

CAPREIT Reports Continued Growth and Strong Operating Performance in 2020

TORONTO, ONTARIO, (Globe Newswire) – February 24, 2021 -- 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, 2020.

HIGHLIGHTS:

For the Year Ended December 31,	2020	2019 ⁽⁵⁾
Portfolio Performance		
Overall portfolio occupancy ⁽¹⁾	97.5 %	98.2 %
Overall portfolio net Average Monthly Rents ⁽¹⁾⁽²⁾	\$ 1,121	\$ 1,084
Operating revenues (000s)	\$ 882,643	\$ 780,780
Net rental income ("NOI") (000s)	\$ 578,171	\$ 508,150
NOI Margin	65.5 %	65.1 %
Financial Performance		
Normalized Funds from Operations ("NFFO") (000s) ⁽³⁾	\$ 388,958	\$ 339,121
NFFO per Unit – basic ⁽³⁾	\$ 2.273	\$ 2.139
Cash distributions per Unit	\$ 1.380	\$ 1.372
FFO payout ratio ⁽³⁾	61.4 %	65.5 %
NFFO payout ratio ⁽³⁾	61.0 %	64.6 %
Liquidity and Leverage		
Total debt to gross book value ⁽¹⁾	35.54 %	34.70 %
Total debt to gross historical cost ⁽¹⁾	50.11 %	48.08 %
Weighted average mortgage interest rate ⁽¹⁾	2.56 %	2.85 %
Weighted average mortgage term (years) ⁽¹⁾	5.76	5.13
Debt service coverage (times) ⁽⁴⁾	2.01	1.87
Interest coverage (times) ⁽⁴⁾	3.95	3.69
Available liquidity – Acquisition and Operating Facility (000s) ⁽¹⁾	\$ 627,997	\$ 146,170
Available cash and cash equivalents (000s) ⁽¹⁾	\$ 121,722	\$ 477,328

⁽¹⁾ As at December 31.

⁽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.

For the Year Ended December 31,	2020	2019
Other Measures		
Weighted average number of Units - basic (000s)	171,123	158,553
Number of residential suites and sites acquired	3,262	9,241
Number of suites disposed	194	—
Closing price of Trust Units ⁽¹⁾	\$ 49.99	\$ 53.01
Market capitalization (millions) ⁽¹⁾	\$ 8,639	\$ 9,013

⁽¹⁾ As at December 31.

SUMMARY OF YEAR END 2020 RESULTS OF OPERATIONS

Key Transactions and Events

- During the year, CAPREIT completed the buyout of 10 of the 13 remaining operating leases in the Greater Toronto Area for a total purchase price of \$158.6 million
- On June 22, 2020, CAPREIT was included in the S&P/TSX 60 Composite index, a prestigious stock market index of 60 large companies listed on the Toronto Stock Exchange in 10 industry sectors
- CAPREIT continues to invest in accretive opportunities, with total acquisitions for the year ended December 31, 2020 amounting to \$690 million comprising 2,847 suites and sites located in Canada, and \$130 million comprising 415 suites located in the Netherlands
- Total dispositions for the year ended December 31, 2020 of \$57 million of two Canadian properties comprising of 194 suites and one commercial property owned by ERES

Strong Operating Results

- CAPREIT has maintained a very high level of rent collection, with over 99% of rents collected year to date
- On turnovers, monthly residential rents for the year ended December 31, 2020 increased by 7.9% on 18.7% of the Canadian portfolio, compared to an increase of 13.5% on 19.0% of the Canadian portfolio for the year ended December 31, 2019
- On renewals, monthly residential rents for the year ended December 31, 2020 increased by 1.3% on 86.5% of the Canadian portfolio, compared to 2.1% on 85.9% of the Canadian portfolio for the year ended December 31, 2019. The reduced increases are primarily due to rent freezes enacted in April 2020 as a result of the COVID-19 pandemic
- Net AMR for the stabilized portfolio as at December 31, 2020 increased by 3.1% compared to December 31, 2019 where it increased by 4.1%, while occupancies slightly decreased to 97.5%
- Year-over-year NOI increased by 3.9% for the stabilized portfolio for the year ended December 31, 2020, compared to a year-over-year NOI increase of 4.9% for the stabilized portfolio for the year ended December 31, 2019
- NOI margin for the total portfolio increased to 65.5% for the year ended December 31, 2020 from 65.1% for the year ended December 31, 2019
- NFFO per unit was up 6.3% for the year ended December 31, 2020 compared to last year despite an increase of 7.9% of weighted average number of units outstanding

