

**CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST**

ANNUAL INFORMATION FORM

For the year ended December 31, 2017

Dated March 27, 2018

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ANNUAL INFORMATION FORM

CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

(Information as at December 31, 2017, unless otherwise indicated)

1 - FORWARD-LOOKING INFORMATION

Certain statements contained, or contained in documents incorporated by reference, in this Annual Information Form of Canadian Apartment Properties Real Estate Investment Trust (“CAPREIT”) 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 investments, financial results, taxes, plans and objectives of or involving CAPREIT. Particularly, statements regarding CAPREIT’s future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategy and the real estate industry generally are forward-looking statements. In some cases, forward-looking information can be identified by terms such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue” or the negative thereof or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including that the Canadian, Irish and Dutch economies will generally experience growth, however, may be adversely impacted by the global economy; that inflation will remain low; that interest rates will remain historically low in the medium term; that Canada Mortgage and Housing Corporation (“CMHC”) mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates will grow at levels similar to the rate of inflation on renewal; that rental rates on turnovers will remain stable; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT’s financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT’s investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this Annual Information Form are based on assumptions, Management believes they are reasonable as of the date hereof; however, there can be no assurance actual results will be consistent with these forward-looking statements, and they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT’s control, that may cause CAPREIT 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: reporting investment properties at fair value, real property ownership, leasehold interests, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, foreign operations and currency risks, taxation including land transfer tax and foreign tax, government regulations, controls over financial accounting, legal and regulatory concerns, the nature of Trust Units (defined below) and Exchangeable Securities (as defined below), unitholder liability, liquidity and price fluctuation of Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, development and cybersecurity. There can be no assurance the expectations of CAPREIT's Management will prove to be correct. For a detailed discussion of risk factors, refer to the "Risks Factors" section of this Annual Information Form. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

2 - NOTE REGARDING FINANCIAL INFORMATION

Financial data included in this Annual Information Form has been prepared in accordance with International Financial Reporting Standards as set out in Part I of the CPA Canada Handbook ("**IFRS**"). This Annual Information Form should be read in conjunction with CAPREIT's management discussion and analysis of the results of operations and financial condition for the year ended December 31, 2017, incorporated herein by reference, and the consolidated annual audited financial statements for the year ended December 31, 2017, each of which is publicly available at www.sedar.com under CAPREIT's profile.

3 - NON-IFRS FINANCIAL MEASURES

In this Annual Information Form, CAPREIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("**Stabilized NOI**"), Net Rental Revenue Run-Rate, Funds From Operations ("**FFO**"), Normalized Funds From Operations ("**NFFO**") and Adjusted Cash Flow From Operations ("**ACFO**") and applicable per Unit amounts and payout ratios (collectively the "**non-IFRS measures**"). These non-IFRS measures are further defined and discussed below. Since Stabilized NOI, Net Rental Revenue Run-Rate, FFO, NFFO and ACFO are not measures determined under IFRS, they may not be comparable to similarly titled measures reported by other issuers. CAPREIT has presented such non-IFRS measures because management believes these non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. The non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or sustainability of our distributions.

Stabilized NOI represents net rental income for properties owned by CAPREIT continuously for two years prior to the current annual reporting year end date. Stabilized NOI is a widely used operating performance indicator in the real estate industry, and this includes all rental revenues and other related ancillary income (including manufactured home communities ("**MHCs**") home sales) generated at the property level, less: (i) related direct costs such as utilities,

realty taxes, insurance, repair and maintenance costs and on-site wages and salaries; and (ii) an appropriate allocation of overhead costs.

Net Rental Revenue Run-Rate is annualised based on rent roll as at reporting date, net of vacancy loss, tenant inducements and bad debt for the 12 months on such date.

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. FFO is presented in accordance with the recommendations of the Real Property Association of Canada (“**REALpac**”), with the exception of the amortization of certain other assets. Management considers FFO to be an important measure of CAPREIT’s operating performance.

ACFO is a measure of economic cash flow based on the operating cash flows generated by the business adjusted to deduct items such as interest expense, non-discretionary capital expenditures, capitalized leasing costs, tenant improvements, and amortization of other financing costs, partially offset by investment income. ACFO as calculated by CAPREIT is in accordance with the corresponding guidelines provided by REALpac, with the exception of the adjustment for investment income.

Management considers NFFO to be the key measure of CAPREIT’s operating performance. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, offset by write-offs of fair value adjustments on assumed mortgages that were refinanced early, accelerated vesting of previously granted RUR units and large acquisition research costs relating to transactions that were not completed.

NFFO facilitates better comparability to prior years’ performance and provides a better indicator of CAPREIT’s long-term operating performance.

4 - TRUST STRUCTURE

4.1 Overview

CAPREIT is an “open-end” real estate investment trust created and governed by a declaration of trust dated February 3, 1997, under the laws of the Province of Ontario, as amended and restated from time to time, including most recently on May 24, 2017 (the “**Declaration of Trust**”).

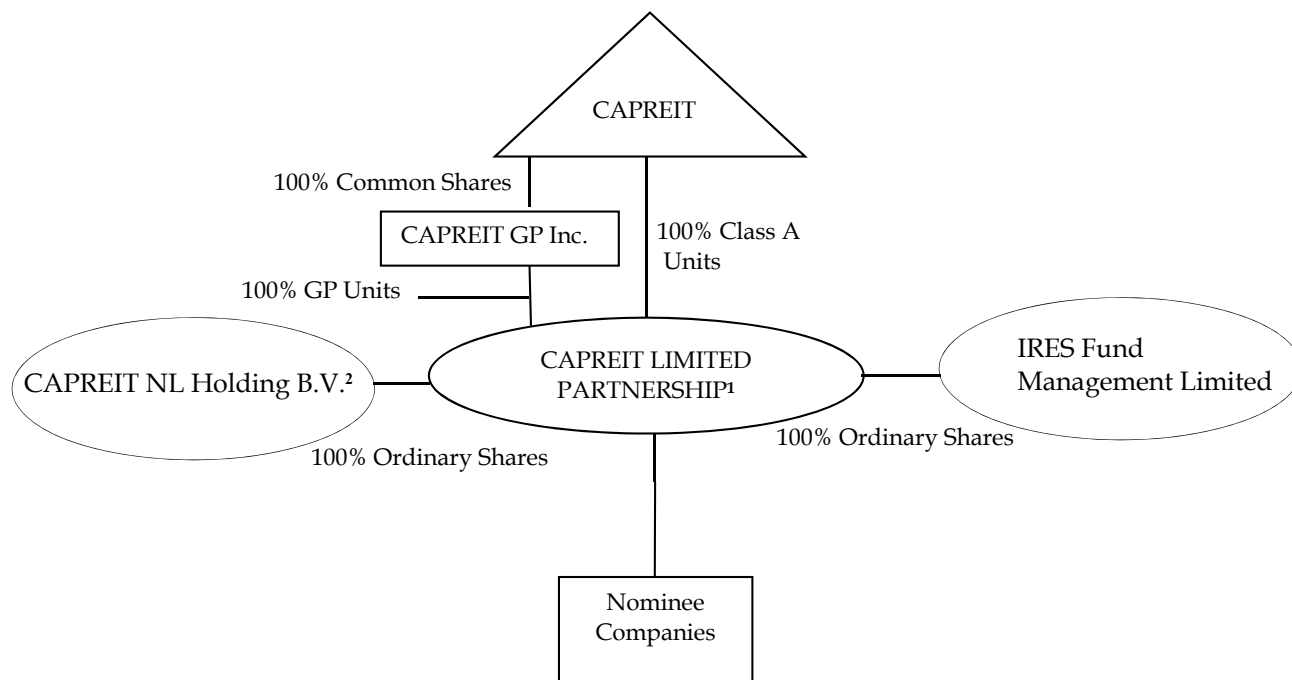
Although CAPREIT qualifies as a “mutual fund trust” as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”), CAPREIT is not a “mutual fund” as defined by applicable securities legislation.

The head and registered office of CAPREIT is located at 11 Church Street, Suite 401, Toronto, Ontario, M5E 1W1.

CAPREIT Limited Partnership (“**CAPLP**”), a subsidiary of CAPREIT, is a limited partnership established and existing under the laws of the Province of Manitoba pursuant to a limited partnership agreement dated June 26, 2007, as amended, among CAPREIT GP Inc.,

CAPREIT and other limited partners from time to time. CAPREIT GP Inc., a company incorporated under the laws of the Province of Ontario on June 21, 2007, is the general partner of CAPLP and CAPREIT is the sole shareholder of CAPREIT GP Inc. CAPLP is CAPREIT's only material subsidiary.

4.2 Structure Chart (Simplified)



¹ CAPREIT indirectly holds all of its real estate beneficially through CAPLP, which holds legal title to such real estate directly (through nominee companies) or indirectly through other entities, including partnerships, trusts and their nominees. With the exception of five nominee companies in which CAPREIT owns indirectly a 50% interest, CAPREIT owns, directly or indirectly, a 100% interest in all nominee companies.

² CAPREIT NL Holding B.V. owns all property interests, and carries on the operating business, in the Netherlands through certain Netherlands subsidiaries. The Netherlands properties are held in partnership with a partner who holds a nominal interest in such properties.

4.3 Amendments to the Declaration of Trust

On May 26, 2005, the Declaration of Trust was amended by the Board of Trustees as follows: (i) to impose a single restriction to the effect that CAPREIT's borrowings, including the acquisition and operating facility (the "**Acquisition and Operation Facility**"), shall not exceed 70% of the gross book value of CAPREIT's assets and (ii) to grant the Board of Trustees the authority to convert CAPREIT's structure from a "closed-end" to an "open-end" trust and to add a limited redemption right for holders of Units ("**Unitholders**").

On May 25, 2006, the Declaration of Trust was amended by resolution of the Unitholders of CAPREIT (i) to provide investment restrictions that would permit investments by CAPREIT outside of Canada and in buildings that may not be substantially occupied; (ii) to change the

investment restrictions to add flexibility to CAPREIT's ability to participate in joint ventures and to provide that CAPREIT may guarantee the indebtedness of a third party; (iii) to permit investments in securities of other entities, including corporations, provided their activities are similar to those of CAPREIT; (iv) to provide that the exclusive test for limiting indebtedness be measured on a portfolio basis and be limited to a maximum of 70% of the gross book value of CAPREIT's assets and to provide that the restrictions on CAPREIT's floating rate and short-term debt may be overridden where the Board of Trustees believes it is in the interests of CAPREIT to do so.

