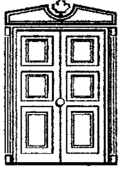
CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2009



CAPREIT

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May 12, 2009

Report to Unitholders

Our properties continued to perform well in the majority of our markets through the first quarter of 2009. Operating revenues increased 5.2% primarily due to acquisitions completed over the last year and increased overall average monthly rents, which rose to $926 at March 31, 2009.

Overall portfolio occupancy at March 31, 2009 was 97.3%, a modest decrease compared to last year due primarily to our continuing focus on improved tenant quality, combined with weaker overall market conditions in Alberta, London and Whitby, Ontario and certain short-term operational issues in Victoria, British Columbia.

Operating expenses increased to 51.7% as a percentage of operating revenues, primarily due to increased repairs and maintenance costs relating to a new garbage levy introduced in the Greater Toronto Area in late 2008 and implementation costs for recycling programs. These increases were partially offset by lower realty taxes and utility costs as a percentage of revenues. With the increase in operating costs, net operating income for the quarter was $39.7 million or 48.3% of revenues. We are pleased to have generated our thirteenth consecutive quarter of stabilized portfolio growth as NOI for properties owned at December 31, 2007 increased 0.1%.

Distributable Income ("DI") in the quarter increased to $17.0 million or $0.259 per Unit resulting in an improved payout ratio of 107.6% compared to 109.0% in the first quarter of 2008. The first quarter of the year is traditionally negatively impacted by higher energy costs incurred during the winter months. The effective DI payout ratio, which compares actual net distributions paid to DI, was 94.6%. During the period participation in CAPREIT's DRIP declined. Going forward, we believe participation will stabilize in the range of 9%.

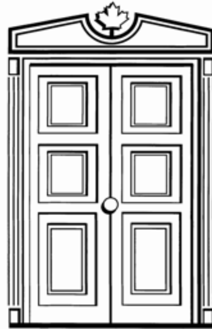
Normalized Funds From Operations ("NFFO"), which excludes the effect of the decline in the fair value of hedging instruments, which were originally put in place for interest rate protection, rose 1.9% to $16.5 million or $0.250 per Unit. The effective NFFO payout ratio was 97.8% in the quarter. We are confident that net NFFO retained on an annual basis will be more than sufficient to fund our ongoing maintenance capital expenditures. Adjusted Funds From Operations ("AFFO") increased 1.6% to $13.5 million or $0.205 per Unit, resulting in an AFFO payout ratio of 119.4%.

The ratio of total debt to gross book value remained stable at 61.84% at March 31, 2009, while our interest coverage and debt coverage ratios improved to 2.07 and 1.29 times respectively. Our mortgage renewals program for the year is continuing as planned, and we expect to complete the remaining $175.8 million of maturing mortgages at significantly lower interest rates. In addition, with $71 million of completed or committed additional financings, we are well on our way to meet our goal of raising an additional $100 million in CMHC-insured top-up financing to implement our capital investment programs.

Looking ahead, we are confident that fundamentals in the majority of our markets will remain favourable. We also expect to benefit from improved performance in regions where we experienced operating issues in the quarter, as well as significant savings in interest costs as we renew our maturing mortgages at lower rates. Most importantly, we continue to generate more than sufficient cash flow to maintain our current level of monthly cash distributions while investing in our proven value-enhancing strategies and capital investment programs.

[signed]
Thomas Schwartz
President and Chief Executive Officer

[signed]
Michael Stein
Chairman



CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THREE MONTHS ENDED MARCH 31, 2009

MAY 12, 2009

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SECTION I

FORWARD-LOOKING DISCLAIMER

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition for the three months ended March 31, 2009 and 2008 should be read in conjunction with Canadian Apartment Properties Real Estate Investment Trust's ("CAPREIT") consolidated financial statements for the period as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2008, contained in CAPREIT's 2008 Annual Report.

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving CAPREIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for CAPREIT or the real estate industry 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. These statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT 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: liquidity and price fluctuation, real property ownership, leasehold interests, income-producing properties, competition for real property investments, competition for tenants, interest rates, general economic conditions, general uninsured losses, availability of distributable income, government regulation, environmental matters, Unitholder liability, dependence on key personnel, potential conflicts of interest, tax related risks, dilution, restrictions on potential growth and reliance on credit facilities, financing and the nature of CAPREIT Units. There can be no assurance that the expectations of management of CAPREIT 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 as well as Section VII of this document. The information in this MD&A is based on information available to management as of May 12, 2009. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

OVERVIEW

CAPREIT is an unincorporated open-ended real estate investment trust created by a declaration of trust (the "Declaration of Trust") dated February 3, 1997 under the laws of the Province of Ontario, as amended on July 11, 2008. CAPREIT owns interests in multi-unit residential rental properties, including apartments, townhouses and land lease communities located in and near major urban centres across Canada. At March 31, 2009 CAPREIT had ownership interests in a portfolio that included 27,614 residential suites (CAPREIT's share – 26,459 suites), and two Ontario land lease communities comprising 1,288 sites, well diversified by geographic location and asset types. At March 31, 2009, CAPREIT had 819 employees.

On February 10, 2009, CAPREIT Limited Partnership ("CAPLP"), a subsidiary of CAPREIT, acquired ten land lease sites (eight sites near Bowmanville, Ontario and two sites in Grand Bend, Ontario) for total acquisition costs of $0.7 million, which were funded from the Land Lease Facility (note 8(b) to the consolidated financial statements).

OBJECTIVES

CAPREIT's objectives are:

- To provide Unitholders with long-term, stable and predictable monthly cash distributions.
- To grow Distributable Income, distributions and Unit value through the active management of its properties, accretive acquisitions and strong financial management.
- To continue the realization and reinvestment of capital within the property portfolio in order to maximize earnings and cash flow potential.

BUSINESS STRATEGY

To meet its objectives, CAPREIT has defined the following strategies:

Customer Service – CAPREIT recognizes that it is in a "people business," and strives to be recognized as the Landlord of Choice in all its chosen markets by providing its residents with safe, secure and comfortable homes. It takes a "hands-on" approach to managing its properties stressing open, frequent and consistent communications to ensure residents' needs are met efficiently and effectively and thereby maintain a high occupancy level. Numerous initiatives such as newsletters, special events, resident committees and other initiatives help to build a true sense of community at its properties. CAPREIT's strong sales and marketing team continues to execute innovative and highly effective strategies to help attract and retain residents. In addition, a new lease administration system has improved control of rent setting by suite, increasing resident service, and enhancing the overall profile of its resident base.

Cost Controls – While ensuring the needs of its residents are met, CAPREIT also carefully monitors operating costs to ensure it is delivering services to its residents both efficiently and cost effectively. As the portfolio grows, CAPREIT strives to capture available economies of scale and cost synergies. CAPREIT's new enterprise-wide procurement system has streamlined and centralized purchasing controls and procedures and is generating reduced cost through national master sourcing contracts, improved pricing and enhanced operating efficiencies.

Capital Investments – CAPREIT believes it acquires properties at prices significantly below their current replacement costs, and is committed to improving its operating performance by incurring appropriate capital expenditures in order to maintain the productive capacity of its property portfolio and to sustain the portfolio's rental income-generating potential over its useful life. Management is increasingly focusing its capital investments towards environment friendly and energy saving initiatives that improve overall net operating income. In addition, management will increase capital expenditures on building infrastructure improvements to improve life safety and long-term cash flow potential.

Portfolio Growth – CAPREIT will grow its portfolio over the long term through accretive acquisitions that meet its strategic criteria and enhance geographic diversification while capturing economies of scale and cost synergies, thereby increasing Net Operating Income. As a component of this growth strategy, CAPREIT will monitor its portfolio and, from time to time, identify certain non-core properties for disposal. The funds from these disposals will be used to acquire additional strategic assets better suited to CAPREIT's portfolio composition and property management objectives. Management believes the continued realization and reinvestment of capital is a fundamental component of its growth strategy, and demonstrates the success of its past investment programs and its ability to maximize and manage the earnings and cash flow potential of its property portfolio.

Financial Management – CAPREIT takes a conservative approach and strives to manage its exposure to interest rate volatility by proactively managing its mortgage debt portfolio to fix and, where possible, reduce average interest rates, effectively manage the average term to maturity and stagger maturity dates. In addition, CAPREIT strives to maintain a conservative overall liquidity position and balance its overall capital resources requirements between debt and equity.

KEY PERFORMANCE INDICATORS

To achieve its objectives, CAPREIT has defined a number of key operating and performance indicators ("KPI") to measure the success of its operating and financial strategies:

Occupancy – Management strives, through its focused hands-on approach to its business, to achieve occupancies that are in line with, or higher than, market conditions in each of the geographic regions in which CAPREIT operates while enhancing the overall profile of its resident base.

Average Monthly Rents – Through its active property management strategies, new lease administration system, and proactive capital investment programs, CAPREIT strives to achieve the highest possible average monthly rents in accordance with local market conditions.

Net Operating Income ("NOI") – This is defined as operating revenues less operating expenses. As a measure of its operating performance, CAPREIT strives to achieve an annual net operating income margin that is in the range of 53% – 54% of operating revenues.

Distributable Income ("DI"), Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO") and *Adjusted Funds From Operations ("AFFO")* – CAPREIT is focused on steady increases in these metrics on a per Unit basis. Management believes these measures, not defined by Canadian generally accepted accounting principles ("GAAP"), are indicative of CAPREIT's operating performance and capability of maintaining sustainable distributions on a per Unit basis in the future.

Payout Ratio – To help ensure it retains sufficient cash to meet its capital investment objectives, CAPREIT targets an annual DI payout ratio of between 85% and 90% of distributable income.

Portfolio Growth – Management's objective is to pursue strategic acquisitions so as to acquire between 1,500 and 2,000 suites on an annual basis, subject to market conditions and available financing.

Financing – CAPREIT takes a very proactive approach with its mortgage portfolio, ensuring it is properly positioned to manage interest expense volatility risk by achieving the lowest possible average interest rates while mitigating refinancing risk by prudently managing the portfolio's average term to maturity and staggering the maturity dates. For this purpose, CAPREIT ensures that its overall leverage rates and interest and debt coverage ratios are at a sustainable level. In addition, CAPREIT focuses on ensuring capital adequacy by maintaining compliance with investment and debt restrictions in its Declaration of Trust and its financial covenants in its Credit Agreement (see Bank Indebtedness and Credit Facilities).

PERFORMANCE MEASUREMENTS

On the following page is an overview of the key financial, GAAP and non-GAAP, measures and operational results of CAPREIT for the first three months of 2009 and 2008, in order to assess CAPREIT's performance vis-à-vis its objectives, business strategy and KPIs to facilitate comparison with its peers. During this period, monthly cash distributions declared to its Unitholders remained steady at $0.09 per Unit.

Three Months Ended March 31,		2009		2008
Overall Portfolio Occupancy (%)		97.3		98.3
Overall Portfolio Average Monthly Rents	$	926	$	913
NOI Margin (%)		48.3		49.2
Net (Loss) Income Per Unit - Basic	$	(0.068)	$	0.220
DI Per Unit - Basic	$	0.259	$	0.255
FFO Per Unit - Basic	$	0.238	$	0.248
NFFO Per Unit - Basic	$	0.250	$	0.248
AFFO Per Unit - Basic	$	0.205	$	0.204
Debt Coverage (times)[(1)]		1.29		1.28
Interest Coverage (times)[(1)]		2.07		1.98
Total Debt to Gross Book Value Ratio (%)		61.84		60.03
Cash Distributions Per Unit	$	0.270	$	0.270
DI Payout Ratio (%)		107.6		109.0
NFFO Payout Ratio (%)		111.3		112.1
AFFO Payout Ratio (%)		119.4		110.2
Number of Suites and Sites Acquired		10		143
Weighted Average Mortgage Interest Rate (%)		5.27		5.36
Weighted Average Mortgage Term (years)		4.9		5.3
Closing Price of CAPREIT Units	$	12.50	$	15.87
Market Capitalization ($ millions)[(2)]	$	853	$	1,066

(1) For the four quarters ended March 31.
(2) Defined as the closing price of the Units for the last trading date of the period times the number of Units outstanding on that date.

PROPERTY PORTFOLIO

CAPREIT's property portfolio continues to be well diversified by geography and balanced among asset types and demographic segments. Management's long-term goal is to further enhance the geographic diversification and defensive nature of its portfolio through future acquisitions.

Portfolio by Asset Type

As at March 31,	2009	%	2008	%
Affordable	3,638	12.6	3,638	13.1
Mid-tier	14,711	50.9	13,783	49.9
Luxury	9,265	32.1	8,945	32.4
Total Residential Suites	27,614	95.6	26,366	95.4
Land Lease Sites	1,288	4.4	1,258	4.6
Total Residential Suites and Land Lease Sites	28,902	100.0	27,624	100.0

Portfolio by Geography

As at March 31,	2009	%	2008	%
Ontario				
Greater Toronto Area	14,178	49.1	13,394	48.5
Ottawa	1,527	5.3	1,527	5.5
London/Kitchener/Waterloo	1,482	5.1	1,482	5.4
Other Ontario	1,470	5.1	1,470	5.3
Ontario Residential Suites	18,657	64.6	17,873	64.7
Land Lease Sites	1,288	4.4	1,258	4.6
Ontario Residential Suites and Land Lease Sites	19,945	69.0	19,131	69.3
Quebec				
Montreal	2,545	8.8	2,545	9.2
Quebec City	1,909	6.6	1,756	6.4
	4,454	15.4	4,301	15.6
Nova Scotia				
Halifax	1,083	3.7	1,083	3.9
Alberta				
Edmonton	310	1.1	310	1.1
Calgary	1,070	3.7	1,070	3.9
	1,380	4.8	1,380	5.0
Saskatchewan				
Saskatoon	133	0.4	133	0.5
Regina	108	0.4	108	0.4
	241	0.8	241	0.9
British Columbia				
Greater Vancouver Region	1,291	4.5	1,117	4.0
Victoria	508	1.8	371	1.3
	1,799	6.3	1,488	5.3
Total Residential Suites	27,614	95.6	26,366	95.4
Total Residential Suites and Land Lease Sites	28,902	100.0	27,624	100.0

Through accretive acquisitions and non-core property dispositions, CAPREIT continues to enhance the geographic diversification of its residential suites portfolio. In the first three months of 2009, CAPREIT acquired 10 additional land lease sites, at the Bowmanville and Grand Bend communities, for total acquisition costs of $0.7 million. During 2008, CAPREIT acquired 1,391 residential suites and 20 land lease sites for total acquisition costs of approximately $119.8 million and, pursuant to its strategy to dispose of non-core assets from time to time, sold 1,630 residential suites for total sales price of $127.7 million.

Over the past three years, CAPREIT has increased its presence in markets with higher growth potential and also acquired two land lease communities while maintaining its strong presence in the Ontario residential suite market. Strategic acquisitions in Ontario were made in 2008 to capitalize on its established infrastructure, and while management continues to target growth in markets outside Ontario, it continues to believe its Ontario portfolio will benefit Unitholders as the province's residential market continues to be stable. The geographic diversification of its portfolio also enables CAPREIT to mitigate the risks arising from the downturn in specific markets due to current economic conditions.

Portfolio Average Monthly Rents and Occupancy (Asset Type)

	Total Portfolio				Properties Owned Prior to March 31, 2008				Properties Acquired Since March 31, 2008	
As at March 31,	**2009**		**2008**		**2009**		**2008**		**2009**	
	Avg. Mthly Rents	**Occ. %**	**Avg. Mthly Rents**	**Occ. %**	**Avg. Mthly Rents**	**Occ. %**	**Avg. Mthly Rents**	**Occ. %**	**Avg. Mthly Rents**	**Occ. %**
Affordable	$ 838	97.6	$ 826	97.6	$ 838	97.6	$ 826	97.6	$ -	-
Mid-tier	$ 892	96.8	$ 884	98.3	$ 891	96.7	$ 884	98.3	$ 897	99.4
Luxury	$ 1,057	97.5	$ 1,037	98.3	$ 1,052	97.4	$ 1,037	98.3	$ 1,222	98.1
Average Residential Suites	$ 942	97.1	$ 929	98.2	$ 940	97.1	$ 929	98.2	$ 987	99.0
Average Land Lease Sites	$ 598	99.8	$ 592	99.6	$ 598	99.8	$ 592	99.6	$ -	-
Overall Portfolio Average	$ 926	97.3	$ 913	98.3	$ 924	97.2	$ 913	98.3	$ 987	99.0

Average monthly rents are defined as actual residential rents, net of vacancies, divided by the total number of suites in the property and do not include revenues from parking, laundry or other sources.

Average monthly rents increased in most sectors of the residential suite portfolio resulting in a 1.4% increase in overall average monthly rents as at March 31, 2009 to $926, compared to $913 last year. Average monthly rents for the properties owned prior to March 31, 2008 also increased at March 31, 2009 to $924 from $913 at March 31, 2008, with solid gains of up to 1.5% in all segments of the portfolio. The occupancy at March 31, 2009 for the residential suite portfolio decreased to 97.1% from 98.2% in the prior year due primarily to weaker market conditions and certain operational issues in specific geographic regions as discussed below. The average monthly rents and occupancies for the land lease portfolio continue to remain very strong since acquisition.

Suite turnovers in the residential suite portfolio (excluding co-ownerships) decreased during the first three months of 2009 and CAPREIT generated increases of approximately $11 or 1.2% in average monthly rents compared to $14 or 1.4% in the prior year. Average monthly rents increased on lease renewals by approximately $23 or 2.3% compared to $24 or 2.6% last year. Management believes that, as occupancies in the portfolio strengthen and the market for rental accommodation improves, CAPREIT will generate additional rent increases on both turnover and lease renewals.

Portfolio Average Monthly Rents and Occupancy (By Geography)

As at March 31,	2009		2008	
	Average Monthly Rents	Occ. %	Average Monthly Rents	Occ. %
Ontario				
Greater Toronto Area	$ 1,050	97.7	$ 1,034	97.9
Ottawa	827	99.8	802	99.7
London/Kitchener – Waterloo	795	95.7	803	98.3
Other Ontario	915	97.3	920	99.4
	$ 1,007	97.7	$ 994	98.2
Quebec				
Montreal	$ 634	95.4	$ 633	97.1
Quebec City	771	98.5	723	98.9
	$ 693	96.7	$ 670	97.8
Nova Scotia				
Halifax	$ 973	97.5	$ 947	98.5
Alberta				
Edmonton	$ 1,005	93.5	$ 941	96.1
Calgary	1,035	92.4	1,051	97.9
	$ 1,028	92.7	$ 1,026	97.5
Saskatchewan				
Saskatoon	$ 741	99.2	$ 632	98.5
Regina	834	99.1	752	100.0
	$ 783	99.2	$ 686	99.2
British Columbia				
Greater Vancouver Region	$ 916	97.7	$ 910	99.7
Victoria	693	89.4	748	99.5
	$ 853	95.3	$ 869	99.7
Total Residential Suites	$ 942	97.1	$ 929	98.2
Land Lease Sites	$ 598	99.8	$ 592	99.6
Total Residential Suites and Land Lease Sites	$ 926	97.3	$ 913	98.3

Overall average occupancy decreased from 98.3% to 97.3% due to a continuing focus on tenant quality combined with operational issues in certain markets and with weak demand in other markets as summarized below:

- Operational issues in the Victoria market resulted in increased vacancies due to poor tenant quality, which is in the process of being stabilized.
- Very weak general market conditions in the Alberta region combined with aggressive rent discounting and tenant inducements by competitors, resulted in a 4.8% drop in occupancies, despite a slight overall net increase in average monthly rent. This situation is likely to continue over the near term and average monthly rents will potentially decline, despite a stabilization in occupancies.
- Slightly soft market conditions in certain Other Ontario markets, including Whitby and London, resulted in increased vacancies and lower rents which are in the process of being stabilized.
- Seasonal impacts in the Halifax market resulted in higher vacancies although overall average monthly rents did increase.

