



CANADIAN APARTMENT
PROPERTIES • REIT

FINANCIAL REPORT

**THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023**

Q3





November 8, 2023

Report to Unitholders

We're proud to have achieved another quarter of robust operational and financial performance. Vacancies remained at record low levels, with nearly 99% of our Canadian residential suites occupied on September 30, 2023. This speaks to the increasingly tight rental markets that we're operating in today, a product of chronically undersupplied housing in Canada. As a result, with rising demand for affordable rental accommodation, our occupied average monthly rent on the total Canadian residential portfolio grew to \$1,490 as of current period end.

This rent growth held our same property net operating income margin strong at 66.5% for the three months ended September 30, 2023, notwithstanding higher operating expenses from inflationary pressures and increased repairs and maintenance (R&M) costs. However, we are strategically incurring these higher R&M costs as we scale back on our discretionary, value-enhancing expenditure, which flows through our balance sheet, to instead allocate that capital into R&M work, which impacts our margins. Our consolidated property operating costs were also inflated by movement in the foreign exchange rate, although this also had the effect of increasing our foreign operating revenues upon translation.

Funds From Operations (FFO) (formerly known as normalized funds from operations) increased by 4.6% to \$0.638 per diluted unit for the third quarter of 2023, as compared to the same quarter last year. This was primarily due to operational growth as well as accretive purchases previously made under our Normal Course Issuer Bid (NCIB) program, which decreased the weighted average number of units outstanding by approximately 2.8% versus the comparative period. We maintained our rate of distribution steady, and our FFO payout ratio decreased slightly to 56.8% for the three months ended September 30, 2023.

We're continuing to make solid progress on our strategic initiatives, one of which focuses on portfolio modernization. In 2023, we completed the acquisition of over \$200 million worth of newly constructed buildings located in strong-performing, high-growth geographies, funded directly by the disposition of our non-core Canadian properties. In aggregate, this represents the purchase of approximately 500 modern, high-quality suites, whereas we've sold over 2,500 suites and sites year-to-date across our older, non-strategic residences in Canada. Importantly, by optimizing our portfolio in this way, through downsizing on suite count and upsizing on quality, we're also having to optimize our organizational structure to adapt accordingly. This internal alignment ensures our re-envisioned CAPREIT 2.0 strategy is set up for success now, and in the future.

That strategy involves not only the rejuvenation of our properties and communities. We also continue to work hard on our development program, which seeks to crystallize the significant under-realized land value embedded throughout our portfolio, while also contributing to the vital development of new homes in Canada. The NCIB constitutes an additional value-creation tool at our disposal, which we can leverage whenever that presents itself as the best use of capital.

On the balance sheet, we're fortifying our financial position through active management of our debt financing, which represents another critical component of our overall business strategy. Our laddered mortgage portfolio in Canada carries one of the longest terms to maturity in the industry at 5.4 years. We also have over 99% of our Canadian mortgage interest fixed at a low weighted average effective interest rate of 2.9%. Our total debt to gross book value ratio remains conservative at 41%, and we have available capacity of up to \$258 million on our acquisition and operating facility as of September 30, 2023, which provides us with the flexibility we need to continue executing on all our strategic objectives.

Looking ahead, we remain extremely focused on generating as much value as possible, through as many means as possible. We have ongoing opportunity for accretive use of funds across multiple avenues available for capital redeployment, and we will continue to actively exercise these levers in tandem to keep maximizing returns for our Unitholders.

A handwritten signature in dark ink, appearing to read "Mark Kenney", is positioned above a horizontal line.

Mark Kenney
President and Chief Executive Officer



CANADIAN APARTMENT
PROPERTIES • REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023

TABLE OF CONTENTS

SECTION I: OVERVIEW AND DISCLAIMER

■ Basis of Presentation	3
■ Forward-Looking Disclaimer	3
■ Non-IFRS Measures	4
■ Overview	5
■ Property Portfolio	5
■ Objectives and Business Strategy	7

SECTION II: PORTFOLIO OVERVIEW

■ Summary of Q3 - 2023 Results of Operations	8
■ Key Performance Indicators	9
■ Performance Measures	10

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

■ Occupied Average Monthly Rents and Occupancy	12
■ Results of Operations	17
■ NOI by Region	22
■ Same Property NOI by Region	25
■ Net Income (Loss) And Other Comprehensive Income (Loss)	28

SECTION IV: INVESTMENT PROPERTIES

■ Investment Properties	34
■ Acquisitions	35
■ Dispositions	36
■ Property Capital Investments	37
■ Development	39

SECTION V: CAPITAL STRUCTURE AND FINANCIAL CONDITION

■ Capital Structure	40
■ Liquidity and Financial Condition	41

SECTION VI: UNIT CALCULATIONS, DISTRIBUTIONS, NON-IFRS MEASURES AND OTHER INFORMATION

■ Unit Calculations and Distributions	48
■ Non-IFRS Measures	51
■ Other Information	60

SECTION VII: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES

■ Accounting Policies and Critical Accounting Estimates, Assumptions and Judgments	63
■ Controls and Procedures	63
■ Risks and Uncertainties	63
■ Related Party Transactions	63
■ Commitments and Contingencies	64

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, 2023 dated November 8, 2023, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and audited consolidated annual financial statements for the year ended December 31, 2022 contained in CAPREIT's 2022 Annual Report. CAPREIT and its subsidiaries are collectively referred to as "CAPREIT" in the MD&A. The results reported in CAPREIT's MD&A are on a consolidated basis including the full results of any subsidiaries. Information contained on CAPREIT's website or in other documents referred to in this MD&A is not incorporated by reference into, and should not be considered part of, this MD&A unless expressly stated otherwise. Additional information about CAPREIT, including the most recently filed Annual Information Form ("AIF"), is available on SEDAR+ at www.sedarplus.ca.

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, growth strategy, budgets, litigation, occupancy rates, rental rates, productivity, projected costs, acquisitions, dispositions, 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", "forecast", "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, inflation and increasing interest rates, potential health crises and their direct or indirect impacts on the business of CAPREIT; 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; 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 the markets in which CAPREIT currently operates remain stable, with no material increase in supply of directly-competitive residential real estate; 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. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. Although the forward-looking statements contained in this MD&A are based on assumptions and information that is currently available to management, including current market conditions and management's assessment of acquisition, disposition and other opportunities that are or may become available to CAPREIT, which are subject to change, management believes these statements have been prepared on a reasonable basis, reflecting CAPREIT's best estimates and judgments. However, there can be no assurance actual results, terms or timing 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: rent control and residential tenancy regulations, general economic conditions, privacy, cyber security and data governance risks, talent management and human resources shortages, taxation-related risks, energy costs,

public health crises, environmental matters, vendor management and third-party service providers, operating risk, valuation risk, climate change, other regulatory compliance risks, availability of debt, risks related to acquisitions, dispositions and property development, catastrophic events, litigation risk, liquidity and price volatility of units of CAPREIT ("Trust Units"), CAPREIT's investment in European Residential Real Estate Investment Trust ("ERES"), potential conflicts of interest, investment restrictions, lack of diversification of investment assets, geographic concentration, illiquidity of real property, capital investments, leasing risk, competition for real property investments, dependence on key personnel, adequacy of insurance and captive insurance, competition for residents, controls over financial reporting, the nature of CAPREIT Trust Units, Unitholder liability, dilution, distributions, participation in CAPREIT's distribution reinvestment plan ("DRIP") 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 2022 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"), Adjusted Cash Flow from Operations ("ACFO"), Adjusted Cash Generated from Operating Activities, Net Asset Value ("NAV"), Total Debt, Gross Book Value and Adjusted Earnings Before Interest, Tax, Depreciation, Amortization and Fair Value ("Adjusted EBITDAFV") (the "Non-IFRS Financial Measures"), as well as diluted FFO per unit, Ratio of Total Debt to Gross Book Value, 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 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 VI under Non-IFRS Measures. The Non-IFRS Measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or the sustainability of our distributions.

CAPREIT undertook a comprehensive review of MD&A disclosures and, starting with the first quarter of 2023, streamlined disclosures to focus on measures and metrics that management believes are the most relevant. Accordingly, CAPREIT is no longer disclosing Net Trust Expenses, Ratio of Total Debt to Gross Historical Cost and Ratio of Total Debt to Total Capitalization. In this MD&A, CAPREIT relabeled Normalized Funds from Operations ("NFFO") to FFO (formerly known as "NFFO") and as such, introduced a modified definition of FFO which is identical to the prior definition of NFFO. As a result, CAPREIT will no longer refer to NFFO throughout the MD&A. Refer to the discussion in Section VI under Non-IFRS Measures – Fund From Operations for further information.

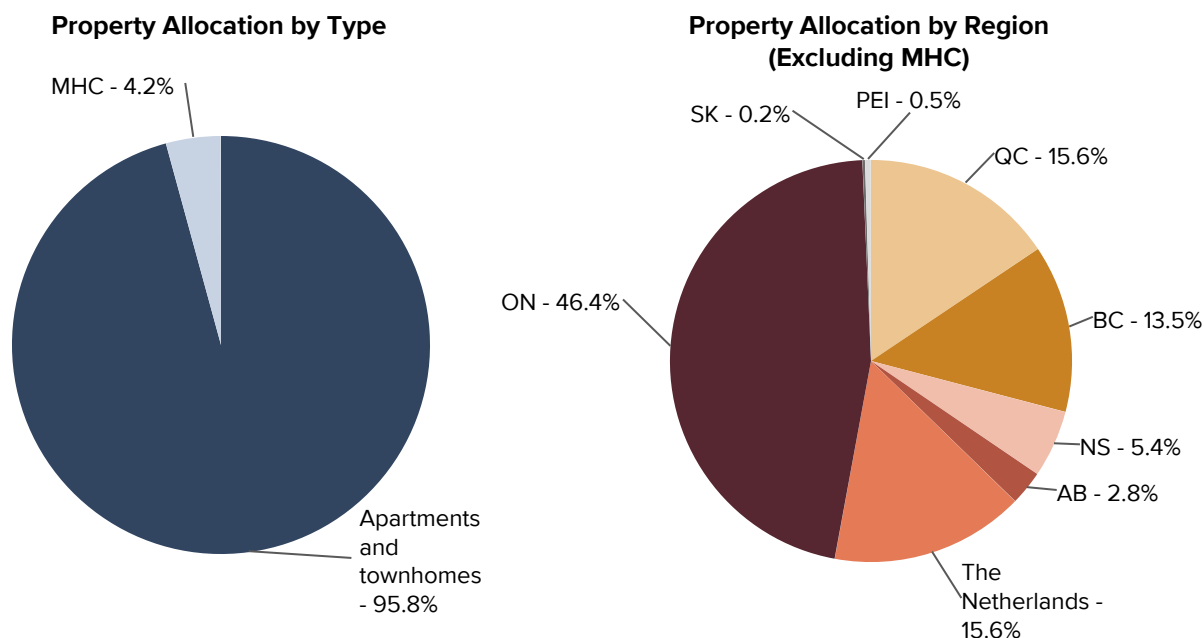
OVERVIEW

CAPREIT is Canada's largest publicly-traded provider of quality rental housing. CAPREIT owns approximately 64,500 residential apartment suites, townhomes and manufactured home community ("MHC") sites well-located across Canada and the Netherlands as of September 30, 2023.

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.

The following charts show the portfolio allocation by type and by region based on the fair value of CAPREIT's investment properties as at September 30, 2023. For a detailed discussion of CAPREIT's investment properties, refer to Section IV under Investment Properties.



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 Land Leases 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, high quality and defensive nature of its portfolio through acquisitions and dispositions.

Portfolio by Geography

As at	September 30, 2023	%	December 31, 2022	%	September 30, 2022	%
Residential Suites						
Ontario						
Greater Toronto Area	17,139	26.6	17,139	25.7	17,139	25.7
London / Kitchener / Waterloo	3,808	5.9	3,808	5.7	3,808	5.7
Ottawa	1,485	2.3	2,492	3.7	2,492	3.7
	22,432	34.8	23,439	35.1	23,439	35.1
Québec						
Greater Montréal Region	7,695	11.9	8,682	13.0	8,682	13.0
Québec City	2,777	4.3	2,777	4.2	2,777	4.2
	10,472	16.2	11,459	17.2	11,459	17.2
British Columbia						
Greater Vancouver Area	3,928	6.1	3,743	5.6	3,743	5.6
Victoria and Other British Columbia	2,117	3.3	2,117	3.2	2,117	3.2
	6,045	9.4	5,860	8.8	5,860	8.8
Nova Scotia						
Halifax	3,340	5.2	3,288	4.9	3,288	4.9
Alberta						
Calgary	1,775	2.8	1,775	2.7	1,775	2.7
Edmonton	697	1.1	608	0.9	608	0.9
	2,472	3.9	2,383	3.6	2,383	3.6
Prince Edward Island						
Charlottetown	445	0.7	637	1.0	637	1.0
Saskatchewan						
Regina	234	0.4	234	0.4	234	0.4
Total Canadian residential suites	45,440	70.5	47,300	71.0	47,300	71.0
MHC Sites						
Total MHC sites	12,125	18.8	12,386	18.6	12,383	18.6
Total Canadian portfolio	57,565	89.3	59,686	89.6	59,683	89.6
Europe						
The Netherlands portfolio	6,896	10.7	6,900	10.4	6,900	10.4
Total portfolio	64,461	100.0	66,586	100.0	66,583	100.0

While maintaining a strong and strategic presence in Ontario's vibrant residential market, CAPREIT continues to focus on diversifying its portfolio by increasing its allocation in high-growth Canadian markets with strong fundamentals. CAPREIT considers investment opportunities that meet its investment criteria, which includes geographical diversification and the mitigation of risks arising from potential downturns in any specific markets.

OBJECTIVES AND BUSINESS STRATEGY

CAPREIT's objectives are to:

- maintain a focus on maximizing occupancy and responsibly growing occupied average monthly rent ("Occupied AMR") in accordance with local conditions in each of its markets;
- grow FFO per unit (formerly known as "NFFO per unit"), sustainable distributions and NAV per unit by actively managing its properties, including upgrading and diversifying its property portfolio through accretive, on-strategy acquisitions and selected non-core or opportunistic dispositions, as well as the disposition of vacant development land that contributes to increasing the supply of new homes in Canada;
- invest capital within the property portfolio and adopt leading edge technologies and solutions in order to grow earnings and cash flow potential, to enhance CAPREIT's risk management, market research, environmental and operational efficiencies, and to help ensure life safety and satisfaction of residents; and
- maintain strong financial management with a flexible balance sheet and well-balanced capital structure to provide Unitholders with long-term, stable and predictable monthly cash distributions.

To meet its objectives, CAPREIT has established business strategies focused on: customer service, cost management, capital investments, upgrading the portfolio, financial management, and environmental, social and governance ("ESG") strategy integration. For further information on CAPREIT's ESG performance, refer to the 2022 ESG Report.

For a comprehensive description of CAPREIT's business strategies, refer to CAPREIT's MD&A for the year ended December 31, 2022 contained in CAPREIT's 2022 Annual Report.

SECTION II: PORTFOLIO OVERVIEW

SUMMARY OF Q3 - 2023 RESULTS OF OPERATIONS

Strategic Initiatives Update

- CAPREIT continues to invest in strategic opportunities that are accretive. For the nine months ended September 30, 2023, CAPREIT acquired five properties for a total acquisition cost of \$208.3 million.
- CAPREIT disposed of 388 suites which comprised of five non-core properties and three single residential suites located in Canada and the Netherlands, respectively, for the three months ended September 30, 2023 for \$60.8 million (excluding transaction costs and other adjustments). For the nine months ended September 30, 2023, CAPREIT disposed of \$354.5 million (excluding transaction costs and other adjustments) worth of non-core property dispositions.
- CAPREIT did not purchase any Trust Units for cancellation during the three months ended September 30, 2023. During the nine months ended September 30, 2023, CAPREIT purchased and cancelled approximately 2.2 million Trust Units under the normal course issuer bid ("NCIB") program, at a weighted average purchase price of \$46.53 per Trust Unit, for a total cost of \$100.9 million.
- Pursuant to CAPREIT's strategy of upgrading and diversifying its property portfolio through accretive, on-strategy acquisitions and selected non-core or opportunistic dispositions, CAPREIT is currently targeting the disposition of approximately \$400 million to \$500 million of Canadian properties in 2023.

Operating Results

- Same property Occupied AMR for the Canadian residential portfolio as at September 30, 2023 increased by 5.8% compared to September 30, 2022, while same property occupancy for the Canadian residential portfolio remained relatively stable at 98.9%.
- NOI increased by 7.8% and 7.1%, respectively, for the same property portfolio for the three and nine months ended September 30, 2023, compared to the same periods last year. Additionally, same property NOI margin remained consistent at 66.5%, for the three months ended September 30, 2023 and increased to 65.4%, up 0.3%, for the nine months ended September 30, 2023, compared to the same periods last year.
- Diluted FFO per unit (formerly known as "diluted NFFO per unit") increased by 4.6% and 2.7% for the three and nine months ended September 30, 2023, respectively, compared to the same periods last year primarily due to same property operational growth and supplemented by accretive NCIB purchases.

Balance Sheet Highlights

- CAPREIT's financial position remains strong with \$257.9 million of available capacity on its Canadian Acquisition and Operating Facility.
- Based on the current property portfolio and execution of strategic initiatives, management expects to raise between \$600 million and \$650 million in mortgages for the Canadian portfolio for 2023.
- To date, CAPREIT completed or committed consolidated mortgage financings of \$605.8 million. The mortgages refinanced have a weighted average term to maturity of 6.9 years and a weighted average interest rate of 4.40%.
- For the three and nine months ended September 30, 2023, CAPREIT recorded a fair value loss on investment properties of \$507.0 million and \$803.2 million, respectively, primarily driven by capitalization rate ("cap rate") expansion in the Greater Toronto Area within the Canadian portfolio and in the Netherlands portfolio as a reflection of the market conditions. The overall carrying value of investment properties (excluding assets held for sale) as at September 30, 2023 was \$16.5 billion compared to \$17.0 billion as at June 30, 2023 and \$17.2 billion as at December 31, 2022.
- Diluted NAV per unit as at September 30, 2023 decreased to \$54.36 from \$57.08 as at June 30, 2023 and \$58.01 as at December 31, 2022, primarily due to fair value losses recognized in investment properties, partially offset by the effects of accretive purchases of Trust Units for cancellation through the NCIB program.

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.

Occupied AMR – Through its active property management strategies, lease administration system and proactive capital investment programs, CAPREIT strives to achieve increasing Occupied AMR in accordance with local market conditions and rent control legislation, as applicable. Management believes same property Occupied AMR will continue to gradually increase, providing the basis for sustainable year-over-year increases in revenue.

Net Operating Income ("NOI") – NOI is a widely used operating performance indicator in the real estate industry, and is presented in CAPREIT's consolidated interim statements of net income (loss) and comprehensive income (loss). It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies.

FFO per unit (formerly known as "NFFO per unit") – CAPREIT is focused on achieving steady increases in this metric. Management believes this measure is indicative of CAPREIT's overall operating performance. For greater clarity, CAPREIT has relabelled NFFO per unit to simply FFO per unit throughout this MD&A. Refer to the discussion in Section VI under Non-IFRS Measures – Funds From Operations for further information.

FFO Payout Ratio (formerly known as "NFFO Payout Ratio") – This ratio is meant to monitor the FFO that is retained at CAPREIT to potentially fund investment opportunities, capital initiatives or repay indebtedness, after factoring in distributions and 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, capital expenditures and other factors that may be beyond the control of 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 Euro Interbank Offered Rate ("EURIBOR"), Term Secured Overnight Financing Rate ("SOFR") 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.

NAV per unit – Management believes that this measure reflects the residual value of CAPREIT to its Unitholders on an ongoing basis and is therefore used by management to evaluate the net asset value attributable to Unitholders, and changes thereon based on the execution of CAPREIT's strategy.

PERFORMANCE MEASURES

The following tables present an overview of certain IFRS and Non-IFRS Measures of CAPREIT as at September 30, 2023, December 31, 2022 and September 30, 2022 and for the three and nine months ended September 30, 2023 and September 30, 2022. Management believes these measures are useful in assessing CAPREIT's operating and financial performance in relation to its objectives and business strategy.

As at	September 30, 2023	December 31, 2022	September 30, 2022
Total Portfolio Performance and Other Measures			
Number of suites and sites	64,461	66,586	66,583
Investment properties fair value ⁽¹⁾ (000s)	\$ 16,482,890	\$ 17,153,709	\$ 16,894,551
Occupied AMR			
Canadian Residential Portfolio ⁽²⁾	\$ 1,490	\$ 1,401	\$ 1,387
The Netherlands Portfolio	€ 1,053	€ 992	€ 983
Occupancy			
Canadian Residential Portfolio ⁽²⁾	98.9 %	98.9 %	98.8 %
The Netherlands Portfolio	98.7 %	98.4 %	97.8 %
Total Portfolio ⁽³⁾	98.4 %	98.3 %	98.1 %

⁽¹⁾ Investment properties exclude assets held for sale, as applicable.

⁽²⁾ Excludes MHC sites.

⁽³⁾ Includes MHC sites.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Financial Performance				
Operating revenues (000s)	\$ 268,377	\$ 252,032	\$ 793,122	\$ 750,353
NOI (000s)	\$ 178,432	\$ 166,644	\$ 516,075	\$ 485,909
NOI margin	66.5 %	66.1 %	65.1 %	64.8 %
Same property NOI (000s)	\$ 170,070	\$ 157,823	\$ 493,686	\$ 460,774
Same property NOI margin	66.5 %	66.5 %	65.4 %	65.1 %
Net income (loss) (000s)	\$ (357,542)	\$ 63,159	\$ (420,786)	\$ (141,886)
FFO per unit – diluted (formerly known as "NFFO per unit – diluted") ⁽¹⁾	\$ 0.638	\$ 0.610	\$ 1.795	\$ 1.748
Distributions per unit	\$ 0.362	\$ 0.362	\$ 1.087	\$ 1.087
FFO payout ratio (formerly known as "NFFO payout ratio") ⁽¹⁾	56.8 %	59.1 %	60.5 %	62.0 %

⁽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 VI – Non-IFRS Measures.

As at	September 30, 2023	December 31, 2022	September 30, 2022
Financing Metrics and Liquidity			
Total debt to gross book value ⁽¹⁾	41.4%	39.4%	39.4%
Weighted average mortgage effective interest rate ⁽²⁾	2.73%	2.61%	2.59%
Weighted average mortgage term (years) ⁽²⁾	5.0	5.4	5.6
Debt service coverage (times) ⁽¹⁾⁽³⁾	1.8x	1.9x	1.9x
Interest coverage (times) ⁽¹⁾⁽³⁾	3.5x	3.7x	3.8x
Cash and cash equivalents (000s)	\$ 48,266	\$ 47,303	\$ 101,295
Available liquidity – Acquisition and Operating Facility (000s)	\$ 257,875	\$ 333,416	\$ 312,578
Capital			
Unitholders' equity (000s)	\$ 9,304,029	\$ 10,003,695	\$ 9,832,599
Net asset value ⁽¹⁾ (000s)	\$ 9,228,233	\$ 9,954,566	\$ 9,730,535
Total number of units – diluted (000s)	169,777	171,599	172,393
Net asset value per unit – diluted ⁽¹⁾	\$ 54.36	\$ 58.01	\$ 56.44

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

⁽²⁾ Excludes liabilities related to assets held for sale, as applicable.

⁽³⁾ Based on the trailing four quarters.

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

OCCUPIED AVERAGE MONTHLY RENTS AND OCCUPANCY

Occupied AMR is defined as actual residential rents 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 Occupied AMR and occupancy include all properties held as at September 30, 2022, but exclude properties disposed of or held for sale as at September 30, 2023.

Net AMR is defined as actual residential rents divided by the total number of suites or sites in the property, and does not include revenues from parking, laundry or other sources. Therefore, fluctuations in Net AMR are due to changes in residential rents, changes in occupancy levels or a combination of both. Management considers Occupied AMR to be a better measure of actual residential rents earned from tenants and is no longer disclosing Net AMR.