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with \$121.7 million of cash and cash equivalents and \$628.0 million of available liquidity on CAPREIT's Acquisition and Operating Facility
- Management expects to raise between \$850 million and \$900 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions
- CAPREIT closed mortgage refinancing of \$1,148.6 million for the year ended December 31, 2020, with top-ups of \$783.4 million, a weighted average term to maturity of 10.2 years and a weighted average interest rate of 1.83%
- For the year ended December 31, 2020 the fair value of investment properties increased by \$1,904.2 million, primarily as a result of (i) capitalization rate compression based on recent market activity, (ii) increases in stabilized NOI, (iii) new acquisitions, (iv) the buyout of operating leases, (v) progress on the development pipeline, and (vi) foreign exchange gains on the European properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio increased by \$749.9 million, or 6.7%, for the year ended December 31, 2020

"Despite the impact of the COVID-19 pandemic, we generated another record year in 2020 with solid portfolio growth, strong operating performance, an increase in NFFO, a conservative NFFO payout ratio, and the strongest liquidity position in our twenty-two year history," commented Mark Kenney, President and CEO. "Looking ahead, we are confident that, as the pandemic eases through 2021 we will see even stronger growth and performance as we capitalize on the proven expertise of our people, the strength of our property portfolio, and the historic resiliency of the residential rental sector."

OPERATIONAL AND FINANCIAL RESULTS

Portfolio Net Average Monthly Rents

As at December 31,	Total Portfolio				Properties Owned Prior to December 31, 2019			
	2020		2019		2020		2019	
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Average residential suites	\$ 1,293	97.9	\$ 1,257	98.8	\$ 1,298	97.9	\$ 1,257	98.8
Average MHC sites	\$ 390	95.8	\$ 383	96.0	\$ 391	95.8	\$ 383	96.0
Overall portfolio average	\$ 1,121	97.5	\$ 1,084	98.2	\$ 1,118	97.5	\$ 1,084	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 the Netherlands and Ontario, slightly offset by an increase in vacancy seen in Nova Scotia, a currently weakening Alberta and Saskatchewan markets, both due to economic impacts related to the COVID-19 pandemic and (ii) increases on renewals due to AGIs achieved in Ontario. Weighted average gross rent per square foot for Canadian residential suites was approximately \$1.60 as at December 31, 2020.

Canadian Portfolio

For the Three Months Ended December 31,	2020			2019		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%	%	\$	%	%
Suite turnovers	84.0	5.9	5.4	169.6	13.1	4.3
Lease renewals	24.2	1.8	27.2	25.3	2.0	18.6
Weighted average of turnovers and renewals	34.1	2.5		52.4	4.1	

For the Year Ended December 31,	2020			2019		
	Change in monthly rent		Turnovers and Renewals ⁽¹⁾	Change in monthly rent		Turnovers and Renewals ⁽¹⁾
	\$	%	%	\$	%	%
Suite turnovers	106.7	7.9	18.7	167.3	13.5	19.0
Lease renewals	16.7	1.3	86.5	25.0	2.1	85.9
Weighted average of turnovers and renewals	32.7	2.5		50.8	4.2	

⁽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,	2020			2019		
	Change in monthly rent		Turnovers and Renewals ⁽²⁾	Change in monthly rent		Turnovers and Renewals ⁽²⁾
	€	%	%	€	%	%
Suite turnovers	105.2	12.3	3.5	45.5	5.3	4.2
Lease renewals	—	—	—	—	—	—
Weighted average of turnovers and renewals	105.2	12.3		45.5	5.3	

For the Year Ended December 31,	2020			2019		
	Change in monthly rent		Turnovers and Renewals ⁽²⁾	Change in monthly rent		Turnovers and Renewals ⁽²⁾
	€	%	%	€	%	%
Suite turnovers	82.4	9.3	14.2	52.6	6.4	12.6
Lease renewals	18.9	2.3	92.5	27.4	3.5	84.2
Weighted average of turnovers and renewals	27.4	3.2		30.7	3.9	

⁽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, 2020 resulted in monthly rents increasing by approximately \$84 or 5.9% and \$107 or 7.9%, respectively, compared to an increase of approximately \$170 or 13.1% and \$167 or 13.5%, 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 as discussed in Section II of the 2020 Management's Discussion and Analysis ("MD&A") under The COVID-19 Pandemic.