Despite lower occupancies in certain markets, overall average monthly rents for the residential suite portfolio increased by approximately 1.4% for the first three months of 2009 as compared to the same period last year. Management believes that annual occupancies can be stabilized in the 98% range and the trend for annual increases in average monthly rents will continue, providing the basis for sustainable year-over-year increases in revenue going forward.

Management also believes the defensive characteristics of its national portfolio and its ongoing strategies to further diversify among Canada's major rental markets and by property type will continue to protect Unitholders from downturns in any specific geographic region or demographic group resulting from job losses and financial difficulty in meeting rental obligations.

SECTION II

RESULTS OF OPERATIONS

Three Months Ended March 31, ($ Thousands)		**2009**	**%**		**2008**	**%**
Operating Revenues	$	82,198	100.0	$	78,104	100.0
Operating Expenses						
Realty Taxes		10,906	13.3		10,612	13.6
Utilities		15,053	18.3		14,695	18.8
Other		16,511	20.1		14,376	18.4
Total Operating Expenses		42,470	51.7		39,683	50.8
Net Operating Income	$	39,728	48.3	$	38,421	49.2

Management believes Net Operating Income ("NOI"), a non-GAAP measure, is a key indicator of operating performance in the real estate industry. NOI includes all rental revenues generated at the property level, less related direct costs such as utilities, realty taxes, insurance, repairs and maintenance and on-site wages and salaries. It may not, however, be comparable to similar measures presented by other real estate trusts or companies.

Operating Revenues

Total operating revenues increased by 5.2% in first three months of 2009 compared to last year primarily due to acquisitions completed in 2008 as well as increased average monthly rents, partially offset by reduced occupancy for the total portfolio compared to last year. CAPREIT increased average monthly rents in the residential portfolio to $942 at March 31, 2009 compared to $929 last year while occupancy was 97.1% compared to 98.2% last year. Overall operating revenues were also favourably impacted by continuing increases in ancillary income including parking revenues as a result of improved utilization and enforcement. As CAPREIT continues to enhance the profile of its resident base and increase the level of service to its residents, it expects to realize future growth in operating revenues.

Overall vacancies, bad debts and tenant inducements as a percentage of operating revenues rose to 4.6% of revenues for the three months ended March 31, 2009 compared to 4.1% in the prior year. The increase is due to challenging economic conditions and certain operational issues in specific geographic markets as discussed above.

Operating Expenses

Operating expenses for the three months ended March 31, 2009 rose in comparison to last year primarily due to the increase in the size of the property portfolio resulting from acquisitions completed over the past twelve months. Overall operating expenses as a percentage of operating revenues increased slightly in comparison to last year, primarily due to the following factors:

- Realty taxes as a percentage of revenues decreased slightly from 13.6% to 13.3% due to the enhanced diversification of the portfolio in regions with lower taxation rates.
- Utility costs as a percentage of revenues decreased from 18.8% to 18.3% despite a colder winter, due to CAPREIT's energy management strategies, which include various energy savings programs combined with lower gas and hydro prices resulting from its proactive strategy of locking in future prices where possible.

- Other operating expenses as a percentage of revenues increased to 20.1% in the first quarter of 2009 compared to 18.4% last year. Other operating expenses include repairs and maintenance (“R&M”), wages and benefits, insurance, advertising, etc. R&M costs include $0.5 million ($0.008 per Unit) relating to a new garbage levy introduced in the Greater Toronto Area (“GTA”) in late 2008 and implementation costs for waste recycling programs.

NET OPERATING INCOME

Three Months Ended March 31, ($ Thousands)	**2009**			**2008**				
	NOI	**NOI as % of Revenues**	**% of Total NOI**	**NOI**	**NOI as % of Revenues**	**% of Total NOI**	**Change in NOI $**	**%**
Ontario	$ 27,317	47.0	68.8	$ 26,695	47.8	69.5	$ 622	2.3
Quebec	4,217	43.7	10.6	4,091	45.7	10.6	126	3.1
Alberta	2,957	55.6	7.4	2,811	58.8	7.3	146	5.2
British Columbia	2,955	57.2	7.4	2,797	58.4	7.3	158	5.7
Nova Scotia	2,027	59.7	5.1	1,810	55.7	4.7	217	12.0
Saskatchewan	255	45.3	0.7	217	44.0	0.6	38	17.5
	$ 39,728	48.3	100.0	$ 38,421	49.2	100.0	$ 1,307	3.4

Overall NOI improved by $1.3 million or 3.4% through the first quarter of 2009 while the NOI margin decreased to 48.3% as compared to 49.2% in the prior year. While CAPREIT increased NOI in all of its markets through 2009, it continues to be focused on improving overall NOI through a combination of its successful sales and marketing strategies to improve revenues while investing in capital programs to further reduce utility costs and enhance the quality and value of its portfolio.

Ontario:

As a result of CAPREIT’s efforts to enhance the diversification of its total portfolio, the Ontario portfolio represented 68.8% of total NOI for 2009 compared to 69.5% in the prior year. Despite this decrease, the NOI contribution from the Ontario portfolio increased 2.3%. The decline in the NOI margin was primarily due to higher R&M expenditures related to the garbage levy in the GTA as outlined above. Management believes the Ontario portfolio will remain stable and generate steady returns in future quarters, as operating expense control measures for garbage recycling and energy improvement programs are implemented.

Quebec:

NOI as a percentage of total NOI remained stable at 10.6% of total NOI. Primarily due to new residential suites acquired in late 2008, the NOI contribution increased 3.1% compared to last year. The NOI margin decreased to 43.7% from 45.7% last year, primarily due to increased R&M expenditures. CAPREIT believes the Quebec rental market will remain stable during the current economic slowdown.

Alberta:

The Alberta market has deteriorated significantly in 2009 resulting in a sharp increase in vacancies. Despite this situation, the overall contribution to NOI increased 5.2% to 7.4% of total NOI from 7.3% last year, while the NOI margin decreased to 55.6% from 58.8% for last year. Management believes that the Alberta market will continue to be very weak over the near term, however, the overall exposure to CAPREIT will be minimal as only 4.8% of its overall residential suite portfolio is located in the province.

British Columbia:

Due to the acquisitions completed in Vancouver and Victoria in 2008, combined with increased average monthly rents in the Vancouver market and despite reductions in occupancies in the Victoria market, the NOI contribution from the British Columbia portfolio increased 5.7% to 7.4% of total NOI from 7.3% last year. The NOI margin decreased to 57.2% from 58.4% last year primarily due to the increased vacancies in the Victoria market. With its growth in the region, CAPREIT has established an infrastructure and critical mass to build its presence and improve its performance in this market going forward.

Management believes that with the ongoing stabilization of occupancies, this portfolio will continue to generate improved returns in future quarters.

Nova Scotia:

Increased average monthly rents in Nova Scotia resulted in the NOI margin improving to 59.7% from 55.7% last year. Management believes its presence primarily in downtown locations will serve to maintain stable occupancies and average monthly rents going forward.

Saskatchewan:

The Regina and Saskatoon markets continue to perform well with stable occupancies and increased average monthly rents compared to last year. As a result, the NOI contribution increased by 17.5%, while the NOI margin increased to 45.3% from 44.0% last year. The province's economy remains strong, and CAPREIT believes it is well positioned to maintain solid occupancies and average monthly rents in the province over the long term.

STABILIZED PORTFOLIO PERFORMANCE

Three Months Ended March 31,	**2009**	**2008**
Stabilized Suites	26,748	26,748
Operating Revenues ($ millions)	$ 79.0	$ 77.7
Net Operating Income ($ millions)	$ 38.2	$ 38.2
Net Operating Income Margin (%)	48.4	49.1
Change in Operating Revenues (%)	1.6	
Change in Operating Costs (%)	(3.0)	
Change in NOI (%)	0.1	

Stabilized properties for the three months ended March 31, 2009 are defined as all properties owned by CAPREIT as at December 31, 2007 and, therefore, do not take into account the impact on performance of acquisitions completed during 2009 and 2008.

As of March 31, 2009, CAPREIT has generated 13 consecutive quarters of stable or improved stabilized NOI growth. In the first quarter of 2009, operating revenues increased 1.6% and operating costs increased 3.0%, resulting in stabilized NOI for the quarter increasing marginally by 0.1%. As noted earlier (see Results of Operations), a garbage levy was introduced in late 2008 in the GTA which negatively impacted results. The stabilized NOI margin decreased to 48.4% for the first three months of 2009 compared to 49.1% in the same period last year. Excluding these costs, operating costs would have increased by 1.8%, NOI margin would have been 49.0% and NOI would have been 1.4% higher for the first three months of 2009 compared to the same period last year.

For properties acquired since December 31, 2007 (comprising 1,009 suites and sites in 2009 as compared to 143 suites and sites in 2008), the NOI margin was 54.1% for the first three months of 2009 as compared to 48.8% last year. The non-stabilized portfolio comprises acquisitions completed recently in higher profitability markets.

NET (LOSS) INCOME

Three Months Ended March 31, ($ Thousands, except per Unit amounts)		**2009**		**2008**
Net Operating Income	$	39,728	$	38,421
Less: Trust Expenses		3,572		2,976
Mortgage Interest		18,874		18,565
Interest on Bank Indebtedness		801		874
Other Income		(465)		(474)
Subtotal	$	16,946	$	16,480
Less: Depreciation		18,975		17,450
Amortization		822		779
Loss From Continuing Operations Before Other Costs and Income Taxes		(2,851)		(1,749)
Reorganization Costs		-		(1,205)
Unrealized Loss on Derivative Financial Instruments		(845)		-
(Provision for) Recovery of Future Income Taxes		(803)		103
Loss From Continuing Operations		(4,499)		(2,851)
Income From Discontinued Operations		-		17,214
Net (Loss) Income	$	(4,499)	$	14,363
Net Loss Per Unit From Continuing Operations – Basic and Diluted	$	(0.068)	$	(0.044)
Net Income Per Unit From Discontinued Operations – Basic and Diluted	$	-	$	0.264
Net (Loss) Income Per Unit - Basic and Diluted	$	(0.068)	$	0.220
Weighted Average Number of Units (000s) – Basic		65,770		65,243
Weighted Average Number of Units (000s) – Diluted		65,854		65,381

Depreciation and Amortization

CAPREIT depreciates its properties on a straight-line basis over their estimated useful lives, not exceeding 40 years. Depreciation expense increased in 2009 due to new acquisitions as well as capital expenditures incurred for the property portfolio.

Amortization expense in 2009 remained stable at $0.8 million in comparison to last year.

Trust Expenses

Trust expenses include costs directly attributable to head office, such as salaries, trustee fees, professional fees for legal and accounting services, trustees' and officers' insurance premiums, and other general and administrative expenses. Trust expenses increased by $0.6 million to $3.6 million from $3.0 million and as a percentage of revenues increased to 4.3% compared to 3.8% last year mainly due to higher compensation, legal and consulting costs. Management believes it has built an operating platform sufficient to manage the strong growth it expects to generate in the future.

Interest on Mortgages and Bank Indebtedness

Mortgage interest expense increased slightly in 2009 due to new debt associated with the acquisition of properties during 2008 as well as mortgage renewals and top up mortgage financings completed during the year. Mortgage interest expense as a percentage of operating revenues decreased to 23.0% in 2009 compared to 23.8% in the prior year primarily due to lower interest rates.

Interest on bank indebtedness relates to borrowings under CAPREIT's Acquisition and Operating Facilities and CAPLP's Land Lease Facility. The interest cost for the three months ended March 31, 2009 decreased to $0.8 million from $0.9 million in the prior year primarily due to lower interest rates. The weighted average interest rate for the Acquisition and Operating Facilities was 2.26% at March 31, 2009 compared to 5.25% for the same period in 2008. At March 31, 2009, the weighted average interest rate for the Land Lease Facility was 1.65% as compared to 4.39% for the same period last year.

The interest coverage ratio (defined as earnings before interest, depreciation, amortization, income taxes, other and non-cash compensation costs divided by interest expense) for the last four quarters improved to 2.07 times for the four quarters ended March 31, 2009 compared to 1.98 times for the same period last year.

Other Income

Other income includes interest, dividends and other (see notes 2(g) and 5 to the consolidated financial statements).

Reorganization Costs

These costs represent amounts incurred in 2008 to complete the reorganization of CAPREIT's capital structure and include exclusively legal, accounting and tax consulting involved with the following:

- Setting up of CAPLP and the issuance of CAPLP Units exchangeable into CAPREIT Units.
- Conversion from closed-end to an open-end trust structure including changes to the Declaration of Trust.
- Transfer of beneficial interest in all the properties, mortgage debt and trust debt obligations from CAPREIT to CAPLP.

In accordance with Canadian generally accepted accounting principles, CAPREIT has expensed these reorganization costs. These costs have been added back for the calculation of Distributable Income and Funds From Operations (as explained in later sections), as they do not impact the determination of CAPREIT's ongoing capacity to pay distributions to the Unitholders or in the measurement of its operating performance.

Unrealized Loss on Derivative Financial Instruments

During 2005, CAPREIT entered into interest rate forward contracts aggregating to $145.7 million to hedge its exposure to the potential rise in interest rates for refinancings of mortgages maturing in 2009. These contracts assumed mortgage renewals would match the terms of the interest rate forward contracts ranging from 5.5 to 13 years and extended the terms for specific mortgages to between 2014 and 2022.

These contracts were previously classified as cash flow hedges (see note 2(h) to the consolidated financial statements), to which hedge accounting treatment was applied, as we satisfied the hedging criteria identified in Section 3865, Hedges, of the Canadian Institute of Chartered Accountants ("CICA") Handbook until September 30, 2008. Accordingly, the unrealized loss on these contracts aggregating to $5.6 million as at January 1, 2007, the effective date of implementation of Section 3865, was recorded in Accumulated Other Comprehensive Loss ("AOCL"). In addition, the cumulative changes resulting from mark-to-market valuations during the period January 2, 2007 to September 30, 2008, aggregating to $4.3 million, have been reflected in Other Comprehensive Loss ("OCL") and AOCL and the corresponding liability set up.

Due to the continuing constraints in the availability and significantly higher spreads for long-term mortgage financing, combined with the changed global economic circumstances and weakness in current credit markets, CAPREIT does not contemplate completing the anticipated refinancings for the same maturity terms and amortization periods as per the interest rate forward contracts. Accordingly during the last quarter of 2008, management determined that the criteria for hedge accounting treatment was no longer satisfied and hedge accounting ceased on September 30, 2008, the last date for effectiveness testing.

In accordance with Section 3865, the unrealized loss resulting from mark-to-market valuation on these contracts aggregating to $0.9 million for the quarter ending March 31, 2009 has been recognized in the consolidated statement of operations and comprehensive loss. The corresponding liability for the cumulative changes resulting from mark-to-market valuations aggregating to $28.4 million has been set up in accounts payable and other liabilities. It is management's intention to terminate these contracts on or before their maturity dates in 2009 (see Subsequent Event).

CAPREIT monitors its exposure regarding these obligations with counterparties (mainly Canadian chartered banks) through the regular assessment of counterparties' credit positions.

Future Income Taxes

CAPREIT uses the liability method of accounting for future income taxes. The provision for future income taxes aggregating to $64.8 million represents the cumulative amount of taxes applicable to temporary differences, between the carrying amount of assets and liabilities and their carrying amounts for tax purposes that are expected to reverse on or after January 1, 2011. The change in the future income tax liability has been recorded as a provision to the consolidated statement of operations and comprehensive loss in the amount of $0.8 million for the first three months of 2009 (2008 – $(0.1) million) and to Other Comprehensive Loss for $0.8 million (2008 – $nil) relating to the unrealized loss on derivative financial instruments and interest rate swap agreements. Future income taxes are measured at the tax rates expected to apply in the future when temporary differences reverse. (Also see Taxation of Income Trusts and note 9 to the consolidated financial statements.)

Gain on Sale of Assets

One of CAPREIT's key performance objectives is to maximize the earnings and cash flow potential from its operating properties and from time to time dispose of non-core properties. During the first quarter of 2008, CAPREIT completed the sales of twelve non-core properties, resulting in a gain on sale of approximately $17.1 million ($0.262 per Unit). Management believes the gain demonstrates its success in enhancing the value of its properties primarily through its active property management and capital investment programs thereby facilitating the continued realization and reinvestment of its capital to implement its growth strategy.

OTHER COMPREHENSIVE LOSS

Included in Other Comprehensive Loss are the following:

i) *Unrealized loss on derivative financial instruments*: as stated earlier, it is management's intention to terminate the interest rate forward contracts previously classified as cash flow hedges (see Unrealized Loss on Derivative Financial Instruments). The unrealized loss of $4.3 million on these contracts resulting from mark-to-market valuations for the period January 2, 2007 to September 30, 2008 (the date hedge accounting ceased) has been recognized in OCL. The unrealized loss on these contracts aggregating to $5.6 million as at January 1, 2007, the effective date of implementation of Section 3865, was recorded in AOCL. The cumulative loss on these contracts aggregating to $9.9 million (before provision for taxes) will be amortized to the statement of operations and comprehensive loss in the same periods to which the hedge items affect earnings.

ii) *Unrealized loss on interest rate swap agreements*: this represents the cumulative mark-to-market loss on an interest rate swap agreement entered into in July 2007 which effectively converts borrowings on a BA-based floating rate credit facility to a five-year fixed rate facility for $55 million for a five-year term. The difference between the effective all-in fixed interest rate and corresponding three-month BA rate is adjusted to interest expense every quarter. This interest rate swap agreement has been assessed as an effective hedge as per Section 3865, Hedges. The cumulative mark-to-market loss will reverse over the remaining term of the interest rate swap agreement.

iii) *Change in fair value of investments*: this represents the cumulative mark-to-market gain (loss) for the year on investments accounted for as available-for-sale (see note 2(g) to the consolidated financial statements).

