CAPREIT Reports Continued Growth and Strong Operating Performance in 2019

TORONTO, ONTARIO, (Globe Newswire) – February 26, 2020 -- Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT") (TSX: CAR.UN) announced today continuing strong operating and financial results for the three months and year ended December 31, 2019.

HIGHLIGHTS:

For the Year Ended December 31,	2019	2018
Portfolio Performance		
Overall portfolio occupancy [1]	**98.2%**	98.9%
Overall portfolio net Average Monthly Rents [1] [2]	**$ 1,084**	$ 1,103
Operating revenues (000s)	**$ 777,884**	$ 688,585
Net rental income ("NOI") (000s) [3]	**$ 508,150**	$ 440,565
NOI Margin [3]	**65.3%**	64.0%
Financial Performance		
Normalized Funds from Operations ("NFFO") (000s) [4]	**$ 339,121**	$ 289,335
NFFO per Unit – basic [4]	**$ 2.139**	$ 2.024
Cash distributions per Unit	**$ 1.372**	$ 1.313
FFO payout ratio [4]	**65.5%**	66.7%
NFFO payout ratio [4]	**64.6%**	65.7%
Liquidity and Leverage		
Total debt to gross book value [1]	**34.99%**	39.37%
Total debt to gross historical cost [1]	**48.24%**	54.54%
Weighted average mortgage interest rate [1]	**2.78%**	3.05%
Weighted average mortgage term (years) [1]	**5.13**	5.10
Debt service coverage (times) [5]	**1.87**	1.75
Interest coverage (times) [5]	**3.69**	3.44
Available liquidity – Acquisition and Operating Facility (000s) [1]	**$ 146,170**	$ 66,325
Available cash and cash equivalents (000s) [1]	**$ 477,329**	$ 25,713

[1] As at December 31.

[2] Net Average Monthly Rent ("Net AMR"), previously defined as "AMR", is defined as actual residential rents, excluding vacant units, divided by the total number of suites and sites in the property and does not include revenues from parking, laundry or other sources.

[3] 2018 comparative balances have been adjusted to conform with the current period due to the adoption of IFRS 16, which is effective January 1, 2019. For details, see NOI in Section III of the MD&A.

[4] These measures are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies. Please refer to the cautionary statements under the heading "Non-IFRS Financial Measures" and the reconciliations provided in this press release.

[5] Based on the trailing four quarters.

For the Year Ended December 31,	2019	2018
Other Measures		
Weighted average number of Units - basic (000s)	**158,553**	142,974
Number of residential suites and sites acquired	**9,241**	1,791
Number of suites disposed	**—**	900
Closing price of Trust Units [1]	**$ 53.01**	$ 44.30
Market capitalization (millions) [1]	**$ 9,013**	$ 6,491

[1] As at December 31.

SUMMARY OF YEAR END 2019 RESULTS OF OPERATIONS

Key Transactions

- During the year, CAPREIT closed on three equity offerings for the issuance and sale of 22,488,250 Units for gross proceeds of $1.1 billion
- On March 29, 2019, CAPREIT closed on the ERES Acquisition, for details, see Section I - The ERES Acquisition
- During the year, ERES completed two equity offerings for the issuance and sale of 71,100,400 ERES units for proceeds of $310.5 million. CAPREIT purchased 10,197,000 ERES units amounting to $45.0 million
- During the year, CAPREIT completed the early buyouts of two existing operating leases at a net purchase price of $14.7 million. The operating lease buyouts resulted in the conversion from operating leasehold interests to traditional fee simple property interests
- On December 10, 2019, CAPREIT announced it has entered into an agreement to acquire a portfolio of eight properties containing 14 apartment buildings totalling 1,503 rental suites in Halifax, Nova Scotia for a purchase price of $391.0 million. The acquisition closed subsequent to year-end
- Total acquisitions for the year ended December 31, 2019 of 9,241 suites and sites for a total of $1.4 billion of which 1,453 suites were subsequently sold to ERES. As at December 31, 2019, all of the Netherlands properties are held through ERES

