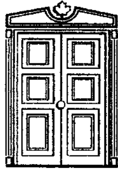
CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009



CAPREIT

11 Church Street, Suite 401 • Toronto, Ontario M5E 1W1 • Tel. 416-861-9404 • Fax 416-861-9209

August 11, 2009

Report to Unitholders

Our properties continued to perform well in the majority of our markets through the second quarter and first six months of 2009. Operating revenues in the second quarter increased year over year by 3.8%, primarily due to acquisitions completed over the last year and increased average monthly rents, which rose to $929 at June 30, 2009 from $919 at June 30, 2008.

Overall portfolio occupancy at June 30, 2009 was 97.5%, a modest decrease compared to the same period last year resulting from our ongoing focus on improved resident quality combined with weaker overall market conditions in Alberta and London, Ontario, as well as certain short-term operational issues in our Victoria, British Columbia portfolio. However, we did achieve a slight increase in occupancy compared to the 97.3% at the end of the first quarter of the current year.

Net operating income for the quarter increased to $46.6 million or 56.9% of revenues compared to $44.6 million or 56.4% last year. Operating expenses as a percentage of operating revenues decreased in the quarter to 43.1% from 43.6% in the same period last year primarily due to lower realty taxes and utility costs as a percentage of revenues, partially offset by the increased size of the portfolio and higher repair and maintenance expenses arising from the implementation of recycling programs in the City of Toronto to reduce the impact of the garbage levy. We were also pleased to have generated our fourteenth consecutive quarter of stabilized portfolio growth.

Distributable Income ("DI") in the quarter increased to $23.5 million or $0.357 per Unit from $22.6 million or $0.346 per Unit for the same period last year, resulting in an improved payout ratio of 78.4% compared to 80.5% in the second quarter of 2008. The effective DI payout ratio, which compares actual net cash distributions paid (excluding distributions re-invested through the DRIP) to DI, was 71.6%. Although participation in CAPREIT's DRIP has declined in 2009, going forward, we believe participation will stabilize in the range of 9%.

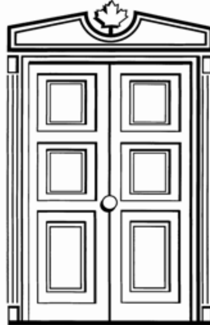
Normalized Funds From Operations ("NFFO") for the quarter, which excludes the effect of the decline in the fair value of hedging instruments which were put in place for interest rate protection, rose 4.5% to $23.2 million or $0.351 per Unit as compared to $22.2 million or $0.339 per Unit in the second quarter of 2008. The NFFO payout ratio was 79.7% in the quarter as compared to 82.0% for the second quarter of 2008. Adjusted Funds From Operations ("AFFO") increased 4.3% to $20.6 million or $0.312 per Unit, generating an AFFO payout ratio of 81.9%. We also believe that on an annualized basis, AFFO will be sufficient to fund net cash distributions and maintenance capital expenditures.

Capital expenditures were $25.7 million in the second quarter of 2009 compared to $11.8 million for the same period last year. The increase was in line with CAPREIT's stated objective to accelerate investment in its property portfolio during 2009.

The ratio of total debt to gross book value was 62.42% at June 30, 2009 compared to 60.45% at June 30, 2008, while our interest coverage ratio improved to 2.07 times from 2.01 times at June 30, 2008 and our debt coverage ratio remained stable at 1.29 times compared to June 30, 2008. We are making solid progress with our mortgage renewal and refinancing programs and we expect to complete the renewal of the remaining $100.3 million of maturing mortgages through the balance of the year at significantly lower interest rates. In addition, with $224.8 million of completed or committed financings, we are well on our way to meet our fiscal 2009 goal of renewing and refinancing $300 million of mortgages including $200 million of renewals and an additional $100 million in CMHC-insured top up financing to implement our capital investment programs. We were also pleased to have successfully renewed our $250 million Acquisition and Operating Credit Facility which matured on June 30, 2009 to provide a one-year revolving facility of $100 million and a three-year revolving facility of $150 million.

Looking ahead, we believe the Canadian residential rental market will remain relatively stable in the majority of the markets in which we operate. As a result, we believe we will generate further improvements in our operating and financial results through the balance of 2009 and going forward. 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)	(signed)
Thomas Schwartz	Michael Stein
President and Chief Executive Officer	Chairman



CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

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

THREE AND SIX MONTHS ENDED JUNE 30, 2009

AUGUST 11, 2009

TABLE OF CONTENTS

SECTION I

- Forward-looking Disclaimer ... 1
- Overview ... 1
- Objectives ... 2
- Business Strategy ... 2
- Key Performance Indicators ... 3
- Performance Measurements ... 3
- Property Portfolio ... 4

SECTION II

- Results of Operations ... 8
- Net Operating Income ... 9
- Stabilized Portfolio Performance ... 10
- Net Income. ... 11
- Other Comprehensive Loss ... 14

SECTION III

- Capital Investments ... 14
- Productive Capacity ... 15
- Capital Structure ... 16
- Liquidity and Financial Condition ... 17

SECTION IV

- Non-GAAP Performance Measurements ... 20

SECTION V

- Quarterly Results ... 25

SECTION VI

- Accounting Policies ... 26
- International Financial Reporting Standards ... 26
- Controls and Procedures ... 29

SECTION VII

- Risks and Uncertainties ... 29
- Related Party Transactions ... 32
- Commitments and Contingencies ... 32
- Subsequent Event ... 33

SECTION VIII

- Future Outlook ... 33

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 and six months ended June 30, 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 August 11, 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 May 20, 2009. 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 June 30, 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 June 30, 2009, CAPREIT had 838 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 $0.5 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 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. CAPREIT is also striving to capture potential economies of scale and cost synergies arising from its past growth. CAPREIT's 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 strives to acquire 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 environmentally 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 or to retire existing debt. Management believes the continued realization and reinvestment of capital is a fundamental component of its growth strategy, and demonstrates the success of its 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% to 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 DI.

Portfolio Growth – Management's objective is to pursue strategic acquisitions, subject to market conditions and available financing, which meet its strategic objectives and serve to accretively increase distributable income.

Financing – CAPREIT takes a very proactive approach with its mortgage portfolio, striving 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 strives to ensure that its overall leverage rates and interest and debt coverage ratios are maintained at a sustainable level. In addition, CAPREIT focuses on maintaining capital adequacy by complying with investment and debt restrictions in its Declaration of Trust and its financial covenants in its credit agreement comprising an acquisition and operating facility ("Acquisition and Operating Facility") and a land lease facility ("Land Lease Facility")(the "Credit Facilities", as described in Bank Indebtedness and Credit Facilities section).

PERFORMANCE MEASUREMENTS

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

Six Months Ended June 30,	2009	2008
Overall Portfolio Occupancy (%)	97.5	98.2
Overall Portfolio Average Monthly Rents	$ 929	$ 919
NOI Margin (%)	52.6	52.8
Net Income Per Unit - Basic	$ 0.069	$ 0.272
DI Per Unit - Basic	$ 0.616	$ 0.600
FFO Per Unit - Basic	$ 0.672	$ 0.587
NFFO Per Unit - Basic	$ 0.602	$ 0.587
AFFO Per Unit - Basic	$ 0.526	$ 0.513
Debt Coverage (times)[1]	1.29	1.29
Interest Coverage (times)[1]	2.07	2.01
Total Debt to Gross Book Value Ratio (%)	62.42	60.45
Cash Distributions Per Unit	$ 0.540	$ 0.540
DI Payout Ratio (%)	90.7	92.6
NFFO Payout Ratio (%)	92.8	94.7
AFFO Payout Ratio (%)	95.1	88.6
Number of Suites and Sites Acquired	10	326
Weighted Average Mortgage Interest Rate (%)	5.15	5.35
Weighted Average Mortgage Term (years)	4.9	5.1
Closing Price of CAPREIT Units	$ 13.35	$ 17.43
Market Capitalization ($ millions)[2]	$ 913	$ 1,176

(1) For the four quarters ended June 30.
(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.

NOI, DI, FFO, NFFO and AFFO are not defined by generally accepted accounting principles (“GAAP”), do not have standard meanings and may not be comparable with other industries or companies (see Non-GAAP Performance Measurements).

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 June 30,	2009	%	2008	%
Affordable	3,638	12.6	3,638	13.1
Mid-tier	14,711	50.9	13,957	50.2
Luxury	9,265	32.1	8,945	32.2
Total Residential Suites	27,614	95.6	26,540	95.5
Land Lease Sites	1,288	4.4	1,267	4.5
Total Residential Suites and Land Lease Sites	28,902	100.0	27,807	100.0

Portfolio by Geography

As at June 30,	2009	%	2008	%
Ontario				
Greater Toronto Area	14,178	49.1	13,394	48.2
Ottawa	1,527	5.3	1,527	5.5
London/Kitchener/Waterloo	1,482	5.1	1,482	5.3
Other Ontario	1,470	5.1	1,470	5.3
Ontario Residential Suites	18,657	64.6	17,873	64.3
Land Lease Sites	1,288	4.4	1,267	4.5
Ontario Residential Suites and Land Lease Sites	19,945	69.0	19,140	68.8
Quebec				
Montreal	2,545	8.8	2,545	9.2
Quebec City	1,909	6.6	1,756	6.3
	4,454	15.4	4,301	15.5
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	3.8
	1,380	4.8	1,380	4.9
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	1,291	4.7
Victoria	508	1.8	371	1.3
	1,799	6.3	1,662	6.0
Total Residential Suites	27,614	95.6	26,540	95.5
Total Residential Suites and Land Lease Sites	28,902	100.0	27,807	100.0

Through accretive acquisitions and non-core property dispositions, CAPREIT intends to further enhance the geographic diversification of its residential suites portfolio. In the first six months of 2009, CAPREIT acquired 10 additional land lease sites at its Bowmanville and Grand Bend land lease communities, for total acquisition costs of $0.5 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 focused on diversifying its geographic portfolio by increasing 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 June 30, 2008**				**Properties Acquired Since June 30, 2008**	
As at June 30,	**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	$ 834	96.8	$ 831	98.0	$ 834	96.8	$ 831	98.0	$ -	-
Mid-tier	$ 901	97.7	$ 892	98.4	$ 900	97.6	$ 892	98.4	$ 929	98.8
Luxury	$ 1,053	97.0	$ 1,040	97.9	$ 1,050	97.0	$ 1,040	97.9	$ 1,199	96.6
Average Residential Suites	$ 945	97.3	$ 935	98.2	$ 943	97.3	$ 935	98.2	$ 1,023	98.1
Average Land Lease Sites	$ 601	99.8	$ 595	99.7	$ 601	99.8	$ 595	99.7	$ -	-
Overall Portfolio Average	$ 929	97.5	$ 919	98.2	$ 926	97.4	$ 919	98.2	$ 1,023	98.1

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 all sectors of the residential suite portfolio resulting in a 1.1% increase in overall average monthly rents as at June 30, 2009 to $929, compared to $919 last year. Average monthly rents for the properties owned prior to June 30, 2008 also increased at June 30, 2009 to $926 from $919 at June 30, 2008, with gains of up to 1.0% in all segments of the portfolio.