Monthly rents on lease renewals on the Canadian residential portfolio (excluding co-ownerships) for the three months and year ended December 31, 2020 resulted in monthly rents increasing by approximately \$24 or 1.8% and \$17 or 1.3%, respectively, compared to an increase of approximately \$25 or 2.0% and \$25 or 2.1%, last year. The reduced renewal increases are mainly due to the impact of the COVID-19 pandemic rent freezes as discussed in Section II of the 2020 MD&A under The COVID-19 Pandemic.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three months and year December 31, 2020 resulted in monthly rent increasing by approximately €105 or 12.3% and €82 or 9.3%, respectively, compared to an increase of €46 or 5.3% and €53 or 6.4%, last year. Monthly rents on lease renewals for the Netherlands portfolio for the year ended December 31, 2020 increased by approximately €19 or 2.3%, compared to €27 or 3.5% for the same periods last year.

Management estimates the weighted average Canadian residential market rents are approximately 20% higher than average occupied Canadian residential AMR of \$1,311. This is an indicator of CAPREIT's mark-to-market potential on turnover, as well as its ability to sustain current revenue levels. However, the actual change in monthly rent on turnover will vary depending on the age of tenancy.

Estimated Net Rental Revenue Run-Rate

CAPREIT's annualized net rental revenue run-rate as at December 31, 2020 grew to \$868.6 million, up 7.1% from \$810.9 million. Net rental revenue net of dispositions for the 12 months ended December 31, 2020 was \$831.5 million (December 31, 2019 – \$749.0 million). For further discussion regarding forecasts and guidance as a result of the COVID-19 pandemic, please see Section II of the 2020 MD&A under The COVID-19 Pandemic for further details.

NOI

Stabilized properties for the year ended December 31, 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) For the Three Months Ended December 31,	Total NOI			Stabilized NOI		
	2020	2019 ⁽³⁾	% ⁽¹⁾	2020	2019 ⁽³⁾	% ⁽¹⁾
Total operating revenues	\$ 225,238	\$ 208,183	8.2	\$ 190,193	\$ 186,935	1.7
Operating expenses						
Realty taxes	(20,413)	(18,481)	10.5	(18,037)	(17,262)	4.5
Utilities	(17,912)	(16,695)	7.3	(15,780)	(15,619)	1.0
Other ⁽²⁾	(38,267)	(37,303)	2.6	(31,678)	(33,224)	(4.7)
Total operating expenses	\$ (76,592)	\$ (72,479)	5.7	\$ (65,495)	\$ (66,105)	(0.9)
NOI	\$ 148,646	\$ 135,704	9.5	\$ 124,698	\$ 120,830	3.2
NOI margin	66.0 %	65.2 %		65.6 %	64.6 %	

(\$ Thousands) For the Year Ended December 31,	Total NOI			Stabilized NOI		
	2020	2019 ⁽³⁾	% ⁽¹⁾	2020	2019 ⁽³⁾	% ⁽¹⁾
Total operating revenues	\$ 882,643	\$ 780,780	13.0	\$ 756,002	\$ 733,742	3.0
Operating expenses						
Realty taxes	(81,596)	(73,546)	10.9	(72,970)	(70,788)	3.1
Utilities	(65,459)	(59,197)	10.6	(57,875)	(57,113)	1.3
Other ⁽²⁾	(157,417)	(139,887)	12.5	(132,509)	(131,612)	0.7
Total operating expenses	\$ (304,472)	\$ (272,630)	11.7	\$ (263,354)	\$ (259,513)	1.5
NOI	\$ 578,171	\$ 508,150	13.8	\$ 492,648	\$ 474,229	3.9
NOI margin	65.5 %	65.1 %		65.2 %	64.6 %	

⁽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 period presentation.