Strong Operating Results Supported by Strong Market Fundamentals

- Growth in revenue and net operating income ("NOI") from stabilized properties driven by higher monthly rents compared to last year
- On turnovers, monthly residential rents for the year ended December 31, 2019 increased by 13.5% on 19.0% of the Canadian portfolio, compared to an increase of 11.4% on 21.5% of the Canadian portfolio for the year ended December 31, 2018
- On renewals, monthly residential rents for the year ended December 31, 2019 increased by 2.1% on 85.9% of the Canadian portfolio, compared to an increase of 2.2% on 85.4% of the Canadian portfolio for the year ended December 31, 2018
- Net AMR for the stabilized portfolio as at December 31, 2019 increased by 4.1% compared to December 31, 2018, while occupancies remained stable at 98.9%
- Net AMR increased due to the strong rents on turnovers in Ontario, British Columbia and Nova Scotia and above guideline increases in Ontario
- Year-over-year NOI increased significantly by 4.9% for the stabilized portfolio for the year ended December 31, 2019, compared to a year-over-year NOI increase of 8.0% for the stabilized portfolio for the year ended December 31, 2018
- NOI for the total portfolio increased by 15.3% for the year ended December 31, 2019 compared to last year, primarily due to contributions from acquisitions and increased same property monthly rents
- NOI margin for the total portfolio increased to 65.3% for the year ended December 31, 2019 from 64.0% for the year ended December 31, 2018 due to organic margin growth and acquisitions of high margin properties

Continued Fair Value Increases in Investment Properties

- For the year ended December 31, 2019, the fair value of investment properties increased by $892.2 million, primarily as a result of (i) rental increases on turnover and renewals, (ii) continued cap rate compression, and (iii) progress on CAPREIT's strategy to buy out and convert operating leasehold interests to traditional fee simple property interests.

Strong and Flexible Balance Sheet

- CAPREIT's financial position continues to strengthen, with reduced leverage ratios
- Debt to gross book value ("GBV") reduced to 34.99% as at December 31, 2019 from 39.37% at December 31, 2018, due to increases in fair value of investment properties and proceeds of the equity raise used to repay debt
- Debt Service Coverage ("DSC") ratio improved to 1.87 as at December 31, 2019 compared to 1.75 as at December 31, 2018
- In addition to $477.3 million of cash and cash equivalent, liquidity available on our Credit Facilities is $146.2 million as at December 31, 2019. In addition, there is a $200.0 million of borrowing capacity under the Bridge Facility and $108.6 million available under the ERES unsecured Credit Facility and ERES Bridge Facility
- Closed mortgage refinancing of $300.5 million for the year ended December 31, 2019, with top-up of $68.2 million, a weighted average term to maturity of 8.3 years and a weighted average interest rate of 2.73%
- CAPREIT's mortgage weighted average term to maturity and the weighted average interest rateas at December 31, 2019 are 5.1 years and 2.78%. CAPREIT continues to fix long-term mortgages to defend against the risk of rising interest rates

Delivering Unitholder Value

- NFFO was up 17.2% for the year ended December 31, 2019
- NFFO per Unit was up 5.7% for the year ended December 31, 2019 despite an increase of 10.9% weighted average number of Units outstanding

"2019 was another record year for CAPREIT as strong accretive portfolio growth, combined with our proven and successful property management programs, drove solid increases in all our performance benchmarks." commented Mark Kenney, President and CEO. "Looking ahead, we are confident our continued growth and strong operating performance will help us achieve our long-term goal of making CAPREIT the best place to live for our residents, the best place to work for our people, and the best place to invest for our Unitholders."

OPERATIONAL AND FINANCIAL RESULTS

Portfolio Net Average Monthly Rents

As at December 31,	Total Portfolio				Properties Owned Prior to December 31, 2018			
	2019		2018		2019		2018	
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Average residential suites	$ 1,257	98.8	$ 1,209	99.1	$ 1,258	99.2	$ 1,209	99.1
Average MHC sites	$ 383	96.0	$ 395	97.6	$ 412	97.3	$ 395	97.6
Overall portfolio average	$ 1,084	98.2	$ 1,103	98.9	$ 1,149	98.9	$ 1,104	98.9

Overall Net AMR for the stabilized residential suite portfolio as at December 31, 2019 increased by approximately 4.1% (including the Netherlands), and 4.6% (excluding the Netherlands) compared to the same period last year, while occupancies increased to 99.2%. The rate of growth in stabilized Net AMR has been primarily due to (i) significant rental increases on turnover in the strong rental markets of British Columbia and Ontario and strong contributions from certain regions and (ii) increases due to above guideline increases ("AGI") achieved in Ontario.