SECTION III

CAPITAL INVESTMENTS

On February 10, 2009, CAPLP acquired ten additional land lease sites (eight sites near Bowmanville, Ontario and two sites in Grand Bend, Ontario) for total acquisition costs of $0.7 million, which were funded from the Land Lease Facility (note 8(b) to the consolidated financial statements).

CAPREIT believes it acquires property at values significantly below current replacement costs and is committed to improving its operating performance by investing annually in capital expenditures in order to replace and improve its property portfolio so as to sustain and grow the portfolio's future rental income generating potential over its useful life.

In accordance with GAAP, CAPREIT capitalizes all capital expenditures related to the acquisition and improvement of its properties. During the first three months of 2009, CAPREIT incurred capital expenditures of $9.2 million as compared to $6.5 million for 2008. Capital expenditures were higher compared to the same period last year due to the acceleration of building improvement programs and higher suite improvement costs.

A breakdown of capital expenditures (excluding head office assets, assets held-for-sale, land lease sites, tenant improvements and signage) is summarized by category below:

Capital Investments by Category

Three Months Ended March 31, ($ Thousands)		**2009**	**%**		**2008**	**%**
Building Improvements	$	3,395	36.8	$	2,036	31.2
Boiler and Elevators		140	1.5		79	1.2
Appliances		230	2.5		241	3.7
Common Area		966	10.4		793	12.2
Equipment		1,076	11.7		859	13.2
Energy Savings Initiatives		402	4.4		615	9.4
Suite Improvements		2,887	31.3		1,859	28.6
Other		131	1.4		29	0.5
	$	9,227	100.0	$	6,511	100.0

PRODUCTIVE CAPACITY

CAPREIT has two types of capital expenditures: *maintenance capital expenditures* and *stabilizing and value-enhancing capital expenditures*. The primary focus in a discussion on capital expenditures is to differentiate between those costs incurred to maintain the existing cash flows from the properties versus costs incurred to achieve CAPREIT'S longer term goals to produce enhanced cash flows and Unit distributions.

Maintenance capital expenditures vary with market conditions and are partially related to suite turnover. These expenditures are funded from operating cash flows and, as such, are deducted from FFO in order to estimate a sustainable amount of AFFO that can be distributed to Unitholders. Based on historical experience, CAPREIT estimates its annual overall maintenance capital expenditures at $450 per residential suite (range of approximately $400 to $500 per residential suite), which maintain the earning capacity of its portfolio. These maintenance capital expenditures are in addition to normal repairs and maintenance expenditures which are in the range of $700 to $800 per residential suite and which are expensed to NOI.

Stabilizing and value-enhancing capital expenditures are focused on increasing the productivity of the property portfolio. These expenditures are primarily related to acquisitions completed over the last few years, are estimated at the time of acquisition, and are included in the acquisition analysis to ensure the transaction is accretive to the Unitholders. These expenditures enhance operating effectiveness and profitability and reduce costs to improve NOI. In addition, they improve the economic life and value of the properties, and are mainly long term in nature. The timing of these expenditures varies and are funded over a period of several years from its credit facilities, mortgage advances or refinancing, and equity.

The breakdown of capital expenditures by category based on management's estimate is as follows:

Three Months Ended March 31,	2009				2008			
($ Thousands, except per suite amounts)		Total		Per Suite[1]		Total		Per Suite[1]
Maintenance capital expenditures	$	2,977	$	112.5	$	2,880	$	112.5
Stabilizing and value-enhancing capital expenditures		6,250		236.2		3,631		141.8
Total[2]	$	9,227	$	348.7	$	6,511	$	254.3

(1) Based on the weighted average number of suites owned during the year.
(2) Excludes capital expenditures for head office assets, assets held-for-sale, land lease sites, tenant improvements and signage.

Going forward management believes there will be increased emphasis on capital reinvestment programs for its existing property portfolio. Management believes the capital investment plan in 2009 for its existing portfolio will be in the range of $75 to $80 million, as significant benefits will be realized by targeted capital investments focused on the following key areas:

i) Increased focus on environment friendly energy savings initiatives, including high efficiency heating boilers that will reduce greenhouse gas emission and be in a position to benefit from future carbon credit programs, energy-efficient lighting systems, water savings and garbage recycling programs, all of which will improve overall portfolio NOI. Management's goal is to increase capital expenditure on this category in the range of $10 to $12 million in 2009 in order to be in a position to realize significant NOI benefits in the future.

ii) Accelerated building improvement programs to re-position the portfolio and complete value-enhancing capital expenditures identified at the time of acquisitions, including upgraded parking garages, balconies, sidewalks, combined with continued emphasis on improving life safety and resident service. In addition, these programs will help maintain CAPREIT's high occupancy levels and help achieve its objectives to be recognized as the Landlord of Choice in all its chosen markets. Keeping in mind the soft economic conditions and availability of competitive pricing from construction trades, management's goal is to increase spending on building infrastructure improvements in the range of $45 to $55 million in 2009. As the age of the property portfolio is between 30 and 50 years, this reinvestment in the portfolio will improve its long-term cash flow generating potential and increase its useful life over the long term.

iii) Reduced emphasis on suite improvements programs. This program over the last five years has primarily achieved CAPREIT's goal to reinvest and improve suite interiors (as opposed to providing tenant incentives) in soft rental markets.

iv) Continued emphasis on common area improvements to maintain our high occupancy goals.

Management believes it has made good progress to date in raising incremental top up financing (as explained in the Liquidity and Financial Condition below) to be in a position to implement the above capital investment strategy so as to enhance our productive capacity over the long term.

CAPITAL STRUCTURE

CAPREIT defines capital as the aggregate of Unitholders' equity and debt. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund its distributions to Unitholders, to meet its repayment obligations under its mortgages and credit facilities, and to ensure sufficient funds are available to meet capital commitments. Capital adequacy is monitored against investment and debt restrictions contained in CAPREIT's Declaration of Trust ("DOT") and Credit Agreement.

CAPREIT's DOT permits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the historical book value of CAPREIT's assets plus accumulated depreciation and amortization, and does not include any fair value adjustments to reflect the significant appreciation in value of the portfolio. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments.

CAPREIT's Credit Agreement requires compliance with the following financial covenants:

i) Ensure borrowings do not exceed borrowing base, calculated at a predefined percentage to the market value of the properties.

ii) Maintain tangible net worth of not less than $500 million. Tangible net worth is generally represented by Unitholder's equity and is defined as the sum of i) Units issued; ii) contributed surplus; and iii) retained earnings after adding back provision for future income taxes payable to a maximum limit of $100 million.

iii) Maintain an interest coverage ratio of 1.50 times and a debt coverage ratio of 1.20 times, calculated on a rolling four-quarter basis. Interest coverage is defined as earnings before interest, depreciation, amortization, income taxes, other and non-cash compensation costs divided by interest expense. Debt coverage ratio is defined as earnings before interest, depreciation, amortization, income taxes, other and non-cash compensation costs divided by principal and interest payments.

CAPREIT is in compliance with all its investment and debt restrictions and financial covenants. The total capital managed by CAPREIT and the results of our compliance with the key covenants are summarized below:

As at ($ Thousands)	**March 31, 2009**	**December 31, 2008**
Mortgages payable	$ 1,477,753	$ 1,472,822
Bank indebtedness	125,463	121,029
Unitholders' equity	468,136	485,933
Total capital	$ 2,071,352	$ 2,079,784
Total debt to gross book value (%)	61.84	61.82
Tangible net worth	$ 532,976	$ 549,154

For the four quarters ended	**March 31, 2009**	**December 31, 2008**
Interest coverage ratio (times)	2.07	2.06
Debt coverage ratio (times)	1.29	1.30

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

Management ensures there is adequate overall liquidity by maintaining sufficient amounts of cash and available credit facilities to fund maintenance commitments, distributions to Unitholders and provide for future growth in our business. CAPREIT finances these commitments through: (i) cash flow from operating activities; (ii) mortgage debt secured by its income properties; (iii) secured short-term debt financing with two Canadian chartered banks; and (iv) equity. Management's view of CAPREIT'S liquidity position going forward continues to be stable based on our evaluation of capital resources as summarized below:

i) CAPREIT's operating business conditions continue to be stable and it expects to generate sufficient cash flow from its operating activities to fund its current level of distributions. Management is of the opinion that funds reinvested from its DRIP and the retained portion of its annual NFFO will be sufficient to fund its ongoing maintenance capital expenditures. For the quarter ended March 31, 2009, CAPREIT's effective payout ratios for NFFO and AFFO to net distributions paid (see discussion on Non-GAAP Performance Measurements section) were 97.8% and 119.4%, respectively, compared to 90.5% and 110.2% last year. NFFO in the first quarter is generally negatively impacted by higher energy costs incurred during the winter months. Management is confident that on an annualized basis NFFO will be sufficient to fund its current level of distributions and that the annual NFFO payout ratio will continue to be in the 85 to 90% range.

ii) Notwithstanding the general deterioration in credit markets, management believes that because of the continuing availability of insured financing through CMHC, CAPREIT is well positioned to meet its mortgage renewals and refinancing goals in 2009. Management does not anticipate any material difficulties in renewing approximately $175.8 million of maturing mortgages in the remainder of 2009 which have an effective interest rate of approximately 5.30%, with new fixed rate mortgages at significantly lower interest rates. In addition, management anticipates being in a position to implement its refinancing plan to raise additional CMHC-insured financing in the range of $100 million in 2009 as in previous years by topping up its existing mortgages.

iii) The excess borrowing capacity under its Credit Agreement as at March 31, 2009 was $86.7 million and management does not anticipate any material difficulties in renewing this agreement.

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at March 31, 2009 are as follows:

($ Thousands)	2009	2010 - 2011	2012 - 2013	2014 onward
Mortgages payable	$ 209,068	$ 423,076	$ 393,428	$ 456,159
Bank indebtedness	38,611	86,852	-	-
Mortgage interest payable	52,639	113,935	67,208	87,806
Bank indebtedness interest payable	1,707	2,923	-	-
Accounts payable and accrued liabilities	71,222	4,104	878	-
Security deposits	18,904	-	-	-
Distributions payable	6,140	-	-	-
	$ 398,291	$ 630,890	$ 461,514	$ 543,965

Mortgages Payable

CAPREIT takes a conservative approach and actively manages its mortgage portfolio to reduce interest costs while ensuring it is not overly exposed to interest rate volatility risk. Management takes a portfolio approach to its mortgage debt, proactively staggering maturities to reduce risk while taking advantage of low interest rate environments.

The key liquidity metrics are summarized as follows:

As at March 31,	2009	2008
Mortgage Debt to Gross Book Value (%)	57.00	57.28
Total Debt to Gross Book Value (%)	61.84	60.03
Total Debt to Total Capitalization (%)	65.27	57.83
Debt Coverage Ratio (times)(1)	1.29	1.28
Interest Coverage Ratio (times)(1)	2.07	1.98
Weighted Average Mortgage Interest Rate (%)(2)	5.27	5.36
Weighted Average Mortgage Term to Maturity (years)	4.9	5.3

(1) For the four quarters ended March 31.
(2) Effective weighted average interest rate including deferred financing costs and fair value adjustments.

At March 31, 2009, the overall leverage represented by the ratio of total debt to gross book value increased slightly to 61.84% as compared to 60.03% at March 31, 2008. The maximum ratio allowable under CAPREIT's Declaration of Trust is 70%. However, due to the general decline in REIT Unit prices and in overall market capitalization, as at March 31, 2009, CAPREIT's total debt rose to approximately 65.27% of total market capitalization compared to 57.83% last year. In addition, CAPREIT's coverage ratios, represented by debt and interest coverage tests, have continued to gradually improve during 2009, demonstrating the success of management's prudent operating and financing strategies.

CAPREIT focuses on multi-unit residential real estate, which is eligible for government-backed insurance for mortgages administered by CMHC, and benefits CAPREIT in two ways:

- CAPREIT obtains lower interest rate spreads for mortgage financing.
- CAPREIT's overall renewal risk for mortgage refinancings is reduced as the mortgage insurance premium is transferable between approved lenders and is effective for the full amortization period of the underlying mortgages ranging between 25 to 35 years.

At March 31, 2009, 95.1% (2008 – 94.6%) of CAPREIT's mortgage portfolio is CMHC-insured (excluding the land lease portfolio).

The following table summarizes the changes in the mortgage portfolio during the year:

As at March 31, ($ Thousands)		**2009**	**2008**
Balance, Beginning of Period		$ 1,472,822	$ 1,455,181
Add:	New Borrowings	-	10,782
	Refinanced	43,400	13,550
Less:	Mortgage Repayments	(12,427)	(11,289)
	Mortgages Repaid on Disposals	-	(59,830)
	Mortgages Matured	(26,025)	(13,550)
	Deferred Financing Costs and Fair Value Adjustments, net	(17)	363
Balance, End of Period		$ 1,477,753	$ 1,395,207

During the first quarter of 2009, total refinancings of $43.4 million, including renewal of existing mortgages aggregating to approximately $15.7 million, were completed at interest rates significantly below the portfolio weighted average interest rate.

Total mortgage renewals, including closed or committed, up to May 12, 2009 aggregated to approximately $99.5 million at interest rates significantly below the weighted average interest rate for maturing mortgages. Despite tightening credit markets, management has made good progress in implementing its refinancing program for additional financing of approximately $100 million during 2009 with $70.9 million closed or committed up to May 12, 2009.

During 2005, CAPREIT entered into interest rate forward contracts aggregating to $145.7 million to hedge its exposure to the potential rise in interest rates for refinancings of mortgages maturing in 2009. These contracts assumed mortgage renewals would match the terms of the interest rate forward contracts, ranging from 5.5 to 13 years, and extended the terms for specific mortgages to between 2014 and 2022.

Due to the continuing constraints in the availability and significantly higher spreads for long-term mortgage financing, combined with the changed global economic circumstances and weakness in current credit markets, CAPREIT does not contemplate completing the anticipated refinancings for the same maturity terms and amortization periods as contemplated in the interest rate forward contracts (see note 15 to the consolidated financial statements and discussion regarding Unrealized Loss on Derivative Financial Instruments). As discussed above, it is management's intention to terminate these contracts on or before their maturity dates during 2009 (See Subsequent Event).

The breakdown of future principal repayments, including mortgage maturities and weighted average interest rates as at March 31, 2009 is as follows:

($ Thousands, except where noted) Year	Principal Repayments	Mortgage Maturities	Total Debt	% of Total Debt	Weighted Average Interest Rate (%)[1]
2009	$ 33,308	$ 175,760	$ 209,068	14.1	5.30
2010	41,757	143,248	185,005	12.5	5.00
2011	35,173	202,898	238,071	16.1	5.28
2012	30,689	206,039	236,728	16.0	5.29
2013	26,261	130,439	156,700	10.6	5.22
2014	21,210	99,172	120,382	8.1	5.05
2015	18,276	25,946	44,222	3.0	5.02
2016	15,773	22,026	37,799	2.6	6.35
2017	12,236	80,920	93,156	6.2	4.66
2018	11,821	19,507	31,328	2.1	4.87
2019 – 2023	38,775	67,936	106,711	7.2	5.82
2024 onwards	8,307	14,254	22,561	1.5	5.67
	$ 293,586	$ 1,188,145	$ 1,481,731	100.0	5.27 [2]
Deferred financing costs and fair value adjustments			(3,978)		
			$ 1,477,753		

(1) Rates for maturing mortgages only.
(2) Effective weighted average interest rate including deferred financing costs and fair value adjustments.

To ensure CAPREIT is not overly exposed to interest rate volatility risk, management has also been successful in staggering the maturity dates of its mortgage portfolio. During the remainder of 2009 and the twelve months of 2010, total debt repayments (including maturing mortgages) will be approximately 14.1% and 12.5%, respectively, of the total mortgage portfolio.

As a result of continuing access to CMHC-insured mortgage financing, CAPREIT is well positioned to implement its mortgage renewal and refinancing plan for 2009 (see discussion on the Liquidity and Capital Resources section). Due to the continuing constraints in both the availability as well as the significant higher spreads for long-term mortgage financing, management plans to focus its efforts primarily towards five year shorter-term mortgages. This strategy will enable us to take advantage of the current low interest rate environment and further reduce our overall weighted average portfolio interest rate, while ensuring that the portfolio weighted average mortgage term continues to remain in the range of five years and the mortgage maturities remain well staggered.

To reduce its interest cost and cost of capital, management will continue to leverage its balance sheet strength and the stability of its property portfolio to reduce borrowings on its credit facilities.

As at March 31, 2009, CAPREIT's overall portfolio weighted average interest rate and term to maturity was 5.27% and 4.9 years, respectively, as compared to 5.36% and 5.3 years for the same period last year.

Bank Indebtedness and Credit Facilities

Bank indebtedness includes borrowings on CAPREIT's Acquisition and Operating Facilities and CAPLP's Land Lease Facility. On April 1, 2008, CAPREIT transferred the beneficial interest in all of its properties along with the related debt obligations to CAPLP. The Acquisition and Operating Facilities and the Land Lease Facility were restructured into one Credit Agreement. On June 30, 2008, the Credit Agreement was renewed as described in note 8 to the consolidated financial statements. As at March 31, 2009, $86.9 million (2008 – $18.3 million) was outstanding on the Acquisition Facility and $35.4 million (2008 – $45.0 million) on the Operating Facility. The excess borrowing capacity on the Acquisition and Operating Facilities as at

March 31, 2009 was $86.7 million. During the first quarter of 2008, $63.0 million was repaid on the Acquisition Facility from non-core property dispositions.

The Land Lease Facility for $10 million was established by CAPLP to fund operating, development and acquisition costs for the Bowmanville and Grand Bend land lease communities. As at March 31, 2009, $3.2 million (2008 – $3.8 million) was outstanding on this Facility.

On maturity (see note 8 to the consolidated financial statements), management does not anticipate any material difficulties in renewing the Credit Agreement.

Unitholders' Equity

During 2008, CAPREIT implemented the Deferred Unit Plan ("DUP") for the benefit of the non-executive trustees as approved by the Unitholders on May 21, 2008. This plan gives the non-executive trustees the right to receive a percentage of their annual retainer in the form of deferred Units (see note 12 (i) to the consolidated financial statements). For the first three months of 2009, total compensation costs of $0.1 million (2008 – $nil) were expensed in relation to awards under the DUP.

Since its Initial Public Offering in May 1997, the total market value of CAPREIT's equity as at March 31, 2009 has risen to $0.9 billion. The total Units outstanding of CAPREIT as at March 31, 2009 were 68,258,590, of which trustees, officers and executives owned approximately 6.1%.

