CAPREIT Reports Another Solid Year in 2021

TORONTO, ONTARIO, (Globe Newswire) – February 23, 2022 -- 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, 2021.

HIGHLIGHTS:

For the Year Ended December 31,		**2021**		**2020**
Portfolio Performance				
Overall portfolio occupancy [1]		**98.1 %**		97.5 %
Overall portfolio net Average Monthly Rents [1], [2]	**$**	**1,149**	$	1,121
Operating revenues (000s)	**$**	**933,137**	$	882,643
Net Operating Income ("NOI") (000s)	**$**	**609,993**	$	578,171
NOI margin		**65.4 %**		65.5 %
Financial Performance				
Normalized Funds from Operations ("NFFO") (000s) [3]	**$**	**402,194**	$	388,958
NFFO per Unit – basic [3]	**$**	**2.318**	$	2.273
Cash distributions per Unit	**$**	**1.409**	$	1.380
FFO payout ratio [3]		**62.6 %**		61.4 %
NFFO payout ratio [3]		**61.0 %**		61.0 %
Liquidity and Leverage				
Total debt to gross book value [1]		**36.12 %**		35.54 %
Total debt to gross historical cost [1]		**52.26 %**		50.11 %
Weighted average mortgage interest rate [1]		**2.47 %**		2.56 %
Weighted average mortgage term (years) [1]		**5.65**		5.76
Debt service coverage (times) [4]		**1.97**		2.01
Interest coverage (times) [4]		**4.02**		3.95
Available liquidity – Acquisition and Operating Facility (000s) [1]	**$**	**384,510**	$	627,997
Cash and cash equivalents (000s) [1]	**$**	**73,411**	$	121,722

(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 International Financial Reporting Standards ("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.

For the Year Ended December 31,		**2021**		**2020**
Other Measures				
Weighted average number of Units - basic (000s)		**173,508**		171,123
Number of residential suites and sites acquired [1]		**3,744**		3,262
Number of suites disposed		**593**		194
Closing price of Trust Units on the TSX [2]	**$**	**59.96**	$	49.99
Market capitalization (millions) [2]	**$**	**10,539**	$	8,639

(1) Includes a 50% interest in 787 suites.

(2) As at December 31.

SUMMARY OF YEAR END 2021 RESULTS OF OPERATIONS

Key Transactions and Events

- CAPREIT continues to invest in accretive opportunities with total acquisitions for the year ended December 31, 2021 amounting to $805 million comprised of interests in 3,245 suites and sites located in Canada, and $249 million comprised of 499 suites located in the Netherlands
- During the year, CAPREIT completed another buyout of an operating lease in midtown Toronto, Ontario for a net purchase price of $4.5 million. As of December 31, 2021, CAPREIT has two remaining operating leases
- Total dispositions for the year ended December 31, 2021 of $143 million, which included 592 suites located in Ontario and one single family home located in the Netherlands

Strong Operating Results

- Consistent with prior year, 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, 2021 increased by 5.9% on 21.8% of the Canadian portfolio, compared to an increase of 7.9% on 18.7% of the Canadian portfolio for the year ended December 31, 2020
- Net AMR for the stabilized portfolio as at December 31, 2021 increased by 1.9% compared to December 31, 2020, while occupancies increased to 98.1% compared to 97.6% as at December 31, 2020
- NOI margin for the total portfolio decreased slightly to 65.4% for the year ended December 31, 2021 from 65.5% for the year ended December 31, 2020
- NFFO per unit was up 2.0% for the year ended December 31, 2021 compared to last year

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with $384.5 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 2022, excluding financings on acquisitions
- CAPREIT closed mortgage refinancing of $1,023.4 million for the year ended December 31, 2021, with top-ups of $502.0 million with a weighted average term to maturity of 8.0 years and a weighted average interest rate of 1.97%, and discharges of $86.8 million
- For the year ended December 31, 2021, the fair value of investment properties increased by $2,101.3 million. Excluding the impact of net acquisitions, operating lease buyout and foreign exchange, the fair value of investment properties increased by $1,374.5 million for the year ended December 31, 2021

"Despite operating for a full year under the COVID-19 pandemic, we continued to grow our portfolio, move to near-full occupancy and, working with our residents, achieve modest increases in average monthly rents. With these significant achievements and the continuing strong fundamentals in the Canadian rental residential sector, we generated another year of resilient performance in 2021, a testament to our experienced team, our proven operating platform, and the success of our asset allocation strategy," commented Mark Kenney, President and CEO. "Looking ahead, as we hopefully soon emerge from the challenging operating conditions of the past two years, we will see further opportunities to generate enhanced value for our Unitholders."