The occupancy at June 30, 2009 for the residential suite portfolio decreased to 97.3% 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 occupancy for the land lease portfolio continue to remain very strong since acquisition.

Suite turnovers in the residential suite portfolio (excluding co-ownerships) remained steady during the first six months of 2009 and resulted in reductions of approximately $3 or 0.3% in average monthly rents compared to rent increases of $18 or 1.8% in the prior year. This was primarily due to the effect of aggressive rent discounting of approximately 9.3% or $107 per suite (11.8% or $135 per suite in the second quarter) in the Alberta market combined with slight reductions in the London, Ontario market. Pursuant to management's focus on increasing overall portfolio rents, average monthly rents on lease renewals increased by approximately $22 or 2.3% during the first six months of 2009, relatively unchanged from last year. Management believes that as occupancies in the portfolio stabilize and the markets for rental accommodation improve, CAPREIT will generate additional rent increases on both turnover and lease renewals over the long term.

Portfolio Average Monthly Rents and Occupancy (By Geography)

As at June 30,	**2009**		**2008**	
	Average Monthly Rents	**Occ. %**	**Average Monthly Rents**	**Occ. %**
Ontario				
Greater Toronto Area	$ 1,051	97.7	$ 1,042	98.2
Ottawa	836	99.9	809	99.8
London/Kitchener – Waterloo	792	95.1	794	96.8
Other Ontario	920	97.6	920	98.9
	$ 1,009	97.7	$ 999	98.3
Quebec				
Montreal	$ 640	95.7	$ 642	97.4
Quebec City	770	98.0	741	99.4
	$ 696	96.7	$ 682	98.2
Nova Scotia				
Halifax	$ 949	94.9	$ 907	94.0
Alberta				
Edmonton	$ 976	90.6	$ 1,031	100.0
Calgary	1,066	97.9	1,071	97.9
	$ 1,046	96.3	$ 1,062	98.3
Saskatchewan				
Saskatoon	$ 721	96.2	$ 667	97.0
Regina	839	100.0	793	100.0
	$ 774	97.9	$ 723	98.3
British Columbia				
Greater Vancouver Region	$ 941	99.3	$ 899	99.4
Victoria	738	93.5	758	98.7
	$ 884	97.7	$ 868	99.2
Total Residential Suites	$ 945	97.3	$ 935	98.2
Land Lease Sites	$ 601	99.8	$ 595	99.7
Total Residential Suites and Land Lease Sites	$ 929	97.5	$ 919	98.2

Overall average occupancy decreased from 98.2% to 97.5% over the same period from the prior year due to a continuing focus on tenant quality combined with emphasis on maintaining or increasing rents in most of our core markets, as summarized below:

- In Ontario, average monthly rents increased in the Greater Toronto Area ("GTA") market despite a slight increase in vacancies. Soft market conditions in London, Ontario also resulted in increased vacancies while average monthly rents remained steady.
- Short term 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 2.0% drop in occupancies and a 1.5% drop in average monthly rent on a year over year basis. Management expects occupancies to stabilize in the short term but average monthly rents will likely continue to trend down moderately over the near term due to continued rent pressures in the market.
- Improving trends in the Halifax market resulted in lower vacancies and higher overall average monthly rents.

Overall average monthly rents for the residential suite portfolio increased by approximately 1.1% for the first six months of 2009 as compared to the same period last year. Management believes that annual occupancies can be stabilized in the 97% to 98% range and the trend for gradual 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.

SECTION II

RESULTS OF OPERATIONS

Six Months Ended June 30, ($ Thousands)		2009	%		2008	%
Operating Revenues	$	164,215	100.0	$	157,081	100.0
Operating Expenses						
Realty Taxes		21,433	13.1		20,804	13.2
Utilities		23,691	14.4		23,446	14.9
Other		32,719	19.9		29,829	19.1
Total Operating Expenses		77,843	47.4		74,079	47.2
Net Operating Income	$	86,372	52.6	$	83,002	52.8

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 4.5% in first six months of 2009 compared to the same period 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 the same period last year. CAPREIT increased average monthly rents in the residential portfolio to $945 at June 30, 2009 compared to $935 at June 30, 2008 while occupancy was 97.3% compared to 98.2% for the same period last year. Total 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 further increases in operating revenues.

Overall vacancies, as a percentage of operating revenues, rose to 2.8% for the six months ended June 30, 2009 compared to 1.8% in the same period in the prior year. The increase is due to challenging economic conditions and certain operational issues in specific geographic markets as discussed above.

Bad debt and tenant inducements remained relatively steady as compared to the previous year.

Operating Expenses

Operating expenses for the six months ended June 30, 2009 rose in comparison to the same period last year due to the increase in the size of the property portfolio resulting from acquisitions completed over the past 12 months. Overall operating expenses as a percentage of operating revenues increased slightly in comparison to last year, despite slight reductions in utility costs and realty taxes, primarily due to the following factors:

- Realty taxes as a percentage of revenues decreased slightly from 13.2% to 13.1% due to the enhanced diversification of the portfolio in regions with lower taxation rates.

- Utility costs as a percentage of revenues continued to decrease from 14.9% to 14.4% 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 19.9% in the first six months of 2009 compared to 19.1% last year. Other operating expenses include repairs and maintenance ("R&M"), wages and benefits, insurance and advertising. R&M costs include $0.6 million ($0.009 per Unit) relating to a new garbage levy introduced in the City of Toronto in late 2008. Management is making steady progress in mitigating the impact of the new garbage levy through improved resident education and the implementation of waste recycling programs.

NET OPERATING INCOME

Six Months Ended June 30, ($ Thousands)	2009			2008				
							Change in NOI	
	NOI	NOI Margin (%)	% of Total NOI	NOI	NOI Margin (%)	% of Total NOI	$	%
Ontario	$ 59,689	51.4	69.1	$ 58,056	51.8	69.9	$ 1,633	2.8
Quebec	9,837	50.9	11.4	8,980	50.4	10.8	857	9.5
Alberta	5,918	57.1	6.8	6,225	59.5	7.5	(307)	(4.9)
British Columbia	6,112	58.6	7.1	5,445	59.3	6.6	667	12.2
Nova Scotia	4,220	62.6	4.9	3,817	59.2	4.6	403	10.6
Saskatchewan	596	52.8	0.7	479	47.4	0.6	117	24.4
	$ 86,372	52.6	100.0	$ 83,002	52.8	100.0	$ 3,370	4.1

Overall NOI improved by $3.4 million or 4.1% through the first six months of 2009 while the NOI margin decreased slightly to 52.6% as compared to 52.8% in the same period for the prior year. While CAPREIT increased NOI in all of its markets except Alberta through the first six months of 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 69.1% of total NOI for 2009 compared to 69.9% in the prior year. Despite this decrease, the NOI contribution from the Ontario portfolio increased 2.8% during the period compared to the same period in the prior year primarily due to acquisitions completed in the prior year. The slight decline in the NOI margin was primarily due to higher R&M expenditures related to the garbage levy in the City of Toronto 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 increased to 11.4% from 10.8% during the period compared to the prior year. Primarily due to new residential suites acquired in late 2008, combined with steady increases in renewals and turnovers, the NOI contribution increased 9.5% as compared to last year and the NOI margin increased to 50.9% from 50.4% last year. CAPREIT believes the Quebec rental market will remain stable and generate steady returns during the current economic slowdown.

Alberta:

The Alberta market has deteriorated significantly in the first half of 2009 resulting in a sharp increase in vacancies. As a result, the overall contribution to NOI decreased 4.9% to 6.8% of total NOI from 7.5% last year, while the NOI margin decreased to 57.1% from 59.5% last year. Management believes that the

Alberta market will continue to be weak over the near term; however, the overall exposure to CAPREIT will be minimal as only 5% 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 and operational issues in the Victoria market, the NOI contribution from the British Columbia portfolio increased 12.2% to 7.1% of total NOI from 6.6% for the same period last year. The NOI margin decreased to 58.6% from 59.3% 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 going forward.

Nova Scotia:

Improved occupancies in the second quarter combined with increased average monthly rents resulted in the NOI margin improving to 62.6% from 59.2% 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 24.4%, while the NOI margin increased to 52.8% from 47.4% last year. The province's economy remains stable, and CAPREIT believes it is well positioned to maintain stable occupancies and average monthly rents in the province over the long term.

STABILIZED PORTFOLIO PERFORMANCE

Six Months Ended June 30,	2009	2008
Stabilized Suites	26,748	26,748
Operating Revenues ($ millions)	$ 157.8	$ 156.1
Net Operating Income ($ millions)	$ 83.1	$ 82.5
Net Operating Income Margin (%)	52.6	52.9
Change in Operating Revenues (%)	1.1	
Change in Operating Costs (%)	(1.6)	
Change in NOI (%)	0.7	

Stabilized properties for the six months ended June 30, 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 June 30, 2009, CAPREIT has generated 14 consecutive quarters of stable or improved NOI growth for stabilized properties. In the first six months of 2009, operating revenues increased 1.1% and operating costs increased 1.6%, resulting in stabilized NOI which increased marginally by 0.7%. As noted earlier (see Results of Operations), a garbage levy was introduced in late 2008 in the City of Toronto which negatively impacted results. The stabilized NOI margin decreased to 52.6% for the first six months of 2009 compared to 52.9% in the same period last year. Excluding the garbage levy costs, operating costs would have increased by 0.8%, NOI margin would have been 53.0% and NOI would have been 1.4% higher for the first six months of 2009 compared to the same period last year.

