cash provided by operating activities		123,256	122,298	268,514	245,275
Investing activities					
Acquisition of investment properties	23	(52,686)	(406,568)	(423,661)	(409,301)
Capital investments	23	(69,361)	(68,115)	(152,577)	(142,963)
Operating lease buyout	6, 23	—	(4,457)	—	(4,457)
Acquisition of investments		(1,221)	—	(9,552)	—
Disposition of investment properties	23	215,379	—	215,379	—
Disposition of investments		458	—	458	—
Proceeds from settlement of mortgage receivable	7	68,190	—	68,190	—
Change in restricted cash		60	(655)	1,559	(824)
Investment income received		679	3,978	5,336	4,372
Cash (used in) provided by investing activities		161,498	(475,817)	(294,868)	(553,173)
Financing activities					
Mortgage financings	23	497,570	410,578	929,958	448,941
Mortgage principal repayments	23	(40,182)	(36,660)	(80,298)	(73,503)
Mortgages repaid on maturity and disposition	23	(195,664)	(121,578)	(357,427)	(210,651)
Lease payments		(1,564)	(1,565)	(3,106)	(2,969)
Financing costs		(2,931)	(2,299)	(4,712)	(2,854)
CMHC premiums on mortgages payable		(8,176)	(11,155)	(16,537)	(12,361)
Interest paid on mortgages and bank indebtedness	23	(39,549)	(32,955)	(75,130)	(65,278)
Bank indebtedness	23	(216,591)	264,828	(51,442)	317,066
Proceeds on issuance of Trust Units, net of issuance costs	23	835	711	1,778	1,586
Purchase and cancellation of Trust Units	17	(67,050)	—	(67,050)	—
Net cash distributions	23	(45,979)	(44,546)	(91,632)	(88,282)
Cash provided by (used in) financing activities		(119,281)	425,359	184,402	311,695
Changes in cash and cash equivalents during the period					
		165,473	71,840	158,048	3,797
Loss on foreign currency translation		(1,161)	(832)	(3,349)	(2,977)
Cash and cash equivalents, beginning of the period		63,798	51,534	73,411	121,722
Cash and cash equivalents, end of the period		\$ 228,110	\$ 122,542	\$ 228,110	\$ 122,542

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2022 (Unaudited)

(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 June 1, 2022. 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 June 30, 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 August 10, 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 six months ended June 30, 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

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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 is now 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 provided 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 25 for further information.

4. 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 Six Months Ended June 30, 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	—	16,159	3.19	6.00
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	—	36,619	3.19	6.00
May 2, 2022	110	The Netherlands	34,447	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
May 4, 2022	112	Kanata, ON	\$ 44,209	\$ 26,504	\$ —	2.37	2.17
Total	1,237		\$ 517,700	\$ 99,210	\$ 52,778		

⁽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 net assets assumed based on the relative fair value of each at the time of purchase.

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5. Investment Property Dispositions

The table below summarizes the dispositions completed since January 1, 2022.

Dispositions Completed During the Six Months Ended June 30, 2022

Disposition Date	Suite Count	Region(s)	Sale price	Fair Value Adjustments on Mortgages Assumed by Purchaser	Fair Value of Investment Properties	Cash Proceeds ⁽¹⁾	Mortgage Discharged or Assumed by Purchaser ⁽²⁾
April 29, 2022	82	Toronto, ON	\$ 56,000	\$ —	\$ 56,000	\$ 53,706	\$ 2,294
June 15, 2022	423	Scarborough, ON	165,000	3,186	161,814	133,351	28,463
June 20, 2022 ⁽³⁾	370	Ottawa, ON	35,125	679	34,446	25,572	8,874
Total	875		\$ 256,125	\$ 3,865	\$ 252,260	\$ 212,629	\$ 39,631

⁽¹⁾ Prior to working capital adjustments and transaction costs.

⁽²⁾ Includes mortgages payable with a total principal amount of \$5,211 discharged and \$38,285 assumed by the purchasers upon disposition. The amounts shown are net of fair value adjustments on mortgages assumed by purchaser. The weighted average stated interest rate on mortgages discharged and assumed was 2.07%.

⁽³⁾ CAPREIT disposed of its 50% interest in 370 apartment suites.

6. Investment Properties

Continuity of Carrying Amounts of Investment Properties by Type

For the Six Months Ended June 30, 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	517,700	—	—	517,700
Property capital investments	127,488	537	2,475	130,500
Capitalized direct leasing costs	42	—	167	209
Dispositions	(252,260)	—	—	(252,260)
Fair value adjustments	(437,040)	(2,533)	(7,535)	(447,108)
Loss on foreign currency translation	(176,388)	—	—	(176,388)
Balance of investment properties, end of the period	\$ 16,499,363	\$ 112,154	\$ 263,055	\$ 16,874,572

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

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Valuation Basis

Investment property is defined as property held to earn rental income or held 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 (loss).

External valuations for the Canadian portfolio are performed at year-end with quarterly updates provided on capitalization rates. As at June 30, 2022, CAPREIT received capitalization rates from its external appraiser on approximately 94% by value or 68% 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.

The recent regulatory and macroeconomic developments, including the acute increases to interest rates and inflation, has impacted the availability of some reliable market metrics. As such, the fair values of CAPREIT's investment properties are subject to significant change, and such changes may be material. Management is applying, to the greatest extent practicable, prudence and sound judgment in its basis for fair valuing its investment properties in the current unpredictable environment.

