CAPREIT Reports Continued Growth and Strong Operating Performance in Second Quarter of 2020

TORONTO, ONTARIO, (Globe Newswire) – August 11, 2020 -- Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT") (TSX: CAR.UN) announced today continuing strong operating and financial results for the three and six months ended June 30, 2020.

HIGHLIGHTS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019[5]**	**2020**	**2019[5]**
Portfolio Performance				
Overall portfolio occupancy [1]			**98.0 %**	98.3 %
Overall portfolio net Average Monthly Rents [1] [2]			**$ 1,104**	$ 1,050
Operating revenues (000s)	**$ 219,925**	$ 191,285	**$ 435,985**	$ 373,181
Net rental income ("NOI") (000s)	**$ 143,233**	$ 125,767	**$ 281,291**	$ 239,602
NOI Margin	**65.1 %**	65.7 %	**64.5 %**	64.2 %
Financial Performance				
Normalized Funds from Operations ("NFFO") (000s) [3]	**$ 94,712**	$ 85,062	**$ 187,859**	$ 160,267
NFFO per Unit – basic [3]	**$ 0.555**	$ 0.538	**$ 1.102**	$ 1.032
Cash distributions per Unit	**$ 0.345**	$ 0.345	**$ 0.690**	$ 0.682
FFO payout ratio [3]	**62.8 %**	65.9 %	**63.3 %**	67.7 %
NFFO payout ratio [3]	**62.4 %**	65.1 %	**62.8 %**	66.7 %
Liquidity and Leverage				
Total debt to gross book value [1]			**36.30 %**	36.34 %
Total debt to gross historical cost [1]			**49.23 %**	49.54 %
Weighted average mortgage interest rate [1]			**2.69 %**	2.97 %
Weighted average mortgage term (years) [1]			**4.99**	5.03
Debt service coverage (times) [4]			**1.99**	1.74
Interest coverage (times) [4]			**3.91**	3.45
Available liquidity – Acquisition and Operating Facility (000s) [1]			**$ 124,772**	$ 334,153
Available cash and cash equivalents (000s) [1]			**$ 213,455**	$ 27,254

[1] As at June 30.

[2] Net Average Monthly Rent ("Net 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] 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.

[4] Based on the trailing four quarters.

[5] Certain 2019 comparative figures have been adjusted to conform with current period presentation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Other Measures				
Weighted average number of Units - basic (000s)	**170,588**	**158,237**	**170,397**	155,241
Number of residential suites and sites acquired	**—**	**4,440**	**1,724**	6,055
Number of suites disposed	**—**	—	**6**	—
Closing price of Trust Units [1]			**$ 48.59**	$ 48.36
Market capitalization (millions) [1]			**$ 8,357**	$ 7,740

[1] As at June 30.

SUMMARY OF Q2 - 2020 RESULTS OF OPERATIONS

Key Transactions and Events

- In June 2020, CAPREIT completed the buyout of eight operating leases for a purchase price of $131.2 million. The operating lease buyout completes the conversion of eleven of fifteen of CAPREIT's operating leases to traditional fee simple ownership interests. The purchase price was satisfied by the issuance of $30.4 million of Exchangeable LP Units and the remainder in cash
- On June 22, 2020, CAPREIT was included in the S&P/TSX 60 Composite index, a prestigious stock market index of sixty large companies listed on the Toronto Stock Exchange in ten industry sectors

Strong Operating Results

- Growth in revenue and net operating income ("NOI") from stabilized properties driven by higher monthly rents compared to last year
- The June 2020 rent collections on the Canadian portfolio were approximately 98% for the combined residential and MHC portfolio, and approximately 97% including commercial and ancillary income.
- On turnovers, monthly residential rents for the three and six months ended June 30, 2020 increased by 7.9% on 4.0% of the Canadian portfolio and 10.4% on 7.2% of the Canadian portfolio, compared to an increase of 14.2% on 4.4% of the Canadian portfolio and 14.1% on 7.9% of the Canadian portfolio for the three and six months ended June 30, 2019
- Net AMR for the stabilized portfolio as at June 30, 2020 increased by 4.0% compared to June 30, 2019, while occupancies remained stable at 98.2%
- Net AMR increased due to the strong rents on turnovers in Ontario, Nova Scotia, Québec and the Netherlands and above guideline increases in Ontario
- NOI increased by 2.6% and 4.1% for the stabilized portfolio for the three and six months ended June 30, 2020, compared to an NOI increase of 4.2% and 5.2% for the stabilized portfolio for the three and six months ended June 30, 2019
- NOI for the total portfolio increased by 13.9% and 17.4% for the three and six months ended June 30, 2020 compared to last year primarily due to contributions from acquisitions, and increased same property monthly rents
- NOI margin for the total portfolio decreased to 65.1% and increased 64.5% for the three and six months ended June 30, 2020 compared to 65.7% and 64.2% for the same periods last year