For properties acquired since December 31, 2007, the NOI margin was 56.6% for the first six months of 2009 as compared to 60.1% last year.

NET INCOME

Six Months Ended June 30, ($ Thousands, except per Unit amounts)		2009		2008
Net Operating Income	$	86,372	$	83,002
Less: Trust Expenses		7,602		6,258
Mortgage Interest		37,825		36,778
Interest on Bank Indebtedness		1,445		1,802
Other Income		(927)		(940)
Subtotal	$	40,427	$	39,104
Less: Depreciation		38,350		35,254
Amortization		1,603		1,495
Income From Continuing Operations Before Other Costs and Income Taxes		474		2,355
Reorganization Costs		-		(1,550)
Realized Gain on Derivative Financial Instruments		1,325		-
Unrealized Gain on Derivative Financial Instruments		3,437		-
Provision for Future Income Taxes		(662)		(210)
Income From Continuing Operations		4,574		595
Income From Discontinued Operations		-		17,155
Net Income	$	4,574	$	17,750
Net Income Per Unit From Continuing Operations – Basic	$	0.069	$	0.009
Net Income Per Unit From Discontinued Operations – Basic	$	-	$	0.263
Net Income Per Unit – Basic	$	0.069	$	0.272
Net Income Per Unit From Continuing Operations – Diluted	$	0.069	$	0.009
Net Income Per Unit From Discontinued Operations – Diluted	$	-	$	0.262
Net Income Per Unit – Diluted	$	0.069	$	0.271
Weighted Average Number of Units (000s) – Basic		65,855		65,288
Weighted Average Number of Units (000s) – Diluted		65,929		65,514

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 the first half of 2009 increased slightly to $1.6 million in comparison to $1.5 million for the same period last year due to the Canada Mortgage and Housing Corporation ("CMHC") costs incurred with respect to new financings during the last 12 months.

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 $1.3 million to $7.6 million from $6.3 million for the same period last year and, as a percentage of revenues, increased to 4.6% compared to 4.0% for the same period last year mainly due to higher compensation and legal costs. Management believes it has built an operating platform sufficient to efficiently manage its current operations and any further growth generated in the future.

Interest on Mortgages and Bank Indebtedness

Mortgage interest expense increased in first six months of 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 23.4% in the prior year primarily due to management's initiatives to capitalize on the current low interest rate environment.

Interest on bank indebtedness relates to borrowings under an Acquisition and Operating Facility and a Land Lease Facility (See Bank Indebtedness and Credit Facilities). The interest cost for the six months ended June 30, 2009 decreased to $1.4 million from $1.8 million for the same period in the prior year primarily due to lower interest rates. The weighted average interest rate for the Acquisition and Operating Facility was 2.18% at June 30, 2009 compared to 4.75% for the same period in 2008. At June 30, 2009, the weighted average interest rate for the Land Lease Facility was 1.84% as compared to 4.24% 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 June 30, 2009 compared to 2.01 times for the same period in the prior 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 expensed these reorganization costs. These costs were added back for the calculation of Distributable Income and Funds From Operations (as explained in later sections), as they did not impact the determination of CAPREIT's ongoing capacity to pay distributions to the Unitholders or in the measurement of its operating performance.

Realized and Unrealized Gains and Losses 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 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. During the last quarter of 2008, management determined that the criteria for hedge accounting treatment was no longer satisfied and ceased hedge accounting on a prospective basis effective September 30, 2008, the last date that hedge effectiveness testing was completed (see note 15 to the consolidated financial statements). As a result, the unrealized loss on these interest rate forward contracts of $9,908 included in Accumulated Other Comprehensive Loss ("AOCL") at September 30, 2008, will be amortized to mortgage interest expense over the original term of the forward contracts.

The cumulative impact on the consolidated financial statements for unrealized losses resulting from mark-to-market valuation for the contracts which have not yet settled and the realized losses for contracts which have been settled as of June 2009 (see note 15), is summarized on the following page:

	Cumulative December 31, 2008	Impact on Statement of Income Three Months Ended March 31, 2009	June 30, 2009	Year-to-Date June 30, 2009	Cumulative June 30, 2009
Contracts settled					
Unrealized loss	$ (16,241)	$ (534)	$ -	$ -	$ -
Realized gain (loss)	-	-	1,859	1,325	$ (14,916)
Unsettled contracts					
Unrealized (loss) gain	(11,294)	(311)	3,748	3,437	(7,857)
	$ (27,535)	$ (845)	$ 5,607	$ 4,762	$ (22,773)

During the quarter ended June 30, 2009, CAPREIT settled interest rate forward contracts with a notional value of $84.4 million resulting in a realized loss of $14.9 million. The corresponding unrealized loss recorded at December 31, 2008 and March 31, 2009 was $16.2 million and $0.5 million, respectively, resulting in a net gain of $1.9 million and $1.3 million being recognized in the consolidated statement of income and comprehensive income for the three and six months ended June 30, 2009, respectively.

As at June 30, 2009, interest rate forward contracts with an aggregate notional value of $61.3 million remain outstanding, with maturities during August to October 2009. The mark-to-market cumulative unrealized loss on these contracts as at June 30, 2009, aggregating to $7.9 million, has been set up in accounts payable and other liabilities. The corresponding unrealized loss on these contracts recorded at December 31, 2008 and March 31, 2009 was $11.3 million and $0.3 million, respectively, resulting in a net gain of $3.7 million and $3.4 million being recognized in the consolidated statement of income and comprehensive income for the three and six months ended June 30, 2009, respectively. Management's intention is to settle the remaining contracts on or before their maturity dates in 2009.

As of June 30, 2009, the non-cash impact arising from the amortization of the realized component of the loss on settlement (included in AOCL) on the effective portfolio weighted average interest rate, is an increase of 0.05% (see discussion on effective portfolio weighted average rate in the Mortgages Payable section). CAPREIT monitors its exposure regarding these obligations with counterparties (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 $64.4 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 income and comprehensive income in the amount of $0.7 million for the first six months of 2009 (2008 – $0.2 million) and to Other Comprehensive Income for $0.5 million (2008 – $nil) relating to the realized and unrealized losses 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 12 non-core properties, resulting in a gain on sale of approximately $17.0 million ($0.261 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 INCOME

Included in Other Comprehensive Income are the following:

i) *Realized and unrealized loss on derivative financial instruments*: see discussion earlier in the section dealing with impact of Realized and Unrealized Gains and Losses on Derivative Financial Instruments.

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 bankers acceptance-based ("BA") floating rate credit facility to a five-year fixed rate facility for $55 million for a five-year term. This interest rate swap agreement has been assessed as an effective hedge as per CICA Handbook Section 3865, Hedges. The difference between the effective all-in fixed interest rate and corresponding three-month BA rate is adjusted to interest expense every quarter. Accordingly, 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 $0.5 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 six months of 2009, CAPREIT incurred capital expenditures of $34.9 million as compared to $18.3 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. Management believes that CAPREIT is on schedule to complete its 2009 capital investments plan in the range of $75 to $85 million.

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

Six Months Ended June 30, ($ Thousands)		**2009**	**%**		**2008**	**%**
Building Improvements	$	20,873	59.8	$	7,430	40.7
Boiler and Elevators		538	1.5		771	4.2
Energy Savings Initiatives		848	2.4		1,690	9.3
Equipment		2,520	7.2		1,445	7.9
Common Area		2,304	6.6		2,030	11.1
Suite Improvements		7,076	20.3		4,392	24.0
Appliances		460	1.3		468	2.6
Other		305	0.9		40	0.2
	$	34,924	100.0	$	18,266	100.0

Keeping in mind the soft economic conditions and the availability of competitive pricing from construction trades, management, in accordance with CAPREIT's previously stated objectives, has accelerated spending on building improvement programs, including upgrading parking garages, balconies and other structural improvements. Management believes that these expenditures will increase the productive capacity, the economic life and operating capabilities of the properties and enhance future cash flow generating potential. These building improvement programs, combined with existing suite improvement programs and common area programs, have enabled CAPREIT to reposition its portfolio and maintain high occupancy levels despite the soft economic conditions and continue to increase average monthly rents while improving life safety and resident services.

In addition, the continuing increased focus on environment friendly energy savings initiatives, including high efficiency heating boilers, energy-efficient lighting systems, water savings and garbage recycling programs, have resulted in significant reductions in utility costs and has improved overall portfolio NOI.

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:

Six Months Ended June 30,	**2009**		**2008**	
($ Thousands, except per suite amounts)	**Total**	**Per Suite**[1]	**Total**	**Per Suite**[1]
Maintenance capital expenditures	$ 5,953	$ 225.0	$ 5,780	$ 225.0
Stabilizing and value-enhancing capital expenditures	28,971	1,094.9	12,486	487.7
Total[2]	$ 34,924	$ 1,319.9	$ 18,266	$ 712.7

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

Management believes its increased emphasis on targeted capital investment programs for its property portfolio is yielding positive results, as significant benefits are being realized in maintaining high occupancy and increasing average monthly rents.

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 Facilities.

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 any 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 Facilities (see Bank Indebtedness and Credit Facilities) require 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 $400 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 the 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 contained in the DOT and in the Credit Facilities. The total capital managed by CAPREIT and the results of our compliance with the key covenants are summarized below:

As at ($ Thousands)	**June 30, 2009**	**December 31, 2008**
Mortgages payable	$ 1,501,900	$ 1,472,822
Bank indebtedness	140,432	121,029
Unitholders' equity	466,963	485,933
Total capital	$ 2,109,295	$ 2,079,784
Total debt to gross book value (%)	62.42	61.82
Tangible net worth	$ 531,360	$ 549,154

For the four quarters ended	**June 30, 2009**	**December 31, 2008**
Debt coverage ratio (times)	1.29	1.30
Interest coverage ratio (times)	2.07	2.06

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

Management ensures there is adequate overall liquidity by maintaining sufficient amounts of available credit facilities to fund maintenance and capital expenditure 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 six months ended June 30, 2009, CAPREIT's effective payout ratios for NFFO and AFFO to net distributions paid (see discussion on Non-GAAP Performance Measurements section) were 83.2% and 95.1%, respectively, compared to 77.4% and 88.6% last year. 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 $100.3 million of maturing mortgages through the remainder of 2009 which have an effective interest rate of approximately 5.25%, with new fixed rate mortgages at significantly lower interest rates. In addition, Management has made significant progress towards achieving its target refinancing plan to raise additional CMHC-insured financing in the range of $100 million in 2009 by topping up its existing mortgages.

iii) Management has also successfully renewed its Acquisition and Operating Facility aggregating to $250 million which matured on June 30, 2009. The renewed credit facility has been effectively amended and simplified to provide a one-year revolving facility of $100 million and a three-year revolving facility of $150 million, subject to compliance with the various provisions of the Credit Facilities, in order to fund operations, acquisitions, capital improvements, letters of credit and other uses. The excess borrowing capacity under the Acquisition and Operating Facility as at June 30, 2009 was $92.3 million. In addition, the Land Lease Facility of $10 million was also renewed for a one-year term maturing on June 30, 2010.