Canadian Portfolio

For the Three Months Ended December 31,	2019			2018		
	Change in monthly rent		Turnovers and Renewals [1]	Change in monthly rent		Turnovers and Renewals [1]
	$	%	%	$	%	%
Suite turnovers	**169.6**	**13.1**	**4.3**	168.1	14.0	4.4
Lease renewals	**25.3**	**2.0**	**18.6**	27.7	2.3	18.1
Weighted average of turnovers and renewals	**52.4**	**4.1**		55.3	4.6	

For the Year Ended December 31,	2019			2018		
	Change in monthly rent		Turnovers and Renewals [1]	Change in monthly rent		Turnovers and Renewals [1]
	$	%	%	$	%	%
Suite turnovers	**167.3**	**13.5**	**19.0**	131.3	11.4	21.5
Lease renewals	**25.0**	**2.1**	**85.9**	26.1	2.2	85.4
Weighted average of turnovers and renewals	**50.8**	**4.2**		47.2	4.1	

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

The Netherlands Portfolio [1]

For the Three Months Ended December 31,	2019			2018		
	Change in monthly rent		Turnovers and Renewals [2]	Change in monthly rent		Turnovers and Renewals [2]
	€	%	%	€	%	%
Suite turnovers	**45.5**	**5.3**	**4.2**	60.3	7.5	4.0
Lease renewals	**—**	**—**	**—**	—	—	—
Weighted average of turnovers and renewals	**45.5**	**5.3**		60.3	7.5	

For the Year Ended December 31,	2019			2018		
	Change in monthly rent		Turnovers and Renewals [2]	Change in monthly rent		Turnovers and Renewals [2]
	€	%	%	€	%	%
Suite turnovers	**52.6**	**6.4**	**12.6**	89.1	11.4	11.6
Lease renewals	**27.4**	**3.5**	**84.2**	23.6	3.1	83.2
Weighted average of turnovers and renewals	**30.7**	**3.9**		31.6	4.1	

[1] Includes all residential properties owned by ERES

[2] Percentage of suites turned over or renewed during the year based on the total weighted number of Dutch residential suites held during the year.

Overall, suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) during the three months and year ended December 31, 2019 resulted in monthly rents increasing by approximately $170 or 13.1% and $167 or 13.5%, respectively, compared to an increase of approximately $168 or 14.0% and $131 or 11.4% last year, primarily due to the strong rental markets of British Columbia and Ontario.

Monthly rents on lease renewals on the Canadian residential portfolio (excluding co-ownerships) for the three months and year ended December 31, 2019 resulted in monthly rents increasing by approximately $25 or 2.0% and $25 or 2.1%, respectively, compared to an increase of approximately $28 or 2.3% and $26 or 2.2%, last year.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three months and year December 31, 2019 resulted in monthly rent increasing by approximately €46 or 5.3% and €53 or 6.4%, respectively, compared to an increase of €60 or 7.5% and €89 or 11.4%, last year. Monthly rents on lease renewals for the Netherlands portfolio for the

year ended December 31, 2019 increased by approximately €27.4 or 3.5%, compared to €23.6 or 3.1% for the same periods last year.

Estimated Net Rental Revenue Run-Rate

CAPREIT's annualized net rental revenue run-rate as at December 31, 2019 grew to $808.0 million, up 17.8% from $685.8 million, primarily as a result of the extensive MHC portfolio growth, substantial acquisitions in the Netherlands and significant growth in the commercial rent roll primarily as a result of the ERES commercial income. Net rental revenue net of dispositions for the 12 months ended December 31, 2019 was $746.1 million (December 31, 2018 – $643.6 million).