A summary of the market assumptions and ranges for each type of property interest, along with their fair values, is presented below as at June 30, 2022 and December 31, 2021:

As at June 30, 2022							
Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average	
Fee simple interests ⁽¹⁾	\$ 15,784,773	\$ 3,585	Capitalization rate	10.04 %	2.70 %	3.75 %	
MHC sites	714,590	1,912	Capitalization rate	8.60 %	5.01 %	5.86 %	
Operating leasehold interests ^{(2), (3)}	112,154	2,922	Discount rate ⁽⁶⁾	5.75 %	5.50 %	5.58 %	
Land leasehold interests ⁽⁴⁾	217,260	3,423	Discount rate ⁽⁶⁾	8.00 %	6.00 %	6.94 %	
Total Investment Properties excluding right-of-use assets	\$ 16,828,777						
Add: Right-of-use assets, net of fair value change	45,795						
Total Investment Properties	\$ 16,874,572						
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						

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- (1) The fee simple interests include \$2,673,407 (December 31, 2021 - \$2,676,150) of CAPREIT's European portfolio with an implied capitalization rate of 3.61% (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 4.58% (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 \$48,564 as at June 30, 2022 (December 31, 2021 - \$50,010).
- (3) For the two operating leasehold interests remaining as at June 30, 2022 (December 31, 2021 - two), the contractual weighted average remaining lease term on operating leasehold interests is 13.9 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 3.9 years as at June 30, 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 June 30, 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 June 30, 2022	Change in NOI					
		(2.00)%	(1.00)%	—%	+1.00%	+2.00%
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,205,663	\$ 2,399,396	\$ 2,593,129	\$ 2,786,862	\$ 2,980,596
	(0.25)%	841,265	1,021,075	1,200,886	1,380,697	1,560,508
	— %	(335,547)	(167,744)	—	167,861	335,664
	+0.25 %	(1,361,620)	(1,204,287)	(1,046,955)	(889,622)	(732,290)
	+0.50 %	(2,264,624)	(2,116,506)	(1,968,388)	(1,820,270)	(1,672,152)

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

7. Mortgages Receivable

CAPREIT issued vendor take-back 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 respective VTBs without notice or penalty. The table below presents the mortgages receivable:

Issuance date	Maturity year	Interest rate	June 30, 2022	December 31, 2021
September 29, 2021 ⁽¹⁾	2023	2.33 % \$	46,800	\$ 46,800
October 1, 2021 ⁽²⁾	2024	3.00 %	—	68,190
Total		\$	46,800	\$ 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.

- (2) This VTB was repaid early in full on June 8, 2022.

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8. Other Assets

As at	Note	June 30, 2022	December 31, 2021
Other non-current assets			
Property, plant and equipment ⁽¹⁾		\$ 48,795	\$ 47,430
Accumulated amortization of property, plant and equipment		(36,556)	(33,606)
Net property, plant and equipment		12,239	13,824
Right-of-use asset, net of amortization ⁽²⁾		3,306	3,365
Deferred loan costs, net ⁽³⁾		1,122	1,339
Deferred tax asset	20	4,414	5,010
Goodwill		—	15,133
Straight-line rent receivable		1,859	—
Total		\$ 22,940	\$ 38,671
Other current assets			
Prepaid expenses		\$ 27,822	\$ 10,732
Other receivables and tenant inducements		19,611	17,866
Restricted cash		9,446	10,986
Deposits		16,158	7,543
MHC home inventory		10,057	8,138
Total		\$ 83,094	\$ 55,265

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

⁽²⁾ Amortization during the three and six months ended June 30, 2022 is \$142 and \$281 respectively (three and six months ended June 30, 2021 - \$150 and \$303 respectively).

⁽³⁾ Deferred loan costs related to the revolving credit facilities net of accumulated amortization of \$1,970 (December 31, 2021 - \$1,673).

Impairment of Goodwill

Pursuant to the reverse acquisition of European Commercial Real Estate Investment Trust ("ECREIT") on March 29, 2019, CAPREIT recognized the residual of the consideration transferred over the fair value of net assets acquired as goodwill on the consolidated balance sheets at the time.

CAPREIT determined that ERES is the cash-generating unit to which goodwill is allocated. CAPREIT generally performs its annual test for impairment of goodwill in the fourth quarter, or more frequently if there are indicators of impairment, in accordance with the policy described in its annual consolidated financial statements. Similar to prior quarters, CAPREIT determined that ERES's market capitalization was an indicator of impairment as at June 30, 2022 and as such, performed a full impairment test.

In performing this impairment test, CAPREIT determined the recoverable amount of ERES using a market multiples-based valuation approach under the fair value less costs of disposal method. Inputs used in the calculation, which are classified as Level 3 in the fair value hierarchy, included ERES's forecasted annual adjusted funds from operations and an implied multiple thereon. Management compared the multiple to those observed for similar entities in the residential real estate sector.

Based on the impairment test performed, CAPREIT concluded that goodwill was impaired as at June 30, 2022, and recognized a goodwill impairment loss of \$14,278 in the consolidated statements of (loss) income and comprehensive (loss) income, thereby writing off the goodwill balance in full.

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9. Other Current Liabilities

As at	Note	June 30, 2022	December 31, 2021
Current tax liability	20	\$ 347	\$ 2,808
Mortgage interest payable		13,414	11,565
Current lease liabilities		1,145	1,119
Total		\$ 14,906	\$ 15,492

10. Accounts Payable and Accrued Liabilities

As at	June 30, 2022	December 31, 2021
Accounts payable	\$ 42,573	\$ 56,835
Accrued liabilities	56,544	63,659
Deferred revenue	15,646	15,708
Distributions payable to ERES non-controlling unitholders	902	745
Other	4,006	4,552
Total	\$ 119,671	\$ 141,499

11. ERES Units Held by Non-Controlling Unitholders

As at June 30, 2022, CAPREIT valued the ERES units held by non-controlling unitholders at \$284,677 (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 (gain) loss arises from the decrease (increase) in ERES's unit market price.