Normal Course Issuer Bid

On June 20, 2008, CAPREIT announced that the Toronto Stock Exchange ("TSX") had approved its normal course issuer bid ("NCIB") to acquire up to 6,309,967 Units, representing 10% of the public float at the time, at market prices over the twelve-month period ending June 24, 2009. Purchases will be made at market prices through the facilities of the TSX. Any tendered Units taken up and paid for by CAPREIT will be cancelled. CAPREIT believes the ongoing purchase of its outstanding Units is an appropriate use of its resources at this time and will afford liquidity to Unitholders who desire to sell their Units. As at March 31, 2009, 264,100 Units had been acquired under this NCIB at market prices aggregating $3.9 million.

For the first three months of 2009, CAPREIT acquired a total of 13,500 Units under its NCIB for cancellation at market prices aggregating $0.2 million.

SECTION IV

NON-GAAP PERFORMANCE MEASUREMENTS

In addition to GAAP measures (net income and cash flow from operating activities), management uses supplemental non-GAAP performance measurements as summarized below in order to assess its operating performance and capability of maintaining sustainable distributions in the future.

Distributable Income

Distributable Income ("DI") is not a measure defined by GAAP, nor does it have a standard definition, and as such may not be comparable to other trusts that use similar terms. Management considers DI to be a cash flow measure for determining CAPREIT's capacity to pay cash distributions to its Unitholders, one of CAPREIT's key objectives. CAPREIT calculates DI as defined in its Declaration of Trust, which requires CAPREIT to declare distributions to Unitholders each year not less than the greater of: (i) 85% of its DI (or a lesser amount at the discretion of the trustees); or (ii) an amount calculated to ensure CAPREIT will not be subject to tax on its income and capital gains.

Pursuant to guidance provided in National Policy 41-201, summarized below is a reconciliation of cash provided by operating activities as presented in the consolidated financial statements to DI.

Three Months Ended March 31, ($ Thousands, except per Unit amounts)	2009	2008
Cash Provided By Operating Activities	$ 15,946	$ 18,275
Adjustments:		
Changes in Non-Cash Operating Assets and Liabilities	1,644	(2,572)
Fair Value Adjustment of Utility Contracts	(141)	45
Reorganization Costs [2]	-	1,205
Amortization of Other Financing Costs	(396)	(318)
Amortization of Leasehold Improvements	(21)	(18)
DI [1]	$ 17,032	$ 16,617
DI Deficit	1,299	1,494
Distributions Declared to Unitholders	$ 18,331	$ 18,111
DI Per Unit – Basic [1]	$ 0.259	$ 0.255
DI Deficit Per Unit	0.011	0.015
Distributions Declared to Unitholders Per Unit	$ 0.270	$ 0.270
DI Per Unit – Diluted [1]	$ 0.259	$ 0.254

(1) 2008 excludes gain on disposal of properties of $17,105 or $0.262 per Unit.
(2) See Reorganization Costs on page 12.

Management relies on cash flow information including budgets to establish the level of cash distributions to Unitholders, which are paid monthly. DI and DI per Unit for 2009 increased by 2.5% and 1.6%, respectively over 2008 primarily due to acquisitions, stable occupancies and higher average monthly rents, partially offset by a marginal increase in operating costs.

Distributions to Unitholders and Payout Ratio

Three Months Ended March 31, ($ Thousands, except where noted)	2009	2008
Distributions Declared	$ 18,331	$ 18,111
Distributions Declared Per Unit	$ 0.270	$ 0.270
DI	$ 17,032	$ 16,617
Payout Ratio[1]	107.6%	109.0%

(1) Distributions declared over DI.

The payout ratio of DI to distributions declared for the three months ended March 31, 2009 improved to 107.6% from 109.0% in the previous year.

DRIP Investment and Effective Payout Ratio

Three Months Ended March 31, ($ Thousands, except where noted)	2009	2008
Distributions Declared	$ 18,331	$ 18,111
Less: Distributions Reinvested[1]	$ 2,224	$ 3,479
Net Distributions Paid[2]	$ 16,107	$ 14,632
% Reinvested	12.1%	19.2%
Effective Payout Ratio[3]	94.6%	88.1%

(1) Cash reinvested by Unitholders through the DRIP.
(2) Distributions declared less cash reinvested through the DRIP.
(3) Net Distributions Paid over DI.

Management anticipates the DRIP participation going forward will stabilize at a range of approximately 9%.

The effective payout ratio which compares net distributions paid to DI for three months ended March 31, 2009 was 94.6% compared to 88.1% in the previous year.

Comparison of Distributions Declared to Cash Flows Provided By Operations and Net Loss

A comparison of distributions declared to Unitholders with cash flows provided by operating activities and net loss is as follows:

Three Months Ended March 31, ($ Thousands)		**2009**		**2008**
Cash Flows Provided By Operating Activities	$	15,946	$	18,275
Net (Loss) Income	$	(4,499)	$	14,363
Distributions Declared	$	18,331	$	18,111
(Shortfall) Excess Between Cash Flows Provided By Operating Activities and Distributions Declared *(i)*	$	(2,385)	$	164
Shortfall Between Net (Loss) Income and Distributions Declared *(ii)*	$	(22,830)	$	(3,748)

(i) Difference between cash flows provided by operating activities and distributions declared

Management relies on cash flow information to establish the overall level of cash distributions to Unitholders. GAAP-defined quarterly cash flows from operating activities (which include non-cash operating assets and liabilities such as prepaid expenses and accounts payable and other liabilities) are not used to establish the level of Unitholders' distributions because fluctuations in the timing of payments for utility expenses and realty taxes is impacted by seasonality and timing of installment payments. In addition, the timing and level of repair and maintenance expenses, which include suite turnover costs, tend to vary based on market conditions.

Cash flows provided by operating activities are the primary source of liquidity to fund CAPREIT's interest expense, trust expense and distributions to Unitholders. CAPREIT expects its annualized cash flows from operating activities will be sufficient to fund its distributions to Unitholders.

(ii) Difference between net (loss) income and distributions declared

Management does not use net (loss) income calculated in accordance with GAAP as the basis for establishing the level of Unitholders' distributions, as net loss includes, among other items, non-cash expenses for depreciation and amortization related to income properties and sundry assets and provision for future income taxes. Management believes it is appropriate to exclude the impact of future income taxes as CAPREIT intends to qualify for the REIT Exception prior to 2011 (see Taxation of Income Trusts). Also, CAPREIT's portfolio of income properties continues to increase in value over time as management continues to invest significant capital resources to improve the productive capacity of the portfolio, so as to sustain and grow its future rental income stream. Therefore, it is appropriate for CAPREIT to exclude depreciation related to income properties.

Included in net income in the first quarter of 2008, is a gain of $17,105 ($0.262 per Unit) on the sale of twelve properties (see Gain on Sale of Assets).

Funds From Operations and Normalized Funds From Operations

Funds From Operations ("FFO") is a measure of the operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. FFO is not a measure defined by GAAP. FFO as presented is in accordance with the recommendations of the Real Property Association of Canada ("REALpac"). It may not, however, be comparable to similar measures presented by other trusts or companies in similar or different industries. Management considers FFO to be an important measure of CAPREIT's operating performance.

A reconciliation of net (loss) income to FFO is as follows:

Three Months Ended March 31, ($ Thousands, except per Unit amounts)		2009		2008
Net (Loss) Income	$	(4,499)	$	14,363
Add:				
Provision for (Recovery of) Future Income Taxes		803		(103)
Reorganization Costs [1]		-		1,205
Depreciation		18,975		17,450
Amortization of Tenant Improvements		70		66
Amortization of Intangibles		274		284
Less:				
Gain on Sale of Assets		-		17,105
FFO	$	15,623	$	16,160
FFO – Continuing Operations	$	15,623	$	16,051
FFO – Discontinued Operations	$	-	$	109
FFO Per Unit – Basic	$	0.238	$	0.248
FFO Per Unit – Diluted	$	0.237	$	0.247

(1) See Reorganization Costs on page 12.

Normalized Funds From Operations ("NFFO") is a non-GAAP measure and should not be construed as an alternative to net (loss) income or cash flows from operating activities as determined by GAAP. In addition, it may not be comparable to measures presented by other trusts or companies. CAPREIT calculates NFFO by excluding from FFO the effect of the change in fair value of hedging instruments which were originally put in place for interest rate protection (see note 15 to the consolidated financial statements and discussion regarding Unrealized Loss on Derivative Financial Instruments section) in order to facilitate better comparability to prior year. Management considers NFFO to be an important measure of CAPREIT's operating performance.

A reconciliation of FFO to NFFO is as follows:

Three Months Ended March 31, ($ Thousands, except per Unit amounts)		2009		2008
FFO	$	15,623	$	16,160
Add:				
Unrealized Loss on Derivative Financial Instruments		845		-
NFFO	$	16,468	$	16,160
NFFO – Continuing Operations	$	16,468	$	16,051
NFFO – Discontinued Operations	$	-	$	109
NFFO per Unit – Basic	$	0.250	$	0.248
NFFO per Unit – Diluted	$	0.250	$	0.247

NFFO for the first three months of 2009 increased by 1.9% compared to last year primarily due to acquisitions completed during 2008, stable and higher average monthly rents resulting from management's sales and marketing programs. NFFO per Unit also increased 0.8% in 2009, to $0.250 per Unit from $0.248 per Unit for last year.

Comparing distributions declared to NFFO, the NFFO payout ratio improved to 111.3% for 2009 as compared to 112.1% last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid to Unitholders, was 97.8% for the first three months of 2009, as compared to 90.5% last year.

NFFO in the first quarter is generally negatively impacted by higher energy costs incurred during the winter months. Management is confident that on an annualized basis NFFO will be sufficient to fund its current level of distributions and that the annual payout ratio will continue to be in the 85 to 90% range.

Adjusted Funds From Operations

Adjusted Funds from Operations ("AFFO") is a non-GAAP measure and should not be construed as an alternative to net loss or cash flow from operating activities as determined by GAAP. In addition, it may not be comparable to similar measures presented by other trusts or companies. AFFO is an important performance measure to determine the sustainability of future distributions paid to Unitholders after provision for maintenance capital expenditures. CAPREIT calculates AFFO by deducting from NFFO the provision for maintenance capital expenditure (see discussion earlier in the Productive Capacity section). In order to determine the AFFO payout ratio, CAPREIT compares AFFO to net distributions paid to Unitholders.

A reconciliation of NFFO to AFFO is as follows:

Three Months Ended March 31, ($ Thousands, except where noted)	**2009**	**2008**
NFFO	$ 16,468	$ 16,160
Less:		
Maintenance Capital Expenditure Provision	2,977	2,880
AFFO	$ 13,491	$ 13,280
AFFO per Unit - Basic	$ 0.205	$ 0.204
AFFO per Unit - Diluted	$ 0.205	$ 0.203
Net Distributions Paid[1]	$ 16,106	$ 14,632
AFFO Payout Ratio	119.4%	110.2%

(1) Distributions declared less cash reinvested through the DRIP.

AFFO in the first quarter is generally negatively impacted by higher energy costs incurred during the winter months. Management is confident that on an annualized basis AFFO will be sufficient to fund its distributions and maintenance capital expenditures.

SECTION V

QUARTERLY RESULTS

($ Thousands except, per Unit amounts)		Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07[1]	Q2 07[1]
Operating Revenues		$ 82,198	$ 82,616	$ 80,721	$ 78,977	$ 78,104	$ 77,900	$ 74,223	$ 71,495
NOI		$ 39,728	$ 43,567	$ 46,364	$ 44,581	$ 38,421	$ 40,989	$ 42,075	$ 39,688
(Loss) Income from Continuing Operations		$ (4,499)	$ (26,221)	$ 4,994	$ 3,446	$ (2,851)	$ 8,205	$ (1,000)	$ (54,528)
Net (Loss) Income		$ (4,499)	$ (26,221)	$ 4,994	$ 3,387	$ 14,363	$ 9,130	$ 3,640	$ (58,924)
DI		$ 17,032	$ 19,552	$ 23,730	$ 22,582	$ 16,617	$ 18,972	$ 21,297	$ 19,898
FFO		$ 15,623	$ 1,573	$ 23,469	$ 22,164	$ 16,160	$ 18,990	$ 20,800	$ 19,964
NFFO		$ 16,468	$ 19,200	$ 23,469	$ 22,164	$ 16,160	$ 18,990	$ 20,800	$ 19,964
(Loss) Income from Continuing									
Operations Per Unit	- Basic	$ (0.068)	$ (0.400)	$ 0.076	$ 0.053	$ (0.044)	$ 0.130	$ (0.017)	$ (0.919)
	- Diluted	$ (0.068)	$ (0.400)	$ 0.076	$ 0.053	$ (0.044)	$ 0.129	$ (0.017)	$ (0.919)
Net (Loss) Income Per Unit	- Basic	$ (0.068)	$ (0.400)	$ 0.076	$ 0.052	$ 0.220	$ 0.145	$ 0.061	$ (0.993)
	- Diluted	$ (0.068)	$ (0.400)	$ 0.076	$ 0.052	$ 0.220	$ 0.144	$ 0.060	$ (0.993)
DI Per Unit	- Basic	$ 0.259	$ 0.298	$ 0.362	$ 0.346	$ 0.255	$ 0.300	$ 0.356	$ 0.335
FFO Per Unit	- Basic	$ 0.238	$ 0.024	$ 0.358	$ 0.339	$ 0.248	$ 0.301	$ 0.348	$ 0.336
NFFO Per Unit	- Basic	$ 0.250	$ 0.293	$ 0.358	$ 0.339	$ 0.248	$ 0.301	$ 0.348	$ 0.336
Weighted Avg. Units (000s)	- Basic	65,770	65,572	65,496	65,334	65,243	63,174	59,799	59,353
	- Diluted	65,854	65,643	65,795	65,648	65,381	63,461	60,188	59,784

(1) Reclassified for discontinued operations.

Results in the second quarter of 2007 were negatively impacted due to the rollout of the lease administration system, which resulted in higher payroll and site operating expenses during the stabilization period. Results in the fourth quarter of 2008 were impacted by an increase in Trust expenses resulting from non-recurring legal and consulting costs of approximately $0.5 million or $0.01 per Unit and higher compensation costs related to CAPREIT's Incentive Plans at $1.6 million compared to $0.9 million in the fourth quarter of the previous year. Results in the first quarter of 2009 were impacted by reduced performance in certain geographic markets, as well as higher R&M expenses as outlined earlier.

Per Unit amounts in 2008 were affected by an increase in the weighted average number of Units due to an equity offering completed on November 7, 2007.

Fundamentals in the residential rental industry gradually began to improve through 2007 and into 2008. However, the resulting increases in occupancies and average monthly rents were partially offset by increased operating costs, increased payroll, rental incentives and advertising costs targeted at specific properties to enhance their performance.

The fourth and first quarters of each year tend to generate weaker performance due to increased energy consumption during the winter months.

SECTION VI

ACCOUNTING POLICIES

Changes in Accounting Policies and New Accounting Standards

As required by the Canadian Institute of Chartered Accountants ("CICA"), on January 1, 2009, CAPREIT adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, and the amended Section 1000, Financial Statement Concepts.

Section 3064, Goodwill and Intangible Assets, clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Section 1000, Financial Statement Concepts, was also amended to provide consistency with Section 3064. The adoption of these standards did not have any impact on CAPREIT's financial results.

In January 2009, the CICA issued EIC-173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities, which requires the entity to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective for CAPREIT's 2009 fiscal year commencing January 1, 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this EIC did not have any significant impact on the valuation of CAPREIT's financial assets or liabilities.

The CICA also issued Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace Section 1600, Consolidated Financial Statements. Under Section 1582, the purchase price used in a business combination is based on fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs will be expensed which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value through earnings for each period until settled. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. All three sections come into effect for financial periods beginning January 1, 2011 with prospective application.

Critical Accounting Estimates

Certain accounting policies require management to make estimates or assumptions that in some cases relate to matters that are inherently uncertain. The more significant estimates relate to future income taxes where management is required to estimate future tax assets and liabilities. The provision for future income taxes represents management's estimate of the future income tax implications of the transactions and events during the period. A future income tax asset or liability is determined for each temporary difference expected as at January 1, 2011, and is based on future tax rates substantively enacted at the balance sheet date that will apply in the periods that the temporary differences are expected to reverse and management's assumptions regarding the expected timing of the reversal of such temporary differences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public entities will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011 (the "changeover date"). CAPREIT will issue its first financial statements in accordance with IFRS commencing the quarter ended March 31, 2011, with comparative information.

It is anticipated that certain changes under IFRS, relative to Canadian GAAP, will be reflected through CAPREIT's opening retained earnings as of the changeover date, while other changes are anticipated to be reflected on a prospective basis.

In May 2008, the Canadian Securities Administrators issued Staff Notice 52-320, which provides guidance on the disclosure of changes in expected accounting policies related to the changeover to IFRS. In

accordance with the notice, for purposes of the quarter ended March 31, 2009, CAPREIT is required to discuss the status of the key elements and timing of its changeover plan.

CAPREIT has initiated its changeover plan from Canadian GAAP to IFRS. It has established a project team to be led by its finance group, and will include representatives from other departments to plan, design, and implement the changeover process. Quarterly progress reporting to CAPREIT's Board of Trustees began in the fourth quarter of 2008 on the status of IFRS implementation.

CAPREIT's changeover plan encompasses three primary phases:

i) Scope/Diagnostic Phase – a preliminary high-level diagnostic to identify key areas in which there may be significant differences between IFRS and Canadian GAAP for CAPREIT's financial statements. This phase also includes preliminary considerations with respect to processes, controls, systems, and resources to facilitate the changeover process.

   In the fourth quarter of 2008, CAPREIT finalized this phase, and identified certain standards that may have a significant financial statement impact including IAS 40 Investment Property, IAS 32 Financial Instruments: Presentation, and IFRS 1 First-Time Adoption of IFRS. CAPREIT has also identified certain material agreements which may be affected as a result of the changeover, such as the Declaration of Trust, mortgage and credit agreements, and employment agreements.

   The diagnostic also identified a potential impact of IFRS changeover to information technology and data systems, IFRS staff training initiatives, and certain business and internal control processes.

ii) Assessment/Design Phase – outlines key changeover milestone dates, establishing internal training and external resource requirements, procedures and processes to accommodate the changeover, a review of material agreements of CAPREIT, a review of internal control requirements, and an assignment of responsibility to various departments in the organization. A more detailed assessment of the impact of IFRS is to take place during this phase of the changeover plan. These assessments will result in recommendations on the implementation of the standards, taking into account implications to various segments of our business, including an assessment of the impact of changeover to the Key Performance Measurements of CAPREIT.