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at June 30, 2009 are as follows:

($ Thousands)	2009	2010 - 2011	2012 - 2013	2014 onward
Mortgages payable	$ 124,485	$ 432,620	$ 403,699	$ 545,565
Bank indebtedness	-	102,591	37,841	-
Mortgage interest payable	40,238	112,749	70,289	87,343
Bank indebtedness interest payable	2,655	4,746	705	-
Accounts payable and accrued liabilities	53,215	3,558	410	-
Security deposits	18,739	-	-	-
Distributions payable	6,152	-	-	-
	$ 245,484	$ 656,264	$ 512,944	$ 632,908

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 on the following page:

As at June 30,	2009	2008
Mortgage Debt to Gross Book Value (%)	57.09	56.48
Total Debt to Gross Book Value (%)	62.42	60.45
Total Debt to Total Capitalization (%)	64.27	56.01
Debt Coverage Ratio (times)[(1)]	1.29	1.29
Interest Coverage Ratio (times)[(1)]	2.07	2.01
Weighted Average Mortgage Interest Rate (%)[(2)]	5.15	5.35
Weighted Average Mortgage Term to Maturity (years)	4.9	5.1

(1) For the four quarters ended June 30.
(2) Effective weighted average interest rate including deferred financing costs and fair value adjustments. Including the amortization of the realized component of the loss on settlement included in AOCL, the effective portfolio weighted average at June 30, 2009 would be 5.20%.

At June 30, 2009, the overall leverage represented by the ratio of total debt to gross book value increased to 62.42% as compared to 60.45% at June 30, 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 June 30, 2009, CAPREIT's total debt rose to approximately 64.27% of total market capitalization compared to 56.01% last year. In addition, CAPREIT's coverage ratios, represented by debt and interest coverage tests, have continued to gradually improve during the first six months of 2009, demonstrating the success of management's prudent operating and financing strategies.

The effective portfolio weighted average interest rate has steadily declined from 5.35% as at June 30, 2008 to 5.15% as at June 30, 2009 which will result in significant savings in interest expense in the future years. Management believes that as the refinancing plan continues to be implemented, there is scope to further reduce the effective portfolio weighted average interest rate. Management is also focused on ensuring that the portfolio weighted average term to maturity remains steady in the five-year range and will gradually extend the term as credit conditions improve.

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 June 30, 2009, 95.3% (2008 – 93.5%) 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 June 30, ($ Thousands)		2009	2008
Balance, Beginning of Period		$ 1,472,822	$ 1,455,181
Add:	New Borrowings	-	17,549
	Assumed	-	5,767
	Refinanced	155,537	22,438
Less:	Mortgage Repayments	(24,865)	(22,443)
	Mortgages Repaid on Disposals	-	(59,830)
	Mortgages Matured	(101,087)	(20,351)
	Deferred Financing Costs and Fair Value Adjustments, net	(507)	397
Balance, End of Period		$ 1,501,900	$ 1,398,708

During the first six months of 2009, total refinancings of $155.5 million, including renewal of existing mortgages aggregating to $101.1 million and additional financing of $54.4 million, were completed at a weighted average interest rate of 3.60%, significantly below the weighted average interest rate of mortgages maturing in 2009.

Despite tight credit markets, management has made significant progress in implementing its total mortgage renewal and refinancing plan of $300 million ($200 million for renewals and $100 million for additional refinancings), of which $224.8 million ($136.8 million for renewals and $88.0 million for additional refinancings), has been closed or committed up to August 11, 2009.

The breakdown of future principal repayments, including mortgage maturities and weighted average interest rates as at June 30, 2009 is as follows:

($ Thousands, except where noted) Year	Principal Repayments	Mortgage Maturities	Total Debt	% of Total Debt	Weighted Average Interest Rate (%)(1)
2009	$ 24,170	$ 100,315	$ 124,485	8.3	5.25
2010	46,438	143,248	189,686	12.6	5.00
2011	40,037	202,897	242,934	16.1	5.28
2012	35,731	206,038	241,769	16.0	5.29
2013	31,491	130,439	161,930	10.7	5.22
2014	22,937	184,849	207,786	13.8	4.31
2015	18,024	25,946	43,970	2.9	5.02
2016	15,526	22,026	37,552	2.5	6.35
2017	12,174	80,867	93,041	6.2	4.88
2018	11,872	19,507	31,379	2.1	4.91
2019 – 2023	38,815	70,461	109,276	7.3	5.81
2024 onwards	8,307	14,254	22,561	1.5	5.67
	$ 305,522	$ 1,200,847	$ 1,506,369	100.0	5.15 (2)
Deferred financing costs and fair value adjustments			(4,469)		
			$ 1,501,900		

(1) Rates for maturing mortgages only.

(2) Effective weighted average interest rate including deferred financing costs and fair value adjustments. Including the amortization of the realized component of the loss on settlement included in AOCL, the effective portfolio weighted average would be 5.20%.

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 12 months of 2010, total debt repayments (including maturing mortgages) will be approximately 8.3% and 12.6%, respectively, of the total mortgage portfolio.

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.

Bank Indebtedness and Credit Facilities

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 on June 30, 2008 into one credit agreement comprising an Acquisition and Operating Facility and a Land Lease Facility. On June 30, 2009, the Credit Facilities were renewed (see discussion in the Liquidity and Capital Resources section) as described in note 8 to the consolidated financial statements. Bank indebtedness includes borrowings on the Acquisition and Operating Facility and the Land Lease Facility. As at June 30, 2009, $137.8 million (2008 – $94.8 million) was outstanding on the Acquisition and Operating Facility. The excess borrowing capacity on the Acquisition and Operating Facility as at June

30, 2009 was $92.3 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 which was established to fund operating, development and acquisition costs for the Bowmanville and Grand Bend land lease communities matured on June 30, 2009 and was renewed for one year as explained in note 8 to the consolidated financial statements. As at June 30, 2009, $2.6 million (2008 – $3.4 million) was outstanding on this Facility.

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 six months of 2009, total compensation costs of $0.2 million (2008 – $0.2 million) 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 June 30, 2009 has risen to $0.9 billion. The total Units outstanding of CAPREIT as at June 30, 2009 were 68,402,454 (including 45,074 units relating to the DUP and 411,311 exchangeable limited partnership units ("CAPLP Units")), of which trustees, officers and executives owned approximately 6.1%. As of June 30, 2009, 387,200 options were outstanding and exercisable into CAPREIT Units.

Normal Course Issuer Bid

On June 19, 2009, CAPREIT announced that the Toronto Stock Exchange ("TSX") had approved its normal course issuer bid ("NCIB") to acquire up to 6,344,344 Units, representing 10% of the public float at the time, at market prices over the 12-month period ending June 24, 2010. Purchases are made at market prices through the facilities of the TSX. Any Units purchased by CAPREIT are 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. No Units under this NCIB had been acquired up to June 30, 2009.

On June 20, 2008, CAPREIT announced that the TSX had approved its NCIB to acquire up to 6,309,967 Units, representing 10% of the public float at the time, at market prices over the 12-month period ending June 24, 2009. As at June 30, 2009, CAPREIT had acquired 264,100 Units during the period June 25, 2008 to June 24, 2009 for cancellation at market prices aggregating $3.9 million.

For the first six 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 including NOI, DI, FFO, NFFO and AFFO, as summarized below. NOI, DI, FFO, NFFO and AFFO are not measures determined by GAAP and may not be comparable to similar measures reported by other issuers. CAPREIT has presented such non-GAAP measures as management believes they are relevant measures of the ability of CAPREIT to earn and distribute cash returns to Unitholders and to evaluate the trust's performance. A reconciliation of such non-GAAP measures is provided below. These non-GAAP measures should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with GAAP as an indicator of CAPREIT's performance.

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. In calculating the amount of monthly cash distributions, the Trustees rely upon cash flow information including forecasts and budgets.

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.

Six Months Ended June 30, ($ Thousands, except per Unit amounts)		**2009**		**2008**
Cash Provided By Operating Activities	$	30,426	$	34,337
Adjustments:				
Changes in Non-Cash Operating Assets and Liabilities		11,129		3,906
Fair Value Adjustment of Utility Contracts		(166)		81
Reorganization Costs [2]		-		1,550
Amortization of Other Financing Costs		(792)		(638)
Amortization of Leasehold Improvements		(42)		(37)
DI [1]	$	40,555	$	39,199
Retention of DI		(3,780)		(2,902)
Distributions Declared to Unitholders	$	36,775	$	36,297
DI Per Unit – Basic [1]	$	0.616	$	0.600
Retention of DI Per Unit		(0.076)		(0.060)
Distributions Declared to Unitholders Per Unit	$	0.540	$	0.540
DI Per Unit – Diluted [1]	$	0.615	$	0.598

(1) 2008 excludes gain on disposal of properties of $17,046 or $0.261 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 3.5% and 2.7%, 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

Six Months Ended June 30, ($ Thousands, except where noted)		**2009**		**2008**
Distributions Declared	$	36,775	$	36,297
Distributions Declared Per Unit	$	0.540	$	0.540
DI	$	40,555	$	39,199
Payout Ratio[1]		90.7%		92.6%

(1) Distributions declared over DI.

The payout ratio of DI to distributions declared for the six months ended June 30, 2009 improved to 90.7% from 92.6% in the previous year.