Delivering Unitholder Value

- NFFO was up 11.3% and 17.2% for the three and six months ended June 30, 2020 compared to the same periods last year.
- NFFO per unit was up 3.2% and 6.8% for the three and six months ended June 30, 2020 compared to the same periods last year.

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with $213.5 million of cash and cash equivalents and $124.8 million of available liquidity on CAPREIT's Credit Facilities
- Management expects to raise between $520 million and $570 million in total mortgage renewals and refinancings for 2020, excluding financings on acquisitions. CAPREIT expects that the conversion of the eleven operating lease properties to fee simple ownership to date could have incremental CMHC-insured mortgage capacity of over $500 million.
- Debt to gross book value ("GBV") increased to 36.30% as at June 30, 2020 from 34.99% as at December 31, 2019, due to acquisitions and debt refinancings
- Debt Service Coverage ("DSC") ratio improved to 1.99 as at June 30, 2020 compared to 1.87 as at December 31, 2019
- CAPREIT closed mortgage refinancing of $165.4 million and $223.3 million for the three and six months ended June 30, 2020, with top-ups of $101.3 million, a weighted average term to maturity of 9.3 years and a weighted average interest rate of 1.98%

- CAPREIT's mortgage weighted average term to maturity and the weighted average interest rate as at June 30, 2020 are 5.0 years and 2.69%. CAPREIT continues to fix long-term mortgages to defend against the risk of rising interest rates
- For the three and six months ended June 30, 2020, the fair value of investment properties increased by $127.4 million and $733.5 million, primarily as a result of (i) new acquisitions, (ii) the buyout of operating leases, (iii) progress on the development pipeline, and (iv) foreign exchange gains on the Dutch properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio decreased by $16.5 million.

"We continue to generate strong growth and solid operating performance despite the challenges presented by the COVID-19 pandemic. Occupancies remain strong and stable, and we continue to provide our residents with safe and affordable homes. Importantly, we collected 98% of our Canadian residential and MHC rents in June, and approximately 97% of our Canadian rents including commercial and ancillary income," commented Mark Kenney, President and CEO. "On behalf of our Unitholders, I want to thank everyone at CAPREIT for their commitment and dedication. It is the deep experience of our team that will get us through this difficult period to emerge stronger than ever before."

OPERATIONAL AND FINANCIAL RESULTS

Portfolio Net Average Monthly Rents

As at June 30,	Total Portfolio				Properties Owned Prior to June 30, 2019			
	2020		2019		2020		2019	
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Average residential suites	$ 1,274	98.6	$ 1,226	98.8	$ 1,276	98.9	$ 1,226	98.8
Average MHC sites	$ 386	95.8	$ 379	96.3	$ 386	95.8	$ 379	96.3
Overall portfolio average	$ 1,104	98.0	$ 1,050	98.3	$ 1,092	98.2	$ 1,050	98.3

Overall Net AMR for the stabilized portfolio as at June 30, 2020 increased by approximately 4.0% (including the Netherlands) and 3.6% (excluding the Netherlands) compared to the same period last year, while occupancy increased to 98.2%. 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 Ontario, Nova Scotia, Québec and the Netherlands along with strong contributions from certain other regions, slightly offset by a currently weakening Alberta market and (ii) increases on renewals due to AGI achieved in Ontario.

Canadian Portfolio

For the Three Months Ended June 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [1]	Change in monthly rent		Turnovers and Renewals [1]
	$	%	%	$	%	%
Suite turnovers	**104.9**	**7.9**	**4.0**	177.1	14.2	4.4
Lease renewals [2]	**—**	**—**	**21.6**	25.2	2.1	21.3
Weighted average of turnovers and renewals	**16.4**	**1.2**		51.4	4.1	

For the Six Months Ended June 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [1]	Change in monthly rent		Turnovers and Renewals [1]
	$	%	%	$	%	%
Suite turnovers	**137.2**	**10.4**	**7.2**	174.9	14.1	7.9
Lease renewals	**12.5**	**1.0**	**39.0**	25.6	2.1	38.5
Weighted average of turnovers and renewals	**31.9**	**2.5**		51.0	4.1	

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

[2] Lease renewals for the three months ended June 30, 2020 were nil as CAPREIT has temporarily suspended the issuance of rental increases during the pandemic.