   CAPREIT initiated this phase in the fourth quarter of 2008. In the first quarter of 2009, CAPREIT formulated an internal comprehensive project plan to accommodate this phase of IFRS changeover. The changeover plan involved the formation of multiple task forces, being assigned responsibilities associated with:

   - Research and analysis of the standards
   - Training
   - Information technology systems
   - Financial statement presentation and disclosure requirements

   These task forces include both internal staff, and external consultants to CAPREIT. Strategic milestones and objectives were established as part of the changeover plan, including responsibility assignment and timelines pertaining to all IFRS being assessed and analyzed for both impact and actions required. The work efforts of the various task forces are being led and co-ordinated by CAPREIT's finance group. As policies are developed in relation to IFRS, internal controls, financial reporting and disclosure considerations will be evaluated as well.

iii) Implementation/Monitoring Phase – involves implementation of the recommendations formulated during the assessment/design phase. This phase will monitor progress of the implementation of changes to business processes and information systems, finalization of recommended accounting policy changes and completion of training programs for staff. Completion of this phase will involve collection of all financial information necessary, so as to work towards an effective and efficient transition to IFRS by the changeover date.

   CAPREIT has not yet started this phase of its changeover plan.

As CAPREIT progresses through its changeover plan, the implementation of the plan may change due to changes to IFRS and changes from more detailed analysis during the assessment/design phase, relative to the scope/diagnostic phase.

Standards

CAPREIT has identified certain standards that may have a significant financial statement impact at the changeover date. A general discussion of these standards is as follows:

i) IAS 40 Investment Property:

Investment property is defined as property that is held to earn rentals or for capital appreciation or both. Investment property is recognized initially at cost. Subsequent to initial recognition, all investment property is measured using either the fair value model or the cost model. When the fair value model is chosen, changes in fair value are recognized for each reporting period in the profit or loss statement. If the cost model is chosen to measure investment properties, the properties would be recorded at cost less accumulated depreciation, however, the fair value would be disclosed in the notes to the financial statements.

ii) IAS 32, Financial Instruments: Presentation:

A financial instrument is defined in IAS 32 as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. CAPREIT's trust units, which are currently categorized under GAAP as equity, may be considered as a liability under IFRS. Accordingly, CAPREIT's Board of Trustees has proposed, subject to Unitholder approval, to make certain amendments to its Declaration of Trust ("DOT") (see Other Considerations below).

iii) IFRS 1 First-Time Adoption of IFRS:

Adoption of IFRS will initially require retrospective application as of the changeover date, on the basis that an entity has prepared its financial statements in accordance with IFRS since its formation. Certain adoptive relief mechanisms are put forward in the standard, to assist with difficulties associated with reformulating historical accounting information. The general relief mechanism is to allow for prospective, rather than retrospective treatment, under certain conditions, as prescribed by IFRS 1. The standard specifies that adjustments which arise on the convergence of IFRS from GAAP should be recognized in opening retained earnings.

Other Considerations

CAPREIT continues to assess the business implications as a result of IFRS changeover. It has commenced certain key modifications to its DOT and borrowing agreements so as to accommodate both current and changing IFRS requirements, some of which include the following:

- Providing additional Board discretion to make changes to the DOT due to changes in accounting standards;
- Removal of the requirement for mandatory cash distributions which may constitute a contractual requirement to distribute cash resulting in CAPREIT's units being considered a liability for IFRS purposes.

CAPREIT has formulated a strategic training plan which establishes training at all levels and departments of the organization, including its Board of Directors. On the training of finance and accounting personnel, a training program has been established to address the following:

- A broad understanding of IFRS real estate accounting practices, and
- CAPREIT specific policy and procedural training which will be required pursuant to internal systems and processes.

CAPREIT continues to monitor the progress of the changeover plan relative to milestone dates, and is continually assessing its resource requirements to accommodate IFRS changeover. At this time, the changeover plan prescribes usage of both internal and external resources.

CAPREIT also continues to assess the information technology system and design implications as a result of IFRS changeover. Comprehensive reviews of its general ledger and fixed asset modules are taking place in anticipation of 2010, for which comparative financial information under IFRS will be required. In accordance with this requirement, CAPREIT is planning to accommodate financial information preparation under both Canadian GAAP and IFRS in 2010.

Upon adoption of IFRS in 2011, users of CAPREIT's financial information are encouraged to consider certain Key Performance Indicators such as NOI, average monthly rents, and occupancy levels. It is not anticipated that these measures will be significantly impacted by IFRS adoption. CAPREIT may identify other, or new, Key Performance Indicators not currently used, as a basis of understanding for users of CAPREIT's financial information as new standards are adopted in CAPREIT's financial results.

CAPREIT is not able to reasonably quantify the effects of IFRS to its financial statements at this time.

CONTROLS AND PROCEDURES

CAPREIT maintains appropriate information systems, procedures and controls to ensure information disclosed externally is complete, reliable and timely. Pursuant to the requirements of National Instrument 52-109 of the Canadian Securities Administrators, the Chief Executive Officer and the Chief Financial Officer have satisfied themselves that as at March 31, 2009, the design of disclosure controls and procedures and the design of internal controls over financial reporting are appropriate.

CAPREIT did not make any changes to the design of internal controls over financial reporting during the first three months of 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

SECTION VII

RISKS AND UNCERTAINTIES

CAPREIT has been structured and operates in adherence to the stringent investment restrictions and operating policies as set out in its Declaration of Trust. These policies cover such matters as the type and location of properties that CAPREIT can acquire, the maximum leverage allowed, environmental matters and investment restrictions. For a full discussion on risks and uncertainties, please refer to CAPREIT's regulatory filings, including its Annual Information Form, which can be obtained on SEDAR at www.sedar.com.

Real Property Ownership

CAPREIT is committed to preserving the life safety of its residents and to ensuring its properties are well maintained. The multi-family rental business, like any other real estate enterprise, is capital intensive and is exposed to various risks associated with maintaining the infrastructure of its property portfolio.

For prudent management of its property portfolio, CAPREIT is required to make significant capital investments throughout the period of ownership of its properties, in order to implement the above mandates i.e. upgrade and maintain building structure, balconies, parking garages, electrical and mechanical improvements, etc., requiring continuous monitoring of its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its capital expenditure programs. In addition, CAPREIT is subject to financing risk as sufficient capital may not be available to carry out its planned capital expenditures and repair and refurbishment programs to upgrade its properties or be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to CAPREIT.

All real property investments owned and operated by CAPREIT entail an inherent risk of liability. Management expects that from time to time, CAPREIT will be subject to such lawsuits as a result of its business operations. It is CAPREIT's policy to protect against this risk by maintaining a comprehensive insurance program to cover general liabilities, i.e. fire, flood, rental loss, environmental insurance, etc., with policy specification limits and deductibles as deemed appropriate based on the nature of the risk of business,

historical experience and industry standards. There can be no assurance that claims in excess of the insurance coverage or claims not covered by insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms.

On November 26, 2008, a tragic accident occurred at CAPREIT's property located at 135 Deguire Boulevard, St. Laurent, Quebec, resulting in one fatality. An investigation of the accident by the authorities is currently underway and CAPREIT is working closely with the authorities. The incident, while very unfortunate, is not expected to have a material impact on CAPREIT's financial results or operations. When the investigation is complete, CAPREIT will be in a position to provide further information on its findings.

Operating Risk

The major operating risk affecting financial performance arises from CAPREIT's ability to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels and minimal bad debt exposure. Management has developed a focused program to build its brand as Landlord of Choice in its markets to increase resident loyalty for CAPREIT's properties. As a result, CAPREIT believes it is increasingly recognized as the preferred landlord in all its markets.

Also, CAPREIT's diversification by geographic location and by asset type minimizes exposure to any particular region or demographic sector.

Financing

CAPREIT is subject to risk associated with debt financing including the risk that CAPREIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross-defaults or other lender rights or remedies under other loans and, the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. CAPREIT currently has access to the government-backed mortgage insurance program through the *National Housing Act*, administered by the CMHC, and seeks to minimize interest rate risk by ensuring the maturity dates of its mortgage portfolio are staggered over a number of years. However, there can be no guarantee that the provisions of the mortgage insurance program may not be changed in the future so as to make costs of obtaining mortgage insurance prohibitive or not being able to access the insurance program in the future. In addition, CAPREIT's Acquisition and Operating Facilities are at floating interest rates and, accordingly, changes in short-term borrowing rates will affect CAPREIT's costs of borrowings.

In addition, the general deterioration in the global economic conditions has resulted in a liquidity and a credit crisis which may inhibit CAPREIT's access to long-term equity financing in the Canadian capital market. As a result of the recent credit crunch, it is possible that financing which CAPREIT may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by CAPREIT or otherwise, may not be available or, if it is available, may not be available on favourable terms. To protect Unitholders against these risks, management is focussed on ensuring that sufficient mortgage debt capacity and credit facilities are available to carry on its business (see Liquidity and Capital Resources).

Government Regulations

Multi-family rental properties are subject to rent control legislation in most provinces in Canada. The legislation in various degrees provides restrictions upon the ability of a landlord to increase rents above an annually prescribed guideline or require the landlord to give tenants sufficient notice prior to an increase in rent or restrict the frequency of rent increases permitted during the year. The annual rent increase guidelines as per the legislation attempts to link the annual rent increases to some measure of changes in the cost of living index over the previous year. The legislation also, in most cases, provides for a mechanism to ensure rents can be increased above the guideline increases for extraordinary costs. As a result, CAPREIT may in the future incur capital expenditures which will not be fully recoverable from the residents. The applicable legislation may be further amended in a manner which may adversely affect the ability of CAPREIT to maintain the historical level of cash flow from its properties. In addition, legislation provides for compliance with several regulatory matters involving tenant evictions, work orders, health and safety issues, fire and maintenance standards, etc.

CAPREIT is subject to a wide variety of laws and regulations across all jurisdictions and faces risks associated with legal and regulatory changes and litigation. CAPREIT retains external legal consultants to assist in remaining current with legal and regulatory changes and its ability to respond to litigation.

Taxation of Income Trusts

Prior to June 12, 2007, no provision for income taxes was recorded in the consolidated financial statements. On June 12, 2007, amendments to the *Income Tax Act* (Canada) ("Tax Act") were substantively enacted as a result of tax legislation included in Bill C-52, the *Budget Implementation Act, 2007*, which modified the tax treatment of certain publicly traded trusts and partnerships that are specified investment flow-through trusts or partnerships ("SIFTs"). Under the SIFT Rules, a SIFT will generally be taxed in a manner similar to corporations on income from a business carried on in Canada by the SIFT and income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Tax Act) at a combined federal/provincial tax rate similar to that of a corporation. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be taxed as a dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. Subject to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT Rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006 if the "SIFT trust" and "SIFT partnership" definitions in the Tax Act had been in force as of that date.

Certain real estate investment trusts that satisfy specified conditions (the "REIT Exception") are excluded from the SIFT definition and therefore will not be subject to the SIFT Rules. In common with a number of other REITs, CAPREIT did not meet the technical REIT Exception as at October 31, 2006, June 12, 2007 or at March 31, 2009, and accordingly, future income taxes in the amount of $64.8 million (December 31, 2008 - $63.2 million) have been recorded as at March 31, 2009 based on the temporary differences that are expected to reverse on or after January 1, 2011. The change in the future income tax liability has been recorded as a provision in the consolidated statement of operations and comprehensive loss in the amount of $0.8 million for the three months ended March 31, 2009 (2008 - $(0.1) million) and to other comprehensive loss for $0.8 million (2008 - $nil). If CAPREIT should meet the REIT Exception in the future, the future income tax liability will be reversed and recorded as a recovery through the consolidated statement of operations and comprehensive (loss) income at that time. Management is of the opinion that the nature of the items, which causes CAPREIT not to be able to fully comply with some of the technical provisions as currently drafted, is subject to differing interpretations, which may be clarified in future amendments or may involve some restructuring of certain CAPREIT assets or activities, so as to ensure that CAPREIT qualifies for the REIT Exception by 2011. CAPREIT is not currently taxable and accordingly, no current income taxes have been recorded as at March 31, 2009. (See also Future Income Taxes and note 9 to the consolidated financial statements.)

Environmental matters

Under various laws, CAPREIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. It is CAPREIT's operating policy to obtain a Phase I environmental assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property. Phase I environmental assessments have been performed in respect of each of the Properties. Where Phase I environmental assessments warrant further assessment, it is CAPREIT's operating policy to obtain Phase II or Phase III environmental assessments. Wherever required by environmental regulations, CAPREIT also carries out assessments to determine the presence of asbestos containing material and underground storage tanks to ensure compliance with appropriate provincial legislation. CAPREIT maintains environmental liability insurance to protect Unitholders against such risks. Notwithstanding the above, CAPREIT is not aware of any environmental condition with respect to any of the properties that it believes would have a material adverse effect on CAPREIT.

RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2009, CAPREIT paid construction management fees of $0.2 million (based on 4.5% of construction costs up to $20.0 million, 3.0% for the next $15.0 million and 1.0% thereafter) in consideration for construction management services provided by a company owned by two trustees and officers of CAPREIT in connection with the capital improvement programs for the properties.

For the three months ended March 31, 2009, CAPREIT paid rent for head office space in the amount of $0.2 million to a company in which one of the trustees and officers has an 18% beneficial interest. The lease for the head office space expires October 31, 2009 and provides for yearly minimum rental payments in 2009 of $0.3 million.

For the three months ended March 31, 2009, CAPREIT paid consulting fees of $0.01 million to a company controlled by a trustee and officer.

CAPREIT has entered into an agreement with a company to supply suite utility meters. This company is managed by a trustee and officer of CAPREIT. For the first three months ended March 31, 2009, no new costs have been capitalized to income properties.

COMMITMENTS AND CONTINGENCIES

CAPREIT has entered into commitments for fixed price natural gas, hydro and land lease agreements as outlined in note 21 to the consolidated financial statements.

CAPREIT is contingently liable under guarantees provided to certain of CAPREIT's lenders in the event of defaults, and with respect to litigation and claims that arise in the ordinary course of business. These matters are generally covered by insurance. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of CAPREIT.

SUBSEQUENT EVENT

On April 30, 2009, CAPREIT settled interest rate forward contracts with a notional value of $79.5 million resulting in a realized loss of $14.3 million. The corresponding unrealized loss recorded at March 31, 2009 was $16.0 million, resulting in a net gain of $1.7 million which will be recognized in the second quarter.

SECTION VIII

FUTURE OUTLOOK

Notwithstanding the tightening in the global credit markets and the deteriorating economic fundamentals in Canada experienced through the last half of 2008 and into 2009, management believes market conditions in the multi-unit residential rental market should remain relatively favourable.

Due to the relative stability of the multi-unit residential market, in the majority of the markets in which we operate, CAPREIT expects to generally see annual increases in overall average monthly rents on lease renewals and turnovers, subject to exceptions for certain properties and applicable rent control guidelines. Management also believes operating revenues should increase as it implements programs to enhance revenues from parking, commercial leases, laundry, cable and other income sources. In addition, numerous successful cost control initiatives have proven effective which should lead to stable growth in net operating income going forward.

However, as a result of the tightening in the global credit markets and the deteriorating economic fundamentals in Canada, CAPREIT may have to account for an increase in bad debt. In addition, CAPREIT

may experience difficulty in obtaining long-term financing (e.g. financing for terms of 10 years and longer). It is also possible that CAPREIT may experience a reduction in occupancy levels.

CAPREIT believes the strong defensive characteristics of its property portfolio due to diversification by both geography and property type will serve to mitigate some of the negative impact due to the slowing Canadian economy.

Looking ahead, CAPREIT has defined a number of strategies to capitalize on its strengths and achieve its objectives of providing Unitholders with stable and predictable monthly cash distributions while growing distributions and Unit value over the long term.

First, management will maintain its focus on maximizing occupancy and average monthly rents in accordance with local conditions in each of its markets. Since its inception in May 1997, CAPREIT's hands-on management style, focus on resident communications and capital improvement programs aimed at increasing the long-term value of its properties have contributed to a strong track record of stable portfolio occupancy and average monthly rents.

Second, management will continue to focus on reducing its operating costs as a percentage of total revenues. Management is investing in various environment friendly energy saving initiatives including energy efficient heating boilers and lighting systems, and energy purchasing programs to reduce or stabilize costs.

Third, management will continue to direct its efforts on its building infrastructure improvement programs to upgrade properties across the portfolio and to reposition the portfolio by completing value-enhancing capital expenditures. These expenditures are expected to enhance the life safety of residents and to improve the portfolio's long-term cash flow generating potential and increase its useful life over the long term.

Fourth, CAPREIT will continue to prudently focus on accretive acquisitions that meet its strategic criteria and enhance CAPREIT's geographic diversification. From time to time, CAPREIT will also identify certain non-core assets for sale that do not meet with its current portfolio composition or operating strategies. Management believes the realization and reinvestment of capital is a fundamental component of its growth strategy and demonstrates the success of its investment programs.

Fifth, CAPREIT will continue to effectively manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowings on its credit facilities, while appropriately staggering the maturity dates of its mortgage portfolio to ensure it is not exposed in any one year to a refinancing risk. Notwithstanding the recent rise in interest rate spreads in Canada, and increased times to complete financings and refinancings, management believes that because of the continuing availability of lower cost financing guaranteed by CMHC, CAPREIT is well positioned to meet its financing and refinancing objectives at reasonable costs.

CAPREIT will continue to maintain its conservative approach to its capital structure, leverage and coverage ratios and strive to further improve its distribution payout ratio. Management believes its successful equity financing and mortgage refinancing programs have resulted in CAPREIT possessing one of the strongest balance sheets in its industry, well suited to delivering consistent, stable and secure monthly cash distributions over the long term.

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

MARCH 31, 2009

(Unaudited)

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(Unaudited - $ Thousands)

	March 31, 2009	December 31, 2008
Assets		
Income properties *(note 4)*		
Cost	$ 2,515,955	$ 2,505,498
Less: accumulated depreciation	(331,597)	(312,553)
Net book value	2,184,358	2,192,945
Sundry assets *(note 5)*	52,195	48,854
Intangible assets *(note 6)*	1,154	1,495
	$ 2,237,707	$ 2,243,294
Liabilities and Unitholders' Equity		
Liabilities		
Mortgages payable *(note 7)*	$ 1,477,753	$ 1,472,822
Bank indebtedness *(note 8)*	125,463	121,029
Accounts payable and other liabilities	76,204	75,019
Security deposits	18,904	18,852
Distributions payable	6,140	6,084
Intangible liabilities *(note 6)*	267	334
Future income taxes *(note 9)*	64,840	63,221
	1,769,571	1,757,361
Unitholders' Equity	468,136	485,933
	$ 2,237,707	$ 2,243,294

See accompanying notes to consolidated financial statements.