DRIP Investment and Effective Payout Ratio

Six Months Ended June 30, ($ Thousands, except where noted)	2009	2008
Distributions Declared	$ 36,775	$ 36,297
Less: Distributions Reinvested[1]	$ 3,827	$ 6,651
Net Distributions Paid[2]	$ 32,948	$ 29,646
% Reinvested	10.4%	18.3%
Effective Payout Ratio[3]	81.2%	75.6%

(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 six months ended June 30, 2009 was 81.2% compared to 75.6% in the previous year primarily due to the reduction of reinvestments of distributions under the DRIP from $6.7 million during the first six months of 2008 to $3.8 million for the comparable period in 2009.

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

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

Six Months Ended June 30, ($ Thousands)	2009	2008
Cash Flows Provided By Operating Activities	$ 30,426	$ 34,337
Net Income	$ 4,574	$ 17,750
Distributions Declared	$ 36,775	$ 36,297
Shortfall Between Cash Flows Provided By Operating Activities and Distributions Declared *(i)*	$ (6,349)	$ (1,960)
Shortfall Between Net Income and Distributions Declared *(ii)*	$ (32,201)	$ (18,547)

(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 income and distributions declared

Management does not use net income calculated in accordance with GAAP as the basis for establishing the level of Unitholders' distributions, as net income includes, among other items, non-cash expenses for depreciation and amortization related to income properties and sundry assets, provision for future income taxes and realized and unrealized gains and losses on derivative financial instruments. 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. Management believes that the impact of realized and unrealized gains and losses on derivative financial instruments should also be excluded as they are non-recurring events which will not impact future cash flows.

The primary reason for the difference in the shortfall in the first six months of 2009 compared to the first six months of 2008, is a gain of $17,046 ($0.261 per Unit) on the sale of twelve properties included in the net income for the first six months of 2008 (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 income to FFO is as follows:

Six Months Ended June 30, ($ Thousands, except per Unit amounts)		**2009**		**2008**
Net Income	$	4,574	$	17,750
Add:				
Provision for Future Income Taxes		662		210
Reorganization Costs [(1)]		-		1,550
Depreciation		38,350		35,254
Amortization of Tenant Improvements		150		139
Amortization of Intangibles		619		681
Less:				
Amortization of Above and Below Market Leases		102		214
Gain on Sale of Assets		-		17,046
FFO	$	44,253	$	38,324
FFO – Continuing Operations	$	44,253	$	38,215
FFO – Discontinued Operations	$	-	$	109
FFO Per Unit – Basic	$	0.672	$	0.587
FFO Per Unit – Diluted	$	0.671	$	0.585

(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 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 Realized and Unrealized Gains and Losses 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:

Six Months Ended June 30, ($ Thousands, except per Unit amounts)		2009		2008
FFO	$	44,253	$	38,324
Adjustments:				
Unrealized Gain on Derivative Financial Instruments		(3,437)		-
Realized Gain on Derivative Financial Instruments		(1,325)		-
Amortization of Loss on Derivative Financial Instruments included in Mortgage Interest		130		-
NFFO	$	39,621	$	38,324
NFFO – Continuing Operations	$	39,621	$	38,215
NFFO – Discontinued Operations	$	-	$	109
NFFO per Unit – Basic	$	0.602	$	0.587
NFFO per Unit – Diluted	$	0.601	$	0.585

NFFO for the first six months of 2009 increased by 3.4% compared to the same period last year primarily due to acquisitions completed during 2008 and stable and higher average monthly rents resulting from management's sales and marketing programs. NFFO per Unit also increased 2.6% in the first six months of 2009, to $0.602 per Unit from $0.587 per Unit for last year.

Comparing distributions declared to NFFO, the NFFO payout ratio improved to 92.8% for 2009 as compared to 94.7% last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid to Unitholders, was 83.2% for the first six months of 2009, as compared to 77.4% last year.

Adjusted Funds From Operations

Management believes that Adjusted Funds from Operations ("AFFO") is an effective supplemental, non-GAAP measure of cash generated from operations that is widely used in the real estate industry. However, it may not be comparable to similar measures presented by other real estate trusts or companies. Management believes that 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) and adding back the non-cash compensation for LTIP, SELTIP and the DUP. In order to determine the AFFO payout ratio, CAPREIT compares AFFO to net cash distributions paid to Unitholders.

A reconciliation of NFFO to AFFO is as follows:

Six Months Ended June 30, ($ Thousands, except where noted)		2009		2008
NFFO	$	39,621	$	38,324
Adjustments:				
Maintenance Capital Expenditure Provision		(5,953)		(5,780)
Non-Cash Compensation for LTIP, SELTIP and DUP		987		933
AFFO	$	34,655	$	33,477
AFFO per Unit - Basic	$	0.526	$	0.513
AFFO per Unit - Diluted	$	0.526	$	0.511
Net Distributions Paid[(1)]	$	32,948	$	29,646
Excess AFFO over Net Distributions Paid	$	1,707	$	3,831
AFFO Payout Ratio		95.1%		88.6%

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

AFFO in the six months ended June 30, 2009, has been negatively impacted primarily due to the reduction of reinvestments of distributions under the DRIP from $6.7 million during the first six months of 2008 to $3.8 million for the comparable period in 2009. Management believes 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)		Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07(1)
Operating Revenues		$ 82,017	$ 82,198	$ 82,616	$ 80,721	$ 78,977	$ 78,104	$ 77,900	$ 74,223
NOI		$ 46,644	$ 39,728	$ 43,567	$ 46,364	$ 44,581	$ 38,421	$ 40,989	$ 42,075
Income (Loss) from Continuing Operations		$ 9,073	$ (4,499)	$ (26,221)	$ 4,994	$ 3,446	$ (2,851)	$ 8,205	$ (1,000)
Net Income (Loss)		$ 9,073	$ (4,499)	$ (26,221)	$ 4,994	$ 3,387	$ 14,363	$ 9,130	$ 3,640
DI		$ 23,523	$ 17,032	$ 19,552	$ 23,730	$ 22,582	$ 16,617	$ 18,972	$ 21,297
FFO		$ 28,630	$ 15,623	$ 1,573	$ 23,469	$ 22,164	$ 16,160	$ 18,990	$ 20,800
NFFO		$ 23,153	$ 16,468	$ 19,200	$ 23,469	$ 22,164	$ 16,160	$ 18,990	$ 20,800
Income (Loss) from Continuing									
Operations Per Unit	- Basic	$ 0.138	$ (0.068)	$ (0.400)	$ 0.076	$ 0.053	$ (0.044)	$ 0.130	$ (0.017)
	- Diluted	$ 0.137	$ (0.068)	$ (0.400)	$ 0.076	$ 0.053	$ (0.044)	$ 0.129	$ (0.017)
Net Income (Loss) Per Unit	- Basic	$ 0.138	$ (0.068)	$ (0.400)	$ 0.076	$ 0.052	$ 0.220	$ 0.145	$ 0.061
	- Diluted	$ 0.137	$ (0.068)	$ (0.400)	$ 0.076	$ 0.052	$ 0.220	$ 0.144	$ 0.060
DI Per Unit	- Basic	$ 0.357	$ 0.259	$ 0.298	$ 0.362	$ 0.346	$ 0.255	$ 0.300	$ 0.356
FFO Per Unit	- Basic	$ 0.434	$ 0.238	$ 0.024	$ 0.358	$ 0.339	$ 0.248	$ 0.301	$ 0.348
NFFO Per Unit	- Basic	$ 0.351	$ 0.250	$ 0.293	$ 0.358	$ 0.339	$ 0.248	$ 0.301	$ 0.348
Weighted Avg. Units (000s)	- Basic	65,938	65,770	65,572	65,496	65,334	65,243	63,174	59,799
	- Diluted	66,002	65,854	65,643	65,795	65,648	65,381	63,461	60,188

(1) Reclassified for discontinued operations.

FFO for the fourth quarter of 2008 was negatively impacted due to the unrealized loss of $17,627 on mark-to-market valuations of interest rate forward contracts. Results in the fourth quarter of 2008 were also 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 of approximately $0.7 million ($0.01 per Unit) from the fourth quarter of the previous year. Results in the first two quarters 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.

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 June 30, 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 which is led by its finance group, and includes 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 and/or CAPLP units, which are currently categorized under GAAP as equity, may be considered a liability under IFRS. Accordingly, CAPREIT's Board of Trustees proposed certain amendments to its Declaration of Trust ("DOT") which Unitholders approved at the Annual General Meeting held on May 20, 2009 (see Other Considerations below). These changes were made to address certain issues related to the accounting and presentation of units under IFRS. However, the ultimate determination of the accounting and presentation of units is not determined at this time.

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 borrowing agreements, and finalized certain changes to its DOT at the Annual General Meeting held on May 20, 2009 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's changeover plan does not entail early adoption of IFRS.

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.

CAPREIT has also initiated planning of systems and processes to accommodate quarterly fair value requirements of its Investment Property under IFRS.

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 consolidated financial statements at this time.

CONTROLS AND PROCEDURES

CAPREIT maintains appropriate information systems, procedures and controls to provide reasonable assurance that 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 June 30, 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 six months of 2009 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential conditions.

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, management believes it is increasingly recognized as the preferred landlord in its core 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 Credit 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, or 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 applicable 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. 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, applicable 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 relies on internal and external legal counsel 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 June 30, 2009, and accordingly, future income taxes in the amount of $64.4 million (December 31, 2008 - $63.2 million) have been recorded as at June 30, 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 income and comprehensive income in the amount of $0.7 million for the six months ended June 30, 2009 (2008 - $0.2 million) and to other comprehensive income for $0.5 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 income and comprehensive 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 June 30, 2009. (See also Future Income Taxes and note 9 to the consolidated financial statements.)

Harmonization of Good and Services Tax (“GST”) and Provincial Sales Tax (“PST”)

Both Ontario and British Columbia have enacted legislation to harmonize the PST with the Federal GST into one Harmonized Sales Tax (“HST”) effective July 1, 2010. Currently there is no GST on residential rents (i.e. GST exempt) and input tax credits can only be claimed for commercial activities. In the future, the effect of extensions of the PST to a variety of new business input costs that are presently exempt i.e. gas, electricity, maintenance services, etc., means landlords will have to absorb the additional tax costs on business inputs. The Federation of Rental Housing Providers of Ontario (FRPO) has estimated the impact of harmonization on residential rents will be in the range of 2.5% to 3%.

CAPREIT is currently assessing the impact of this new legislation and is in the process of determining an appropriate strategy to mitigate the impact of the legislation.