On January 8, 2008, the Declaration of Trust was amended by resolution of the Board of Trustees of CAPREIT to convert CAPREIT from a "closed-end" trust to an "open-end" trust. As part of the conversion, the Declaration of Trust was also amended to include a right of redemption (see "Right of Redemption"). The Declaration of Trust was also amended to modify those provisions that restrict the investments that may be made by CAPREIT in accordance with paragraph 108(2)(b) of the Tax Act.

On May 21, 2008, the Declaration of Trust was amended by resolution of the Unitholders and holders ("**Special Unitholders**", and together with Unitholders and Preferred Unitholders, "**Trust Unitholders**") of special voting units of CAPREIT ("**Special Voting Units**", and together with Units and Preferred Units, "**Trust Units**") to, among other things: (i) allow CAPREIT to acquire, invest in, develop, and manage a broader range of assets (real property-related businesses outside the category of multi-unit residential real property; (ii) to remove the restriction or the amount of indebtedness of CAPREIT at floating interest rates or having original maturities of less than one year to 10% of CAPREIT's total indebtedness and (iii) to give the Board of Trustees the flexibility to establish and amend operating policies related to appropriate delegations of authority in connection with acquisitions, dispositions, and financing of CAPREIT.

On May 21, 2013 the Declaration of Trust was amended by special resolution of Unitholders and Special Unitholders to permit the Board of Trustees to adopt an advance notice policy and to permit the Board of Trustees to use the notice-and-access provisions under applicable securities laws.

On June 12, 2014 the Declaration of Trust was amended by resolution of the Board of Trustees to, among other things, (i) create a governance and nominating committee (the "**Governance and Nominating Committee**") and a human resources and compensation committee (the "**Human Resources and Compensation Committee**") to replace the compensation and governance committee (the "**Compensation and Governance Committee**"); and (ii) amend the definition of "Independent Trustee" to mean, for the purpose of the audit committee (the "**Audit Committee**"), a trustee who, in relation to CAPREIT, is independent for the purposes of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") and, for all other purposes, a trustee who, in relation to CAPREIT, is independent for the purposes of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, as amended from time to time ("**NI 58-101**") and (iii) require that all of the trustees on the Audit Committee be independent (subject to any applicable exceptions in NI 52-110).

On June 1, 2016, the Declaration of Trust was amended by special resolution of the Unitholders and Special Unitholders in order to enable CAPREIT to issue a maximum of

25,840,600 Preferred Units, with such designation, rights, privileges, restrictions and conditions attached to each series as determined by the Board of Trustees prior to the issuance thereof.

On May 24, 2017, the Declaration of Trust was amended by special resolution of the Unitholders and Special Unitholders in order to provide in favour of Trust Unitholders certain rights, remedies and procedures that are consistent with those available to shareholders of public corporations governed by the *Canada Business Corporations Act* as reflected in certain provisions of the draft model declaration of trust (the “**Model Declaration of Trust Provisions**”) published in November 2015 by the Canadian Coalition for Good Governance (the “**CCGG**”).

5 - INTERPRETATION

CAPREIT owns all of its property interests, owes all of its mortgage debt and debt obligations, and carries on its operating business, indirectly through CAPLP and its subsidiaries. For simplicity, and unless the context otherwise requires, we use terms in this Annual Information Form to refer to CAPREIT’s business and operations as a whole. Accordingly, in this Annual Information Form, unless the context otherwise requires, references to CAPREIT include CAPLP and its subsidiaries. References to CAPREIT’s business, properties or portfolios and operations refer to the activities of CAPREIT and its subsidiaries as a whole, including CAPLP, CAPREIT’s ownership of and investment in properties indirectly through CAPLP and other subsidiaries and CAPREIT’s operations through its indirect interest in CAPLP, respectively.

6 - GENERAL DEVELOPMENT OF THE BUSINESS

6.1 History

CAPREIT commenced activities on February 4, 1997, when it acquired six multi-unit residential apartment buildings. On May 21, 1997, in connection with the closing of its initial public offering (“**Initial Public Offering**”) of Units, CAPREIT acquired an additional six multi-unit residential apartment buildings and 117 townhomes. CAPREIT continued to expand by acquiring selected multi-unit residential properties over the years, and combining with Residential Equities Real Estate Investment Trust (“**ResREIT**”) on June 1, 2004.

CAPREIT owns primarily interests in multi-unit residential rental properties, including apartments, townhomes and MHCs located in and near major urban centres across Canada and in the Netherlands. As at December 31, 2017, CAPREIT had ownership or co-ownership interests in 50,624 residential units, comprised of 44,168 residential suites and 31 MHCs comprising 6,456 land lease sites. As at December 31, 2017, CAPREIT had 883 employees (991 employees as at December 31, 2016). The investment policies and operations of CAPREIT are governed by its Declaration of Trust and are subject to the control and direction of its trustees, a majority of whom must at all times be “independent” (as defined in NI 58-101). CAPREIT’s property management and other day-to-day operations have been fully internalized since November 11, 1999. Since April 1, 2008, CAPREIT’s day-to-day operations and property management have been carried out by CAPLP, following CAPREIT’s conversion to an “open-end” real estate investment trust on January 8, 2008. See “Management of CAPREIT, Trustees and Executive Officers”.

On September 10, 2013, CAPREIT, through CAPREIT Ireland Limited, a former indirect wholly-owned subsidiary, acquired a portfolio of 338 apartment suites in four residential properties located in Dublin, Ireland. On March 20, 2014, Irish Residential Apartments REIT Limited (formerly, CAPREIT Ireland Limited) registered as a public limited company and changed its name to Irish Residential Properties REIT public limited company (“IRES”). It was listed on the Irish Stock Exchange on April 16, 2014, and on admission, IRES issued 200,000,000 ordinary shares to the public on top of the existing 2,000,000 ordinary shares owned by CAPLP, which resulted in dilution of CAPLP’s beneficial interest in IRES by 79.2%. On March 25, 2015, CAPREIT invested an additional €23.5 million in Ordinary Shares in IRES as part of IRES’ €215.0 million secondary equity offering. As at December 31, 2017, CAPLP held a beneficial interest in 65.5 million ordinary shares of IRES representing 15.7% of the issued and outstanding share capital of IRES.

6.2 Three Year Developments

Equity Offerings

On March 15, 2018, CAPREIT issued 4,910,500 units at \$35.15 per Unit on a bought deal basis for aggregate gross proceeds of \$172.6 million, which included the exercise in full of the over-allotment option. The offering was sold through a syndicate of underwriters led by RBC Capital Markets. The net proceeds of approximately \$165 million were used to partially repay borrowings on the Acquisition and Operating Facility (as defined below) and the remainder, if any, for future acquisitions, capital expenditures and for general trust purposes.

On August 3, 2016, CAPREIT issued 5,126,000 Units at \$32.20 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$165.1 million, which included the exercise in full of the over-allotment option granted to the underwriters in connection with the equity offering. The net proceeds of approximately \$157.6 million were used to partially repay borrowings on the Acquisition and Operating Facility (as defined below) and the remainder, if any, for future acquisitions, capital expenditures and for general trust purposes.

On October 9, 2015, CAPREIT issued 8,720,000 Units at \$28.70 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$250.3 million. The net proceeds of approximately \$239.3 million were used to partially repay a temporary bridge facility, which was utilized by CAPREIT to partially fund the acquisition of an apartment portfolio in Montréal, Québec consisting of 3,661 suites for a purchase price (excluding transaction costs) of \$490.0 million.

On March 25, 2015, CAPREIT issued 5,555,000 Units at \$27.85 per Unit on a bought-deal basis for aggregate gross proceeds of approximately \$154.7 million, which included the exercise in full of the over-allotment option granted to the underwriters in connection with the equity offering. The net proceeds of approximately \$147.7 million were used to repay borrowings on the Acquisition and Operating Facility.

2017 Annual and Special Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on May 24, 2017, the Unitholders and Special Unitholders: (a) approved a non-binding advisory say-on-pay resolution accepting CAPREIT's approach to executive compensation; and (b) approved amendments to the Declaration of Trust to provide in favour of Trust Unitholders certain rights, remedies and procedures that are consistent with those available to shareholders of public corporations governed by the *Canada Business Corporations Act* as reflected in certain provisions of the Model Declaration of Trust Provisions published in November 2015 by the CCGG.

2016 Annual and Special Meeting

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on May 25, 2016, the Unitholders and Special Unitholders: (a) approved amendments to, and reconfirmed, the Rights Plan (as defined below); and (b) approved amendments to the Declaration of Trust authorizing CAPREIT to create a new class of preferred equity securities.

Increases in Distributions

In 2017, CAPREIT increased its annual cash distributions from \$1.25 per Unit to \$1.28 per Unit. In 2016, CAPREIT increased its annual cash distributions from \$1.22 per Unit to \$1.25 per Unit. In 2015, CAPREIT increased its annual cash distributions from \$1.18 per Unit to \$1.22 per Unit.

Property Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2017

(\$ Thousands)	Demographic Sector	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
February 28, 2017	Mid-tier	32	Victoria	\$ 4,934	\$ - ⁽³⁾	- ⁽³⁾	- ⁽³⁾
May 3, 2017	Mid-tier	256	Montréal	24,059	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
June 1, 2017	Mid-tier	44	Maple Ridge	11,241	3,713 ⁽³⁾	1.94% ⁽³⁾	3.33 ⁽³⁾
July 12, 2017	Various ⁽⁴⁾	849	The Netherlands	257,881	- ⁽⁴⁾	- ⁽⁴⁾	- ⁽⁴⁾
August 8, 2017	Mid-tier	54	The Netherlands	12,691	- ⁽⁵⁾	- ⁽⁵⁾	- ⁽⁵⁾
August 18, 2017	Various ⁽⁶⁾	77	The Netherlands	20,384	- ⁽⁶⁾	- ⁽⁶⁾	- ⁽⁶⁾
November 17, 2017	Luxury	16	Summerside, PEI	2,379	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
November 27, 2017	Luxury	56	Summerside, PEI	7,814	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
December 1, 2017	Various ⁽⁷⁾	540	The Netherlands	129,127	- ⁽⁷⁾	- ⁽⁷⁾	- ⁽⁷⁾
Total		1,924		\$ 470,510	\$ 3,713		
Acquisition Financing					\$ 253,375⁽⁸⁾	1.86%⁽⁸⁾	6.5⁽⁸⁾

(1) Weighted average stated interest rate on mortgage funding.