Operating Revenues

For the three months and year ended December 31, 2020, total operating revenues for the total and stabilized portfolios increased compared to the same periods last year, due to increases in monthly rents on renewals and turnovers throughout the year and full year impact in 2020 from last year's rental increases, slightly offset by increases in tenant inducements mainly in the Greater Toronto Area. Contributions from acquisitions further contributed to higher operating revenues for the total portfolio.

Operating Expenses

The stabilized operating expenses for the three months ended December 31, 2020 decreased compared to the same period last year, primarily due to decreased on-site costs and R&M costs partially offset by higher advertising expenses and realty taxes.

The stabilized operating expenses for the year ended December 31, 2020 increased compared to last year primarily due to higher realty taxes, bad debt, insurance costs and advertising costs, partially offset by lower R&M costs and on-site costs. The increased realty taxes were due to higher property assessment values in Ontario, British Columbia, Alberta, and Québec. The increased bad debt was driven by the economic instability caused by the COVID-19 pandemic leading to some commercial tenants and residential tenants forgoing rent payments. The increased insurance costs were driven by higher replacement cost valuations, and overall increases in insurance rates. The increased advertising costs were also due to the COVID-19 pandemic in an effort to increase occupancies in some weakened markets.

NOI Margin

For the three months ended December 31, 2020, NOI margin for the total portfolio increased to 66.0%. For the year ended December 31, 2020, NOI margin for the total portfolio increased to 65.5%.

NON-IFRS FINANCIAL PERFORMANCE

For the three months ended December 31, 2020, basic NFFO per Unit increased by 6.2% compared to the same period last year, despite an approximate 5.4% increase in the weighted average number of units outstanding. For the year ended December 31, 2020, basic NFFO per Unit increased by 6.3% compared to the same period last year, despite an approximate 7.9% increase in the weighted average number of units outstanding resulting from the January, April and December 2019 equity offerings. 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, 2020, CAPREIT made property capital investments (excluding head office assets) of \$231.1 million compared to \$221.2 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 15, 2021, CAPREIT terminated its \$65.0 million fully drawn, non-amortizing credit facility and its corresponding CCIR swap, prior to the original maturity date of June 28, 2021. On the same date, CAPREIT entered into a CCIR swap to (i) hedge existing mortgage payables of \$69.7 million into €44.8 million and (ii) convert fixed Canadian dollar-based mortgage payments with interest rate of 0.82% for fixed euro-based payments with an interest rate of -0.07%. The new swap will mature on January 15, 2024.

ADDITIONAL INFORMATION

More detailed information and analysis is included in CAPREIT's audited consolidated annual financial statements and MD&A for the three months and year ended December 31, 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 Thursday, February 25, 2021 at 9:00 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 2638019#.

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 Canada's largest publicly-traded provider of quality rental housing. CAPREIT currently owns or has interests in, and manages, approximately 67,500 residential apartment suites, townhomes and manufactured housing community sites well-located across Canada, in the Netherlands and Ireland. For more information about CAPREIT, its business and its investment highlights, please visit 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 24, 2021, 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. These impacts may include the ability to enforce leases, perform capital expenditure work, increase rents and apply for 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 February 24, 2021. The information in this press release is based on information available to management as of February 24, 2021. 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, 2020	December 31, 2019
Investment properties	\$ 15,000,591	\$ 13,096,426
Total assets	15,499,131	13,938,182
Mortgages payable	5,401,202	4,228,805
Bank indebtedness	118,553	623,893
Total liabilities	6,225,429	5,534,287
Unitholders' equity	9,273,702	8,403,895