Occupied AMR and Occupancy by Geography

As at September 30,	Total Portfolio				Same Property			
	2023		2022		2023		2022	
	Occupied AMR	Occ. %	Occupied AMR	Occ. %	Occupied AMR	Occ. %	Occupied AMR	Occ. %
Residential Suites								
Ontario								
Greater Toronto Area	\$ 1,671	99.2	\$ 1,579	99.3	\$ 1,671	99.2	\$ 1,579	99.3
London / Kitchener / Waterloo	1,225	99.3	1,140	99.5	1,225	99.3	1,140	99.5
Ottawa	1,768	99.8	1,505	99.8	1,725	99.8	1,645	99.8
	\$ 1,602	99.2	\$ 1,500	99.4	\$ 1,598	99.2	\$ 1,508	99.3
Québec								
Greater Montréal Region	\$ 1,213	97.7	\$ 1,143	97.6	\$ 1,213	97.7	\$ 1,169	97.5
Québec City	1,239	98.1	1,193	97.8	1,239	98.1	1,193	97.8
	\$ 1,220	97.8	\$ 1,155	97.7	\$ 1,220	97.8	\$ 1,175	97.6
British Columbia								
Greater Vancouver Area	\$ 1,674	99.2	\$ 1,535	99.5	\$ 1,637	99.2	\$ 1,535	99.5
Victoria and Other British Columbia	1,569	98.9	1,483	99.9	1,569	98.9	1,483	99.9
	\$ 1,637	99.1	\$ 1,516	99.6	\$ 1,613	99.1	\$ 1,516	99.6
Nova Scotia								
Halifax	\$ 1,490	99.4	\$ 1,380	98.1	\$ 1,483	99.4	\$ 1,380	98.1
Alberta								
Calgary	\$ 1,301	99.7	\$ 1,149	99.5	\$ 1,302	99.7	\$ 1,147	99.5
Edmonton	1,383	99.9	1,280	96.2	1,370	99.8	1,280	96.2
	\$ 1,324	99.7	\$ 1,182	98.7	\$ 1,321	99.7	\$ 1,185	98.5
Prince Edward Island								
Charlottetown	\$ 1,234	99.8	\$ 1,129	99.5	\$ 1,262	99.8	\$ 1,258	99.5
Saskatchewan								
Regina	\$ 1,201	99.1	\$ 1,080	97.0	\$ 1,201	99.1	\$ 1,080	97.0
Total Canadian residential suites	\$ 1,490	98.9	\$ 1,387	98.8	\$ 1,485	98.9	\$ 1,403	98.8
MHC Sites								
Total MHC sites	\$ 437	96.0	\$ 425	95.6	\$ 437	96.0	\$ 425	95.5
Total Canadian portfolio	\$ 1,274	98.3	\$ 1,190	98.2	\$ 1,267	98.3	\$ 1,200	98.1
Europe								
The Netherlands portfolio	€ 1,053	98.7	€ 983	97.8	€ 1,053	98.7	€ 983	97.8
Total portfolio		98.4		98.1		98.4		98.1

The rate of growth in total portfolio Occupied AMR has been primarily driven by (i) new acquisitions completed over the past 12 months and (ii) same property operational growth. The rate of growth in same property Occupied AMR has been primarily due to (i) rental increases on turnover in the rental markets of most provinces across the Canadian portfolio and (ii) rental increases on renewals.

The weighted average gross rent per square foot for total Canadian residential suites was approximately \$1.80 as at September 30, 2023, increased from \$1.70 as at September 30, 2022.

Annual Rental Guidelines as per Rental Board

The table below presents the annual rental guideline increases in CAPREIT's largest Canadian provinces of operations under rent control legislation impacting lease renewals, if applicable.

	2024 ⁽¹⁾	2023 ⁽²⁾	2022
Ontario	2.5%	2.5%	1.2%
British Columbia	3.5%	2.0%	1.5%

⁽¹⁾ Ontario and British Columbia have capped the rental guideline increases at 2.5% and 3.5%, respectively, below current rates of inflation. Without the cap, the rental guideline increases would have been calculated to be 5.9% and 5.6%, respectively, based on the average Ontario and British Columbia Consumer Price Indices at the time of announcement of the 2024 annual rental guidelines.

⁽²⁾ Ontario and British Columbia have capped the rental guideline increases at 2.5% and 2.0%, respectively, below current rates of inflation. Without the cap, the rental guideline increases would have been calculated to be 5.3% and 5.4%, respectively, based on the Ontario and British Columbia Consumer Price Indices at the time of announcement of the 2023 annual rental guidelines.

CAPREIT's strategy is focused on upgrading portfolio quality through accretive acquisitions of newly built properties, alongside selected non-core or opportunistic dispositions. As a result, above guideline increases ("AGIs") and additional rental increases ("ARIs") do not constitute an integral part of CAPREIT's strategy, with applications only active for selected suites and sites meeting certain criteria.

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

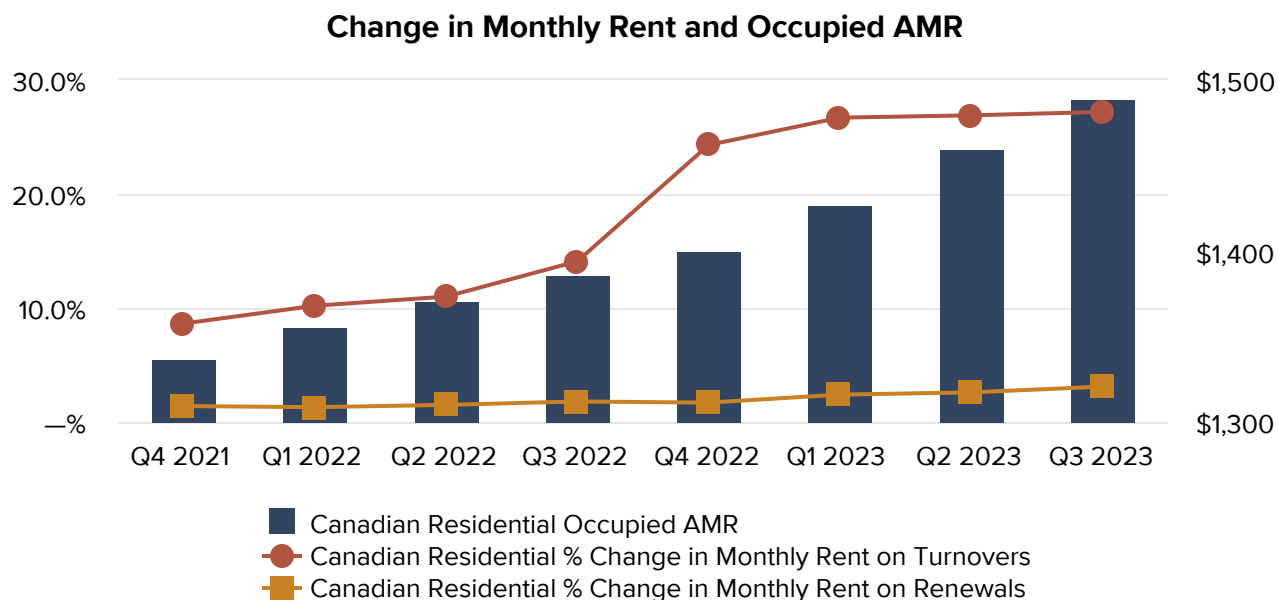
For the Three Months Ended September 30,	2023		2022	
	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾
	%	%	%	%
Suite turnovers	27.2	4.1	14.1	5.1
Lease renewals	3.1	18.7	1.8	17.4
Weighted average of turnovers and renewals	7.4		4.6	

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

For the Nine Months Ended September 30,	2023		2022	
	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾
	%	%	%	%
Suite turnovers	27.0	9.9	12.0	13.0
Lease renewals	2.6	78.1	1.4	78.9
Weighted average of turnovers and renewals	5.3		2.9	

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

Change in monthly rent on suite turnovers continues to remain strong while lease renewals remain stable due to rent controls in certain provinces. The following graph illustrates the change in monthly rent on turnovers, renewals as well as Occupied AMR (excluding co-ownerships and MHC sites) for the trailing eight quarters.



The Netherlands Portfolio

For the Three Months Ended September 30,

	2023		2022	
	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾
	%	%	%	%
Suite turnovers	20.4	3.5	18.2	3.3
Lease renewals	4.0	96.6	3.2	91.5
Weighted average of turnovers and renewals	4.6		3.7	

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

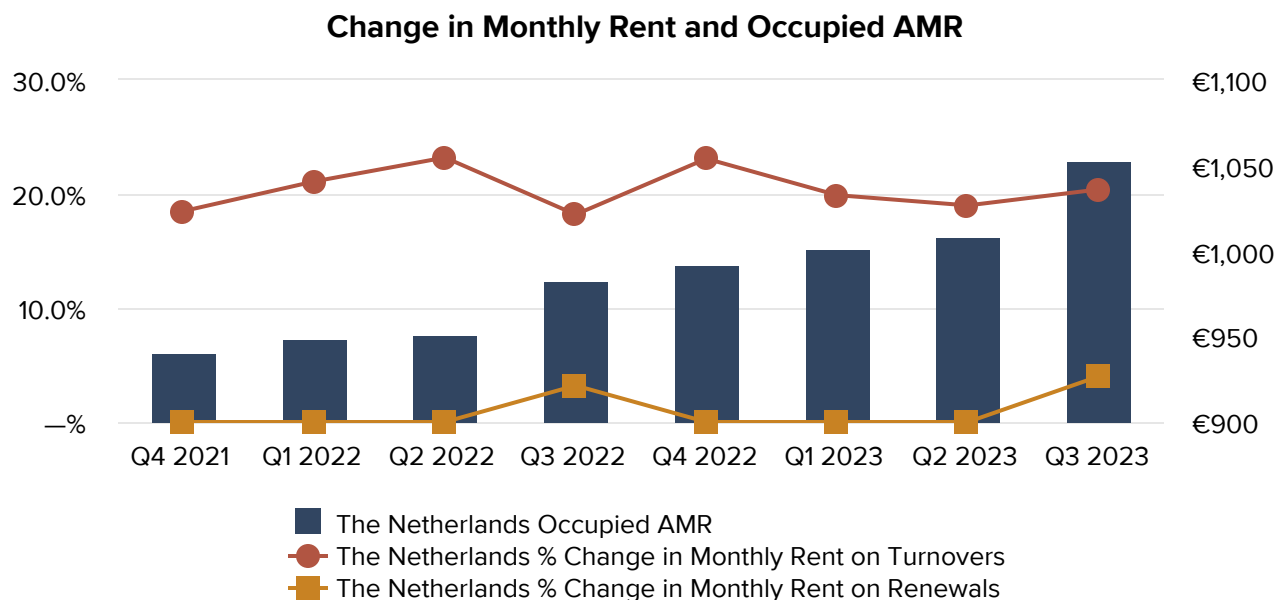
For the Nine Months Ended September 30,

	2023		2022	
	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾	Change in Monthly Rent	Turnovers and Renewals ⁽¹⁾
	%	%	%	%
Suite turnovers	20.4	10.3	20.6	8.5
Lease renewals	4.0	96.6	3.2	91.5
Weighted average of turnovers and renewals	5.6		4.7	

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

For rent renewal increases due to indexation beginning on July 1, 2023, ERES served tenant notices to 6,659 suites, representing 97% of the residential portfolio, across which the average rental increase due to indexation and household income adjustment is 4%. In the prior year period, ERES served tenant notices to 6,499 suites, representing 96% of the residential portfolio, across which the average rental increase due to indexation and household income adjustment is 3%.

Change in monthly rent on suite turnovers continues to remain strong while lease renewals show moderate increases during the annual renewal month. The following graph illustrates the change in monthly rent on turnovers, renewals as well as Occupied AMR for the trailing eight quarters.



Tenant Inducements and Expected Credit Losses

(\$ Thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	% ⁽¹⁾	2022	% ⁽¹⁾	2023	% ⁽¹⁾	2022	% ⁽¹⁾
New tenant inducements granted – residential	\$ 197		\$ 182		\$ 524		\$ 963	
New tenant inducements granted – commercial	135		59		135		134	
Total new tenant inducements granted	\$ 332		\$ 241		\$ 659		\$ 1,097	
Tenant inducements amortized	\$ 416	0.2	\$ 941	0.4	\$ 1,513	0.2	\$ 3,827	0.5
Expected credit losses	\$ 1,246	0.5	\$ 1,687	0.7	\$ 3,606	0.5	\$ 4,477	0.6

⁽¹⁾ As a percentage of total operating revenues.

RESULTS OF OPERATIONS

The table below summarizes revenue from investment properties by region for the three and nine months ended September 30, 2023 and September 30, 2022. Revenue is comprised of residential, commercial and ancillary revenue.

Total Operating Revenues by Geography

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
(\$ Thousands)	Revenue	%	Revenue	%	Revenue	%	Revenue	%
Residential Suites								
Ontario								
Greater Toronto Area	\$ 91,383	34.0	\$ 86,270	34.1	\$ 270,044	33.8	\$ 261,266	34.8
London / Kitchener / Waterloo	14,153	5.3	13,285	5.3	41,819	5.3	39,516	5.3
Ottawa	8,027	3.0	8,838	3.5	23,985	3.0	26,812	3.6
	\$ 113,563	42.3	\$ 108,393	42.9	\$ 335,848	42.1	\$ 327,594	43.7
Québec								
Greater Montréal Region	\$ 31,340	11.7	\$ 32,305	12.8	\$ 96,541	12.2	\$ 91,688	12.2
Québec City	11,000	4.1	10,487	4.2	32,498	4.1	31,214	4.2
	\$ 42,340	15.8	\$ 42,792	17.0	\$ 129,039	16.3	\$ 122,902	16.4
British Columbia								
Greater Vancouver Area	\$ 20,421	7.6	\$ 17,948	7.1	\$ 58,011	7.3	\$ 53,451	7.1
Victoria and Other British Columbia	10,656	4.0	10,272	4.1	31,377	4.0	30,040	4.0
	\$ 31,077	11.6	\$ 28,220	11.2	\$ 89,388	11.3	\$ 83,491	11.1
Nova Scotia								
Halifax	\$ 15,809	5.9	\$ 14,317	5.7	\$ 45,786	5.8	\$ 42,418	5.7
Alberta								
Calgary	\$ 8,112	3.0	\$ 7,288	2.9	\$ 23,636	3.0	\$ 21,497	2.9
Edmonton	3,128	1.2	2,267	0.9	8,581	1.1	6,274	0.8
	\$ 11,240	4.2	\$ 9,555	3.8	\$ 32,217	4.1	\$ 27,771	3.7
Prince Edward Island								
Charlottetown	\$ 1,831	0.7	\$ 2,172	0.9	\$ 6,092	0.8	\$ 6,481	0.9
Saskatchewan								
Regina	\$ 824	0.3	\$ 737	0.3	\$ 2,389	0.3	\$ 2,200	0.3
Total Canadian residential suites	\$ 216,684	80.8	\$ 206,186	81.8	\$ 640,759	80.7	\$ 612,857	81.8
MHC Sites								
Total MHC sites	\$ 16,347	6.0	\$ 15,864	6.3	\$ 48,932	6.2	\$ 47,111	6.2
Total Canadian portfolio	\$ 233,031	86.8	\$ 222,050	88.1	\$ 689,691	86.9	\$ 659,968	88.0
Europe								
The Netherlands ⁽¹⁾	\$ 32,444	12.1	\$ 27,573	10.9	\$ 94,903	12.0	\$ 82,844	11.0
Other Europe ⁽²⁾	2,902	1.1	2,409	1.0	8,528	1.1	7,541	1.0
	\$ 35,346	13.2	\$ 29,982	11.9	\$ 103,431	13.1	\$ 90,385	12.0
Total Portfolio	\$ 268,377	100.0	\$ 252,032	100.0	\$ 793,122	100.0	\$ 750,353	100.0

⁽¹⁾ In € thousands, €22,226 and €20,997 for three months ended September 30, 2023 and September 30, 2022, respectively. In € thousands, €65,116 and €60,790 for nine months ended September 30, 2023 and September 30, 2022, respectively.

⁽²⁾ Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,988 and €1,833 for the three months ended September 30, 2023 and September 30, 2022, respectively. In € thousands, €5,851 and €5,530 for the nine months ended September 30, 2023 and September 30, 2022, respectively.

Estimated Net Rental Revenue Run-Rate

Estimated net rental revenue run-rate (net of historical vacancy loss and tenant inducement amortization) is based on Net AMRs in place for CAPREIT's residential suites and sites and commercial leases. Pursuant to CAPREIT's strategy of upgrading and diversifying its property portfolio through accretive, on-strategy acquisitions and selected non-core or opportunistic dispositions as well as uncertainty about the timing of such transactions, CAPREIT is no longer disclosing estimated net rental revenue run-rate.

Net Operating Income

Management believes NOI is a key indicator of operating performance for CAPREIT and in the real estate industry in general. CAPREIT's 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 expected credit losses; and (ii) an appropriate allocation of corporate 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, 2023 are defined as all properties owned by CAPREIT continuously since December 31, 2021, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are classified as held for sale as at September 30, 2023. As at September 30, 2023, same property suites and sites represented 96.4% (September 30, 2022 – 93.4%) of total suites and sites.

CAPREIT's investment properties primarily consist of apartment suites but include a number of townhomes in Canada and the Netherlands which generally have higher NOI margins than apartment suites.

(\$ Thousands)	Total NOI			Same Property NOI		
For the Three Months Ended September 30,	2023	2022	% ⁽¹⁾	2023	2022	% ⁽¹⁾
Operating revenues						
Net rental revenues	\$ 254,574	\$ 239,016	6.5	\$ 242,649	\$ 224,895	7.9
Other ⁽²⁾	13,803	13,016	6.0	13,219	12,259	7.8
Total operating revenues	\$ 268,377	\$ 252,032	6.5	\$ 255,868	\$ 237,154	7.9
Operating Expenses						
Realty taxes	\$ (24,391)	\$ (23,262)	4.9	\$ (23,155)	\$ (21,707)	6.7
Utilities	(15,704)	(15,226)	3.1	(15,296)	(14,546)	5.2
Other ⁽³⁾	(49,850)	(46,900)	6.3	(47,347)	(43,078)	9.9
Total operating expenses ⁽⁴⁾	\$ (89,945)	\$ (85,388)	5.3	\$ (85,798)	\$ (79,331)	8.2
NOI	\$ 178,432	\$ 166,644	7.1	\$ 170,070	\$ 157,823	7.8
NOI margin	66.5 %	66.1 %		66.5 %	66.5 %	

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

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

⁽³⁾ Comprised R&M, wages, insurance, advertising, legal costs and expected credit losses.

⁽⁴⁾ Total operating expenses, on a constant currency basis, increased by approximately 4.6% and 7.3%, respectively, for the total and same property portfolio compared to the same periods last year.

(\$ Thousands)	Total NOI			Same Property NOI		
For the Nine Months Ended September 30,	2023	2022	% ⁽¹⁾	2023	2022	% ⁽¹⁾
Operating Revenues						
Net rental revenues	\$ 751,734	\$ 711,046	5.7	\$ 715,062	\$ 670,330	6.7
Other ⁽²⁾	41,388	39,307	5.3	39,285	37,173	5.7
Total operating revenues	\$ 793,122	\$ 750,353	5.7	\$ 754,347	\$ 707,503	6.6
Operating Expenses						
Realty taxes	\$ (72,475)	\$ (70,515)	2.8	\$ (68,503)	\$ (66,240)	3.4
Utilities	(57,796)	(57,210)	1.0	(55,584)	(53,645)	3.6
Other ⁽³⁾	(146,776)	(136,719)	7.4	(136,574)	(126,844)	7.7
Total operating expenses ⁽⁴⁾	\$ (277,047)	\$ (264,444)	4.8	\$ (260,661)	\$ (246,729)	5.6
NOI	\$ 516,075	\$ 485,909	6.2	\$ 493,686	\$ 460,774	7.1
NOI margin	65.1 %	64.8 %		65.4 %	65.1 %	

⁽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 expected credit losses.

⁽⁴⁾ Total operating expenses, on a constant currency basis, increased by approximately 4.2% and 5.1%, respectively, for the total and same property portfolio compared to the same periods last year.

Operating Revenues

For the three months ended September 30, 2023, same property operating revenues increased by \$18.7 million primarily driven by increases in monthly rents on turnovers and renewals. Total operating revenues increased by \$16.3 million during the same period, due to \$18.8 million of operational growth on the same property operating portfolio and assets held for sale as at September 30, 2023 and \$3.5 million increase from acquisitions, partially offset by \$6.0 million lower revenues due to dispositions.

For the nine months ended September 30, 2023, same property operating revenues increased by \$46.8 million primarily driven by increases in monthly rents on turnovers and renewals. Total operating revenues increased by \$42.8 million during the same period, due to \$47.1 million of operational growth on the same property operating portfolio and assets held for sale as at September 30, 2023 and \$13.2 million increase from acquisitions, partially offset by \$17.5 million lower revenues due to dispositions.

Operating Expenses

Realty Taxes

For the three and nine months ended September 30, 2023, 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 realty tax rates in Ontario.

Utilities

CAPREIT's utility costs can be highly variable from year to year depending on energy consumption and rates. The tables below provide CAPREIT's utility costs by type for the three and nine months ended September 30, 2023 and September 30, 2022.

(\$ Thousands)	Total Utilities			Same Property Utilities		
For the Three Months Ended September 30,	2023	2022	% ⁽¹⁾	2023	2022	% ⁽¹⁾
Electricity	\$ 5,182	\$ 5,361	(3.3)	\$ 4,975	\$ 4,986	(0.2)
Natural gas	2,383	2,426	(1.8)	2,338	2,301	1.6
Water	8,139	7,439	9.4	7,983	7,259	10.0
Total	\$ 15,704	\$ 15,226	3.1	\$ 15,296	\$ 14,546	5.2

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

(\$ Thousands)	Total Utilities			Same Property Utilities		
For the Nine Months Ended September 30,	2023	2022	% ⁽¹⁾	2023	2022	% ⁽¹⁾
Electricity	\$ 18,833	\$ 19,259	(2.2)	\$ 17,726	\$ 17,847	(0.7)
Natural gas	15,594	15,791	(1.2)	14,890	14,616	1.9
Water	23,369	22,160	5.5	22,968	21,182	8.4
Total	\$ 57,796	\$ 57,210	1.0	\$ 55,584	\$ 53,645	3.6

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

The table below breaks down the factors causing the above changes in the same property portfolio for the three and nine months ended September 30, 2023. For more information on CAPREIT's energy management, and water and waste management efforts, see the Building Operations section of the 2022 ESG Report.

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Increase due to consumption	Increase (decrease) due to rate	Increase (decrease) due to consumption	Increase due to rate
Electricity	1.1%	(1.3)%	(10.4)%	9.7%
Natural gas	4.6%	(3.0)%	(7.2)%	9.1%
Water	0.7%	9.3%	0.2%	8.2%
Total	1.5%	3.7%	(5.4)%	9.0%

As at September 30, 2023, Canadian tenants who pay their electricity charges directly, through sub-metering or direct metering, represented 68% of the total 57,565 suites and sites in Canada. Additional suites and sites 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 utility consumption, resulting in a smaller environmental impact, lower operating expenses and lower inflation exposure.

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 the remainder of 2023, the commodity prices have been fixed on 51.3% of CAPREIT's estimated requirements, and transport costs have also been fixed on 51.3% of CAPREIT's estimated requirements. Some volatility on the overall natural gas costs is still expected on the remaining costs with unfixed prices.

As at September 30, 2023, Dutch tenants who pay their utility charges directly represented 100% of the total 6,896 suites in the Netherlands.

Other Operating Expenses

For the three and nine months ended September 30, 2023, other operating expenses for the same property portfolio increased compared to the same periods last year, primarily due to higher R&M costs. The higher R&M costs in both periods are due to general inflationary pressures, as well as higher maintenance costs that correspond with a reduction in discretionary capital expenditures, reflecting CAPREIT's strategic reallocation of capital in response to the tight rental market in Canada.

For the three and nine months ended September 30, 2023, other operating expenses for the total portfolio increased for the same reasons as described above and due to certain required maintenance costs for the operation of CAPREIT's septic systems at primarily two MHC properties, one of which was disposed of on March 1, 2023 while the other was disposed of on June 30, 2023.