	Three Months Ended June 30,		Six Months Ended, June 30,	
	2022	2021	2022	2021
Mark-to-market (gain) loss on ERES units	\$ (112,739)	\$ 843	\$ (73,965)	\$ 13,422
Distributions to ERES non-controlling unitholders	3,223	3,195	6,393	6,404
(Gain) loss on non-controlling interest	\$ (109,516)	\$ 4,038	\$ (67,572)	\$ 19,826

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12. Mortgages Payable

As at June 30, 2022, mortgages payable bear interest at a weighted average effective rate of 2.62% (December 31, 2021 - 2.52%) and mature between 2022 and 2036. The effective interest rate as at June 30, 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 June 30, 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 \$15,688,042 have been pledged as security as at June 30, 2022 (December 31, 2021 - \$15,919,474). CAPREIT has investment properties with a fair value of \$1,186,530 as at June 30, 2022 that are not encumbered by mortgages (December 31, 2021 - \$1,182,445). Of these, \$993,940 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"). \$269,770 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 June 30, 2022, unamortized deferred financing costs of \$20,077, unamortized fair value gain of \$1,442 and unamortized prepaid CMHC premiums of \$118,071 are netted against mortgages payable (December 31, 2021 - \$17,989, \$1,992 and \$109,660, respectively).

Future principal repayments as at June 30, 2022 for the years indicated are as follows:

As at June 30, 2022	Principal Amount ⁽¹⁾	% of Total Principal
Remainder of 2022	\$ 211,224	3.2
2023	471,953	7.0
2024	613,592	9.2
2025	718,688	10.7
2026	907,160	13.5
2027 - 2036	3,781,673	56.4
Total principal	6,704,290	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(136,706)	
Total mortgages payable	\$ 6,567,584	

As at	June 30, 2022	December 31, 2021
Represented by:		
Mortgages payable - non-current ⁽¹⁾	\$ 6,113,263	\$ 5,456,605
Mortgages payable - current ⁽¹⁾	454,321	643,460
Total mortgages payable	\$ 6,567,584	\$ 6,100,065

⁽¹⁾ Included in mortgages payable as at June 30, 2022 are non-amortizing mortgages from ERES.

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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"). The Acquisition and Operating Facility matures on June 18, 2024 and the ERES Credit Facility matures on October 29, 2024.

As at June 30, 2022	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Facility	\$ 600,000	\$ 134,728	\$ 734,728
Less: USD LIBOR borrowings	— ⁽¹⁾	(109,971) ⁽⁵⁾	(109,971)
EURIBOR borrowings	(1,832) ⁽²⁾	—	(1,832)
Canadian borrowings	(148,417) ⁽³⁾	—	(148,417)
Letters of credit	(6,538)	—	(6,538)
Available borrowing capacity	\$ 443,213	\$ 24,757	\$ 467,970
Weighted average interest rate including interest rate swaps	1.83 % ⁽⁴⁾	0.74 % ⁽⁶⁾	1.37 %

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⁾ As at June 30, 2022 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% (December 31, 2021 - 1.35%) per annum.

⁽²⁾ As at June 30, 2022 CAPREIT has EURIBOR borrowings of €1,360 (December 31, 2021 - €nil) that bear interest at the EURIBOR rate, subject to a floor of 0%, plus a margin of 1.35% (December 31, 2021 - 1.35%) per annum.

⁽³⁾ As at June 30, 2022 Canadian borrowings bear interest at the bankers' acceptance rate plus a margin of 1.35% (December 31, 2021 - 1.35%) per annum.

⁽⁴⁾ As at June 30, 2022 excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 3.03% (December 31, 2021 - 1.76%). For details on the swaps, refer to note 19.

⁽⁵⁾ As at June 30, 2022 ERES has USD LIBOR borrowings of USD \$85,300 (December 31, 2021 - USD \$80,300) that bear interest at the USD LIBOR rate plus a margin of 1.35% (December 31, 2021 - 1.35%) per annum.

⁽⁶⁾ As at June 30, 2022 excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 2.98% (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 June 30, 2022, the maximum number of units issuable under CAPREIT's unit-based compensation plans (excluding ERES) is 11,500,000 units (December 31, 2021 - 9,500,000 units). The maximum number of units available for future issuance under these unit-based compensation plan agreements as at June 30, 2022 is 2,205,884 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 June 30, 2022, the maximum number of unit options issuable under the ERES UOP is 17,850,729 unit options (December 31, 2021 - 18,419,405 unit options).