(2) Weighted average term to maturity on mortgage funding.

(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).

(4) The acquisition comprised of 849 suites (142 affordable, 606 mid-tier, and 101 luxury) and was financed by a new non-amortizing mortgage of €100,842 (\$147,360) with a term to maturity of 7.5 years with an interest rate of 2.04%, a contribution from a non-controlling interest of €600 (\$889), and the balance in cash from CAPREIT's Acquisition and Operating Facility.

(5) The acquisition was financed by a new non-amortizing mortgage of €5,043 (\$7,474) with a term to maturity of 7.5 years with an interest rate of 1.95% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

(6) The acquisition comprised of 77 suites (28 mid-tier and 49 luxury) was financed by a new non-amortizing mortgage of €7,951 (\$11,856) with a term to maturity of 7.5 years with an interest rate of 1.95% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

(7) The acquisition comprised of 540 suites (168 affordable, 78 mid-tier, and 294 luxury) was financed by a new non-amortizing mortgage of €49,914 (\$75,540) with a term to maturity of 5.0 years with an interest rate of 1.37% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

(8) Subsequent acquisition financing of \$8,146 with a weighted average interest rate of 2.47% and a weighted average term maturity of 9.92 years relates to properties acquired in 2015.

CAPREIT continues to further diversify its property portfolio by geography and to maintain a balance among asset types and demographic segments.

Dispositions Completed During the Year Ended December 31, 2017

(\$ Thousands)	Demographic Sector	Suite Count	Region	Sale Price	Cash Proceeds	Mortgage Discharged
February 15, 2017	Affordable	31	Saskatoon	\$ 2,025	\$ 575	\$ 1,356
October 12, 2017	Mid-tier	50	Vancouver	19,800	16,160	3,595
Total		81		\$ 21,825	\$ 16,735	\$ 4,951

Acquisitions Completed During the Year Ended December 31, 2016

(\$ Thousands)	Demographic Sector	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
January 20, 2016	Mid-tier	670	London	\$ 53,200	\$ - ⁽³⁾	- ⁽³⁾	- ⁽³⁾
April 12, 2016	Mid-tier	12	Charlottetown	1,162	729 ⁽³⁾	2.04% ⁽³⁾	3.7 ⁽³⁾
April 26, 2016	Mid-tier	71	Greater Toronto Area	16,630	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
May 11, 2016	Mid-tier	55	Greater Toronto Area	10,178	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
May 11, 2016	MHC	144	Fort St. John	8,668	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
June 15, 2016	Mid-tier	21	Victoria	2,643	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
June 30, 2016 ⁽⁴⁾	Various	850	Ottawa	184,668	24,627 ⁽³⁾	3.96% ⁽³⁾	6.3 ⁽³⁾
September 15, 2016	Luxury	71	Halifax	17,407	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
September 30, 2016	Luxury	87	London	22,813	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
December 1, 2016	MHC	3	Bowmanville and Grand Bend	270	- ⁽³⁾	- ⁽³⁾	- ⁽³⁾
December 23, 2016 ⁽⁶⁾	Various	568	The Netherlands	95,217	- ⁽⁶⁾	- ⁽⁶⁾	- ⁽⁶⁾
Total		2,552		\$ 412,856	\$ 25,356		
Acquisition Financing					\$ 335,730⁽⁵⁾	2.22%⁽⁵⁾	8.4⁽⁵⁾

(1) Weighted average stated interest rate on mortgage funding.

(2) Weighted average term to maturity on mortgage funding.

(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).

(4) The acquisition comprised 5 properties consisting of 850 suites (185 affordable and 665 mid-tier suites) located in Ottawa, Ontario. The acquisition was financed by the assumption of a \$24,627 mortgage maturing in November 2022 with an interest rate of 3.96%, new CMHC insured 10 year mortgage financings aggregating to \$106,122 with a weighted average interest rate of 2.38% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

(5) Subsequent acquisition financing of \$51,918 with a weighted average interest rate of 2.25% and a weighted average term to maturity of 8.3 years relates to properties acquired in 2015.

(6) The acquisition was financed by a new non-amortizing mortgage of €40,660 (\$57,261) maturing January 1, 2024 with an interest rate of 2.05%, a contribution from a non-controlling interest of €600 (\$850), and the balance in cash from CAPREIT's Acquisition and Operating Facility.

Dispositions Completed During the Year Ended December 31, 2016

(\$ Thousands)	Demographic Sector	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
July 27, 2016	Mid-tier	145	Montréal	\$ 24,849	\$ 12,480	\$ 12,085
August 22, 2016	Mid-tier	22	Montréal	2,340	2,282	-
September 28, 2016	Affordable	412	Montréal	31,350	16,559	14,322
Total		579		\$ 58,539	\$ 31,321	\$ 26,407

Acquisitions Completed During the Year Ended December 31, 2015

(\$ Thousands)	Demographic Sector	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Interest Rate ⁽¹⁾	Term to Maturity (Years) ⁽²⁾
January 28, 2015 ⁽⁴⁾	Luxury	270	Dublin, Ireland	\$ 125,416	\$ — ⁽³⁾	— ⁽³⁾	— ⁽³⁾
February 18, 2015	Mid-tier	126	Edmonton	31,092	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
March 31, 2015	Mid-tier	285	Burlington	54,500	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
June 15, 2015	Mid-tier	32	Victoria	5,479	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
June 30, 2015	Affordable	108	Langley	13,010	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
July 31, 2015	Luxury	58	Langley	17,070	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
September 14, 2015	Various ⁽⁶⁾	919	Greater Vancouver Area	170,611	— ⁽³⁾	— ⁽³⁾	(3)
September 30, 2015	Various ⁽⁷⁾	3,661	Montréal	502,276	— ⁽⁵⁾	— ⁽⁵⁾	— ⁽⁵⁾
November 1, 2015	MHC	4	Bowmanville and Grand Bend	372	— ⁽³⁾	— ⁽³⁾	— ⁽³⁾
December 17, 2015	Mid-tier	169	Victoria	29,474	3,030 ⁽⁸⁾	1.80% ⁽⁸⁾	4.2 ⁽⁸⁾
Total		5,632		\$ 949,300	\$ 3,030		
Acquisition Financing					\$ 382,203	2.36%	8.2

(1) Weighted average stated interest rate on mortgage funding.

(2) Weighted average term to maturity on mortgage funding.

(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).

(4) The Rockbrook Portfolio acquisition is the first portfolio CAPREIT acquired for IRES for €89.7 million (including transaction costs), under the previously-announced agreement entered into between IRES and CAPREIT on November 21, 2014 and as amended on February 9, 2015 (the "Pipeline Agreement").

(5) The acquisition was funded from CAPREIT's Bridge Increase and Acquisition and Operating Facility.

(6) The acquisition comprised 919 suites (807 mid-tier and 112 luxury suites) in 19 properties located in the Greater Vancouver Area.

(7) The acquisition comprised 3,661 suites (717 affordable, 1,356 mid-tier, and 1,588 luxury suites) in 51 buildings located in Montréal.

(8) The acquisition was funded by the assumption of a \$3.0 million mortgage maturing in February 2020 with an effective interest rate of 1.8% and cash from CAPREIT's Acquisition and Operating Facility.

Dispositions Completed During the Year Ended December 31, 2015

(\$ Thousands)	Demographic Sector	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
February 18, 2015	Mid-tier	260	Toronto	\$ 47,000	\$ 23,642	\$ 22,901
March 31, 2015	Luxury ⁽¹⁾	270	Dublin, Ireland	123,450	362	123,016
Total		530		\$ 170,450	\$ 24,004	\$ 145,917

(1) Pursuant to the terms of the Pipeline Agreement, on March 31, 2015, CAPREIT sold the Rockbrook Portfolio via the sale of its interest in its wholly-owned Irish subsidiary ("Rockbrook SPV") to IRES at the original acquisition cost of €89.7 million and earned an underwriters' fee of €0.9 million. IRES repaid the loan to CAPREIT for approximately €89.7 million, the original acquisition cost (for which CAPREIT had initially drawn from its Acquisition and Operating Facility for the purchase of the Rockbrook Portfolio). In total, IRES paid €90.6 million for the acquisition of the Rockbrook Portfolio. CAPREIT repaid the Euro LIBOR borrowings of €90.3 million subsequent to the sale. Included in foreign currency translation in the consolidated statements of income and comprehensive income is a foreign exchange loss of \$3.2 million relating to the disposition and a foreign exchange gain of \$3.1 million in respect of the repayment of the Euro LIBOR borrowings.

Other Developments

(a) Appointment of President and Chief Executive Officer

On November 1, 2017, CAPREIT announced that David Ehrlich had been appointed President and Chief Executive Officer. The appointment followed the loss of a CAPREIT founder and its President and Chief Executive Officer, Thomas Schwartz, who passed away on August 15, 2017. In conjunction with assuming this role, Mr. Ehrlich stepped down as Chief Executive Officer of IRES but remains on the board of IRES as the nominee of IRES Fund Management Limited ("IRES Fund Management"), CAPREIT's Irish subsidiary and IRES' investment manager.

(b) Development Opportunities

On July 29, 2015, CAPREIT entered into an agreement to acquire a one-third undivided interest in the residential component of the King High Line Project, a mixed-use property development in Toronto, Ontario. The property will consist of approximately 160,000 square feet of commercial retail space (which will not be owned by CAPREIT) and three rental residential towers containing 506 suites. CAPREIT will pay \$60.3 million for its interest in the residential component of the development to be financed from CAPREIT's Acquisition and Operating Facility. CAPREIT has been granted the property management contract and will be responsible for the lease-up of the residential towers for a market fee. Closing will take place on a phased basis upon substantial completion of construction, which is expected to occur in 2018 and early 2019.