The Netherlands Portfolio [1]

For the Three Months Ended June 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [2]	Change in monthly rent		Turnovers and Renewals [2]
	€	%	%	€	%	%
Suite turnovers	**92.6**	**10.7**	**3.4**	45.9	5.7	3.6
Lease renewals	**—**	**—**	**—**	**—**	**—**	**—**
Weighted average of turnovers and renewals	**92.6**	**10.7**		45.9	5.7	

For the Six Months Ended June 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [2]	Change in monthly rent		Turnovers and Renewals [2]
	€	%	%	€	%	%
Suite turnovers	**77.7**	**8.9**	**7.5**	54.8	6.8	5.8
Lease renewals	**—**	**—**	**—**	—	—	—
Weighted average of turnovers and renewals	**77.7**	**8.9**		54.8	6.8	

[1] Includes all residential properties owned by ERES

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

Overall, suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) during the three and six months ended June 30, 2020 resulted in monthly rents increasing by approximately $105 or 7.9% and $137 or 10.4%, respectively, compared to an increase of approximately $177 or 14.2% and $175 or 14.1%, for the same periods last year, primarily due to the strong rental markets in Ontario, Nova Scotia, and Québec. The reduced turnover increases are mainly due to the impact of the COVID-19 pandemic.

Monthly rents on lease renewals on the Canadian residential suite portfolio (excluding co-ownerships) resulted in monthly rent remaining stable for the three months ended June 30, 2020, and increasing by $13 or 1.0%, for the six months ended June 30, 2020, compared to an increase of approximately $25 or 2.1% and $26 or 2.1%, for both of the same periods last year. The reduced renewal increases are mainly due to the impact of the COVID-19 pandemic rent freezes.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three and six months ended June 30, 2020 resulted in monthly rent increasing by approximately €93 or 10.7% and €78 or 8.9% respectively, compared to an increase of approximately €46 or 5.7% and €55 or 6.8%respectively for the same periods last year.

As the Netherlands' lease renewals occur only once a year in July, there were no renewal increases for the three and six months ended June 30, 2020 and 2019. The tenant notices for rent renewal increases beginning on July 1, 2020 have been served to 95% of the Dutch residential suites with a weighted average rental increase of 2.4%.

Estimated Net Rental Revenue Run-Rate

CAPREIT's annualized net rental revenue run-rate as at June 30, 2020 grew to $850.5 million, up 14.8% from $741.0 million, primarily as a result of the extensive MHC portfolio growth and acquisitions in the Netherlands and Halifax. Net rental revenue net of dispositions for the 12 months ended June 30, 2020 was $807.6 million (June 30, 2019 – $681.6 million). For further discussion regarding forecasts and guidance as a result of the COVID-19 pandemic, please see Section II of the 2020 Q2 MD&A under the COVID-19 pandemic for further details.

NOI

Stabilized properties for the three and six months ended June 30, 2020 are defined as all properties owned by CAPREIT continuously since December 31, 2018, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2020 and 2019.

($ Thousands)	Total NOI			Stabilized NOI		
For the Three Months Ended June 30,	**2020**	**2019[3]**	**% [1]**	**2020**	**2019[3]**	**% [1]**
Total operating revenues	**$ 219,925**	$ 191,285	15.0	**$ 189,254**	$ 183,179	3.3
Operating expenses						
Realty taxes	**(20,724)**	(18,311)	13.2	**(18,462)**	(17,777)	3.9
Utilities	**(15,382)**	(12,899)	19.2	**(13,590)**	(12,544)	8.3
Other [2]	**(40,586)**	(34,308)	18.3	**(34,427)**	(33,181)	3.8
Total operating expenses	**$ (76,692)**	$ (65,518)	17.1	**$ (66,479)**	$ (63,502)	4.7
NOI	**$ 143,233**	$ 125,767	13.9	**$ 122,775**	$ 119,677	2.6
NOI margin	**65.1 %**	65.7 %		**64.9 %**	65.3 %	

