



CANADIAN APARTMENT
PROPERTIES • REIT

**FINANCIAL REVIEW
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2022**



CANADIAN APARTMENT
PROPERTIES • REIT

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November 8, 2022

Report to Unitholders

Continued strengthening in our occupancies and average monthly rents, combined with our accretive acquisition and portfolio repositioning programs, generated further increases in our revenues, Net Operating Income (NOI) and Normalized Funds from Operations (NFFO) in the third quarter and first nine months of the year. Occupancies rose to 98.1% at September 30, 2022, up from the 97.9% last year, while average monthly rents increased 3.4%. Importantly, our balance sheet and financial position remained strong and resilient with a significant liquidity position.

For the nine months ended September 30, 2022, total operating revenues increased 8.4%, driven by the contribution from acquisitions completed over the last twelve months, increased occupancy, and higher average monthly rents. With this increase, total property NOI rose 6.4% compared to the same period last year. Same property NOI increased slightly as inflationary pressures on our utilities and operating costs are impacting our margins. We continue to explore numerous cost control initiatives, including emphasis on self-metered suites to reduce energy costs and enhance our environmental footprint.

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 nine months of 2022 we further expanded our property portfolio with the purchase of 1,537 suites and sites for total costs of approximately \$646 million. These new properties will make a strong, accretive and growing contribution in the months and years ahead. We also continue to reposition our portfolio, selling 1,129 older value-add suites, deploying the net proceeds into our portfolio growth, our Normal Course Issuer Bid (NCIB) program, and debt repayments. In addition to demonstrating the value we are creating with these transactions; we are also meeting our commitment to increase the supply of new and affordable homes in the communities in which we operate.

In May 2022 we began purchasing our Trust Units for cancellation under our approved NCIB program. To date we have purchased 4.4 million Trust Units for approximately \$202 million. Given that our Trust Units are 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.

NFFO increased by 1.7% for the nine months ended September 30, 2022, primarily due to the increase in operating revenues. Basic NFFO per unit increased slightly compared to prior year and included the 1.3% increase in the weighted average number of units outstanding. Our NFFO payout ratio remained a very strong 62.0% at September 30, 2022, underpinning the strength and stability of our monthly cash distributions. We were pleased to see further acceleration in average monthly rents on turnover and renewal in the quarter. Through the first nine months of 2022 we saw a 12.0% increase in rents on suite turnover in the Canadian portfolio compared to only 5.0% in the prior year. Lease renewals were up 1.4%. 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 2.59%, and we continue to focus on extending our debt maturities. Importantly, we maintained a strong and flexible liquidity position with \$414 million available in cash and on our credit facilities. We also own \$1.3 billion in unencumbered Canadian properties, providing additional capacity should it be needed to fund our growth.

In September we were very proud to celebrate 25 years of growth and performance. Since its founding in 1997, CAPREIT has grown from only 2,900 suites in Ontario to where we now have interests in approximately 67,000 apartment suites, townhomes, and manufactured housing community sites well-located in major markets across Canada and internationally with a total asset value exceeding \$17 billion. By building a modern, high-quality portfolio, investing in our properties, and leveraging the significant experience and commitment of our team, we are confident the next 25 years will generate further exceptional growth and value for our Unitholders.

Mark Kenney
President and Chief Executive Officer



CANADIAN APARTMENT PROPERTIES • REIT

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

NOVEMBER 8, 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 nine months ended September 30, 2022 and 2021 dated November 8, 2022, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 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 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 in the long term; 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 Adjusted Earnings Before Interest, Tax, Depreciation, Amortization and Fair Value ("Adjusted 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 September 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.

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 Q3 - 2022 RESULTS OF OPERATIONS

Key Transactions and Events

- CAPREIT continues to invest in accretive opportunities with total acquisitions for the three months ended September 30, 2022, amounting to \$127.9 million comprised of 300 suites located in Canada.
- Total dispositions for the three months ended September 30, 2022 of \$91.2 million, which included 253 suites located in the Greater Toronto Area and a single residential suite in the Netherlands. CAPREIT will continue to consider opportunities where it can strategically access attractive equity capital for redeployment into more accretive growth opportunities, including acquiring new build assets, repurchasing Trust Units for cancellation under our current normal course issuer bid ("NCIB") program, and repaying debt.
- During the three and nine months ended September 30, 2022, CAPREIT purchased and cancelled approximately 3.0 million and 4.4 million Trust Units, respectively, under the NCIB program, at a weighted average purchase price of \$45.18 and \$46.03 per Trust Unit, respectively, for a total cost of \$134.7 million and \$201.8 million, respectively.

Strong Operating Results

- On turnovers, monthly residential rents for the three and nine months ended September 30, 2022 increased by 14.1% on 5.1% of the Canadian portfolio and 12.0% on 13.0% of the Canadian portfolio, respectively, compared to an increase of 6.0% on 7.5% of the Canadian portfolio and 5.0% on 16.6% of the Canadian portfolio, respectively, for the three and nine months ended September 30, 2021.
- Net Average Monthly Rent ("Net AMR") for the same property portfolio as at September 30, 2022 increased by 2.8% compared to September 30, 2021.
- Net operating income ("NOI") increased by 1.6% and 0.7%, respectively, for the same property portfolio for the three and nine months ended September 30, 2022, compared to an NOI increase of 1.1% and 2.1%, respectively, for the same property portfolio for the three and nine months ended September 30, 2021.

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with over \$413.9 million of available liquidity, comprising \$101.3 million of cash and cash equivalents and \$312.6 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 \$718.6 million for the nine months ended September 30, 2022, with top-ups net of discharges totalling \$291.5 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 nine months ended September 30, 2022 the fair value of investment properties increased by \$20.0 million and decreased by \$207.4 million, respectively. The fair value of investment properties driven by remeasurement decreased by \$95.7 million and \$542.8 million, respectively, for the three and nine months ended September 30, 2022, primarily driven by capitalization rate expansion in the Canadian portfolio, partially offset by higher stabilized NOI.
- Diluted NAV per unit as at September 30, 2022 slightly decreased to \$56.44 from \$56.66 as at June 30, 2022, reflecting an increase in borrowings on the Acquisition and Operating Facility and 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 nine months ended September 30, 2022.

Canadian Acquisitions Completed During the Nine Months Ended September 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
July 19, 2022	235	Laval, QC	105,272	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
July 26, 2022	65	Edmonton, AB	22,633	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	1,181		\$ 517,439	\$ 99,210	\$ —		
2021 Acquisition financing					\$ 158,563 ⁽⁴⁾	2.81 ⁽⁴⁾	6.24 ⁽⁴⁾

The Netherlands Acquisitions Completed During the Nine Months Ended September 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 nine months ended September 30, 2022.

Dispositions Completed During the Nine Months Ended September 30, 2022

(\$ Thousands)

Disposition Date	Suite Count	Region	Sale Price	Fair Value Adjustments on Mortgages Assumed by Purchaser	Fair Value of Investment Properties	Net 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
August 24, 2022	253	East York, ON	90,100	—	90,100	67,197	22,903
August 24, 2022 ⁽⁴⁾	1	The Netherlands	1,137	—	1,137	1,137	—
Total	1,129		\$ 347,362	\$ 3,865	\$ 343,497	\$ 280,963	\$ 62,534

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

⁽²⁾ Includes mortgages payable with a total principal amount of \$28.1 million discharged and \$38.3 million assumed by the purchasers upon disposition. The amounts shown are net of \$3.9 million fair value adjustments on mortgages assumed by purchaser. The weighted average stated interest rate on mortgages discharged and assumed was 2.27%.

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

⁽⁴⁾ Represents disposition of a single residential suite.

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 unlock development value 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 and MHC sites 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 September 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Portfolio Performance				
Overall portfolio occupancy ⁽¹⁾			98.1%	97.9 %
Overall portfolio net Average Monthly Rents ⁽¹⁾			\$ 1,182	\$ 1,143
Operating revenues (000s)	\$ 252,032	\$ 236,097	\$ 750,353	\$ 692,459
NOI (000s)	\$ 166,644	\$ 158,126	\$ 485,909	\$ 456,564
NOI margin	66.1%	67.0 %	64.8%	65.9 %
Financial Performance				
FFO per unit – basic ⁽²⁾	\$ 0.605	\$ 0.593	\$ 1.711	\$ 1.706
NFFO per unit – basic ⁽²⁾	\$ 0.612	\$ 0.610	\$ 1.753	\$ 1.745
Cash distributions per unit	\$ 0.363	\$ 0.357	\$ 1.087	\$ 1.047
FFO payout ratio ⁽²⁾	59.8%	60.4 %	63.5%	61.6 %
NFFO payout ratio ⁽²⁾	59.1%	58.8 %	62.0%	60.2 %
Liquidity and Leverage				
Total debt to gross book value ^{(1), (2)}			39.4%	37.2 %
Total debt to gross historical cost ^{(1), (2)}			54.0%	52.5 %
Weighted average mortgage interest rate ⁽¹⁾			2.59%	2.55 %
Weighted average mortgage term (years) ⁽¹⁾			5.6	5.7
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⁾			\$ 312,578	\$ 243,282
Cash and cash equivalents (000s) ⁽¹⁾			\$ 101,295	\$ 138,438

⁽¹⁾ As at September 30.

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

⁽³⁾ Based on the trailing four quarters.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Other Measures				
Weighted average number of units - basic (000s)	174,196	173,495	175,166	172,975
Number of residential suites and sites acquired	300	1,463	1,537	3,122
Number of suites disposed ⁽¹⁾	254	87	1,129	87
Net Asset Value per unit - diluted ^{(2), (3)}			\$ 56.44	\$ 56.71
Closing price of Trust Units on the TSX ⁽³⁾			\$ 42.10	\$ 59.11
Market capitalization (millions) ^{(3), (4)}			\$ 7,258	\$ 10,366

⁽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 September 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. Same property AMR includes all properties held as at September 30, 2021, but excludes properties disposed of as at September 30, 2022.

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

As at September 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⁾	1,568	1,511	3.8	1,579	1,532	3.1	99.3	98.6
London / Kitchener / Waterloo	1,134	1,079	5.1	1,140	1,088	4.8	99.5	99.2
Ottawa	1,502	1,384	8.5	1,505	1,394	8.0	99.8	99.2
	1,490	1,432	4.1	1,500	1,449	3.5	99.4	98.8
Québec								
Greater Montréal Region	1,065	1,005	6.0	1,088	1,039	4.7	97.8	96.8
Québec City	1,286	1,106	16.3	1,323	1,138	16.3	97.2	97.1
	1,128	1,030	9.5	1,155	1,063	8.7	97.7	96.9
British Columbia								
Greater Vancouver Region	1,527	1,488	2.6	1,535	1,501	2.3	99.5	99.1
Victoria and Other British Columbia	1,481	1,371	8.0	1,483	1,376	7.8	99.9	99.7
	1,510	1,443	4.6	1,516	1,452	4.4	99.6	99.3
Nova Scotia								
Halifax	1,354	1,294	4.6	1,380	1,319	4.6	98.1	98.1
Alberta								
Calgary	1,144	1,105	3.5	1,149	1,115	3.0	99.5	99.2
Edmonton	1,232	1,152	6.9	1,280	1,206	6.1	96.2	95.6
	1,166	1,116	4.5	1,182	1,135	4.1	98.7	98.3
Prince Edward Island								
Charlottetown	1,123	1,112	1.0	1,129	1,118	1.0	99.5	99.5
Saskatchewan								
Regina	1,048	1,015	3.3	1,080	1,061	1.8	97.0	95.7
Total Canadian residential suites	1,371	1,311	4.6	1,387	1,333	4.1	98.8	98.3
Europe								
The Netherlands ⁽²⁾	1,295	1,350	(4.1)	1,324	1,374	(3.6)	97.8	98.2
Total residential suites	1,361	1,315	3.5	1,379	1,338	3.1	98.7	98.3
MHC Sites								
Total MHC sites	406	397	2.3	425	414	2.7	95.6	95.9
Total suites and sites	1,182	1,143	3.4	1,204	1,168	3.1	98.1	97.9

⁽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 €962 and €912 as at September 30, 2022 and September 30, 2021, respectively, resulting in a Net AMR change of 5.5%. The Occupied AMR for the total property portfolio is €983 and €928 as at September 30, 2022 and September 30, 2021, respectively, resulting in a Net AMR change of 5.9%.

Same Property Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

As at September 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	1,568	1,513	3.6	1,579	1,531	3.1	99.3	98.8
London / Kitchener / Waterloo	1,134	1,079	5.1	1,140	1,088	4.8	99.5	99.2
Ottawa	1,484	1,424	4.2	1,487	1,433	3.8	99.8	99.4
	1,489	1,433	3.9	1,498	1,449	3.4	99.4	98.9
Québec								
Greater Montréal Region	1,044	1,005	3.9	1,067	1,039	2.7	97.8	96.8
Québec City	1,139	1,106	3.0	1,163	1,138	2.2	97.9	97.1
	1,067	1,030	3.6	1,090	1,063	2.5	97.9	96.9
British Columbia								
Greater Vancouver Region	1,527	1,488	2.6	1,535	1,501	2.3	99.5	99.1
Victoria	1,463	1,371	6.7	1,464	1,376	6.4	99.9	99.7
	1,504	1,443	4.2	1,510	1,452	4.0	99.6	99.3
Nova Scotia								
Halifax	1,354	1,294	4.6	1,380	1,319	4.6	98.1	98.1
Alberta								
Calgary	1,144	1,105	3.5	1,149	1,115	3.0	99.5	99.2
Edmonton	1,169	1,152	1.5	1,221	1,206	1.2	95.8	95.6
	1,150	1,116	3.0	1,166	1,135	2.7	98.6	98.3
Prince Edward Island								
Charlottetown	1,123	1,112	1.0	1,129	1,118	1.0	99.5	99.5
Saskatchewan								
Regina	1,048	1,015	3.3	1,080	1,061	1.8	97.0	95.7
Total Canadian residential suites	1,359	1,309	3.8	1,374	1,330	3.3	98.9	98.4
Europe								
The Netherlands ⁽²⁾	1,288	1,350	(4.6)	1,317	1,374	(4.1)	97.8	98.2
Total residential suites	1,351	1,314	2.8	1,368	1,335	2.5	98.8	98.4
MHC Sites								
Total MHC sites	404	397	1.8	422	414	1.9	95.6	95.9
Total suites and sites	1,170	1,138	2.8	1,192	1,163	2.5	98.2	97.9

⁽¹⁾ Prior year comparable Net and Occupied AMR and occupancy has been restated for properties disposed of since September 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 same property portfolio for Net AMR are €953 and €912 as at September 30, 2022 and September 30, 2021, respectively, resulting in a Net AMR change of 4.5%. The Occupied AMR for the same property portfolio is €974 and €926 as at September 30, 2022 and September 30, 2021, respectively, resulting in an Occupied AMR change of 5.2%.

The rate of growth in same property 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 Québec. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.70 as at September 30, 2022, increased from \$1.60 as at September 30, 2021.

Annual Rental Guidelines as per Rental Board

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

	2023 ⁽¹⁾	2022	2021 ⁽²⁾
Ontario	2.5%	1.2%	0.0%
British Columbia	2.0%	1.5%	0.0%

⁽¹⁾ Ontario and British Columbia have capped the rental guideline increase at 2.5% and 2.0%, respectively, below current rates of inflation. Without the cap, the rental guideline increase would have been calculated to be 5.3% and 5.4%, respectively, based on the Ontario and British Columbia Consumer Price Indices.