(c) Management Agreements

On October 1, 2017 CANLiving B.V., a Netherlands subsidiary of CAPREIT, ("CANLiving") began providing property management services to CAPREIT's Netherlands properties.

In connection with the appointment of CANLiving as property manager of CAPREIT's Netherlands properties, CANLiving and CAPLP entered into a Services Agreement dated October 1, 2017 which governs the provision of real estate managerial and operational services to CANLiving.

IRES Fund Management became authorized as an alternative investment fund manager ("AIFM") by the Central Bank of Ireland on October 28, 2015 and was appointed as the AIFM of IRES effective November 1, 2015 and of Irish Residential Properties Fund, an Irish subsidiary of CAPREIT, effective November 5, 2015.

Effective November 1, 2015, IRES Fund Management entered into the investment management agreement with IRES (as amended or as may be amended from time to time, the "**Investment Management Agreement**"), which governs the provision of portfolio management, risk management, property management and other related services from IRES Fund Management to IRES.

IRES, CAPLP and IRES Fund Management entered into an Amended and Restated Services Agreement dated October 30, 2017 (as further amended and restated from time to time, the "**Services Agreement**") which governs the provision by CAPLP of property management services, asset management services and administrative services to IRES Fund Management during the term of the Investment Management Agreement.

In connection with the appointment of IRES Fund Management as AIFM of IRES, the Amended and Restated Delegation Agreement between Gandon Alternative Fund Management Limited ("**Gandon**"), a private limited company which is registered with the Irish Companies Registration Office and which was appointed as the AIFM by IRES until such time as IRES Fund Management became authorized as an AIFM, and IRES Fund Management (the "**Delegation Agreement**") was terminated effective October 31, 2015. The Delegation Agreement governed

the provision of certain asset and property management services by IRES Fund Management to Gandon for which Gandon had responsibility under its agreement with IRES.

(d) Pipeline Agreement

CAPLP entered into an agreement with IRES on November 21, 2014 (as amended February 9, 2015) (the “**Pipeline Agreement**”) to make available up to €150 million for a period ending on the earlier of the one year anniversary of the Pipeline Agreement and completion of a capital raise by IRES to acquire high quality properties in Ireland, and to subsequently permit IRES to acquire such properties from CAPLP once IRES has sourced additional funding. The Pipeline Agreement provides CAPLP with an underwriting fee of 1.0% of the purchase price of any assets acquired by CAPLP under the Pipeline Agreement at such time as the assets are acquired by IRES.

On January 28, 2015, CAPREIT, through a wholly-owned Irish subsidiary (“**Rockbrook SPV**”), acquired a portfolio consisting of 270 residential suites and approximately 50,214 square feet of mixed-use commercial space located in Dublin, Ireland under the Pipeline Agreement for €87.3 million (including VAT) and other acquisition costs of €2.4 million (the “**Rockbrook Portfolio**”). Pursuant to the terms of the Pipeline Agreement, IRES acquired the Rockbrook SPV for the underwriters’ fee of €0.9 million and repaid the loan of €89.7 million to CAPREIT on March 31, 2015.

The Pipeline Agreement will terminate upon the earlier of the date of termination of the Investment Management Agreement or the date of termination of the Services Agreement. The €150.0 million facility commitment provided by CAPREIT to IRES under the Pipeline Agreement terminated on March 26, 2015 on completion of IRES’s secondary equity offering. The facility commitment may be reauthorized by CAPREIT’s Board of Trustees at a later date.

(e) Natural Gas Supply

CAPREIT entered into fixed natural gas contracts covering fiscal years 2016 to 2020. As at December 31, 2017, CAPREIT is committed to natural gas contracts and transportation costs at fixed prices as follows:

	Actual ⁽²⁾ 2016	Actual 2017	Estimated 2018	Estimated 2019	Estimated 2020
Gas Commodity					
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 3.61	\$ 2.87	\$ 2.87	\$ 2.77	\$ 2.70
Total of CAPREIT’s Actual/Estimated	66.2%	65.0%	64.4%	58.0%	41.7%
Transport					
Fixed Weighted Average Cost per GJ ⁽¹⁾	\$ 1.59	\$ 1.36	\$ 1.05	\$ 0.97	\$ 0.96
Total of CAPREIT’s Actual/Estimated	55.3%	75.3%	64.5%	58.1%	41.7%

(1) Fixed weighted average cost per gigajoule (“GJ”) excludes other administrative costs.

(2) Based on actual fixed hedged gas commodity and transport costs per GJ. Also shown above is the actual percentage of utilized hedge contracts against actual total requirements.

(f) Credit Facilities

CAPREIT's credit facilities include the \$540.0 million Acquisition and Operating Facility and the existing \$65.0 million five-year non-revolving term credit facility (the "**Land Lease Facility**") (collectively, the "**Credit Facilities**").

Effective November 24, 2017, CAPREIT amended its credit agreement to, among other things: (i) increase its Acquisition and Operating Credit Facility by \$100 million to \$540 million and (ii) amend the tangible net worth requirement to \$1,800 million.

Effective June 30, 2017, CAPREIT amended its credit agreement to, among other things: (i) allow for U.S. base rate and U.S. LIBOR advances and (ii) amend the "conversion dates" for when the revolving Acquisition and Operating Facility converts to a two-year non-revolving term facility to June 30, 2018. The aggregate amount of euro LIBOR borrowings at any time shall not exceed €150 million, while the Canadian dollar equivalent of the aggregate principal amount of all advances (including the euro LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed \$440.0 million.

Effective June 30, 2016, CAPREIT amended its credit agreement to, among other things: (a) increase its Credit Facilities to \$505.0 million in the aggregate; (b) increase the maximum amount of its existing \$340.0 million revolving Acquisition and Operating Facility to \$440.0 million; (c) add an additional lender in the syndicate thereto; (d) amend the tangible net worth requirement to \$1,500 million; and (e) extend the maturity date of the existing \$65.0 million Land Lease Facility to June 30, 2021.

On September 30, 2015, CAPREIT amended its credit agreement to provide for a six-month temporary bridge facility of up to \$450.0 million (the "**Bridge Increase**") to fund specific acquisitions. The Bridge Increase was a term credit facility and any principal amount repaid may not be reborrowed, and its maturity date is six months from the initial drawdown of the advance, which was September 30, 2015. As at December 31, 2015, CAPREIT had fully repaid the \$450.0 million Bridge Increase.

In September 2013, CAPREIT entered into a €40 million interest rate swap agreement fixing the EURIBOR rate at 1.22%, which matures in August 2018. The €40 million interest rate swap was paid and settled in July 2017. The agreement effectively converted borrowings on a EURIBOR-based floating rate credit facility to a fixed rate facility for a five-year term.

In June, 2017, CAPREIT entered into a cross-currency swap to: (i) hedge a US-based loan of USD \$186.4 million into euros of €163.5 million and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equaling 1.20% and maturing June 2019.

7 - DESCRIPTION OF THE BUSINESS

7.1 Summary

The objectives of CAPREIT are (i) to provide Trust Unitholders with long-term, stable and predictable monthly cash distributions; (ii) to grow NFFO, sustainable distributions and Unit value through the active management of its properties, accretive acquisitions and strong financial management; and (iii) to invest capital within the property portfolio in order to ensure life safety of residents and maximize earnings and cash flow potential.

7.2 The Residential Real Estate Market

The Multi-Unit Residential Real Estate Market

CAPREIT's real property portfolio is comprised primarily of interests in income-producing multi-unit residential properties. Properties consist of well-located, low-rise and high-rise apartment buildings and townhome complexes in or near urban centres throughout Canada and in The Netherlands. This particular type of real estate differs significantly from the commercial real estate investment market particularly because of the following:

- residential tenancy agreements tend to have terms of one year or less, thereby allowing for more frequent changes to rental rates;
- cash flow for each property is generated by a diverse resident base. The temporary loss of any one of these residents through turnover or exposure to bad debt from any one of these residents, will have no significant effect on CAPREIT's overall income stream;
- the demand for residential rental accommodation is much more consistent and stable than the demand for commercial rental space, reflecting demographic trends and reflecting that the need for housing, unlike its commercial counterpart, is governed to a lesser extent by economic business cycles;
- the costs necessary to attract and retain residential tenants are generally lower and much more predictable than in the case of commercial tenancies, regardless of the stage of the business cycle;
- the value of residential properties has historically been less susceptible to economic business cycles than other classes of income-producing real estate; and
- properties can often be purchased at amounts below replacement cost.

While the characteristics detailed above mitigate the detrimental effects of severe cyclical swings in the real estate industry, the residential market is not completely immune to supply and demand imbalances nor variances in general economic conditions (see "Risk Factors").

The Manufactured Home Communities Real Estate Market

CAPREIT has supplemented its portfolio of multi-unit residential properties with the acquisition of MHCs in Ontario, British Columbia, Alberta, Saskatchewan, Prince Edward Island and New Brunswick. Homeowners in a MHC own their homes and enter into lease agreements for the lots on which their homes are located for a monthly rental charge. In Ontario, BC, and PEI (the only provinces with permitted guideline increases for 2018: rates are 1.8%, 2.0%, and 1.5%, respectively), residents are subject to annual provincial guideline rent increases. Homeowners are responsible for all of their utility costs and all sites are connected to full municipal services. The homes are constructed by a home builder in a variety of styles and floor plans, and can be customized to an owner's specifications. Owning and operating a MHC is similar to owning and operating a multi-unit residential property. However, owning and operating MHCs offers the following advantages: significantly lower capital investment and maintenance costs; minimal rent collection issues; reduced exposure to energy costs; stable occupancies; and generally longer lease terms with low resident turnover.