NOI

Stabilized properties for the year ended December 31, 2019 are defined as all properties owned by CAPREIT continuously since December 31, 2017, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2019 and 2018.

($ Thousands)	Total NOI			Stabilized NOI		
For the Three Months Ended December 31,	**2019**	**2018**	**% [1]**	**2019**	**2018**	**% [1]**
Total operating revenues	**$ 206,878**	$ 177,667	16.4	**$ 179,514**	$ 174,003	3.2
Operating Expenses						
Realty taxes	**(18,481)**	(16,473)	12.2	**(17,087)**	(16,332)	4.6
Utilities	**(16,695)**	(15,240)	9.5	**(15,448)**	(15,054)	2.6
Other [2], [3]	**(35,998)**	(33,641)	7.0	**(31,135)**	(33,050)	(5.8)
Total operating expenses	**$ (71,174)**	$ (65,354)	8.9	**$ (63,670)**	$ (64,436)	(1.2)
NOI	**$ 135,704**	$ 112,313	20.8	**$ 115,844**	$ 109,567	5.7
NOI margin	**65.6%**	63.2%		**64.5%**	63.0%	

($ Thousands)	Total NOI			Stabilized NOI		
For the Year Ended December 31,	**2019**	**2018**	**% [1]**	**2019**	**2018**	**% [1]**
Total operating revenues	**$ 777,884**	$ 688,585	13.0	**$ 706,236**	$ 676,902	4.3
Operating Expenses						
Realty taxes	**(73,546)**	(68,488)	7.4	**(70,088)**	(67,604)	3.7
Utilities	**(59,197)**	(56,913)	4.0	**(56,453)**	(56,055)	0.7
Other [2], [3]	**(136,991)**	(122,619)	11.7	**(125,203)**	(120,131)	4.2
Total operating expenses	**$ (269,734)**	$ (248,020)	8.8	**$ (251,744)**	$ (243,790)	3.3
NOI	**$ 508,150**	$ 440,565	15.3	**$ 454,492**	$ 433,112	4.9
NOI margin	**65.3%**	64.0%		**64.4%**	64.0%	

[1] Represents the year-over-year percentage change.

[2] Comprises R&M, wages, general and administrative, insurance, advertising and legal costs.

[3] 2018 comparative balances have been restated to reflect adjustments to conform with the current period presentation for land and air rights leases. Prior to IFRS 16 which is effective January 1, 2019, land and air rights lease expenses were deducted as an "operating expense" to calculate NOI. Post IFRS 16 being effective, leases are capitalized as an asset with a corresponding lease liability and the fixed land and air rights lease payments are not deducted as an operating expense through NOI. In 2019 the fixed land and air rights lease payments are deducted as interest expense and principal repayment. Therefore, 2018 NOI comparatives have been restated to conform with the current period presentation for land leases, and will not agree to the 2018 Net Rental Income presented in the financial statements. For the three months ended December 31, 2018 Total and Stabilized NOI has increased by $377 thousand by adding back the fixed land and air rights lease expense, increasing the Total NOI margin from 63.1% to 63.2% and increasing the Stabilized NOI margin from 62.7% to 63.0%. For the year ended December 31, 2018 Total and Stabilized NOI has increased by $1,509 thousand by adding back the fixed land and air rights lease expense, increasing the Total NOI margin from 63.8% to 64.0% and increasing the Stabilized NOI margin from 63.8% to 64.0%.

Operating Revenues

For the three months and year ended December 31, 2019, total operating revenues for the total and stabilized portfolios increased by 16.4% and 3.2% and 13.0% and 4.3%, respectively, compared to the same periods last year, due to increases in monthly rents and continuing high occupancies. Contributions from acquisitions further contributed to increased operating revenues for the total portfolio.

Operating Expenses

The stabilized operating expenses for the three months and year ended December 31, 2019 increased compared to the same period last year, primarily due to increases in realty taxes and other operating expenses. The realty taxes for the stabilized portfolio increased mainly as a result of the increase in the assessment of the property values in Alberta, British Columbia, Ontario and Québec. Stabilized other operating expenses for the three months and year ended December 31, 2019 increased primarily due to higher R&M costs and rising insurance costs driven by higher replacement cost valuations, and overall increases in insurance rates.