⁽²⁾ Ontario and British Columbia 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 CAPREIT's buildings. Some improvements may include improving the security of buildings, restoring physical integrity to original condition, or improving access for those with disabilities. 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 three-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 September 30,	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%	%	\$	%	%
Suite turnovers	190.3	14.1	5.1	81.2	6.0	7.5
Lease renewals	21.8	1.8	17.4	16.6	1.5	14.5
Weighted average of turnovers and renewals	60.0	4.6		38.6	3.0	

For the Nine Months Ended September 30,	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%	%	\$	%	%
Suite turnovers	165.4	12.0	13.0	68.8	5.0	16.6
Lease renewals	19.1	1.4	78.9	15.4	1.4	31.7
Weighted average of turnovers and renewals	39.8	2.9		33.8	2.6	

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

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

	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	176.0	18.2	3.3	138.0	15.7	3.5
Lease renewals	28.6	3.2	91.5	22.8	2.3	54.7
Weighted average of turnovers and renewals	33.7	3.7		29.7	3.1	

For the Nine Months Ended September 30,

	2022			2021		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	€	%		€	%	
Suite turnovers	190.0	20.6	8.5	133.0	15.4	10.9
Lease renewals	28.6	3.2	91.5	22.8	2.3	54.7
Weighted average of turnovers and renewals	42.3	4.7		41.1	4.5	

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

Overall, suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) during the three and nine months ended September 30, 2022 resulted in monthly rent increase of approximately \$190 or 14.1% and \$165 or 12.0%, respectively, compared to an increase of approximately \$81 or 6.0% and \$69 or 5.0%, 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 \$22 or 1.8% for the three months ended September 30, 2022, and \$19 or 1.4%, for the nine months ended September 30, 2022, compared to an increase of approximately \$17 or 1.5% and \$15 or 1.4%, 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 87.7% and 86.1%, respectively, of its tenants in Ontario and British Columbia, with rent increase of 1.2% and 1.5%, respectively, during the nine months ended September 30, 2022.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three and nine months ended September 30, 2022 resulted in monthly rent increasing by approximately €176 or 18.2% and €190 or 20.6% respectively, compared to an increase of approximately €138 or 15.7% and €133 or 15.4% 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 only once a year in July, renewals resulted in an increase of €29 or 3.2% for the three and nine months ended September 30, 2022 compared to an increase of €23 or 2.3% for the same periods last year.

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				Nine Months Ended			
	September 30,				September 30,			
	2022	% ⁽¹⁾	2021	% ⁽¹⁾	2022	% ⁽¹⁾	2021	% ⁽¹⁾
New tenant inducements incurred - residential	\$ 182		\$ 1,926		\$ 963		\$ 5,815	
New tenant inducements incurred - commercial	59		—		134		30	
Total new tenant inducements incurred	\$ 241		\$ 1,926		\$ 1,097		\$ 5,845	
Tenant inducements amortized	\$ 941	0.4	\$ 1,950	0.8	\$ 3,827	0.5	\$ 4,797	0.7
Vacancy loss incurred	5,482	2.2	6,961	2.9	15,802	2.1	20,975	3.0
Total amortization and vacancy loss	\$ 6,423	2.6	\$ 8,911	3.7	\$ 19,629	2.6	\$ 25,772	3.7
Bad debt allowance recognized as an expense	\$ 1,687	0.7	\$ 1,104	0.5	\$ 4,477	0.6	\$ 3,685	0.5

⁽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 September 30, 2022 and 2021. Revenue is comprised of residential, commercial, and ancillary revenue.

Total Operating Revenues by Geography

For the Three Months Ended September 30, (\$ Thousands)	2022		2021	
	Revenue	%	Revenue	%
Residential Suites				
Ontario				
Greater Toronto Area ⁽¹⁾	\$ 86,270	34.1	\$ 83,542	35.6
London / Kitchener / Waterloo	13,285	5.3	12,593	5.3
Ottawa	8,838	3.5	8,610	3.6
	\$ 108,393	42.9	\$ 104,745	44.5
Québec				
Greater Montréal Region	\$ 32,305	12.8	\$ 27,166	11.5
Québec City	10,487	4.2	9,227	3.9
	\$ 42,792	17.0	\$ 36,393	15.4
British Columbia				
Greater Vancouver Region	\$ 17,948	7.1	\$ 17,254	7.2
Victoria and Other British Columbia	10,272	4.1	8,386	3.6
	\$ 28,220	11.2	\$ 25,640	10.8
Nova Scotia				
Halifax	\$ 14,317	5.7	\$ 13,406	5.7
Alberta				
Calgary	\$ 7,288	2.9	\$ 6,839	2.9
Edmonton	2,267	0.9	1,911	0.8
	\$ 9,555	3.8	\$ 8,750	3.7
Prince Edward Island				
Charlottetown	\$ 2,172	0.9	\$ 2,127	0.9
Saskatchewan				
Regina	\$ 737	0.3	\$ 707	0.3
Total Canadian residential suites	\$ 206,186	81.8	\$ 191,768	81.3
Europe				
The Netherlands ⁽²⁾	\$ 27,573	10.9	\$ 26,014	11.0
Other Europe ⁽³⁾	2,409	1.0	2,627	1.1
	\$ 29,982	11.9	\$ 28,641	12.1
Total residential suites	\$ 236,168	93.7	\$ 220,409	93.4
MHC Sites				
Total MHC sites	\$ 15,864	6.3	\$ 15,688	6.6
Total residential suites and MHC sites	\$ 252,032	100.0	\$ 236,097	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, €20,997 and €17,508 for three months ended September 30, 2022 and September 30, 2021, respectively.

⁽³⁾ Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,833 and €1,769 for the three months ended September 30, 2022 and September 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 September 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 September 30,	2022	2021
Residential rent roll ^{(1), (2)}	\$ 930,531	\$ 885,327
Commercial rent roll ^{(1), (2)}	31,843	32,536
Annualized net rental revenue run-rate	\$ 962,374	\$ 917,863

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

Actual net rental revenue excluding net rental revenue from disposed properties for the 12 months ended September 30, 2022 was \$928.3 million (12 months ended September 30, 2021 - \$861.0 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 same property NOI is a key indicator of operating performance of properties fully owned by CAPREIT in the current and prior year comparative periods. Same properties for the three and nine months ended September 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 September 30, 2022, same property suites and sites represented 92.7% of total suites and sites.

(\$ Thousands)

For the Three Months Ended September 30,	Total NOI			Same Property NOI		
	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Operating revenues						
Net rental revenues	\$ 239,016	\$ 223,853	6.8	\$ 218,279	\$ 212,094	2.9
Other ⁽²⁾	13,016	12,244	6.3	12,112	11,722	3.3
Total operating revenues	\$ 252,032	\$ 236,097	6.7	\$ 230,391	\$ 223,816	2.9
Operating Expenses						
Realty taxes	(23,262)	(21,768)	6.9	(21,064)	(20,557)	2.5
Utilities	(15,226)	(14,261)	6.8	(14,165)	(13,197)	7.3
Other ⁽³⁾	(46,900)	(41,942)	11.8	(42,180)	(39,467)	6.9
Total operating expenses	\$ (85,388)	\$ (77,971)	9.5	\$ (77,409)	\$ (73,221)	5.7
NOI	\$ 166,644	\$ 158,126	5.4	\$ 152,982	\$ 150,595	1.6
NOI margin	66.1 %	67.0 %		66.4 %	67.3 %	

(\$ Thousands)	Total NOI			Same Property NOI		
For the Nine Months Ended September 30,	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 711,046	\$ 656,280	8.3	\$ 650,599	\$ 633,189	2.7
Other ⁽²⁾	39,307	36,179	8.6	36,587	35,081	4.3
Total operating revenues	\$ 750,353	\$ 692,459	8.4	\$ 687,186	\$ 668,270	2.8
Operating Expenses						
Realty taxes	\$ (70,515)	\$ (65,418)	7.8	\$ (64,346)	\$ (62,772)	2.5
Utilities	(57,210)	(49,573)	15.4	(52,593)	(47,034)	11.8
Other ⁽³⁾	(136,719)	(120,904)	13.1	(124,481)	(115,760)	7.5
Total operating expenses	\$ (264,444)	\$ (235,895)	12.1	\$ (241,420)	\$ (225,566)	7.0
NOI	\$ 485,909	\$ 456,564	6.4	\$ 445,766	\$ 442,704	0.7
NOI margin	64.8 %	65.9 %		64.9 %	66.2 %	

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

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

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

Operating Revenues

For the three and nine months ended September 30, 2022, total operating revenues for the total and same property 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 nine months ended September 30, 2022, realty taxes for both the total and same property 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			Same Property Utilities		
For the Three Months Ended September 30,	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Electricity	\$ 5,361	\$ 4,970	7.9	\$ 4,910	\$ 4,628	6.1
Natural gas	2,426	1,977	22.7	2,267	1,843	23.0
Water	7,439	7,314	1.7	6,988	6,726	3.9
Total	\$ 15,226	\$ 14,261	6.8	\$ 14,165	\$ 13,197	7.3

(\$ Thousands)	Total Utilities			Same Property Utilities		
For the Nine Months Ended September 30,	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
Electricity	\$ 19,259	\$ 17,001	13.3	\$ 17,812	\$ 16,293	9.3
Natural gas	15,791	11,431	38.1	14,350	10,886	31.8
Water	22,160	21,141	4.8	20,431	19,855	2.9
Total	\$ 57,210	\$ 49,573	15.4	\$ 52,593	\$ 47,034	11.8

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

The tables below break down the factors causing the above changes in the same property 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 September 30, 2022	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	(7.7)%	13.8%	Increased rates due to general rate increases across portfolio
Natural gas	(4.8)%	27.8%	Increased rates due to volatile natural gas market and carbon tax
Water	4.4%	(0.5)%	Higher consumption, partially offset by lower rates
Total	(1.1)%	8.4%	

For the Nine Months Ended September 30, 2022	Increase (decrease) due to consumption	Increase due to rate	Explanation
Electricity	(1.4)%	10.7%	Increased rates due to general rate increases across portfolio
Natural gas	4.8%	27.0%	Increased rates due to volatile natural gas market and carbon tax Increased consumption due to colder weather during winter months compared to last year
Water	(1.2)%	4.1%	Higher rates, partially offset by lower consumption
Total	0.1%	11.7%	

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 remainder of 2022, 62.7% of CAPREIT's estimated requirements are hedged on the commodity itself, and 58.9% 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 September 30, 2022, Canadian tenants who pay their electricity charges directly represented 65% of the total 59,683 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 September 30, 2022 Dutch tenants who pay their utility charges directly represented 100% of the total 6,900 suites in the Netherlands.

Other Operating Expenses

For the three and nine months ended September 30, 2022, other operating expenses for the total and same property 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 higher R&M costs were primarily due to (i) the reduced ability to complete work in common area and in-suite maintenance across the portfolio during COVID-19 pandemic lockdowns in the last year compared to this year; (ii) there were certain required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites for which CAPREIT is proactively working on solutions that would allow for the full septic bed replacements at the affected sites that would eliminate these interim maintenance costs; and (iii) higher weather related maintenance costs which were primarily due to the colder weather during the winter months, increasing the amount of boilers and other weather-related maintenance needed.

NOI BY REGION

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

For the Three Months Ended September 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⁾	\$ 56,486	34.0	65.5	\$ 54,862	34.8	65.7	3.0
London / Kitchener / Waterloo	8,297	5.0	62.5	8,122	5.1	64.5	2.2
Ottawa	5,935	3.6	67.2	5,680	3.6	66.0	4.5
	\$ 70,718	42.6	65.2	\$ 68,664	43.5	65.6	3.0
Québec							
Greater Montréal Region	\$ 19,735	11.8	61.1	\$ 17,043	10.8	62.7	15.8
Québec City	6,676	4.0	63.7	5,780	3.7	62.6	15.5
	\$ 26,411	15.8	61.7	\$ 22,823	14.5	62.7	15.7
British Columbia							
Greater Vancouver Region	\$ 13,204	7.9	73.6	\$ 12,469	7.9	72.3	5.9
Victoria and Other British Columbia	7,696	4.6	74.9	6,245	3.9	74.5	23.2
	\$ 20,900	12.5	74.1	\$ 18,714	11.8	73.0	11.7
Nova Scotia							
Halifax	\$ 8,802	5.3	61.5	\$ 8,402	5.3	62.7	4.8
Alberta							
Calgary	\$ 4,058	2.4	55.7	\$ 3,999	2.5	58.5	1.5
Edmonton	1,323	0.8	58.4	1,166	0.7	61.0	13.5
	\$ 5,381	3.2	56.3	\$ 5,165	3.2	59.0	4.2
Prince Edward Island							
Charlottetown	\$ 1,123	0.7	51.7	\$ 1,182	0.7	55.6	(5.0)
Saskatchewan							
Regina	\$ 383	0.2	52.0	\$ 349	0.2	49.4	9.7
Total Canadian residential suites	\$ 133,718	80.3	64.9	\$ 125,299	79.2	65.3	6.7
Europe							
The Netherlands ⁽³⁾	\$ 21,534	12.9	78.1	\$ 20,148	12.7	77.5	6.9
Other Europe ⁽⁴⁾	1,979	1.2	82.2	2,151	1.4	81.9	(8.0)
	\$ 23,513	14.1	78.4	\$ 22,299	14.1	77.9	5.4
Total residential suites	\$ 157,231	94.4	66.6	\$ 147,598	93.3	67.0	6.5
MHC sites							
Total MHC sites ⁽⁵⁾	\$ 9,413	5.6	59.3	\$ 10,528	6.7	67.1	(10.6)
Total suites and sites	\$ 166,644	100.0	66.1	\$ 158,126	100.0	67.0	5.4

⁽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, €16,405 and €13,567 for the three months ended September 30, 2022 and September 30, 2021, respectively.

⁽⁴⁾ Comprised of ERES's NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,508 and €1,448 for the three months ended September 30, 2022 and September 30, 2021, respectively.

⁽⁵⁾ Includes \$744 of required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites for the three months ended September 30, 2022. Excluding these interim maintenance costs, NOI margins at MHC sites for the three months ended September 30, 2022 would have been 64.0%.

For the Nine Months Ended September 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⁾	\$ 167,778	34.6	64.2	\$ 159,355	34.9	64.7	5.3
London / Kitchener / Waterloo	24,657	5.1	62.4	22,343	4.9	64.8	10.4
Ottawa	17,696	3.6	66.0	17,417	3.8	67.7	1.6
	\$ 210,131	43.3	64.1	\$ 199,115	43.6	64.9	5.5
Québec							
Greater Montréal Region	\$ 53,305	11.0	58.1	\$ 49,825	10.9	61.6	7.0
Québec City	19,038	3.9	61.0	17,443	3.8	62.7	9.1
	\$ 72,343	14.9	58.9	\$ 67,268	14.7	61.9	7.5
British Columbia							
Greater Vancouver Region	\$ 38,423	7.9	71.9	\$ 36,476	8.0	71.0	5.3
Victoria and Other British Columbia	21,825	4.5	72.7	16,006	3.5	72.7	36.4
	\$ 60,248	12.4	72.2	\$ 52,482	11.5	71.5	14.8
Nova Scotia							
Halifax	\$ 24,938	5.1	58.8	\$ 23,687	5.2	60.7	5.3
Alberta							
Calgary	\$ 11,671	2.4	54.3	\$ 11,188	2.5	55.2	4.3
Edmonton	3,468	0.7	55.3	3,016	0.7	54.1	15.0
	\$ 15,139	3.1	54.5	\$ 14,204	3.2	54.9	6.6
Prince Edward Island							
Charlottetown	\$ 3,177	0.7	49.0	\$ 3,266	0.7	51.5	(2.7)
Saskatchewan							
Regina	\$ 1,168	0.2	53.1	\$ 1,062	0.2	50.7	10.0
Total Canadian residential suites	\$ 387,144	79.7	63.2	\$ 361,084	79.1	64.2	7.2
Europe							
The Netherlands ⁽³⁾	\$ 63,879	13.1	77.1	\$ 58,925	12.9	76.7	8.4
Other Europe ⁽⁴⁾	6,231	1.3	82.6	6,742	1.5	81.3	(7.6)
	\$ 70,110	14.4	77.6	\$ 65,667	14.4	77.2	6.8
Total residential suites	\$ 457,254	94.1	65.0	\$ 426,751	93.5	65.9	7.1
MHC Sites							
Total MHC sites ⁽⁵⁾	\$ 28,655	5.9	60.8	\$ 29,813	6.5	65.9	(3.9)
Total suites and sites	\$ 485,909	100.0	64.8	\$ 456,564	100.0	65.9	6.4

⁽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, €46,865 and €39,372 for the nine months ended September 30, 2022 and September 30, 2021, respectively.