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The table below summarizes the activity of CAPREIT's unit-based compensation plans and the ERES UOP for the six months ended June 30, 2022 and 2021:

Six Months Ended June 30, 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	10,040	103,292	113,332
Exercised or settled in Trust Units or ERES units	(95,466)	(88,406)	(134,242)	(222,648)
Cancelled or forfeited	(70,334)	—	(3,544)	(3,544)
Distributions reinvested	—	2,576	7,049	9,625
Unit rights and unit options outstanding as at June 30, 2022	5,293,894	120,633	452,255	572,888
Six Months Ended June 30, 2021				
(Number of units)	ERES UOP	DUP	RUR	Total CAPREIT ⁽¹⁾
Unit rights and unit options outstanding as at January 1, 2021	4,199,694	174,805	563,387	738,192
Issued, cancelled or granted during the period				
Issued or granted	530,000	8,222	113,511	121,733
Exercised or settled in Trust Units or ERES units	—	—	(149,440)	(149,440)
Cancelled or forfeited	—	—	(87)	(87)
Distributions reinvested	—	2,276	7,494	9,770
Unit rights and unit options outstanding as at June 30, 2021	4,729,694	185,303	534,865	720,168

⁽¹⁾ Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the six months ended June 30, 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	June 30, 2022	December 31, 2021
Total unit-based compensation financial liabilities, beginning of the period	\$ 36,895	\$ 33,747
Unit-based compensation (recovery) expense	(5,482)	14,615
Settlement of unit-based compensation awards for Trust Units and ERES units	(11,020)	(11,306)
Gain on foreign currency translation	(237)	(161)
Total unit-based compensation financial liabilities, end of the period	\$ 20,156	\$ 36,895

Unit-based compensation financial liabilities are as follows:

As at	June 30, 2022	December 31, 2021
Non-current		
RUR	\$ 8,174	\$ 14,179
ERES UOP	62	93
	\$ 8,236	\$ 14,272
Current		
DUP	\$ 5,407	\$ 11,777
RUR	5,118	8,038
ERES UOP	1,395	2,808
	\$ 11,920	\$ 22,623
Total unit-based compensation financial liabilities	\$ 20,156	\$ 36,895

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

As at June 30, 2022, 0.4% (December 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.

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15. Unit-Based Compensation (Recovery) Expense

These costs represent unit-based compensation (recovery) expense, which include fair value remeasurements at each reporting date recognized over the respective vesting periods for each plan for the periods ended June 30, 2022 and 2021, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
DUP	\$ (1,139)	\$ 1,069	\$ (2,058)	\$ 2,031
RUR Plan	(1,398)	3,251	(2,003)	6,424
EUPP	121	119	258	249
ERES UOP	(3,006)	(6)	(1,421)	215
Unit-based compensation (recovery) expense	\$ (5,422)	\$ 4,433	\$ (5,224)	\$ 8,919

DUP

The DUP gives the non-executive trustees the right to receive a percentage of their annual retainer in the form of deferred units ("Deferred Units"). Effective June 1, 2022, CAPREIT has amended and restated the DUP such that each trustee may elect to be paid between 50% and 100% (the "Elected Percentage") of their annual retainer payable in respect of a calendar year (the "Elected Amount"), in the form of Deferred Units and in lieu of cash, on a dollar-for-dollar basis.

The Deferred Units earn notional distributions based on the same distributions paid on the Trust Units, and such notional distributions are used to acquire additional Deferred Units ("Distribution Units"). The Deferred Units and additional Distribution Units are credited to each trustee's Deferred Unit account and are not issued to the trustee until the trustee elects to withdraw such units. Each trustee may elect to withdraw up to 20% of the Deferred Units credited to their Deferred Unit account only once in a five-year period. Distribution Units are issued and valued based on the volume weighted average trading price of all Trust Units traded on the TSX for the five trading days immediately preceding the distribution date.

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 \$75,261 as at June 30, 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 for the six months ended June 30, 2022 and for the year ended December 31, 2021 is as follows:

For the Period Ended	June 30, 2022	December 31, 2021
Exchangeable LP Units outstanding, beginning of the period	1,679,190	332,703
Issued or granted	—	1,346,487
Exchangeable LP Units outstanding, end of the period	1,679,190	1,679,190

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17. Unitholders' Equity

The number of issued and outstanding Trust Units (excluding unit rights issued or outstanding under CAPREIT's unit-based compensation plans) for the periods ended June 30, 2022 and 2021, as follows:

For the Six Months Ended June 30,	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")	809,716	702,908
EUPP	29,932	27,333
DUP	88,406	—
RUR Plan	134,242	149,440
Cancellation of Trust Units under NCIB	(1,401,764)	—
Trust Units outstanding, end of the period	173,066,938	172,631,520

a) *Distribution Reinvestment Plan ("DRIP")*

On May 19, 2022, CAPREIT approved changes to its DRIP to permit the suspension of the issuance of bonus Trust Units to participants. Consequently, commencing with the June 2022 distribution, participants in the DRIP as of the record date of June 30, 2022 will receive units at a price equal to the weighted average trading price of Trust Units on the TSX for the five trading days immediately preceding each distribution date, without any bonus Trust Units being issued. The total consideration for units issued represents the amount of cash distributions reinvested in additional units.

b) *Normal Course Issuer Bid ("NCIB")*

In March 2022, CAPREIT received TSX approval of its notice of intention to proceed with an NCIB. Pursuant to the notice, CAPREIT may purchase up to 17,067,144 of its Trust Units, representing 10% of the public float of its Trust Units at the time of TSX approval, during the twelve-month period commencing March 24, 2022 and ending March 23, 2023. Under the NCIB, other than purchases made under block purchase exemption, CAPREIT may purchase up to 91,823 Trust Units on the TSX during any trading day, which is equal to 25% of 367,292 Trust Units, being the average daily trading volume during the last six months. Any Trust Units purchased under the NCIB will be cancelled.

CAPREIT entered into an automatic purchase plan effective during the term of the NCIB. Based on predefined instructions, the automatic purchase plan allows for purchases by CAPREIT of Trust Units during certain pre-determined blackout periods.

During the three and six months ended June 30, 2022, CAPREIT purchased and cancelled 1,401,764 Trust Units under the NCIB, at a weighted average purchase price of \$47.83 per Trust Unit, for a total cost of \$67,050. The excess of the purchase price over the weighted average historical unit issuance price was recorded as a reduction to retained earnings.