7.3 Competition

Competition for Real Property Investments

CAPREIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are seeking, or which may seek in the future, real property investments similar to those sought by CAPREIT. A number of these investors may have greater financial resources than those of CAPREIT, or operate without the investment or operating restrictions of CAPREIT or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

CAPREIT's growth in the past has come from its focused acquisition program. Management has demonstrated an ability to locate and complete property purchases at accretive purchase prices. There is a risk that continuing competition for the acquisition of apartments, townhomes, and manufactured home communities may increase purchase prices to levels that are not accretive to Unitholders, or which could substantially increase future refinancing risk.

Ownership of apartment buildings and manufactured home communities is diverse and very fragmented, and the owner often performs rental management. CAPREIT believes there are acquisition opportunities as a result of the fragmented market and opportunities to enhance income through the application of professional management practices and gaining efficiencies of scale.

Competition for Residents

The real estate business is competitive. Numerous other developers, managers and owners of properties or residential units compete with CAPREIT in seeking residents. The resulting competition for CAPREIT's residents could have an adverse effect on CAPREIT's ability

to lease suites in its properties and on the rents charged, which could adversely affect CAPREIT's revenues and, consequently, its ability to meet its obligations and pay distributions.

Many city centres in our markets have seen a significant increase in new condominium construction. In certain markets a significant proportion of new condominiums constructed are being used as rental properties. Condominiums are targeted primarily at the luxury market and provide competition for CAPREIT in this market segment. In addition, in view of the current low interest rate environment, mortgage loans for home ownership are available at attractive interest rates, potentially providing competition to CAPREIT for residents who may prefer to enter the home-ownership market. This competition could adversely affect CAPREIT's ability to lease suites in its properties and on the rents charged and could lead to increased leasing, marketing and refurbishment costs necessary to lease and release suites.

CAPREIT's strong sales and marketing team continues to execute innovative and highly effective strategies to help attract and retain residents and adapt to changing conditions in specific markets. In addition, CAPREIT's lease administration system improves control of rent-setting by suite, increasing resident service and enhancing the overall profile of its resident base. While ensuring the needs of its residents are met, CAPREIT also carefully monitors operating costs to ensure it is delivering services to residents both efficiently and cost effectively. CAPREIT strives to capture potential economies of scale and cost synergies arising from past growth.

7.4 Owned Properties

Types of Property Interests

CAPREIT's investments in its property portfolio reflect different forms of property interests, including fee simple, operating leasehold interests and land leasehold interests.

The majority (December 31, 2017 - 77.6%; December 31, 2016 - 76.8%) of CAPREIT's investments in its apartment and townhome property portfolio, based on total residential suites and MHC land lease sites, are in the form of fee simple, representing freehold ownership of the properties subject only to typical encumbrances that run with the property, including mortgages.

CAPREIT owns leasehold interests in fifteen properties located in the GTA. The leases mature between 2033 and 2037. While separate lease arrangements exist for each property, all such leases have a common general structure: each lease is for a 35-year term and the rent for the entire lease term was fully paid at the time the leasehold interest was acquired. Operating leasehold interests accounted for approximately 7.5% of CAPREIT's total residential suites and MHC land lease sites as at December 31, 2017 (December 31, 2016 - 7.8%). CAPREIT has the option to acquire fee simple interests in 14 of the properties exercisable between the 26th and 35th year of the respective leases. In the case of the 15th property, comprising 327 suites, CAPREIT's option entitles it to acquire a prepaid operating leasehold interest in the property maturing in 2072. The purchase options are independently exercisable, enabling CAPREIT to acquire additional interests in any or all of the properties. The option prices vary by property and by the year in which the option is exercised. If CAPREIT elects to exercise any option prior to the maturity of the lease term, CAPREIT would be entitled to receive a *pro rata* amount of the prepaid original rent based on the remaining lease term. In addition, under certain circumstances, the

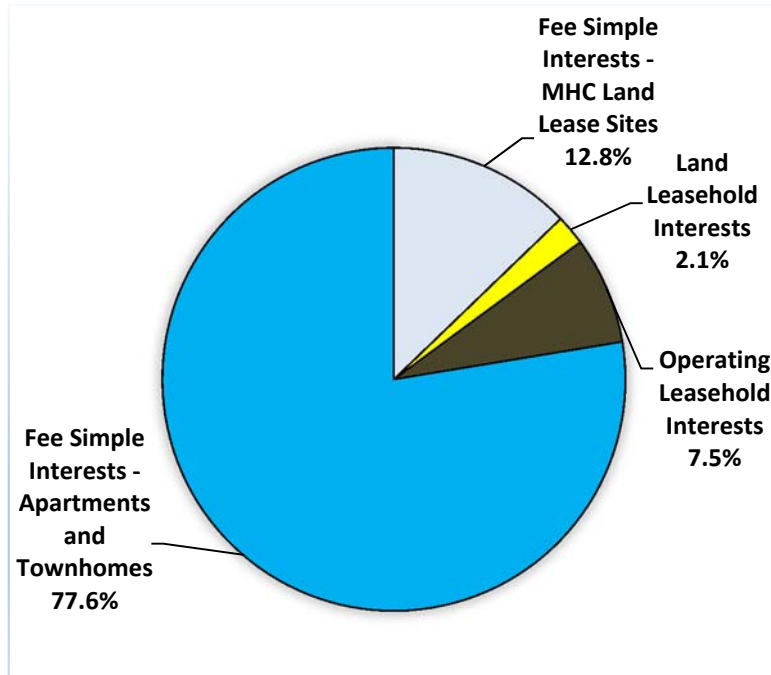
option price may be reduced by the unamortized portion of certain capital expenditures incurred during the last ten years of the lease term.

CAPREIT owns ground leasehold interests in four land parcels located in Calgary, Edmonton and Vancouver. CAPREIT has acquired a residential building on each of the four land parcels and must pay ground rent on an annual basis for its use of the land. CAPREIT's leasehold interests in one property matures in 2045, two properties in 2068 and one property in 2070. CAPREIT does not have the right to acquire the land or to extend the lease term upon maturity of the respective leases. These four leasehold interests accounted for approximately 2.1% of CAPREIT's total residential suites and MHC land lease sites as at December 31, 2017 (December 31, 2016 - 2.2%).

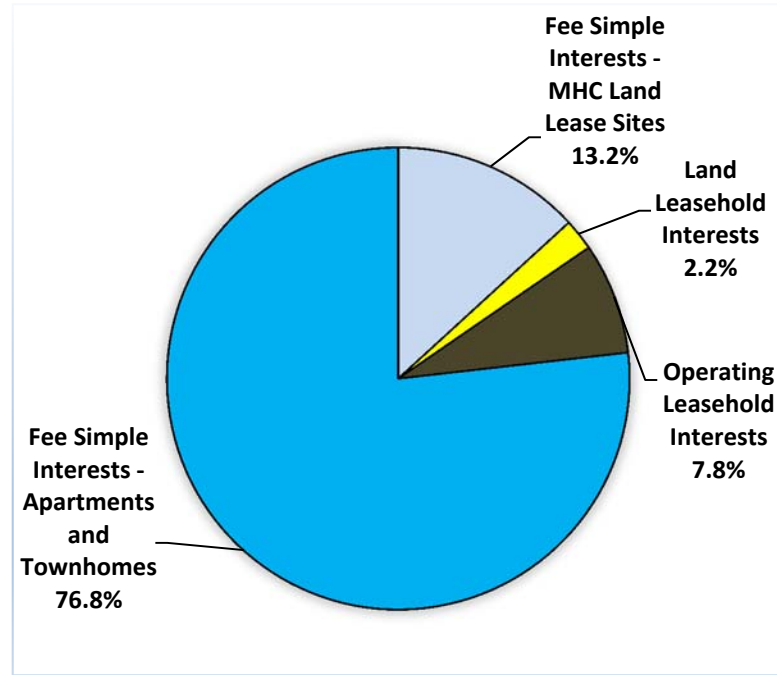
CAPREIT has fee simple interests in 31 MHC land lease sites in Ontario, British Columbia, Alberta, Saskatchewan, New Brunswick, and Prince Edward Island whereby CAPREIT owns lots, which it rents to residents under long-term leases. Interests in MHCs accounted for approximately 12.8% of CAPREIT's total residential suites and MHC land lease sites as at December 31, 2017 (December 31, 2016 - 13.2%).

Portfolio by Interest Type

As at December 31, 2017



As at December 31, 2016



Portfolio Diversification

CAPREIT's investment property portfolio is diversified by geography and balanced among asset types and demographic segments. CAPREIT's long-term goal is to further enhance the geographic diversification and defensive nature of its portfolio through future acquisitions, as well as through dispositions of non-core and underperforming properties.

The tables that follow provide certain additional information relating to CAPREIT's diversification by geographic region and property type.

Portfolio by Geography

As at December 31,

	2017	%	2016	%
Residential Suites				
Ontario				
Greater Toronto Area	15,656	30.9	15,649	32.1
Ottawa	2,377	4.7	2,377	4.9
London / Kitchener / Waterloo	2,407	4.8	2,407	4.9
Other Ontario	1,700	3.4	1,698	3.5
	22,140	43.8	22,131	45.4
Québec				
Greater Montréal Region	7,895	15.5	7,640	15.6
Québec City	2,734	5.4	2,733	5.6
	10,629	20.9	10,373	21.2
British Columbia				
Greater Vancouver Region	2,981	5.9	3,031	6.2
Victoria	1,478	2.9	1,402	2.9
	4,459	8.8	4,433	9.1
Alberta				
Edmonton	436	0.9	436	0.9
Calgary	1,884	3.6	1,884	3.9
	2,320	4.5	2,320	4.8
Nova Scotia				
Halifax	1,659	3.3	1,659	3.4
Saskatchewan				
Saskatoon	102	0.2	133	0.2
Regina	234	0.5	234	0.5
	336	0.7	367	0.7
Prince Edward Island				
Charlottetown	537	1.1	465	1.0
Europe				
The Netherlands	2,088	4.1	568	1.2
Total Residential Suites	44,168	87.2	42,316	86.8
MHC Land Lease Sites				
Ontario	2,703	5.3	2,701	5.5
British Columbia	272	0.5	272	0.6
Alberta	417	0.8	415	0.9
Saskatchewan	246	0.6	246	0.5
Prince Edward Island	504	1.0	504	1.0
New Brunswick	2,314	4.6	2,313	4.7
Total MHC Land Lease Sites	6,456	12.8	6,451	13.2
Total Suites and Sites	50,624	100.0	48,767	100.0

Portfolio by Demographic Sector

As at December 31,	2017	%	2016	%
Affordable	3,783	7.5	3,504	7.2
Mid-tier	24,114	47.6	23,117	47.4
Luxury	16,271	32.1	15,695	32.2
Total Residential Suites	44,168	87.2	42,316	86.8
MHC Land Lease Sites	6,456	12.8	6,451	13.2
Total Suites and Sites	50,624	100.0	48,767	100.0

The following table summarizes certain aspects of CAPREIT's properties on a property-by-property basis. Unless otherwise indicated, CAPREIT holds the fee simple.