NOI BY REGION

The following tables summarize the total portfolio NOI and NOI margins by region for the three and nine months ended September 30, 2023 and September 30, 2022:

For the Three Months Ended September 30,	2023			2022			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 59,701	33.6	65.3	\$ 56,486	34.0	65.5	5.7
London / Kitchener / Waterloo	8,780	4.9	62.0	8,297	5.0	62.5	5.8
Ottawa	5,576	3.1	69.5	5,935	3.6	67.2	(6.0)
	\$ 74,057	41.6	65.2	\$ 70,718	42.6	65.2	4.7
Québec							
Greater Montréal Region	\$ 19,225	10.8	61.3	\$ 19,735	11.8	61.1	(2.6)
Québec City	6,762	3.8	61.5	6,676	4.0	63.7	1.3
	\$ 25,987	14.6	61.4	\$ 26,411	15.8	61.7	(1.6)
British Columbia							
Greater Vancouver Area	\$ 14,696	8.2	72.0	\$ 13,204	7.9	73.6	11.3
Victoria and Other British Columbia	7,570	4.2	71.0	7,696	4.6	74.9	(1.6)
	\$ 22,266	12.4	71.6	\$ 20,900	12.5	74.1	6.5
Nova Scotia							
Halifax	\$ 9,971	5.6	63.1	\$ 8,802	5.3	61.5	13.3
Alberta							
Calgary	\$ 4,817	2.7	59.4	\$ 4,058	2.4	55.7	18.7
Edmonton	1,826	1.0	58.4	1,323	0.8	58.4	38.0
	\$ 6,643	3.7	59.1	\$ 5,381	3.2	56.3	23.5
Prince Edward Island							
Charlottetown	\$ 895	0.5	48.9	\$ 1,123	0.7	51.7	(20.3)
Saskatchewan							
Regina	\$ 420	0.2	51.0	\$ 383	0.2	52.0	9.7
Total Canadian residential suites	\$ 140,239	78.6	64.7	\$ 133,718	80.3	64.9	4.9
MHC sites							
MHC sites ⁽²⁾	\$ 10,107	5.7	61.8	\$ 9,413	5.6	59.3	7.4
Total Canadian portfolio	\$ 150,346	84.3	64.5	\$ 143,131	85.9	64.5	5.0
Europe							
The Netherlands ⁽³⁾	\$ 25,761	14.4	79.4	\$ 21,534	12.9	78.1	19.6
Other Europe ⁽⁴⁾	2,325	1.3	80.1	1,979	1.2	82.2	17.5
Total Europe portfolio	\$ 28,086	15.7	79.5	\$ 23,513	14.1	78.4	19.4
Total portfolio	\$ 178,432	100.0	66.5	\$ 166,644	100.0	66.1	7.1

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ Included in the three months ended September 30, 2023 is \$(66) of required interim maintenance costs for the operation and remediation of CAPREIT's septic tanks (for the three months ended September 30, 2022 – \$(744)). Excluding these

interim maintenance costs, NOI margins at MHC sites for the three months ended September 30, 2023 would have been 62.2% (September 30, 2022- 64.0%).

⁽³⁾ In € thousands, NOI of €17,657 and NOI margin of 79.4% for the three months ended September 30, 2023 compared to NOI of €16,405 and NOI margin of 78.1% for the three months ended September 30, 2022.

⁽⁴⁾ Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, NOI of €1,590 and NOI margin of 80.0% for the three months ended September 30, 2023 compared to NOI of €1,508 and NOI margin of 82.3% for the three months ended September 30, 2022.

For the Nine Months Ended September 30,	2023			2022			Increase (Decrease)
(\$ Thousands)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI	NOI % ⁽¹⁾	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	\$ 173,870	33.9	64.4	\$ 167,778	34.6	64.2	3.6
London / Kitchener / Waterloo	25,931	5.0	62.0	24,657	5.1	62.4	5.2
Ottawa	16,655	3.2	69.4	17,696	3.6	66.0	(5.9)
	\$ 216,456	42.1	64.5	\$ 210,131	43.3	64.1	3.0
Québec							
Greater Montréal Region	\$ 57,172	11.1	59.2	\$ 53,305	11.0	58.1	7.3
Québec City	19,767	3.8	60.8	19,038	3.9	61.0	3.8
	\$ 76,939	14.9	59.6	\$ 72,343	14.9	58.9	6.4
British Columbia							
Greater Vancouver Area	\$ 40,914	7.9	70.5	\$ 38,423	7.9	71.9	6.5
Victoria and Other British Columbia	22,411	4.3	71.4	21,825	4.5	72.7	2.7
	\$ 63,325	12.2	70.8	\$ 60,248	12.4	72.2	5.1
Nova Scotia							
Halifax	\$ 27,715	5.4	60.5	\$ 24,938	5.1	58.8	11.1
Alberta							
Calgary	\$ 13,017	2.5	55.1	\$ 11,671	2.4	54.3	11.5
Edmonton	4,847	0.9	56.5	3,468	0.7	55.3	39.8
	\$ 17,864	3.4	55.4	\$ 15,139	3.1	54.5	18.0
Prince Edward Island							
Charlottetown	\$ 2,982	0.6	48.9	\$ 3,177	0.7	49.0	(6.1)
Saskatchewan							
Regina	\$ 1,203	0.2	50.4	\$ 1,168	0.2	53.1	3.0
Total Canadian residential suites	\$ 406,484	78.8	63.4	\$ 387,144	79.7	63.2	5.0
MHC Sites							
MHC sites ⁽²⁾	\$ 28,508	5.4	58.3	\$ 28,655	5.9	60.8	(0.5)
Total Canadian portfolio	\$ 434,992	84.2	63.1	\$ 415,799	85.6	63.0	4.6
Europe							
The Netherlands ⁽³⁾	\$ 74,092	14.4	78.1	\$ 63,879	13.1	77.1	16.0
Other Europe ⁽⁴⁾	6,991	1.4	82.0	6,231	1.3	82.6	12.2
Total Europe portfolio	\$ 81,083	15.8	78.4	\$ 70,110	14.4	77.6	15.7
Total portfolio	\$ 516,075	100.0	65.1	\$ 485,909	100.0	64.8	6.2

⁽¹⁾ Represents percentage of the portfolio by NOI.

⁽²⁾ Included in the nine months ended September 30, 2023 is \$(2,088) of required maintenance costs for the operation and remediation of CAPREIT's septic tanks at primarily two MHC properties, one of which was disposed of on March 1, 2023 while the other was disposed of on June 30, 2023 (for the nine months ended September 30, 2022 – \$(1,145)). Excluding these interim maintenance costs, NOI margins at MHC sites for the nine months ended September 30, 2023 would have been 62.5% (September 30, 2022 – 63.3%).

⁽³⁾ In € thousands, NOI of €50,830 and NOI margin of 78.1% for the nine months ended September 30, 2023 compared to NOI of €46,865 and NOI margin of 77.1% for the nine months ended September 30, 2022.

⁽⁴⁾ Comprised of NOI for the commercial properties located in Germany and Belgium. In € thousands, NOI of €4,796 and NOI margin of 82.0% for the nine months ended September 30, 2023 compared to NOI of €4,569 and NOI margin of 82.6% for the nine months ended September 30, 2022.

SAME PROPERTY NOI BY REGION

Same property NOI by region includes all properties held continuously since December 31, 2021, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2023 and 2022, or properties that are disposed of or classified as held for sale as at September 30, 2023. The following tables summarize the same property NOI and NOI margins by region for the three and nine months ended September 30, 2023 and September 30, 2022:

For the Three Months Ended September 30,	2023		2022		Increase (Decrease)
(\$ Thousands)	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	NOI Change (%)
Residential Suites					
Ontario					
Greater Toronto Area	\$ 59,699	65.3	\$ 56,017	65.5	6.6
London / Kitchener / Waterloo	8,780	62.0	8,297	62.5	5.8
Ottawa	4,405	68.7	4,275	69.9	3.0
	\$ 72,884	65.1	\$ 68,589	65.4	6.3
Québec					
Greater Montréal Region	\$ 16,394	61.6	\$ 15,467	61.5	6.0
Québec City	6,763	61.5	6,678	63.7	1.3
	\$ 23,157	61.6	\$ 22,145	62.1	4.6
British Columbia					
Greater Vancouver Area	\$ 13,662	71.5	\$ 13,205	73.6	3.5
Victoria	7,186	71.0	7,316	74.9	(1.8)
	\$ 20,848	71.3	\$ 20,521	74.0	1.6
Nova Scotia					
Halifax	\$ 9,736	62.9	\$ 8,802	61.5	10.6
Alberta					
Calgary	\$ 4,141	58.5	\$ 3,435	54.0	20.6
Edmonton	1,362	59.7	1,106	55.0	23.1
	\$ 5,503	58.8	\$ 4,541	54.2	21.2
Prince Edward Island					
Charlottetown	\$ 832	51.6	\$ 858	53.7	(3.0)
Saskatchewan					
Regina	\$ 420	51.0	\$ 383	52.0	9.7
Total Canadian residential suites same property	\$ 133,380	64.7	\$ 125,839	65.1	6.0
MHC sites					
MHC sites	\$ 9,870	61.6	\$ 9,562	62.8	3.2
Total Canadian same property	\$ 143,250	64.5	\$ 135,401	64.9	5.8
Europe					
The Netherlands	\$ 24,495	79.4	\$ 20,443	78.0	19.8 ⁽¹⁾
Other Europe	2,325	80.1	1,979	82.2	17.5 ⁽²⁾
Total Europe same property	\$ 26,820	79.4	\$ 22,422	78.4	19.6
Total same property	\$ 170,070	66.5	\$ 157,823	66.5	7.8
Same property suites and sites	62,171		62,171		

⁽¹⁾ In € thousands, NOI of €16,790 and NOI margin of 79.4% for the three months ended September 30, 2023 compared to NOI of €15,544 and NOI margin of 78.0% for the three months ended September 30, 2022.

⁽²⁾ In € thousands, NOI of €1,590 and NOI margin of 80.0% for the three months ended September 30, 2023 compared to NOI of €1,508 and NOI margin of 82.3% for the three months ended September 30, 2022.

For the Nine Months Ended September 30,	2023		2022		Increase (Decrease)
(\$ Thousands)	Same Property NOI	NOI Margin (%)	Same Property NOI	NOI Margin (%)	NOI Change (%)
Residential Suites					
Ontario					
Greater Toronto Area	\$ 173,863	64.4	\$ 163,763	64.4	6.2
London / Kitchener / Waterloo	25,931	62.0	24,657	62.4	5.2
Ottawa	13,409	69.5	12,790	70.1	4.8
	\$ 213,203	64.4	\$ 201,210	64.5	6.0
Québec					
Greater Montréal Region	\$ 47,377	60.1	\$ 43,403	58.1	9.2
Québec City	19,770	60.8	19,043	61.0	3.8
	\$ 67,147	60.3	\$ 62,446	59.0	7.5
British Columbia					
Greater Vancouver Area	\$ 39,583	70.3	\$ 38,426	71.9	3.0
Victoria	21,273	71.4	20,838	72.6	2.1
	\$ 60,856	70.7	\$ 59,264	72.1	2.7
Nova Scotia					
Halifax	\$ 27,398	60.4	\$ 24,938	58.8	9.9
Alberta					
Calgary	\$ 11,106	53.8	\$ 9,909	52.8	12.1
Edmonton	3,722	56.3	3,251	54.0	14.5
	\$ 14,828	54.4	\$ 13,160	53.1	12.7
Prince Edward Island					
Charlottetown	\$ 2,504	52.0	\$ 2,481	52.0	0.9
Saskatchewan					
Regina	\$ 1,203	50.4	\$ 1,168	53.1	3.0
Total Canadian residential suites same property	\$ 387,139	63.6	\$ 364,667	63.5	6.2
MHC Sites					
MHC sites	\$ 29,149	61.5	\$ 28,331	62.2	2.9
Total Canadian same property	\$ 416,288	63.5	\$ 392,998	63.4	5.9
Europe					
The Netherlands	\$ 70,407	78.2	\$ 61,545	76.9	14.4 ⁽¹⁾
Other Europe	6,991	82.0	6,231	82.6	12.2 ⁽²⁾
Total Europe same property	\$ 77,398	78.5	\$ 67,776	77.4	14.2
Total same property	\$ 493,686	65.4	\$ 460,774	65.1	7.1
Same property suites and sites	62,171		62,171		

⁽¹⁾ In € thousands, NOI of €48,309 and NOI margin of 78.2% for the nine months ended September 30, 2023 compared to NOI of €45,126 and NOI margin of 76.9% for the nine months ended September 30, 2022.

⁽²⁾ In € thousands, NOI of €4,796 and NOI margin of 82.0% for the nine months ended September 30, 2023 compared to NOI of €4,569 and NOI margin of 82.6% for the nine months ended September 30, 2022.

Same property NOI for the nine months ended September 30, 2023 increased by 7.1% when compared to the prior year comparative period, with the Canadian residential suites and the European portfolio same property NOI increasing year-over-year by 6.2% and 14.2%, respectively. The increases in those regions were mainly driven by increases in monthly rents on turnovers and renewals, partially offset by higher operating expenses.

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

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Operating revenues				
Revenue from investment properties	\$ 268,377	\$ 252,032	\$ 793,122	\$ 750,353
Operating expenses				
Realty taxes	(24,391)	(23,262)	(72,475)	(70,515)
Property operating costs	(65,554)	(62,126)	(204,572)	(193,929)
Total operating expenses	(89,945)	(85,388)	(277,047)	(264,444)
Net operating income	178,432	166,644	516,075	485,909
Other income	4,572	4,541	12,496	15,159
Trust expenses	(16,515)	(11,687)	(46,577)	(44,789)
Unit-based compensation amortization expense	(2,495)	(1,528)	(6,177)	(5,490)
Financing-related costs:				
Interest expense on debt and other financing costs	(53,372)	(45,272)	(156,438)	(134,921)
Interest expense on Exchangeable LP Units	(597)	(609)	(1,785)	(1,826)
Net gain (loss) on derecognition of debt	(439)	(997)	3,307	1,766
Total financing-related costs	(54,408)	(46,878)	(154,916)	(134,981)
Fair value adjustments of investment properties	(507,003)	(95,680)	(803,204)	(542,788)
Fair value adjustments of financial instruments	16,915	12,164	(30,879)	36,994
Gain on non-controlling interest	29,542	46,232	36,250	113,804
Gain (loss) on foreign currency translation	(7,533)	(4,571)	1,816	(21,723)
Loss on transactions and other activities	(4,031)	(3,177)	(10,102)	(23,394)
Net income (loss) before income taxes	(362,524)	66,060	(485,218)	(121,299)
Current income tax expense	(2,102)	(1,289)	(5,668)	(3,400)
Deferred income tax recovery (expense)	7,084	(1,612)	70,100	(17,187)
Total current and deferred income tax recovery (expense)	4,982	(2,901)	64,432	(20,587)
Net income (loss)	\$ (357,542)	\$ 63,159	\$ (420,786)	\$ (141,886)
Other comprehensive income (loss), including items that may be reclassified subsequently to net income (loss)				
Loss on foreign currency translation, net of taxes	\$ (3,686)	\$ (14)	\$ (8,696)	\$ (102,154)
Amortization of losses from accumulated other comprehensive loss to interest and other financing costs	—	121	68	1,294
Loss on investments held at fair value through other comprehensive income (loss)	(115)	—	(80)	—
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	—	—	—	7,627
Other comprehensive income (loss)	\$ (3,801)	\$ 107	\$ (8,708)	\$ (93,233)
Comprehensive income (loss)	\$ (361,343)	\$ 63,266	\$ (429,494)	\$ (235,119)

Other Income

Other income comprises investment income, interest income from mortgage receivable, profit from sale of MHC home inventory, net profit from investment in associate and other miscellaneous income. Further, other income also includes asset and property management, and transition service fees earned from foreign investments. Other income earned is not necessarily of a recurring nature and may vary year-over-year depending on factors such as dividends declared on investment, sales volume of MHC home inventory and level of services provided to foreign investment.

The table below summarizes other income for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Investment income ⁽¹⁾	\$ 3,723	\$ 3,574	\$ 8,627	\$ 8,570
Interest income from vendor takeback ("VTB") mortgages receivable	271	271	814	1,699
Profit from sale of MHC home inventory ⁽²⁾	310	376	862	1,332
Interest and other income ⁽³⁾	268	320	2,193	659
Asset and property management fees, and transition service fees ⁽⁴⁾	—	—	—	2,252
Net profit from investment in associate ⁽⁵⁾	—	—	—	647
Total	\$ 4,572	\$ 4,541	\$ 12,496	\$ 15,159

⁽¹⁾ For the three and nine months ended September 30, 2023, investment income includes \$3,537 and \$7,628, respectively, of semi-annual dividends from Irish Residential Properties REIT plc ("IRES") (for the three and nine months ended September 30, 2022 – \$3,062 and \$7,297). 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.

⁽²⁾ For the three and nine months ended September 30, 2023, profit from sale of MHC home inventory consists of income from sale of MHC home inventory of \$1,474 and \$3,805, respectively (three and nine months ended September 30, 2022 – \$1,055 and \$3,802), offset by cost of sales of \$(1,164) and \$(2,943), respectively, for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – \$(679) and \$(2,470)).

⁽³⁾ The three and nine months ended September 30, 2023 include \$nil and \$1,500 of non-refundable deposits that were recorded in net income (loss) on a property disposition that did not close.

⁽⁴⁾ For the three and nine months ended September 30, 2022, the amount included transition service fees totalling \$nil and \$1,407, respectively, based on the Investment Management Agreement with IRES, which terminated on January 31, 2022.

⁽⁵⁾ Net profit from investment in associate represented CAPREIT's share of IRES's 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 exercises significant influence over IRES and, as a result, its investment in IRES no longer qualifies as an investment in associate.

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). In 2022, trust expenses also included costs related to the generation of asset and property management and transition service fees to IRES (a related party to CAPREIT up to January 31, 2022 with transition services period ended April 28, 2022).

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Trust expenses attributable to CAPREIT (excluding ERES) ⁽¹⁾	\$ (15,739)	\$ (10,584)	\$ (41,430)	\$ (39,402)
Trust expenses attributable to ERES	(776)	(1,103)	(5,147)	(5,387)
Trust Expenses	\$ (16,515)	(11,687)	\$ (46,577)	\$ (44,789)
Trust Expenses as % of Operating Revenue	6.2 %	4.6 %	5.9 %	6.0 %

⁽¹⁾ Includes \$(4,157) and \$(6,095), respectively, for the three and nine months ended September 30, 2023, relating to reorganization costs (three and nine months ended September 30, 2022- \$nil and \$(5,274), respectively).

Trust expenses increased to \$16.5 million and \$46.6 million, respectively, for the three and nine months ended September 30, 2023, compared to \$11.7 million and \$44.8 million, respectively, for the three and nine months ended September 30, 2022. The increases were primarily a result of higher salaries and benefits, partially offset by lower legal, audit and compliance fees. For the three and nine months ended September 30, 2023, salaries and benefits included non-routine reorganization costs of \$4.2 million and \$6.1 million, respectively, reflecting an internal optimization of the organizational structure to align with CAPREIT's current business strategy and operating environment. For the three and nine months ended September 30, 2022, trust expenses included non-routine items of \$0.2 million and \$5.6 million, respectively, related to reorganization costs and costs related to transactions that were not completed. Excluding non-routine items, trust expenses as percentage of operating revenue were 4.6% and 5.1%, respectively, for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – 4.6% and 5.2%, respectively).

Unit-based Compensation Amortization Expense

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"). ERES units are issuable pursuant to ERES's unit options plan ("ERES UOP").

The table below summarizes the unit-based amortization expense for each plan for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
DUP	\$ (284)	\$ (256)	\$ (882)	\$ (843)
RUR Plan ⁽¹⁾	(2,069)	(1,130)	(4,767)	(4,144)
EUPP	(150)	(137)	(425)	(395)
ERES UOP ⁽²⁾	8	(5)	(103)	(108)
Unit-based compensation amortization expense	\$ (2,495)	\$ (1,528)	\$ (6,177)	\$ (5,490)

⁽¹⁾ Includes \$(679) for the three and nine months ended September 30, 2023, relating to accelerated vesting of previously granted RUR units (three and nine months ended September 30, 2022- \$nil and \$(976), respectively).

⁽²⁾ Includes \$nil and \$(86), respectively, for the three and nine months ended September 30, 2023, relating to accelerated vesting of previously granted ERES UOP units (three and nine months ended September 30, 2022- \$nil).

Financing-related Costs

Interest expense on debt and other financing costs for the three and nine months ended September 30, 2023 increased by \$8.1 million and \$21.5 million, respectively, compared to the three and nine months ended September 30, 2022 primarily due to higher average debt balances and higher interest rates on variable rate bank indebtedness and on mortgage financing and refinancing activities.

Interest expense on debt and other financing costs include amortization of CMHC premiums. Amortization of CMHC premiums 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 as well as accelerated CMHC amortization expense for mortgages that management intends to fully refinance or discharge within the year, excluding property dispositions. These write-offs and accelerated CMHC amortization expense may fluctuate 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.

Interest expense on Exchangeable LP Units represents distributions paid and payable on Exchangeable LP Units outstanding. For the three and nine months ended September 30, 2023, interest expense on Exchangeable LP Units decreased marginally compared to the same periods last year due to the conversion of 32,004 Exchangeable LP Units into Trust Units during the first quarter of 2023.

For the three months ended September 30, 2023, net loss on derecognition of debt related to mortgage settlement costs attributed to dispositions totalling \$0.4 million. For the nine months ended September 30, 2023, net gain on derecognition of debt totalled \$3.3 million and comprises \$4.9 million of fair value gain on mortgages assumed by purchaser upon dispositions of CAPREIT's share of the three remaining properties under joint arrangement in Ottawa, Ontario and one property in Québec, partially offset by \$1.6 million of mortgage settlement costs related to dispositions.

Fair Value Adjustments of Investment Properties

For the three months ended September 30, 2023, CAPREIT recorded a fair value loss on investment properties of \$507.0 million, primarily driven by the Canadian portfolio, with a \$471.2 million fair value loss recorded during the quarter due to weighted average capitalization rate ("cap rate") expansion mainly driven by the Greater Toronto Area increasing from 3.65% to 4.00%, partially offset by higher future expected NOI. The Netherlands portfolio had a fair value loss of \$35.8 million for the three months ended September 30, 2023, primarily driven by weighted average cap rate expansion.

For the nine months ended September 30, 2023, CAPREIT recorded a fair value loss on investment properties of \$803.2 million, primarily driven by the Canadian portfolio, with a \$519.3 million fair value loss recorded during the period due to weighted average cap rate expansion, partially offset by higher future expected NOI. The Netherlands portfolio had a fair value loss of \$283.9 million for the nine months ended September 30, 2023, primarily driven by weighted average cap rate expansion.

Fair Value Adjustments of Financial Instruments

Fair value adjustments of financial instruments comprise fair value adjustments of Exchangeable LP Units, investments, derivative financial instruments and unit-based compensation.

Fair value adjustments of Exchangeable LP Units and unit-based compensation may vary significantly year-over-year depending on the unit price of CAPREIT. Fair value adjustments of investments may vary significantly year-over-year depending on the unit price of the respective investments. Fair value adjustments of derivative financial instruments may vary significantly year-over-year depending on foreign exchange rates and the yield curve.

The table below summarizes the fair value adjustments of financial instruments for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Fair value adjustments of Exchangeable LP units	\$ 9,519	\$ 4,568	\$ (4,167)	\$ 29,991
Fair value adjustments of investments	(3,272)	(19,799)	(24,989)	(98,000)
Fair value adjustments of derivative financial instruments	7,350	25,927	(2,677)	94,349
Unit-based compensation remeasurement gain	3,318	1,468	954	10,654
Fair value adjustments of financial instruments	\$ 16,915	\$ 12,164	\$ (30,879)	\$ 36,994

Gain on Non-Controlling Interest

For the three and nine months ended September 30, 2023, CAPREIT recorded a gain of \$29.5 million and \$36.3 million, respectively on ERES units held by non-controlling unitholders. This includes interest expense to ERES non-controlling unitholders of \$3.5 million and \$10.5 million, respectively, for the three and nine months ended September 30, 2023. The remaining change relates to the mark-to-market gain of \$33.1 million and \$46.8 million, respectively, due to fluctuations in ERES's unit market price for the three and nine months ended September 30, 2023.

Gain (Loss) on Foreign Currency Translation

CAPREIT's functional currency is the Canadian dollar and the functional currency of certain foreign subsidiaries is the euro. CAPREIT is exposed to gains or losses on foreign currency translations due to the execution of its foreign currency and interest rate risk management strategies. CAPREIT has foreign currency cash, borrowings and cross-currency interest rate swap arrangements denominated in either US dollars or euros. Similarly, ERES has foreign currency cash, borrowings and cross-currency interest rate swap arrangements, as well as certain other transactions, denominated in either US dollars or Canadian dollars. The gains or losses on foreign currency translations may vary significantly year-over-year depending on the value of the Canadian dollar relative to the US dollar and euro.

For the three and nine months ended September 30, 2023, CAPREIT recorded a gain (loss) on foreign currency translation of \$(7.5) million and \$1.8 million, respectively, primarily due to CAPREIT's US dollar borrowings and movements in the US dollar relative to the Canadian dollar during the periods (for more information, see Section VI – Other Information). For the three and nine months ended September 30, 2022, CAPREIT recorded a loss on foreign currency translation of \$4.6 million and \$21.7 million, respectively, primarily due to \$7.6 million of foreign currency loss reclassified from accumulated other comprehensive loss due to the loss of significant influence over IRES on January 31, 2022.