Condensed Income Statements

(\$ Thousands, except per Unit amounts)	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Operating revenues				
Revenue from investment properties	\$ 225,238	\$ 208,182	\$ 882,643	\$ 780,780
Operating expenses				
Realty taxes	(20,413)	(18,481)	(81,596)	(73,546)
Property operating costs	(56,179)	(53,997)	(222,876)	(199,084)
Total operating expenses	(76,592)	(72,478)	(304,472)	(272,630)
Net rental income	148,646	135,704	578,171	508,150
Trust expenses	(11,629)	(14,176)	(43,268)	(46,244)
Transaction costs	—	—	—	(8,527)
Unit-based compensation expense	(3,673)	(1,422)	(5,160)	(14,838)
Fair value adjustments of investment properties	398,394	418,580	595,859	892,156
Realized loss on disposition of investment properties	—	—	(1,387)	—
Amortization of property, plant and equipment	(2,005)	(1,740)	(7,668)	(6,290)
Fair value adjustments of Exchangeable LP Units	(2,584)	—	(1,230)	—
Gain (loss) on non-controlling interest	5,362	(7,111)	24,478	(47,058)
Fair value adjustments of investments	(544)	(2,370)	(3,979)	6,522
Loss on derivative financial instruments	(25,914)	(10,991)	(52,672)	(3,684)
Interest and other financing costs	(56,604)	(35,118)	(164,625)	(135,216)
Gain on foreign currency translation	25,944	2,673	5,982	37,933
Other income	20,736	14,887	29,990	34,904
Net income before income taxes	496,129	498,916	954,491	1,217,808
Current and deferred income tax expense	(11,171)	(6,649)	(28,563)	(22,361)
Net income	\$ 484,958	\$ 492,267	\$ 925,928	\$ 1,195,447
Other comprehensive income (loss)	\$ (1,729)	\$ 14,231	\$ 89,557	\$ (48,356)
Comprehensive income	\$ 483,229	\$ 506,498	\$ 1,015,485	\$ 1,147,091

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,		Year Ended December 31,	
	2020	2019	2020	2019
Net income	\$ 484,958	\$ 492,267	\$ 925,928	\$ 1,195,447
Adjustments:				
Fair value adjustments of investment properties	(398,394)	(418,580)	(595,859)	(892,156)
Realized loss on disposition of investment properties	—	—	1,387	—
Remeasurement of Exchangeable LP Units	2,584	—	1,230	—
Remeasurement of investments	544	2,370	3,979	(6,522)
Remeasurement of unit-based compensation liabilities	1,828	(110)	(2,170)	8,286
Interest on Exchangeable Units	223	—	441	—
Deferred income taxes ⁽¹⁾	10,633	6,818	26,368	23,129
Loss (gain) on foreign currency translation	(25,944)	(2,673)	(5,982)	(37,933)
FFO adjustment for income from investment in associate	(13,775)	(9,174)	(6,141)	(15,201)
Loss on derivative financial instruments	25,914	10,991	52,672	3,684
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	(8,561)	4,777	(37,020)	43,120
Distributions on ERES units held by non-controlling unitholders	3,199	2,334	12,542	3,938
Net FFO impact attributable to ERES units held by non-controlling unitholders ⁽²⁾	(4,224)	(2,635)	(16,275)	(4,706)
Amortization of property, plant and equipment	2,005	1,740	7,668	6,290
Lease principal repayment	(290)	(262)	(1,157)	(1,275)
CMHC Premium write-offs ⁽⁴⁾	14,348	—	14,348	—
Net mortgage prepayment cost ⁽⁵⁾	4,263	—	4,429	—
Transaction costs ⁽³⁾	—	—	—	8,527
FFO	\$ 99,311	\$ 87,863	\$ 386,388	\$ 334,628
Adjustments:				
Amortization of losses from AOCI (AOCL) to interest and other financing costs	674	637	2,570	2,556
Net mortgage prepayment cost	—	2	—	347
Other employee costs ⁽⁶⁾	—	—	—	751
Acquisition research costs ⁽⁷⁾	—	839	—	839
NFFO	\$ 99,985	\$ 89,341	\$ 388,958	\$ 339,121
NFFO per unit – basic	\$ 0.581	\$ 0.547	\$ 2.273	\$ 2.139
NFFO per unit – diluted	\$ 0.580	\$ 0.545	\$ 2.265	\$ 2.131
Total distributions declared ⁽⁸⁾	\$ 59,600	\$ 56,719	\$ 237,103	\$ 219,206
NFFO payout ratio ⁽⁹⁾	59.6 %	63.5 %	61.0 %	64.6 %
Net distributions paid ⁽⁸⁾	\$ 40,794	\$ 40,028	\$ 167,982	\$ 150,743
Excess NFFO over net distributions paid	\$ 59,191	\$ 49,313	\$ 220,976	\$ 188,378
Effective NFFO payout ratio ⁽¹⁰⁾	40.8 %	44.8 %	43.2 %	44.5 %

⁽¹⁾ The 2020 figures consist of \$10.6 million and \$25.2 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 months and year ended December 31, 2020 respectively. For the three months and year ended December 31, 2019, the 2019 figures include \$6.8 and \$5.1 million of deferred income tax expense and \$nil 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 respectively.