⁽⁴⁾ Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, €4,569 and €4,506 for the nine months ended September 30, 2022 and September 30, 2021, respectively.

⁽⁵⁾ Includes \$1,145 of required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites for the nine months ended September 30, 2022. Excluding these interim maintenance costs, NOI margins at MHC sites for the nine months ended September 30, 2022 would have been 63.3%.

SAME PROPERTY NOI BY REGION

For the Three Months Ended September 30,	2022		2021		Increase (Decrease)		
(\$ Thousands)	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽¹⁾	\$ 52,870	65.8	\$ 50,570	66.1	5.0	5.8	4.5
London / Kitchener / Waterloo	7,477	64.8	7,291	66.4	5.1	10.1	2.6
Ottawa	5,609	67.5	5,382	67.3	3.9	3.4	4.2
	\$ 65,956	65.9	\$ 63,243	66.2	4.9	6.1 ⁽²⁾	4.3
Québec							
Greater Montréal Region	\$ 16,955	61.3	\$ 16,810	62.8	3.3	7.4	0.9
Québec City	5,877	62.7	5,780	62.6	1.6	1.4	1.7
	\$ 22,832	61.7	\$ 22,590	62.8	2.9	5.9 ⁽³⁾	1.1
British Columbia							
Greater Vancouver Region	\$ 13,204	73.6	\$ 12,469	72.3	4.0	(0.9)	5.9
Victoria	5,417	75.7	5,007	74.7	6.7	2.4	8.2
	\$ 18,621	74.2	\$ 17,476	72.9	4.8	0.0	6.6
Nova Scotia							
Halifax	\$ 8,802	61.5	\$ 8,402	62.7	6.8	10.2 ⁽⁴⁾	4.8
Alberta							
Calgary	\$ 4,052	55.6	\$ 3,999	58.5	6.6	13.9	1.3
Edmonton	1,106	55.0	1,166	61.0	5.2	21.3	(5.1)
	\$ 5,158	55.5	\$ 5,165	59.0	6.3	15.5 ⁽⁵⁾	(0.1)
Prince Edward Island							
Charlottetown	\$ 1,123	51.7	\$ 1,182	55.5	2.0	10.8 ⁽⁶⁾	(5.0)
Saskatchewan							
Regina	\$ 383	52.0	\$ 349	49.4	4.2	(1.1)	9.7
Total Canadian residential suites	\$ 122,875	65.1	\$ 118,407	65.6	4.6	6.3	3.8
Europe							
The Netherlands	\$ 18,769	78.0	\$ 19,777	77.6	(5.6)	(7.2)	(5.1)
Other Europe	1,979	82.2	2,173	82.1	(9.0)	(9.5)	(8.9)
	\$ 20,748	78.3	\$ 21,950	78.0	(5.9)	(7.3) ⁽⁷⁾	(5.5)
Total residential suites	\$ 143,623	66.7	\$ 140,357	67.3	3.2	5.1	2.3
MHC sites							
Total MHC sites	\$ 9,359	61.9	\$ 10,238	67.0	(1.0)	14.3 ⁽⁸⁾	(8.6)
Total suites and sites	\$ 152,982	66.4	\$ 150,595	67.3	2.9	5.7	1.6
Same property suites and sites	61,695		61,695				

⁽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 bad debt.

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

⁽⁴⁾ Higher expenses: higher R&M.

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

⁽⁶⁾ Higher expenses: higher R&M and realty taxes.

⁽⁷⁾ In € thousands, €15,778 and €14,769 for the three months ended September 30, 2022 and September 30, 2021, respectively. NOI increased by €1,009 or 6.8%. Lower expenses: lower R&M.

⁽⁸⁾ Higher expenses: higher R&M due to required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites.

For the Nine Months Ended September 30,	2022		2021		Increase (Decrease)		
(\$ Thousands)	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area ⁽¹⁾	\$ 154,691	64.8	\$ 149,737	65.3	4.1	5.7	3.3
London / Kitchener / Waterloo	22,019	64.1	21,442	65.4	4.7	8.6	2.7
Ottawa	16,570	66.9	16,603	69.5	3.6	12.2	(0.2)
	\$ 193,280	64.9	\$ 187,782	65.6	4.2	6.5 ⁽²⁾	2.9
Québec							
Greater Montréal Region	\$ 47,483	57.8	\$ 49,503	61.6	2.1	12.1	(4.1)
Québec City	16,690	59.9	17,446	62.8	0.3	8.0	(4.3)
	\$ 64,173	58.4	\$ 66,949	61.9	1.7	11.1 ⁽³⁾	(4.1)
British Columbia							
Greater Vancouver Region	\$ 38,426	71.9	\$ 36,478	71.0	4.1	0.9	5.3
Victoria	15,336	72.9	14,485	72.6	5.4	4.0	5.9
	\$ 53,762	72.2	\$ 50,963	71.5	4.4	1.8 ⁽⁴⁾	5.5
Nova Scotia							
Halifax	\$ 24,938	58.8	\$ 23,687	60.7	8.7	14.0 ⁽⁵⁾	5.3
Alberta							
Calgary	\$ 11,660	54.2	\$ 11,204	55.2	6.0	8.4	4.1
Edmonton	3,251	54.0	3,016	54.1	7.9	8.0	7.8
	\$ 14,911	54.2	\$ 14,220	55.0	6.4	8.3 ⁽⁶⁾	4.9
Prince Edward Island							
Charlottetown	\$ 3,179	49.1	\$ 3,268	51.5	2.1	7.3	(2.7)
Saskatchewan							
Regina	\$ 1,168	53.1	\$ 1,062	50.7	5.1	0.0	10.0
Total Canadian residential suites	\$ 355,411	63.4	\$ 347,931	64.6	4.1	7.7	2.1
Europe							
The Netherlands	\$ 56,450	76.9	\$ 58,551	76.8	(3.7)	(4.0)	(3.6)
Other Europe	6,231	82.6	6,700	80.5	(9.3)	(19.0)	(7.0)
	\$ 62,681	77.4	\$ 65,251	77.2	(4.2)	(5.2) ⁽⁷⁾	(3.9)
Total residential suites	\$ 418,092	65.1	\$ 413,182	66.3	3.0	6.5	1.2
MHC Sites							
Total MHC sites	\$ 27,674	61.3	\$ 29,522	65.8	0.7	14.2 ⁽⁸⁾	(6.3)
Total suites and sites	\$ 445,766	64.9	\$ 442,704	66.2	2.8	7.0	0.7
Same property suites and sites	61,695		61,695				

⁽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 and bad debt, and partially offset by wages.

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

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

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

⁽⁶⁾ Higher expenses: higher utilities.

⁽⁷⁾ In € thousands, NOI of €45,965 and €43,632 for the nine months ended September 30, 2022 and September 30, 2021, respectively. NOI increased by €2,333 or 5.3%. Lower expenses: lower R&M.

⁽⁸⁾ Higher expenses: higher R&M due to required interim maintenance costs for the operation of CAPREIT's septic tanks at some MHC sites.

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

(\$ Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
NOI	\$ 166,644	\$ 158,126	\$ 485,909	\$ 456,564
(Less) plus:				
Trust expenses	(11,687)	(12,284)	(44,789)	(38,980)
Unit-based compensation recovery (expense)	(60)	(3,500)	5,164	(12,419)
Fair value adjustments of investment properties	(95,680)	122,974	(542,788)	480,462
Fair value adjustments of Exchangeable LP Units	4,568	3,467	29,991	761
Fair value adjustments of investments	(19,799)	2,130	(98,000)	9,001
Loss on dispositions	(1,238)	(20)	(3,403)	(20)
Amortization of property, plant and equipment	(1,939)	(2,063)	(5,713)	(6,144)
Interest on Exchangeable LP Units	(609)	(282)	(1,826)	(511)
Interest on mortgages payable and other financing costs	(41,296)	(38,143)	(124,260)	(108,476)
Interest on bank indebtedness	(2,695)	(1,443)	(6,720)	(4,552)
Interest on land and air rights lease liability	(1,281)	(1,261)	(3,941)	(3,637)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions	(997)	—	1,766	—
Gain (loss) on non-controlling interest	46,232	(7,940)	113,804	(27,766)
Gain on derivative financial instruments	25,927	129	94,349	34,854
Loss on foreign currency translation	(4,571)	(5,132)	(21,723)	(5,901)
Other income	4,541	5,490	15,159	18,739
Goodwill impairment loss	—	—	(14,278)	—
Net (loss) income before income taxes	\$ 66,060	\$ 220,248	\$ (121,299)	\$ 791,975
Current and deferred income tax expense	(2,901)	(30,035)	(20,587)	(44,139)
Net (loss) income	\$ 63,159	\$ 190,213	\$ (141,886)	\$ 747,836
Other comprehensive (loss) income, including items that may be reclassified subsequently to net (loss) income				
Amortization of losses from (AOCL) AOCI to interest and other financing costs	\$ 121	\$ 618	\$ 1,294	\$ 1,857
(Loss) gain on foreign currency translation	(14)	8,730	(102,154)	(73,714)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	—	—	7,627	—
Other comprehensive (loss) income	\$ 107	\$ 9,348	\$ (93,233)	\$ (71,857)
Comprehensive (loss) income	\$ 63,266	\$ 199,561	\$ (235,119)	\$ 675,979

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 September 30,		Nine Months Ended September 30,	
	2022	2021 ⁽¹⁾	2022	2021
Trust expenses attributable to CAPREIT (excluding ERES)	\$ 10,584	\$ 10,698	\$ 39,402	\$ 33,760
Trust expenses attributable to ERES	1,103	1,586	5,387	5,220
Trust Expenses	\$ 11,687	\$ 12,284	\$ 44,789	\$ 38,980
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	(671)	(700)	(2,241)	(2,072)
Less: Acquisition fees from ERES attributed to ERES non-controlling unitholders ⁽¹⁾	—	—	(417)	(236)
Less: Asset and property management fees, and transition service fees from IRES ⁽²⁾	—	(2,519)	(2,252)	(7,427)
Net Trust Expenses	\$ 11,016	\$ 9,065	\$ 39,879	\$ 29,245
Net Trust Expenses as % of Operating Revenue	4.4 %	3.8 %	5.3 %	4.2 %
Net Trust Expenses as % of Total Assets	0.1 %	0.1 %	0.2 %	0.2 %

⁽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 decreased to \$11.7 million, for the three months ended September 30, 2022 and increased to \$44.8 million for the nine months ended September 30, 2022, compared to \$12.3 million and \$39.0 million, respectively, for the three months ended and nine months ended September 30, 2021. The increases are primarily a result of compliance, general, and IT development expenses which were partially offset by lower costs related to transactions not completed. For the three and nine months ended September 30, 2022, trust expenses included non-routine items of approximately \$0.2 million and \$5.6 million, respectively, related to costs related to transactions that were not completed and reorganization costs. For the three and nine months ended September 30, 2021, non-routine items related to transactions that were not completed were approximately \$1.1 million and \$3.6 million, respectively. Excluding non-routine items, net trust expenses as percentage of operating revenue were 4.3% and 4.6% for the three and nine months ended September 30, 2022, respectively, compared to 3.3% and 3.7%, respectively, for the three and nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Remeasurement of unit-based compensation liabilities	\$ 1,468	\$ (1,862)	\$ 10,654	\$ (7,033)
Amortization of fair value on grant date of unit-based compensation ⁽¹⁾	(1,528)	(1,638)	(5,490)	(5,386)
Total	\$ (60)	\$ (3,500)	\$ 5,164	\$ (12,419)

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

Gain (Loss) on Non-Controlling Interest

For the three and nine months ended September 30, 2022, CAPREIT recorded a gain of \$46.2 million and \$113.8 million, respectively, on ERES units held by non-controlling unitholders. This includes interest expense on ERES non-controlling unitholders of \$3.2 million and \$9.6 million, respectively, for the three and nine months ended September 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 nine months ended September 30, 2022 primarily relates to changes in the yield curve and foreign exchange rates, respectively. 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.

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 September 30, 2022, the euro weakened against the Canadian dollar from a closing price of \$1.4391 per euro to \$1.3463 per euro.

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

As at September 30, 2022							
(\$ Thousands)							
		Other Comprehensive Income (Loss)		Net (loss) income		Total Foreign Exchange Gain (Loss)	
	Balance	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended
Total Foreign Assets ⁽¹⁾	€ 2,159,573 ⁽⁴⁾	\$ (762)	\$ (206,037)	\$ (131)	\$ (754) ⁽⁵⁾	\$ (893)	\$ (206,791)
Total Foreign Liabilities ⁽²⁾	1,088,845	748	103,883	(4,440)	(20,969)	(3,692)	82,914
Net Foreign Equity ⁽³⁾	€ 1,070,728	\$ (14)	\$ (102,154)	\$ (4,571)	\$ (21,723) ⁽⁵⁾	\$ (4,585)	\$ (123,877)
Cross-Currency Swap	442,358	—	—	12,305	51,068	12,305	51,068
Net Foreign Exchange Exposure and Gain (Loss)	€ 628,370	\$ (14)	\$ (102,154)	\$ 7,734	\$ 29,345	\$ 7,720	\$ (72,809)
Net Foreign Exchange Exposure - Excluding Non-controlling Interest ⁽³⁾	€ 307,603						

As at September 30, 2021

(\$ Thousands)

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

- (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) income.
- (2) Foreign liabilities are comprised of ERES liabilities and CAPREIT's euro borrowings: (a) foreign exchange gains or losses related to loans secured by ERES are recorded in foreign currency translation under other comprehensive (loss) income; (b) gains or losses on CAPREIT's euro borrowings are recorded in foreign currency translation under net (loss) income.
- (3) As at September 30, 2022, net foreign equity includes €943,430 (September 30, 2021 - €825,580) relating to ERES in which CAPREIT has a 66% (September 30, 2021 - 66%) interest. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €307,603 (September 30, 2021 - €288,720).
- (4) Includes ERES assets of €2,032,275 and CAPREIT's investment in IRES of €125,895 (September 30, 2021 - €1,721,702 and €179,539, 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		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Investment income ⁽¹⁾	\$ 3,574	\$ 370	\$ 8,570	\$ 1,109
Interest income from mortgages receivable	271	—	1,699	—
Profit from sale of MHC inventory ⁽²⁾	376	—	1,332	—
Net profit from investment in associate ⁽³⁾	—	2,522	647	10,066
Asset and property management fees, and transition service fees ⁽⁴⁾	—	2,519	2,252	7,427
Other	320	79	659	137
Total	\$ 4,541	\$ 5,490	\$ 15,159	\$ 18,739

(1) Investment income for the three and nine months ended September 30, 2022 includes \$3.1 million and \$7.3 million, respectively, of semi-annual dividends from IRES (three and nine months ended September 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) Consists of income from sale of MHC home inventory of \$1.1 million and \$3.8 million, offset by cost of sales of \$0.7 million and \$2.5 million for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 - \$nil).

(3) Net profit from investment in associate represented CAPREIT's share of IRES' earnings, investment property fair value change, and foreign exchange effects thereon during the period when CAPREIT exercised significant influence over IRES. Subsequent to January 31, 2022, CAPREIT no longer exercised significant influence over IRES and as a result, its investment in IRES no longer qualified as an investment in associate. Refer to note 25 of the accompanying condensed consolidated interim financial statements for further information.

(4) Based on the IMA with IRES, which terminated on January 31, 2022. This includes transition service fees of \$nil and \$1.4 million for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 - \$nil). Refer to note 25 of the accompanying condensed consolidated interim financial statements for further information.