OPERATIONAL AND FINANCIAL RESULTS

Portfolio Net Average Monthly Rents

As at December 31,	Total Portfolio				Properties Owned Prior to December 31, 2020			
	2021		2020		2021		2020	
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Average residential suites	$ 1,321	98.6	$ 1,293	97.9	$ 1,316	98.7	$ 1,292	98.0
Average MHC sites	$ 396	95.8	$ 390	95.8	$ 396	95.7	$ 390	95.8
Overall portfolio average	$ 1,149	98.1	$ 1,121	97.5	$ 1,140	98.1	$ 1,119	97.6

The rate of growth in stabilized Net AMR has been primarily due to (i) rental increases on turnover in the rental markets of Ontario, British Columbia and Nova Scotia, (ii) rental increases on renewals where permissible, and (iii) strengthening occupancy rates in Alberta and Nova Scotia. Weighted average gross rent per square foot for Canadian residential suites was approximately $1.65 as at December 31, 2021, a small improvement from December 31, 2020.

Canadian Portfolio

For the Three Months Ended December 31,	2021			2020		
	Change in monthly rent		Turnovers and Renewals [(1)]	Change in monthly rent		Turnovers and Renewals [(1)]
	$	%	%	$	%	%
Suite turnovers	**119.5**	**8.6**	**5.2**	84.0	5.9	5.4
Lease renewals	**16.4**	**1.4**	**8.1**	24.2	1.8	27.2
Weighted average of turnovers and renewals	**56.7**	**4.2**		34.1	2.5	

For the Year Ended December 31,	2021			2020		
	Change in monthly rent		Turnovers and Renewals [(1)]	Change in monthly rent		Turnovers and Renewals [(1)]
	$	%	%	$	%	%
Suite turnovers	**80.9**	**5.9**	**21.8**	106.7	7.9	18.7
Lease renewals	**15.6**	**1.4**	**39.8**	16.7	1.3	86.5
Weighted average of turnovers and renewals	**38.7**	**3.0**		32.7	2.5	

(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

For the Three Months Ended December 31,	2021			2020		
	Change in monthly rent		Turnovers and Renewals [(1)]	Change in monthly rent		Turnovers and Renewals [(1)]
	€	%	%	€	%	%
Suite turnovers	**165.0**	**18.5**	**3.0**	105.2	12.3	3.5
Lease renewals	**—**	**—**	**—**	—	—	—
Weighted average of turnovers and renewals	**165.0**	**18.5**		105.2	12.3	

For the Year Ended December 31,	2021			2020		
	Change in monthly rent		Turnovers and Renewals [(1)]	Change in monthly rent		Turnovers and Renewals [(1)]
	€	%	%	€	%	%
Suite turnovers	**140.0**	**16.1**	**13.9**	82.4	9.3	14.2
Lease renewals	**22.8**	**2.3**	**54.3**	18.9	2.3	92.5
Weighted average of turnovers and renewals	**46.7**	**5.1**		27.4	3.2	

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

Estimated Net Rental Revenue Run-Rate

CAPREIT's annualized net rental revenue run-rate as at December 31, 2021 grew to $927.2 million, up 6.7% from $868.6 million. Net rental revenue net of dispositions for the 12 months ended December 31, 2021 was $873.4 million (December 31, 2020 – $831.5 million). For further discussion regarding forecasts and guidance as a result of the COVID-19 pandemic, please see Section II of the 2021 MD&A under The COVID-19 Pandemic for further details.