Loss on Transactions and Other Activities

The table below summarizes the loss on transactions and other activities for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Loss on dispositions	\$ (658)	\$ (1,238)	\$ (2,550)	\$ (3,403)
Amortization of property, plant and equipment ("PP&E") and right-of-use asset	(1,499)	(1,939)	(4,699)	(5,713)
Goodwill impairment loss	—	—	—	(14,278)
Other ⁽¹⁾	(1,874)	—	(2,853)	—
Total	\$ (4,031)	\$ (3,177)	\$ (10,102)	\$ (23,394)

⁽¹⁾ Relates to costs associated with the strategic review of ERES.

Current and Deferred Income Tax Recovery (Expense)

Current income tax expense is primarily attributed to CAPREIT's European portfolio where CAPREIT operates through foreign legal entities that may be taxable in local jurisdictions. Current income tax expense for the three and nine months ended September 30, 2023, increased by \$0.8 million and \$2.3 million, respectively, primarily driven by growth in NOI from CAPREIT's European portfolio, increase in tax rates in the Netherlands as well as exhaustion of tax losses and tax depreciation.

Deferred income tax recovery (expense) is primarily attributed to CAPREIT's European portfolio and will vary significantly year-over-year depending on the fair value of the European investment properties relative to the respective tax cost base. For the three and nine months ended September 30, 2023, deferred income tax recovery was \$7.1 million and \$70.1 million, respectively, mainly due to the net fair value losses recorded on CAPREIT's European investment properties in both periods. For the three and nine months ended September 30, 2022, deferred income tax expense was \$1.6 million and \$17.2 million, respectively, mainly due to the net changes in fair value recorded on CAPREIT's European investment properties during that period.

Other Comprehensive Loss

Other comprehensive loss comprises unrealized loss on foreign currency translation on CAPREIT's foreign subsidiaries, amortization of losses to interest expense and other financing costs, and loss on certain investments. The gains or losses on foreign currency translations may vary significantly year-over-year depending on the value of the Canadian dollar relative to the euro and the US dollar.

For the nine months ended September 30, 2022, \$7.6 million of the cumulative loss on foreign currency translation was reversed into the consolidated statements of income and comprehensive income, due to the loss of significant influence over IRES on January 31, 2022.

SECTION IV: INVESTMENT PROPERTIES

INVESTMENT PROPERTIES

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, 2023, there was a \$671 million decrease in overall carrying value primarily due to fair value losses, transfers to assets held for sale and foreign currency translation, partially offset by net acquisitions and property capital investments.

Investment Properties by Geography

	Dec. 31, 2022	Carrying Value Change Due To					Sept. 30, 2023	Sept. 30, 2023	Dec. 31, 2022
	Fair Value	Net Acquisitions ⁽¹⁾	Property Capital Investments ⁽²⁾	Fair Value Adjustments	Foreign Exchange Translation and Other	Transfers ⁽⁴⁾	Fair Value	Cap Rates ⁽³⁾	Cap Rates ⁽³⁾
(\$ Millions)									
Greater Toronto Area	\$ 6,417	\$ —	\$ 79	\$ (554)	\$ —	\$ —	\$ 5,942	4.00 %	3.49 %
Other Ontario	1,325	57	19	(22)	—	—	1,379	4.38 %	4.11 %
Québec	2,610	(171)	32	15	—	(12)	2,474	4.23 %	4.12 %
British Columbia	1,948	105	16	60	—	—	2,129	4.05 %	3.96 %
Nova Scotia	801	21	16	16	—	—	854	4.62 %	4.50 %
Alberta	461	26	8	(3)	—	(54)	438	4.89 %	4.63 %
Prince Edward Island	98	(10)	3	(2)	—	(15)	74	5.38 %	5.39 %
Saskatchewan	31	—	—	1	—	—	32	5.61 %	5.23 %
Subtotal	\$ 13,691	\$ 28	\$ 173	\$ (489)	\$ —	\$ (81)	\$ 13,322	4.17 %	3.86 %
MHC	713	(9)	12	(30)	—	12	698	6.02 %	5.93 %
Europe	2,750	(2)	21	(284)	(22)	—	2,463	4.38 %	3.88 %
Total	\$ 17,154	\$ 17	\$ 206	\$ (803)	\$ (22)	\$ (69)	\$ 16,483	4.25 %	3.93 %

⁽¹⁾ Includes \$208 million of acquisitions, offset by \$191 million of dispositions during the nine months ended September 30, 2023. Excludes the disposition of properties that were previously classified as assets held for sale. Refer to the Acquisitions and Dispositions section below for further information.

⁽²⁾ Represents property capital investments and capitalized direct leasing costs during the nine months ended September 30, 2023.

⁽³⁾ Weighted average capitalization rates excluding implied capitalization rates on operating and land leasehold interests. See note 3 to the accompanying condensed consolidated interim financial statements for further valuation assumption details, including discount rates as at September 30, 2023 for operating and land leasehold interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

⁽⁴⁾ Includes \$81 million transferred to assets held for sale and \$12 million transferred from other assets during the nine months ended September 30, 2023.

The current regulatory and macroeconomic developments, including the interest rate and inflationary environment, have impacted overall market activity resulting in limited reliable market metrics, such as capitalization rates. 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.

ACQUISITIONS

The table below summarizes the investment property acquisitions since January 1, 2023, which have contributed to the operating results as from their acquisition dates.

Acquisitions Completed During the Nine Months Ended September 30, 2023

(\$ Thousands)

Acquisition Date	Suite Count	Region	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Stated Interest Rate (%)	Term to Maturity (Years)
February 27, 2023	143	Ottawa, ON	\$ 56,627 ⁽¹⁾	\$ 39,064	\$ —	3.25	9.50
April 12, 2023	89	Edmonton, AB	25,780 ⁽²⁾	18,763	—	2.59	8.58
May 16, 2023	93	Langley, BC	53,910 ⁽³⁾	—	—	—	—
June 1, 2023	52	Dartmouth, NS	20,821 ⁽³⁾	—	—	—	—
June 22, 2023	92	Langley, BC	51,115 ⁽³⁾	—	—	—	—
Total	469		\$ 208,253	\$ 57,827	\$ —		
2022 Acquisition Financing ⁽⁴⁾				\$ 28,119		4.39	5.56

⁽¹⁾ The acquisition was funded from cash and cash equivalents, the assumption of an existing mortgage and a VTB mortgage payable. Repayment of the five-year VTB mortgage payable may be waived, subject to certain conditions. The VTB mortgage payable carries an interest rate of 4.125% per annum.

⁽²⁾ The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility, and the assumption of an existing mortgage.

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

⁽⁴⁾ Subsequent acquisition financing of \$28,119 relates to properties acquired in 2022 and includes \$15,641 of acquisition financing relating to an ERES property acquired in 2022.

There were no acquisitions completed in the Netherlands during the nine months ended September 30, 2023.

DISPOSITIONS

The table below summarizes the dispositions of investment properties completed since January 1, 2023.

Dispositions Completed During the Nine Months Ended September 30, 2023

(\$ Thousands)

Disposition Date	Suite or Site Count	Region	Sale Price	Fair Value of Investment Properties	Mortgages Assumed by Purchaser ⁽¹⁾	Fair Value Adjustments on Mortgages Assumed by Purchaser
January 25, 2023 ⁽²⁾	1,150	Ottawa, ON	\$ 136,250	\$ 132,342	\$ 34,798	\$ 3,908
March 1, 2023 ⁽³⁾	46	Wingham, ON	250	250	—	—
March 6, 2023 ⁽⁴⁾	—	Montréal, QC	17,250	17,250	—	—
April 6, 2023 ⁽⁵⁾	1	The Netherlands	588	588	—	—
May 11, 2023	180	Longueuil, QC	27,787	27,787	—	—
May 16, 2023	60	Charlottetown, PEI	9,400	9,400	—	—
June 5, 2023	162	Longueuil, QC	25,000	24,048	5,490	952
June 8, 2023	393	Montréal, QC	68,900	68,900	—	—
June 30, 2023 ⁽³⁾	217	Windsor, ON	8,250	8,250	—	—
July 17, 2023 ⁽⁵⁾	1	The Netherlands	564	564	—	—
August 15, 2023	111	Charlottetown, PEI	11,963	11,963	—	—
August 15, 2023	73	Montréal, QC	12,600	12,600	—	—
August 21, 2023	12	Charlottetown, PEI	1,300	1,300	—	—
August 22, 2023	180	Montréal, QC	32,500	32,500	—	—
August 28, 2023 ⁽⁵⁾	1	The Netherlands	529	529	—	—
August 30, 2023	9	Charlottetown, PEI	950	950	—	—
September 29, 2023 ⁽⁵⁾	1	The Netherlands	393	393	—	—
Total	2,597		\$ 354,474	\$ 349,614	\$ 40,288	\$ 4,860

⁽¹⁾ Relates to mortgages payable with a total principal amount of \$45,148 assumed by the purchaser upon disposition. The amount shown is net of \$4,860 fair value adjustment on mortgages assumed by the purchaser. The weighted average stated interest rate on mortgages assumed by the purchaser was 2.28%.

⁽²⁾ CAPREIT disposed of its 50% interest in 1,150 apartment suites. These properties under joint arrangement were classified as assets held for sale as at December 31, 2022.

⁽³⁾ These two MHC properties were the primary drivers of the required interim maintenance costs for the operation and remediation of septic tanks. Refer to the NOI by Region section in Section III for further information.

⁽⁴⁾ Represents disposition of parking lot site adjacent to an existing multi-residential building owned by CAPREIT.

⁽⁵⁾ Represents disposition of a single residential suite.

PROPERTY CAPITAL INVESTMENTS

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 past 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 and water efficiency initiatives, equipment, boilers, elevators and risers.

Property Capital Investments by Category

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 make accretive acquisitions of value-add properties and improve their operating performance by investing annually while maintaining a focus on capital preservation. This ensures sustainable growth to continually improve the portfolio's future rental income-generating potential.

Energy-saving and water efficiency 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 development costs) is summarized by category on the next page for the nine months ended September 30, 2023 and year ended December 31, 2022.

Nine Months Ended September 30, 2023		Canadian Portfolio	The Netherlands Portfolio	Total Portfolio	
(\$ Thousands)		Actual	Actual	Total Actual	% of Actual
Non-discretionary property capital investments:					
Building improvements	\$	37,794	\$ 1,661	\$ 39,455	19.9
MHC infrastructural		4,484	—	4,484	2.3
Life and safety		1,870	350	2,220	1.1
	\$	44,148	\$ 2,011	\$ 46,159	23.3
Discretionary property capital investments:					
Suite improvements	\$	58,149	\$ 14,014	\$ 72,163	36.4
Common area		36,051	1,291	37,342	18.9
Energy-saving and water efficiency initiatives		21,641	2,521	24,162	12.2
Equipment		9,635	135	9,770	4.9
Elevators and risers		4,076	641	4,717	2.4
MHC improvements		2,899	—	2,899	1.5
Other		662	77	739	0.4
	\$	133,113	\$ 18,679	\$ 151,792	76.7
Total	\$	177,261	\$ 20,690	\$ 197,951	100.0

Year Ended December 31, 2022		Canadian Portfolio	The Netherlands Portfolio	Total Portfolio	
(\$ Thousands)		Actual	Actual	Total Actual	% of Actual
Non-discretionary property capital investments:					
Building improvements	\$	62,136	\$ 2,964	\$ 65,100	21.1
MHC infrastructural		6,291	—	6,291	2.0
Life and safety		2,128	1,259	3,387	1.1
	\$	70,555	\$ 4,223	\$ 74,778	24.2
Discretionary property capital investments:					
Suite improvements	\$	97,963	\$ 20,547	\$ 118,510	38.6
Common area		60,819	2,697	63,516	20.6
Energy-saving and water efficiency initiatives		20,738	3,217	23,955	7.8
Equipment		15,521	506	16,027	5.2
Elevators and risers		6,587	1,608	8,195	2.7
MHC improvements		1,633	—	1,633	0.5
Other		1,320	8	1,328	0.4
	\$	204,581	\$ 28,583	\$ 233,164	75.8
Total	\$	275,136	\$ 32,806	\$ 307,942	100.0

Actual costs incurred may vary from period to period depending on the nature and timing of capital expenditures. Discretionary property capital investments are not essential to the operation of the business in the short term. In addition, projects are impacted by variable costs, supply chain issues and inflationary pressures, which affect financial viability and total return. Accordingly, CAPREIT is not providing forecasted property capital investments and future investments in building improvements due to the variable nature of costs depending on internal and external factors.

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.

On March 6, 2023, CAPREIT disposed of a parking lot site located in Montréal, Québec for \$17.3 million (excluding disposition costs) to a developer. The underutilized land is located adjacent to an existing multi-residential building owned by CAPREIT. The site plan was approved by local planning authorities, the land was severed and building permits were issued following CAPREIT's undertaking of the end-to-end entitlement process, which provided for approximately 0.3 million square feet of buildable gross floor area.

CAPREIT has partnered with development managers in undertaking the entitlement and severance or subdivision process to develop its underutilized land in certain high-growth and major transit station areas located in the Greater Toronto Area. Several planning applications have been submitted for the proposed new residential buildings, which, subject to municipal approval, will help to address the increased demand for high-rise residential intensifications in these neighbourhoods.

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. These development costs are spent on three main types of development: (i) conversion of underutilized spaces into new revenue-generating spaces; (ii) infill on excess land; and (iii) redevelopment of existing properties.

The table below summarizes the development costs incurred for the nine months ended September 30, 2023 and year ended December 31, 2022:

For the Period Ended	September 30, 2023	December 31, 2022
(\$ Thousands)	Actual Total Portfolio	Actual Total Portfolio
Conversion	\$ 1,988	\$ 10,595
Infill ⁽¹⁾	2,216	6,906
Redevelopment ⁽¹⁾	3,709	1,287
Total development costs	\$ 7,913	\$ 18,788

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

SECTION V: CAPITAL STRUCTURE AND FINANCIAL CONDITION

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 investments 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, 2023, 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, 2023	December 31, 2022	September 30, 2022
Mortgages payable – non-current	\$ 5,797,931	\$ 5,963,820	\$ 5,874,897
Mortgages payable – current	741,706	613,277	623,385
Liabilities related to assets held for sale	—	38,116	—
Bank indebtedness	489,024	388,975	402,112
Unitholders' equity	9,304,029	10,003,695	9,832,599
Exchangeable LP Units	74,257	71,668	70,694
Total capital	\$ 16,406,947	\$ 17,079,551	\$ 16,803,687

As at	Threshold	September 30, 2023	December 31, 2022	September 30, 2022
Total debt to gross book value ⁽¹⁾	Maximum 62.50%	41.4%	39.4 %	39.4 %
Mortgage debt to gross book value ⁽¹⁾⁽²⁾		38.5%	37.2 %	37.1 %

For the 12 Months Ended		September 30, 2023	December 31, 2022	September 30, 2022
Debt service coverage ratio (times) ⁽¹⁾⁽³⁾	Minimum 1.40	1.8x	1.9x	1.9x
Interest coverage ratio (times) ⁽¹⁾⁽³⁾	Minimum 1.65	3.5x	3.7x	3.8x
FFO payout ratio (formerly known as "NFFO payout ratio") ⁽³⁾	Maximum 100%	61.0%	62.1 %	62.4 %

⁽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 VI – Non-IFRS Measures.

⁽²⁾ Includes liabilities related to assets held for sale, as applicable.

⁽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) cash and cash equivalents on hand; (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; and
- ii) CAPREIT's Canadian borrowing capacity as at September 30, 2023 remains strong with \$257.9 million available on its Acquisition and Operating Facility.

As at September 30, 2023, CAPREIT has approximately \$1.74 billion of investment properties that are unencumbered by mortgages. Of these investment properties, approximately \$1.35 billion are Canadian investment properties which secure the Acquisition and Operating Facility. Included in these Canadian investment properties that secure the Acquisition and Operating Facility are \$272.0 million that also carry a negative pledge against the ERES Credit Facility.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at September 30, 2023, and defined as current assets less current liabilities, is funded through the Credit Facilities and refinancing of mortgages as they mature. Management does a liquidity forecast on a regular basis, which includes refinancing of mortgages, property capital investments, potential acquisitions and potential dispositions, to monitor the available capacity.

The tables below summarize the amounts available and drawn under the respective credit facilities as at September 30, 2023 and December 31, 2022:

(\$ Thousands)			
As at September 30, 2023	Acquisition and Operating Facility	ERES Credit Facility	Total
Maximum borrowing capacity	\$ 600,000	\$ 179,503	\$ 779,503
Less: USD borrowings	(337,693) ⁽¹⁾	—	(337,693)
Euro borrowings	—	(152,577) ⁽³⁾	(152,577)
Letters of credit	(4,432)	—	(4,432)
Available borrowing capacity	\$ 257,875	\$ 26,926	\$ 284,801
Weighted average interest rate including interest rate swaps	6.53 % ⁽²⁾	5.22 %	6.12 %

⁽¹⁾ As at September 30, 2023, CAPREIT has USD borrowings totalling US\$248,666 that bear interest at the Term SOFR plus a margin of 1.45%, excluding the impact of cross-currency interest rate swaps.

⁽²⁾ As at September 30, 2023, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.72%. For details on the swaps, refer to note 6 to the accompanying condensed consolidated interim financial statements.

⁽³⁾ As at September 30, 2023, ERES has euro borrowings totalling EUR €106,250, that bear interest at the EURIBOR plus a margin of 1.35% per annum.

(\$ Thousands)

As at December 31, 2022	Acquisition and Operating Facility	ERES Credit Facility	Total
Facility	\$ 600,000	\$ 144,982	\$ 744,982
Less: USD borrowings	(259,211) ⁽¹⁾	(129,764) ⁽³⁾	(388,975)
Letters of credit	(7,373)	—	(7,373)
Available borrowing capacity	\$ 333,416	\$ 15,218	\$ 348,634
Weighted average interest rate including interest rate swaps	5.56 % ⁽²⁾	3.06 % ⁽⁴⁾	4.73 %

⁽¹⁾ As at December 31, 2022, CAPREIT has USD borrowings totalling US\$191,365, that bear interest at the USD London Inter-bank Offered Rate ("LIBOR") rate plus a margin of 1.35% per annum, excluding the impact of cross-currency interest rate swaps.

⁽²⁾ As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.00%. For details on the swaps, refer to note 6 to the accompanying condensed consolidated interim financial statements.

⁽³⁾ As at December 31, 2022, ERES has USD borrowings totalling US\$95,800, that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum.

⁽⁴⁾ As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 5.74%. For details on the swaps, refer to note 6.

Mortgages Payable

The table below summarizes the type of mortgages payable (excluding liabilities related to assets held for sale, as applicable) included in CAPREIT's capital structure and the overall interest rates and terms to maturity as at September 30, 2023, December 31, 2022 and September 30, 2022:

As at	September 30, 2023	December 31, 2022	September 30, 2022
Percentage of CMHC-insured mortgages ⁽¹⁾	98.4%	98.3%	98.3%
Percentage of fixed-rate mortgages ⁽²⁾	99.2%	98.8%	99.2%
Weighted average mortgage effective interest rate ⁽³⁾	2.73%	2.61%	2.59%
Weighted average mortgage term to maturity (years) ⁽⁴⁾	5.0	5.4	5.6

⁽¹⁾ Excludes mortgages on 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. Excludes one-to-six-month short-term extensions.

⁽³⁾ Weighted average mortgage interest rate includes deferred financing costs, fair value adjustments and prepaid CMHC premiums on an effective interest rate basis.

⁽⁴⁾ The mortgages on the Canadian and European properties have a weighted average term to maturity of 5.4 years and 3.2 years, respectively as at September 30, 2023 (December 31, 2022 – 5.8 years and 3.4 years, respectively, September 30, 2022 – 6.0 years and 3.6 years, respectively).

CAPREIT is in compliance with all of its CMHC and lender requirements for the three and nine months ended September 30, 2023 and September 30, 2022, and for the year ended December 31, 2022.

The following table presents financings, weighted average interest rates obtained and mortgage top-ups closed or committed up to November 8, 2023, as well as those expected for the remainder of 2023. This table excludes mortgages assumed by CAPREIT upon acquisition of investment properties and mortgages assumed by the purchaser upon disposition of investment properties.

(\$ Thousands)	Original Mortgage Amount	Weighted Average Original Stated Interest Rate ⁽¹⁾	New Mortgage Amount	Weighted Average New Stated Interest Rate ⁽²⁾	Weighted Average Term on New Mortgages (Years)	Net Top-Up Financing (Repayment) Amount ⁽³⁾
The Canadian Portfolio						
First Quarter	\$ 34,326	2.87 %	\$ 8,045	4.28 %	5.0	\$ (26,281)
Second Quarter	107,838	3.16 %	145,517	3.78 %	6.1	37,679
Third Quarter	131,584	3.31 %	120,449	3.93 %	5.3	(11,135)
Acquisitions	—	—	12,399	4.05 %	5.0	12,399
Total and Weighted Average	\$ 273,748	3.20 %	\$ 286,410	3.87 %	5.6	\$ 12,662
Subsequent to the quarter:						
Committed or Completed	\$ 21,550	3.72 %	\$ 209,569	4.99 %	9.3	\$ 188,019
Expected for the remainder of 2023	78,298	3.34 %	56,525	—	—	(21,773)
Subtotal and Weighted Average	\$ 373,596	3.26 %	\$ 552,504	4.34 %	7.2	\$ 178,908
The ERES Portfolio						
Refinancings	\$ 86,097	0.97 %	\$ 94,133	4.66 %	6.0	\$ 8,036
Acquisitions	—	—	15,641	4.66 %	6.0	15,641
Total and Weighted Average	\$ 86,097	0.97 %	\$ 109,774	4.66 %	6.0	\$ 23,677
Grand Total and Weighted Average	\$ 459,693	2.83 %	\$ 662,278	4.39 %	7.0	\$ 202,585

⁽¹⁾ Excludes one-to-six-month short-term extension rates.

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

⁽³⁾ Includes \$139,353 of mortgage discharges not refinanced. This includes \$3,224 repaid on the disposition of a property which was previously classified as a liability related to assets held for sale.

Mortgage refinancing and top-up amounts expected for the remainder of 2023 are based on management's best estimates and on the current property portfolio. Actual amounts may differ depending on factors such as future market interest rates and CMHC approval.

Based on the current property portfolio and execution of strategic initiatives, management expects to raise between \$600 million and \$650 million in mortgages for the Canadian portfolio for 2023. 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 most cost-effective 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. Therefore, accelerated CMHC amortization expense is typically higher during the first half of the year compared to the second half of the year. During the three and nine months ended September 30, 2023, CMHC amortization expense including net write-offs of CMHC premiums on refinancing or discharge of mortgages amounted to \$2.7 million and \$10.4 million, respectively, excluding CMHC write-offs relating to dispositions. The table below summarizes the CMHC amortization expense, including write-offs except those relating to dispositions, for the trailing eight quarters.

(\$ Thousands)	Q3 23	Q2 23	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22	Q4 21
Amortization of CMHC premiums and fees	\$ (2,657)	\$ (3,643)	\$ (4,056)	\$ (2,841)	\$ (2,388)	\$ (3,441)	\$ (3,784)	\$ (2,917)

CMHC amortization expense, including write-offs except those relating to dispositions, for 2023 is expected to be in the range of \$12.0 million to \$13.0 million, depending on refinancing activity. The CMHC amortization expense, including write-offs except those relating to dispositions, for the year ended December 31, 2022 was \$12.5 million.

Estimated top-up mortgage financing potential is based on annualized NOI of the underlying properties. Pursuant to CAPREIT's strategy of upgrading and diversifying its property portfolio through accretive, on-strategy acquisitions and selected non-core or opportunistic dispositions as well as uncertainty about the timing of such transactions, CAPREIT is no longer disclosing the annualized NOI for properties with mortgages maturing over the next five years and beyond.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at September 30, 2023 is as follows:

As at September 30, 2023						
(\$ Thousands)						
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) ⁽¹⁾	
Remainder of 2023	\$ 37,454	\$ 99,864	\$ 137,318	2.5	3.55	
2024	143,674	401,869	545,543	10.1	2.91	
2025	135,220	439,391	574,611	10.7	2.56	
2026	115,475	490,551	606,026	11.2	2.54	
2027	93,484	557,251	650,735	12.1	3.24	
2028-2036	271,866	2,605,949	2,877,815	53.4	2.86	
	\$ 797,173	\$ 4,594,875	\$ 5,392,048	100.0 %	2.86 %	
Deferred financing costs, fair value adjustments and prepaid CMHC premiums, net			\$ (129,020)			
Total			\$ 5,263,028			
Weighted average term to maturity (years)			5.4			

⁽¹⁾ Effective weighted average interest rates for maturing mortgages only. It includes the amortization of deferred financing costs, prepaid CMHC premiums and fair value adjustments. It excludes one-to-six-month short-term extension rates.