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Operations and Comprehensive (Loss) Income
(Unaudited - $ Thousands, except per Unit amounts)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Operating Revenues		
Revenue from income properties	$ 82,198	$ 78,104
Operating Expenses		
Realty taxes	10,906	10,612
Property operating costs	31,564	29,071
Total expenses	42,470	39,683
Income Before the Undernoted	39,728	38,421
Depreciation	18,975	17,450
Amortization *(note 13)*	822	779
Trust expenses	3,572	2,976
	23,369	21,205
Income Before Interest Expense	16,359	17,216
Mortgage interest	18,874	18,565
Interest on bank indebtedness	801	874
Other income	(465)	(474)
	19,210	18,965
Loss From Continuing Operations Before Other Costs and Income Taxes	(2,851)	(1,749)
Reorganization Costs *(note 14)*	-	(1,205)
Unrealized Loss on Derivative Financial Instruments *(note 15)*	(845)	-
(Provision for) Recovery of Future Income Taxes *(note 9)*	(803)	103
Loss From Continuing Operations	(4,499)	(2,851)
Income From Discontinued Operations *(note 16)*	-	17,214
Net (Loss) Income	$ (4,499)	$ 14,363
Other Comprehensive Income (Loss) *(note 12(b))*	$ 893	$ (10,316)
Comprehensive (Loss) Income	$ (3,606)	$ 4,047
Basic and Diluted Net (Loss) Income Per Unit		
Continuing operations	$ (0.068)	$ (0.044)
Discontinued operations	$ -	$ 0.264
Basic and Diluted Net (Loss) Income Per Unit	$ (0.068)	$ 0.220

See accompanying notes to consolidated financial statements.

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity
For the Three Months Ended March 31, 2009 and 2008
(Unaudited - $ Thousands)

	Note	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Accumulated Other Comprehensive Loss	Total
Unitholders' Equity, January 1, 2009		$ 877,590	$ 82,153	$ (435,410)	$ (38,400)	$ 485,933
Net loss		-	(4,499)	-	-	(4,499)
Distributions declared and paid		-	-	(12,191)	-	(12,191)
Distributions payable		-	-	(6,140)	-	(6,140)
Distribution Reinvestment Plan	*12 (c)*	2,837	-	-	-	2,837
Employee Unit Purchase Plan	*12 (f)*	55	-	-	-	55
Long-Term Incentive Plan	*12 (g)*	758	-	217	-	975
Senior Executive Long-Term Incentive Plan	*12 (h)*	177	-	160	-	337
Deferred Unit Plan	*12 (i)*	105	-	-	-	105
Units cancelled	*12 (j)*	(169)	-	-	-	(169)
Other comprehensive income	*12 (b)*	-	-	-	893	893
Unitholders' Equity, March 31, 2009		$ 881,353	$ 77,654	$ (453,364)	$ (37,507)	$ 468,136

	Note	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Accumulated Other Comprehensive Loss	Total
Unitholders' Equity, January 1, 2008		$ 872,118	$ 85,630	$ (364,113)	$ (9,354)	$ 584,281
Net income		-	14,363	-	-	14,363
Distributions declared and paid		-	-	(12,063)	-	(12,063)
Distributions payable		-	-	(6,048)	-	(6,048)
New Units issued	*12 (a)*	(40)	-	-	-	(40)
Distribution Reinvestment Plan	*12 (c)*	3,483	-	-	-	3,483
Employee Unit Purchase Plan	*12 (f)*	50	-	-	-	50
Long-Term Incentive Plan	*12 (g)*	770	-	173	-	943
Senior Executive Long-Term Incentive Plan	*12 (h)*	172	-	164	-	336
Units cancelled	*12 (j)*	(6,331)	-	-	-	(6,331)
Other comprehensive loss	*12 (b)*	-	-	-	(10,316)	(10,316)
Unitholders' Equity, March 31, 2008		$ 870,222	$ 99,993	$ (381,887)	$ (19,670)	$ 568,658

See accompanying notes to consolidated financial statements.

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(Unaudited - $ Thousands)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash Provided By (Used In):		
Operating Activities		
Net (loss) income	$ (4,499)	$ 14,363
Items not affecting cash:		
Gain on sale of assets	-	(17,105)
Unrealized loss on derivative financial instruments *(note 15)*	845	-
Provision for (recovery of) future income taxes	803	(103)
Depreciation	18,975	17,450
Amortization *(note 13)*	822	779
Amortization of above and below market leases	(61)	(93)
Fair value adjustment of utility contracts *(note 2(g))*	141	(45)
Straight-line rent adjustment	(44)	(43)
Compensation component of LTIP, SELTIP and DUP awards granted	608	500
	17,590	15,703
Changes in non-cash operating assets and liabilities *(note 17(a))*	(1,644)	2,572
Cash Provided By Operating Activities	15,946	18,275
Financing Activities		
Mortgage financings	43,400	24,332
Mortgage principal repayments	(12,427)	(11,289)
Mortgages repaid on maturity	(26,025)	(13,550)
Mortgage financing costs	(248)	(52)
Bank indebtedness, net	4,434	(35,985)
Proceeds on issuance of Units	55	10
Net cash distributions to Unitholders *(note 17(b))*	(15,438)	(14,612)
Cancellation of Units	(169)	(6,331)
Amounts received under the LTIP and SELTIP	809	779
Cash Used In Financing Activities	(5,609)	(56,698)
Investing Activities		
Acquisition of income properties *(note 17(e))*	(724)	(14,274)
Capital improvements *(note 17(d))*	(9,645)	(9,756)
Disposition of income properties *(note 17(f))*	-	63,052
Investments	-	(378)
Change in restricted cash	32	(221)
Cash (Used In) Provided By Investing Activities	(10,337)	38,423
Changes in Cash and Cash Equivalents During the Period	-	-
Cash and Cash Equivalents, Beginning of Period	-	-
Cash and Cash Equivalents, End of Period	$ -	$ -

See accompanying notes to consolidated financial statements.

1. Organization of the Trust

Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT") became an open-end real estate investment trust on January 8, 2008. CAPREIT commenced active operations on February 4, 1997 when it acquired an initial portfolio of properties and became a reporting issuer on May 21, 1997 pursuant to an initial public offering prospectus dated May 12, 1997. All of CAPREIT's assets are in, and the revenues derived from, the Canadian real estate industry.

2. Significant Accounting Policies

a) Basis of presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") consistent with those disclosed in CAPREIT's consolidated financial statements for the year ended December 31, 2008, except as described in note 2(s).

CAPREIT's results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in utility costs and other factors. CAPREIT has historically experienced higher utility expenses in the first and last quarters as a result of the winter months, which create variations in the quarterly results.

b) Principles of consolidation

The consolidated financial statements include the accounts of CAPREIT and its subsidiaries, together with CAPREIT's proportionate share of assets and liabilities and revenues and expenses of co-ownerships in which it participates. All inter-entity transactions and accounts have been eliminated.

c) Income properties

Income properties are recorded at cost less accumulated depreciation, net of any impairment loss. Cost of the properties includes all amounts related to the acquisition and improvement of the properties. Costs associated with upgrading the existing facilities, other than ordinary repairs and maintenance, are capitalized.

Depreciation on buildings is recorded on a straight-line basis so as to fully depreciate the cost of the buildings over their estimated useful lives, not exceeding 40 years. Capital improvements are depreciated on a straight-line basis over their estimated useful lives ranging from three to 40 years.

Depreciation on leasehold interest – buildings and improvements is recorded on a straight-line basis over the term of the leases ranging from 29 to 40 years.

Leasehold interest – options to purchase, are evaluated for impairment annually or more frequently when events have occurred that would suggest impairment. Impairment would be recognized when the estimated fair value of the option is lower than the carrying value. Should a decision be made to not exercise an option, the value ascribed would be expensed at that date. Otherwise, on acquisition of title, the carrying value would form part of the purchase price of the income properties. No depreciation is recorded on these assets.

Tenant improvements – amounts incurred for lease obligations are characterized as either tenant improvements owned by CAPREIT, or tenant inducements. When the obligations are determined to be tenant improvements the costs are accounted for as property improvements. Tenant improvements are amortized over the asset's useful life.

Equipment is amortized on a straight-line basis over its estimated useful life ranging from three to 25 years.

d) Prepaid CMHC premiums

Fees paid to Canada Mortgage and Housing Corporation ("CMHC") for mortgage insurance premiums are amortized over the shorter of the original or remaining amortization period of the underlying mortgage loans (typically 25 to 35 years) and are included in amortization expense. Unamortized amounts are expensed when the underlying mortgage loan has been discharged or fully repaid.

e) Tenant inducements

Tenant inducements such as free rent or move-in allowances, which are provided upon signing a lease with a term of one year or more, are initially deferred and included in sundry assets, and amortized over the respective term of the lease and included in the determination of revenues from income properties. In the event that a tenant vacates its leased space prior to the contractual term of the lease, any unamortized balance will result in a reduction of revenues at that time.

f) Intangible assets and liabilities acquired on acquisitions

For property acquisitions a portion of the purchase price is allocated to intangible amounts for the fair value of tenant in-place leases, above and below market leases and tenant relationships. These intangible amounts are amortized over the respective terms of the leases or relationships and are included in amortization expense except for the amounts related to above and below market leases, which are amortized to revenues from income properties in respect of tenant leases and property operating expenses in respect of land leases. In the event that a tenant vacates its leased space prior to the contractual term of the lease, any unamortized balance will be expensed at that time.

g) Financial instruments

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and CAPREIT's designation of such instruments. The standards require that all financial assets and financial liabilities be classified as *held-for-trading, held-to-maturity, available-for-sale, loans and receivables or other liabilities.*

Classification of financial instruments

The following summarizes the accounting model CAPREIT has elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held-for-trading
Restricted cash	Held-for-trading
Other receivables	Loans and receivables
Investments	Available-for-sale
Mortgages payable	Other liabilities
Bank indebtedness	Other liabilities
Accounts payable and other liabilities	Other liabilities
Security deposits	Other liabilities
Distributions payable	Other liabilities

Held-for-trading

Financial assets that are acquired with the intention of generating profits in the near term are accounted for at fair value. Interest earned or accrued is included in revenue from income properties.

Loans and receivables

Loans and receivables are accounted for at amortized cost.

Available-for-sale

Investments are accounted for as *available-for-sale*. The assets are measured at fair value at each balance sheet date and the differences between the fair value of the asset and its cost basis is included in other comprehensive (loss) income. Differences accumulated in accumulated other comprehensive loss are transferred to net loss when the asset is removed from the balance sheet or an impairment loss on the asset has to be recognized. Income on *available-for-sale* investments is recognized as earned and included in other income.

Other liabilities

Other liabilities are recorded at amortized cost and include all liabilities other than derivatives or liabilities, which are designated to be accounted for at fair value.

Deferred financing costs, which were previously classified as deferred assets and amortized on a straight-line basis over the term of the related debt, are now netted against the carrying value of mortgages payable and amortized using the effective interest method.

Transaction costs

Transaction costs related to *held-for-trading* financial assets are expensed as incurred. Transaction costs related to loans and receivables and other liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest method. Transaction costs relating to *available-for-sale* financial assets are included in the cost of the asset on initial recognition.

Determination of fair value

The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities.

Derivatives

Derivatives are carried at fair value and where they have a positive value are included in sundry assets and where they have a negative value are included in accounts payable and other liabilities.

Prior to January 1, 2007, CAPREIT entered into fixed price supply contracts for the physical delivery of gas and hydro. As these contracts provide for physical delivery or net settlement in cash, they are treated as derivatives measured at fair value with changes therein recognized in the consolidated statement of operations in property operating costs, except for those contracts that are designated for its own use. At March 31, 2009, the change in fair value for those contracts not designated for its own use was an unrealized loss of $141 (March 31, 2008 - unrealized gain of $45).

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative; and the combined instrument or contract is not measured at fair value. These embedded derivatives are measured at fair value with changes therein recognized in the consolidated statement of operations.

CAPREIT selected January 1, 2003, as the transition date for embedded derivatives and as such, only contracts or financial instruments entered into or modified on that transition date were examined for embedded derivatives. As at March 31, 2009 and 2008, CAPREIT did not have any outstanding contracts or financial instruments with embedded derivatives that required bifurcation.

h) Hedging relationships

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income ("OCI"), while the ineffective portion is recognized in net (loss) income. Should the cash flow hedging relationship become ineffective and/or hedge accounting no longer appropriate, previously unrealized gains and losses remain within accumulated other comprehensive loss ("AOCL") and are amortized to mortgage interest expense in the same periods during which the hedged items affect earnings, while future changes in the fair value of the hedging derivatives are recognized in the consolidated statement of operations and comprehensive (loss) income.

i) Comprehensive income (loss)

Comprehensive income (loss) includes net (loss) income and other comprehensive income (loss). Other comprehensive income (loss) includes changes in the fair value of investments and the effective portion of cash flow hedges less any amounts reclassified to mortgage interest expense in the period. The components of comprehensive income (loss) are disclosed in note 12(b).

j) Accumulated Other Comprehensive Loss ("AOCL")

AOCL is included in the consolidated balance sheet as a separate component of Unitholders' Equity and includes the unrealized gains and losses in changes in the fair market value of cash flow hedges and investments.

k) Impairment of long-lived assets

CAPREIT reviews its long-lived assets for impairment if events or circumstances indicate the carrying value of the asset may be impaired. A recoverability analysis is performed based on estimated undiscounted future cash flows to be generated from the asset's operations and projected disposition to determine if the carrying value is recoverable. If the analysis indicates the carrying value is not recoverable, the asset is written down to its estimated fair value and an impairment loss is recognized.

l) Revenue recognition

CAPREIT recognizes rental revenue using the straight-line method whereby the total amount of rental revenue to be received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the rental revenue recognized and the amounts contractually due under the lease agreements are accrued as rent receivable.

Other income includes interest, dividends and other. Interest and dividend income is recognized as earned.

m) Discontinued operations

CAPREIT allocates interest on its credit facilities to discontinued operations based on the ratio of net assets to be sold to the sum of total net assets.

n) Stock-based compensation

CAPREIT accounts for its Long-Term Incentive Plan ("LTIP") and Senior Executive Long-Term Incentive Plan ("SELTIP") using the fair value based method under which compensation expense is recognized at the time of grant for the estimated fair value of the participant's rights, as they vest. The Units are treated as options for accounting purposes and are included in the calculation of diluted net (loss) income per Unit.

Deferred Units granted under the Deferred Unit Plan ("DUP") are recognized in compensation expense based on the closing market price of CAPREIT's Units on the date of grant (see note 12(i)). The Deferred Units are considered to be outstanding Units from the date of grant for basic and diluted earnings per Unit calculations.

o) Co-ownerships

CAPREIT carries out certain of its activities under co-ownerships and records its proportionate share of assets, liabilities, income and expenses of all co-ownerships in which it participates. In general, CAPREIT has recourse against all the assets of the co-ownerships in the event that CAPREIT is called upon to pay liabilities in excess of its proportionate share.

p) Use of significant estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

q) Cash flow statements

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments, with an original term to maturity of 90 days or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the consolidated cash flow statements and are disclosed separately.

r) Income taxes

CAPREIT is taxed as a Mutual Fund Trust for income tax purposes. Pursuant to its Declaration of Trust, CAPREIT is required to distribute its income for income tax purposes each year to its Unitholders to such an extent that it will not be liable for income tax under Part I of the *Income Tax Act* (Canada) ("Tax Act"). Accordingly, no provision for current income taxes payable is required.

CAPREIT uses the liability method of accounting for future income taxes. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the carrying amount of assets and liabilities and their carrying amounts for tax purposes. Future income taxes are measured at the tax rates expected to apply in the future when temporary differences reverse. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the tax rate change is substantively enacted.

s) Changes in accounting policies

The Canadian Institute of Chartered Accountants ("CICA") issued the new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The new and amended standards were effective for CAPREIT's 2009 fiscal year commencing January 1, 2009. Adoption of this standard, effective January 1, 2009, did not have any significant impact on CAPREIT's consolidated financial results.

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which requires the entity to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective for CAPREIT's 2009 fiscal year commencing January 1, 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have any significant impact on the valuation of CAPREIT's financial assets or liabilities.

t) Future accounting changes

The CICA has issued Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace Section 1600, Consolidated Financial Statements. Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs will be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value through earnings for each period until settled. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. All three sections come into effect for financial periods beginning January 1, 2011 with prospective application.

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian public entities will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011 (the "changeover date"). CAPREIT will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information. The impact of the adoption of IFRS on the consolidated financial statements of CAPREIT will likely be significant and, as such, CAPREIT has begun to develop its convergence plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. CAPREIT continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board. It is not CAPREIT's intention to early adopt IFRS prior to January 1, 2011.

3. Recent Property Acquisitions

CAPREIT completed the following acquisitions, which have contributed to operating results effective from their respective acquisition dates:

For the three months ended March 31, 2009:

- On February 10, 2009, CAPREIT Limited Partnership ("CAPLP") acquired ten land lease sites (eight sites near Bowmanville, Ontario and two sites in Grand Bend, Ontario) for total acquisition costs of $724, all of which were funded from the Land Lease Facility (note 8(b)).

For the year ended December 31, 2008:

- On December 5, 2008 CAPREIT acquired a 153-suite, 19-storey, luxury apartment building in Quebec City, Quebec. The total acquisition costs of approximately $17,839 were satisfied by the assumption of a CMHC-insured mortgage of approximately $10,472 maturing in 2011 with an interest rate of 4.21%, a new $2,168 five-year mortgage with an interest rate of 3.62%, and the balance from the Acquisition Facility.
- On September 1, 2008, CAPLP acquired an additional 11 land lease sites (nine sites near Bowmanville, Ontario and two sites in Grand Bend, Ontario) for total acquisition costs of $679, which were funded from the Land Lease Facility (note 8(b)).
- On August 29, 2008, CAPREIT acquired a 137-suite apartment building in Victoria, British Columbia. The total acquisition costs of $14,299 were satisfied by new CMHC-insured financing of $10,182 for a five-year term at 4.35%, and the balance from the Acquisition Facility.
- On July 31, 2008, CAPREIT acquired a 50% interest in a portfolio of eight high-quality properties in Toronto, Ontario totalling 784 suites. The total acquisition costs for the 50% interest of $47,902 were satisfied by the assumption of $15,010 of existing mortgages maturing between 2011 and 2019, at an average interest rate of 4.75%, new CMHC-insured mortgages of $14,658 for five-year terms at an average interest rate of 4.55%, and the balance funded from the Acquisition Facility.
- On April 30, 2008, CAPREIT completed the acquisition of an apartment property located in Richmond, British Columbia consisting of 174 suites. The total acquisition costs of $24,164 were satisfied by the assumption of an existing first mortgage of $5,767 for an eight-year term at 4.6% and a new CMHC-insured mortgage of $6,767 for a five-year term at an interest rate of 4.45% and the balance from the Acquisition Facility.
- On April 8, 2008, CAPLP acquired nine land lease sites (six sites near Bowmanville, Ontario and three sites in Grand Bend, Ontario) for total acquisition costs of $639, which were funded from the Land Lease Facility (note 8(b)).
- On January 10, 2008, CAPREIT completed the acquisition of two adjoining apartment properties located in Toronto, Ontario consisting of 143 suites. The total acquisition costs of $14,289 were satisfied by a new CMHC-insured mortgage of $10,782 for a five-year term at an interest rate of 4.69% and the balance from the Acquisition Facility.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

	March 31, 2009	December 31, 2008
The consideration paid consists of:		
- New mortgages payable	$ -	$ 44,557
- Assumed mortgages payable	-	31,249
- Bank indebtedness	724	44,005
	$ 724	$ 119,811
The allocation of consideration paid is as follows:		
Income properties:		
- Land	$ 466	$ 33,149
- Buildings and improvements	258	85,565
- Equipment	-	330
	724	119,044
Intangible assets		
- Value of tenant in-place leases	-	891
- Value of tenant relationships	-	115
- Value of above market leases	-	18
	-	1,024
Intangible liabilities		
- Value of below market leases	-	(257)
	$ 724	$ 119,811

4. Income Properties

	Cost	Accumulated Depreciation	March 31, 2009 Net Book Value
Freehold			
- Land	$ 361,547	$ -	$ 361,547
- Buildings and improvements	1,635,084	(241,890)	1,393,194
	1,996,631	(241,890)	1,754,741
Leasehold interest			
- Buildings and improvements	463,892	(77,119)	386,773
- Options to purchase	10,830	-	10,830
	474,722	(77,119)	397,603
Equipment	44,602	(12,588)	32,014
	$ 2,515,955	$ (331,597)	$ 2,184,358

	Cost	Accumulated Depreciation	December 31, 2008 Net Book Value
Freehold			
- Land	$ 361,081	$ -	$ 361,081
- Buildings and improvements	1,628,393	(228,088)	1,400,305
	1,989,474	(228,088)	1,761,386
Leasehold interest			
- Buildings and improvements	462,036	(72,829)	389,207
- Options to purchase	10,830	-	10,830
	472,866	(72,829)	400,037
Equipment	43,158	(11,636)	31,522
	$ 2,505,498	$ (312,553)	$ 2,192,945

Leasehold interest – buildings and improvements represent buildings and improvements relating to three properties under long-term land leases and fifteen properties under long-term operating leases. There are no future obligations with respect to the long-term operating leases as all rents were prepaid.