NOI

Stabilized properties for the year ended December 31, 2021 are defined as all properties owned by CAPREIT continuously since December 31, 2019, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2021 and 2020.

($ Thousands)	Total NOI			Stabilized NOI		
For the Three Months Ended December 31,	**2021**	**2020**	% [1]	**2021**	**2020**	% [1]
Total operating revenues	**$ 240,678**	$ 225,238	6.9	**$ 216,321**	$ 213,713	1.2
Operating expenses						
Realty taxes	**(22,280)**	(20,413)	9.1	**(19,751)**	(19,343)	2.1
Utilities	**(19,328)**	(17,912)	7.9	**(17,228)**	(16,797)	2.6
Other [2]	**(45,641)**	(38,267)	19.3	**(40,471)**	(35,836)	12.9
Total operating expenses	**$ (87,249)**	$ (76,592)	13.9	**$ (77,450)**	$ (71,976)	7.6
NOI	**$ 153,429**	$ 148,646	3.2	**$ 138,871**	$ 141,737	(2.0)
NOI margin	**63.7 %**	66.0 %		**64.2 %**	66.3 %	

($ Thousands)	Total NOI			Stabilized NOI		
For the Year Ended December 31,	**2021**	**2020**	% [1]	**2021**	**2020**	% [1]
Total operating revenues	**$ 933,137**	$ 882,643	5.7	**$ 858,499**	$ 848,546	1.2
Operating expenses						
Realty taxes	**(87,698)**	(81,596)	7.5	**(79,905)**	(78,070)	2.4
Utilities	**(68,901)**	(65,459)	5.3	**(62,913)**	(61,811)	1.8
Other [2]	**(166,545)**	(157,417)	5.8	**(151,637)**	(149,946)	1.1
Total operating expenses	**$ (323,144)**	$ (304,472)	6.1	**$ (294,455)**	$ (289,827)	1.6
NOI	**$ 609,993**	$ 578,171	5.5	**$ 564,044**	$ 558,719	1.0
NOI margin	**65.4 %**	65.5 %		**65.7 %**	65.8 %	

(1) Represents the year-over-year percentage change.
(2) Comprises R&M, wages, insurance, advertising, legal costs and bad debt.

Operating Revenues

For the three months and year ended December 31, 2021, total operating revenues for the total and stabilized portfolios increased compared to last year, due to increases in monthly rents on turnovers and renewals offset by increases in vacancy loss and in tenant allowances mainly in the Greater Toronto Area and Greater Montréal Region. 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, 2021 increased compared to the same period last year, primarily due to increased in R&M costs and utilities costs.

The stabilized operating expenses for the year ended December 31, 2021 increased primarily due to higher R&M costs in Ontario, higher overall insurance costs, realty taxes and utility costs, partially offset by lower advertising costs, and legal and collection costs. The increased R&M costs were primarily due to the increased ability to complete work given restrictions and limitations in connection with the COVID-19 pandemic were less impactful in 2021. The increased insurance costs were driven by higher insurance rates. The increased realty taxes were primarily due to the reclassification of tax recoveries from netting against realty tax expenses to increasing commercial lease revenue impacting primarily Québec. The increased utility costs were primarily driven by increased rates.

NOI Margin

For the three months ended December 31, 2021, NOI margin for the total portfolio decreased to 63.7% compared to 66.0% for the same period last year. For the year ended December 31, 2021, NOI margin for the total portfolio decreased to 65.4% compared to 65.5% for last year.

NON-IFRS FINANCIAL PERFORMANCE

For the three months ended December 31, 2021, basic NFFO per Unit decreased by 1.4% compared to the same period last year, primarily due to a 2.0% decrease in stabilized property NOI partially offset by the NOI contribution from acquisitions completed over the prior 12 months. For the year ended December 31, 2021, basic NFFO per Unit increased by 2.0% compared to last year, despite an approximate 1.4% increase in the weighted average number of units outstanding. 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, 2021, CAPREIT made property capital investments (excluding head office assets) of $297.7 million compared to $231.1 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 25, 2022, CAPREIT completed the acquisition of a six-storey 59-suite apartment and townhouse property located in downtown Kelowna, British Columbia. CAPREIT paid $29.5 million, funded by the Acquisition and Operating Facility and the assumption of a $17.1 million mortgage maturing on December 1, 2026.