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, management 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 six months ended June 30, 2009, CAPREIT paid construction management fees of $1.0 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 six months ended June 30, 2009, CAPREIT paid rent for head office space in the amount of $0.3 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 $0.1 million.

For the six months ended June 30, 2009, CAPREIT paid consulting fees of $0.02 million to a company controlled by a trustee and officer. The agreement expired in May 2009.

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 six months of 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 July 30, 2009, CAPREIT settled interest rate forward contracts with a notional value of $19.2 million, resulting in a realized loss of $2.605 million. The corresponding unrealized loss recorded at June 30, 2009 was $2.575 million, resulting in a net loss of $0.03 million which will be recognized in the third quarter.

SECTION VIII

FUTURE OUTLOOK

Despite tight global credit markets and a slow Canadian economy, management believes the Canadian multi-unit residential rental business will remain relatively stable over the next two years in the majority of the markets in which CAPREIT operates. As a result, management expects to generate modest annual increases in overall average monthly rents while stabilizing average occupancies in the range of 97% to 98% on an annual basis. Management also believes operating revenues should benefit from 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 net operating income going forward.

However, as a result of the tight global credit markets and the slow Canadian economy, CAPREIT may have to account for an increase in bad debt. It is also possible that CAPREIT may experience a reduction in occupancy levels in certain markets and that tenant inducement costs may increase over the short term. In addition, CAPREIT may experience difficulty in obtaining long-term financing (e.g. financing for terms of 10 years and longer). 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 being experienced in certain regions.

Beginning in July 2010, the Provinces of Ontario and British Columbia will harmonize the GST with their PST into one HST and be applied to the majority of goods and services sold in each Province. Once implemented, management believes the HST will result in a modest increase in CAPREIT's operating costs in those Provinces which generally cannot be passed through to residents in rental rate increases.

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.

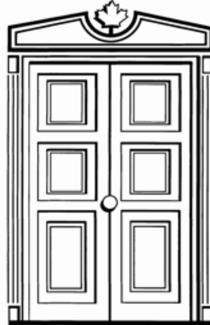
Second, management will continue to focus on reducing its operating costs as a percentage of total revenues. Management is investing in various environmentally friendly energy saving initiatives including energy efficient heating boilers and lighting systems, and energy purchasing programs to reduce 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 insured 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 JUNE 30, 2009

(Unaudited)

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(Unaudited - $ Thousands)

	June 30, 2009	December 31, 2008
Assets		
Income properties *(note 4)*		
Cost	$ 2,542,073	$ 2,505,498
Less: accumulated depreciation	(351,053)	(312,553)
Net book value	2,191,020	2,192,945
Sundry assets *(note 5)*	64,102	48,854
Intangible assets *(note 6)*	863	1,495
	$ 2,255,985	$ 2,243,294
Liabilities and Unitholders' Equity		
Liabilities		
Mortgages payable *(note 7)*	$ 1,501,900	$ 1,472,822
Bank indebtedness *(note 8)*	140,432	121,029
Accounts payable and other liabilities	57,183	75,019
Security deposits	18,739	18,852
Distributions payable	6,152	6,084
Intangible liabilities *(note 6)*	219	334
Future income taxes *(note 9)*	64,397	63,221
	1,789,022	1,757,361
Unitholders' Equity	466,963	485,933
	$ 2,255,985	$ 2,243,294

See accompanying notes to consolidated financial statements.

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Operating Revenues				
Revenue from income properties	$ 82,017	$ 78,977	$ 164,215	$ 157,081
Operating Expenses				
Realty taxes	10,527	10,192	21,433	20,804
Property operating costs	24,846	24,204	56,410	53,275
Total expenses	35,373	34,396	77,843	74,079
Income Before the Undernoted	46,644	44,581	86,372	83,002
Depreciation	19,375	17,804	38,350	35,254
Amortization *(note 13)*	781	716	1,603	1,495
Trust expenses	4,030	3,282	7,602	6,258
	24,186	21,802	47,555	43,007
Income Before Interest Expense	22,458	22,779	38,817	39,995
Mortgage interest	18,951	18,213	37,825	36,778
Interest on bank indebtedness	644	928	1,445	1,802
Other income	(462)	(466)	(927)	(940)
	19,133	18,675	38,343	37,640
Income From Continuing Operations Before Other Costs and Income Taxes	3,325	4,104	474	2,355
Reorganization Costs *(note 14)*	-	(345)	-	(1,550)
Unrealized Gain on Derivative Financial Instruments *(note 15)*	3,748	-	3,437	-
Realized Gain on Derivative Financial Instruments *(note 15)*	1,859	-	1,325	-
Recovery of (Provision for) Future Income Taxes *(note 9)*	141	(313)	(662)	(210)
Income From Continuing Operations	9,073	3,446	4,574	595
(Loss) Income From Discontinued Operations *(note 16)*	-	(59)	-	17,155
Net Income	$ 9,073	$ 3,387	$ 4,574	$ 17,750
Other Comprehensive Income (Loss) *(note 12(b))*	$ 5,513	$ 224	$ 6,406	$ (10,092)
Comprehensive Income	$ 14,586	$ 3,611	$ 10,980	$ 7,658
Basic Net Income Per Unit				
Continuing operations	$ 0.138	$ 0.053	$ 0.069	$ 0.009
Discontinued operations	$ -	$ (0.001)	$ -	$ 0.263
Basic Net Income Per Unit	$ 0.138	$ 0.052	$ 0.069	$ 0.272
Diluted Net Income Per Unit				
Continuing operations	$ 0.137	$ 0.053	$ 0.069	$ 0.009
Discontinued operations	$ -	$ (0.001)	$ -	$ 0.262
Diluted Net Income Per Unit	$ 0.137	$ 0.052	$ 0.069	$ 0.271

See accompanying notes to consolidated financial statements.

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity
For the Six Months Ended June 30, 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 income		-	4,574	-	-	4,574
Distributions declared and paid		-	-	(30,623)	-	(30,623)
Distributions payable		-	-	(6,152)	-	(6,152)
Distribution Reinvestment Plan	*12 (c)*	4,453	-	-	-	4,453
Employee Unit Purchase Plan	*12 (f)*	108	-	-	-	108
Long-Term Incentive Plan	*12 (g)*	1,071	-	478	-	1,549
Senior Executive Long-Term Incentive Plan	*12 (h)*	352	-	320	-	672
Deferred Unit Plan	*12 (i)*	212	-	-	-	212
Units cancelled	*12 (j)*	(169)	-	-	-	(169)
Other comprehensive income	*12 (b)*	-	-	-	6,406	6,406
Unitholders' Equity, June 30, 2009		$ 883,617	$ 86,727	$ (471,387)	$ (31,994)	$ 466,963

	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		-	17,750	-	-	17,750
Distributions declared and paid		-	-	(30,228)	-	(30,228)
Distributions payable		-	-	(6,069)	-	(6,069)
New Units issued	*12 (a)*	(128)	-	-	-	(128)
Distribution Reinvestment Plan	*12 (c)*	6,935	-	-	-	6,935
Unit Option Plan	*12 (d)*	142	-	-	-	142
Employee Unit Purchase Plan	*12 (f)*	94	-	-	-	94
Long-Term Incentive Plan	*12 (g)*	947	-	378	-	1,325
Senior Executive Long-Term Incentive Plan	*12 (h)*	344	-	329	-	673
Deferred Unit Plan	*12 (i)*	241	-	-	-	241
Units cancelled	*12 (j)*	(6,331)	-	-	-	(6,331)
Other comprehensive loss	*12 (b)*	-	-	-	(10,092)	(10,092)
Unitholders' Equity, June 30, 2008		$ 874,362	$ 103,380	$ (399,703)	$ (19,446)	$ 558,593

See accompanying notes to consolidated financial statements.

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(Unaudited - $ Thousands)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash Provided By (Used In):				
Operating Activities				
Net income	$ 9,073	$ 3,387	$ 4,574	$ 17,750
Items not affecting cash:				
Loss (Gain) on sale of assets *(note 16)*	-	59	-	(17,046)
Unrealized gain on derivative financial instruments *(note 15)*	(3,748)	-	(3,437)	-
Realized gain on derivative financial instruments *(note 15)*	(1,859)	-	(1,325)	-
(Recovery of) Provision for future income taxes	(141)	313	662	210
Depreciation	19,375	17,804	38,350	35,254
Amortization *(note 13)*	781	716	1,603	1,495
Amortization of above and below market leases	(41)	(121)	(102)	(214)
Amortization of loss on derivative financial instruments in AOCL	130	-	130	-
Fair value adjustment of utility contracts *(note 2(g))*	25	(36)	166	(81)
Straight-line rent adjustment	(9)	(15)	(53)	(58)
Compensation component of LTIP, SELTIP and DUP awards granted	379	433	987	933
	23,965	22,540	41,555	38,243
Changes in non-cash operating assets and liabilities *(note 17(a))*	(9,485)	(6,478)	(11,129)	(3,906)
Cash Provided By Operating Activities	14,480	16,062	30,426	34,337
Financing Activities				
Mortgage financings	112,137	15,655	155,537	39,987
Mortgage principal repayments	(12,438)	(11,154)	(24,865)	(22,443)
Mortgages repaid on maturity	(75,062)	(6,801)	(101,087)	(20,351)
Mortgage financing costs	(743)	(188)	(991)	(240)
Settlement of derivative financial instruments *(note 15)*	(14,916)	-	(14,916)	-
Bank indebtedness, net	14,969	31,139	19,403	(4,846)
Proceeds on issuance of Units	53	98	108	108
Net cash distributions to Unitholders *(note 17(b))*	(16,816)	(14,713)	(32,254)	(29,325)
Cancellation of Units	-	-	(169)	(6,331)
Amounts received under the LTIP and SELTIP	637	527	1,446	1,306
Cash Provided By (Used In) Financing Activities	7,821	14,563	2,212	(42,135)
Investing Activities				
Acquisition of income properties *(note 17(e))*	176	(19,053)	(548)	(33,327)
Capital improvements *(note 17(d))*	(22,602)	(11,414)	(32,247)	(21,170)
Disposition of income properties *(note 17(f))*	-	(59)	-	62,993
Investments	-	-	-	(378)
Change in restricted cash	125	(99)	157	(320)
Cash (Used In) Provided By Investing Activities	(22,301)	(30,625)	(32,638)	7,798
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 six months ended June 30, 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 income (loss). Differences accumulated in accumulated other comprehensive loss are transferred to net income 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 income and comprehensive income in property operating costs, except for those contracts that are designated for its own use. At June 30, 2009, the change in fair value for those contracts not designated for its own use was an unrealized loss of $166 (June 30, 2008 - unrealized gain of $81).