Leasehold interest – options to purchase represent the fair value assigned at the date of acquisition of the fixed price options to acquire the leasehold properties under long-term operating leases at their lease expiry dates. Options are exercisable by CAPREIT after the expiration of the 25th year of the respective leasehold term ranging from 2023 to 2027.

5. Sundry Assets

	March 31, 2009	December 31, 2008
Prepaid CMHC premiums – net of amortization of $5,146 (2008 – $4,864)	$ 20,772	$ 19,712
Prepaid expenses	3,600	2,836
Tenant inducements	173	212
Other receivables	4,733	4,951
Restricted cash	2,893	2,925
Deposits on purchases *(a)*	1,192	1,519
Deposits	896	612
Investments	16,153	14,270
Leasehold improvements – net of amortization of $467 (2008 – $446)	761	782
Other assets – net of amortization of $806 (2008 – $692)	1,022	1,035
Total	$ 52,195	$ 48,854

a) Under the terms of the Development Agreements entered into concurrently with the acquisition of land lease sites on July 10, 2007, CAPLP is required to fund servicing costs on the lands in the land lease communities for future developments. These funded amounts will be deducted from the final purchase price when the land lease sites are acquired by CAPLP. The Agreements are for a ten-year term and can be extended for an additional ten years.

6. Intangible Assets and Liabilities

	Cost	Accumulated Amortization	March 31, 2009 Net Book Value
Intangible assets			
Value of tenant in-place leases	$ 15,084	$ (14,100)	$ 984
Value of tenant relationships	1,571	(1,425)	146
Value of above market leases	1,243	(1,219)	24
	$ 17,898	$ (16,744)	$ 1,154
Intangible liabilities			
Value of below market leases	$ 1,908	$ (1,641)	$ 267

	Cost	Accumulated Amortization	December 31, 2008 Net Book Value
Intangible assets			
Value of tenant in-place leases	$ 15,084	$ (13,853)	$ 1,231
Value of tenant relationships	1,571	(1,337)	234
Value of above market leases	1,243	(1,213)	30
	$ 17,898	$ (16,403)	$ 1,495
Intangible liabilities			
Value of below market leases	$ 1,908	$ (1,574)	$ 334

7. Mortgages Payable

Mortgages payable bear interest at a weighted average effective rate of 5.27% (December 31, 2008 – 5.30%), and mature between 2009 and 2027. All mortgages payable, with the exception of $13,048, are financed at fixed interest rates. The income properties have been pledged as security. Future principal repayments ending December 31 for the years indicated are as follows:

	Principal Amount	% of Total Principal
Nine months remaining in 2009	$ 209,068	14.1
2010	185,005	12.5
2011	238,071	16.1
2012	236,728	16.0
2013	156,700	10.6
Subsequent to 2013	456,159	30.7
	1,481,731	100.0
Deferred financing costs and fair value adjustments	(3,978)	
	$ 1,477,753	

As at March 31, 2009, fair value adjustments of $897 and ($4,875) of unamortized deferred financing costs are netted in mortgages payable.

8. Bank Indebtedness

On April 1, 2008, CAPREIT transferred the beneficial interest in all of its properties along with related debt obligations to CAPLP. The Acquisition and Operating Facilities and the Land Lease Facility were restructured into one credit agreement (the "Credit Agreement"). On June 30, 2008, the Credit Agreement was renewed as summarized below.

a) Acquisition and Operating Facilities

The maximum amount available under the Acquisition Facility is $200,000 comprising one facility of $140,000 for a three-year term and another facility of $60,000 for a one-year term. The maximum amount available under the Operating Facility is $50,000. The Acquisition Facilities mature on June 30, 2011 and June 30, 2009, respectively, while the Operating Facility matures on June 30, 2009. Floating charge debentures on income properties have been provided as security. At March 31, 2009, the weighted average floating interest rate for amounts drawn under these credit facilities is 2.26% (December 31, 2008 – 3.38%).

As at March 31, the following balances are outstanding:

	March 31, 2009	December 31, 2008
Operating Facility	$ 35,411	$ 43,404
Acquisition Facility	86,852	73,507
	$ 122,263	$ 116,911

In addition, at March 31, 2009, CAPREIT has letters of credit outstanding in the amount of $5,291 (December 31, 2008 - $3,856), which affect the maximum amount available under the facilities.

b) Land Lease Facility

The Land Lease Facility was established by CAPLP (notes 3 and 5) to fund operating, development and acquisition costs. The maximum amount of the facility is $10,000 for a one-year term and matures on June 30, 2009. Floating charge debentures on the land lease properties have been provided as security. At March 31, 2009, the borrowings outstanding for this facility were $3,200 (December 31, 2008 - $4,118). In addition, CAPLP has letters of credit outstanding in the amount of $104 (December 31, 2008 - $130), which affect the maximum available under the facility. At March 31, 2009, the weighted average floating interest rate for amounts drawn under this facility is 1.65% (December 31, 2008 – 2.89%).

9. Future Income Taxes

Prior to June 12, 2007, no provision for income taxes was recorded in the consolidated financial statements. On June 12, 2007, amendments to the Tax Act were substantively enacted (as a result of tax legislation included in Bill C-52, the *Budget Implementation Act, 2007*), which modified the tax treatment of certain publicly traded trusts and partnerships that are specified investment flow-through trusts or partnerships ("SIFTs"). Under the SIFT Rules, a SIFT will generally be taxed in a manner similar to corporations on income from a business carried on in Canada by the SIFT and income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Tax Act) at a combined federal/provincial tax rate similar to that of a corporation. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be taxed as a dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. Subject to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT Rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006 if the "SIFT trust" and "SIFT partnership" definitions in the Tax Act had been in force as of that date.

Certain real estate investment trusts that satisfy specified conditions (the "REIT Exception") are excluded from the SIFT definition and therefore will not be subject to the SIFT Rules. As CAPREIT did not meet the REIT Exception as at October 31, 2006, June 12, 2007 or as at March 31, 2009, a future income tax liability in the amount of $64,840 has been recorded at March 31, 2009 (December 31, 2008 - $63,221) based on the temporary differences that are expected to reverse on or after January 1, 2011. The change in the future income tax liability has been recorded as a provision to the consolidated statement of operations and comprehensive (loss) income in the amount of $803 for the quarter ended March 31, 2009 (March 31, 2008 - ($103)) and to other comprehensive income (loss) for $816 (March 31, 2008 - $nil) relating to unrealized loss on derivative financial instruments and interest rate swap

agreements. If CAPREIT should meet the REIT Exception in the future, the future income tax liability will be reversed and recorded as a recovery through the consolidated statement of operations and comprehensive income (loss) at that time. CAPREIT is not currently taxable and accordingly no current income taxes have been recorded as at March 31, 2009 and for the quarter then ended. CAPREIT has not exceeded the Normal Growth Guidelines.

A reconciliation of income tax expense for the period is as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Current income taxes at Canadian statutory tax rate	$ -	$ -
Provision for future income taxes relating to OCI *(note 12(b))*	775	-
Provision for future income taxes for changes in substantively enacted tax rates for OCI	41	-
Recovery of future income taxes	(2)	(103)
Provision for future income taxes for changes in substantively enacted tax rates	805	-
Future income taxes	$ 1,619	$ (103)

The future income tax liability is as follows:

	March 31, 2009	December 31, 2008
Future income tax liability balance, beginning of the period	$ 63,221	$ 51,789
Future income taxes relating to OCI *(note 12(b))*	816	2,298
Future income taxes	803	9,134
Future income tax liability, end of the period	$ 64,840	$ 63,221

10. Distributions

CAPREIT calculates Distributable Income ("DI") as defined in its Declaration of Trust and pays out monthly, on or about the 15th day of each month in each calendar year.

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Distributions declared *(note 17(b))*	$ 18,331	$ 18,111
Distributions Per Unit	$ 0.270	$ 0.270

11. Per Unit Calculations

Basic per Unit calculations are based on the weighted average number of Units and CAPLP Units (collectively "Units") outstanding for the period, including Deferred Units allocated under the DUP (37,085 Units (March 31, 2008 – nil)), but excluding Units issued under the LTIP (1,572,244 Units (March 31, 2008 – 1,164,744 Units)) and SELTIP (817,914 Units (March 31, 2008 – 817,914 Units)). The calculation of per Unit information on a diluted basis considers the potential exercise of outstanding Unit options to the extent each Unit option is dilutive and takes into consideration the effect of any dilutive LTIP and SELTIP Units.

The following table provides a reconciliation between the outstanding weighted average number of Units and the number of diluted Units:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Weighted average number of Units	65,769,895	65,242,675
Effect of dilutive Unit options, LTIP and SELTIP Units	84,326	138,677
Weighted average number of diluted Units	65,854,221	65,381,352

12. Unitholders' Equity

Authorized – Unlimited, voting Units

The number of issued and outstanding Units comprises the following:

	Trust Units	CAPLP Units	Total
Units outstanding, January 1, 2009	67,221,091	411,311	67,632,402
Issued during the year:			
Distribution Reinvestment Plan	219,416	-	219,416
Employee Unit Purchase Plan	4,359	-	4,359
Long-Term Incentive Plan ("LTIP")	407,500	-	407,500
Deferred Unit Plan ("DUP")	8,413	-	8,413
Units cancelled	(13,500)	-	(13,500)
Units outstanding, March 31, 2009	67,847,279	411,311	68,258,590

	Trust Units	CAPLP Units	Total
Units outstanding, January 1, 2008	66,606,085	411,311	67,017,396
Issued during the year:			
Distribution Reinvestment Plan	243,164	-	243,164
Employee Unit Purchase Plan	3,231	-	3,231
Long-Term Incentive Plan	370,000	-	370,000
Units cancelled	(433,700)	-	(433,700)
Units outstanding, March 31, 2008	66,788,780	411,311	67,200,091

CAPLP acquired two land lease properties on July 10, 2007 for consideration including the issuance to the vendor of 411,311 exchangeable limited partnership units ("CAPLP Units") at a weighted average price of $19.45. CAPREIT GP Inc. is the general partner of the Limited Partnership. The CAPLP Units are entitled to distributions equivalent to distributions on CAPREIT Units, must be exchanged solely for CAPREIT Units on a one-for-one basis, and are exchangeable at any time at the option of the holder.

The maximum number of Units issuable under all of CAPREIT's Unit incentive plans, namely the Unit Option Plan, the Employee Unit Purchase Plan, the Unit Purchase Plan, the LTIP, the SELTIP and the DUP is 6,000,000 Units. The maximum available for future issuance under all Unit incentive plans as at March 31, 2009 is 990,324 Units (December 31, 2008 - 1,410,596 Units).

a) *New Units Issued*

On November 7, 2007, CAPREIT issued 5,350,000 Units at $18.65 per Unit for aggregate gross proceeds of $99,778. The net proceeds after underwriters' fees and issue costs were $95,006. This includes $128 of issue costs incurred during the year ended December 31, 2008, $40 of which was incurred during the quarter ended March 31, 2008.

b) *Accumulated Other Comprehensive Loss ("AOCL") and Other Comprehensive Income ("OCI")*

	Three Months Ended March 31, 2009	2008
AOCL balance, beginning of period	$ (38,400)	$ (9,354)
Other comprehensive income (loss):		
Loss on derivative financial instruments [1]	-	(3,900)
Loss on interest rate swap agreements	(105)	(1,833)
Provision for future income taxes *(note 9)*	(816)	-
Loss on amounts designated as cash flow hedges settled in prior years and transferred to mortgage interest expense	(69)	(67)
Change in fair value of investments	1,883	(4,516)
Change in other comprehensive income (loss)	893	(10,316)
AOCL balance, end of period	$ (37,507)	$ (19,670)

(1) The cumulative unrealized loss on derivative financial instruments aggregating to $9,908 before tax will be amortized to the consolidated statement of operations and comprehensive (loss) income in the same period to which the hedge items affect earnings. The estimated amount of the loss that is expected to be reclassified to net income from AOCL in the next 12 months is $830.

c) *Distribution Reinvestment Plan ("DRIP")*

The terms of the Distribution Reinvestment Plan grant participants the right to receive an additional amount equal to 5% of their monthly distributions paid in the form of additional Units. The total consideration for Units issued represents the amount of cash distributions reinvested in additional Units.

d) *Unit Option Plan*

Under the terms of the Unit Option Plan, Units are granted to Trustees, officers and employees based on a performance incentive for improved service and enhancing profitability and vest on grant. There were no options granted in the three months ended March 31, 2009 and 2008.

A summary of Unit option activity for the three months ended March 31, 2009 and 2008 is presented as follows. All options are exercisable as at March 31, 2009.

	March 31, 2009		March 31, 2008	
	Number of Units	Weighted Avg. Exercise Price	Number of Units	Weighted Avg. Exercise Price
Options outstanding, beginning of period	387,200	$ 13.42	419,600	$ 13.35
Options exercised	-	-	-	-
Options outstanding, end of period	387,200	$ 13.42	419,600	$ 13.35

The following Unit Option Plan grants are outstanding:

Exercise Price	Expiry Date	March 31, 2009 Number of Units	March 31, 2008 Number of Units
$ 11.85	December 17, 2010	57,700	78,100
$ 14.10	November 14, 2011	151,000	158,000
$ 13.73	April 4, 2012	40,000	40,000
$ 13.25	November 17, 2012	138,500	143,500
		387,200	419,600

e) *Unit Purchase Plan*

Under contracts with certain executives, in addition to base cash compensation, incentive compensation may be declared by the Compensation and Governance Committee of the Board of Trustees, subject to the attainment of specified performance objectives. The executive officers are eligible to participate in the Unit Purchase Plan and can elect to either receive incentive compensation in cash or alternatively, participate in the Unit Purchase Plan.

The Unit Purchase Plan provided executives the ability to purchase CAPREIT Units with the assistance of loans to the extent of three times the amount of incentive compensation earned. No new Units were issued and no new loans to purchase Units were granted to the executives in the three months ended March 31, 2009 and 2008.

The summary of Units previously issued under the Unit Purchase Plan is as follows:

Number of Units	March 31, 2009	March 31, 2008
Balance, beginning of period	423,725	423,725
Issued during the period	-	-
Balance, end of period	423,725	423,725

f) *Employee Unit Purchase Plan*

The Employee Unit Purchase Plan grants employees the right to receive an additional amount equal to 10% of the Units they acquired, paid in the form of additional Units. This additional amount is expensed as compensation upon issuance of the Units. The amount expensed for the three months ended March 31, 2009 was $5 (March 31, 2008 - $5).

g) *Long-Term Incentive Plan (“LTIP”)*

The Compensation and Governance Committee of the Board of Trustees may award LTIP Units, subject to the attainment of specified performance objectives to certain officers and key employees, collectively the "Participants." The Participants can subscribe for Units of CAPREIT at a purchase price equal to the weighted average trading price of the Units for five trading days prior to issuance. The purchase price is payable in installments, with an initial installment of 5% paid when the Units are issued. The balance represented by Installment Receipts is due over a term not exceeding ten years. Participants are required to pay interest at a ten-year fixed rate based on the Trust's fixed borrowing rate for long-term mortgage financing (4.48% for awards granted in 2009, 4.65% for awards granted in 2008) and are required to apply cash distributions received by them on these Units toward the payment of interest and the remaining installments. Participants may pre-pay any remaining installments at their discretion. The Installment Receipts are non-recourse to the Participants and are secured by the Units as well as the distributions on the Units. If a Participant fails to pay interest and/or principal, CAPREIT may elect to reacquire or sell the Units in satisfaction of the outstanding amounts.

The details of the Units issued under the LTIP are as shown below:

Number of Units	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Balance, beginning of period	1,164,744	794,744
Issued during the period	407,500	380,000
Cancelled during the period	-	(10,000)
Balance, end of period	1,572,244	1,164,744
Value of LTIP Units granted during the period	$ 5,208	$ 6,118

The details of the LTIP Installment Receipts are as shown below:

Installment Receipts	March 31, 2009	December 31, 2008
Balance, beginning of period	$ 17,458	$ 12,245
Amounts granted, net of initial installment of $261 (2008 - $306)	4,947	5,812
Amounts cancelled	-	(197)
Principal repayments during the period	(110)	(402)
Balance, end of period	$ 22,295	$ 17,458

The Installment Receipts are recognized as a deduction from Unitholders' Equity in cumulative capital. During the period, interest payments in the amount of $217 (March 31, 2008 - $173) were credited to Unitholders' Equity in cumulative distributions.

On March 10, 2009, 407,500 Units were issued at $12.78. The fair value of the compensation costs for the Units granted on this day under the LTIP using the Black-Scholes option pricing model was estimated to be $694. As the Units granted vest one-third on the date of grant, and one-third on each of the anniversary of the date of grant for each of the next two years, compensation cost of $231 was expensed in the consolidated statement of operations during the three-month period ended March 31, 2009, with a corresponding amount included in Unitholders' Equity in cumulative capital.