NOI Margin

For the three months and year ended December 31, 2019, the NOI margin on the total portfolio increased to 65.6% and 65.3%.

NON-IFRS FINANCIAL PERFORMANCE

For the year ended December 31, 2019, basic NFFO per Unit increased by 5.7% compared to last year, despite an approximate 10.9% increase in the weighted average number of Units outstanding resulting from the January, April and December 2019 equity offerings. For the three months ended December 31, 2019, basic NFFO per Unit increased by 11.2% compared to the same period last year. Management expects per Unit FFO and NFFO and related payout ratios to strengthen further in the medium term as a result of NOI contributions from recent acquisitions.

PROPERTY CAPITAL INVESTMENTS

During the year ended December 31, 2019, CAPREIT made property capital investments (excluding head office assets) of $221.2 million compared to $193.5 million for last year.

Property capital investments include suite improvements, common areas and equipment, which generally tend to increase NOI more quickly. CAPREIT also continues to invest in environment-friendly and energy-saving initiatives, including energy-efficient boilers and lighting systems.

SUBSEQUENT EVENTS

On January 9, 2020, CAPREIT completed the buyout of an existing operating lease on an apartment property located at 111 Davisville in Toronto, Ontario, converting the ownership to a traditional fee simple property interest. The net purchase price for the leased property was $17.3 million, funded by cash from CAPREIT's December equity offering.

On January 31, 2020, ERES closed on its sale of one commercial property located in Dusseldorf, Germany for a sale price of $24.8 million (€16.9 million). The proceeds have been used to settle the outstanding mortgage with a principal balance of $10.2 million (€6.9 million).

On February 10, 2020, CAPREIT completed the acquisition of a portfolio of eight properties containing 14 apartment buildings totalling 1,503 rental suites in Halifax, Nova Scotia. The purchase price of $391.0 million was satisfied by the assumption of $109.0 million in mortgages with a weighted average interest rate of 1.94% and a weighted average term to maturity of 1.14 years, with the balance in cash from CAPREIT's December equity offering and its Acquisition and Operating Credit Facility.

ADDITIONAL INFORMATION

More detailed information and analysis is included in CAPREIT's unaudited consolidated annual financial statements and MD&A for the three months and year ended December 31, 2019, which have been filed on SEDAR and can be viewed at www.sedar.com under CAPREIT's profile or on CAPREIT's website on the investor relations page at www.caprent.com or www.capreit.net.

Conference Call

A conference call hosted by Mark Kenney, President and Chief Executive Officer and Scott Cryer, Chief Financial Officer will be held Thursday, February 27, 2020 at 9:00 am EST. The telephone numbers for the conference call are: Local/International: (416) 340-2216, North American Toll Free: (800) 273-9672.

A slide presentation to accompany Management's comments during the conference call will be available an hour and a half prior to the conference call. To view the slides, access the CAPREIT website at www.caprent.com or www.capreit.net, click on "Investor Relations" and follow the link at the top of the page. Please log on at least 15 minutes before the call commences.

The telephone numbers to listen to the call after it is completed (Instant Replay) are local/international (905) 694-9451 or North American toll free (800) 408-3053. The Passcode for the Instant Replay is 7258439#. The Instant Replay will be available until midnight March 12, 2020. The call and accompanying slides will also be archived on the CAPREIT website at www.caprent.com or www.capreit.net. For more information about CAPREIT, its business and its investment highlights, please refer to our website at www.caprent.com or www.capreit.net.

About CAPREIT

CAPREIT is one of Canada's largest real estate investment trusts. CAPREIT owns approximately 55,100 suites, including townhomes and manufacturing housing sites, in Canada and, indirectly through its investment in ERES, approximately 5,600 suites in the Netherlands. CAPREIT manages approximately 59,200 of its owned suites in Canada and Netherlands, and additionally 3,700 suites in Ireland as at December 31, 2019. For more information about CAPREIT, its business and its investment highlights, please refer to our website at www.caprent.com or www.capreit.net and our public disclosure which can be found under our profile at www.sedar.com.