(\$ Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Total fee income generated	\$ 3,009	\$ 5,595	\$ 13,187	\$ 17,195
Asset and property management fees, acquisition fees, and service fees from ERES eliminated on consolidation	3,009	3,076	10,935	9,768
Asset and property management fees from IRES recognized in other income	\$ —	\$ 2,519	\$ 2,252	\$ 7,427

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		Nine Months Ended		As at	
	September 30,		September 30,		September 30,	
	2022	2021	2022	2021	2022	% ⁽¹⁾
Trust Units	172,396	172,846	173,323	172,418	170,196	98.8
Exchangeable LP Units ⁽²⁾	1,679	464	1,679	377	1,679	0.9
Units under the DUP ⁽³⁾	121	185	164	180	127	0.1
Basic number of units	174,196	173,495	175,166	172,975	172,002	99.8
Plus:						
Unit rights under the RUR Plan ⁽³⁾	392	490	463	551	391	0.2
Diluted number of units	174,588	173,985	175,629	173,526	172,393	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		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Distributions declared on Trust Units	\$ 62,210	\$ 61,670	\$ 187,932	\$ 180,531
Distributions declared on Exchangeable LP Units	609	282	1,826	511
Distributions declared on awards outstanding under unit-based compensation plans ⁽¹⁾	186	241	688	769
Total distributions declared	\$ 63,005	\$ 62,193	\$ 190,446	\$ 181,811
Less:				
Distributions on Trust Units reinvested	(1,244)	(19,092)	(41,005)	(55,140)
Distributions on unit awards reinvested ⁽¹⁾	(186)	(241)	(688)	(769)
Net distributions paid in cash	\$ 61,575	\$ 42,860	\$ 148,753	\$ 125,902
Percentage of distributions reinvested	2.3%	31.1%	21.9%	30.8%

⁽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%.

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income	\$ 63,159	\$ 190,213	\$ (141,886)	\$ 747,836
Adjustments:				
Remeasurement of unit-based compensation liabilities	(1,468)	1,862	(10,654)	7,033
Fair value adjustments of investment properties	95,680	(122,974)	542,788	(480,462)
Fair value adjustments of Exchangeable LP Units	(4,568)	(3,467)	(29,991)	(761)
Fair value adjustments of investments	19,799	(2,130)	98,000	(9,001)
Loss on dispositions	1,238	20	3,311	20
Amortization of property, plant and equipment	1,939	2,063	5,713	6,144
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	(49,396)	4,721	(123,361)	18,143
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽¹⁾	(4,637)	(4,504)	(13,567)	(13,183)
Interest expense on ERES units held by non-controlling unitholders	3,164	3,219	9,557	9,623
Gain on derivative financial instruments	(25,248)	(129)	(93,670)	(34,854)
Interest expense on Exchangeable LP Units	609	282	1,826	511
Lease principal repayment	(275)	(307)	(721)	(900)
Loss on foreign currency translation	3,800	5,132	20,952	5,901
FFO adjustment for income from investment in associate	—	—	—	(2,211)
Impairment of goodwill	—	—	14,278	—
Deferred income tax expense	1,612	28,961	17,187	41,310
FFO	\$ 105,408	\$ 102,962	\$ 299,762	\$ 295,149
FFO per unit – basic	\$ 0.605	\$ 0.593	\$ 1.711	\$ 1.706
FFO per unit – diluted	\$ 0.604	\$ 0.592	\$ 1.707	\$ 1.701
Total distributions declared	\$ 63,005	\$ 62,193	\$ 190,446	\$ 181,811
FFO payout ratio	59.8%	60.4%	63.5%	61.6%
Net distributions paid in cash	\$ 61,575	\$ 42,860	\$ 148,753	\$ 125,902
Excess FFO over net distributions paid in cash	\$ 43,833	\$ 60,102	\$ 151,009	\$ 169,247
FFO effective payout ratio	58.4%	41.6%	49.6%	42.7%

⁽¹⁾ For the three and nine months ended September 30, 2022, the adjustment is based on applying the 34% weighted average ownership held by ERES non-controlling unitholders (September 30, 2021 - 34%) to ERES's FFO of \$13.6 million (€10.3 million) and \$41.1 million (€29.9 million), respectively, (for the three and nine months ended September 30, 2021 - \$13.2 million or €8.9 million and \$39.5 million or €25.9 million, respectively) and adjusting for \$nil and \$1.2 million of acquisition fees for the three and nine months ended September 30, 2022 (for the three and nine months ended September 30, 2021 - \$nil and \$0.7 million, respectively) 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 September 30,			Nine Months Ended September 30,		
	2022	2021	% ⁽¹⁾	2022	2021	% ⁽¹⁾
FFO	\$ 105,408	\$ 102,962	2.4	\$ 299,762	\$ 295,149	1.6
Adjustments:						
Reorganization, senior management termination, and retirement costs ⁽²⁾	—	1,215	(100.0)	6,250	2,747	127.5
Costs relating to transactions that were not completed	24	—	100.0	161	899	(82.1)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions ⁽³⁾	997	—	100.0	(1,766)	—	100.0
Mortgage prepayment cost	12	1,024	(98.8)	1,354	1,189	13.9
Amortization of losses from (AOCL) AOCI to interest and other financing costs	121	618	(80.4)	1,294	1,857	(30.3)
NFFO	\$ 106,562	\$ 105,819	0.7	\$ 307,055	\$ 301,841	1.7
NFFO per unit – basic	\$ 0.612	\$ 0.610	0.3	\$ 1.753	\$ 1.745	0.5
NFFO per unit – diluted	\$ 0.610	\$ 0.608	0.3	\$ 1.748	\$ 1.739	0.5
Total distributions declared	\$ 63,005	\$ 62,193	1.3	\$ 190,446	\$ 181,811	4.7
NFFO payout ratio	59.1%	58.8%		62.0%	60.2%	
Net distributions paid in cash	\$ 61,575	\$ 42,860	43.7	\$ 148,753	\$ 125,902	18.1
Excess NFFO over net distributions paid in cash	\$ 44,987	\$ 62,959	(28.5)	\$ 158,302	\$ 175,939	(10.0)
Effective NFFO payout ratio	57.8%	40.5%		48.4%	41.7%	

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

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

⁽³⁾ 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 nine months ended September 30, 2022 increased by 0.7% and 1.7%, respectively, compared to the same period last year, primarily due to the contribution from acquisitions and higher NOI from 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 \$1.0 million and \$3.8 million, respectively, for the three and nine months ended September 30, 2022 compared to \$1.0 and \$3.3 million, respectively, for the three and nine months ended September 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 September 30, 2022, basic NFFO per unit increased by 0.3% compared to the same period last year, despite a 0.4% increase in the weighted average number of units outstanding. For the nine months ended September 30, 2022, basic NFFO per unit increased by 0.5% compared to the same period last year, despite a 1.3% increase in the weighted average number of units outstanding.

Comparing total distributions declared to NFFO, the NFFO payout ratio for the three and nine months ended September 30, 2022 increased by 0.3% and 1.8%, 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, non-discretionary capital expenditures reserve 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 September 30,		Nine Months Ended September 30,		Actual Annual
	2022	2021	2022	2021	2021
Cash generated from operating activities	\$ 159,080	\$ 156,221	\$ 427,594	\$ 401,496	\$ 551,433
Adjustments:					
Interest expense included in cash flow from financing activities ⁽¹⁾	(39,499)	(33,885)	(114,629)	(99,163)	(133,665)
Non-discretionary property capital investments reserve ⁽²⁾	(20,936)	(20,437)	(61,637)	(59,663)	(78,006)
Capitalized leasing costs ⁽³⁾	(345)	(2,247)	(1,406)	(6,500)	(7,471)
Amortization of other financing costs ⁽⁴⁾	(3,831)	(3,496)	(13,765)	(10,270)	(14,574)
Investment income ⁽⁵⁾	3,958	3,668	9,294	8,040	8,469
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁶⁾	(5,966)	(5,737)	(14,166)	(13,700)	(18,927)
Lease principal and interest repayments	(1,556)	(1,568)	(4,662)	(4,537)	(6,107)
ACFO	\$ 90,905	\$ 92,519	\$ 226,623	\$ 215,703	\$ 301,152
Total distributions declared	\$ 63,005	\$ 62,193	\$ 190,446	\$ 181,811	\$ 245,479
Excess ACFO over distributions declared	\$ 27,900	\$ 30,326	\$ 36,177	\$ 33,892	\$ 55,673
ACFO payout ratio	69.3%	67.2%	84.0%	84.3%	81.5%

- ⁽¹⁾ Excludes interest with respect to leases, ERES non-controlling unitholders and holders of Exchangeable LP Units, and mortgage prepayment costs on dispositions.
- ⁽²⁾ Non-discretionary property capital investments reserve for the three and nine months ended September 30, 2022 and 2021 is determined based on historical spending and management's best estimate of expected annual non-discretionary property capital investment requirements per suite and site, divided by four for the quarter, and multiplied by the weighted average number of residential suites and sites during the period. The estimated annual non-discretionary property capital investments per suite and site for 2022 and 2021 is \$1,244 and \$1,259 respectively. The estimated full year weighted average number of residential suites and sites for the nine months ended September 30, 2022 and 2021 is 66,029 and 63,626, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to reserve, 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 nine months ended September 30, 2022 includes \$3.1 million and \$7.3 million, respectively, of semi-annual dividends from IRES (three and nine months ended September 30, 2021 - \$3.2 million and \$6.8 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 and nine months ended September 30, 2022, CAPREIT's ACFO exceeded distributions declared by \$27.9 million and \$36.2 million respectively. 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 reserve:

Reconciliation of Actual to Non-Discretionary Property Capital Reserve

(\$ Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Actual non-discretionary capital investments spending	\$ 20,525	\$ 25,633	\$ 43,306	\$ 54,908
Non-discretionary capital investments reserve ⁽¹⁾	20,936	20,437	61,637	59,663
Difference	\$ (411)	\$ 5,196	\$ (18,331)	\$ (4,755)

⁽¹⁾ Non-discretionary capital investments reserve is used in the determination of ACFO, for the purpose of comparing to distributions declared.

For the three and nine months ended September 30, 2022, CAPREIT's actual non-discretionary capital investments of \$20.5 million and \$43.3 million were lower than the non-discretionary capital investments reserve by approximately \$0.4 million and \$18.3 million respectively, mainly due to 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 estimated timelines as they are longer term in nature and professional judgment is applied to estimate 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 2022 reserve, and actual 2021 and 2020 Non-Discretionary Property Capital Investments per suite and site:

(\$ Thousands)	2022 Reserve	2021 Actual	2020 Actual
Non-discretionary property capital investments	\$ 82,168	\$ 78,006	\$ 70,545
Weighted average number of suites and sites	66,029	63,671	60,929
Non-discretionary property capital investments per suite and site	\$ 1,244	\$ 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 September 30,		Nine Months Ended September 30,	
	2022	2021 ⁽¹⁾	2022	2021
Cash generated from operating activities	\$ 159,080	\$ 156,221	\$ 427,594	\$ 401,496
Adjustments:				
Interest expense included in cash flow from financing activities ⁽¹⁾	(39,499)	(33,885)	(114,629)	(99,163)
Adjusted Cash Generated from Operating Activities	\$ 119,581	\$ 122,336	\$ 312,965	\$ 302,333
Total distributions declared	\$ 63,005	\$ 62,193	\$ 190,446	\$ 181,811
Excess	\$ 56,576	\$ 60,143	\$ 122,519	\$ 120,522

⁽¹⁾ Excludes interest with respect to leases, ERES non-controlling unitholders and holders of Exchangeable LP Units, and mortgage prepayment costs on dispositions.

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 September 30,		Nine Months Ended September 30,	
	2022	2021 ⁽¹⁾	2022	2021
Net (loss) income	\$ 63,159	\$ 190,213	\$ (141,886)	\$ 747,836
Adjusted Cash Generated from Operating Activities	\$ 119,581	\$ 122,336	\$ 312,965	\$ 302,333
Total distributions declared	\$ 63,005	\$ 62,193	\$ 190,446	\$ 181,811
Net distributions paid in cash	\$ 61,575	\$ 42,860	\$ 148,753	\$ 125,902
(Shortfall) excess of net (loss) income over total distributions declared	\$ 154	\$ 128,020	\$ (332,332)	\$ 566,025
(Shortfall) excess of net (loss) income over net distributions paid	\$ 1,584	\$ 147,353	\$ (290,639)	\$ 621,934
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 56,576	\$ 60,143	\$ 122,519	\$ 120,522
Excess of Adjusted Cash Generated from Operating Activities over net distributions paid in cash	\$ 58,006	\$ 79,476	\$ 164,212	\$ 176,431

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 nine months ended September 30, 2022, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$56.6 million and \$122.5 million. As per OSC Staff Notice 51-724, if distributions are in excess of Adjusted Cash Generated from Operating Activities, then it represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period. Management believes, should it occur, there is adequate overall liquidity to fund excess distributions over Adjusted Cash Generated from Operating Activities on an annual basis through the Acquisition and Operating Facility.

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	September 30, 2022	December 31, 2021
Unitholders' equity	\$ 9,832,599	\$ 10,399,886
Adjustments:		
Exchangeable LP Units	70,694	100,684
Unit-based compensation financial liabilities excluding ERES's unit options plan	16,488	33,994
Net deferred income tax liability ⁽¹⁾	137,367	128,964
Net derivative financial asset ⁽²⁾	(110,641)	(26,953)
Goodwill	—	(15,133)
Adjustment to ERES non-controlling interest ⁽³⁾	(215,972)	(114,716)
NAV	\$ 9,730,535	\$ 10,506,726
Diluted number of units	172,393	175,761
NAV per Unit - diluted	\$ 56.44	\$ 59.78

⁽¹⁾ Represents deferred income tax liability of \$141.2 million net of deferred income tax asset of \$3.8 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 \$84.1 million and \$26.6 million, respectively, net of non-current and current derivative financial liabilities of \$nil and \$nil, 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. Table below summarizes calculation of adjustment to ERES non-controlling interest as at September 30, 2022 and December 31, 2021:

(\$ Thousands)

As at	September 30, 2022	December 31, 2021
ERES's NAV	€ 987,803	€ 963,452
Ownership by ERES non-controlling interest	34 %	34 %
Foreign exchange rate	1.3463	1.4391
Impact to NAV due to ERES's non-controlling unitholders	\$ 452,159	\$ 471,411
ERES units held by non-controlling unitholders	\$ 236,187	\$ 356,695
Adjustment to ERES non-controlling interest	\$ 215,972	\$ 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	September 30, 2022	December 31, 2021
Mortgages Payable	\$ 6,498,282	\$ 6,100,065
Bank Indebtedness	402,112	310,866
Total Debt	\$ 6,900,394	\$ 6,410,931
 Total Assets	 \$ 17,456,012	 \$ 17,712,973
Add: Total accumulated amortization and depreciation	40,468	35,280
Gross Book Value ⁽¹⁾	\$ 17,496,480	\$ 17,748,253
Ratio of Total Debt to Gross Book Value	39.4 %	36.1 %
Ratio of Mortgages Payable to Gross Book Value	37.1 %	34.4 %
 Gross Book Value ⁽¹⁾	 \$ 17,496,480	 \$ 17,748,253
Less: Cumulative investment properties fair value adjustments	(4,719,800)	(5,480,670)
Gross Historic Cost ⁽²⁾	\$ 12,776,680	\$ 12,267,583
Ratio of Total Debt to Gross Historical Cost	54.0 %	52.3 %
 Market capitalization ⁽³⁾	 \$ 7,257,780	 \$ 10,538,673
Total Debt	6,900,394	6,410,931
Total capitalization	\$ 14,158,174	\$ 16,949,604
Ratio of Total Debt to total capitalization	48.7 %	37.8 %

⁽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.