On February 29, 2008, 380,000 Units were issued at $16.10. The fair value of the compensation costs for the Units granted on this day under the LTIP using the Black-Scholes option pricing model was estimated to be $960. As the Units granted vest one-third on the date of grant, and one-third on each of the anniversary of the date of grant for each of the next two years, compensation cost of $320 was expensed in the consolidated statement of operations during the year ended 2008, with a corresponding amount included in Unitholders' Equity in cumulative capital.

On February 1, 2008, 10,000 Units previously issued on March 2, 2007 were cancelled. Accordingly, compensation costs of $11 previously expensed in 2007 were adjusted for in the three months ended March 31, 2008. The compensation costs for 2009 (remaining vesting period) will be decreased by $11 from $420 to $409.

The weighted average assumptions for the grants awarded in the respective periods were as follows:

	March 31, 2009	March 31, 2008
Risk free interest rate	2.99%	3.70%
Expected lives (years)	10	10
Expected volatility	12.00%	12.00%
Dividend yield	8.45%	6.71%

h) *Senior Executive Long-Term Incentive Plan ("SELTIP")*

The Compensation and Governance Committee of the Board of Trustees may award SELTIP Units, subject to the attainment of specified performance objectives to the Chief Executive Officer and the Chief Financial Officer, collectively the "Participants." The Participants can subscribe for Units of CAPREIT at a purchase price equal to the weighted average trading price of the Units for five trading days prior to issuance. The purchase price is payable in installments, with an initial installment of 5% paid when the Units are issued. The balance represented by Installment Receipts is due over a term not exceeding thirty years. Participants are required to pay interest at a thirty-year fixed rate based on the Trust's fixed borrowing rate for long-term mortgage financing (4.96% for awards granted to-date) and are required to apply cash distributions received by them on these Units toward the payment of interest and the remaining installments until the tenth anniversary of issuance. Following the tenth anniversary, cash distributions shall be applied to pay interest only and any excess shall be distributed to the Participants. Participants may pre-pay any remaining installments at their discretion. The Installment Receipts are non-recourse to the Participants and are secured by the Units as well as the distributions on the Units. If a Participant fails to pay interest and/or principal, CAPREIT may elect to reacquire or sell the Units in satisfaction of the outstanding amounts.

The details of the Units issued under the SELTIP are shown below:

Number of Units	March 31, 2009	March 31, 2008
Balance, beginning of period	817,914	817,914
Issued during the period	-	-
Balance, end of period	817,914	817,914

The details of the SELTIP Installment Receipts are shown below:

Installment Receipts	March 31, 2009	December 31, 2008
Balance, beginning of period	$ 13,075	$ 13,302
Principal repayments during the period	(61)	(227)
Balance, end of period	$ 13,014	$ 13,075

The Installment Receipts are recognized as a deduction from Unitholders' Equity in cumulative capital. During the three-month period ended March 31, 2009 interest payments in the amount of $160 (March 31, 2008 - $164) were credited to Unitholders' Equity in cumulative distributions.

i) *Deferred Unit Plan ("DUP")*

During 2008, CAPREIT implemented the DUP for the benefit of the non-executive trustees as approved by the Unitholders on May 21, 2008. This plan gives the non-executive trustees the right to receive a percentage of their annual retainer in the form of deferred units ("Deferred Units"). Each trustee who elects to participate may be paid 25%, 50%, 75% or 100% (the "Elected Percentage") of his annual retainer payable in respect of a calendar year (the "Elected Amount"), subject to an annual maximum Elected Percentage established by the Compensation and Governance Committee, in the form of Deferred Units, in lieu of cash. CAPREIT will match the Elected Amount in the form of Deferred Units having a value equal to the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the date on which board compensation is payable. The maximum Elected Percentage in respect of 2009 is 50% of a trustee's annual board compensation of $55.

The Deferred Units earn additional Deferred Units for the distributions that would otherwise have been paid on the Deferred Units. The Deferred Units and additional Deferred Units are credited to each trustee's Deferred Unit account and are not issued to the trustee until the trustee elects to withdraw such Units. Each trustee may elect to withdraw up to 20% of the Deferred Units credited to his Deferred Unit account only once in a five-year period. For the period ended March 31, 2009, total compensation costs of $105 (March 31, 2008 - $nil) were expensed in relation to awards under the DUP.

The details of the Units issued under the DUP are shown below:

	March 31, 2009		March 31, 2008	
	Number of Units	Weighted Average Price	Number of Units	Weighted Average Price
Outstanding, beginning of period	28,672	$ 16.42	-	$ -
Granted during the period	8,413	12.37	-	-
Outstanding, end of period	37,085	$ 15.50	-	$ -

j) *Units Cancelled*

During the three months ended March 31, 2009, pursuant to a normal course issuer bid, 13,500 Units (March 31, 2008 – 433,700) were acquired for cancellation at market prices aggregating $169 (March 31, 2008 - $6,331).

13. Amortization

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Amortization of other financing costs and CMHC premiums	$ 396	$ 318
Amortization of leasehold improvements	21	18
Amortization of tenant improvements	70	66
Amortization of intangible assets	335	377
	$ 822	$ 779

14. Reorganization Costs

These costs represent amounts incurred to complete the reorganization of CAPREIT's capital structure. These costs include legal, accounting and tax consulting involved with the following:

- Setting up of CAPLP and the issuance of CAPLP Units exchangeable into CAPREIT Units.
- Conversion from closed-end to an open-end trust structure including changes to the Declaration of Trust.
- Transfer of beneficial interest in all the properties, mortgage debt and trust debt obligations from CAPREIT to CAPLP.

15. Unrealized Loss on Derivative Financial Instruments

During 2005, CAPREIT entered into interest rate forward contracts aggregating to $145,740 to hedge its exposure to the potential rise in interest rates for refinancings of mortgages maturing in 2009. The unrealized loss on these contracts to which hedge accounting treatment was applied (see note 2(h)), aggregating to $5,638 as at January 1, 2007, the effective date of implementation of Section 3865, was recorded in AOCL and cumulative changes resulting from mark-to-market valuations during the period January 2, 2007 to September 30, 2008, the date hedge accounting was terminated, aggregating to $4,270 were reflected in OCL.

During the last quarter of 2008, management terminated the hedging relationship in respect of these interest rate forward contracts as it was determined that the criteria for hedge accounting treatment was no longer satisfied and accordingly, ceased hedge accounting on a prospective basis effective September 30, 2008, the last date that hedge effectiveness testing was completed. As a result, the unrealized loss on these interest rate forward contracts of

$9,908 included in AOCL at September 30, 2008, will be amortized to mortgage interest expense in the same periods during which the hedged items affect earnings. As hedge accounting is no longer applied to these contracts from October 1, 2008, any subsequent change in fair value of these contracts was recognized in the consolidated statement of operations and comprehensive income (loss). For the quarter ended March 31, 2009, the unrealized loss resulting from mark-to-market valuations on these contracts totalling $845 has been recognized in the consolidated statement of operations and comprehensive (loss) income. The corresponding liability for the cumulative changes resulting from mark-to-market valuations aggregating $28,380 has been set up in accounts payable and other liabilities. It is management's intention to terminate these contracts on or before the maturity dates of these contracts in 2009.

16. Discontinued Operations

On January 18, 2008, CAPREIT sold ten non-core properties consisting of 558 suites in Ontario and 920 suites in Quebec for a total sale price of $121,250. The purchaser assumed $57,643 of existing mortgages.

In a separate transaction on January 21, 2008, CAPREIT also sold two Quebec City apartment properties containing 152 suites for a sales price of $6,350. Mortgages of $2,187 were repaid.

The net cash proceeds of $62,993 from these sales were used to repay bank indebtedness. A gain of approximately $17,105 was recognized in the first quarter of 2008.

The results of operations of these properties have been reclassified as discontinued operations:

	Three Months Ended March 31,	
	2009	**2008**
Operating revenues	$ -	$ 661
Operating expenses	-	402
Mortgage interest	-	138
Interest on bank indebtedness	-	12
Income from discontinued operations	-	109
Gain on sale of assets	-	17,105
Income from discontinued operations	$ -	$ 17,214

17. Supplemental Cash Flow Information

a) Changes in non-cash operating assets and liabilities

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Prepaid CMHC premiums	$ (1,342)	$ (283)
Prepaid expenses	(764)	(2,455)
Tenant inducements	39	80
Other receivables	121	(77)
Other assets	(101)	-
Deposits on purchases	327	(295)
Deposits	(284)	872
Leasehold improvements	-	(11)
Accounts payable and other liabilities	308	4,511
Security deposits	52	230
	$ (1,644)	$ 2,572

b) Net cash distributions to Unitholders

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Distributions declared to Unitholders	$ 18,331	$ 18,111
Add: Distributions payable at beginning of period	6,084	6,032
Less: Distributions payable at end of period	(6,140)	(6,048)
Less: Distributions to Participants in the Distribution Reinvestment Plan	(2,837)	(3,483)
	$ 15,438	$ 14,612

c) Mortgages and loans

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Interest paid	$ 19,596	$ 20,126

d) Capital improvements

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Capital improvements	$ 9,733	$ 7,656
Change in accounts payable and other liabilities	(88)	2,100
	$ 9,645	$ 9,756

e) Acquisition of income properties

	Three Months Ended March 31,	
	2009	**2008**
Acquired properties *(note 3)*	$ 724	$ 14,274
Assumed debt *(note 3)*	-	-
Net proceeds	$ 724	$ 14,274

f) Disposition of income properties

	Three Months Ended March 31,	
	2009	**2008**
Proceeds	$ -	$ 127,600
Closing costs	-	(4,718)
Mortgages assumed by purchasers and discharged	-	(59,830)
Net proceeds	$ -	$ 63,052

18. Related Party Transactions

a) CAPREIT has entered into construction management agreements with a company that is owned by two trustees and officers of CAPREIT to provide construction management services (based on 4.5% of construction costs up to $20,000, 3% for the next $15,000 and 1% thereafter) to carry out the capital improvements for the properties. The total construction management fees for the period ending March 31, 2009 (excluding GST) amounted to $218 (March 31, 2008 - $202) and have been capitalized to income properties. At March 31, 2009 there were construction management fees outstanding of $101 (December 31, 2008 - $44) in accounts payable and other liabilities.

b) CAPREIT has a lease for office space with a company in which one of the trustees and officers has an 18% beneficial interest. The rent paid for the office space (which is based on fair market rents at the date the lease was entered into) for the period ending March 31, 2009 was $180 (March 31, 2008 - $148), including property operating costs and has been expensed as trust expenses. The lease expires on October 31, 2009. The minimum annual rental payments in 2009 are $282.

c) CAPREIT has a consulting agreement, expiring in May 2009, with a company owned by one of the trustees and officers. The total fees paid for the period ending March 31, 2009 (excluding GST) were $13 (March 31, 2008 - $25) and have been expensed as trust expenses. At March 31, 2009, there were consulting fees outstanding of $4 (December 31, 2008 - $8) in accounts payable and other liabilities.

d) CAPREIT has entered into an agreement with a company to supply suite utility meters. This company is managed by a trustee and officer of CAPREIT. For the three months ended March 31, 2009, $nil (excluding GST) (March 31, 2008 - $376) has been capitalized to income properties and $nil (December 31, 2008 - $16) is outstanding and included in accounts payable and other liabilities.

19. Financial Instruments

a) Fair value of financial instruments

The fair value of CAPREIT's financial assets and liabilities, except as noted below and elsewhere in the consolidated financial statements, approximates their carrying amount due to the short-term nature of those instruments.

At March 31, 2009 the fair value of CAPREIT's mortgages payable is estimated to be $1,572,280 (December 31, 2008 - $1,550,427) due to changes in interest rates since the dates the individual mortgages were financed. The fair value of the mortgages payable has been estimated based on current market rates for mortgages with similar terms and conditions.

b) Risk management

The main risks arising from CAPREIT's financial instruments are interest rate, liquidity and credit risks. CAPREIT's approach to managing these risks is summarized below.

Interest rate risk

CAPREIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced on terms as favourable as those of the existing indebtedness. In addition, interest on CAPREIT's bank indebtedness is subject to floating interest rates. For the three-month period ended March 31, 2009 and March 31, 2008, a one percentage change in interest rates would have had the following effect:

	Change in interest rates	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	%	Impact on net (loss) income		Impact on OCI	
Floating rate debt	+1.00	$ (94)	$ (162)	$ -	$ -
Floating rate debt	-1.00	$ 94	$ 162	$ -	$ -
Derivative financial instruments	+1.00	$ 10,018	$ -	$ -	$ 7,934
Derivative financial instruments	-1.00	$ (10,272)	$ -	$ -	$ (8,728)
Interest rate swap agreements	+1.00	$ -	$ -	$ 1,843	$ 2,174
Interest rate swap agreements	-1.00	$ -	$ -	$ (1,885)	$ (2,276)

CAPREIT's objective of managing interest rate risk is to minimize the volatility of earnings. As at March 31, 2009, interest rate risk has been minimized as all mortgages payable with the exception of $13,048 or 0.88% (December 31, 2008 - $16,051 or 1.09%) is financed at fixed interest rates, with maturities staggered over a number of years.

Liquidity risk

Liquidity risk is the risk that CAPREIT may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. Approximately 95.1% of CAPREIT's mortgages are CMHC-insured (excluding the land lease portfolio), which reduces the risk of mortgage refinancings. CAPREIT's overall risk for mortgage refinancings is further reduced as the mortgage insurance premiums are transferrable between approved lenders and is effective for the full amortization period of the underlying mortgages ranging between 25 to 35 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities to fund its on going operational and capital commitments, distributions to Unitholders and provide future growth in its business. As at March 31, 2009, CAPREIT had undrawn lines of credit available in the amount of $86,747 and management does not anticipate any material difficulties in renewing the Credit Agreement.

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at March 31, 2009 are as follows:

($ Thousands)	**2009**	**2010 - 2011**	**2012 - 2013**	**2014 onward**
Mortgages payable	$ 209,068	$ 423,076	$ 393,428	$ 456,159
Bank indebtedness	38,611	86,852	-	-
Mortgage interest payable	52,639	113,935	67,208	87,806
Bank indebtedness interest payable	1,707	2,923	-	-
Accounts payable and accrued liabilities	71,222	4,104	878	-
Security deposits	18,904	-	-	-
Distributions payable	6,140	-	-	-
	$ 398,291	$ 630,890	$ 461,514	$ 543,965

Credit risk

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that CAPREIT's residents may experience financial difficulty and be unable to meet their rental obligations.

CAPREIT monitors its risk exposure regarding obligations with counterparties (mainly Canadian chartered banks) through the regular assessment of counterparties' credit positions.

CAPREIT mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, by limiting its exposure to any one tenant and by geographical diversification of its portfolio.

CAPREIT monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. All accounts receivable balances exceeding 30 days are written off to bad debt expense and recognized in the consolidated statement of operations and comprehensive (loss) income. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of operations and comprehensive (loss) income. Accordingly, no allowance for doubtful accounts is established.

20. Capital Management

CAPREIT defines capital as the aggregate of Unitholder's equity and debt. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund its distributions to Unitholders, to meet its repayment obligations under its mortgages and credit facilities and, to ensure sufficient funds are available to meet capital commitments. Capital adequacy is monitored against investment and debt restrictions contained in the Declaration of Trust and debt covenants in the Credit Agreement.

CAPREIT's Declaration of Trust permits the maximum amount of total debt to 70% of the gross book value of CAPREIT's total assets. Gross book value is defined as the book value of the assets of CAPREIT plus accumulated depreciation and amortization.

CAPREIT's Credit Agreement has covenants that provide for: (i) tangible net worth of not less than $500,000; (ii) the maintenance of an interest coverage ratio of 1.50 times; and (iii) a debt coverage ratio of 1.20 times, both ratios calculated on a rolling four quarter basis. Tangible net worth is generally represented as Unitholders' Equity and defined as the sum of: (i) Units issued; (ii) contributed surplus; and (iii) retained earnings after adding back the provision for future income taxes payable to a maximum limit of $100,000. Interest coverage is defined as earnings before interest, depreciation, amortization, income taxes, other and non-cash compensation costs divided by interest expense. Debt coverage ratio is defined as earnings before interest, depreciation, amortization, income taxes, other and non-cash compensation costs divided by principal and interest payments.

The total capital managed by CAPREIT is summarized as follows:

	March 31, 2009	December 31, 2008
Mortgages payable *(note 7)*	$ 1,477,753	$ 1,472,822
Bank indebtedness *(note 8)*	125,463	121,029
Unitholders' equity	468,136	485,933
Total capital	$ 2,071,352	$ 2,079,784
Total debt to gross book value (%)	61.84	61.82
Tangible net worth	$ 532,976	$ 549,154

For the four quarters ended,	**March 31, 2009**	**December 31, 2008**
Interest coverage ratio (times)	2.07	2.06
Debt coverage ratio (times)	1.29	1.30

The Declaration of Trust also requires CAPREIT to distribute to its Unitholders each year an amount not less than the greater of: (i) 85% of its Distributable Income (or a lesser amount at the discretion of the trustees); or (ii) an amount calculated to ensure CAPREIT will not be subject to tax on its income and capital gains.

CAPREIT is in compliance with all its investment and debt restrictions.

21. Commitments

Natural gas and hydro

CAPREIT has entered into fixed price commitments in the aggregate amount of $26,180 for its natural gas and $1,051 for its hydro requirements. These commitments, which range from one to four years, fix the price of natural gas and hydro for a portion of CAPREIT's gas and hydro requirements. Certain of these contracts have been designated for CAPREIT's own use.

Land leases

Four of the properties have land leases with various expiry dates (subject to revisions at periodic intervals) between September 30, 2013 and March 31, 2070. Generally, each lease provides for annual rent and additional rent calculated from the results of property operations. Minimum annual rent for the next five years under these leases is as follows:

Nine months remaining in 2009	$ 552
2010	736
2011	736
2012	736
2013	733
Thereafter	29,323

Normal course issuer bid ("NCIB")

On June 20, 2008, CAPREIT announced that the TSX had approved its notice of intention to acquire up to 6,309,967 Units at market prices over the twelve-month period ending June 24, 2009. Under this NCIB, 264,100 Units were acquired up to March 31, 2009 at market prices aggregating $3,908.

22. Contingencies

CAPREIT is contingently liable under guarantees provided to certain of CAPREIT's lenders in the event of default, and with respect to litigation and claims that arise in the ordinary course of business. These matters are generally covered by insurance. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of CAPREIT.

23. Subsequent Event

On April 30, 2009, CAPREIT settled interest rate forward contracts with a notional value of $79,508, resulting in a realized loss of $14,267. The corresponding unrealized loss recorded at March 31, 2009 was $15,950, resulting in a net gain of $1,683, which will be recognized in the second quarter.

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STOCK EXCHANGE LISTING

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