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18. Financial Instruments, Investment Properties and Risk Management

a) Fair Value of Financial Instruments and Investment Properties

At June 30, 2022, the fair value of CAPREIT's mortgages payable is estimated to be \$6,223,000 (December 31, 2021 - \$6,294,000). The difference between the carrying amount and the fair value of mortgages payable is due to changes in interest rates and foreign exchange rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions. At June 30, 2022, the principal outstanding on CAPREIT's mortgages payable is \$6,704,290 (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.

	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	\$ —	\$ —	\$ 16,499,363 ⁽¹⁾	\$ 16,499,363
Operating leasehold interests	—	—	112,154 ⁽¹⁾	112,154
Land leasehold interests	—	—	263,055 ⁽¹⁾	263,055
Investments	215,090	—	—	215,090
Derivative financial assets	—	87,391 ⁽²⁾	—	87,391
Liabilities				
ERES units held by non-controlling unitholders	(284,677)	—	—	(284,677)
Unit-based compensation financial liabilities	—	(20,156)	—	(20,156)
Exchangeable LP Units	—	(75,261)	—	(75,261)

⁽¹⁾ Fair value of investment properties is determined using either the direct income capitalization ("DC") or the DCF methods, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 6 for detailed information on the valuation methodologies and fair value reconciliation.

Although CAPREIT has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by CAPREIT. As at June 30, 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 June 30, 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 six months ended June 30, 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	
		June 30, 2022	June 30, 2021
Floating rate debt	+100	\$ (958)	\$ (409)
Floating rate debt	-100	\$ 958	\$ 409
Cross-currency and/or interest rate swaps ⁽¹⁾	+100	\$ 10,317	\$ 1,599
Cross-currency and/or interest rate swaps ⁽¹⁾	-100	\$ (10,291)	\$ (1,618)

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

CAPREIT's objective in managing interest rate risk is to minimize the volatility of interest expenses due to fluctuations in market interest rates. As at June 30, 2022, interest rate risk has been minimized, as 99.2% (June 30, 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 (June 30, 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 \$1,216,797 of mortgages on the MHC sites and the ERES properties), which reduces the risk in refinancing mortgages. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 and 40 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders and to provide future growth in its business. As at June 30, 2022, CAPREIT had undrawn lines of credit in the amount of \$443,213 (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 June 30, 2022, and defined as current assets less current liabilities, is funded through 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 June 30, 2022 are as follows:

	2022 ⁽²⁾	2023 - 2024	2025 - 2026	2027 onward
Mortgages payable	\$ 211,224	\$ 1,085,545	\$ 1,625,848	\$ 3,781,673
Bank indebtedness	—	260,220	—	—
Mortgage interest	78,732	277,133	215,007	288,725
Bank indebtedness interest ⁽¹⁾	2,493	7,247	—	—
Other liabilities ⁽³⁾	133,432	—	—	—
ERES units held by non-controlling unitholders	—	—	—	284,677
Lease liabilities	561	2,472	2,848	43,329
Security deposits	45,025	—	—	—
Distributions payable	20,912	—	—	—
	\$ 492,379	\$ 1,632,617	\$ 1,843,703	\$ 4,398,404

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

⁽²⁾ Amounts as at June 30, 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 sold to 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) gain 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 (loss) income and comprehensive (loss) 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 June 30, 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 %	7,108	
CCIR Swaps ⁽²⁾	\$ 570,694	2022 - 2025	1.07 %	0.08 %	59,604	
ERES Interest Rate Swap ⁽³⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %	679	
ERES Interest Rate Swaps	€ 156,550	2027	EURIBOR	(0.06)%	19,565	
ERES CCIR Swaps ⁽⁴⁾	US\$ 85,300	2022	US LIBOR + 1.35%	EURIBOR + 1.25%	435	
Consolidated Total					\$ 87,391	

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 \$15,559 (December 31, 2021 - \$8,506) and a non-current derivative asset of \$44,045 (December 31, 2021 - \$5,844).

⁽³⁾ As at June 30, 2022, the interest rate swap consists of a non-current derivative asset of \$679 (December 31, 2021 - \$389) and a non-current derivative liability of \$nil (December 31, 2021 - \$1,157).

⁽⁴⁾ Rolling one-month CCIR swap with a euro equivalent of €81,000 (December 31, 2021 - €71,050).

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

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20. Income Taxes

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

CAPREIT has foreign 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(Loss) income before income taxes	\$ (250,072)	\$ 468,098	\$ (187,359)	\$ 571,727
Amounts not subject to taxation ⁽¹⁾	247,040	(409,016)	251,824	(512,483)
Taxable income in foreign subsidiary entities	(3,032)	59,082	64,465	59,244
Tax calculated at the Dutch corporate tax rate of 25.8% (2021: 25.0%)	(782)	14,770	16,632	14,811
Increase (decrease) resulting from:				
Effect of different tax rates in countries in which CAPREIT operates	333	(192)	342	(501)
Adjustment for income taxed at a lower rate	(320)	(339)	(796)	(492)
Unrecognized deferred tax assets	360	145	585	292
Provision to tax return true-up	919	—	919	—
Other adjustments	(228)	153	4	(6)
Current and deferred income tax expense	\$ 282	\$ 14,537	\$ 17,686	\$ 14,104

⁽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 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Current income tax expense	\$ 1,171	\$ 1,051	\$ 2,111	\$ 1,755
Deferred income tax expense (recovery)	(889)	13,486	15,575	12,349
Current and deferred income tax expense	\$ 282	\$ 14,537	\$ 17,686	\$ 14,104

The deferred income tax liability of \$140,232 (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 \$4,414 (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 June 30, 2022, CAPREIT has total non-capital loss carry-forwards of \$18,633 (December 31, 2021 - \$18,040). Of these losses, \$13,667 (December 31, 2021 - \$13,449) are in respect of the Dutch subsidiaries which, starting on January 1, 2022, have no expiry period but the utilization is subject to annual limits. The remaining losses of \$4,966 (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 \$6,724 as it does not expect this difference to reverse in the foreseeable future.