⁽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⁾ Consists of \$9.4 million of expensed prepaid CMHC premiums relating to mortgages refinanced in prior years and \$5.0 million of expensed CMHC premiums relating to mortgages refinanced during the year ended December 31, 2020. For further details, please refer to the Liquidity and Financial Condition section found in Section V of the MD&A

⁽⁵⁾ Consists of non-recurring mortgage prepayment costs related to mortgages of the recently bought out operating leasehold properties. These costs were incurred in order to accelerate refinancing and take advantage of the favorable interest rate environment. For further details, please refer to the Liquidity and Financial Condition section found in Section V of the MD&A.

⁽⁶⁾ Expenses included in unit-based compensation expenses relate to accelerated vesting of previously-granted RUR units.

- ⁽⁷⁾ Expenses included in trust expenses relate to transactions that were not completed.
- ⁽⁸⁾ 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 year ended December 31, 2020.
- ⁽⁹⁾ The payout ratio compares distributions declared to NFFO.
- ⁽¹⁰⁾ 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)

For the Year Ended December 31,	2020	2019 ⁽⁹⁾
Cash generated from operating activities	\$ 481,356	458,564
Adjustments:		
Working capital adjustment ⁽¹⁾	18,116	8,485
Interest expense included in cash flow from financing activities ⁽²⁾	(130,398)	(119,609)
Non-discretionary property capital investments ⁽³⁾	(70,545)	(65,532)
Capitalized leasing costs ⁽⁴⁾	(3,909)	(1,518)
Amortization of other financing costs ⁽⁵⁾	(23,725)	(8,601)
Transactions costs ⁽⁶⁾	—	8,527
Investment income	11,670	10,039
Net ACFO impact attributed to ERES units held by non-controlling unitholders ⁽⁷⁾	(13,346)	(4,179)
Lease principal and interest repayments	(5,664)	(3,402)
Tax on disposition ⁽⁸⁾	1,155	—
ACFO	\$ 264,710	\$ 282,774
Total distributions declared	\$ 237,103	\$ 219,206
Excess ACFO over distributions declared	\$ 27,607	\$ 63,568
ACFO payout ratio	89.6%	77.5%

⁽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 current income tax payment of \$18.1 million relating to current income tax expense triggered on the Acquisition was added back for the year ended December 31, 2020. The one-time special distribution to the pre-existing unitholders of ECREIT was added back for the year ended December 31, 2019.

⁽²⁾ Excludes interest with respect to leases, distributions to ERES non-controlling unitholders, and holders of Exchangeable LP Units.

⁽³⁾ Non-discretionary property capital investments for the years ended December 31, 2020 and 2019 are based on the actual annual 2020 and annual 2019, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the table on the next page.

⁽⁴⁾ Comprises tenant inducements and direct leasing costs.

⁽⁵⁾ Includes amortization of deferred financing costs, CMHC premiums, deferred loan costs and fair value adjustments. The adjustment in 2020 includes \$9.4 million of expensed prepaid CMHC premiums relating to mortgages refinanced in prior years and \$5.0 million of expensed CMHC premiums relating to mortgages refinanced during the year ended December 31, 2020.

⁽⁶⁾ Relates to expensed transaction costs associated with the Acquisition.

⁽⁷⁾ This calculation is based on the weighted average ownership held by ERES non-controlling unitholders.

⁽⁸⁾ Represents \$1.2 million of income tax expenses on the disposition of a German investment property for the year ended December 31, 2020.

⁽⁹⁾ Certain 2019 comparative figures have been adjusted to conform with current period presentation.