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

Adjusted 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, interest expense, income taxes, depreciation and amortization; gain or loss attributable to the sale, conversion or other disposition of property; non-cash gain or any non-cash loss resulting from the remeasurement of assets or liabilities; non cash gains, non cash losses or other non cash amounts included in net income; gain or loss on the repurchase or redemption of any securities; foreign exchange gain or loss; and any other extraordinary, non-recurring or unusual items as permitted under CAPREIT's Acquisition and Operating Facility agreement. Management believes adjusted 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 adjusted EBITDAFV is as follows:

(\$ Thousands)

For the trailing 12 months ended	September 30, 2022	December 31, 2021
Net Income	\$ 503,073	\$ 1,392,795
Adjustments:		
Amortization of Property, Plant and Equipment	7,819	8,250
Fair value adjustments of Exchangeable LP Units	(28,565)	665
Unit-Based Compensation (recovery) expense	(2,472)	15,111
EUPP Unit-based compensation expense	(511)	(497)
Gain on derivative financial instruments	(109,777)	(50,282)
Current and deferred income tax expense	57,629	81,181
Fair value adjustments of investments	92,913	(14,088)
Fair value adjustments of investment properties	(25,492)	(1,048,742)
Loss on dispositions	3,624	241
Loss on foreign currency translation	21,917	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	(1,766)	—
Interest and other financing costs	180,034	160,462
(Gain) loss on non-controlling interest	(102,919)	38,651
Adjusted EBITDAFV	\$ 602,725	\$ 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 adjusted 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)

For the trailing 12 months ended	September 30, 2022	December 31, 2021
Interest on mortgages payable ⁽¹⁾	\$ 151,588	\$ 138,293
Interest on bank indebtedness and other deferred costs ⁽¹⁾	8,278	6,110
Mortgage principal repayments ⁽¹⁾	160,438	149,996
Debt service payments ⁽¹⁾	\$ 320,304	\$ 294,399
Adjusted EBITDAFV ⁽¹⁾	\$ 602,725	\$ 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 adjusted 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)

For the trailing 12 months ended	September 30, 2022	December 31, 2021
Interest on mortgages payable ⁽¹⁾	\$ 151,588	\$ 138,293
Interest on bank indebtedness and other deferred costs ⁽¹⁾	8,278	6,110
Interest Expense ⁽¹⁾	\$ 159,866	\$ 144,403
Adjusted EBITDAFV ⁽¹⁾	\$ 602,725	\$ 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 while maintaining a focus on capital preservation. This ensures sustainable growth to maximize the portfolio's future rental income-generating potential.

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

Property Capital Investments by Category

Nine Months Ended September 30, 2022 (\$ Thousands)	Actual Total Portfolio	% of Actual	2022 Annual Forecast Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 37,531	18.5	\$ 71,349
MHC infrastructural	4,112	2.0	6,074
Life and safety	1,663	0.8	4,745
	\$ 43,306	21.3	\$ 82,168
Discretionary property capital investments:			
Suite improvements	\$ 85,817	42.4	\$ 103,668
Common area	42,072	20.8	69,513
Energy-saving initiatives	14,411	7.1	27,783
Equipment	11,644	5.8	14,007
Elevators and risers	3,168	1.6	11,388
Others	973	0.5	2,181
MHC common area	959	0.5	1,412
	\$ 159,044	78.7	\$ 229,952
Total	\$ 202,350	100.0	\$ 312,120

Nine Months Ended September 30, 2021 (\$ Thousands)	Actual Total Portfolio	% of Actual	2021 Annual Actual Total Portfolio
Non-discretionary property capital investments:			
Building improvements	\$ 50,321	24.6	\$ 70,583
MHC infrastructural	3,760	1.8	6,248
Life and safety	827	0.4	1,175
	\$ 54,908	26.8	\$ 78,006
Discretionary property capital investments:			
Suite improvements	\$ 72,382	35.4	\$ 105,634
Common area	48,207	23.6	71,884
Energy-saving initiatives	15,028	7.4	20,506
Equipment	11,202	5.5	16,193
Elevators and risers	602	0.3	2,348
Others	995	0.5	1,399
MHC common area	1,043	0.5	1,692
	\$ 149,459	73.2	\$ 219,656
Total	\$ 204,367	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 September 30, 2022.

Future Investments in Building Improvements

(\$ Thousands)	Building Improvements Estimated Range
2022	\$63,000 - \$78,000
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)		
As at	September 30, 2022	December 31, 2021
Balance, beginning of the year	\$ 17,101,919	\$ 15,000,591
Add (deduct):		
Acquisitions	645,605	1,053,497
Property capital investments	211,196	314,385
Capitalized direct leasing costs	306	1,313
Dispositions	(343,497)	(143,381)
Fair value adjustments	(542,788)	1,048,742
Loss on foreign currency translation	(178,190)	(187,752)
Right-of-use asset ⁽¹⁾	—	10,067
Operating lease buyout	—	4,457
Balance, end of the period	\$ 16,894,551	\$ 17,101,919

⁽¹⁾ 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.

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 nine months ended September 30, 2022, there was a \$207.4 million decrease in overall carrying value primarily due to fair value losses, foreign currency translation, and dispositions, partially offset by acquisitions and property capital investments.

Investment Properties by Geography

	Dec 2021	Fair Value Change Due To				Sept 2022	Sept 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	\$ (307)	\$ 74	\$ (243)	\$ —	\$ 6,313	3.48 %	3.25 %
Other Ontario	1,405	10	18	(49)	—	1,384	4.09 %	3.83 %
Québec	2,250	396	38	(110)	—	2,574	4.13 %	4.02 %
British Columbia	1,893	38	19	(76)	—	1,874	3.95 %	3.69 %
Nova Scotia	805	—	16	(34)	—	787	4.48 %	4.17 %
Alberta	443	23	8	(18)	—	456	4.55 %	4.33 %
Prince Edward Island	101	—	—	(2)	—	99	5.48 %	5.13 %
Saskatchewan	31	—	—	—	—	31	5.25 %	5.12 %
Subtotal	\$ 13,717	\$ 160	\$ 173	\$ (532)	\$ —	\$ 13,518	3.84 %	3.60 %
Europe	2,676	127	22	22	(178)	2,669	3.65 %	3.55 %
MHC	709	16	16	(33)	—	708	5.90 %	5.66 %
Total	\$ 17,102	\$ 303	\$ 211	\$ (543)	\$ (178)	\$ 16,895	3.88 %	3.68 %

⁽¹⁾ Represents property capital investments and capitalized direct leasing costs during the nine months ended September 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 September 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 September 30, 2022	Change in NOI					
(\$ Millions)		(2.00)%	(1.00)%	— %	+1.00 %	+2.00 %
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,039	\$ 2,231	\$ 2,423	\$ 2,616	\$ 2,808
	(0.25)%	699	878	1,056	1,235	1,414
	—%	(458)	(291)	—	42	209
	+0.25%	(1,468)	(1,312)	(1,155)	(999)	(843)
	+0.50%	(2,359)	(2,211)	(2,064)	(1,916)	(1,769)

⁽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 embedded within the portfolio's existing assets. CAPREIT's strategy to unlock embedded value encompasses a combination of different approaches, including: (i) disposition of properties with significant development value to developers at premium pricing, (ii) rezoning of greenfield land or underutilized land, to be subsequently severed and sold to a developer, and (iii) development/redevelopment of a property, under a structure that is compatible with CAPREIT's strategic objectives.

Development Update

Over the long term, CAPREIT's portfolio 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

Development costs include costs related to planning, rezoning, architectural surveys, application fees and building permits. The table below summarizes the development costs incurred during the period:

For the Period Ended	September 30, 2022	December 31, 2021
(\$ Thousands)	Actual Total Portfolio	Actual Total Portfolio
Conversion	\$ 7,018	\$ 5,890
Infill ⁽¹⁾	5,458	1,960
Redevelopment ⁽¹⁾	508	116
Total for development	\$ 12,984	\$ 7,966

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

Actual costs incurred may vary from period to period 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 not 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 September 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	September 30, 2022	December 31, 2021
Mortgages payable	\$ 6,498,282	\$ 6,100,065
Bank indebtedness	402,112	310,866
Unitholders' equity	9,832,599	10,399,886
Exchangeable LP Units	70,694	100,684
Total capital	\$ 16,803,687	\$ 16,911,501

Threshold			
Total debt to gross book value ⁽¹⁾	Maximum 62.50%	39.4%	36.1 %
Mortgage debt to gross book value ⁽¹⁾		37.1%	34.4 %
Total debt to gross historical cost ⁽¹⁾		54.0%	52.3 %
Total debt to total capitalization ⁽¹⁾		48.7%	37.8 %

For the 12 months ended ⁽²⁾		September 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 September 30, 2022. As at September 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 liquidity position as at September 30, 2022 remains strong with over \$413.9 million comprising \$101.3 million of cash and cash equivalents and \$312.6 million available on its Acquisition and Operating Facility, excluding borrowing capacity under the ERES Credit Facility.

CAPREIT has investment properties with a fair value of approximately \$1,310.5 million as at September 30, 2022, that are not encumbered by mortgages. Of these, \$994.0 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 September 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 September 30,	2022	2021
Percentage of CMHC-insured mortgages ⁽¹⁾	98.3%	98.5%
Percentage of fixed-rate mortgages ⁽²⁾	99.2%	99.4%
Weighted average mortgage effective interest rate ⁽³⁾	2.59%	2.55%
Weighted average mortgage term to maturity (years) ⁽⁴⁾	5.6	5.7

⁽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 September 30, 2022 would be 2.61% (September 30, 2021 - 2.60%).

⁽⁴⁾ The mortgages on the Canadian and European properties have a weighted average term to maturity of 6.0 years and 3.6 years (September 30, 2021 - 6.1 years and 4.0 years), respectively.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to November 8, 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⁾
Third Quarter	25,558	2.70 %	—	—	—	(25,558) ⁽²⁾
Acquisitions	—	—	158,563	2.81 %	6.2	158,563
Total and Weighted Average	\$ 354,022	2.99 %	\$ 770,979	3.08 %	8.5	\$ 416,958
Subsequent to the quarter:						
Committed or Completed	\$ 13,186	3.06 %	\$ 13,186	5.20 %	0.5	\$ —
Expected for the remainder of 2022	\$ 115,009	2.95 %	\$ 179,534	—	—	\$ 64,524
Subtotal and Weighted Average	\$ 482,217	2.98 %	\$ 963,699	5.20 %	0.5	\$ 481,482
The ERES Portfolio						
Refinancings	\$ 73,135	1.40 %	\$ 106,201	3.19 %	6.0	\$ 33,065
Acquisitions	—	—	52,778	3.19 %	6.0	52,778
Total and Weighted Average	\$ 73,135	1.36 %	\$ 158,979	3.19 %	6.0	\$ 85,843
Grand Total and Weighted Average	\$ 555,352	2.77 %	\$ 1,122,678	3.37 %	7.4	\$ 567,325

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

⁽²⁾ Includes \$41.0 million of mortgage discharges not refinanced and \$66.4 million of mortgage discharged or assumed by purchaser on property dispositions.

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 nine months ended September 30, 2022, CMHC amortization expense including net write-offs of CMHC premiums on refinancings amounted to \$9.6 million, excluding CMHC write-offs relating to dispositions.

CMHC amortization expense, including write-offs except those relating to dispositions, for 2022 is expected to be in the range of \$11.0 million to \$12.0 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 September 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	\$ 128,196	\$ —	\$ 128,196	\$ 22,200
2023	400,073	187,410	587,483	72,938
2024	497,698	84,879	582,577	55,849
2025	766,951	31,145	798,096	90,015
2026	746,366	(11,288)	735,078	78,321
2027 onwards	3,155,485	(292,146)	2,863,339	249,007
Total	\$ 5,694,769	\$ —	\$ 5,694,769	\$ 568,330

⁽¹⁾ Mortgage balance due upon maturity.

⁽²⁾ NOI for the 12 months ended September 30, 2022.

⁽³⁾ Projected NOI included for acquisitions since September 30, 2021.

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

As at September 30, 2022						
(\$ Thousands)						
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}	
Remainder of 2022	\$ 40,022	\$ 128,196	\$ 168,218	3.1	3.04	
2023	150,164	319,296	469,460	8.6	3.26	
2024	137,535	391,216	528,751	9.7	2.81	
2025	128,277	460,948	589,225	10.8	2.45	
2026	107,036	493,518	600,554	11.0	2.41	
2027	84,634	407,770	492,404	9.0	2.68	
2028	76,017	322,643	398,660	7.3	2.62	
2029	80,648	398,225	478,873	8.8	2.73	
2030	45,504	307,596	353,100	6.5	2.08	
2031-2036	80,135	1,289,987	1,370,122	25.2	2.95	
	\$ 929,972	\$ 4,519,395	\$ 5,449,367	100.0 %	2.78 %	
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net			\$ (128,127)			
Total			\$ 5,321,240			
Weighted average term to maturity (years)			6.02			

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

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

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

As at September 30, 2022						
(\$ Thousands)						
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€)	% of Total Mortgage Balance	Interest Rate (%) ^{(1), (2)}
2022	\$ 738	\$ —	\$ 738	€ 548 ⁽³⁾	0.1	—
2023	2,960	80,777	83,737	62,198 ⁽³⁾	7.1	1.08
2024	2,391	106,482	108,873	80,869 ⁽³⁾	9.2	1.39
2025	384	306,003	306,387	227,301 ⁽³⁾	25.9	1.87
2026	—	252,848	252,848	187,811 ⁽³⁾	21.4	1.47
2027	—	270,402	270,402	200,850 ⁽³⁾	22.8	1.38
2028	—	158,862	158,862	118,000 ⁽³⁾	13.5	3.29
	\$ 6,473	\$ 1,175,374	\$ 1,181,847	€ 877,577	100.0 %	1.77 %
Deferred financing costs and fair value adjustments, net			\$ (4,805)			
Total				\$ 1,177,042		
Weighted average term to maturity				3.69		

⁽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.

Derivative Financial Instruments in Canada

(\$ Thousands)

As at September 30,	2022	2021
Cross-currency interest rate swaps ⁽¹⁾	\$ 717,951	\$ 675,839
Weighted average interest rate on swaps - pay	0.55%	0.24%
Weighted average interest rate on swaps - receive	1.86%	1.13%
Weighted average remaining term to maturity on swaps (years)	1.7	2.5

⁽¹⁾ Euro equivalent of €442.4 million (September 30, 2021 - €442.4 million), USD equivalent of \$29.7 million (September 30, 2021 - nil) 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 \$718.0 million is 1.13%. 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 1.70 years as at September 30, 2022.

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

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

Market capitalization and units outstanding are as follows:

As at September 30, 2022	
Market capitalization (\$ Thousands) ⁽¹⁾	\$ 7,257,780
Total number of units outstanding	172,393,827
Trust Units	170,196,454
Deferred units	126,791
RUR Plan units	391,392
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's acceptance 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 approximately 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 represents approximately 25% of 367,292 Trust Units, being the average daily trading volume on the TSX for the most recently completed six calendar months prior to the TSX's acceptance of the notice of intention to proceed with an NCIB. 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.

The table below summarizes the NCIB activity for the period ended September 30, 2022. 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.

	Weighted Average Purchase Price Per Trust Unit	Total Cost of Trust Units Purchased and Cancelled (\$ Thousands)	Number of Trust Units Purchased and Cancelled	Remaining Limit
Beginning Limit				17,067,144
First Quarter	\$ —	\$ —	—	17,067,144
Second Quarter	\$ 47.83	\$ 67,050	1,401,764	15,665,380
Third Quarter	\$ 45.18	\$ 134,742	2,982,460	12,682,920
Total	\$ 46.03	\$ 201,792	4,384,224	12,682,920

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

	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21	Q4 20
Overall portfolio net AMR	\$ 1,182	\$ 1,167	\$ 1,159	\$ 1,149	\$ 1,143	\$ 1,118	\$ 1,115	\$ 1,121
Operating revenues (000s) ⁽¹⁾	\$ 252,032	\$ 251,693	\$ 246,628	\$ 240,678	\$ 236,097	\$ 228,856	\$ 227,506	\$ 225,238
NOI (000s) ⁽¹⁾	\$ 166,644	\$ 166,093	\$ 153,172	\$ 153,429	\$ 158,126	\$ 151,786	\$ 146,652	\$ 148,646
NOI Margin ⁽¹⁾	66.1%	66.0%	62.1%	63.7%	67.0%	66.3%	64.5%	66.0%
Net Income (loss) (000s)	\$ 63,159	\$ (250,354)	\$ 45,309	\$ 644,959	\$ 190,213	\$ 453,561	\$ 104,062	\$ 484,958
FFO (000s) ^{(1), (2)}	\$ 105,408	\$ 100,063	\$ 94,291	\$ 97,270	\$ 102,962	\$ 97,503	\$ 94,684	\$ 99,311
NFFO (000s) ^{(1), (2)}	\$ 106,562	\$ 102,871	\$ 97,622	\$ 100,353	\$ 105,819	\$ 100,080	\$ 95,942	\$ 99,985
Total debt to gross book value	39.4%	38.8%	37.6%	36.1%	37.2%	36.4%	35.2%	35.5%
FFO per unit ⁽¹⁾ - basic	\$ 0.605	\$ 0.569	\$ 0.537	\$ 0.556	\$ 0.593	\$ 0.564	\$ 0.549	\$ 0.577
NFFO per unit ⁽¹⁾ - basic	\$ 0.612	\$ 0.585	\$ 0.556	\$ 0.573	\$ 0.610	\$ 0.579	\$ 0.556	\$ 0.581
Weighted average number of units (000s) - basic	174,196	175,837	175,479	175,089	173,495	172,950	172,469	172,054
Weighted average number of units (000s) - diluted	174,588	176,322	175,994	175,567	173,985	173,512	173,072	172,616

⁽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.