On January 31, 2022, CAPREIT's IMA with IRES was terminated. As a result, CAPREIT ceased to have significant influence over IRES, and its investment in IRES will now be recognized as an investment measured at FVTPL. CAPREIT will continue to provide transition services for three months after termination for net fees of $1.5 million.

On January 31, 2022, ERES acquired a multi-residential property comprised of 45 suites located in Rijswijk, the Netherlands, for a purchase price of $27.8 million (€19.5 million). On January 26, 2022, ERES issued a $27.0 (€19.0 million) promissory note to CAPREIT, with a maturity date of July 26, 2022 and an interest rate of 1.30% per annum. The proceeds of the promissory note were used to fund the acquisition.

ADDITIONAL INFORMATION

More detailed information and analysis is included in CAPREIT's audited consolidated annual financial statements and MD&A for the year ended December 31, 2021, 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.capreit.ca.

Conference Call

A conference call hosted by Mark Kenney, President and Chief Executive Officer and Scott Cryer, Chief Financial Officer will be held Wednesday, February 24, 2022 at 9:00 am EST. The telephone numbers for the conference call are: Local/ International: (929) 526-1599, North American Toll Free: (844) 200-6205. The conference access code is 914949#.

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.capreit.ca, click on "For Investors" 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.capreit.ca. For more information about CAPREIT, its business and its investment highlights, please refer to our website at www.capreit.ca.

About CAPREIT

CAPREIT is Canada's largest publicly-traded provider of quality rental housing. CAPREIT currently owns or has interests in approximately 66,000 residential apartment suites, townhomes and manufactured housing community sites well-located across Canada, in the Netherlands with approximately $17 billion of assets under management globally. For more information about CAPREIT, its business and its investment highlights, please visit our website at www.capreit.ca, and our public disclosure which can be found under our profile at www.sedar.com.

Non-IFRS Financial Measures

CAPREIT prepares and releases unaudited condensed consolidated interim financial statements and audited consolidated annual financial statements 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 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, Adjusted Cash Generated from Operating Activities, and Net Trust Expenses (collectively, the "Non-IFRS Measures"). These Non-IFRS Measures are further defined and discussed in the MD&A released on February 23, 2022, 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. These Non-IFRS measures have been assessed for compliance with the new National Instrument 52-112 and 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, obtain financings at favourable interest rates, and the impact and continued availability of government relief programs; 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 23, 2022. The information in this press release is based on information available to management as of February 23, 2022. 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

CAPREIT	CAPREIT	CAPREIT
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Chairman	President & CEO	Chief Financial Officer
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SELECTED FINANCIAL INFORMATION

Condensed Balance Sheets

As at ($ Thousands)	December 31, 2021	December 31, 2020
Investment properties	**$ 17,101,919**	$ 15,000,591
Total assets	**17,712,973**	15,499,131
Mortgages payable	**6,100,065**	5,401,202
Bank indebtedness	**310,866**	118,553
Total liabilities	**7,313,087**	6,225,429
Unitholders' equity	**10,399,886**	9,273,702