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21. Accumulated Other Comprehensive Loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(AOCL) AOCI balance, beginning of the period	\$ (87,744)	\$ (6,427)	\$ (43,397)	\$ 70,047
Other comprehensive loss:				
Amortization from (AOCL) AOCI to interest and other financing costs ⁽¹⁾	630	619	1,173	1,239
Loss on foreign currency translation	(49,623)	(5,350)	(102,140)	(82,444)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES ⁽²⁾	—	—	7,627	—
Other comprehensive loss	(48,993)	(4,731)	(93,340)	(81,205)
AOCL balance, end of the period	\$ (136,737)	\$ (11,158)	\$ (136,737)	\$ (11,158)
As at		June 30, 2022		December 31, 2021
AOCL comprises:				
Net cumulative loss on derivative financial instruments		\$ (21)		\$ (110)
Net cumulative loss on forward interest rate hedge ⁽¹⁾		(508)		(1,592)
Cumulative loss on foreign currency translation		(136,208)		(41,695)
AOCL balance, end of the period		\$ (136,737)		\$ (43,397)

⁽¹⁾ The amount of the amortization expected to be reclassified to net income from AOCL in the next 12 months is \$173.

⁽²⁾ Refer to note 25 for further information.

22. Interest and Other Financing Costs

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest on mortgages payable ⁽¹⁾	\$ 39,248	\$ 32,583	\$ 75,739	\$ 65,732
Amortization of CMHC premiums and fees	3,441	3,631	7,225	4,601
Interest on bank indebtedness and other deferred costs ⁽²⁾	2,319	1,829	4,025	3,109
Interest on Exchangeable LP Units	608	114	1,217	229
Interest on land and air rights lease liability	1,395	1,260	2,660	2,376
	\$ 47,011	\$ 39,417	\$ 90,866	\$ 76,047

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and other comprehensive loss hedge interest for the three and six months ended June 30, 2022 of \$1,258 and \$2,499 respectively (three and six months ended June 30, 2021 - \$1,258 and \$2,953 respectively).

⁽²⁾ Includes amortization of deferred loan costs for the three and six months ended June 30, 2022 of \$145 and \$297 respectively (three and six months ended June 30, 2021 - \$239 and \$458 respectively).

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23. Supplemental Cash Flow Information

a) Items Related to Investing and Financing Activities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Dividend and interest income	\$ (679)	\$ (399)	\$ (5,336)	\$ (793)
Distributions to holders of Exchangeable LP Units	608	114	1,217	229
Distributions to ERES non-controlling unitholders	3,223	3,195	6,393	6,404
Interest expense on mortgages	38,492	31,118	73,257	62,528
Fair value adjustment upon mortgage assumption on disposition	(3,865)	—	(3,865)	—
Interest expense on bank indebtedness	2,174	1,590	3,728	2,652
Interest expense on leases	1,395	1,260	2,660	2,376
Net disbursements	\$ 41,348	\$ 36,878	\$ 78,054	\$ 73,396

b) Changes in Non-cash Operating Assets and Liabilities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Prepaid expenses	\$ (17,791)	\$ (6,246)	\$ (17,329)	\$ (10,818)
Tenant inducements, direct leasing costs and other adjustments	534	(366)	1,426	(1,174)
Other receivables	5,542	(1,840)	(606)	(1,507)
Deposits	(4,294)	(402)	(4,261)	(972)
MHC home inventory	(163)	—	(1,919)	—
Accounts payable and other liabilities	(11,051)	(9,314)	1,124	(10,923)
Derivative liability	259	—	1,302	(4,082)
Security deposits	996	1,509	2,592	1,149
Current tax liability	(964)	(867)	(2,367)	(992)
Net decrease in non-cash operating assets and liabilities	\$ (26,932)	\$ (17,526)	\$ (20,038)	\$ (29,319)

c) Net Cash Distributions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Distributions declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	\$ (66,674)	\$ (62,816)	\$ (133,332)	\$ (125,494)
Add: Distributions payable to Unitholders at beginning of the period	(21,007)	(19,808)	(20,953)	(19,751)
Less: Distributions payable to Unitholders at end of the period	20,912	19,853	20,912	19,853
Less: Distributions to participants in the CAPREIT DRIP	19,777	17,503	39,761	36,048
Add: Distributions payable to ERES non-controlling unitholders at beginning of the period	(935)	(905)	(745)	(920)
Less: Distributions payable to ERES non-controlling unitholders at end of the period	902	904	902	904
Less: Distributions to non-controlling participants in the ERES DRIP	1,009	738	1,947	1,073
Add: Distributions payable to holders of Exchangeable LP Units at beginning of the period	(203)	(38)	(406)	(38)
Less: Distributions payable to holders of Exchangeable LP Units at end of the period	203	38	203	38
Gain on foreign currency translation	37	(15)	79	5
Net disbursements	\$ (45,979)	\$ (44,546)	\$ (91,632)	\$ (88,282)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2022 (Unaudited)