7.5 Portfolio Average Monthly Rents and Occupancy by Demographic Sector

Portfolio Average Monthly Rents ("AMR") and Occupancy by Demographic Sector

As at December 31,	Total Portfolio				Properties Owned Prior to December 31, 2016				Properties Acquired Since December 31, 2016 ⁽²⁾	
	2017 ⁽²⁾		2016		2017		2016 ⁽¹⁾		AMR Occ. %	
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Affordable	\$ 972	98.1	\$ 910	97.7	\$ 955	98.0	\$ 911	97.8	\$ 1,156	99.0
Mid-tier	\$ 1,101	99.0	\$ 1,063	99.1	\$ 1,102	99.2	\$ 1,063	99.1	\$ 1,079	92.6
Luxury	\$ 1,240	98.6	\$ 1,198	98.3	\$ 1,241	98.7	\$ 1,198	98.3	\$ 1,199	97.2
Average Residential Suites	\$ 1,142	98.8	\$ 1,101	98.7	\$ 1,143	98.9	\$ 1,101	98.7	\$ 1,127	95.0
Average MHC Land Lease Sites	\$ 388	98.3	\$ 378	98.3	\$ 388	98.3	\$ 378	98.3	\$ 535	100.0
Overall Portfolio Average	\$ 1,044	98.7	\$ 1,003	98.6	\$ 1,040	98.8	\$ 1,003	98.6	\$ 1,127	95.0

(1) Prior year comparable AMR and occupancy have been restated for properties disposed of since December 31, 2016.

(2) Under the purchase agreements for a property acquired on May 3, 2017, CAPREIT received monthly escrow payments for the positive differences, if any, between: (a) 100.0% of the gross rent roll for such month less (b) the actual rent earned for such month, with all applicable sales taxes. CAPREIT continues to receive escrow payments when the actual gross revenues are less than the threshold up to a maximum of \$2.5 million for the property, after which rental revenue will be based on actual occupancy. The occupancy rates in the tables are reflected at 100.0% for this property.

Portfolio Average Monthly Rents and Occupancy by Geography

Portfolio Average Monthly Rents and Occupancy by Geography

As at December 31,	Total Portfolio				Properties Owned Prior to December 31, 2016				Properties Acquired Since December 31, 2016	
	2017		2016		2017		2016 ⁽¹⁾		AMR	Occ. %
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Residential Suites										
Ontario										
Greater Toronto Area	\$ 1,315	99.4	\$ 1,269	99.7	\$ 1,315	99.4	\$ 1,269	99.7	\$ -	-
Ottawa	1,217	99.8	1,186	99.6	1,217	99.8	1,186	99.6	-	-
London / Kitchener / Waterloo	946	98.3	910	98.3	946	98.3	910	98.3	-	-
Other Ontario	1,229	99.6	1,176	99.4	1,229	99.6	1,176	99.4	-	-
	\$ 1,258	99.4	\$ 1,214	99.5	\$ 1,258	99.4	\$ 1,214	99.5	\$ -	-
Québec										
Greater Montréal Region	\$ 902	98.4	\$ 866	97.6	\$ 897	98.3	\$ 866	97.6	\$ 1,064	100.0
Québec City	998	97.8	967	96.9	998	97.8	967	96.9	-	-
	\$ 927	98.2	\$ 892	97.4	\$ 923	98.2	\$ 892	97.4	\$ 1,064	100.0
British Columbia										
Greater Vancouver Region	\$ 1,235	99.8	\$ 1,151	99.8	\$ 1,235	99.8	\$ 1,154	99.8	\$ -	-
Victoria	1,136	99.9	1,065	99.7	1,133	99.9	1,065	99.7	1,193	100.0
	\$ 1,202	99.8	\$ 1,124	99.8	\$ 1,202	99.8	\$ 1,126	99.7	\$ 1,193	100.0
Alberta										
Edmonton	\$ 1,105	98.9	\$ 1,098	95.0	\$ 1,105	98.9	\$ 1,098	95.0	\$ -	-
Calgary	1,041	97.5	1,051	95.9	1,041	97.5	1,051	95.9	-	-
	\$ 1,053	97.8	\$ 1,060	95.7	\$ 1,053	97.8	\$ 1,060	95.7	\$ -	-
Nova Scotia										
Halifax	\$ 1,101	97.7	\$ 1,077	96.6	\$ 1,101	97.7	\$ 1,077	96.6	\$ -	-
Saskatchewan										
Saskatoon	\$ 1,024	100.0	\$ 951	98.5	\$ 1,024	100.0	\$ 1,015	100.0	\$ -	-
Regina	1,066	99.1	1,030	99.1	1,066	99.1	1,030	99.1	-	-
	\$ 1,053	99.4	\$ 1,001	98.9	\$ 1,053	99.4	\$ 1,025	99.4	\$ -	-
Prince Edward Island										
Charlottetown	\$ 1,005	98.7	\$ 982	99.1	\$ 1,004	99.8	\$ 982	99.1	\$ 1,012	91.7
Europe										
The Netherlands	\$ 1,122	94.8	\$ 974	98.4	\$ 1,076	96.7	\$ 974	98.4	\$ 1,140	94.1
Total Residential Suites	\$ 1,142	98.8	\$ 1,101	98.7	\$ 1,143	98.9	\$ 1,101	98.7	\$ 1,127	95.0
MHC Land Lease Sites										
Ontario	\$ 525	100.0	\$ 513	99.9	\$ 525	100.0	\$ 513	99.9	\$ 535	100.0
British Columbia	441	100.0	423	100.0	441	100.0	423	100.0	-	-
Alberta	427	99.5	418	99.8	427	99.5	418	99.8	-	-
Saskatchewan	399	100.0	384	99.6	399	100.0	384	99.6	-	-
Prince Edward Island	145	100.0	141	99.8	145	100.0	141	99.8	-	-
New Brunswick	267	95.3	258	95.6	267	95.3	258	95.6	-	-
Total MHC Land Lease	\$ 388	98.3	\$ 378	98.3	\$ 388	98.3	\$ 378	98.3	\$ 535	100.0
Total Suites and Sites	\$ 1,044	98.7	\$ 1,003	98.6	\$ 1,040	98.8	\$ 1,003	98.6	\$ 1,127	95.0

(1) Prior year comparable AMR and occupancy have been restated for properties disposed of since December 31, 2016.

7.6 Cyclical Nature of the Business

CAPREIT's operations are affected by seasonal cycles and, as such, operating performance in one quarter may not be indicative of potential operating performance in any other quarter of the year. The first and fourth quarters of each year tend to generate weaker performance due to increased energy consumption during the winter months. There may be periods where actual distributions declared may exceed ACFO due to weaker performance in certain periods from seasonal fluctuations, regional market volatility, or from year to year based on the timing of property capital investments and the impact of acquisitions. These shortfalls are funded, if necessary, with CAPREIT's Acquisition and Operating Facility.

7.7 Property Capital Improvements and Investments

CAPREIT's growth strategy includes the acquisition of properties below current replacement costs which may require immediate and/or planned capital improvements and repairs. CAPREIT's acquisition strategy includes improving the operating performance of such properties by investing annually in capital improvements to grow and sustain the portfolio's future rental income potential over the useful economic life. Prior to acquisition, CAPREIT obtains a building condition audit conducted by an independent professional engineer in respect of each of its properties for the purposes of evaluating the condition and structural integrity of each building and major building and operating components and systems and identifying and assessing the cost of deficiencies that are the subject of any outstanding or likely work orders and/or deferred maintenance items. Each property is measured against a standard that is at least consistent with its market segment and current rent levels. Each of the building condition audits is completed on the basis of work which is required to be completed within approximately one to five years and may include work which is recommended to be performed in subsequent years. The investments identified by these audits, which include improvements to major building structures, parking garages and balconies, are estimated at the time of acquisition and included in the acquisition analysis to ensure the transaction is expected to be accretive to Unitholders and are funded periodically over several years from mortgage advances or refinancings and equity financings.

CAPREIT completes a review of its portfolio and revises its long-term capital investment plan on an annual basis, which allows management to ensure capital investments extend the useful economic life of CAPREIT's properties, enhance life safety, maximize earnings and improve the long-term cash flow potential of its portfolio. CAPREIT believes that these building improvement programs, combined with existing suite improvement, common area and environment-friendly and energy-savings initiatives, will enable CAPREIT to reposition its portfolio and maintain high occupancy levels. These investments are expected to continue to increase average monthly rents while improving life safety and resident services. CAPREIT also believes that strategic investments will position the portfolio for improved operating performance as the economy strengthens and will enhance the quality and value of the portfolio over the long term.

For the year ended December 31, 2017, CAPREIT made property capital investments (excluding head office assets) of \$156.8 million, as compared to \$195.7 million for the year ended December 31, 2016.