Non-IFRS Financial Measures

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements prepared in accordance with IFRS. In this and other earnings releases and investor conference calls, as a complement to results provided in accordance with IFRS, CAPREIT discloses financial measures not recognized under IFRS which do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("Stabilized NOI"), Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO"), Adjusted Cash Flow from Operations ("ACFO"), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios, and Adjusted Cash Generated from Operating Activities (collectively, the "Non-IFRS Measures"). These Non-IFRS Measures are further defined and discussed in the MD&A released on February 26, 2020, which should be read in conjunction with this press release. Since these measures are not recognized under IFRS, they may not be comparable to similar measures reported by other issuers. CAPREIT presents the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate its performance and cash flows. A reconciliation of these Non-IFRS measures is included in this press release below. 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.

Cautionary Statements Regarding Forward-Looking Statements

Certain statements contained, or contained in documents incorporated by reference, in this press release constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, occupancy rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of or involving CAPREIT. Particularly, statements regarding CAPREIT's future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, Dutch, German and Belgian economies will generally experience growth, which, however, may be adversely impacted by the global economy; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation ("CMHC") mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates on renewals will grow at levels similar to the rate of inflation; that rental rates on turnovers will grow; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT's financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT's investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this press release are based on assumptions, management believes they are reasonable as of the date hereof; however, there can be no assurance actual results will be consistent with these forward-looking statements, and they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: reporting investment properties at fair value, real property ownership, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, taxation-related risks, government regulations, controls over financial reporting, other legal and regulatory risks, the nature of units of CAPREIT ("Trust Units"), unitholder liability, liquidity and price fluctuation of Trust Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, cyber security risk and foreign operation and currency risks. There can be no assurance that the expectations of CAPREIT's Management will prove to be correct. These risks and uncertainties are more fully described in regulatory filings, including CAPREIT's Annual Information Form, which can be obtained on SEDAR at www.sedar.com, under CAPREIT's profile, as well as under Risks and Uncertainties section of the MD&A released on February 26, 2020. The information in this press release is based on information available to management as of February 26, 2020. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

SOURCE: Canadian Apartment Properties Real Estate Investment Trust

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SELECTED FINANCIAL INFORMATION

Condensed Balance Sheets

As at ($ Thousands)	December 31, 2019	December 31, 2018
Investment properties	**$ 13,096,426**	$ 10,473,544
Total assets	**14,017,949**	10,842,263
Mortgages payable	**4,308,572**	3,728,333
Bank indebtedness	**623,893**	567,365
Total liabilities	**5,614,054**	4,525,563
Unitholders' equity	**8,403,895**	6,316,700

Condensed Income Statements

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	2018
Operating revenues				
Revenue from investment properties	**$ 206,878**	$ 177,667	**$ 777,884**	$ 688,585
Operating expenses				
Realty taxes	**(18,481)**	(16,473)	**(73,546)**	(68,488)
Property operating costs	**(52,693)**	(49,258)	**(196,188)**	(181,041)
	(71,174)	(65,731)	**(269,734)**	(249,529)
Net rental income	**135,704**	111,936	**508,150**	439,056
Trust expenses	**(14,176)**	(12,833)	**(46,244)**	(39,515)
Transaction costs	**—**	—	**(8,527)**	—
Unit-based compensation expenses	**(1,422)**	(7,602)	**(14,838)**	(34,672)
Fair value adjustments of investment properties	**418,580**	710,453	**892,156**	990,529
Realized loss on disposition of investment properties	**—**	(2,017)	**—**	(2,594)
Amortization of property, plant and equipment	**(1,740)**	(1,302)	**(6,290)**	(4,976)
Fair value adjustments of Exchangeable Units	**—**	56	**—**	(840)
Loss on non-controlling interest	**(7,111)**	—	**(47,058)**	—
Fair value adjustments of investments	**(2,370)**	(412)	**6,522**	3,740
(Loss) gain on derivative financial instruments	**(10,991)**	2,624	**(3,684)**	13,141
Interest and other financing costs	**(35,118)**	(38,599)	**(135,216)**	(135,211)
Gain (loss) on foreign currency translation	**2,673**	(28,011)	**37,933**	(34,489)
Other income	**14,887**	14,224	**34,904**	42,310
Net income before income taxes	**498,916**	748,517	**1,217,808**	1,236,479
Current and deferred income tax expense	**(6,649)**	(12,250)	**(22,361)**	(18,808)
Net income	**$ 492,267**	$ 736,267	**$ 1,195,447**	$ 1,217,671
Other comprehensive (loss) income	**$ 14,231**	$ 32,414	**$ (48,356)**	$ 31,189
Comprehensive income	**$ 506,498**	$ 768,681	**$ 1,147,091**	$ 1,248,860