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

d) Capital Investments

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Capital investments	\$ (75,292)	\$ (76,803)	\$ (138,199)	\$ (137,511)
Change in capital investments included in accounts payable and other liabilities	5,931	8,688	(14,378)	(5,452)
Net disbursements	\$ (69,361)	\$ (68,115)	\$ (152,577)	\$ (142,963)

e) Acquisition of Investment Properties

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Acquired properties	\$ (78,656)	\$ (429,648)	\$ (517,700)	\$ (429,648)
Fair value of assumed debt	25,888	26,613	99,500	26,613
Deposit on purchases	82	(3,533)	(5,461)	(6,266)
Net disbursements	\$ (52,686)	\$ (406,568)	\$ (423,661)	\$ (409,301)

f) Operating Lease Buyout

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease buyout	\$ —	\$ (4,457)	\$ —	\$ (4,457)
Issuance of Exchangeable LP Units	—	—	—	—
Net disbursements	\$ —	\$ (4,457)	\$ —	\$ (4,457)

g) Disposition of Investment Properties

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Proceeds	\$ 252,260	\$ —	\$ 252,260	\$ —
Closing costs	(1,669)	—	(1,669)	—
Working capital adjustments	(792)	—	(792)	—
Fair value of mortgages assumed by purchaser on dispositions	\$ (34,420)	\$ —	\$ (34,420)	\$ —
Net proceeds	\$ 215,379	\$ —	\$ 215,379	\$ —

h) Issuance of Trust Units

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Issuance of Trust Units	\$ 9,134	\$ 3,572	\$ 12,798	\$ 9,693
Settlement of unit-based compensation awards for Trust Units	(8,299)	(2,860)	(11,020)	(8,106)
Net proceeds	\$ 835	\$ 711	\$ 1,778	\$ 1,586

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

i) Mortgage Portfolio

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Balance, beginning of the period	\$ 6,358,664	\$ 5,254,638	\$ 6,100,065	\$ 5,401,202
Add:				
New borrowings on acquisitions	52,778	65,825	211,341	65,825
Refinanced	444,792	344,753	718,617	383,116
Less:				
Mortgage principal repayments	(40,182)	(36,660)	(80,298)	(73,503)
Mortgage lump sum repayments	(190,453)	(121,578)	(352,216)	(210,651)
Mortgages repaid on dispositions of investment properties	(5,211)	—	(5,211)	—
Non-cash adjustments:				
Mortgages assumed upon property acquisitions	26,503	26,485	99,194	26,485
Mortgages assumed by purchasers upon dispositions	(38,285)	—	(38,285)	—
Gain on foreign currency translation	(34,707)	(4,214)	(74,576)	(63,497)
Net change in deferred financings costs, fair value adjustment and prepaid CMHC premiums	(6,315)	(8,051)	(11,047)	(7,779)
Balance, end of the period	\$ 6,567,584	\$ 5,521,198	\$ 6,567,584	\$ 5,521,198

j) Bank Indebtedness

	Three Months Ended June 30,		Six Months Ended June 30,	
For the Six Months Ended June 30,	2022	2021	2022	2021
Balance, beginning of the period	\$ 474,441	\$ 169,534	\$ 310,866	\$ 118,553
Net (repayments) borrowings before foreign currency translation	(216,591)	264,828	(51,442)	317,066
Loss (gain) on foreign currency translation	2,370	(554)	796	(1,811)
Balance, end of the period	\$ 260,220	\$ 433,808	\$ 260,220	\$ 433,808

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June 30, 2022 (Unaudited)

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

24. Revenue and Other Income

Other income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Investment income ⁽¹⁾	\$ 381	\$ 369	\$ 4,996	\$ 739
Net profit from investment in associate ⁽²⁾	—	5,202	647	7,544
Asset and property management fees, and transition service fees ⁽³⁾	404	2,443	2,252	4,908
Interest income from mortgages receivable	652	—	1,428	—
Profit from sale of MHC inventory ⁽⁴⁾	594	—	956	—
Other	297	32	339	58
Total	\$ 2,328	\$ 8,046	\$ 10,618	\$ 13,249

⁽¹⁾ Investment income for the three and six months ended June 30, 2022 includes \$nil and \$4,235, respectively, of semi-annual dividends from IRES (three and six months ended June 30, 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 25 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, CAPREIT's share of IRES's investment property fair value gain is nil (three and six months ended June 30, 2021 - \$2,211). Refer to note 25 for further information.

⁽³⁾ Based on the IMA with IRES, which terminated on January 31, 2022. This includes transition service fees of \$404 and \$1,407 for the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021 - \$nil). Refer to note 25 for further information.

⁽⁴⁾ Consists of income from sale of MHC home inventory of \$1,761 and \$2,747, offset by cost of sales of \$1,167 and \$1,791 for the three and six months ended June 30, 2022, respectively (three and six months ended June 30, 2021 - \$nil and \$nil, respectively).

In accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), management has evaluated the lease and non-lease components of its revenue and income. Revenues under IFRS 15 consist of asset and property management fees, transition service fees and profit from sale of MHC home inventory listed above and miscellaneous revenues. For the three and six months ended June 30, 2022, miscellaneous revenues of \$6,278 and \$12,030 respectively were included in revenue from investment properties (three and six months ended June 30, 2021 - \$4,708 and \$9,385 respectively). Miscellaneous revenues consist of cable income, certain common area maintenance recoveries, service charges and premium service components.