A breakdown of property capital investments (excluding head office assets) is summarized by category below:

Property Capital Investments by Category

Year Ended December 31, 2017				
(\$ Thousands)	Stabilized ⁽¹⁾⁽³⁾	Net Acquisitions ⁽²⁾	Total	%
Non-discretionary Property Capital Investments:				
Building Improvements	18,811	16,854	35,665	22.7
MHC Land Lease Sites	1,474	964	2,438	1.6
Fire Safety	369	252	621	0.4
	20,654	18,070	38,724	24.7
Discretionary Property Capital Investments:				
Suite Improvements	34,242	17,328	51,570	32.9
Common Area	21,021	5,321	26,342	16.8
Energy-saving Initiatives	2,286	759	3,045	1.9
Equipment	9,562	2,646	12,208	7.8
Boilers and Elevators	8,812	5,720	14,532	9.3
Appliances	3,654	1,292	4,946	3.2
	79,577	33,066	112,643	71.9
	100,231	51,136	151,367	96.6
Development:				
Intensification	856	2,660	3,516	2.2
Development	-	1,925	1,925	1.2
	856	4,585	5,441	3.4
Total	101,087	55,721	156,808	100.0
Year Ended December 31, 2016				
(\$ Thousands)	Stabilized ⁽¹⁾⁽³⁾	Net Acquisitions ⁽²⁾	Total	%
Non-discretionary Property Capital Investments:				
Building Improvements	28,844	28,086	56,930	29.1
MHC Land Lease Sites	151	589	740	0.4
Fire Safety	497	334	831	0.4
	29,492	29,009	58,501	29.9
Discretionary Property Capital Investments:				
Suite Improvements	37,549	17,502	55,051	28.1
Common Area	23,078	12,593	35,671	18.2
Energy-saving Initiatives	2,008	1,510	3,518	1.8
Equipment	8,443	6,304	14,747	7.5
Boilers and Elevators	12,807	5,997	18,804	9.7
Appliances	3,427	2,077	5,504	2.8
	87,312	45,983	133,295	68.1
	116,804	74,992	191,796	98.0
Development:				
Intensification	2,496	1,450	3,946	2.0
Total	119,300	76,442	195,742	100.0

(1) Properties owned as of December 31, 2012, excluding disposed properties.

(2) Includes properties acquired and disposed of since December 31, 2012.

(3) Comprises 35,040 residential suites and sites as at December 31, 2012.

The change in timing of capital investments, especially relating to acquisitions acquired since 2011 has led CAPREIT to adjust its multi-year capital investment programs as acquisitions are expected to have major capital expenditures within the first five years of the purchase. Based on a revised multi-year property capital investment plan, management expects CAPREIT to complete property capital investments (excluding intensification and development) of approximately \$185 million to \$195 million during 2018, including approximately \$50 million targeted at acquisitions completed since January 1, 2014 and approximately \$25 million in investments in high-efficiency boilers and other energy-saving initiatives.

The table below includes estimated 2018 capital expenditure for intensification for buildings which is expected to be completed in 2018. It also presents development costs for 2018 which includes costs related to planning, re-zoning, architectural surveys, application fees, and building permits.

2018 Capital Expenditure Budget

Investment Properties (\$ Thousands)	Stabilized⁽¹⁾	Net Acquisitions⁽²⁾	Total	%
Non-discretionary Property Capital Investments:				
Building Improvements	39,600	13,500	53,100	26.3%
MHC Land Lease Sites	3,500	200	3,700	1.8%
Fire Safety	1,000	700	1,700	0.8%
	44,100	14,400	58,500	28.9%
Discretionary Property Capital Investments:				
Suite Improvements	31,500	10,400	41,900	20.7%
Common Area	29,900	9,200	39,100	19.3%
Energy-saving Initiatives	3,800	1,100	4,900	2.4%
Equipment	10,300	2,400	12,700	6.3%
Boilers and Elevators	17,400	7,700	25,100	12.4%
Appliances	4,900	1,200	6,100	3.0%
	97,800	32,000	129,800	64.1%
Development				
(\$ Thousands)	Stabilized⁽¹⁾	Net Acquisitions⁽²⁾	Total	%
Intensification	3,600	1,900	5,500	2.7%
Development	8,400	-	8,400	4.3%
Total Development	12,000	1,900	13,900	7.0%
Total Capital Expenditures	153,900	48,300	202,200	100.0%

(1) Properties owned as of December 31, 2013 excluding disposed properties.

(2) Includes properties acquired and disposed of since December 31, 2013.

Set out in the next table is Management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements for 2018 through 2021 for properties owned as of December 31, 2017. Building improvements represent a significant category of property capital investment at present, but are expected to decline significantly in the coming years.

Future Investments in Building Improvements

(\$ Thousands)	Stabilized ⁽¹⁾		Acquisitions ⁽²⁾	
	Estimated Range		Estimated Range	
2018	\$ 36,000	- \$ 40,000	\$ 15,000	- \$ 19,000
2019	\$ 20,000	- \$ 24,000	\$ 6,000	- \$ 10,000
2020	\$ 16,000	- \$ 20,000	\$ 4,000	- \$ 8,000
2021	\$ 6,000	- \$ 10,000	\$ 1,000	- \$ 4,000

(1) Properties owned as of December 31, 2012, excluding disposed properties.

(2) Includes properties acquired since December 31, 2012.

Capital Investment Strategy

CAPREIT's capital investment strategy will continue to:

- focus on environmentally friendly and energy savings initiatives, including high efficiency boilers that will reduce greenhouse gas emissions and be in a position to benefit from future carbon credit programs, energy-efficient lighting systems and water savings;
- invest in building improvement programs to ensure life safety conditions to re-position the portfolio or newly-acquired assets and to complete value-enhancing capital investments combined with continued emphasis on improving life safety and resident service;
- direct discretionary capital investments at properties and initiatives where management expects to generate additional NOI as an outcome of the improvements; and
- emphasize common area improvements and curbside appeal to maintain CAPREIT's high quality and occupancy goals.

7.8 Environmental

CAPREIT is exposed to potential liability in respect of environmental hazards or under various environmental laws and regulations (see "Risk Factors - Environmental Matters") accordingly management has developed environmental policies, procedures and practices to protect the environment and minimize CAPREIT's risks and liabilities.

Pursuant to the Declaration of Trust, unless determined otherwise by the Board of Trustees, it is CAPREIT's operating policy to obtain environmental assessments, conducted by a qualified independent environmental engineering firm, as an integral component of pre-acquisition due diligence.

Where an environmental assessment results in recommendations for further investigation, it is CAPREIT's standard practice to undertake these additional investigations through qualified independent professional environmental engineers until the issue is fully understood and/or resolved. CAPREIT also follows this practice for the acquisition of development land and the redevelopment of existing properties.

Environmental assessments are also reviewed and updated in advance of financing or refinancing of any property to assess for any changes in the environmental condition of a property or environmental legislation that may affect the compliance of a property with new legislated standards.

The environmental assessments which CAPREIT has obtained to date with respect to its properties have not revealed any potential environmental liability that management believes could have a material adverse effect on CAPREIT.

Management believes that CAPREIT can reduce its impact on the environment, while improving its long-term financial performance, through its proactive environmental risk management practices, energy conservation, water conservation and waste management programs focussed on optimizing its utility consumption, as well as encouraging and training residents to reduce waste. Since its inception, CAPREIT has strived to reduce energy and water consumption in a cost-effective manner, which has the added benefit of reducing greenhouse gas emissions while simultaneously contributing to better financial results.

Most of CAPREIT's portfolio is heated with natural gas, a clean-burning energy source. The remainder of the portfolio is heated using electricity or heating oil, and over the last few years, a number of such properties were converted to natural gas, reducing overall emissions produced, as well as operating costs. CAPREIT has also implemented a suite-metering program, installing individual meters in suite, in parts of its property portfolio where possible. Upon lease turnover, new rental agreements include metered billing payable by the resident, which acts as the strongest incentive to reduce energy consumption by tenants.

One of CAPREIT's strategies is to implement energy-efficient initiatives at every newly acquired property promptly upon acquisition. These initiatives, with favourable payback periods, include:

- Installation of new high-efficiency boilers and chillers;
- Installation of building automation systems to better control equipment performance and tenant comfort;
- Installation of efficient LED and fluorescent lighting technology in suites and common areas;
- Replacement of laundry machines with high-efficiency washing machines and dryers;
- Optimize electricity consumption by way of sub-metering;
- Use of reflective panels to cost-effectively reduce heat-loss;
- Regular cleaning of in-suite heating coils, fans and radiators; and
- Installation of intelligent water pumping systems to further reduce electricity use.

These boiler plants are then remotely monitored by CAPREIT's in-house engineers, allowing for optimal temperatures for residents' comfort with minimal energy waste. Each of these initiatives requires an initial capital investment by CAPREIT, but has resulted in significant decreases in energy usage and related costs. Another initiative with no upfront capital cost is the regular cleaning of all in-suite heating coils, fins and radiators by building staff, which notably reduces energy waste.

Expenditures on energy consumption optimization investments were approximately \$12.4 million in 2017, \$13.1 million in 2016 and \$10.7 million in 2015.

Similar to the strategy for reducing energy consumption, CAPREIT also promptly installs a variety of water-efficient equipment at every newly acquired property, as previously owned properties have already been modernized. Such initiatives include the use of next-generation, ultra-high-efficient toilets, low-flow showerheads and faucets using aerators as well as high-efficiency laundry facilities. Additionally, CAPREIT's commitment to reduction of water consumption continues with mature properties whereby equipment has been upgraded more than once when newer and cost-effective technology has allowed even greater reduction in water usage. Inspections are conducted on a regular basis to check for leaks and change faulty devices.

Waste-management is also a key element of CAPREIT's operational focus on the environment. Beginning in 2007, CAPREIT implemented a waste-diversion strategy and expanded recycling initiatives at all of its properties. This strategy, consisting of increased usage of 'blue bins' and new compactors, adaptation of building waste collection substructure for recycling and importantly, the training and education of residents as to the benefits of recycling, minimized municipal waste-collection levies. Management estimates that such programs, in place across most of the portfolio, have successfully increased recycling by tenants and significantly reduced landfill waste generation.

7.9 Divestitures

As a component of CAPREIT's growth strategy, CAPREIT monitors its portfolio and, from time to time, identifies certain non-core properties for divestitures. The funds from these divestitures are used to acquire additional strategic assets better suited to CAPREIT's portfolio composition and property management objectives, or to retire existing debt. For the year ended December 31, 2017, CAPREIT divested a total of 2 properties consisting of 81 suites in Saskatoon, Saskatchewan and Vancouver, British Columbia for total net cash proceeds of \$16.7 million.