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 nine months ended September 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 nine months ended September 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 September 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2022.

SECTION VII: SUPPLEMENTAL INFORMATION

PROPERTY PORTFOLIO

Types of Property Interests

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

Portfolio Diversification

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

Portfolio by Geography

As at September 30,	2022	%	2021	%
Residential Suites				
Ontario				
Greater Toronto Area ⁽¹⁾	17,139	25.7	18,403	27.9
London / Kitchener / Waterloo	3,808	5.7	3,808	5.8
Ottawa	2,492	3.7	2,750	4.1
	23,439	35.1	24,961	37.8
Québec				
Greater Montréal Region	8,168	12.3	7,933	12.0
Québec City	3,291	4.9	2,517	3.8
	11,459	17.2	10,450	15.8
British Columbia				
Greater Vancouver Region	3,743	5.6	3,551	5.4
Victoria and Other British Columbia	2,117	3.2	2,225	3.3
	5,860	8.8	5,776	8.7
Nova Scotia				
Halifax	3,288	4.9	3,288	5.0
Alberta				
Calgary	1,775	2.7	1,775	2.7
Edmonton	608	0.9	543	0.8
	2,383	3.6	2,318	3.5
Prince Edward Island				
Charlottetown	637	1.0	637	1.0
Saskatchewan				
Regina	234	0.4	234	0.3
Total Canadian residential suites	47,300	71.0	47,664	72.1
Europe				
The Netherlands	6,900	10.4	6,183	9.4
Total residential suites	54,200	81.4	53,847	81.5
MHC Sites				
Total MHC sites	12,383	18.6	12,204	18.5
Total suites and sites	66,583	100.0	66,051	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 NINE MONTHS ENDED
SEPTEMBER 30, 2022
(UNAUDITED)**

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CONSOLIDATED BALANCE SHEETS

(CA\$ thousands)

Unaudited

As at	Note	September 30, 2022	December 31, 2021
Non-current assets			
Investment properties	6	\$ 16,894,551	\$ 17,101,919
Investments	3, 25	195,521	51,286
Investment in associate	3, 25	—	246,505
Mortgages receivable	7	46,800	114,990
Derivative assets	19	84,073	22,420
Other non-current assets	8	22,471	38,671
Total non-current assets		17,243,416	17,575,791
Current assets			
Derivative assets	19	26,568	8,506
Other current assets	8	84,733	55,265
Cash and cash equivalents		101,295	73,411
Total current assets		212,596	137,182
Total assets		\$ 17,456,012	\$ 17,712,973
Non-current liabilities			
Mortgages payable	12	\$ 5,874,897	\$ 5,456,605
Bank indebtedness	13	402,112	310,866
Unit-based compensation financial liabilities	14, 15	6,974	14,272
ERES units held by non-controlling unitholders	11	236,187	356,695
Derivative liabilities	19	—	1,157
Deferred income tax liability	20	141,179	133,974
Lease liabilities		47,767	48,316
Total non-current liabilities		6,709,116	6,321,885
Current liabilities			
Mortgages payable	12	623,385	643,460
Unit-based compensation financial liabilities	14, 15	10,176	22,623
Derivative liabilities	19	—	2,816
Accounts payable and accrued liabilities	10	126,774	141,499
Other current liabilities	9	17,106	15,492
Security deposits		45,597	43,675
Exchangeable LP Units	16	70,694	100,684
Distributions payable		20,565	20,953
Total current liabilities		914,297	991,202
Total liabilities		\$ 7,623,413	\$ 7,313,087
Unitholders' equity			
Unit capital	17	\$ 4,141,102	\$ 4,194,093
Retained earnings	17	5,828,127	6,249,190
Accumulated other comprehensive loss	21	(136,630)	(43,397)
Total unitholders' equity		\$ 9,832,599	\$ 10,399,886
Total liabilities and unitholders' equity		\$ 17,456,012	\$ 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 September 30,		Nine Months Ended September 30,	
	Note	2022	2021	2022	2021
Operating revenues					
Revenue from investment properties	24	\$ 252,032	\$ 236,097	\$ 750,353	\$ 692,459
Operating expenses					
Realty taxes		(23,262)	(21,768)	(70,515)	(65,418)
Property operating costs		(62,126)	(56,203)	(193,929)	(170,477)
Total operating expenses		(85,388)	(77,971)	(264,444)	(235,895)
Net rental income		166,644	158,126	485,909	456,564
Trust expenses		(11,687)	(12,284)	(44,789)	(38,980)
Unit-based compensation recovery (expense)	15	(60)	(3,500)	5,164	(12,419)
Fair value adjustments of investment properties	6	(95,680)	122,974	(542,788)	480,462
Fair value adjustments of Exchangeable LP Units		4,568	3,467	29,991	761
Fair value adjustments of investments		(19,799)	2,130	(98,000)	9,001
Loss on dispositions	5, 25	(1,238)	(20)	(3,403)	(20)
Amortization of property, plant and equipment		(1,939)	(2,063)	(5,713)	(6,144)
Gain (loss) on non-controlling interest	11	46,232	(7,940)	113,804	(27,766)
Gain on derivative financial instruments	19	25,927	129	94,349	34,854
Interest and other financing costs	22	(45,881)	(41,129)	(136,747)	(117,176)
Mortgage fair value adjustments, net of mortgage settlement costs on dispositions		(997)	—	1,766	—
Loss on foreign currency translation	25	(4,571)	(5,132)	(21,723)	(5,901)
Other income	24	4,541	5,490	15,159	18,739
Goodwill impairment loss	8	—	—	(14,278)	—
Net (loss) income before income taxes		66,060	220,248	(121,299)	791,975
Current and deferred income tax expense	20	(2,901)	(30,035)	(20,587)	(44,139)
Net (loss) income		\$ 63,159	\$ 190,213	\$ (141,886)	\$ 747,836
Other comprehensive (loss) income, including items that may be reclassified subsequently to net (loss) income					
Amortization of losses from (AOCL) AOCI to interest and other financing costs	21	\$ 121	\$ 618	\$ 1,294	\$ 1,857
(Loss) gain on foreign currency translation	21	(14)	8,730	(102,154)	(73,714)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	21	—	—	7,627	—
Other comprehensive (loss) income		\$ 107	\$ 9,348	\$ (93,233)	\$ (71,857)
Comprehensive (loss) income		\$ 63,266	\$ 199,561	\$ (235,119)	\$ 675,979

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	41,005	—	—	41,005
Deferred Unit Plan	15,17	4,329	—	—	4,329
RUR Plan	15,17	9,852	—	—	9,852
Employee Unit Purchase Plan	15,17	2,370	—	—	2,370
Cancellation of Trust Units under NCIB	17	(110,547)	(91,245)	—	(201,792)
Total unit capital		(52,991)	(91,245)	—	(144,236)
Net loss and other comprehensive loss					
Net loss		—	(141,886)	—	(141,886)
Other comprehensive loss	21	—	—	(93,233)	(93,233)
Total net loss and other comprehensive loss		—	(141,886)	(93,233)	(235,119)
Distributions on Trust Units					
Distributions declared and paid		—	(167,367)	—	(167,367)
Distributions payable		—	(20,565)	—	(20,565)
Total distributions on Trust Units		—	(187,932)	—	(187,932)
Unitholders' equity, September 30, 2022		\$ 4,141,102	\$ 5,828,127	\$ (136,630)	\$ 9,832,599

	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	55,140	—	—	55,140
RUR Plan	15,17	11,463	—	—	11,463
Employee Unit Purchase Plan	15,17	2,281	—	—	2,281
Total unit capital		68,884	—	—	68,884
Net income and other comprehensive loss					
Net income		—	747,836	—	747,836
Other comprehensive loss	21	—	—	(71,857)	(71,857)
Total net income and other comprehensive loss		—	747,836	(71,857)	675,979
Distributions on Trust Units					
Distributions declared and paid		—	(159,624)	—	(159,624)
Distributions payable		—	(20,907)	—	(20,907)
Total distributions on Trust Units		—	(180,531)	—	(180,531)
Unitholders' equity, September 30, 2021		\$ 4,172,796	\$ 5,667,048	\$ (1,810)	\$ 9,838,034

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA\$ thousands)

Unaudited

		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
	Note	2022	2021	2022	2021
Cash provided by (used in):					
Operating activities					
Net (loss) income		\$ 63,159	\$ 190,213	\$ (141,886)	\$ 747,836
Items related to operating activities not affecting cash:					
Fair value adjustments - investment properties		95,680	(122,974)	542,788	(480,462)
Fair value adjustments - Exchangeable LP Units		(4,568)	(3,467)	(29,991)	(761)
Fair value adjustments - investments		19,799	(2,130)	98,000	(9,001)
Mark-to-market (gain) loss on ERES units	11	(49,396)	4,721	(123,361)	18,143
Loss on dispositions	5, 25	1,238	20	3,403	20
Gain on derivative financial instruments	19	(25,927)	(129)	(94,349)	(34,854)
Amortization	8, 21, 22	5,890	6,176	20,774	18,269
Unit-based compensation (recovery) expense	15	60	3,500	(5,164)	12,419
Straight-line rent adjustment		84	(112)	(55)	(167)
Deferred income tax expense	20	1,612	28,961	17,187	41,310
Net profit from investment in associate	24	—	(2,522)	(647)	(10,066)
Unrealized foreign currency loss		4,571	5,132	14,096	5,901
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	—
Items related to investing and financing activities	23	42,132	38,718	120,186	112,114
Changes in non-cash operating assets and liabilities	23	4,746	10,114	(15,292)	(19,205)
Cash provided by operating activities		159,080	156,221	427,594	401,496
Investing activities					
Acquisition of investment properties	23	(123,297)	(252,020)	(546,958)	(661,321)
Capital investments	23	(81,412)	(83,801)	(233,989)	(226,764)
Operating lease buyout	6, 23	—	—	—	(4,457)
Acquisition of investments		(6,063)	—	(15,615)	—
Disposition of investment properties	23	91,570	5,648	306,949	5,648
Disposition of investments		4,107	—	4,565	—
Proceeds from settlement of mortgage receivable	7	—	—	68,190	—
Change in restricted funds		(121)	(989)	1,438	(1,813)
Investment income received		3,958	3,668	9,294	8,040
Cash used in investing activities		(111,258)	(327,494)	(406,126)	(880,667)
Financing activities					
Mortgage financings	23	—	531,428	929,958	980,369
Mortgage principal repayments	23	(40,740)	(37,093)	(121,038)	(110,596)
Mortgages repaid on maturity and disposition	23	(31,445)	(222,333)	(388,872)	(432,984)
Lease payments		(1,556)	(1,568)	(4,662)	(4,537)
Financing costs		(133)	(3,504)	(4,845)	(6,358)
CMHC premiums on mortgages payable		—	(6,615)	(16,537)	(18,976)
Interest paid on mortgages and bank indebtedness		(39,985)	(33,885)	(115,115)	(99,163)
Net borrowings on bank indebtedness	23	138,229	3,916	86,787	320,982
Proceeds on issuance of Trust Units, net of issuance costs	23	431	784	2,209	2,370
Purchase and cancellation of Trust Units	17	(134,742)	—	(201,792)	—
Net cash distributions and other net interest payments	23	(64,153)	(44,227)	(155,785)	(132,509)
Cash provided by (used in) financing activities		(174,094)	186,903	10,308	498,598
Changes in cash and cash equivalents during the period					
		(126,272)	15,630	31,776	19,427
(Loss) gain on foreign currency translation		(543)	266	(3,892)	(2,711)
Cash and cash equivalents, beginning of the period		228,110	122,542	73,411	121,722
Cash and cash equivalents, end of the period		\$ 101,295	\$ 138,438	\$ 101,295	\$ 138,438

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 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 September 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 November 8, 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 note disclosures normally included in the audited consolidated annual 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.

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.

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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 as at January 31, 2022, 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 since January 31, 2022. CAPREIT provided transition services to IRES for a period of three months from January 31, 2022 to April 28, 2022, in line with the transition services 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 Nine Months Ended September 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
July 19, 2022	235	Laval, QC	105,272	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
July 26, 2022	65	Edmonton, AB	22,633	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
Total	1,537		\$ 645,605	\$ 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 of investment properties completed since January 1, 2022.

Dispositions of Investment Properties Completed During the Nine Months Ended September 30, 2022

Disposition Date	Suite Count	Region	Sale Price	Fair Value Adjustments on Mortgages Assumed by Purchaser	Fair Value of Investment Properties	Net 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
August 24, 2022	253	East York, ON	90,100	—	90,100	67,197	22,903
August 24, 2022 ⁽⁴⁾	1	The Netherlands	1,137	—	1,137	1,137	—
Total	1,129		\$ 347,362	\$ 3,865	\$ 343,497	\$ 280,963	\$ 62,534

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

⁽²⁾ Includes mortgages payable with a total principal amount of \$28,114 discharged and \$38,285 assumed by the purchasers upon disposition. The amounts shown are net of \$3,865 fair value adjustments on mortgages assumed by purchaser. The weighted average stated interest rate on mortgages discharged and assumed was 2.27%.

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

⁽⁴⁾ Represents disposition of a single residential suite.

6. Investment Properties

Continuity of Carrying Amounts of Investment Properties by Type

For the Nine Months Ended September 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	645,605	—	—	645,605
Property capital investments	206,167	814	4,215	211,196
Capitalized direct leasing costs	139	—	167	306
Dispositions	(343,497)	—	—	(343,497)
Fair value adjustments	(526,435)	(2,810)	(13,543)	(542,788)
Loss on foreign currency translation	(178,190)	—	—	(178,190)
Balance of investment properties, end of the period	\$ 16,523,610	\$ 112,154	\$ 258,787	\$ 16,894,551

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For the Year Ended December 31, 2021	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance of investment properties, beginning of the year	\$ 14,624,762	\$ 114,775	\$ 261,054	\$ 15,000,591
Additions:				
Acquisitions	1,053,497	—	—	1,053,497
Property capital investments	303,850	2,580	7,955	314,385
Capitalized leasing costs ⁽¹⁾	1,386	2	(75)	1,313
Right-of-use asset ⁽²⁾	—	—	10,067	10,067
Operating lease buyout ⁽³⁾	—	4,457	—	4,457
Dispositions	(143,381)	—	—	(143,381)
Transfer between investment property types ⁽³⁾	23,810	(23,810)	—	—
Fair value adjustments	1,043,649	16,146	(11,053)	1,048,742
Loss on foreign currency translation	(187,752)	—	—	(187,752)
Balance of investment properties, end of the year	\$ 16,719,821	\$ 114,150	\$ 267,948	\$ 17,101,919

⁽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.

⁽³⁾ During the year ended December 31, 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 September 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.

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

As at September 30, 2022						
Type of Interest	Fair Value	WA NOI / Cash Flow ⁽⁵⁾	Rate Type	Max	Min	Weighted Average
Fee simple interests ⁽¹⁾	\$ 15,815,240	\$ 3,622	Capitalization rate	10.28 %	2.88 %	3.79 %
MHC sites	708,370	1,935	Capitalization rate	8.65 %	5.01 %	5.90 %
Operating leasehold interests ^{(2), (3)}	112,154	2,952	Discount rate ⁽⁶⁾	6.00 %	5.65 %	5.76 %
Land leasehold interests ⁽⁴⁾	213,156	3,411	Discount rate ⁽⁶⁾	8.00 %	6.00 %	6.92 %
Total Investment Properties excluding right-of-use assets	\$ 16,848,920					
Add: Right-of-use assets, net of fair value change	45,631					
Total Investment Properties	\$ 16,894,551					

As at December 31, 2021

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

⁽¹⁾ The fee simple interests include \$2,668,542 (December 31, 2021 - \$2,676,150) of CAPREIT's European portfolio with an implied capitalization rate of 3.65% (December 31, 2021 - 3.55%), which were valued using the discounted cash flow ("DCF") method at a weighted average discount rate of 5.74% and a terminal capitalization rate of 4.48% (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 September 30, 2022 (December 31, 2021 - \$50,010).