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 income and comprehensive income.

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 June 30, 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 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 income and comprehensive income.

i) Comprehensive income (loss)

Comprehensive income (loss) includes net income (loss) 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 International Financial Reporting Standards ("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 the operating results effective from their respective acquisition dates:

For the six months ended June 30, 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 $548, 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:

	June 30, 2009	December 31, 2008
The consideration paid consists of:		
- New mortgages payable	$ -	$ 44,557
- Assumed mortgages payable	-	31,249
- Bank indebtedness	548	44,005
	$ 548	$ 119,811
The allocation of consideration paid is as follows:		
Income properties		
- Land	$ 466	$ 33,149
- Buildings and improvements	82	85,565
- Equipment	-	330
	548	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)
	$ 548	$ 119,811

4. Income Properties

	Cost	Accumulated Depreciation	June 30, 2009 Net Book Value
Freehold			
- Land	$ 361,565	$ -	$ 361,565
- Buildings and improvements	1,654,441	(255,967)	1,398,474
	2,016,006	(255,967)	1,760,039
Leasehold interest			
- Buildings and improvements	468,747	(81,469)	387,278
- Options to purchase	10,830	-	10,830
	479,577	(81,469)	398,108
Equipment	46,490	(13,617)	32,873
	$ 2,542,073	$ (351,053)	$ 2,191,020

	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 15 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

	June 30, 2009	December 31, 2008
Prepaid CMHC premiums – net of amortization of $5,441 (2008 – $4,864)	$ 23,519	$ 19,712
Prepaid expenses	7,153	2,836
Tenant inducements	360	212
Other receivables	5,867	4,951
Restricted cash	2,768	2,925
Deposits on purchases *(a)*	1,192	1,519
Deposits	744	612
Investments	19,787	14,270
Leasehold improvements – net of amortization of $488 (2008 – $446)	702	782
Other assets – net of amortization of $907 (2008 – $692)	2,010	1,035
Total	$ 64,102	$ 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	June 30, 2009 Net Book Value
Intangible assets			
Value of tenant in-place leases	$ 15,084	$ (14,333)	$ 751
Value of tenant relationships	1,571	(1,476)	95
Value of above market leases	1,243	(1,226)	17
	$ 17,898	$ (17,035)	$ 863
Intangible liabilities			
Value of below market leases	$ 1,908	$ (1,689)	$ 219

	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 5.20% (December 31, 2008 – 5.30%), and mature between 2009 and 2027. The effective interest rate as at June 30, 2009 includes 0.05% (December 31, 2008 – nil) for the amortization of the realized component of the loss on settlement of derivative financial instruments included in AOCL. All mortgages payable 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
Six months remaining in 2009	$ 124,485	8.3
2010	189,686	12.6
2011	242,934	16.1
2012	241,769	16.0
2013	161,930	10.7
Subsequent to 2013	545,565	36.3
	1,506,369	100.0
Deferred financing costs and fair value adjustments	(4,469)	
	$ 1,501,900	

As at June 30, 2009, fair value adjustments of $825 and ($5,294) 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 on June 30, 2008 into one credit agreement comprising an acquisition and operating facility ("Acquisition and Operating Facility") and a land lease facility ("Land Lease Facility") (the "Credit Facilities"). On June 30, 2009, the Credit Facilities were renewed as summarized below.

a) Acquisition and Operating Facility

The maximum amount available is $250,000, comprising one facility of $100,000 for a one-year term maturing on June 30, 2010 and another facility of $150,000 for a three-year term maturing on June 30, 2012, subject to compliance with the various provisions of the Credit Agreement, in order to fund ongoing working capital requirements, general corporate purposes and acquisition and improvements to the properties. Floating charge debentures on income properties have been provided as security. At June 30, 2009, the weighted average floating interest rate for amounts drawn under this credit facility is 2.18% (December 31, 2008 – 3.38%). At June 30, 2009, the borrowings outstanding for this facility were $137,841 (December 31, 2008 - $116,911). In addition, at June 30, 2009, letters of credit in the amount of $6,243 (December 31, 2008 - $3,856) were outstanding, which affect the maximum amount available under the facility.

b) Land Lease Facility

The Land Lease Facility was established (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, 2010. Floating charge debentures on the land lease properties have been provided as security. At June 30, 2009, the borrowings outstanding for this facility were $2,591 (December 31, 2008 - $4,118). In addition, letters of credit in the amount of $104 (December 31, 2008 - $130) were outstanding, which affect the maximum available under the facility. At June 30, 2009, the weighted average floating interest rate for amounts drawn under this facility is 1.84% (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 June 30, 2009, a future income tax liability in the amount of $64,397 has been recorded at June 30, 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 income and comprehensive income in the amount of $662 for the six months ended June 30, 2009 (June 30, 2008 - $210) and to other comprehensive income (loss) for $514 (June 30, 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 income and comprehensive income at that time. CAPREIT is not currently taxable and accordingly, no current income taxes have been recorded as at June 30, 2009. CAPREIT has not exceeded the Normal Growth Guidelines.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Current income taxes at Canadian statutory tax rate	$ -	$ -	$ -	$ -
(Recovery of) provision for future income taxes relating to OCI *(note 12(b))*	(302)	-	478	-
Provision for future income taxes for changes in substantively enacted tax rates for OCI	-	-	36	-
(Recovery of) provision for future income taxes	(141)	313	(141)	210
Provision for future income taxes for changes in substantively enacted tax rates	-	-	803	-
Future income taxes	$ (443)	$ 313	$ 1,176	$ 210

The future income tax liability is as follows:

	June 30, 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))*	514	2,298
Future income taxes	662	9,134
Future income tax liability, end of the period	$ 64,397	$ 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 June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Distributions declared *(note 17(b))*	$ 18,444	$ 18,186	$ 36,775	$ 36,297
Distributions Per Unit	$ 0.270	$ 0.270	$ 0.540	$ 0.540

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 (45,074 Units (June 30, 2008 – 13,791 Units)), but excluding Units issued under the LTIP (1,572,244 Units (June 30, 2008 – 1,164,744 Units)) and SELTIP (817,914 Units (June 30, 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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Weighted average number of Units	65,938,256	65,334,167	65,854,541	65,288,421
Effect of dilutive Unit options, LTIP and SELTIP Units	63,969	313,433	74,091	226,055
Weighted average number of diluted Units	66,002,225	65,647,600	65,928,632	65,514,476

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	351,390	-	351,390
Employee Unit Purchase Plan	8,260	-	8,260
Long-Term Incentive Plan ("LTIP")	407,500	-	407,500
Deferred Unit Plan ("DUP")	16,402	-	16,402
Units cancelled	(13,500)	-	(13,500)
Units outstanding, June 30, 2009	67,991,143	411,311	68,402,454

	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	460,635	-	460,635
Unit Option Plan	12,000	-	12,000
Employee Unit Purchase Plan	5,723	-	5,723
Long-Term Incentive Plan	370,000	-	370,000
Deferred Unit Plan ("DUP")	13,791	-	13,791
Units cancelled	(433,700)	-	(433,700)
Units outstanding, June 30, 2008	67,034,534	411,311	67,445,845

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 June 30, 2009 is 978,434 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
AOCL balance, beginning of period	$ (37,507)	$ (19,670)	$ (38,400)	$ (9,354)
Other comprehensive income (loss):				
Loss on derivative financial instruments [(1)]	-	845	-	(3,055)
Amortization of AOCL to mortgage interest [(1)]	130	-	130	-
Loss on interest rate swap agreements	1,511	829	1,406	(1,004)
Recovery of (provision for) future income taxes (note 9)	302	-	(514)	-
Loss on amounts designated as cash flow hedges settled in prior years and transferred to mortgage interest expense	(64)	(62)	(133)	(129)
Change in fair value of investments	3,634	(1,388)	5,517	(5,904)
Change in other comprehensive income (loss)	5,513	224	6,406	(10,092)
AOCL balance, end of period	$ (31,994)	$ (19,446)	$ (31,994)	$ (19,446)

(1) The cumulative unrealized loss on derivative financial instruments aggregating to $9,908 before tax will be amortized as mortgage interest expense to the consolidated statement of income and comprehensive income over the original term of the hedged contract. The estimated amount of the amortization that is expected to be reclassified to net income from AOCL in the next 12 months is $1,018.

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 six months ended June 30, 2009 and 2008.

A summary of Unit option activity for the six months ended June 30, 2009 and 2008 is presented as follows. All options are exercisable as at June 30, 2009.

	June 30, 2009		June 30, 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	-	-	(12,000)	11.85
Options outstanding, end of period	387,200	$ 13.42	407,600	$ 13.40

The following Unit Option Plan grants are outstanding:

Exercise Price	Expiry Date	June 30, 2009 Number of Units	June 30, 2008 Number of Units
$ 11.85	December 17, 2010	57,700	66,100
$ 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	407,600

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 six months ended June 30, 2009 and 2008.

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

Number of Units	June 30, 2009	June 30, 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 six months ended June 30, 2009 was $10 (June 30, 2008 - $9).

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		**June 30, 2009**		**June 30, 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		**June 30, 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		(268)		(402)
Balance, end of period	$	22,137	$	17,458

The Installment Receipts are recognized as a deduction from Unitholders' Equity in cumulative capital. During the six-month period, interest payments in the amount of $478 (June 30, 2008 - $378) 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 anniversary of the date of grant for each of the next two years, compensation cost of $231 was expensed in the consolidated statement of income and comprehensive income during the six-month period ended June 30, 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 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 and comprehensive loss 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 six months ended June 30, 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:

	LTIP Issued in Quarter Ended	
	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 30 years. Participants are required to pay interest at a 30-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	**June 30, 2009**	**June 30, 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		**June 30, 2009**		**December 31, 2008**
Balance, beginning of period	$	13,075	$	13,302
Principal repayments during the period		(119)		(227)
Balance, end of period	$	12,956	$	13,075

The Installment Receipts are recognized as a deduction from Unitholders' Equity in cumulative capital. During the six-month period ended June 30, 2009, interest payments in the amount of $320 (June 30, 2008 - $329) 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 June 30, 2009, total compensation costs of $212 (June 30, 2008 - $241) were expensed in relation to awards under the DUP.