25. Related Party Transactions

a) IRES Transactions

Included in other income for the three and six months ended June 30, 2022 are asset management, property management, and transition service fees of \$404 and \$2,252, respectively (three and six months ended June 30, 2021 - \$2,443 and \$4,908, respectively). Expenses related to the asset management, property management, and transition service fees are included in trust expenses.

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) gain on foreign currency translation on the statements of (loss) income and comprehensive (loss) 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. CAPREIT subsequently remeasures its investment in associate at fair value at each reporting period. The fair

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value changes are included in fair value adjustments of investments on the statements of (loss) income and comprehensive (loss) income.

Furthermore, given that IRES is no longer an associate, IRES is no longer a related party since January 31, 2022.

b) Transactions with Key Management Personnel

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Short-term benefits	\$ 578	\$ 866	\$ 1,340	\$ 1,806
Termination benefits	—	—	1,849	—
Unit-based compensation - grant date amortization ⁽¹⁾	820	798	1,943	1,445
	1,398	1,664	5,132	3,251
Unit-based compensation - fair value remeasurement	(2,367)	1,563	(4,369)	3,125
Total	\$ (969)	\$ 3,227	\$ 763	\$ 6,376

⁽¹⁾ Includes \$nil and \$393 for the three and six months ended June 30, 2022, respectively, relating to accelerated vesting of previously granted RUR units (three and six months ended June 30, 2021 - \$nil).

c) ERES Transactions

Pipeline Agreement

There were no acquisitions made pursuant to the Pipeline Agreement during the three and six months ended June 30, 2022.

Promissory Note

On October 28, 2021, the CAPREIT Board of Trustees approved the provision of up to \$222,301 (€165,000) in funding to ERES via promissory note arrangements, 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 six months ended June 30, 2022 are summarized in the table below.

Issuance Date	Principal (€)	Interest Rate per Annum	Maturity Date	June 30, 2022	
				Amount outstanding (€)	Amount outstanding (\$)
January 26, 2022	€ 19,000	1.30 %	July 26, 2022	€ —	\$ —
March 28, 2022	48,450	1.30 %	September 28, 2022	—	—
April 27, 2022	25,650	1.50 %	October 27, 2022	25,650	34,558
Total	€ 93,100			€ 25,650	\$ 34,558

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

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The table below summarizes fees charged to ERES:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Asset management fees	\$ 2,002	\$ 1,797	\$ 3,996	\$ 3,629
Acquisition fees	312	691	1,215	691
Property management fees	1,067	978	2,134	1,977
Service fees	322	253	581	395
Interest from promissory note	341	—	410	—
Total	\$ 4,044	\$ 3,719	\$ 8,336	\$ 6,692

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

26. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at June 30, 2022 in the aggregate amount of \$11,329 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.

	Remainder of 2022	2023	2024	2025
Gas Commodity				
Fixed weighted average cost per GJ ⁽¹⁾	\$ 2.20	\$ 2.31	\$ 2.31	\$ 2.26
Total of CAPREIT's estimated requirements	99.3 %	64.2 %	51.5 %	30.1 %
Transport				
Fixed weighted average cost per GJ ⁽¹⁾	\$ 1.02	\$ 0.81	\$ 0.75	\$ 0.79
Total of CAPREIT's estimated requirements	88.0 %	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 \$119,199 were outstanding as at June 30, 2022 (December 31, 2021 - \$37,153).

27. Contingencies

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

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28. Segmented Information

CAPREIT owns and operates investment properties located in Canada, the Netherlands, Germany and Belgium. In measuring performance, CAPREIT distinguishes its operations on a geographic basis and, accordingly, has identified two reportable segments for disclosure purposes after aggregation. Segments include (i) Canada and (ii) the Netherlands and other European markets. CAPREIT's chief operating decision-maker, determined to be the President and Chief Executive Officer of CAPREIT, 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 June 30, 2022				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	221,440 \$	30,253 \$	251,693
Operating expenses		(78,767)	(6,833)	(85,600)
Net rental income	\$	142,673 \$	23,420 \$	166,093
Fair value adjustments of investment properties	\$	(453,635) \$	(13,028) \$	(466,663)

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

For the Six Months Ended June 30, 2022				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	437,918 \$	60,403 \$	498,321
Operating expenses		(165,250)	(13,806)	(179,056)
Net rental income	\$	272,668 \$	46,597 \$	319,265
Fair value adjustments of investment properties	\$	(479,612) \$	32,504 \$	(447,108)

For the Six Months Ended June 30, 2021				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	399,930 \$	56,432 \$	456,362
Operating expenses		(144,860)	(13,064)	(157,924)
Net rental income	\$	255,070 \$	43,368 \$	298,438
Fair value adjustments of investment properties	\$	311,324 \$	46,164 \$	357,488

As at June 30, 2022				
Selected balance sheet items		Canada	Europe	Consolidated Financial Statements
Investment properties	\$	14,201,165 \$	2,673,407 \$	16,874,572
Mortgages payable		5,383,303	1,184,281	6,567,584

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

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29. Subsequent Events

On July 19, 2022, CAPREIT completed the acquisition of a 235-suite new build apartment property located in Laval, Quebec. CAPREIT paid \$102,000 (excluding transaction costs and fees), funded by cash and cash equivalents.

On July 26, 2022, CAPREIT completed the acquisition of a 65-suite apartment property located in Edmonton, Alberta. CAPREIT paid \$22,500 (excluding transaction costs and fees), funded by cash and cash equivalents.

During the month of July 2022, CAPREIT purchased and cancelled an additional 398,800 Trust Units under the NCIB, at a weighted average purchase price of \$44.37 per Trust Unit, for a total cost of \$17,694.

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."