⁽³⁾ For the two operating leasehold interests remaining as at September 30, 2022 (December 31, 2021 - two), the contractual weighted average remaining lease term on operating leasehold interests is 13.7 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 3.7 years as at September 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 NOI growth for operating leasehold interests of 3.0% has been assumed as at September 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 September 30, 2022		Change in NOI				
		(2.00)%	(1.00)%	—%	+1.00%	+2.00%
Change in Capitalization Rate ⁽¹⁾	(0.50)%	\$ 2,038,880	\$ 2,231,117	\$ 2,423,353	\$ 2,615,590	\$ 2,807,827
	(0.25)%	699,241	877,808	1,056,375	1,234,942	1,413,509
	— %	(457,998)	(291,239)	—	42,278	209,036
	+0.25 %	(1,468,345)	(1,311,896)	(1,155,447)	(998,999)	(842,550)
	+0.50 %	(2,358,537)	(2,211,171)	(2,063,806)	(1,916,441)	(1,769,076)

⁽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

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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	September 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.

8. Other Assets

As at	Note	September 30, 2022	December 31, 2021
Other non-current assets			
Property, plant and equipment ("PP&E") ⁽¹⁾		\$ 50,973	\$ 47,430
Accumulated amortization of PP&E		(38,347)	(33,606)
PP&E, net of amortization		12,626	13,824
Right-of-use asset, net of amortization ⁽²⁾		3,150	3,365
Deferred loan costs, net of amortization ⁽³⁾		995	1,339
Deferred tax asset	20	3,812	5,010
Goodwill		—	15,133
Straight-line rent receivable		1,888	—
Total		\$ 22,471	\$ 38,671
Other current assets			
Prepaid expenses		\$ 26,774	\$ 10,732
Other receivables and tenant inducements		18,721	17,866
Restricted funds		9,567	10,986
Deposits		16,850	7,543
MHC home inventory		11,228	8,138
Short-term investments		1,593	—
Total		\$ 84,733	\$ 55,265

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

⁽²⁾ Right-of-use asset net of accumulated amortization of \$2,104 (December 31, 2021 - \$1,986).

⁽³⁾ Deferred loan costs related to the Credit Facilities net of accumulated amortization of \$2,122 (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

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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.

9. Other Current Liabilities

As at	September 30, 2022	December 31, 2021
Current tax liability	\$ 1,472	\$ 2,808
Mortgage interest payable	14,466	11,565
Current lease liabilities	1,168	1,119
Total	\$ 17,106	\$ 15,492

10. Accounts Payable and Accrued Liabilities

As at	September 30, 2022	December 31, 2021
Accounts payable	\$ 45,223	\$ 56,835
Accrued and other liabilities	64,405	68,211
Deferred revenue	16,245	15,708
Distributions payable to ERES non-controlling unitholders	901	745
Total	\$ 126,774	\$ 141,499

11. ERES Units Held by Non-Controlling Unitholders

As at September 30, 2022, CAPREIT valued the ERES units held by non-controlling unitholders 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.

The table below summarizes the (gain) loss on non-controlling interest for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended, September 30,	
	2022	2021	2022	2021
Mark-to-market (gain) loss on ERES units	\$ (49,396)	\$ 4,721	\$ (123,361)	\$ 18,143
Interest expense on ERES non-controlling unitholders	3,164	3,219	9,557	9,623
(Gain) loss on non-controlling interest	\$ (46,232)	\$ 7,940	\$ (113,804)	\$ 27,766

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12. Mortgages Payable

As at September 30, 2022, mortgages payable bear interest at a weighted average effective rate of 2.61% (December 31, 2021 - 2.52%) and mature between the remainder of 2022 and 2036. The effective interest rate as at September 30, 2022 includes 0.02% (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 September 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 \$15,584,055 have been pledged as security as at September 30, 2022 (December 31, 2021 - \$15,919,474). CAPREIT has investment properties with a fair value of \$1,310,496 as at September 30, 2022 that are not encumbered by mortgages (December 31, 2021 - \$1,182,445). Of these, \$994,030 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 September 30, 2022, unamortized deferred financing costs of \$19,293, unamortized fair value gain of \$1,366 and unamortized prepaid CMHC premiums of \$115,005 are netted against mortgages payable (December 31, 2021 - \$17,989, \$1,992 and \$109,660, respectively).

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

As at September 30, 2022	Principal Amount ⁽¹⁾	% of Total Principal
Remainder of 2022	\$ 168,218	2.5
2023	470,198	7.1
2024	612,488	9.2
2025	698,098	10.5
2026	906,941	13.7
2027 - 2036	3,775,271	57.0
Total principal	6,631,214	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(132,932)	
Total mortgages payable	\$ 6,498,282	

As at	September 30, 2022	December 31, 2021
Represented by:		
Mortgages payable - non-current ⁽¹⁾	\$ 5,874,897	\$ 5,456,605
Mortgages payable - current ⁽¹⁾	623,385	643,460
Total mortgages payable	\$ 6,498,282	\$ 6,100,065

⁽¹⁾ Included in mortgages payable as at September 30, 2022 and December 31, 2021 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 September 30, 2022	Acquisition and Operating Facility	ERES Credit Facility	Consolidated Total
Maximum borrowing capacity	\$ 600,000	\$ 134,629	\$ 734,629
Less: USD LIBOR borrowings	(40,517) ⁽¹⁾	(121,323) ⁽⁴⁾	(161,840)
Canadian borrowings	(240,272) ⁽²⁾	—	(240,272)
Letters of credit	(6,633)	—	(6,633)
Available borrowing capacity	\$ 312,578	\$ 13,306	\$ 325,884
Weighted average interest rate including interest rate swaps	3.15 % ⁽³⁾	1.93 % ⁽⁵⁾	2.78 %

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) ⁽⁴⁾	(206,378)
Canadian borrowings	(104,488) ⁽²⁾	—	(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 % ⁽³⁾	0.57 % ⁽⁵⁾	1.15 %

⁽¹⁾ As at September 30, 2022, CAPREIT has USD LIBOR borrowings of USD \$29,489 (December 31, 2021 - USD \$82,292) that bear interest at the USD LIBOR rate plus a margin of 1.35% (December 31, 2021 - USD LIBOR rate plus a margin of 1.35%) per annum.

⁽²⁾ As at September 30, 2022, Canadian borrowings bear interest at the bankers' acceptance rate plus a margin of 1.35% (December 31, 2021 - bankers' acceptance rate plus a margin of 1.35%) per annum.

⁽³⁾ As at September 30, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 4.59% (December 31, 2021 - 1.76%). For details on the swaps, refer to note 19.

⁽⁴⁾ As at September 30, 2022, ERES has USD LIBOR borrowings of USD \$88,300 (December 31, 2021 - USD \$80,300) that bear interest at the USD LIBOR rate plus a margin of 1.35% (December 31, 2021 - USD LIBOR rate plus a margin of 1.35%) per annum.

⁽⁵⁾ As at September 30, 2022, excluding the impact of interest rate and cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 4.43% (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 September 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 September 30, 2022 is 2,176,014 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 September 30, 2022, the maximum number of unit options allowable for future issuance under the ERES UOP is 18,014,162 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 (excluding EUPP) and the ERES UOP for the nine months ended September 30, 2022 and 2021:

Nine Months Ended September 30, 2022				
(Number of units)	ERES UOP	DUP	RUR Plan	Total CAPREIT ⁽¹⁾
Unit rights and unit options outstanding as at January 1, 2022	4,699,694	196,423	479,700	676,123
Granted or cancelled during the period				
Granted	760,000	15,233	110,047	125,280
Exercised or settled in Trust Units or ERES units	(28,800)	(88,406)	(200,363)	(288,769)
Cancelled or forfeited	(202,334)	—	(8,180)	(8,180)
Surrendered	(71,466)	—	—	—
Distributions reinvested	—	3,541	10,188	13,729
Unit rights and unit options outstanding as at September 30, 2022	5,157,094	126,791	391,392	518,183
Nine Months Ended September 30, 2021				
(Number of units)	ERES UOP	DUP	RUR Plan	Total CAPREIT ⁽¹⁾
Unit rights and unit options outstanding as at January 1, 2021	4,199,694	174,805	563,387	738,192
Granted or cancelled during the period				
Granted	530,000	12,615	113,511	126,126
Exercised or settled in Trust Units or ERES units	—	—	(204,683)	(204,683)
Cancelled or forfeited	—	—	(5,831)	(5,831)
Distributions reinvested	—	3,337	10,372	13,709
Unit rights and unit options outstanding as at September 30, 2021	4,729,694	190,757	476,756	667,513

⁽¹⁾ Total CAPREIT unit rights and unit options excluding EUPP and ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the nine months ended September 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	September 30, 2022	December 31, 2021
Total unit-based compensation financial liabilities, beginning of the period	\$ 36,895	\$ 33,747
Unit-based compensation (recovery) expense	(5,164)	14,615
Settlement of unit-based compensation awards for Trust Units and ERES units	(14,342)	(11,306)
Gain on foreign currency translation	(239)	(161)
Total unit-based compensation financial liabilities, end of the period	\$ 17,150	\$ 36,895

Unit-based compensation financial liabilities are as follows:

As at	September 30, 2022	December 31, 2021
Non-current		
RUR Plan	\$ 6,931	\$ 14,179
ERES UOP	43	93
	\$ 6,974	\$ 14,272
Current		
DUP	\$ 5,338	\$ 11,777
RUR Plan	4,219	8,038
ERES UOP	619	2,808
	\$ 10,176	\$ 22,623
Total unit-based compensation financial liabilities	\$ 17,150	\$ 36,895

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

As at September 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

The table below summarizes the unit-based compensation (recovery) expense for each plan, which include fair value remeasurements at each reporting date recognized over the respective vesting periods for each plan, for the periods ended September 30, 2022 and 2021, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
DUP	\$ (51)	\$ 511	\$ (2,109)	\$ 2,542
RUR Plan	789	2,328	(1,214)	8,752
EUPP	137	131	395	380
ERES UOP	(815)	530	(2,236)	745
Unit-based compensation (recovery) expense	\$ 60	\$ 3,500	\$ (5,164)	\$ 12,419

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 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 \$70,694 as at September 30, 2022 (December 31, 2021 - \$100,684), which is based on the closing price of the Trust Units on the TSX. The table below summarizes the activity of the Exchangeable LP Units for the nine months ended September 30, 2022 and for the year ended December 31, 2021 as follows:

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

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17. Unitholders' Equity

The table below summarizes the activity of the Trust Units (excluding unit rights issued or outstanding under CAPREIT's unit-based compensation plans) for the nine months ended September 30, 2022 and 2021 as follows:

For the Nine Months Ended September 30,	2022	2021
Trust Units issued and outstanding, beginning of the period	173,406,406	171,751,839
Issued during the period in connection with the following:		
Distribution Reinvestment Plan ("DRIP")	837,117	1,029,723
EUPP	48,386	40,578
DUP	88,406	—
RUR Plan	200,363	204,683
Cancellation of Trust Units under NCIB	(4,384,224)	—
Trust Units issued and outstanding, end of the period	170,196,454	173,026,823

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's acceptance 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 approximately 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 represents approximately 25% of 367,292 Trust Units, being the average daily trading volume on the TSX for the most recently completed six calendar months prior to the TSX's acceptance of the notice of intention to proceed with an NCIB. 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.

The table below summarizes the NCIB activity for the three and nine months ended September 30, 2022 and 2021. The excess of the purchase price over the weighted average historical Trust Unit issuance price was recorded as a reduction to retained earnings.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total cost of Trust Units purchased and cancelled under NCIB	\$ 134,742	\$ —	\$ 201,792	\$ —
Number of Trust Units purchased and cancelled under NCIB	2,982,460	—	4,384,224	—
Weighted average purchase price per Trust Unit	\$ 45.18	\$ —	\$ 46.03	\$ —

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18. Financial Instruments, Investment Properties and Risk Management

a) Fair Value of Financial Instruments and Investment Properties

At September 30, 2022, the fair value of CAPREIT's mortgages payable is estimated to be \$6,029,000 (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 September 30, 2022, the principal outstanding on CAPREIT's mortgages payable is \$6,631,214 (December 31, 2021 - \$6,225,722) as shown in note 12. At September 30, 2022, the fair value of CAPREIT's bank indebtedness is estimated to approximate its carrying value of \$402,112 (December 31, 2021 - \$310,866).

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
Recurring Measurements			
Assets			
Investment properties	\$ —	\$ —	\$ 16,894,551 ⁽¹⁾
Investments	195,521	—	—
Derivative financial assets	—	110,641 ⁽²⁾	—
Liabilities			
ERES units held by non-controlling unitholders	(236,187)	—	—
Unit-based compensation financial liabilities	—	(17,150)	—
Exchangeable LP Units	—	(70,694)	—

⁽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 September 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 September 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 nine months ended September 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	
		September 30, 2022	September 30, 2021
Floating rate debt	+100	\$ (1,439)	\$ (735)
Floating rate debt	-100	\$ 1,439	\$ 735
Cross-currency and/or interest rate swaps ⁽¹⁾	+100	\$ 11,125	\$ 1,486
Cross-currency and/or interest rate swaps ⁽¹⁾	-100	\$ (11,130)	\$ (1,505)

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

CAPREIT's objective in managing interest rate risk is to minimize the volatility of interest expenses due to fluctuations in market interest rates. As at September 30, 2022, interest rate risk has been minimized, as 99.2% (September 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 (September 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 \$1,206,448 of mortgages on the MHC sites and the ERES properties), which reduces the risk in refinancing mortgages. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 and 40 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders and to provide future growth in its business. As at September 30, 2022, CAPREIT had undrawn lines of credit in the amount of \$312,578 (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 September 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 September 30, 2022 are as follows:

	2022 ⁽²⁾	2023 - 2024	2025 - 2026	2027 onward
Mortgages payable	\$ 168,218	\$ 1,082,686	\$ 1,605,039	\$ 3,775,271
Bank indebtedness	—	402,112	—	—
Mortgage interest	38,851	275,817	214,366	288,717
Bank indebtedness interest ⁽¹⁾	3,098	18,018	—	—
Other liabilities ⁽³⁾	142,712	—	—	—
ERES units held by non-controlling unitholders	—	—	—	236,187
Lease liabilities	286	2,472	2,848	43,329
Security deposits	45,597	—	—	—
Distributions payable	20,565	—	—	—
	\$ 419,327	\$ 1,781,105	\$ 1,822,253	\$ 4,343,504

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

⁽²⁾ Amounts as at September 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 may not be able 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 in euros.

CAPREIT manages and mitigates the exposure to foreign currency risk on its investment in IRES and subsidiaries in the Netherlands with its cross-currency swaps and EURIBOR borrowings. The loss on foreign currency translation relating to ERES and CAPREIT's subsidiaries in the Netherlands and Ireland is recognized in other comprehensive (loss) income. 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 September 30, 2022						
Type of instrument	Notional amount	Maturity year	Weighted average receiving leg rate	Weighted average paying leg rate	Derivative asset	
CCIR Swap ⁽¹⁾	\$ 106,486	2023	CDOR + 1.35%	1.21 %	7,925	
CCIR Swaps ⁽²⁾	\$ 570,694	2022 - 2025	1.07 %	0.08 %	70,412	
CCIR Swap ⁽³⁾	US\$ 29,674	2022	USD LIBOR + 1.35%	CDOR + 1.02%	680	
ERES Interest Rate Swap ⁽⁴⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %	1,454	
ERES Interest Rate Swaps	€ 156,550	2027	EURIBOR	(0.06)%	28,872	
ERES CCIR Swaps ⁽⁵⁾	US\$ 88,300	2022	US LIBOR + 1.35%	EURIBOR + 1.25%	1,298	
Consolidated Total					\$ 110,641	

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 ⁽⁶⁾	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 ⁽⁴⁾	€ 25,500	2025	EURIBOR + 1.38%	0.49 %	(769)	
ERES Interest Rate Swaps	€ 156,550	2027	EURIBOR	(0.06)%	987	
ERES CCIR Swaps ⁽⁵⁾	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 \$16,665 (December 31, 2021 - \$8,506) and a non-current derivative asset of \$53,747 (December 31, 2021 - \$21,044).