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

	June 30, 2009			June 30, 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	16,402		12.83	13,791		17.50
Outstanding, end of period	45,074	$	15.11	13,791	$	17.50

j) Units Cancelled

During the six months ended June 30, 2009, pursuant to a normal course issuer bid, 13,500 Units (June 30, 2008 – 433,700) were acquired for cancellation at market prices aggregating $169 (June 30, 2008 - $6,331).

13. Amortization

	Three Months Ended June 30,				Six Months Ended June 30,			
		2009		2008		2009		2008
Amortization of other financing costs and CMHC premiums	$	396	$	320	$	792	$	638
Amortization of leasehold improvements		21		19		42		37
Amortization of tenant improvements		80		73		150		139
Amortization of intangible assets		284		304		619		681
	$	781	$	716	$	1,603	$	1,495

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. Realized and Unrealized Gains and Losses 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 CICA Handbook 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 over the original term of the hedged contract (see note 12(b)). 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 income and comprehensive income.

The position of realized and unrealized gains and losses on derivative financial instruments has been summarized as follows:

		Impact on Statement of Income			
	Cumulative	Three Months Ended		Year to Date	Cumulative
	December 31, 2008	March 31, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Contracts Settled					
Unrealized loss	$ (16,241)	$ (534)	$ -	$ -	$ -
Realized gain (loss)	-	-	1,859	1,325	(14,916)
Unsettled Contracts					
Unrealized (loss) gain	(11,294)	(311)	3,748	3,437	(7,857)
	$ (27,535)	$ (845)	$ 5,607	$ 4,762	$ (22,773)

During the quarter ended June 30, 2009, CAPREIT settled interest rate forward contracts with a notional value of $84,416, resulting in a realized loss of $14,916. The corresponding unrealized loss recorded at December 31, 2008 and March 31, 2009 was $16,241 and $534, respectively, resulting in a net gain of $1,859 and $1,325 being recognized in the consolidated statement of income and comprehensive income for the three months and six months ended June 30, 2009, respectively.

As at June 30, 2009, interest rate forward contracts with an aggregate notional value of $61,324 remain outstanding, with anticipated maturities during August to October 2009. The mark-to-market cumulative unrealized loss on these contracts as at June 30, 2009, aggregating to $7,857, has been set up in accounts payable and other liabilities. The corresponding unrealized loss on these contracts recorded at December 31, 2008 and March 31, 2009 was $11,294 and $311, respectively, resulting in a net gain of $3,748 and $3,437 being recognized in the consolidated statement of income and comprehensive income for the three months and six months ended June 30, 2009, respectively.

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 $17,046 was recognized in the first half of 2008.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	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	-	(59)	-	17,046
Income from discontinued operations	$ -	$ (59)	$ -	$ 17,155

17. Supplemental Cash Flow Information

a) Changes in non-cash operating assets and liabilities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Prepaid CMHC premiums	$ (3,042)	$ (221)	$ (4,384)	$ (504)
Prepaid expenses	(3,553)	(2,297)	(4,317)	(4,752)
Tenant inducements	(187)	48	(148)	128
Other receivables	(1,150)	47	(1,029)	(30)
Other assets	(1,089)	(730)	(1,190)	(730)
Deposits on purchases	-	204	327	(91)
Deposits	152	(1,699)	(132)	(827)
Leasehold improvements	38	(86)	38	(97)
Accounts payable and other liabilities	(489)	(1,949)	(181)	2,562
Security deposits	(165)	205	(113)	435
	$ (9,485)	$ (6,478)	$ (11,129)	$ (3,906)

b) Net cash distributions to Unitholders

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Distributions declared to Unitholders	$ (18,444)	$ (18,186)	$ (36,775)	$ (36,297)
Add: Distributions payable at beginning of period	(6,140)	(6,048)	(6,084)	(6,032)
Less: Distributions payable at end of period	6,152	6,069	6,152	6,069
Less: Distributions to Participants in the Distribution Reinvestment Plan	1,616	3,452	4,453	6,935
	$ (16,816)	$ (14,713)	$ (32,254)	$ (29,325)

c) *Mortgages and loans*

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Interest paid	$ 19,213	$ 18,496	$ 38,649	$ 38,621

d) *Capital improvements*

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Capital improvements	$ (26,294)	$ (12,136)	$ (36,027)	$ (19,792)
Change in accounts payable and other liabilities	3,692	722	3,780	(1,378)
	$ (22,602)	$ (11,414)	$ (32,247)	$ (21,170)

e) *Acquisition of income properties*

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Acquired properties *(note 3)*	$ 176	$ (24,820)	$ (548)	$ (39,094)
Assumed debt *(note 3)*	-	5,767	-	5,767
Net proceeds	$ 176	$ (19,053)	$ (548)	$ (33,327)

f) *Disposition of income properties*

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Proceeds	$ -	$ -	$ -	$ 127,600
Closing costs	-	(59)	-	(4,777)
Mortgages assumed by purchasers and discharged	-	-	-	(59,830)
Net proceeds	$ -	$ (59)	$ -	$ 62,993

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 June 30, 2009 (excluding GST) amounted to $972 (June 30, 2008 - $587) and have been capitalized to income properties. At June 30, 2009, there were construction management fees outstanding of $297 (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 June 30, 2009 was $321 (June 30, 2008 - $318), 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 $113.

c) CAPREIT had a consulting agreement, which expired in May 2009, with a company owned by one of the trustees and officers. The total fees paid for the period ending June 30, 2009 (excluding GST) were $21 (June 30, 2008 - $46) and have been expensed as trust expenses. At June 30, 2009, there were consulting fees outstanding of $nil (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 six months ended June 30, 2009, $nil (excluding GST) (June 30, 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 June 30, 2009, the fair value of CAPREIT's mortgages payable is estimated to be $1,543,646 (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 six-month periods ended June 30, 2009 and June 30, 2008, a one percentage change in interest rates would have the following effect:

	Change in interest rates	Six Months Ended June 30,		Six Months Ended June 30,	
		2009	2008	2009	2008
	%	Increase (decrease) in net income		Increase (decrease) in OCI	
Floating rate debt	+1.00	$ (621)	$ (334)	$ -	$ -
Floating rate debt	-1.00	$ 621	$ 334	$ -	$ -
Derivative financial instruments	+1.00	$ 3,754	$ -	$ -	$ 7,831
Derivative financial instruments	-1.00	$ (3,878)	$ -	$ -	$ (8,646)
Interest rate swap agreements	+1.00	$ -	$ -	$ 1,666	$ 1,881
Interest rate swap agreements	-1.00	$ -	$ -	$ (1,718)	$ (1,975)

CAPREIT's objective of managing interest rate risk is to minimize the volatility of earnings. As at June 30, 2009, interest rate risk has been minimized as all mortgages payable are 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 95.3% 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 ongoing operational and capital commitments, distributions to Unitholders and provide future growth in its business. As at June 30, 2009, CAPREIT had undrawn lines of credit available in the amount of $92,252.

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at June 30, 2009 are as follows:

($ Thousands)	2009	2010 - 2011	2012 - 2013	2014 onward
Mortgages payable	$ 124,485	$ 432,620	$ 403,699	$ 545,565
Bank indebtedness	-	102,591	37,841	-
Mortgage interest payable	40,238	112,749	70,289	87,343
Bank indebtedness interest payable	2,655	4,746	705	-
Accounts payable and accrued liabilities	53,215	3,558	410	-
Security deposits	18,739	-	-	-
Distributions payable	6,152	-	-	-
	$ 245,484	$ 656,264	$ 512,944	$ 632,908

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 income and comprehensive income. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income and comprehensive 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 Facilities have covenants that provide for: (i) tangible net worth of not less than $400,000; (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:

		June 30, 2009		December 31, 2008
Mortgages payable *(note 7)*	$	1,501,900	$	1,472,822
Bank indebtedness *(note 8)*		140,432		121,029
Unitholders' equity		466,963		485,933
Total capital	$	2,109,295	$	2,079,784
Total debt to gross book value (%)		62.42		61.82
Tangible net worth	$	531,360	$	549,154

For the four quarters ended,	**June 30, 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 calculated to ensure CAPREIT will not be subject to tax pursuant to Part I of the *Income Tax Act* (Canada).

21. Commitments

Natural gas and hydro

CAPREIT has entered into fixed price commitments in the aggregate amount of $23,654 for its natural gas and $916 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

Several 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:

Six months remaining in 2009	$	370
2010		740
2011		740
2012		740
2013		736
Thereafter		29,325

Normal course issuer bid ("NCIB")

On June 19, 2009, CAPREIT announced that the TSX had approved its notice of intention to acquire up to 6,344,344 Units at market prices over the 12-month period ending June 24, 2010. Under this NCIB, no Units were acquired up to June 30, 2009.

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 12-month period ending June 24, 2009. Under this NCIB, 264,100 Units were acquired up to June 30, 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 July 30, 2009, CAPREIT settled interest rate forward contracts with a notional value of $19,214, resulting in a realized loss of $2,605. The corresponding unrealized loss recorded at June 30, 2009 was $2,575, resulting in a net loss of $30, which will be recognized in the third quarter.

Unitholder Information

HEAD OFFICE

11 Church Street, Suite 401
Toronto, Ontario M5E 1W1
Tel: 416.861.9404
Fax: 416.861.9209

website: www.capreit.net

OFFICERS

Thomas Schwartz
President and Chief Executive Officer

Michael Stein
Chairman

Dino Chiesa
Vice-Chair

Yazdi Bharucha
Chief Financial Officer

Mark Kenney
Chief Operating Officer

Maria Amaral
Vice President, Finance

Philip Lefko
General Counsel and Corporate Secretary

INVESTOR INFORMATION

Analysts, Unitholders and others seeking financial data should visit CAPREIT's website at www.capreit.net or contact:

Yazdi Bharucha
Chief Financial Officer
Tel: 416.861.5771
E-mail: ir@capreit.net

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Tel: 1.800.663.9097
E-mail: caregistry@computershare.com

AUDITORS

PricewaterhouseCoopers LLP

LEGAL COUNSEL

Stikeman Elliott LLP

STOCK EXCHANGE LISTING

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