Condensed Income Statements

	Three Months Ended December 31,		Year Ended December 31,	
($ Thousands, except per Unit amounts)	**2021**	2020	**2021**	2020
Operating revenues				
Revenue from investment properties	**$ 240,678**	$ 225,238	**$ 933,137**	$ 882,643
Operating expenses				
Realty taxes	**(22,280)**	(20,413)	**(87,698)**	(81,596)
Property operating costs	**(64,969)**	(56,179)	**(235,446)**	(222,876)
Total operating expenses	**(87,249)**	(76,592)	**(323,144)**	(304,472)
Net rental income	**153,429**	148,646	**609,993**	578,171
Trust expenses	**(12,386)**	(11,629)	**(51,366)**	(43,268)
Unit-based compensation expense	**(2,692)**	(3,673)	**(15,111)**	(5,160)
Fair value adjustments of investment properties	**568,280**	398,394	**1,048,742**	595,859
Fair value adjustments of Exchangeable LP Units	**(1,426)**	(2,584)	**(665)**	(1,230)
Fair value adjustments of investments	**5,087**	(544)	**14,088**	(3,979)
Realized loss on disposition of investment properties	**(221)**	—	**(241)**	(1,387)
Amortization of property, plant and equipment	**(2,106)**	(2,005)	**(8,250)**	(7,668)
(Loss) gain on non-controlling interest	**(10,885)**	5,362	**(38,651)**	24,478
Gain (loss) on derivative financial instruments	**15,428**	(25,914)	**50,282**	(52,672)
Interest and other financing costs	**(43,287)**	(56,604)	**(160,463)**	(164,625)
(Loss) gain on foreign currency translation	**(194)**	25,944	**(6,095)**	5,982
Other income	**12,974**	20,736	**31,713**	29,990
Net income before income taxes	**682,001**	496,129	**1,473,976**	954,491
Current and deferred income tax expense	**(37,042)**	(11,171)	**(81,181)**	(28,563)
Net income	**$ 644,959**	$ 484,958	**$ 1,392,795**	$ 925,928
Other comprehensive (loss) income	**$ (41,587)**	$ (1,729)	**$ (113,444)**	$ 89,557
Comprehensive income	**$ 603,372**	$ 483,229	**$ 1,279,351**	$ 1,015,485

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, 2021	Three Months Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2020
Net income	**$ 644,959**	$ 484,958	**$ 1,392,795**	$ 925,928
Adjustments:				
Fair value adjustments of investment properties	**(568,280)**	(398,394)	**(1,048,742)**	(595,859)
Realized loss on disposition of investment properties	**221**	—	**241**	1,387
Remeasurement of Exchangeable LP Units	**1,426**	2,584	**665**	1,230
Remeasurement of investments	**(5,087)**	544	**(14,088)**	3,979
Remeasurement of unit-based compensation liabilities	**881**	1,828	**7,914**	(2,170)
Interest on Exchangeable LP Units	**608**	223	**1,119**	441
Deferred income tax expense [1]	**36,107**	10,633	**77,417**	26,368
Loss (gain) on foreign currency translation	**194**	(25,944)	**6,095**	(5,982)
FFO adjustment for income from investment in associate	**(7,060)**	(13,775)	**(9,271)**	(6,141)
Gain (loss) on derivative financial instruments	**(15,428)**	25,914	**(50,282)**	52,672
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	**7,752**	(8,561)	**25,895**	(37,020)
Distributions on ERES units held by non-controlling unitholders	**3,133**	3,199	**12,756**	12,542
Net FFO impact attributable to ERES units held by non-controlling unitholders [2]	**(3,955)**	(4,224)	**(17,138)**	(16,275)
Amortization of property, plant and equipment	**2,106**	2,005	**8,250**	7,668
Lease principal repayment	**(307)**	(290)	**(1,207)**	(1,157)
Prepaid CMHC Premiums write-offs [3]	**—**	14,348	**—**	14,348
Net mortgage prepayment costs [4]	**—**	4,263	**—**	4,429
FFO	**$ 97,270**	$ 99,311	**$ 392,419**	$ 386,388
Adjustments:				
Amortization of losses from (AOCL) AOCI to interest and other financing costs	**583**	674	**2,440**	2,570
Mortgage prepayment cost	**1,328**	—	**2,517**	—
Reorganization, senior management termination, and retirement costs [5]	**—**	—	**2,747**	—
Acquisition research costs [6]	**—**	—	**899**	—
IRES internalization expense impact to CAPREIT's equity pickup [7]	**1,172**	—	**1,172**	—
NFFO	**$ 100,353**	$ 99,985	**$ 402,194**	$ 388,958
NFFO per unit – basic	**$ 0.573**	$ 0.581	**$ 2.318**	$ 2.273
NFFO per unit – diluted	**$ 0.572**	$ 0.580	**$ 2.311**	$ 2.265
Total distributions declared [8]	**$ 63,668**	$ 59,600	**$ 245,479**	$ 237,103
NFFO payout ratio [9]	**63.4 %**	59.6 %	**61.0 %**	61.0 %
Net distributions paid [8]	**$ 42,826**	$ 40,794	**$ 168,728**	$ 167,982
Excess NFFO over net distributions paid	**$ 57,527**	$ 59,191	**$ 233,466**	$ 220,976
Effective NFFO payout ratio [10]	**42.7 %**	40.8 %	**42.0 %**	43.2 %