SELECTED NON-IFRS FINANCIAL MEASURES

A reconciliation of net income to NFFO is as follows:

($ Thousands, except per Unit amounts)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net income	**$ 492,267**	$ 736,267	**$ 1,195,447**	$ 1,217,671
Adjustments:				
Unrealized gain on remeasurement of investment properties	**(418,580)**	(710,453)	**(892,156)**	(990,529)
Realized loss on disposition of investment properties	**—**	2,017	**—**	2,594
Remeasurement of Exchangeable Units	**—**	(56)	**—**	840
Remeasurement of Investments [1]	**2,370**	412	**(6,522)**	(3,740)
Remeasurement of Unit-based compensation liabilities	**(110)**	6,251	**8,286**	29,428
Interest on Exchangeable Units	**—**	(6)	**—**	95
Deferred income taxes [2]	**6,818**	12,250	**23,129**	17,872
Loss (Gain) on Foreign Currency Translation	**(2,673)**	28,011	**(37,933)**	34,489
FFO adjustment for income from equity-accounted investments [3]	**(9,174)**	(9,655)	**(15,201)**	(25,159)
Loss (Gain) on derivative financial instruments	**10,991**	(2,624)	**3,684**	(13,141)
Net FFO impact attributable to non-controlling interest	**—**	5,596	**—**	9,821
Fair value mark-to-market loss on ERES units	**4,777**	—	**43,120**	—
Distributions on ERES units held by non-controlling interest	**2,334**	—	**3,938**	—
Net FFO impact attributable to ERES units held by non-controlling interest [4]	**(2,635)**	—	**(4,706)**	—
Amortization of property, plant and equipment	**1,740**	1,302	**6,290**	4,976
Lease principal repayment [5]	**(262)**	—	**(1,275)**	—
Transaction costs [6]	**—**	—	**8,527**	—
FFO	**$ 87,863**	$ 69,312	**$ 334,628**	$ 285,217
Adjustments:				
Amortization of losses from AOCL to interest and other financing costs	**637**	643	**2,556**	2,659
Net mortgage prepayment cost	**2**	1,459	**347**	1,459
Other employee costs [7]	**—**	—	**751**	—
Acquisition research costs[11]	**839**	—	**839**	—
NFFO	**$ 89,341**	$ 71,414	**$ 339,121**	$ 289,335
NFFO per Unit – basic	**$ 0.547**	$ 0.492	**$ 2.139**	$ 2.024
NFFO per Unit – diluted	**$ 0.545**	$ 0.490	**$ 2.131**	$ 2.007
Total distributions declared [8]	**$ 56,719**	$ 48,761	**$ 219,206**	$ 190,124
NFFO payout ratio [9]	**63.5%**	68.3%	**64.6%**	65.7%
Net distributions paid [8]	**$ 40,028**	$ 34,770	**$ 150,743**	$ 135,727
Excess NFFO over net distributions paid	**$ 49,313**	$ 36,644	**$ 188,378**	$ 153,608
Effective NFFO payout ratio [10]	**44.8%**	48.7%	**44.5%**	46.9%

(1) Effective January 1, 2018, CAPREIT adopted IFRS 9 Financial Instruments. Under this standard, this investment has been designated as FVTPL whereas previously it was designated as available-for-sale. Under the guidance in this new standard, any mark-to-market gains or losses are recorded in the statement of income and comprehensive income whereas previously they were recorded through OCI. The cumulative mark to market gains/losses have also been reclassified from accumulated OCI to retained earnings on adoption of this standard.