($ Thousands)	Total NOI			Stabilized NOI		
For the Six Months Ended June 30,	**2020**	**2019[3]**	**% [1]**	**2020**	**2019[3]**	**% [1]**
Total operating revenues	**$ 435,985**	$ 373,181	16.8	**$ 377,897**	$ 364,083	3.8
Operating expenses						
Realty taxes	**(40,592)**	(36,212)	12.1	**(36,567)**	(35,636)	2.6
Utilities	**(34,125)**	(30,923)	10.4	**(30,555)**	(30,541)	0.0
Other [2]	**(79,977)**	(66,444)	20.4	**(68,530)**	(65,252)	5.0
Total operating expenses	**$ (154,694)**	$ (133,579)	15.8	**$ (135,652)**	$ (131,429)	3.2
NOI	**$ 281,291**	$ 239,602	17.4	**$ 242,245**	$ 232,654	4.1
NOI margin	**64.5 %**	64.2 %		**64.1 %**	63.9 %	

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

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

[3] Bad debt, previously offset against revenues, has now been reclassified under other expenses in net operating income to conform with current presentation.

Operating Revenues

For the three and six months ended June 30, 2020, total operating revenues for the total and stabilized portfolios increased 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 and six months ended June 30, 2020 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 and six months June 30, 2020 increased primarily due to higher bad debt, wages, rising insurance costs driven by higher overall increases in global insurance markets, driven by claims, and reduced availability of coverage from insurers and reinsurers, slightly offset by reductions in R&M expenses on a year to date basis.

NOI Margin

For the three months ended June 30, 2020, NOI margin for the total portfolio decreased to to 65.1%. For the six months ended June 30, 2020, NOI margin for the total portfolio increased to 64.5%.

NON-IFRS FINANCIAL PERFORMANCE

For the three months ended June 30, 2020, basic NFFO per Unit increased by 3.2% compared to the same period last year. For the six months ended June 30, 2020, basic NFFO per Unit increased by 6.8% compared to the same period last year despite an approximate 9.8% increase in the weighted average number of Units outstanding resulting from the January, April and December 2019 equity offerings (see Liquidity and Financial Condition in Section V of the 2020 Q2 MD&A). 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 six months ended June 30, 2020, CAPREIT made property capital investments (excluding head office assets) of $77.2 million compared to $87.9 million for the same period 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 July 15, 2020, CAPREIT closed the sale of a townhome property of 188 units located in Calgary, Alberta for $30.5 million. CAPREIT acquired the Queen's Park Village Townhomes in December 2002.

ADDITIONAL INFORMATION

More detailed information and analysis is included in CAPREIT's unaudited condensed consolidated interim financial statements and MD&A for the three months and six months ended June 30, 2020, 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 Wednesday, August 12, 2020 at 10:00 am EST. The telephone numbers for the conference call are: Local/ International: (778) 560-2627, North American Toll Free: (833) 714-0874. The conference access code is 2696403#.

A slide presentation to accompany Management's comments during the conference call will be available 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 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 56,800 suites, including townhomes and manufactured housing sites, in Canada and, indirectly through its investment in ERES, approximately 5,600 suites in the Netherlands. CAPREIT manages approximately 60,900 of its owned suites in Canada and Netherlands, and additionally 3,700 suites in Ireland as at June 30, 2020. 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 August 11, 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, rental rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of or involving CAPREIT. Particularly, statements regarding CAPREIT's future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, Dutch, German and Belgian economies will generally experience growth, which, however, may be adversely impacted by the global economy and the ongoing health crisis related to the novel coronavirus ("COVID-19") pandemic and its direct or indirect impacts on the business of CAPREIT, including the ability to enforce leases, perform capital expenditure work, increase rents and apply for the above guideline increases, and obtain mortgage financings; 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 the difference between in-place and market-based rents will be reduced upon such turnovers and renewals; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT's financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT's investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this 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: public health crises, disease outbreaks, reporting investment properties at fair value, real property ownership, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, taxation-related risks, government regulations, controls over financial reporting, other legal and regulatory risks, the nature of units of CAPREIT ("Trust Units"), unitholder liability, liquidity and price fluctuation of Trust Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, cyber security risk and foreign operation and currency risks. There can be no assurance that the expectations of CAPREIT's Management will prove to be correct. 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 August 11, 2020. The information in this press release is based on information available to management as of August 11, 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)	June 30, 2020	December 31, 2019
Investment properties	**$ 13,829,908**	$ 13,096,426
Total assets	**14,489,006**	14,017,949
Mortgages payable	**4,683,343**	4,308,572
Bank indebtedness	**608,005**	623,893
Total liabilities	**5,962,225**	5,614,054
Unitholders' equity	**8,526,781**	8,403,895