⁽³⁾ Rolling one-month CCIR swap with Canadian dollar equivalent of \$40,000.

⁽⁴⁾ As at September 30, 2022, the interest rate swap consists of a non-current derivative asset of \$1,454 (December 31, 2021 - \$389) and a non-current derivative liability of \$nil (December 31, 2021 - \$1,157).

⁽⁵⁾ Rolling one-month CCIR swap with a euro equivalent of €89,000 (December 31, 2021 - €71,050).

⁽⁶⁾ 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income before income taxes	\$ 66,060	\$ 220,248	\$ (121,299)	\$ 791,975
Amounts not subject to taxation ⁽¹⁾	(59,001)	(99,549)	192,823	(612,032)
Taxable income in foreign subsidiary entities	7,059	120,699	71,524	179,943
Tax calculated at the Dutch corporate tax rate of 25.8% (2021: 25.0%)	1,821	30,175	18,453	44,986
Increase (decrease) resulting from:				
Effect of different tax rates in countries in which CAPREIT operates	(189)	286	153	(215)
Adjustment for income taxed at a different rate	896	(444)	100	(936)
Unrecognized deferred tax assets	285	187	870	479
Provision to tax return true-up	278	—	1,197	—
Other adjustments	(190)	(169)	(186)	(175)
Current and deferred income tax expense	\$ 2,901	\$ 30,035	\$ 20,587	\$ 44,139

⁽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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Current income tax expense	\$ 1,289	\$ 1,074	\$ 3,400	\$ 2,829
Deferred income tax expense	1,612	28,961	17,187	41,310
Current and deferred income tax expense	\$ 2,901	\$ 30,035	\$ 20,587	\$ 44,139

The deferred income tax liability of \$141,179 (December 31, 2021 - \$133,974) is primarily related to the difference in the tax and book basis of investment properties. The deferred income tax asset of \$3,812 (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 September 30, 2022, CAPREIT has total non-capital loss carry-forwards of \$19,943 (December 31, 2021 - \$18,040). Of these losses, \$15,289 (December 31, 2021 - \$13,449) are in respect of Dutch subsidiaries which, starting on January 1, 2022, have no expiry period but the utilization is subject to annual limits. The remaining losses of \$4,653 (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 \$7,850 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(AOCL) AOCL balance, beginning of the period	\$ (136,737)	\$ (11,158)	\$ (43,397)	\$ 70,047
Other comprehensive income (loss):				
Amortization of losses from (AOCL) AOCL to interest and other financing costs ⁽¹⁾	121	618	1,294	1,857
(Loss) gain on foreign currency translation	(14)	8,730	(102,154)	(73,714)
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES ⁽¹⁾	—	—	7,627	—
Other comprehensive (loss) income	107	9,348	(93,233)	(71,857)
AOCL balance, end of the period	\$ (136,630)	\$ (1,810)	\$ (136,630)	\$ (1,810)
As at	September 30, 2022		December 31, 2021	
AOCL comprises:				
Net cumulative loss on derivative financial instruments	\$	(6)	\$	(110)
Net cumulative loss on forward interest rate hedge		(402)		(1,592)
Cumulative loss on foreign currency translation		(136,222)		(41,695)
AOCL balance, end of the period	\$	(136,630)	\$	(43,397)

⁽¹⁾ Refer to note 25 for further information.

22. Interest and Other Financing Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest on mortgages payable ⁽¹⁾	\$ 38,908	\$ 35,620	\$ 114,647	\$ 101,352
Amortization of CMHC premiums and fees	2,388	2,523	9,613	7,124
Interest on bank indebtedness ⁽²⁾	2,695	1,443	6,720	4,552
Interest on Exchangeable LP Units	609	282	1,826	511
Interest on land and air rights lease liability	1,281	1,261	3,941	3,637
	\$ 45,881	\$ 41,129	\$ 136,747	\$ 117,176

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and other comprehensive (loss) income hedge interest for the three and nine months ended September 30, 2022 of \$883 and \$3,382, respectively (three and nine months ended September 30, 2021 - \$1,477 and \$4,430, respectively).

⁽²⁾ Includes amortization of deferred loan costs for the three and nine months ended September 30, 2022 of \$152 and \$449, respectively (three and nine months ended September 30, 2021 - \$114 and \$572, respectively).

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23. Supplemental Cash Flow Information

a) Items Related to Investing and Financing Activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Dividend and interest income	\$ (3,958)	\$ (450)	\$ (9,294)	\$ (1,243)
Interest expense on holders of Exchangeable LP Units	609	282	1,826	511
Interest expense on ERES non-controlling unitholders	3,164	3,219	9,557	9,623
Interest expense on mortgages	38,494	33,077	111,751	95,605
Fair value adjustment upon mortgage assumption on disposition	—	—	(3,865)	—
Interest expense on bank indebtedness	2,542	1,329	6,270	3,981
Interest expense on leases	1,281	1,261	3,941	3,637
Net disbursements	\$ 42,132	\$ 38,718	\$ 120,186	\$ 112,114

b) Changes in Non-cash Operating Assets and Liabilities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Prepaid expenses	\$ 1,108	\$ (1,487)	\$ (16,221)	\$ (12,305)
Tenant inducements, direct leasing costs and other adjustments	283	(5)	1,709	(1,179)
Other receivables	(254)	458	(860)	(1,049)
Deposits	(5,285)	105	(9,546)	(867)
MHC home inventory	(1,171)	—	(3,090)	—
Accounts payable and other liabilities	8,186	11,460	9,310	537
Derivative liability	936	—	2,238	(4,082)
Security deposits	(188)	1,507	2,404	2,656
Current tax liability	1,131	(1,924)	(1,236)	(2,916)
Changes in non-cash operating assets and liabilities	\$ 4,746	\$ 10,114	\$ (15,292)	\$ (19,205)

c) Acquisition of Investment Properties

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Acquired properties	\$ (127,905)	\$ (373,825)	\$ (645,605)	\$ (803,473)
Fair value of assumed debt	—	106,247	99,500	132,860
Deposit on acquisitions	4,608	(67,828)	(853)	(74,094)
Issuance of Exchangeable LP Units	—	83,386	—	83,386
Net disbursements	\$ (123,297)	\$ (252,020)	\$ (546,958)	\$ (661,321)

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d) Capital Investments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Capital investments	\$ (82,874)	\$ (86,719)	\$ (221,073)	\$ (224,230)
Change in capital investments included in accounts payable and other liabilities	1,462	2,918	(12,916)	(2,534)
Net disbursements	\$ (81,412)	\$ (83,801)	\$ (233,989)	\$ (226,764)

e) Disposition of Investment Properties

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Proceeds	\$ 91,237	\$ 52,461	\$ 343,497	\$ 52,461
Closing costs and other adjustments	333	(13)	(2,128)	(13)
Issuance of VTB	—	(46,800)	—	(46,800)
Fair value of mortgages assumed by purchaser on dispositions	\$ —	\$ —	\$ (34,420)	\$ —
Net proceeds	\$ 91,570	\$ 5,648	\$ 306,949	\$ 5,648

f) Mortgage Portfolio

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance, beginning of the period	\$ 6,567,584	\$ 5,521,198	\$ 6,100,065	\$ 5,401,202
Add:				
New borrowings on acquisitions	—	66,220	211,341	132,045
Refinanced	—	465,208	718,617	848,324
Less:				
Mortgage principal repayments	(40,740)	(37,093)	(121,038)	(110,596)
Mortgage lump sum repayments	(8,543)	(222,333)	(360,759)	(432,984)
Mortgages repaid on dispositions of investment properties	(22,902)	—	(28,113)	—
Non-cash adjustments:				
Mortgages assumed upon property acquisitions	—	105,129	99,194	131,614
Mortgages assumed by purchasers upon dispositions	—	—	(38,285)	—
(Gain) loss on foreign currency translation	(889)	7,116	(75,465)	(56,381)
Net change in deferred financings costs, fair value adjustment and prepaid CMHC premiums	3,772	(5,498)	(7,275)	(13,277)
Balance, end of the period	\$ 6,498,282	\$ 5,899,947	\$ 6,498,282	\$ 5,899,947

g) Bank Indebtedness

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance, beginning of the period	\$ 260,220	\$ 433,808	\$ 310,866	\$ 118,553
Net borrowings before foreign currency translation	138,229	3,916	86,787	320,982
Loss on foreign currency translation	3,663	5,835	4,459	4,024
Balance, end of the period	\$ 402,112	\$ 443,559	\$ 402,112	\$ 443,559

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

h) Issuance of Trust Units

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Issuance of Trust Units	\$ 3,753	\$ 4,051	\$ 16,551	\$ 13,744
Settlement of unit-based compensation awards for Trust Units	(3,322)	(3,268)	(14,342)	(11,374)
Net proceeds	\$ 431	\$ 784	\$ 2,209	\$ 2,370

i) Net Cash Distributions and Other Net Interest Payments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Distributions and interest declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	\$ (65,983)	\$ (65,171)	\$ (199,315)	\$ (190,665)
Add: Distributions payable to Unitholders at beginning of the period	(20,912)	(19,853)	(20,953)	(19,751)
Less: Distributions payable to Unitholders at end of the period	20,565	20,907	20,565	20,907
Less: Distributions to participants in the CAPREIT DRIP	1,244	19,092	41,005	55,140
Add: Interest payable to ERES non-controlling unitholders at beginning of the period	(902)	(904)	(745)	(920)
Less: Interest payable to ERES non-controlling unitholders at end of the period	901	913	901	913
Less: Interest expense on non-controlling participants in the ERES DRIP	906	626	2,853	1,699
Add: Interest payable to holders of Exchangeable LP Units at beginning of the period	(203)	(38)	(406)	(38)
Less: Interest payable to holders of Exchangeable LP Units at end of the period	203	203	203	203
Gain (loss) on foreign currency translation	28	(2)	107	3
Net disbursements	\$ (64,153)	\$ (44,227)	\$ (155,785)	\$ (132,509)

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24. Revenue and Other Income

Revenue from Contracts with Customers

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 other income. Revenues under IFRS 15 consist of asset and property management fees, transition service fees and profit from sale of MHC home inventory listed below in "Other income" section and miscellaneous revenues. For the three and nine months ended September 30, 2022, miscellaneous revenues of \$6,118 and \$18,148, respectively, (three and nine months ended September 30, 2021 - \$4,399 and \$13,784 respectively), were included in "Revenue from investment properties" within consolidated statements of (loss) income and comprehensive (loss) income. Miscellaneous revenues consist of cable income, certain common area maintenance recoveries, service charges and premium service components.

Other income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Investment income ⁽¹⁾	\$ 3,574	\$ 370	\$ 8,570	\$ 1,109
Interest income from mortgages receivable	271	—	1,699	—
Profit from sale of MHC inventory ⁽²⁾	376	—	1,332	—
Net profit from investment in associate ⁽³⁾	—	2,522	647	10,066
Asset and property management fees, and transition service fees ⁽⁴⁾	—	2,519	2,252	7,427
Other	320	79	659	137
Total	\$ 4,541	\$ 5,490	\$ 15,159	\$ 18,739

⁽¹⁾ Investment income for the three and nine months ended September 30, 2022 includes \$3,062 and \$7,297, respectively, of semi-annual dividends from IRES (three and nine months ended September 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⁾ Consists of income from sale of MHC home inventory of \$1,055 and \$3,802, offset by cost of sales of \$679 and \$2,470 for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 - \$nil).

⁽³⁾ Net profit from investment in associate represented CAPREIT's share of IRES' earnings, investment property fair value change, and foreign exchange effects thereon during the period when CAPREIT exercised significant influence over IRES. Subsequent to January 31, 2022, CAPREIT no longer exercised significant influence over IRES and as a result, its investment in IRES no longer qualified as an investment in associate. Refer to note 25 for further information.

⁽⁴⁾ Based on the IMA with IRES, which terminated on January 31, 2022. This includes transition service fees of \$nil and \$1,407 for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 - \$nil). Refer to note 25 for further information.

25. Related Party Transactions

a) IRES Transactions

Included in other income for the three and nine months ended September 30, 2022 are asset management, property management, and transition service fees of \$nil and \$2,252, respectively (three and nine months ended September 30, 2021 - \$2,519 and \$7,427, 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 on foreign currency translation on the consolidated statements of (loss) income and comprehensive (loss) income.

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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 value changes are included in fair value adjustments of investments on the consolidated 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Short-term benefits	\$ 916	\$ 706	\$ 2,256	\$ 2,512
Unit-based compensation - grant date amortization ⁽¹⁾	801	758	2,744	2,203
Termination benefits	—	—	1,849	—
	1,717	1,464	6,849	4,715
Unit-based compensation - fair value remeasurement	(701)	886	(5,070)	4,011
Total	\$ 1,016	\$ 2,350	\$ 1,779	\$ 8,726

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

c) ERES Transactions

Pipeline Agreement

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

Promissory Note

On October 28, 2021, the CAPREIT Board of Trustees approved the provision of up to \$222,138 (€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 nine months ended September 30, 2022 are summarized in the table below.

Issuance Date	Principal (€)	Interest Rate per Annum	Maturity Date	As at September 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 ⁽¹⁾	25,650	34,532
Total	€ 93,100			€ 25,650	\$ 34,532

⁽¹⁾ Upon maturity, a fourth promissory note was issued to CAPREIT in the principal amount of €25,650, with an interest rate of 3.70% per annum and with a maturity date of April 27, 2023.

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 for the three and nine months ended September 30, 2022 and September 30, 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Asset management fees	\$ 1,938	\$ 1,891	\$ 5,934	\$ 5,520
Acquisition fees	—	—	1,215	691
Property management fees	1,071	1,023	3,205	3,000
Service fees	—	162	581	557
Interest from promissory note	140	—	550	—
Total	\$ 3,149	\$ 3,076	\$ 11,485	\$ 9,768

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 September 30, 2022 in the aggregate amount of \$10,143 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 in table below.

	Remainder of 2022		2023		2024		2025	
Gas Commodity								
Fixed weighted average cost per GJ ⁽¹⁾	\$	2.25	\$	2.31	\$	2.31	\$	2.26
Total of CAPREIT's estimated requirements		62.7 %		64.2 %		51.5 %		30.1 %
Transport								
Fixed weighted average cost per GJ ⁽¹⁾	\$	0.92	\$	0.81	\$	0.75	\$	0.79
Total of CAPREIT's estimated requirements		58.9 %		64.2 %		51.5 %		30.1 %

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

Property-related commitments

Commitments primarily related to improvements and other expenditures in investment properties of \$134,950 were outstanding as at September 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2022 (Unaudited)

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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 September 30, 2022				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	222,050 \$	29,982 \$	252,032
Operating expenses		(78,919)	(6,469)	(85,388)
Net rental income	\$	143,131 \$	23,513 \$	166,644
Fair value adjustments of investment properties	\$	(85,211) \$	(10,469) \$	(95,680)

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

For the Nine Months Ended September 30, 2022				
Selected income statement items		Canada	Europe	Consolidated Financial Statements
Revenue from investment properties	\$	659,968 \$	90,385 \$	750,353
Operating expenses		(244,169)	(20,275)	(264,444)
Net rental income	\$	415,799 \$	70,110 \$	485,909
Fair value adjustments of investment properties	\$	(564,823) \$	22,035 \$	(542,788)

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

As at September 30, 2022				
Selected balance sheet items		Canada	Europe	Consolidated Financial Statements
Investment properties	\$	14,226,009 \$	2,668,542 \$	16,894,551
Mortgages payable		5,321,240	1,177,042	6,498,282

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

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."