(2) Included in the adjustment relating to deferred income tax for the year ended December 31, 2019 are deferred income tax expense of $5.1 million and $18.1 million of income taxes triggered on the deemed disposition of investment properties associated with the reorganization of the legal structure of the Netherlands subsidiaries.

(3) Relates to unrealized gain on remeasurement of investment properties.

(4) This calculation is based on the weighted-average ownership held by ERES non-controlling interest unitholders.

(5) Upon adoption of IFRS 16, there is no impact on FFO. Currently, lease principal repayments are deducted from FFO, which were previously expensed under NOI and deducted from FFO as per IAS 17.

(6) Costs include legal, audit, tax, consulting, and financial advisory fees related to the Acquisition.

(7) Expenses included in Unit-based compensation expenses relate to accelerated vesting of previously-granted RUR Units.

(8) For a description of distributions declared and net distributions paid, see the Non-IFRS Financial Measures section in the MD&A for the year ended December 31, 2019.

(9) The payout ration compares distributions declared to NFFO.

(10) The effective payout ration compares net distributions paid to NFFO.

(11) Expenses included in trust expenses relates to transactions that were not completed.

Reconciliation of cash generated from operating activities to Adjusted Cash Flows from Operations:

	Three Months Ended December 31,		Year Ended December 31,	
($ Thousands, except per Unit amounts)	**2019**	**2018** [7]	**2019**	**2018** [8]
Cash generated from operating activities	**$ 151,233**	$ 142,427	**$ 454,629**	$ 431,177
Adjustments:				
Working capital adjustment [1]	**—**	—	**8,485**	—
Interest expense included in cash flow from financing activities	**(28,040)**	(28,676)	**(119,609)**	(114,271)
Non-discretionary property capital investments [2]	**(16,133)**	(12,255)	**(65,532)**	(51,252)
Capitalized leasing costs [3]	**(236)**	1,409	**(1,518)**	(1,046)
Amortization of other financing costs [4]	**(2,422)**	(1,744)	**(8,601)**	(6,464)
Non-controlling Interest	**—**	(72)	**—**	(216)
Transactions costs [5]	**—**	—	**8,527**	—
Investment income	**1,095**	3,480	**10,039**	7,442
Net ACFO impact attributed to ERES units held by non-controlling interest [6]	**(2,506)**	—	**(4,179)**	—
Lease principal and interest repayments [7]	**(1,146)**	—	**(3,402)**	—
ACFO	**$ 101,845**	$ 104,569	**$ 278,839**	$ 265,370
Total distributions declared	**$ 56,719**	$ 48,671	**$ 219,206**	$ 190,124
Excess ACFO over distributions declared	**$ 45,126**	$ 55,898	**$ 59,633**	$ 75,246
ACFO payout ratio	**55.7%**	46.5%	**78.6%**	71.6%

[1] On a quarterly basis, a review of working capital is performed to determine whether changes in prepaids, receivables, deposits, accounts payable and other liabilities, security deposits and other non-cash operating assets and liabilities were attributed to items which were not indicative of sustainable cash flows available for distribution in line with the ACFO guidance provided by REALpac. As a result, the one-time special distribution to the pre-existing unitholders of ECREIT was added back.

[2] Non-discretionary property capital investments for the years ended December 31, 2019 and 2018 are based on the actual annual 2019 and annual 2018 forecasts respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the Adjusted Cash Flows From Operations and Distributions Declared Section of the MD&A.

[3] Comprises tenant inducements and direct leasing costs.

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

[5] Relates to expensed transaction costs associated with the Acquisition.

[6] This calculation is based on the weighted-average ownership held by ERES non-controlling interest unitholders.

[7] Upon adoption of IFRS 16, effective January 1, 2019, CAPREIT's leases were required to be capitalized with a corresponding lease liability. This has led to the recording of lease interest on these lease liabilities, and lease repayments. This deduction is allowed under the amended REALpac whitepaper for ACFO dated February, 2019.

[8] Certain 2018 comparative balances have been restated to conform with current year presentation.