Condensed Income Statements

	Three Months Ended June 30,		Six Months Ended June 30,	
($ Thousands, except per Unit amounts)	**2020**	2019	**2020**	2019
Operating revenues				
Revenue from investment properties	**$ 219,925**	$ 191,285	**$ 435,985**	$ 373,181
Operating expenses				
Realty taxes	**(20,724)**	(18,311)	**(40,592)**	(36,212)
Property operating costs	**(55,968)**	(47,207)	**(114,102)**	(97,367)
	(76,692)	(65,518)	**(154,694)**	(133,579)
Net rental income	**143,233**	125,767	**281,291**	239,602
Trust expenses	**(10,291)**	(10,970)	**(21,655)**	(21,316)
Transaction costs	**—**	—	**—**	(8,527)
Unit-based compensation (expense) recovery	**(6,045)**	12	**(793)**	(7,540)
Fair value adjustments of investment properties	**(4,053)**	86,620	**(35,972)**	209,936
Realized loss on disposition of investment properties	**—**	—	**(753)**	—
Amortization of property, plant and equipment	**(1,953)**	(1,542)	**(3,724)**	(2,957)
Gain (loss) on non-controlling interest	**(34,650)**	(6,699)	**35,029**	(6,699)
Fair value adjustments of investments	**3,783**	(1,326)	**(3,087)**	6,196
Loss on derivative financial instruments	**(7,447)**	(10,227)	**(958)**	(3,789)
Interest and other financing costs	**(36,911)**	(33,249)	**(71,707)**	(64,880)
(Loss) gain on foreign currency translation	**22,116**	11,326	**(31,692)**	23,592
Other income (loss)	**(3,204)**	10,640	**3,739**	15,046
Net income before income taxes	**64,578**	170,352	**149,718**	378,664
Current and deferred income tax expense	**(3,316)**	(3,023)	**(8,823)**	(5,825)
Net income	**$ 61,262**	$ 167,329	**$ 140,895**	$ 372,839
Other comprehensive income (loss)	**$ (23,983)**	$ (5,952)	**$ 62,053**	$ (34,226)
Comprehensive income	**$ 37,279**	$ 161,377	**$ 202,948**	$ 338,613

SELECTED NON-IFRS FINANCIAL MEASURES

A reconciliation of net income to NFFO is as follows:

($ Thousands, except per Unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Net income	**$ 61,262**	$ 167,329	**$ 140,895**	$ 372,839
Adjustments:				
Fair value adjustments of investment properties	**4,053**	(86,620)	**35,972**	(209,936)
Realized loss on disposition of investment properties	**—**	—	**753**	—
Remeasurement of investments	**(3,783)**	1,326	**3,087**	(6,196)
Remeasurement of unit-based compensation liabilities	**4,177**	(1,544)	**(2,762)**	3,959
Deferred income taxes [1]	**2,956**	4,052	**8,037**	6,853
Loss (gain) on foreign currency translation	**(22,116)**	(11,326)	**31,692**	(23,592)
FFO adjustment for income from equity-accounted investments	**7,690**	(6,027)	**7,690**	(6,027)
Loss on derivative financial instruments	**7,447**	10,227	**958**	3,789
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	**31,512**	5,944	**(41,181)**	5,944
Distributions on ERES units held by non-controlling unitholders	**3,138**	755	**6,152**	755
Net FFO impact attributable to ERES units held by non-controlling unitholders [2]	**(3,774)**	(1,005)	**(7,873)**	(1,206)
Amortization of property, plant and equipment	**1,953**	1,542	**3,724**	2,957
Lease principal repayment	**(459)**	(562)	**(575)**	(761)
Transaction costs [3]	**—**	—	**—**	8,527
FFO	**$ 94,056**	$ 84,091	**$ 186,569**	$ 157,905
Adjustments:				
Amortization of losses from AOCL to interest and other financing costs	**633**	626	**1,267**	1,266
Net mortgage prepayment cost	**23**	345	**23**	345
Other employee costs [4]	**—**	—	**—**	751
NFFO	**$ 94,712**	$ 85,062	**$ 187,859**	$ 160,267
NFFO per unit – basic	**$ 0.555**	$ 0.538	**$ 1.102**	$ 1.032
NFFO per unit – diluted	**$ 0.554**	$ 0.536	**$ 1.099**	$ 1.029
Total distributions declared [5]	**$ 59,077**	$ 55,410	**$ 118,019**	$ 106,952
NFFO payout ratio [6]	**62.4 %**	65.1 %	**62.8 %**	66.7 %
Net distributions paid [5]	**$ 45,276**	$ 38,023	**$ 85,175**	$ 73,277
Excess NFFO over net distributions paid	**$ 49,436**	$ 47,039	**$ 102,684**	$ 86,990
Effective NFFO payout ratio [7]	**47.8 %**	44.7 %	**45.3 %**	45.7 %