(1) The adjustment for the three months and year ended December 31, 2021 consists of $35.3 million and $76.6 million of deferred income tax expenses respectively, as well as a $0.8 million tax adjustment related to the 2019 deemed disposition of investment properties associated with the reorganization of legal structure of the Netherlands subsidiaries. The adjustment for the three months and year ended December 31, 2020 consists 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.

(2) The adjustment is based on applying the 34% weighted average ownership held by ERES non-controlling unitholders (December 31, 2020 - 34%) to ERES's FFO of $52.5 million (€35.4 million) (December 31, 2020 - $47.9 million or €31.2 million) and adjusting for $2.1 million of acquisition fees in the year ended December 31, 2021 charged by CAPREIT to ERES, which are eliminated upon consolidation.

(3) Consists of $5.0 million of expensed CMHC premiums relating to mortgages refinanced during the year ended December 31, 2020 and $9.4 million of expensed prepaid CMHC premiums relating to mortgages refinanced in prior years.

(4) Consists of non-recurring mortgage prepayment costs related to mortgages of the bought out operating leasehold properties. There costs were incurred in order to accelerate refinancing and take advantage of the favourable interest rate environment.

(5) Includes severance and other employee costs relating to reorganization, senior management termination, and retirement.

(6) Expenses included in trust expenses and related to transactions that were not completed.

(7) Represents the impact of $6.2 million (€4.2 million) of internalization expenses incurred by IRES at CAPREIT's ownership of 18.7%.

(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, 2021.

(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,**		**2021**		**2020** [9]
Cash generated from operating activities	**$**	**551,433**	$	481,356
Adjustments:				
Working capital adjustment [1]		**—**		18,116
Interest expense included in cash flow from financing activities [2]		**(133,665)**		(130,398)
Non-discretionary property capital investments [3]		**(78,006)**		(70,545)
Capitalized leasing costs [4]		**(7,471)**		(3,909)
Amortization of other financing costs [5]		**(14,574)**		(23,725)
Investment income [6]		**8,469**		11,670
Net ACFO impact attributed to ERES units held by non-controlling unitholders [7]		**(18,927)**		(12,792)
Lease principal and interest repayments		**(6,107)**		(5,664)
Tax on disposition [8]		**—**		1,155
ACFO	**$**	**301,152**	$	265,264
Total distributions declared	**$**	**245,479**	$	237,103
Excess ACFO over distributions declared	**$**	**55,673**	$	28,161
ACFO payout ratio		**81.5%**		89.4%

[1] On a quarterly basis, a review of working capital is performed to determine whether changes in prepaid expenses, 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 of European Commercial Real Estate Investment Trust ("ECREIT") on March 29, 2019 was added back for the year ended December 31, 2020.

[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 year ended December 31, 2021 and 2020 are based on the actual annual 2021 and 2020, 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.

[4] Comprises tenant inducements and direct leasing costs.

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

[6] The investment income in 2020 includes non-recurring interest earned on cash and cash equivalents. In addition, a portion of 2021 dividends from IRES to CAPREIT have not yet been received as at December 31, 2021 due to withholding taxes in Ireland.

[7] The adjustment is based on applying the 34% weighted average ownership held by ERES non-controlling unitholders (December 31, 2020 - 34%)

[8] Represents $1.2 million of income tax expense on the disposition of a German investment property for the year ended December 31, 2020.

[9] Certain 2020 comparative figures have been adjusted to conform with current period presentation.