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at September 30, 2023 is as follows:

As at September 30, 2023						
(\$ Thousands)						
Period	Principal Amortization	Mortgage Maturities	Mortgage Balance (\$)	Mortgage Balance (€) ⁽²⁾	% of Total Mortgage Balance	Interest Rate (%) ⁽¹⁾
Remainder of 2023	\$ 790	\$ —	\$ 790	€ 550	0.1	—
2024	2,550	113,579	116,129	80,869	9.1	1.39
2025	409	326,072	326,481	227,301	25.5	1.87
2026	—	269,701	269,701	187,811	21.1	1.47
2027	—	288,425	288,425	200,850	22.5	1.38
2028-2029	—	279,305	279,305	194,500	21.7	3.86
	\$ 3,749	\$ 1,277,082	\$ 1,280,831	€ 891,881	100.0 %	2.07 %
Deferred financing costs			\$ (4,222)			
Total			\$ 1,276,609			
Weighted average term to maturity			3.2			

⁽¹⁾ Effective weighted average interest rates for maturing mortgages only. It includes the amortization of deferred financing costs.

⁽²⁾ Included in mortgages payable are non-amortizing mortgages from ERES.

Derivative Financial Instruments in Canada

(\$ Thousands)

As at	September 30, 2023	December 31, 2022	September 30, 2022
Cross-currency interest rate swaps ⁽¹⁾	\$ 999,576	\$ 919,935	\$ 717,951
Weighted average interest rate on swaps – paying leg	2.90%	2.14%	0.55%
Weighted average interest rate on swaps – receiving leg	3.69%	3.35%	1.86%
Weighted average remaining term to maturity on swaps (years)	0.8	1.3	1.7

⁽¹⁾ As at September 30, 2023, euro equivalent of €442,358 (December 31, 2022 – €442,358, September 30, 2022 – €442,358), USD equivalent of US\$248,845 (December 31, 2022 – US\$191,563, September 30, 2022 – US\$29,674) and excludes ERES cross-currency interest rate swaps.

The swaps have been staggered between one to three years to take advantage of the past prevailing low rates, with a current weighted average swap term of 0.8 years as at September 30, 2023.

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.

Units outstanding as at September 30, 2023 are as follows:

(Thousands of units)

As at September 30, 2023	
Trust Units	167,526
Deferred units	128
RUR Plan units	476
Exchangeable LP Units	1,647
Total number of units outstanding – diluted	169,777
Ownership by trustees, officers and other senior management	0.4 %

Normal Course Issuer Bid

In March 2023, CAPREIT received the TSX's acceptance of its notice of intention to proceed with an NCIB, following expiry of the previous NCIB on March 23, 2023. Pursuant to the notice, CAPREIT may purchase up to 16,901,348 of its Trust Units, representing approximately 10% of the public float of its Trust Units at the time of TSX approval, during the 12-month period commencing March 24, 2023 and ending March 23, 2024. Under the NCIB, other than purchases made under the block purchase exemption, CAPREIT may purchase up to 100,017 Trust Units on the TSX during any trading day, which represents approximately 25% of 400,069 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.

The table below summarizes the NCIB activity for the period ended September 30, 2023 and year ended December 31, 2022, based on the settlement date of purchases.

For the Nine Months Ended September 30, 2023	Weighted Average Purchase Price per Trust Unit	Total Cost of Trust Units Purchased and Cancelled (\$ Thousands)	Number of Trust Units Purchased and Cancelled	Renewed NCIB Remaining Limit ⁽¹⁾
Beginning Limit				16,901,348
First Quarter 2023 ⁽¹⁾	\$ 46.43	\$ 91,502	1,970,904	16,527,997
Second Quarter 2023	47.59	9,405	197,617	16,330,380
Third Quarter 2023	—	—	—	16,330,380
Total	\$ 46.53	\$ 100,907	2,168,521	16,330,380

⁽¹⁾ 1,597,153 Trust Units were purchased and cancelled under the former NCIB and 373,351 Trust Units were purchased and cancelled under the renewed NCIB.

For the Year Ended December 31, 2022	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 2022	\$ —	\$ —	—	17,067,144
Second Quarter 2022	47.83	67,050	1,401,764	15,665,380
Third Quarter 2022	45.18	134,742	2,982,460	12,682,920
Fourth Quarter 2022	42.38	35,980	848,938	11,833,982
Total	\$ 45.44	\$ 237,772	5,233,162	11,833,982

SECTION VI: UNIT CALCULATIONS, DISTRIBUTIONS, NON-IFRS MEASURES AND OTHER INFORMATION**UNIT CALCULATIONS AND DISTRIBUTIONS**

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 tables summarize the number of units used in calculating Non-IFRS Measures on a per unit basis:

Outstanding Number of Units

(Thousands)

As at	September 30,		December 31,		September 30,	
	2023	% ⁽¹⁾	2022	% ⁽¹⁾	2022	% ⁽¹⁾
Trust Units	167,526	98.6	169,404	98.7	170,196	98.8
Exchangeable LP Units ⁽²⁾	1,647	1.0	1,679	1.0	1,679	0.9
Units under the DUP ⁽³⁾	128	0.1	121	0.1	127	0.1
Basic number of units	169,301	99.7	171,204	99.8	172,002	99.8
Plus:						
Unit rights under the RUR Plan ⁽³⁾	476	0.3	395	0.2	391	0.2
Diluted number of units	169,777	100.0	171,599	100.0	172,393	100.0

⁽¹⁾ Represents percentage of total diluted units.

⁽²⁾ See note 13 to the accompanying condensed consolidated interim financial statements for details on Exchangeable LP Units.

⁽³⁾ See notes 13 and 14 to the audited consolidated annual financial statements for the year ended December 31, 2022 contained in CAPREIT's 2022 Annual Report for details of CAPREIT's unit-based compensation plans.

Weighted Average Number of Units

(Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Trust Units	167,434	172,396	167,948	173,323
Exchangeable LP Units ⁽¹⁾	1,647	1,679	1,650	1,679
Units under the DUP ⁽²⁾	122	121	118	164
Basic number of units	169,203	174,196	169,716	175,166
Plus:				
Unit rights under the RUR Plan ⁽²⁾	524	392	497	463
Diluted number of units	169,727	174,588	170,213	175,629

⁽¹⁾ See note 13 to the accompanying condensed consolidated interim financial statements for details on Exchangeable LP Units.

⁽²⁾ See notes 13 and 14 to the audited consolidated annual financial statements for the year ended December 31, 2022 contained in CAPREIT's 2022 Annual Report for details of CAPREIT's unit-based compensation plans.

DRIP and Net Distributions Paid

(\$ Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Distributions declared on Trust Units	\$ 60,705	\$ 62,210	\$ 182,425	\$ 187,932
Distributions declared on Exchangeable LP Units	597	609	1,785	1,826
Distributions declared on awards outstanding under unit-based compensation plans ⁽¹⁾	234	186	652	688
Total distributions declared	\$ 61,536	\$ 63,005	\$ 184,862	\$ 190,446
Less:				
Distributions on Trust Units reinvested	\$ (3,017)	\$ (1,244)	\$ (6,351)	\$ (41,005)
Distributions on unit awards reinvested ⁽¹⁾	(234)	(186)	(652)	(688)
Net distributions paid in cash	\$ 58,285	\$ 61,575	\$ 177,859	\$ 148,753
Percentage of distributions reinvested	5.3%	2.3%	3.8%	21.9%

⁽¹⁾ Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 13 and 14 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2022 contained in CAPREIT's 2022 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 the 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 significantly decreased.

Adjusted Cash Generated from Operating Activities and Net Income (Loss) Compared to Total Distributions Declared

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 for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cash generated from operating activities	\$ 173,192	\$ 159,080	\$ 443,744	\$ 427,594
Adjustments:				
Interest paid on mortgages and bank indebtedness	(47,197)	(39,499)	(136,764)	(114,629)
Adjusted Cash Generated from Operating Activities	\$ 125,995	\$ 119,581	\$ 306,980	\$ 312,965

Adjusted Cash Generated from Operating Activities is not defined by IFRS, does not have standard meanings and may not be comparable with other industries or companies.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between Adjusted Cash Generated from Operating Activities and total distributions declared, in accordance with the guidelines for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Adjusted Cash Generated from Operating Activities	\$ 125,995	\$ 119,581	\$ 306,980	\$ 312,965
Total distributions declared	61,536	63,005	184,862	190,446
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	\$ 64,459	\$ 56,576	\$ 122,118	\$ 122,519

For the three and nine months ended September 30, 2023, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by \$64.5 million and \$122.1 million, respectively. 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 cash and cash equivalents on hand and, if necessary, the Acquisition and Operating Facility.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between net income (loss) and total distributions declared, in accordance with the guidelines for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (357,542)	\$ 63,159	\$ (420,786)	\$ (141,886)
Total distributions declared	61,536	63,005	184,862	190,446
Excess (shortfall) of net income (loss) over total distributions declared	\$ (419,078)	\$ 154	\$ (605,648)	\$ (332,332)

CAPREIT does not use net income (loss) 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 and capital expenditure requirements.

NON-IFRS MEASURES

Funds From Operations (formerly known as "Normalized Funds From Operations")

In this MD&A, CAPREIT relabeled NFFO to FFO (formerly known as "NFFO") and as such, introduced a modified definition of FFO, as described below. The comparative periods have been restated to reflect the introduction of this modified definition of FFO. In addition to the adjustments made to the previous definition of FFO (the "Former FFO"), the modified definition of FFO (formerly known as "NFFO") also excludes the effects of certain items that are not indicative of CAPREIT's long-term operating performance, as described below, and as a result is identical to the prior definition of "NFFO".

FFO (formerly known as "NFFO") is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. Management considers FFO (formerly known as "NFFO") to be an important measure of CAPREIT's operating performance. Fair value adjustments, gains or losses on dispositions, and other non-cash items do not necessarily provide an accurate picture of CAPREIT's past or recurring operating performance. FFO (formerly known as "NFFO") as presented is in accordance with the recommendations of the Real Property Association of Canada ("REALPAC"), with the exception of (i) the adjustment for gains or losses on fair value through profit or loss ("FVTPL") marketable securities, (ii) the adjustment for amortization of PP&E and right-of-use asset, and (iii) the exclusion of the effects of certain items that are not indicative of CAPREIT's long-term operating performance. These items include reorganization, senior management termination and retirement costs, costs relating to transactions that were not completed, net loss (gain) on derecognition of debt, mortgage prepayment costs, and amortization of losses on certain hedging instruments previously settled and paid. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

As it is an operating performance metric, no adjustment is made to FFO (formerly known as "NFFO") for capital expenditures. For further information on CAPREIT's total property capital investments, please refer to the Property Capital Investments in Section IV. See discussions under Foreign Currency Information in Section VI for additional information on hedging instruments currently in place. FFO (formerly known as "NFFO") is not a measure of the sustainability of distributions.

A reconciliation of net income (loss) to FFO (formerly known as "NFFO") is as follows for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands, except per unit amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (357,542)	\$ 63,159	\$ (420,786)	\$ (141,886)
Adjustments:				
Fair value adjustments of investment properties	507,003	95,680	803,204	542,788
Fair value adjustments of investments	3,272	19,799	24,989	98,000
Fair value adjustments of derivative financial instruments	(7,350)	(25,248)	2,677	(93,670)
Unit-based compensation remeasurement gain	(3,318)	(1,468)	(954)	(10,654)
Fair value adjustments of Exchangeable LP Units	(9,519)	(4,568)	4,167	(29,991)
Interest expense on Exchangeable LP Units	597	609	1,785	1,826
Gain on non-controlling interest	(29,542)	(46,232)	(36,250)	(113,804)
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽¹⁾	(4,833)	(4,637)	(14,303)	(13,567)
Deferred income tax expense (recovery)	(7,084)	1,612	(70,100)	17,187
Loss (gain) on foreign currency translation	7,533	3,800	(1,816)	20,952
Loss on transactions and other activities ⁽²⁾	4,031	3,177	10,102	23,302
Lease principal repayments	(298)	(275)	(882)	(721)
Former FFO	\$ 102,950	\$ 105,408	\$ 301,833	\$ 299,762
Reorganization, senior management termination and retirement costs ⁽³⁾	4,836	—	6,860	6,250
Amortization of losses from accumulated other comprehensive loss to interest and other financing costs	—	121	68	1,294
Net loss (gain) on derecognition of debt ⁽⁴⁾	439	997	(3,307)	(1,766)
Mortgage prepayment cost	55	12	55	1,354
Costs relating to transactions that were not completed	—	24	—	161
FFO (formerly known as "NFFO") ⁽⁵⁾	\$ 108,280	\$ 106,562	\$ 305,509	\$ 307,055
Weighted average number of units (000s) - diluted	169,727	174,588	170,213	175,629
FFO per unit – diluted (formerly known as "NFFO per unit – diluted") ⁽⁵⁾	\$ 0.638	\$ 0.610	\$ 1.795	\$ 1.748
Total distributions declared	\$ 61,536	\$ 63,005	\$ 184,862	\$ 190,446
FFO payout ratio (formerly known as "NFFO payout ratio") ⁽⁵⁾	56.8%	59.1%	60.5 %	62.0 %

⁽¹⁾ The adjustment is based on applying the 35% weighted average ownership held by ERES non-controlling unitholders (September 30, 2022 – 34%).

⁽²⁾ Primarily includes loss on dispositions, amortization of PP&E and right-of-use asset and impairment of goodwill.

⁽³⁾ For the three and nine months ended September 30, 2023, includes \$679 and \$765, respectively, of accelerated vesting of previously granted unit-based compensation (three and nine months ended September 30, 2022 – \$nil and \$976, respectively).

⁽⁴⁾ Refer to note 5 of the accompanying condensed consolidated interim financial statements for further information.

⁽⁵⁾ Formerly known as "NFFO", "NFFO per unit – diluted", and "NFFO payout ratio".

FFO (formerly known as "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 as well as accelerated CMHC amortization expense for mortgages that management intends to fully refinance or discharge within the year, excluding property dispositions. These write-offs and accelerated CMHC amortization expense are not added back to FFO (formerly known as "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.

FFO (formerly known as "NFFO") for the three months ended September 30, 2023 increased by 1.6% compared to the same period last year, primarily due to contributions from acquisitions and same property operational growth partially offset by higher interest expense on bank indebtedness and mortgages payable. FFO for the nine months ended September 30, 2023 decreased by 0.5%, compared to the same period last year, primarily due to higher interest expense on bank indebtedness and mortgages payable and higher trust expense, net of non-routine reorganization costs, partially offset by same property operational growth.

Contributing to FFO (formerly known as "NFFO") are fees earned from ERES on the portion of ERES units held by non-controlling unitholders totalling \$1.2 million and \$3.9 million, respectively, for the three and nine months ended September 30, 2023 compared to \$1.1 million and \$4.0 million, respectively, for the three and nine months ended September 30, 2022. These fees comprise asset management fees, property management fees, acquisition fees, service fees and interest income earned on promissory note from ERES. Refer to Related Party Transactions section of MD&A for further details.

For the three months ended September 30, 2023, diluted FFO per unit increased by 4.6% compared to the same period last year, including an approximate 2.8% decrease in the weighted average number of units outstanding, primarily due to same property operational growth and supplemented by accretive NCIB purchases. For the nine months ended September 30, 2023, diluted FFO per unit increased by 2.7% compared to the same period last year, primarily due to the same reasons described above and \$1.5 million of non-refundable deposits received on a property disposition that did not close. This was partially offset by \$2.0 million of required maintenance costs on CAPREIT's septic systems, primarily at two MHC properties, which were both sold in 2023. In addition, there were higher interest rates on larger debt balances and elevated CMHC amortization expense of future refinancings that are strategically beneficial to CAPREIT.

Comparing total distributions declared to FFO (formerly known as "NFFO"), the FFO payout ratio (formerly known as "NFFO payout ratio") for the three and nine months ended September 30, 2023 improved by 2.3% and 1.5%, respectively, compared to the same period last year, due to decrease in total distributions declared on fewer outstanding Trust units after purchase of Trust Units under the NCIB.

Adjusted Cash Flows From Operations and Distributions Declared

Adjusted Cash Flows From Operations ("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 expenditure reserve as described below, capitalized leasing costs and amortization of other financing costs, partially offset by investment income. ACFO as calculated by CAPREIT is in accordance with the most recent corresponding definition recommended by REALPAC, with the exception of the adjustment for investment income. Management considers ACFO to be an important economic and sustainable cash flow measure of CAPREIT's operating performance. 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 cash and cash equivalents and, if necessary, the Acquisition and Operating Facility.

The following table reconciles cash generated from operating activities to ACFO for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cash generated from operating activities	\$ 173,192	\$ 159,080	\$ 443,744	\$ 427,594
Adjustments:				
Interest paid on mortgages and bank indebtedness	(47,197)	(39,499)	(136,764)	(114,629)
Non-discretionary property capital expenditure reserve ⁽¹⁾	(14,626)	(20,936)	(44,261)	(61,637)
Capitalized leasing costs ⁽²⁾	(562)	(345)	(1,633)	(1,406)
Amortization of other financing costs ⁽³⁾	(4,674)	(3,831)	(16,753)	(13,765)
Investment income received ⁽⁴⁾	3,894	3,958	9,281	9,294
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁵⁾	(3,600)	(5,966)	(10,480)	(14,166)
Lease payments	(1,569)	(1,556)	(4,693)	(4,662)
ACFO	\$ 104,858	\$ 90,905	\$ 238,441	\$ 226,623
Total distributions declared	\$ 61,536	\$ 63,005	\$ 184,862	\$ 190,446
Excess ACFO over distributions declared	\$ 43,322	\$ 27,900	\$ 53,579	\$ 36,177
ACFO payout ratio	58.7%	69.3%	77.5%	84.0%

⁽¹⁾ Non-discretionary property capital expenditure reserve for the three and nine months ended September 30, 2023 and 2022 is determined based on historical spending and management's best estimate of expected annual non-discretionary property capital expenditure 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 expenditure reserve per suite and site for 2023 and 2022 is \$905 and \$1,244 respectively. The estimated full year weighted average number of residential suites and sites as at September 30, 2023 and September 30, 2022 is 65,034 and 66,029, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to reserve, see the table below.

⁽²⁾ Comprises tenant inducements and direct leasing costs.

⁽³⁾ Includes amortization and write-offs of deferred financing costs, CMHC premiums, deferred loan costs and fair value adjustments.

⁽⁴⁾ Investment income received for the three and nine months ended September 30, 2023 includes \$3,537 and \$7,628 of semi-annual dividends from IRES (three and nine months ended September 30, 2022 – \$3,062 and \$7,297, respectively).

⁽⁵⁾ The adjustment is based on applying the 35% weighted average ownership held by ERES non-controlling unitholders (September 30, 2022 – 34%).

The table below reconciles actual non-discretionary capital investments incurred to the reserve for the three and nine months ended September 30, 2023 and September 30, 2022:

Reconciliation of Actual to Non-Discretionary Property Capital Reserve

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Actual non-discretionary capital investments	\$ 19,725	\$ 20,525	\$ 46,159	\$ 43,306
Non-discretionary capital expenditure reserve ⁽¹⁾	14,626	20,936	44,261	61,637
Difference	\$ 5,099	\$ (411)	\$ 1,898	\$ (18,331)

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

For the three and nine months ended, CAPREIT's actual non-discretionary capital investments of \$19.7 million and \$46.2 million, respectively, were higher than the non-discretionary capital reserve by approximately \$5.1 million and \$1.9 million, respectively, mainly due to changes in the timing of structural work projects over the year.

CAPREIT's capital investments programs are affected by scheduling of projects, and professional judgment is used by management to determine the timing of property capital investments. Therefore, actual and capital investments reserve 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.

The following table presents the revised annual 2023 reserve, and actual 2022 Non-Discretionary Property Capital Investments per suite and site:

(\$ Thousands)	2023 Reserve	2022 Actual
Non-discretionary property capital investments	\$ 58,840	\$ 74,778
Weighted average number of suites and sites	65,034	66,029
Non-discretionary property capital investments per suite and site	\$ 905	\$ 1,133

The decrease in non-discretionary property capital investments per suite and site is in line with CAPREIT's strategy of upgrading and diversifying its property portfolio through accretive, on-strategy acquisitions and selected non-core or opportunistic dispositions. Newer, on-strategy acquisitions require fewer capital investments than older, non-core properties.

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 an ongoing basis. Management believes that this measure reflects the residual value of CAPREIT to its Unitholders on an ongoing 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 included in the consolidated 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 as at September 30, 2023, December 31, 2022 and September 30, 2022:

(\$ Thousands, except per unit amounts)

As at	September 30, 2023	December 31, 2022	September 30, 2022
Unitholders' equity	\$ 9,304,029	\$ 10,003,695	\$ 9,832,599
Adjustments:			
Exchangeable LP Units	74,257	71,668	70,694
Unit-based compensation financial liabilities excluding ERES's unit options plan	20,165	17,455	16,488
Deferred income tax liability	58,124	120,524	141,179
Deferred income tax asset	(13,686)	(6,173)	(3,812)
Derivative assets – non-current	(55,018)	(62,599)	(84,073)
Derivative assets – current	(7,691)	—	(26,568)
Derivative liabilities – current	7,154	10,625	—
Adjustment to ERES non-controlling interest ⁽¹⁾	(159,101)	(200,629)	(215,972)
NAV	\$ 9,228,233	\$ 9,954,566	\$ 9,730,535
Diluted number of units	169,777	171,599	172,393
NAV per unit – diluted	\$ 54.36	\$ 58.01	\$ 56.44

⁽¹⁾ 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. The table below summarizes the calculation of adjustment to ERES non-controlling interest as at September 30, 2023, December 31, 2022 and September 30, 2022:

(\$ Thousands)

As at	September 30, 2023	December 31, 2022	September 30, 2022
ERES's NAV	€ 711,062	€ 899,166	€ 987,803
Ownership by ERES non-controlling interest	35%	34%	34%
Closing foreign exchange rate	1.4360	1.4498	1.3463
Impact to NAV due to ERES's non-controlling unitholders	\$ 357,385	\$ 443,228	\$ 452,159
Less: ERES units held by non-controlling unitholders	\$ 198,284	\$ 242,599	\$ 236,187
Adjustment to ERES non-controlling interest	\$ 159,101	\$ 200,629	\$ 215,972

Total Debt and Total Debt Ratios

Management uses Total Debt, Total Debt to Gross Book Value ratio and Mortgage debt to Gross Book Value 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. These Non-IFRS Measures may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

A reconciliation for Total Debt and Gross Book Value is as follows as at September 30, 2023, December 31, 2022 and September 30, 2022:

(\$ Thousands)

As at	September 30, 2023	December 31, 2022	September 30, 2022
Mortgages payable – non-current	\$ 5,797,931	\$ 5,963,820	\$ 5,874,897
Mortgages payable – current	741,706	613,277	623,385
Liabilities related to assets held for sale	—	38,116	—
Total mortgages payable	6,539,637	6,615,213	6,498,282
Bank Indebtedness – non-current	489,024	388,975	402,112
Total Debt	\$ 7,028,661	\$ 7,004,188	\$ 6,900,394
Total Assets	\$ 16,946,089	\$ 17,741,888	\$ 17,456,012
Add: Total accumulated amortization and depreciation	43,865	42,100	40,468
Gross Book Value ⁽¹⁾	\$ 16,989,954	\$ 17,783,988	\$ 17,496,480
Ratio of Total Debt to Gross Book Value	41.4 %	39.4 %	39.4 %
Ratio of Total Mortgages Payable to Gross Book Value	38.5 %	37.2 %	37.1 %

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

Adjusted Earnings Before Interest, Taxes, 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 dispositions; non-cash gain or loss resulting from the remeasurement of assets or liabilities; other non-cash amounts included in net income; gain or loss on the repurchase or redemption of 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 CAPREIT's operating performance, excluding any non-cash items and other extraordinary factors, and its ability to service debt, finance capital expenditures and provide for distributions to its Unitholders. This Non-IFRS Measure may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

A reconciliation of net income (loss) to Adjusted EBITDAFV is as follows for the trailing 12 months ended September 30, 2023, December 31, 2022 and September 30, 2022:

(\$ Thousands)			
For the Trailing 12 Months Ended	September 30, 2023	December 31, 2022	September 30, 2022
Net income (loss)	\$ (265,263)	\$ 13,637	\$ 503,073
Adjustments:			
Interest and other financing costs	201,950	180,434	177,600
Interest on Exchangeable LP Units	2,394	2,435	2,434
Current and deferred income tax expense (recovery)	(95,053)	(10,034)	57,629
Amortization of PP&E and right-of-use asset	6,448	7,462	7,819
Unit-based compensation amortization expense	7,943	7,256	7,301
EUPP unit-based compensation expense	(545)	(514)	(511)
Fair value adjustments of investment properties	728,743	468,327	(25,492)
Fair value adjustments of financial instruments	75,313	7,440	(55,202)
Net gain on derecognition of debt	(3,307)	(1,766)	(1,766)
Gain on non-controlling interest	(27,268)	(104,822)	(102,919)
Loss (gain) on foreign currency translation	(2,539)	21,000	21,917
Loss on dispositions and other	5,318	3,318	3,624
Adjusted EBITDAFV adjustment for income from investment in associate ⁽¹⁾	—	—	(7,060)
Goodwill impairment loss	—	14,278	14,278
Adjusted EBITDAFV	\$ 634,134	\$ 608,451	\$ 602,725

⁽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 excluding interest with respect to leases and holders of Exchangeable LP Units) 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 and mortgage principal requirements of its outstanding debt. This Non-IFRS Measure may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

(\$ Thousands)

For the Trailing 12 Months Ended	September 30, 2023	December 31, 2022	September 30, 2022
Interest on mortgages payable and liabilities related to assets held for sale	\$ 161,855	\$ 154,467	\$ 151,588
Interest on bank indebtedness	21,808	8,292	8,278
Mortgage principal repayments	161,102	162,048	160,438
Debt service payments	\$ 344,765	\$ 324,807	\$ 320,304
Adjusted EBITDAFV	\$ 634,134	\$ 608,451	\$ 602,725
Debt Service Coverage Ratio (times)	1.8x	1.9x	1.9x

Interest Coverage Ratio

The Interest Coverage Ratio is defined as Adjusted EBITDAFV divided by interest expense (including interest on mortgages payable and bank indebtedness and excluding interest with respect to leases and holders of Exchangeable LP Units). 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. This Non-IFRS Measure may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

(\$ Thousands)

For the Trailing 12 Months Ended	September 30, 2023	December 31, 2022	September 30, 2022
Interest on mortgages payable and liabilities related to assets held for sale	\$ 161,855	\$ 154,467	\$ 151,588
Interest on bank indebtedness	21,808	8,292	8,278
Interest Expense	\$ 183,663	\$ 162,759	\$ 159,866
Adjusted EBITDAFV	\$ 634,134	\$ 608,451	\$ 602,725
Interest coverage ratio (times)	3.5x	3.7x	3.8x

OTHER INFORMATION

Selected Consolidated Quarterly Information

	Q3 23	Q2 23	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22	Q4 21
Canadian residential Occupied AMR ⁽¹⁾⁽²⁾	\$ 1,490	\$ 1,460	\$ 1,428	\$ 1,401	\$ 1,387	\$ 1,371	\$ 1,356	\$ 1,338
The Netherlands Occupied AMR ⁽²⁾	€ 1,053	€ 1,009	€ 1,002	€ 992	€ 983	€ 952	€ 949	€ 941
Operating revenues (000s)	\$ 268,377	\$ 263,798	\$ 260,947	\$ 256,915	\$ 252,032	\$ 251,693	\$ 246,628	\$ 240,678
NOI (000s)	\$ 178,432	\$ 173,785	\$ 163,858	\$ 164,500	\$ 166,644	\$ 166,093	\$ 153,172	\$ 153,429
NOI Margin	66.5%	65.9%	62.8%	64.0%	66.1%	66.0%	62.1%	63.7%
Net income (loss) (000s)	\$(357,542)	\$ 39,983	\$ (103,227)	\$ 155,523	\$ 63,159	\$(250,354)	\$ 45,309	\$ 644,959
FFO (000s) ⁽³⁾⁽⁴⁾	\$ 108,280	\$ 100,076	\$ 97,153	\$ 99,922	\$ 106,562	\$ 102,871	\$ 97,622	\$ 100,353
FFO per unit ⁽⁵⁾ – diluted	\$ 0.638	\$ 0.590	\$ 0.567	\$ 0.580	\$ 0.610	\$ 0.583	\$ 0.555	\$ 0.572
FFO payout ratio ⁽⁶⁾	56.8%	61.5%	63.6%	62.4%	59.1%	61.9%	65.3%	63.4%
Total debt to gross book value ⁽²⁾	41.4%	40.4%	40.1%	39.4%	39.4%	38.8%	37.6%	36.1%
NAV per unit ⁽²⁾ – diluted	\$ 54.36	\$ 57.08	\$ 57.47	\$ 58.01	\$ 56.44	\$ 56.66	\$ 59.43	\$ 59.78
Weighted average number of units (000s) – diluted	169,727	169,664	171,266	172,401	174,588	176,322	175,994	175,567

⁽¹⁾ Excludes MHC sites.

⁽²⁾ As at period end.

⁽³⁾ Non-IFRS Measures are reconciled with IFRS reported amounts in the respective quarterly SEDAR+ filings.

⁽⁴⁾ Formerly known as "NFFO".

⁽⁵⁾ Formerly known as "NFFO per unit – diluted".

⁽⁶⁾ Formerly known as "NFFO payout ratio".

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 factoring 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.

Foreign Currency Information

CAPREIT's functional currency is the Canadian dollar and the functional currency of certain foreign subsidiaries is the euro. CAPREIT is exposed to gain or loss on foreign currency translation due to its holdings of European assets and liabilities through its investment in IRES, its ERES subsidiary and euro-denominated cash and borrowings held by CAPREIT. Further, as part of CAPREIT's foreign currency and interest rate management strategies, CAPREIT has cash, borrowings and cross-currency interest rate swap arrangements denominated in US dollars.

Based on CAPREIT's accounting policies, CAPREIT converted its euro and US dollar-denominated balances and transactions as at and for the respective periods using the rates shown in the table below:

As at	September 30, 2023	December 31, 2022	September 30, 2022
Canadian dollar per euro (closing rate at period end)	\$ 1.4360	\$ 1.4498	\$ 1.3463
Canadian dollar per US dollar (closing rate at period end)	1.3580	1.3545	1.3740

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Canadian dollar per euro (average rate during the period)	\$ 1.4600	\$ 1.3148	\$ 1.4577	\$ 1.3649
Canadian dollar per US dollar (average rate during the period)	1.3416	1.3048	1.3457	1.2828

European Foreign Exchange Exposure

The majority of CAPREIT's foreign currency transactions are denominated in euros. Between December 31, 2022 and September 30, 2023, the euro weakened against the Canadian dollar from a closing price of \$1.4498 per euro to \$1.4360 per euro. Between September 30, 2022 and September 30, 2023, the euro strengthened against the Canadian dollar from a closing price of \$1.3463 per euro to \$1.4360 per euro.

The following table summarizes CAPREIT's net foreign investments exposure and its associated derivative financial instruments related to the euro as at September 30, 2023, December 31, 2022 and September 30, 2022. CAPREIT uses derivative financial instruments to minimize its exposure to fluctuations in foreign exchange rates.

(€ Thousands)

As at	September 30, 2023	December 31, 2022	September 30, 2022
ERES assets	€ 1,763,458	€ 1,939,206	€ 2,032,275
Investment in IRES	94,641	111,088	125,895
CAPREIT's euro cash	443	1,317	1,403
Total Foreign Assets	€ 1,858,542	€ 2,051,611	€ 2,159,573
ERES liabilities excluding intercompany transactions	€ 1,051,200	€ 1,062,562	€ 1,088,845
Total Foreign Liabilities	€ 1,051,200	€ 1,062,562	€ 1,088,845
Net Foreign Equity⁽¹⁾	€ 807,342	€ 989,049	€ 1,070,728
Cross-Currency Swaps ⁽²⁾	442,358	442,358	442,358
Net European Foreign Exchange Exposure	€ 364,984	€ 546,691	€ 628,370
Net European Foreign Exchange Exposure – Excluding Non-controlling Interest	€ 115,693	€ 248,632	€ 307,603

⁽¹⁾ As at September 30, 2023, net foreign equity includes €712,258 (December 31, 2022 - €876,644, September 30, 2022 - €943,430) relating to ERES in which CAPREIT has a 65% (December 31, 2022 - 66%, September 30, 2022 - 66%) interest.

⁽²⁾ Excludes cross-currency swaps denominated in US dollars.

SECTION VII: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES**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, 2023 and to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2022.

Critical Accounting Estimates, Assumptions, and Judgments

A summary of critical accounting estimates, assumptions and judgments can be found in CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2022.

CONTROLS AND PROCEDURES

CAPREIT maintains appropriate information systems, procedures and controls to provide reasonable assurance that information disclosed externally is complete, reliable and timely. Pursuant to the Canadian Securities Administrators requirements under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, CAPREIT's Chief Executive Officer and Chief Financial Officer have satisfied themselves that as at September 30, 2023, the design of disclosure controls and procedures and the design of internal controls over financial reporting continue to be appropriate.

CAPREIT did not make any significant changes to the design of internal controls over financial reporting in the three and nine months ended September 30, 2023 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 in the activities of CAPREIT. Risks and uncertainties are disclosed in CAPREIT's MD&A for the year ended December 31, 2022 in the Risks and Uncertainties section contained in CAPREIT's 2022 Annual Report and in CAPREIT's latest AIF.

RELATED PARTY TRANSACTIONS

A summary of related party transactions can be found in note 22 to CAPREIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2023. Transactions with ERES are described below:

Pipeline Agreement

On March 24, 2023, CAPREIT and ERES extended the Pipeline Agreement under the same terms for an additional two years, until March 29, 2025. There were no acquisitions made pursuant to the Pipeline Agreement during the three and nine months ended September 30, 2023.

Promissory Note

On October 28, 2021, as an alternative to the Pipeline Agreement, the CAPREIT Board of Trustees approved the provision of up to \$236.9 million (€165.0 million) 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.

There were no new promissory notes issued to CAPREIT during the nine months ended September 30, 2023, and as at September 30, 2023, there were no promissory notes outstanding to CAPREIT. On April 27, 2023, ERES fully repaid the promissory note summarized in the table below.

(\$ Thousands)				As at September 30, 2023	
Issuance Date	Principal (€)	Interest Rate per Annum	Maturity Date	Amount Outstanding (€)	Amount Outstanding (\$)
October 27, 2022	25,650	3.70 %	April 27, 2023	€ —	\$ —

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

Summary of Fees and Income Earned from ERES

The table below summarizes fees charged to and interest income earned from ERES for the three and nine months ended September 30, 2023 and September 30, 2022:

(\$ Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Asset management fees	\$ 2,117	\$ 1,938	\$ 6,396	\$ 5,934
Acquisition fees	—	—	—	1,215
Property management fees	1,279	1,071	3,708	3,205
Service fees	131	—	583	581
Interest income earned from promissory note	—	140	443	550
Total	\$ 3,527	\$ 3,149	\$ 11,130	\$ 11,485

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

COMMITMENTS AND CONTINGENCIES

A summary of commitments and contingencies can be found in notes 23 and 24 to CAPREIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2023.



CANADIAN APARTMENT
PROPERTIES • REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023
(UNAUDITED)**

TABLE OF CONTENTS

Consolidated Interim Balance Sheets	3
Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)	4
Consolidated Interim Statements of Unitholders' Equity	5
Consolidated Interim Statements of Cash Flows	6
Notes to Consolidated Interim Financial Statements	7
Note 1 Organization of the Trust	7
Note 2 Summary of Significant Accounting Policies	7
Note 3 Investment Properties	8
Note 4 Investment Property Acquisitions	11
Note 5 Investment Property Dispositions and Assets Held for Sale	12
Note 6 Derivative Financial Instruments	13
Note 7 Other Assets	15
Note 8 Debt	16
Note 9 ERES Units Held by Non-Controlling Unitholders	19
Note 10 Unit-based Compensation Financial Liabilities	19
Note 11 Other Liabilities	21
Note 12 Accounts Payable and Accrued Liabilities	21
Note 13 Exchangeable LP Units	21
Note 14 Unitholders' Equity	22
Note 15 Fair Value of Financial Instruments and Investment Properties	23
Note 16 Revenue from Contracts with Customers	25
Note 17 Other Income	25
Note 18 Interest Expense on Debt and Other Financing Costs	26
Note 19 Fair Value Adjustments of Financial Instruments	26
Note 20 Loss on Transactions and Other Activities	26
Note 21 Supplemental Cash Flow Information	27
Note 22 Related Party Transactions	29
Note 23 Commitments	29
Note 24 Contingencies	29
Note 25 Segmented Information	30

CONSOLIDATED INTERIM BALANCE SHEETS

(In thousands of Canadian dollars)

Unaudited

As at	Note	September 30, 2023	December 31, 2022
Non-current assets			
Investment properties	3	\$ 16,482,890	\$ 17,153,709
Investments held at fair value through profit or loss		133,955	196,364
Derivative assets	6	55,018	62,599
Other assets	7	42,358	79,628
Total non-current assets		16,714,221	17,492,300
Current assets			
Cash and cash equivalents		48,266	47,303
Amounts receivable		16,169	15,907
Derivative assets	6	7,691	—
Other assets	7	104,212	54,036
Assets held for sale	5	55,530	132,342
Total current assets		231,868	249,588
Total assets		\$ 16,946,089	\$ 17,741,888
Non-current liabilities			
Debt	8	\$ 6,286,955	\$ 6,352,795
ERES units held by non-controlling unitholders	9	198,284	242,599
Deferred income tax liability		58,124	120,524
Unit-based compensation financial liabilities	10	9,468	7,806
Other liabilities	11	47,168	47,460
Total non-current liabilities		6,599,999	6,771,184
Current liabilities			
Debt	8	741,706	613,277
Accounts payable and accrued liabilities	12	103,083	121,551
Exchangeable LP Units	13	74,257	71,668
Unit-based compensation financial liabilities	10	10,907	10,451
Derivative liabilities	6	7,154	10,625
Other liabilities	11	104,954	101,321
Liabilities related to assets held for sale	5, 8	—	38,116
Total current liabilities		1,042,061	967,009
Total liabilities		\$ 7,642,060	\$ 7,738,193
Unitholders' equity			
Unit capital	14	\$ 4,140,979	\$ 4,183,171
Retained earnings		5,197,631	5,846,397
Accumulated other comprehensive loss		(34,581)	(25,873)
Total unitholders' equity		\$ 9,304,029	\$ 10,003,695
Total liabilities and unitholders' equity		\$ 16,946,089	\$ 17,741,888

See accompanying notes to the condensed consolidated interim financial statements.

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

(In thousands of Canadian dollars)

Unaudited

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	2023	2022	2023	2022
Operating revenues					
Revenue from investment properties	16	\$ 268,377	\$ 252,032	\$ 793,122	\$ 750,353
Operating expenses					
Realty taxes		(24,391)	(23,262)	(72,475)	(70,515)
Property operating costs		(65,554)	(62,126)	(204,572)	(193,929)
Total operating expenses		(89,945)	(85,388)	(277,047)	(264,444)
Net operating income		178,432	166,644	516,075	485,909
Other income	17	4,572	4,541	12,496	15,159
Trust expenses		(16,515)	(11,687)	(46,577)	(44,789)
Unit-based compensation amortization expense		(2,495)	(1,528)	(6,177)	(5,490)
Financing-related costs:					
Interest expense on debt and other financing costs	18	(53,372)	(45,272)	(156,438)	(134,921)
Interest expense on Exchangeable LP Units		(597)	(609)	(1,785)	(1,826)
Net gain (loss) on derecognition of debt		(439)	(997)	3,307	1,766
Total financing-related costs		(54,408)	(46,878)	(154,916)	(134,981)
Fair value adjustments of investment properties	3	(507,003)	(95,680)	(803,204)	(542,788)
Fair value adjustments of financial instruments	19	16,915	12,164	(30,879)	36,994
Gain on non-controlling interest	9	29,542	46,232	36,250	113,804
Gain (loss) on foreign currency translation		(7,533)	(4,571)	1,816	(21,723)
Loss on transactions and other activities	20	(4,031)	(3,177)	(10,102)	(23,394)
Net income (loss) before income taxes		(362,524)	66,060	(485,218)	(121,299)
Current income tax expense		(2,102)	(1,289)	(5,668)	(3,400)
Deferred income tax recovery (expense)		7,084	(1,612)	70,100	(17,187)
Total current and deferred income tax recovery (expense)		4,982	(2,901)	64,432	(20,587)
Net income (loss)		\$ (357,542)	\$ 63,159	\$ (420,786)	\$ (141,886)
Other comprehensive income (loss), including items that may be reclassified subsequently to net income (loss)					
Loss on foreign currency translation, net of taxes		\$ (3,686)	\$ (14)	\$ (8,696)	\$ (102,154)
Amortization of losses from accumulated other comprehensive loss to interest and other financing costs		—	121	68	1,294
Loss on investments held at fair value through other comprehensive income (loss)		(115)	—	(80)	—
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES		—	—	—	7,627
Other comprehensive income (loss)		\$ (3,801)	\$ 107	\$ (8,708)	\$ (93,233)
Comprehensive income (loss)		\$ (361,343)	\$ 63,266	\$ (429,494)	\$ (235,119)

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENTS OF UNITHOLDERS' EQUITY

(In thousands of Canadian dollars, except number of Trust Units)

Unaudited

	Note	Number of Trust Units	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Unitholders' equity, January 1, 2023		169,404,469	\$ 4,183,171	\$ 5,846,397	\$ (25,873)	\$ 10,003,695
Unit capital						
Distribution Reinvestment Plan		130,040	6,351	—	—	6,351
Deferred Unit Plan	10	12,654	622	—	—	622
Restricted Unit Rights Plan	10	63,280	2,935	—	—	2,935
Employee Unit Purchase Plan		52,152	2,553	—	—	2,553
Exchangeable LP Units exchanged	13	32,004	1,578	—	—	1,578
Cancellation of Trust Units under NCIB and other	14	(2,168,521)	(56,231)	(45,429)	—	(101,660)
Net loss and other comprehensive loss						
Net loss		—	—	(420,786)	—	(420,786)
Other comprehensive loss		—	—	—	(8,708)	(8,708)
Distributions on Trust Units						
Distributions declared and paid		—	—	(162,309)	—	(162,309)
Distributions payable		—	—	(20,242)	—	(20,242)
Unitholders' equity, September 30, 2023		167,526,078	\$ 4,140,979	\$ 5,197,631	\$ (34,581)	\$ 9,304,029

	Note	Number of Trust Units	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Unitholders' equity, January 1, 2022		173,406,406	\$ 4,194,093	\$ 6,249,190	\$ (43,397)	\$ 10,399,886
Unit capital						
Distribution Reinvestment Plan		837,117	41,005	—	—	41,005
Deferred Unit Plan		88,406	4,329	—	—	4,329
Restricted Unit Rights Plan		200,363	9,852	—	—	9,852
Employee Unit Purchase Plan		48,386	2,370	—	—	2,370
Cancellation of Trust Units under NCIB	14	(4,384,224)	(110,547)	(91,245)	—	(201,792)
Net loss and other comprehensive loss						
Net loss		—	—	(141,886)	—	(141,886)
Other comprehensive loss		—	—	—	(93,233)	(93,233)
Distributions on Trust Units						
Distributions declared and paid		—	—	(167,367)	—	(167,367)
Distributions payable		—	—	(20,565)	—	(20,565)
Unitholders' equity, September 30, 2022		170,196,454	\$ 4,141,102	\$ 5,828,127	\$ (136,630)	\$ 9,832,599

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Unaudited

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	2023	2022	2023	2022
Cash provided by (used in):					
Operating activities					
Net income (loss)		\$ (357,542)	\$ 63,159	\$ (420,786)	\$ (141,886)
Items related to operating activities not affecting cash:					
Fair value adjustments of investment properties	3	507,003	95,680	803,204	542,788
Fair value adjustments of financial instruments	19	(16,915)	(12,164)	30,879	(36,994)
Mark-to-market gain on ERES units held by non-controlling unitholders	9	(33,080)	(49,396)	(46,799)	(123,361)
Unit-based compensation amortization expense		2,495	1,528	6,177	5,490
Other adjustments	21	2,313	9,443	(65,629)	61,605
Dividend and interest income related to investing activities		(3,894)	(3,958)	(9,281)	(9,294)
Items related to financing activities	21	57,946	50,042	165,465	144,538
Changes in non-cash operating assets and liabilities	21	14,866	4,746	(19,486)	(15,292)
Cash provided by operating activities		173,192	159,080	443,744	427,594
Investing activities					
Capital investments	21	(57,977)	(81,412)	(224,123)	(233,989)
Acquisitions, deposits and transaction costs of investment properties	4	(324)	(123,297)	(151,733)	(546,958)
Acquisition of investments		(4,091)	(6,063)	(8,745)	(15,615)
Disposition of investment properties (net of assumed mortgages and transaction costs)	5	60,012	91,570	306,861	306,949
Disposition of investments		1,722	4,107	40,100	4,565
Proceeds from settlement of mortgage receivable		—	—	—	68,190
Investment income received		3,894	3,958	9,281	9,294
Change in restricted funds		(454)	(121)	(1,095)	1,438
Cash provided by (used in) investing activities		2,782	(111,258)	(29,454)	(406,126)
Financing activities					
Borrowings	8	122,095	138,229	503,986	1,233,336
Principal repayments	8	(39,594)	(40,740)	(120,092)	(121,038)
Lump-sum repayments	5, 8	(131,584)	(31,445)	(359,845)	(605,463)
Financing costs and CMHC premiums paid	8	(3,320)	(133)	(8,660)	(21,382)
Refunds (deposits) related to financing activities		402	—	(1,897)	—
Interest paid on mortgages and bank indebtedness		(47,197)	(39,985)	(136,764)	(115,115)
Purchase and cancellation of Trust Units	14	—	(134,742)	(100,907)	(201,792)
Proceeds on issuance of Trust Units, net of issuance costs	21	107	431	2,090	2,209
Distributions paid to Unitholders	21	(57,704)	(61,313)	(176,427)	(147,315)
Interest paid to ERES non-controlling unitholders		(2,668)	(2,231)	(8,065)	(6,441)
Interest paid to Exchangeable LP unitholders		(599)	(609)	(1,791)	(2,029)
Lease payments		(1,569)	(1,556)	(4,693)	(4,662)
Cash provided by (used in) financing activities		(161,631)	(174,094)	(413,065)	10,308
Changes in cash and cash equivalents during the period		14,343	(126,272)	1,225	31,776
Gain (loss) on foreign currency translation		572	(543)	(262)	(3,892)
Cash and cash equivalents, beginning of the period		33,351	228,110	47,303	73,411
Cash and cash equivalents, end of the period		\$ 48,266	\$ 101,295	\$ 48,266	\$ 101,295

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

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.

As at September 30, 2023, CAPREIT directly and indirectly holds a 65% (December 31, 2022 – 66%) ownership of publicly traded European Residential Real Estate Investment Trust ("ERES"), which operates primarily in the Netherlands, with the remaining 35% (December 31, 2022 – 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").

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, 2023, 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 for the year ended December 31, 2022, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

These condensed consolidated interim financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is also CAPREIT's functional currency. CAPREIT's results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in utility costs and other factors. CAPREIT has historically experienced higher utility expenses in the first and last quarters as a result of the winter months, which create variations in the quarterly results.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended December 31, 2022.

Certain prior period comparative figures in 2022 have been rearranged or combined to conform with current period presentation, with no changes to total assets, total liabilities, operating revenue or expense amounts. The objective of this change was to simplify the financial statement presentation. The composition of major financial statement line items is presented within the notes to the condensed consolidated interim financial statements.

Impact of Accounting Standards Effective January 1, 2023 on CAPREIT's Condensed Consolidated Interim Financial Statements

IFRS 17, Insurance Contracts ("IFRS 17")

The IASB issued IFRS 17 in May 2017, which replaces IFRS 4, *Insurance Contracts* ("IFRS 4") and is applied retrospectively. IFRS 17 establishes more uniform principles for the recognition, measurement, presentation and disclosure of insurance contracts. In June 2020, the IASB issued an amendment to IFRS 17, which includes an amendment to defer the effective date of the standard to annual periods beginning on or after January 1, 2023. CAPREIT adopted IFRS 17 on January 1, 2023 and assessed that there is no impact on transition in the current or future reporting periods based on the current arrangements in place.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

3. Investment Properties

Continuity of Investment Properties by Type

For the Nine Months Ended September 30, 2023	Note	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests ⁽¹⁾	Total
Balance of investment properties, beginning of the period		\$ 16,793,110	\$ 101,558	\$ 259,041	\$ 17,153,709
Additions (deductions):					
Acquisitions	4	208,253	—	—	208,253
Property capital investments		195,588	2,059	8,217	205,864
Capitalized direct leasing costs		873	15	85	973
Transfer from other assets		12,399	—	—	12,399
Dispositions ⁽²⁾	5	(191,497)	—	—	(191,497)
Transfer to assets held for sale	5	(81,305)	—	—	(81,305)
Fair value adjustments		(777,335)	(12,723)	(13,146)	(803,204)
Loss on foreign currency translation and other		(22,302)	—	—	(22,302)
Balance of investment properties, end of the period		\$ 16,137,784	\$ 90,909	\$ 254,197	\$ 16,482,890

⁽¹⁾ Includes right-of-use assets related to investment properties.