(1) The 2020 figures consist of $3.0 million and $6.8 million of deferred income tax expenses as well as $nil and $1.2 million of current income taxes on the disposition of a German investment property, for the three and six months ended June 30, 2020. The figure for the six months ended June 30, 2019 consists of $18.1 million of current income taxes on the deemed disposition of investment properties associated with the reorganization of the legal structure of the Netherlands subsidiaries, offset by $11.2 million of deferred income tax recovery for the six months ended June 30, 2019.

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

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

(4) Expenses included in unit-based compensation expenses relate to accelerated vesting of previously-granted RUR units.

(5) For a description of distributions declared and net distributions paid, see the Non-IFRS Financial Measures section in the MD&A for the three and six months ended June 30, 2020.

(6) The payout ratio compares distributions declared to NFFO.

(7) The effective payout ratio compares net distributions paid to NFFO.

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

($ Thousands, except per Unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,		Actual Annual
	2020	**2019**	**2020**	**2019**	**2019**
Cash generated from operating activities	**$ 150,144**	$ 97,044	**$ 253,647**	$ 182,560	454,629
Adjustments:					
Working capital adjustment [1]	**—**	8,485	**—**	8,485	8,485
Interest expense included in cash flow from financing activities	**(31,030)**	(29,465)	**(64,243)**	(58,061)	(119,609)
Forecasted non-discretionary property capital investments [2]	**(17,640)**	(16,587)	**(35,280)**	(33,173)	(65,532)
Capitalized leasing costs [3]	**(431)**	8	**(640)**	147	(1,518)
Amortization of other financing costs [4]	**(2,422)**	(1,911)	**(4,640)**	(3,764)	(8,601)
Transactions costs [5]	**—**	—	**—**	8,527	8,527
Investment income	**184**	655	**6,404**	4,655	10,039
Net ACFO impact attributed to ERES units held by non-controlling unitholders [6]	**(1,465)**	(887)	**(5,353)**	(887)	(4,179)
Lease principal and interest repayments	**(2,023)**	(943)	**(2,829)**	(1,594)	(3,402)
Tax on disposition [7]	**—**	—	**1,155**	—	—
ACFO	**$ 95,317**	$ 56,399	**$ 148,221**	$ 106,895	$ 278,839
Total distributions declared	**$ 59,077**	$ 55,410	**$ 118,019**	$ 106,952	$ 219,206
(Deficit) Excess ACFO over distributions declared	**$ 36,240**	$ 989	**$ 30,202**	$ (57)	$ 59,633
ACFO payout ratio	**62.0%**	98.2%	**79.6%**	100.1%	78.6%

[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 for the six months ended June 30, 2019 and annual 2019.

[2] Non-discretionary property capital investments for the three and six months ended June 30, 2020 and 2019 has been calculated as follows: Non-Discretionary Property Capital Investments per suite and site are based on the annual 2020 and 2019 forecasts respectively, divided by four for the quarter, and multiplied by the weighted average number of residential suites and sites during the period. The forecasted Non-Discretionary Property capital Investments per suite and site for 2020 and 2019 on an annual basis is $1,166 and $1,270 respectively. The weighted average number of residential suites and sites for the six months ended June 30, 2020 and 2019 is 60,528 and 52,221, 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 unitholders.

[7] Represents $1.2 million of income tax expenses on the disposition of a German investment property for the six months ended June 30, 2020.