⁽²⁾ Excludes the disposition of properties that were previously classified as assets held for sale. Refer to note 5 for further information.

For the Year Ended December 31, 2022	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests ⁽¹⁾	Total
Balance of investment properties, beginning of the year	\$ 16,719,821	\$ 114,150	\$ 267,948	\$ 17,101,919
Additions (deductions):				
Acquisitions	645,605	—	—	645,605
Property capital investments	312,712	1,941	7,699	322,352
Capitalized direct leasing costs	308	—	167	475
Dispositions	(343,497)	—	—	(343,497)
Transfer to assets held for sale	(132,342)	—	—	(132,342)
Fair value adjustments	(437,021)	(14,533)	(16,773)	(468,327)
Gain on foreign currency translation	27,524	—	—	27,524
Balance of investment properties, end of the year	\$ 16,793,110	\$ 101,558	\$ 259,041	\$ 17,153,709

⁽¹⁾ Includes right-of-use assets related to investment properties.

Valuation Basis

External valuations for the Canadian portfolio are performed at year-end with quarterly updates provided on capitalization rates. As at September 30, 2023, CAPREIT received capitalization rates from its external appraiser on approximately 52% by value or 51% by number of properties of its Canadian investment properties (December 31, 2022 – 51% and 49%, 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

The current regulatory and macroeconomic developments, including the interest rate and inflationary environment, have impacted overall market activity resulting in limited reliable market metrics, such as capitalization rates. As such, the fair values of CAPREIT's investment properties are subject to significant change, and such changes may be material. Management is applying, to the greatest extent practicable, prudence and sound judgment in its basis for fair valuing its investment properties in the current unpredictable environment.

A summary of the market assumptions and ranges for each type of property interest (excluding assets held for sale), along with their fair values, is presented below as at September 30, 2023 and December 31, 2022:

As at September 30, 2023

Type of Interest	Fair Value	Rate Type	Min.	Max.	Weighted Average
Fee simple interests – Canada	\$ 12,976,770	Capitalization rate	3.16 %	7.68 %	4.17 %
Fee simple interests – Europe ⁽¹⁾	2,462,593	Discount rate	5.25 %	8.00 %	6.77 %
		Terminal capitalization rate	3.70 %	8.75 %	4.97 %
MHC sites	698,421	Capitalization rate	5.16 %	8.71 %	6.02 %
Operating leasehold interests ⁽²⁾⁽³⁾	90,909	Discount rate ⁽⁵⁾	6.50 %	7.00 %	6.66 %
Land leasehold interests ⁽⁴⁾	209,189	Discount rate ⁽⁵⁾	6.70 %	8.50 %	7.62 %
Right-of-use assets, net of fair value change	45,008				
Total investment properties	\$ 16,482,890				

⁽¹⁾ Rates exclude one commercial property owned in Belgium, valued by a third-party appraiser using the direct capitalization ("DC") method.

⁽²⁾ The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of \$36,189 as at September 30, 2023.

⁽³⁾ For the two operating leasehold interests remaining as at September 30, 2023, the contractual weighted average remaining lease term on operating leasehold interests is 12.7 years based on the assumption that the early purchase option is not exercised. As at September 30, 2023, if the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the two operating leasehold interests is 2.7 years.

⁽⁴⁾ The fair values of the land leasehold interests reflect the estimated air rights or land lease payments over the term of the leases.

⁽⁵⁾ Represents the discount rate used to determine the fair value of operating leasehold and land leasehold interests using the discounted cash flow ("DCF") method. Normalized net operating income ("NOI") growth for operating leasehold interests of 3.0% has been assumed as at September 30, 2023.

As at December 31, 2022

Type of Interest	Fair Value	Rate Type	Min.	Max.	Weighted Average
Fee simple interests – Canada	\$ 13,330,032	Capitalization rate	2.90 %	7.68 %	3.86 %
Fee simple interests – Europe ⁽¹⁾	2,750,358	Discount rate	4.60 %	6.75 %	5.60 %
		Terminal capitalization rate	3.40 %	8.79 %	4.43 %
MHC sites	712,720	Capitalization rate	5.10 %	8.58 %	5.93 %
Operating leasehold interests ⁽²⁾⁽³⁾	101,558	Discount rate ⁽⁵⁾	5.75 %	6.00 %	5.83 %
Land leasehold interests ⁽⁴⁾	213,574	Discount rate ⁽⁵⁾	6.59 %	8.17 %	7.19 %
Right-of-use assets, net of fair value change	45,467				
Total investment properties	\$ 17,153,709				

⁽¹⁾ Rates exclude one commercial property owned in Belgium, valued by a third-party appraiser using the DC method.

⁽²⁾ The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of \$46,068 as at December 31, 2022.

⁽³⁾ For the two operating leasehold interests remaining as at December 31, 2022, the contractual weighted average remaining lease term on operating leasehold interests is 13.4 years based on the assumption that the early purchase option is not

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

exercised. As at December 31, 2022, if the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the two operating leasehold interests is 3.4 years.

⁽⁴⁾ The fair values of the land leasehold interests reflect the estimated air rights or land lease payments over the term of the leases.

⁽⁵⁾ Represents the discount rate used to determine the fair value of operating leasehold and land leasehold interests using the DCF method. Normalized NOI growth for operating leasehold interests of 3.0% has been assumed as at December 31, 2022.

The table below summarizes the impact of changes in the capitalization rate on the fair value of CAPREIT's investment properties as at September 30, 2023:

As at September 30, 2023 Change in Capitalization Rate ⁽¹⁾	Change in Fair Value of Investment Properties
(0.50)%	\$ 2,213,779
(0.25)%	1,035,798
+0.25%	(917,818)
+0.50%	(1,737,224)

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

4. Investment Property Acquisitions

The table below summarizes the investment property acquisitions since January 1, 2023, which have contributed to the operating results as from their acquisition dates.

Acquisitions of Investment Properties Completed During the Nine Months Ended September 30, 2023

Acquisition Date	Suite Count	Region	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Stated Interest Rate (%)	Term to Maturity (Years)
February 27, 2023	143	Ottawa, ON	\$ 56,627 ⁽¹⁾	\$ 39,064	\$ —	3.25	9.50
April 12, 2023	89	Edmonton, AB	25,780 ⁽²⁾	18,763	—	2.59	8.58
May 16, 2023	93	Langley, BC	53,910 ⁽³⁾	—	—	—	—
June 1, 2023	52	Dartmouth, NS	20,821 ⁽³⁾	—	—	—	—
June 22, 2023	92	Langley, BC	51,115 ⁽³⁾	—	—	—	—
Total	469		\$ 208,253	\$ 57,827	\$ —		

⁽¹⁾ The acquisition was funded from cash and cash equivalents, the assumption of an existing mortgage and a vendor takeback ("VTB") mortgage payable. Repayment of the five-year VTB mortgage payable may be waived, subject to certain conditions. The VTB mortgage payable carries an interest rate of 4.125% per annum.

⁽²⁾ The acquisition was funded from cash and cash equivalents or from the Acquisition and Operating Facility, and the assumption of an existing mortgage.

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

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

For the nine months ended September 30, 2022, CAPREIT acquired 1,537 suites or sites in the Canadian and European portfolio for a total acquisition cost of \$645,605.

Acquisitions of Investment Properties

The net disbursements made for the acquisitions of investment properties take into consideration the fair value of the investment properties being acquired, fair value of mortgages payable and other net assets assumed, and working capital and other adjustments relating to transaction costs.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Acquired properties	\$ —	\$ (127,905)	\$ (208,253)	\$ (645,605)
Fair value of assumed debt	—	—	57,827	99,500
Deposit on acquisitions and other adjustments	(225)	4,608	2,796	(853)
Change in investment properties included in accounts payable and other liabilities	(99)	—	(4,103)	—
Net disbursements	\$ (324)	\$ (123,297)	\$ (151,733)	\$ (546,958)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

5. Investment Property Dispositions and Assets Held for Sale

The table below summarizes the dispositions of investment properties completed since January 1, 2023.

Dispositions of Investment Properties Completed During the Nine Months Ended September 30, 2023

Disposition Date	Suite or Site Count	Region	Sale Price	Fair Value of Investment Properties	Mortgages Assumed by Purchaser ⁽¹⁾	Fair Value Adjustments on Mortgages Assumed by Purchaser
January 25, 2023 ⁽²⁾	1,150	Ottawa, ON	\$ 136,250	\$ 132,342	\$ 34,798	\$ 3,908
March 1, 2023	46	Wingham, ON	250	250	—	—
March 6, 2023 ⁽³⁾	—	Montréal, QC	17,250	17,250	—	—
April 6, 2023 ⁽⁴⁾	1	The Netherlands	588	588	—	—
May 11, 2023	180	Longueuil, QC	27,787	27,787	—	—
May 16, 2023	60	Charlottetown, PEI	9,400	9,400	—	—
June 5, 2023	162	Longueuil, QC	25,000	24,048	5,490	952
June 8, 2023	393	Montréal, QC	68,900	68,900	—	—
June 30, 2023	217	Windsor, ON	8,250	8,250	—	—
July 17, 2023 ⁽⁴⁾	1	The Netherlands	564	564	—	—
August 15, 2023	111	Charlottetown, PEI	11,963	11,963	—	—
August 15, 2023	73	Montréal, QC	12,600	12,600	—	—
August 21, 2023	12	Charlottetown, PEI	1,300	1,300	—	—
August 22, 2023	180	Montréal, QC	32,500	32,500	—	—
August 28, 2023 ⁽⁴⁾	1	The Netherlands	529	529	—	—
August 30, 2023	9	Charlottetown, PEI	950	950	—	—
September 29, 2023 ⁽⁴⁾	1	The Netherlands	393	393	—	—
Total	2,597		\$ 354,474	\$ 349,614	\$ 40,288	\$ 4,860

⁽¹⁾ Relates to mortgages payable with a total principal amount of \$45,148 assumed by the purchaser upon disposition. The amount shown is net of \$4,860 fair value adjustment on mortgages assumed by the purchaser. The weighted average stated interest rate on mortgages assumed by the purchaser was 2.28%.

⁽²⁾ CAPREIT disposed of its 50% interest in 1,150 apartment suites. These properties under joint arrangement were classified as assets held for sale as at December 31, 2022.

⁽³⁾ Represents disposition of parking lot site adjacent to an existing multi-residential building owned by CAPREIT.

⁽⁴⁾ Represents disposition of a single residential suite.

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

For the nine months ended September 30, 2022, CAPREIT disposed of 1,129 suites or sites in the Canadian portfolio and in the Netherlands for a total fair value of \$347,497.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

Dispositions of Investment Properties

The net proceeds received from the purchaser take into consideration the fair value of the investment properties being sold, fair value of the mortgages payable assumed by purchaser, closing costs and working capital adjustments.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Fair value of investment properties ⁽¹⁾	\$ 60,799	\$ 91,237	\$ 349,614	\$ 343,497
Fair value of mortgages assumed by purchaser on dispositions ⁽²⁾	—	—	(40,288)	(34,420)
Closing costs and other adjustments	(658)	333	(2,550)	(2,128)
Change in investment properties included in accounts payable and other liabilities	(129)	—	85	—
Net proceeds	\$ 60,012	\$ 91,570	\$ 306,861	\$ 306,949

⁽¹⁾ Includes CAPREIT's three remaining properties under joint arrangement, which were classified as assets held for sale as at December 31, 2022 and which were disposed of on January 25, 2023.

⁽²⁾ Includes mortgages assumed by purchaser upon the disposition of CAPREIT's three remaining properties under joint arrangement. These mortgages were classified as liabilities related to assets held for sale as at December 31, 2022.

Assets Held for Sale

During the three and nine months ended September 30, 2023, CAPREIT disposed of properties totalling \$25,775 and \$158,117, respectively, that were previously classified as assets held for sale, along with the discharge or assumption of the associated mortgages totalling \$3,224 and \$41,340, respectively, that were previously classified as liabilities related to assets held for sale.

As at September 30, 2023, CAPREIT classified two properties as assets held for sale totalling \$55,530. Management had committed to a plan to sell these properties, and the sales were considered to be highly probable as at September 30, 2023. These properties are expected to be disposed of in the fourth quarter of 2023.

As at December 31, 2022, CAPREIT classified its remaining three properties under joint arrangement as assets held for sale totalling \$132,342 along with the associated mortgages payable that will be assumed by the purchaser as liabilities related to assets held for sale totalling \$38,116. Management had committed to a plan to sell these properties and the sales were considered to be highly probable as at December 31, 2022. These properties were sold during the first quarter of 2023.

6. Derivative Financial Instruments

Contracts for Which Hedge Accounting is Not Being Applied

CAPREIT has certain derivative financial instruments in place, namely interest rate ("IR") swaps and cross-currency interest rate ("CCIR") swaps. These derivative contracts, for which hedge accounting is not being applied, are summarized in the following tables as at September 30, 2023 and December 31, 2022:

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

As at September 30, 2023							
Type of Instrument		Notional Amount	Maturity Year	Weighted Average Receiving Leg Rate	Weighted Average Paying Leg Rate	Derivative Asset	Derivative Liability
Non-current							
CCIR Swaps ⁽¹⁾	\$	371,616	2024 – 2025	1.23 %	0.15 %	\$ 23,131	\$ —
ERES IR Swap	€	25,500	2025	EURIBOR	0.49 %	1,308	—
ERES IR Swaps	€	156,550	2027	EURIBOR	(0.06)%	30,579	—
Total						\$ 55,018	\$ —
Current							
CCIR Swaps ⁽²⁾	\$	182,353	2023 – 2024	2.78 %	1.54 %	\$ 5,255	\$ (7,117)
CCIR Swap ⁽³⁾	\$	107,670	2024	4.00 %	2.71 %	1,428	—
CCIR Swaps ⁽⁴⁾	US\$	248,845	2023 Term SOFR + 1.45%		6.53 %	1,008	(37)
Total						\$ 7,691	\$ (7,154)

⁽¹⁾ Euro equivalent of €240,000.

⁽²⁾ Euro equivalent of €128,358.

⁽³⁾ Euro equivalent of €74,000.

⁽⁴⁾ One-month CCIR swaps with Canadian dollar equivalent of \$337,000.

As at December 31, 2022

Type of Instrument		Notional Amount	Maturity Year	Weighted Average Receiving Leg Rate	Weighted Average Paying Leg Rate	Derivative Asset	Derivative Liability
Non-current							
CCIR Swaps ⁽¹⁾	\$	441,324	2024 – 2025	1.17 %	0.12 %	\$ 28,136	\$ —
ERES IR Swap	€	25,500	2025	EURIBOR	0.49 %	1,718	—
ERES IR Swaps	€	156,550	2027	EURIBOR	(0.06)%	32,745	—
Total						\$ 62,599	\$ —
Current							
CCIR Swaps ⁽²⁾	\$	112,645	2023	4.00 %	2.40 %	—	\$ (8,311)
CCIR Swap ⁽³⁾	\$	106,486	2023	CDOR + 1.35%	1.21 %	—	(331)
CCIR Swap ⁽⁴⁾	US\$	191,563	2023	USD LIBOR + 1.35%	CDOR + 0.83%	—	(745)
ERES CCIR Swaps ⁽⁵⁾	US\$	95,800	2023	USD LIBOR + 1.35%	EURIBOR + 1.15%	—	(1,238)
Total						\$ —	\$ (10,625)

⁽¹⁾ Euro equivalent of €284,818.

⁽²⁾ Euro equivalent of €83,540.

⁽³⁾ Euro equivalent of €74,000. This CCIR swap was settled in February 2023.

⁽⁴⁾ One-month CCIR Swap with Canadian dollar equivalent of \$260,000.

⁽⁵⁾ One-month ERES CCIR swaps with a euro equivalent of €90,300 that were settled in January 2023.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

7. Other Assets

As at	September 30, 2023	December 31, 2022
Other non-current assets		
Property, plant and equipment ("PP&E") ⁽¹⁾	\$ 55,879	\$ 52,495
Accumulated amortization of PP&E	(43,865)	(39,831)
PP&E, net of amortization	12,014	12,664
Right-of-use asset, net of amortization ⁽²⁾	2,531	2,994
Deferred tax asset	13,686	6,173
Straight-line rent receivable	1,857	1,929
Investments held at fair value through other comprehensive income	10,142	7,533
Investments held at amortized cost and other	2,128	1,535
VTB mortgage receivable ⁽³⁾	—	46,800
Total	\$ 42,358	\$ 79,628
Other current assets		
Prepaid expenses	\$ 25,863	\$ 11,805
MHC home inventory	8,861	16,207
Restricted funds	10,749	9,654
Deposits	5,688	10,221
Tenant inducements	1,486	1,771
Investments held at fair value through other comprehensive income	4,765	4,378
VTB mortgage receivable ⁽³⁾	46,800	—
Total	\$ 104,212	\$ 54,036

⁽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 \$2,723 (December 31, 2022 – \$2,260).

⁽³⁾ On September 29, 2021, CAPREIT issued a \$46,800 VTB mortgage receivable in connection with the disposal of an investment property. The VTB mortgage receivable bore an annual interest rate of 2.33% and had an original maturity date of September 29, 2023. On July 18, 2023, the borrower exercised its option to extend the VTB mortgage receivable by one year until September 29, 2024 at an annual interest rate of 4.00%.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

8. Debt

Continuity of Total Debt

	For the Nine Months Ended September 30, 2023		
	Mortgages Payable	Bank Indebtedness	Total Debt
Balance, beginning of the period	\$ 6,577,097	\$ 388,975	\$ 6,966,072
Add:			
Borrowings	396,184	107,802	503,986
Less:			
Principal repayments	(120,092)	—	(120,092)
Lump-sum repayments ⁽¹⁾	(356,621)	—	(356,621)
Financing costs and CMHC premiums paid	(8,271)	(389)	(8,660)
Non-cash adjustments:			
Mortgages assumed upon property acquisition	57,827	—	57,827
Mortgages assumed by purchasers upon property dispositions ⁽²⁾	(5,490)	—	(5,490)
Transfer to liabilities related to assets held for sale	(3,224)	—	(3,224)
Amortization of deferred financing costs and prepaid CMHC premiums, and net change in fair value and other adjustments	14,255	(857)	13,398
Gain on foreign currency translation	(12,028)	(6,507)	(18,535)
Balance, end of the period	\$ 6,539,637	\$ 489,024	\$ 7,028,661
Less: current portion	741,706	—	741,706
Total non-current portion	\$ 5,797,931	\$ 489,024	\$ 6,286,955

⁽¹⁾ Includes mortgages repaid on dispositions of investment properties totalling \$54,934. This excludes \$3,224 repaid on the disposition of a property that was previously classified as a liability related to asset held for sale.

⁽²⁾ Excludes mortgages assumed by purchasers classified as liabilities related to assets held for sale as at December 31, 2022 and which were disposed of on January 25, 2023. Refer to note 5 for further information.

	For the Year Ended December 31, 2022		
	Mortgages Payable	Bank Indebtedness	Total Debt
Balance, beginning of the period	\$ 6,100,065	\$ 310,866	\$ 6,410,931
Add:			
Borrowings	1,090,638	303,378	1,394,016
Less:			
Principal repayments	(162,048)	—	(162,048)
Lump-sum repayments ⁽¹⁾	(479,349)	(239,546)	(718,895)
Financing costs and CMHC premiums paid	(27,248)	—	(27,248)
Non-cash adjustments:			
Mortgages assumed upon property acquisitions	99,194	—	99,194
Mortgages assumed by purchasers upon property dispositions	(38,285)	—	(38,285)
Transfer to liabilities related to assets held for sale	(38,116)	—	(38,116)
Amortization of deferred financing costs and prepaid CMHC premiums, and net change in fair value and other adjustments	17,162	—	17,162
Loss on foreign currency translation	15,084	14,277	29,361
Balance, end of the period	\$ 6,577,097	\$ 388,975	\$ 6,966,072
Less: current portion	613,277	—	613,277
Total non-current portion	\$ 5,963,820	\$ 388,975	\$ 6,352,795

⁽¹⁾ Includes mortgages repaid on dispositions of investment properties totalling \$28,114.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

Mortgages Payable

As at	September 30, 2023	December 31, 2022
Total mortgage principal	\$ 6,672,879	\$ 6,750,957
Less: prepaid CMHC premiums	(110,869)	(115,851)
Less: deferred financing costs	(18,472)	(21,186)
Less: fair value adjustments	(3,901)	1,293
Less: liabilities related to assets held for sale ⁽¹⁾	—	(38,116)
Total mortgages payable	\$ 6,539,637	\$ 6,577,097

⁽¹⁾ Liabilities related to assets held for sale are net of unamortized financing costs and prepaid CMHC premiums of \$(593) as at December 31, 2022.

As at ⁽¹⁾	September 30, 2023	December 31, 2022
Weighted average effective interest rate	2.73 %	2.61 %
Maturity date	2023 – 2036	2023 – 2036
Investment properties pledged as security on mortgages	\$ 14,746,339	\$ 15,807,722
Investment properties not pledged as security on mortgages	\$ 1,736,551	\$ 1,345,987

(1) Excludes liabilities related to assets held for sale, as applicable.

Future principal repayments as at September 30, 2023 for the years indicated are as follows:

As at September 30, 2023	Principal Amount	% of Total Principal
Remainder of 2023	\$ 138,108	2.1
2024	661,672	9.9
2025	901,092	13.5
2026	875,727	13.1
2027	939,160	14.1
2028 – 2036	3,157,120	47.3
Total principal	6,672,879	100.0
Deferred financing costs, fair value adjustments and prepaid CMHC premiums	(133,242)	
Total mortgages payable	\$ 6,539,637	

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

Bank Indebtedness

CAPREIT's credit facilities consist of the \$600,000 acquisition and operating facility ("Acquisition and Operating Facility"), which can be borrowed in US dollars ("USD"), euros or Canadian dollars, as well as the €125,000 ERES revolving credit facility ("ERES Credit Facility") (collectively, the "Credit Facilities"). On January 24, 2023, ERES amended and renewed its existing revolving credit facility with two Canadian chartered banks and the addition of another Canadian chartered bank, providing up to €125,000 for a three-year period ending on January 26, 2026, as well as an accordion feature to increase the limit a further €25,000 upon satisfaction of conditions set out in the agreement and the consent of applicable lenders. This amendment also replaced the USD London Inter-bank Offered Rate ("LIBOR") with the Term Secured Overnight Financing Rate ("SOFR") as a benchmark interest rate. The Acquisition and Operating Facility matures on December 19, 2025.

Canadian investment properties of \$1,352,531 (December 31, 2022 – \$1,029,260) secure only the Acquisition and Operating Facility, of which \$272,040 also carries a negative pledge against the ERES Credit Facility (December 31, 2022 – \$271,980).

The tables below summarize the amounts available and drawn under the respective credit facilities as at September 30, 2023 and December 31, 2022:

As at September 30, 2023	Acquisition and Operating Facility	ERES Credit Facility	Total
Maximum borrowing capacity	\$ 600,000	\$ 179,503	\$ 779,503
Less: USD borrowings	(337,693) ⁽¹⁾	—	(337,693)
Euro borrowings	—	(152,577) ⁽³⁾	(152,577)
Letters of credit	(4,432)	—	(4,432)
Available borrowing capacity	\$ 257,875	\$ 26,926	\$ 284,801
Weighted average interest rate including interest rate swaps	6.53 % ⁽²⁾	5.22 %	6.12 %

⁽¹⁾ As at September 30, 2023, CAPREIT has USD borrowings totalling US\$248,666 that bear interest at the Term SOFR plus a margin of 1.45%, excluding the impact of cross-currency interest rate swaps.

⁽²⁾ As at September 30, 2023, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.72%. For details on the swaps, refer to note 6.

⁽³⁾ As at September 30, 2023, ERES has euro borrowings totalling €106,250 that bear interest at the Euro Interbank Offered Rate ("EURIBOR") plus a margin of 1.35% per annum.

As at December 31, 2022	Acquisition and Operating Facility	ERES Credit Facility	Total
Maximum borrowing capacity	\$ 600,000	\$ 144,982	\$ 744,982
Less: USD borrowings	(259,211) ⁽¹⁾	(129,764) ⁽³⁾	(388,975)
Letters of credit	(7,373)	—	(7,373)
Available borrowing capacity	\$ 333,416	\$ 15,218	\$ 348,634
Weighted average interest rate including interest rate swaps	5.56 % ⁽²⁾	3.06 % ⁽⁴⁾	4.73 %

⁽¹⁾ As at December 31, 2022, CAPREIT has USD borrowings totalling US\$191,365 that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum, excluding the impact of cross-currency interest rate swaps.

⁽²⁾ As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 6.00%. For details on the swaps, refer to note 6.

⁽³⁾ As at December 31, 2022, ERES has USD borrowings totalling US\$95,800 that bear interest at the USD LIBOR rate plus a margin of 1.35% per annum.

⁽⁴⁾ As at December 31, 2022, excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the ERES Credit Facility is 5.74%. For details on the swaps, refer to note 6.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

9. ERES Units Held by Non-Controlling Unitholders

The ERES units held by non-controlling unitholders are classified as equity on ERES's balance sheets but are classified as a liability on CAPREIT's consolidated balance sheets. ERES units are redeemable at any time, in whole or in part, by the unitholder. As at September 30, 2023, non-controlling unitholders hold 35% (December 31, 2022 – 34%) of total ERES units.

As at September 30, 2023, 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 adjustments arise from the changes in ERES's unit market price, where an increase in ERES's unit market price would result in a mark-to-market loss, and a decrease in ERES's unit market price would result in a mark-to-market gain. The table below summarizes the activity of ERES units held by non-controlling unitholders for the nine months ended September 30, 2023 and for the year ended December 31, 2022:

For the Period Ended	September 30, 2023	December 31, 2022
Balance of ERES units held by non-controlling unitholders, beginning of the period	\$ 242,599	\$ 356,695
Mark-to-market gain on ERES units	(46,799)	(117,740)
Interest expense to ERES non-controlling unitholders	10,549	12,918
Gain on non-controlling interest	\$ (36,250)	\$ (104,822)
Less: Distributions paid to ERES non-controlling unitholders	(8,065)	(9,274)
Balance of ERES units held by non-controlling unitholders, end of period	\$ 198,284	\$ 242,599

10. 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, 2023, the maximum number of units issuable under CAPREIT's unit-based compensation plans (excluding ERES) is 11,500,000 units (December 31, 2022 – 11,500,000 units). The maximum number of units available for future issuance under these unit-based compensation plan agreements as at September 30, 2023 is 1,933,135 units (December 31, 2022 – 2,149,084 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, 2023, the maximum number of unit options allowable for future issuance under the ERES UOP is 18,308,087 unit options (December 31, 2022 – 18,041,454 unit options).

The tables below summarize the activity of CAPREIT's unit-based compensation plans (excluding EUPP) and the ERES UOP for the nine months ended September 30, 2023 and for the year ended December 31, 2022:

Nine Months Ended September 30, 2023				
(Number of units)	ERES UOP	DUP	RUR Plan	Total CAPREIT ⁽¹⁾
Unit rights and unit options outstanding as at January 1, 2023	5,157,094	121,280	394,763	516,043
Granted or cancelled during the period				
Granted	—	16,373	138,579	154,952
Exercised or settled in Trust Units or ERES units	—	(12,654)	(63,280)	(75,934)
Cancelled or forfeited	(180,000)	—	(4,491)	(4,491)
Distributions reinvested	—	2,630	10,706	13,336
Unit rights and unit options outstanding as at September 30, 2023	4,977,094	127,629	476,277	603,906

⁽¹⁾ Excludes EUPP and ERES UOP.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

Year Ended December 31, 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 year				
Granted	760,000	20,749	110,047	130,796
Exercised or settled in Trust Units or ERES units	(28,800)	(100,493)	(200,363)	(300,856)
Cancelled or forfeited	(202,334)	—	(8,181)	(8,181)
Surrendered	(71,466)	—	—	—
Distributions reinvested	—	4,601	13,560	18,161
Unit rights and unit options outstanding as at December 31, 2022	5,157,094	121,280	394,763	516,043

⁽¹⁾ Excludes 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, 2023 and year ended December 31, 2022, including the settlement of such liabilities through the units of CAPREIT ("Trust Units") and ERES units.

For the Period Ended	September 30, 2023	December 31, 2022
Total unit-based compensation financial liabilities, beginning of the period	\$ 18,257	\$ 36,895
Unit-based compensation remeasurement gain	(954)	(10,670)
Unit-based compensation amortization expense	6,177	7,256
Settlement of unit-based compensation awards for Trust Units and ERES units	(4,174)	(15,036)
Loss (gain) on foreign currency translation and other	1,069	(188)
Total unit-based compensation financial liabilities, end of the period	\$ 20,375	\$ 18,257

The table below summarizes the non-current and current unit-based compensation financial liabilities for each plan as at September 30, 2023 and December 31, 2022:

As at	September 30, 2023	December 31, 2022
Non-current		
RUR Plan	\$ 9,463	\$ 7,743
ERES UOP	5	63
	\$ 9,468	\$ 7,806
Current		
DUP	\$ 5,753	\$ 5,176
RUR Plan	4,949	4,536
ERES UOP	205	739
	\$ 10,907	\$ 10,451
Total unit-based compensation financial liabilities	\$ 20,375	\$ 18,257

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

As at September 30, 2023, 0.4% (December 31, 2022 – 0.3%) of all Trust Units outstanding and unit-based compensation financial liabilities were held by trustees, officers and other senior management of CAPREIT.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

11. Other Liabilities

As at	September 30, 2023	December 31, 2022
Other non-current liabilities		
Non-current lease liabilities	\$ 46,509	\$ 47,460
Other	659	—
Total	\$ 47,168	\$ 47,460
Other current liabilities		
Security deposits	\$ 49,329	\$ 46,775
Deferred revenue	16,258	15,364
Mortgage interest payable	14,643	13,776
Distributions payable to Unitholders	20,242	20,469
Distributions payable to ERES non-controlling unitholders	988	993
Current tax liability	2,236	2,754
Current lease liabilities	1,258	1,190
Total	\$ 104,954	\$ 101,321

12. Accounts Payable and Accrued Liabilities

As at	September 30, 2023	December 31, 2022
Accounts payable	\$ 43,137	\$ 55,313
Accrued liabilities	59,946	66,238
Total	\$ 103,083	\$ 121,551

13. Exchangeable LP Units

The carrying value of the Class B limited partnership units of CAPREIT Limited Partnership ("Exchangeable LP Units") is measured at their fair value, which is based on the closing price of the Trust Units on the TSX. The tables below summarize the activity of the Exchangeable LP Units for the nine months ended September 30, 2023 and for the year ended December 31, 2022 as follows:

For the Period Ended	September 30, 2023	December 31, 2022
Exchangeable LP Units issued and outstanding, beginning of the period	1,679,190	1,679,190
Exchangeable LP Units exchanged for Trust Units	(32,004)	—
Exchangeable LP Units issued and outstanding, end of the period	1,647,186	1,679,190

For the Period Ended	September 30, 2023	December 31, 2022
Balance of Exchangeable LP Units, beginning of the period	\$ 71,668	\$ 100,684
Fair value adjustments of Exchangeable LP units	4,167	(29,016)
Exchangeable LP Units exchanged for Trust Units	(1,578)	—
Balance of Exchangeable LP Units, end of the period	\$ 74,257	\$ 71,668

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

14. Unitholders' Equity

a) Distribution Reinvestment Plan ("DRIP")

The terms of the DRIP grant participants the right to receive an additional amount equal to 5% of their monthly distributions paid in the form of additional units. The total consideration for units issued represents the amount of cash distributions reinvested in additional units. 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 2023, CAPREIT received the TSX's acceptance of its notice of intention to proceed with an NCIB, following expiry of the previous NCIB on March 23, 2023. Pursuant to the notice, CAPREIT may purchase up to 16,901,348 of its Trust Units, representing approximately 10% of the public float of its Trust Units at the time of TSX approval, during the 12-month period commencing March 24, 2023 and ending March 23, 2024. Under the NCIB, other than purchases made under the block purchase exemption, CAPREIT may purchase up to 100,017 Trust Units on the TSX during any trading day, which represents approximately 25% of 400,069 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.

The table below summarizes the NCIB activity for the three and nine months ended September 30, 2023 and September 30, 2022. 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		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Total cost (including commissions) of Trust Units purchased and cancelled under the NCIB	\$ —	\$ 134,742	\$ 100,907	\$ 201,792
Number of Trust Units purchased and cancelled under the NCIB	—	2,982,460	2,168,521	4,384,224
Weighted average purchase price per Trust Unit	—	\$ 45.18	\$ 46.53	\$ 46.03

c) Base Shelf Prospectus

On May 9, 2023, CAPREIT renewed its base shelf prospectus that was set to expire in June 2023. The base shelf prospectus is valid for a 25-month period from May 9, 2023, during which CAPREIT may offer Trust Units, subscription receipts, debt securities, or any combination thereof. Any issue of securities under the base shelf prospectus will require the filing of a prospectus supplement that will include specific terms of the securities being offered.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

15. Fair Value of Financial Instruments and Investment Properties

As at September 30, 2023, the fair value of CAPREIT's mortgages payable is estimated to be \$5,886,865 (December 31, 2022 – \$6,129,937). 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 payable were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages payable. 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 durations, terms and conditions. As at September 30, 2023, the principal outstanding on CAPREIT's mortgages payable is \$6,672,879 (December 31, 2022 – \$6,750,957) as shown in note 8. As at September 30, 2023, the fair value of CAPREIT's bank indebtedness is estimated to be \$490,270 (December 31, 2022 – \$388,975).

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.

The following tables present CAPREIT's estimates of assets and liabilities measured at fair value on a recurring basis based on information available to management as at September 30, 2023 and December 31, 2022, and aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts CAPREIT could ultimately realize.

As at September 30, 2023	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	\$ —	\$ —	\$ 16,482,890
Assets held for sale	—	—	55,530
Investments held at fair value through profit or loss	133,955	—	—
Investments held at fair value through other comprehensive income	—	14,907	—
Derivative financial assets	—	62,709	—
Liabilities			
Derivative financial liabilities	—	(7,154)	—
ERES units held by non-controlling unitholders	(198,284)	—	—
Unit-based compensation financial liabilities	—	(20,375)	—
Exchangeable LP Units	—	(74,257)	—

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

As at December 31, 2022	Level 1	Level 2	Level 3
	Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
Recurring measurements			
Assets			
Investment properties	\$ —	\$ —	\$ 17,153,709
Assets held for sale	—	—	132,342
Investments held at fair value through profit or loss	196,364	—	—
Investments held at fair value through other comprehensive income	—	11,911	—
Derivative financial assets	—	62,599	—
Liabilities			
Derivative financial liabilities	—	(10,625)	—
ERES units held by non-controlling unitholders	(242,599)	—	—
Unit-based compensation financial liabilities	—	(18,257)	—
Exchangeable LP Units	—	(71,668)	—

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, 2023 and December 31, 2022, CAPREIT has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of the derivative. As a result, CAPREIT has determined that the derivative valuations in their entirety should be classified as Level 2 of the fair value hierarchy. For assets and liabilities measured at fair value as at September 30, 2023 and December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 during the periods.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

16. 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 the sale of MHC home inventory, included in other income, and miscellaneous revenues. Miscellaneous revenues consist of cable income, certain common area maintenance recoveries, service charges and premium service components.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Included in Revenue from Investment Properties				
Miscellaneous revenues	\$ 6,232	\$ 6,118	\$ 19,052	\$ 18,148
Included in Other Income				
Profit from sale of MHC home inventory	\$ 310	\$ 376	\$ 862	\$ 1,332
Asset and property management fees, and transition service fees	—	—	—	2,252
Total	\$ 6,542	\$ 6,494	\$ 19,914	\$ 21,732

17. Other Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Investment income ⁽¹⁾	\$ 3,723	\$ 3,574	\$ 8,627	\$ 8,570
Interest income from VTB mortgages receivable	271	271	814	1,699
Profit from sale of MHC home inventory ⁽²⁾	310	376	862	1,332
Interest and other income	268	320	2,193	659
Asset and property management fees, and transition service fees ⁽³⁾	—	—	—	2,252
Net profit from investment in associate ⁽⁴⁾	—	—	—	647
Total	\$ 4,572	\$ 4,541	\$ 12,496	\$ 15,159

⁽¹⁾ For the three and nine months ended September 30, 2023, investment income includes \$3,537 and \$7,628, respectively, of semi-annual dividends from Irish Residential Properties REIT plc ("IRES") (for the three and nine months ended September 30, 2022 – \$3,062 and \$7,297). 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.

⁽²⁾ For the three and nine months ended September 30, 2023, profit from sale of MHC home inventory consists of income from the sale of MHC home inventory of \$1,474 and \$3,805, respectively (for the three and nine months ended September 30, 2022 – \$1,055 and \$3,802), offset by cost of sales of \$(1,164) and \$(2,943) (for the three and nine months September 30, 2022 – \$(679) and \$(2,470)).

⁽³⁾ For the three and nine months ended September 30, 2022, the amount included transition service fees totalling \$nil and \$1,407, respectively, based on the Investment Management Agreement with IRES, which terminated on January 31, 2022.

⁽⁴⁾ Net profit from investment in associate represented CAPREIT's share of IRES's 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 exercises significant influence over IRES and, as a result, its investment in IRES no longer qualifies as an investment in associate.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

18. Interest Expense on Debt and Other Financing Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest on mortgages payable ⁽¹⁾	\$ (41,997)	\$ (38,908)	\$ (122,035)	\$ (114,647)
Amortization of CMHC premiums and fees	(2,657)	(2,388)	(10,356)	(9,613)
Interest on bank indebtedness ⁽²⁾	(7,447)	(2,695)	(20,236)	(6,720)
Interest on land and air rights lease liability	(1,271)	(1,281)	(3,811)	(3,941)
	\$ (53,372)	\$ (45,272)	\$ (156,438)	\$ (134,921)

⁽¹⁾ Includes amortization of deferred financing costs, fair value adjustments and other comprehensive income (loss) hedge interest for the three and nine months ended September 30, 2023 of \$(1,460) and \$(4,282), respectively (three and nine months ended September 30, 2022 – \$(883) and \$(3,382), respectively).

⁽²⁾ Includes amortization of deferred loan costs for the three and nine months ended September 30, 2023 of \$(226) and \$(675), respectively (three and nine months ended September 30, 2022 – \$(152) and \$(449), respectively).

19. Fair Value Adjustments of Financial Instruments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Fair value adjustments of Exchangeable LP Units	\$ 9,519	\$ 4,568	\$ (4,167)	\$ 29,991
Fair value adjustments of investments	(3,272)	(19,799)	(24,989)	(98,000)
Fair value adjustments of derivative financial instruments	7,350	25,927	(2,677)	94,349
Unit-based compensation remeasurement gain	3,318	1,468	954	10,654
Fair value adjustments of financial instruments	\$ 16,915	\$ 12,164	\$ (30,879)	\$ 36,994

20. Loss on Transactions and Other Activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Loss on dispositions	\$ (658)	\$ (1,238)	\$ (2,550)	\$ (3,403)
Amortization of PP&E and right-of-use asset	(1,499)	(1,939)	(4,699)	(5,713)
Goodwill impairment loss	—	—	—	(14,278)
Other	(1,874)	—	(2,853)	—
Total	\$ (4,031)	\$ (3,177)	\$ (10,102)	\$ (23,394)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

21. Supplemental Cash Flow Information

a) Other Adjustments

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Loss on dispositions	\$ 658	\$ 1,238	\$ 2,550	\$ 3,403
Amortization	1,499	1,939	4,699	5,713
Straight-line rent adjustment	(1)	83	72	(52)
Deferred income tax expense (recovery)	(7,084)	1,612	(70,100)	17,187
Net profit from investment in associate	—	—	—	(647)
Unrealized foreign currency loss (gain)	7,241	4,571	(2,850)	14,096
Reversal of cumulative loss on foreign currency translation due to loss of significant influence over IRES	—	—	—	7,627
Impairment of goodwill	—	—	—	14,278
Other adjustments	\$ 2,313	\$ 9,443	\$ (65,629)	\$ 61,605

b) Items Related to Financing Activities

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Interest expense on debt and other financing costs	\$ 53,372	45,272	\$ 156,438	134,921
Interest expense on Exchangeable LP Units	597	609	1,785	1,826
Interest expense to ERES non-controlling unitholders	3,538	3,164	10,549	9,557
Net loss (gain) on derecognition of debt	439	997	(3,307)	(1,766)
Items related to financing activities	\$ 57,946	\$ 50,042	\$ 165,465	\$ 144,538

c) Changes in Non-cash Operating Assets and Liabilities

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Prepaid expenses	\$ 8,370	\$ 1,108	\$ (14,603)	\$ (16,221)
Tenant inducements, direct leasing costs and other adjustments	(237)	283	(685)	1,709
Amounts receivable	2,129	(254)	(2,503)	(860)
Deposits	746	(5,285)	(779)	(9,546)
MHC home inventory	(7,731)	(1,171)	2,084	(3,090)
Accounts payable and other	9,721	8,186	1,313	9,310
Derivative financial instruments	3,352	936	(6,418)	2,238
Security deposits	635	(188)	2,623	2,404
Current tax liability	(2,119)	1,131	(518)	(1,236)
Changes in non-cash operating assets and liabilities	\$ 14,866	\$ 4,746	\$ (19,486)	\$ (15,292)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

d) Capital Investments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Property capital investments	\$ (63,042)	\$ (80,696)	\$ (205,864)	\$ (215,351)
PP&E investments	(813)	(2,178)	(3,564)	(5,722)
Change in capital investments included in accounts payable and other liabilities	5,878	1,462	(14,695)	(12,916)
Net disbursements	\$ (57,977)	\$ (81,412)	\$ (224,123)	\$ (233,989)

e) Issuance of Trust Units

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Issuance of Trust Units	\$ 3,231	\$ 3,753	\$ 7,842	\$ 16,551
Conversion of Exchangeable LP Units to Trust Units	—	—	(1,578)	—
Settlement of unit-based compensation awards for Trust Units	(3,124)	(3,322)	(4,174)	(14,342)
Net proceeds	\$ 107	\$ 431	\$ 2,090	\$ 2,209

f) Distributions Paid to Unitholders

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Distributions declared to Unitholders	\$ (60,736)	\$ (62,210)	\$ (182,551)	\$ (187,932)
Add: Distributions payable to Unitholders at beginning of the period	(20,227)	(20,912)	(20,469)	(20,953)
Less: Distributions payable to Unitholders at end of the period	20,242	20,565	20,242	20,565
Less: Distributions to participants in the CAPREIT DRIP	3,017	1,244	6,351	41,005
Cash disbursements to Unitholders	\$ (57,704)	\$ (61,313)	\$ (176,427)	\$ (147,315)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

22. Related Party Transactions

Transactions with Key Management Personnel

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Short-term benefits and cash compensation	\$ (956)	\$ (916)	\$ (2,930)	\$ (2,256)
Unit-based compensation – grant date amortization ⁽¹⁾	(978)	(801)	(2,850)	(2,744)
Termination benefits	—	—	—	(1,849)
	(1,934)	(1,717)	(5,780)	(6,849)
Unit-based compensation – fair value remeasurement	1,584	701	(355)	5,070
Total compensation expense	\$ (350)	\$ (1,016)	\$ (6,135)	\$ (1,779)

⁽¹⁾ Includes amounts relating to accelerated vesting of previously granted RUR units of \$nil for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – \$nil and \$(393), respectively).

23. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at September 30, 2023 in the aggregate amount of \$6,710 for its natural gas and transport requirements. These commitments, which range from one to three years, fix the price of natural gas and transport for a portion of CAPREIT's requirements, as summarized in the table below.

	Remainder of 2023		2024		2025
Gas Commodity					
Fixed weighted average cost per GJ ⁽¹⁾	\$	2.38	\$	2.40	\$ 2.26
Total of CAPREIT's estimated requirements		51.3 %		62.1 %	32.0 %
Transport					
Fixed weighted average cost per GJ ⁽¹⁾	\$	0.80	\$	0.82	\$ 0.79
Total of CAPREIT's estimated requirements		51.3 %		62.1 %	32.0 %
Total commitment	\$	1,061	\$	3,794	\$ 1,855

⁽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 \$116,906 are outstanding as at September 30, 2023 (December 31, 2022 – \$102,333).

24. Contingencies

CAPREIT and its subsidiaries are contingently liable under guarantees provided to certain lenders in the event of default, and with respect to litigation and claims that arise from time to time 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, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

25. 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 with the following aggregation: (i) Canada and (ii) Europe. 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 to assess their performance.

For the Three Months Ended September 30, 2023					
Selected interim statements of net income (loss) and comprehensive income (loss) items		Canada	Europe	Unallocated Items	Consolidated Financial Statements
Revenue from investment properties	\$	233,031	\$ 35,346	\$ —	\$ 268,377
Operating expenses		(82,685)	(7,260)	—	(89,945)
Net operating income	\$	150,346	\$ 28,086	\$ —	\$ 178,432
Fair value adjustments of investment properties	\$	(471,172)	(35,831)	—	(507,003)
Interest on mortgages payable		(34,731)	(7,266)	—	(41,997)
Other		—	—	13,026	13,026
Net income (loss)	\$	(355,557)	\$ (15,011)	\$ 13,026	\$ (357,542)

For the Three Months Ended September 30, 2022					
Selected interim statements of net income (loss) and comprehensive income (loss) items		Canada	Europe	Unallocated Items	Consolidated Financial Statements
Revenue from investment properties	\$	222,050	\$ 29,982	\$ —	\$ 252,032
Operating expenses		(78,919)	(6,469)	—	(85,388)
Net operating income	\$	143,131	\$ 23,513	\$ —	\$ 166,644
Fair value adjustments of investment properties	\$	(85,211)	(10,469)	—	(95,680)
Interest on mortgages payable		(33,553)	(5,355)	—	(38,908)
Other		—	—	31,103	31,103
Net income	\$	24,367	\$ 7,689	\$ 31,103	\$ 63,159

For the Nine Months Ended September 30, 2023					
Selected interim statements of net income (loss) and comprehensive income (loss) items		Canada	Europe	Unallocated Items	Consolidated Financial Statements
Revenue from investment properties	\$	689,691	\$ 103,431	\$ —	\$ 793,122
Operating expenses		(254,699)	(22,348)	—	(277,047)
Net operating income	\$	434,992	\$ 81,083	\$ —	\$ 516,075
Fair value adjustments of investment properties	\$	(519,256)	(283,948)	—	(803,204)
Interest on mortgages payable		(102,755)	(19,280)	—	(122,035)
Other		—	—	(11,622)	(11,622)
Net loss	\$	(187,019)	\$ (222,145)	\$ (11,622)	\$ (420,786)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023 (Unaudited)

(All amounts in thousands of Canadian dollars, except unit and per unit amounts, or unless otherwise stated)

For the Nine Months Ended September 30, 2022

Selected interim statements of net income (loss) and comprehensive income (loss) items		Canada		Europe		Unallocated Items		Consolidated Financial Statements
Revenue from investment properties	\$	659,968	\$	90,385	\$	—	\$	750,353
Operating expenses		(244,169)		(20,275)		—		(264,444)
Net operating income	\$	415,799	\$	70,110	\$	—	\$	485,909
Fair value adjustments of investment properties	\$	(564,823)	\$	22,035	\$	—	\$	(542,788)
Interest on mortgages payable		(99,842)		(14,805)		—		(114,647)
Other		—		—		29,640		29,640
Net income (loss)	\$	(248,866)	\$	77,340	\$	29,640	\$	(141,886)

As at September 30, 2023

Selected balance sheet items		Canada		Europe		Unallocated Items		Consolidated Financial Statements
Investment properties ⁽¹⁾	\$	14,020,297	\$	2,462,593	\$	—	\$	16,482,890
Other		—		—		463,199		463,199
Total assets	\$	14,020,297	\$	2,462,593	\$	463,199	\$	16,946,089
Mortgages payable ⁽¹⁾	\$	5,263,028	\$	1,276,609	\$	—	\$	6,539,637
Other		—		—		1,102,423		1,102,423
Total liabilities	\$	5,263,028	\$	1,276,609	\$	1,102,423	\$	7,642,060

⁽¹⁾ Excludes assets held for sale and liabilities related to assets held for sale, as applicable.

As at December 31, 2022

Selected balance sheet items		Canada		Europe		Unallocated Items		Consolidated Financial Statements
Investment properties ⁽¹⁾	\$	14,403,351	\$	2,750,358	\$	—	\$	17,153,709
Other		—		—		588,179		588,179
Total assets	\$	14,403,351	\$	2,750,358	\$	588,179	\$	17,741,888
Mortgages payable ⁽¹⁾	\$	5,310,268	\$	1,266,829	\$	—	\$	6,577,097
Other		—		—		1,161,096		1,161,096
Total liabilities	\$	5,310,268	\$	1,266,829	\$	1,161,096	\$	7,738,193

⁽¹⁾ Excludes assets held for sale and liabilities related to assets held for sale, as applicable.

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STOCK EXCHANGE LISTING

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