7.10 Mortgage Financing

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 the current low interest rate environment. Management is also focused on ensuring the portfolio weighted average term to maturity remains above the five-year range or longer and expects to gradually extend the term, while continuing to balance

the maturity profile. CAPREIT is required to comply with limitations on its debt contained in the Declaration of Trust and under the terms of its other borrowing agreements. As at December 31, 2017, CAPREIT was in compliance in all material respects with the debt restrictions under the Declaration of Trust and under the terms of its borrowing agreements.

As at December 31, 2017, the weighted average interest rate on outstanding mortgage indebtedness was 3.08% (December 31, 2016 – 3.20%), excluding 0.10% (December 31, 2016 – 0.10%) for amortization of the realized component of loss on the settlement of derivative financial instruments in accumulated other comprehensive loss (“AOCL”).

CAPREIT focuses on ownership of multi-unit residential real estate which is eligible for government-backed mortgage insurance administered by CMHC (with the exception of MHCs). As a result, CAPREIT is able to obtain lower interest rates than are available under conventional mortgages and the overall renewal risk for mortgage refinancing is reduced as the mortgage insurance premium is transferable between CMHC approved lenders and is effective for the full amortization period of the underlying mortgage (ranging between 25-35 years). As at December 31, 2017, 97.0% of CAPREIT’s mortgage portfolio was CMHC insured (excluding MHC interests) (December 31, 2016 – 96.6%).

The large borrower agreement with CMHC dated August 9, 2010 (“LBA”) provides for, among other things, the cross-collateralization of mortgage loans for CAPREIT’s largest CMHC-insured mortgage lenders, secured by the registration of fixed and floating charge debentures on each such lender’s pool of charged CAPREIT properties. Such debentures are subordinate to the charges securing the related mortgage loans and senior to the debentures securing the Acquisition and Operating Facility.

Management believes CAPREIT is well-positioned to meet its mortgage renewals and refinancing goals for 2018 due to the continuing availability of CMHC-insured financing. Management does not anticipate any material difficulties in completing the renewal of mortgages maturing during 2018 of approximately \$118.0 million, which have an effective interest rate of approximately 3.08%, and refinancing approximately \$115.3 million principal repayments through 2018 with new mortgages. Management expects to raise between \$175 million and \$225 million in total mortgage renewals and refinancing’s for 2018.

The following table summarizes future mortgage principal repayments, including maturities, and effective weighted average interest rates as at December 31, 2017.

Year	Principal		Mortgage		% of Total	
	Repayments	Maturities	Balance	Mortgage Balance	Interest Rate (%) ^{(1),(2)}	
2018	\$ 115,283	\$ 118,005	\$ 233,288	6.5	3.08	
2019	111,811	273,324	385,135	10.7	3.40	
2020	105,871	226,193	332,064	9.3	2.60	
2021	94,726	349,066	443,792 ⁽³⁾	12.4	3.83	
2022	84,905	412,277	497,182	13.9	2.88	
2023	66,918	310,988	377,906	10.5	3.06	
2024	52,940	401,478	454,418	12.7	3.23	

2025	43,824	321,159	364,983	10.2	2.75
2026	22,559	298,212	320,771	8.9	2.74
2027	6,220	117,292	123,512	3.4	3.05
2028-2030	5,445	51,097	56,542	1.5	3.73
Total	\$ 710,502	\$ 2,879,091	\$ 3,589,593	100.0	3.08 ⁽²⁾
Deferred Financing Costs, Fair Value Adjustments, Net			(8,092)		
Total			\$ 3,581,501		

(1) Effective weighted average interest rates for maturing mortgages only.

(2) Effective weighted average interest rate includes deferred financing costs and fair value adjustments but excludes CMHC premiums. Including the amortization of the realized component of the loss on settlement of \$32.5 million included in AOCL, the effective portfolio weighted average interest rate as at December 31, 2017 would be 3.17% (December 31, 2016-3.30%).

(3) Included in mortgages payable is a \$65.0 million non-amortizing credit facility on two of the MHC land lease sites.

7.11 Credit Facilities

CAPREIT's Credit Facilities include the \$540 million Acquisition and Operating Facility and the existing \$65 million five-year non-revolving term credit facility. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities. The Acquisition and Operating Facility is secured by fixed charge debentures on most of CAPREIT's properties, and floating charge debentures on all of CAPREIT's properties. In each case, such debentures are subordinate to the charges securing CAPREIT's mortgage financing. The margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year.

With respect to the Acquisition and Operating Facility, the aggregate amount of euro LIBOR borrowings at any time shall not exceed €150 million while the Canadian dollar equivalent of the aggregate principal amount of all advances (including the euro LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed \$540.0 million.

Effective November 24, 2017, CAPREIT amended its credit agreement to, among other things: (i) increase its Acquisition and Operating Credit Facility by \$100 million to \$540 million and (ii) amend the tangible net worth requirement to \$1,800 million.

Effective June 30, 2017, CAPREIT amended and restated its credit agreement to, among other things: (i) allow for U.S. base rate and U.S. LIBOR advances and (ii) amend the "conversion dates" for when the revolving facility converts to a two-year non-revolving term facility to June 30, 2018. At December 31, 2017, the borrowings outstanding under the Land Lease Facility were \$65 million and bears interest at the bankers' acceptance rate plus 1.4% per annum, and the maturity date to June 30, 2021. The Land Lease Facility has been fully advanced and there is no further availability under this credit facility.

At December 31, 2017, the borrowings outstanding under the Euro-denominated facility were €47.0 million (\$70.7 million) and bear interest at the euro LIBOR rate plus a margin of 1.65% per annum.

The table below summarizes CAPREIT's bank indebtedness position as at December 31, 2017 and December 31, 2016:

As at December 31, 2017

(\$ Thousands)	Acquisition and Operating Facility
Facility	\$ 540,000
Less: US LIBOR Borrowings	(234,592)
Euro LIBOR Borrowings	(70,744)
Bank Indebtedness	(141,559)
Letters of Credit	(6,313)
Available Borrowing Capacity	\$ 86,792
Weighted Average Floating Interest Rate	1.82%

As at December 31, 2016

(\$ Thousands)	Acquisition and Operating Facility
Facility	\$ 440,000
Less: Euro LIBOR Borrowings	(131,630)
Bank Indebtedness	(26,408)
Letters of Credit	(6,040)
Available Borrowing Capacity	\$ 275,922
Weighted Average Floating Interest Rate	2.55%

7.12 Employees

As of December 31, 2017, CAPREIT employed 883 individuals (December 31, 2016 – 991) in various capacities at CAPREIT's corporate and regional offices and on site at its properties.

7.13 Foreign Operations

Effective April 11, 2014, CAPREIT entered into an external management agreement to perform certain asset and risk management and property services for IRES (formerly CAPREIT's Irish subsidiary), which owns properties in Dublin, Ireland. In addition, CAPLP holds beneficial interest in 65.5 million ordinary shares of IRES representing 15.7% of the issued and outstanding share capital of IRES. Also, CAPREIT holds a portfolio of Dutch properties consisting of interests in 2,088 rental suites located throughout the Netherlands.

7.14 Future Trends

The discussion that follows, including as to specific anticipated performance of the investment property portfolio by geographic region, constitutes forward-looking information and is subject to the risk factors and based on the assumptions set out herein (see "Forward-Looking Information" and "Risk Factors"). The ownership interests, expressed as percentages, are based on suite and site count in the province to CAPREIT's total suite and site count.

Performance – Geographic Region

With a stable national economy, management believes the multi-unit residential rental business will continue to strengthen 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 anticipates operating revenues will benefit from programs over the long term to enhance revenues from parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost control initiatives have proven effective, which should lead to stable NOI over this period.

CAPREIT's investment property residential portfolio interests in Ontario represent 43.8% of CAPREIT's total investment property portfolio interests (including leasehold interests) and had an occupancy rate of 99.4% as at December 31, 2017 (45.4% and 99.5% respectively, as at December 31, 2016). Management believes that CAPREIT's Ontario residential market will remain strong and generate steady returns in the medium term. The rent guideline increase for 2018 has been set at 1.8%, compared to 1.5% in 2017.

CAPREIT's investment property residential portfolio interests in Québec represent 20.9% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 98.2% as at December 31, 2017 (21.2% and 97.4% respectively, as at December 31, 2016). Management believes the Québec rental market will remain stable and generate steady to improving returns in the medium term.

CAPREIT's investment property residential portfolio interests in British Columbia represent 8.8% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 99.8% as at December 31, 2017 (9.1% and 99.8% respectively as at December 31, 2016). CAPREIT has established sufficient critical mass to support the establishment of local infrastructure in British Columbia. As a result, CAPREIT is well positioned to build its presence in British Columbia through accretive acquisitions and improve its operating performance. Management believes the British Columbia rental market will remain strong in the medium term and will benefit from the guideline increase of 4.0% in 2018.

CAPREIT's investment property residential portfolio interests in Alberta represent 4.5% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 97.8% as at December 31, 2017 (4.8% and 95.7% respectively, as at December 31, 2016). Management believes its well-located properties and CAPREIT's proven property management programs should help to stabilize performance in the province in the near term until the region returns to its more historical rental market levels. In addition, with Alberta residential NOI representing only 6.1% of CAPREIT's total NOI, it is not overly exposed to any unanticipated significant downturn in the Alberta multi-unit residential rental business.

CAPREIT's Nova Scotia investment property residential portfolio interests represent 3.3% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 97.7% as at December 31, 2017 (3.4% and 96.6% respectively, as at December 31, 2016). CAPREIT expects

that its presence in primarily downtown locations in Halifax will serve to maintain or increase occupancy and rents in the medium term.

CAPREIT's Saskatchewan investment property residential portfolio interests represent 0.7% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 99.4% as at December 31, 2017 (0.7% and 98.9% respectively, as at December 31, 2016). CAPREIT believes that it can maintain or improve occupancy levels and average monthly rents, primarily on turnovers, over the medium term for the Saskatchewan market. The overall impact to CAPREIT of its Saskatchewan property portfolio is minimal at less than 1% and, accordingly, operating improvements are not expected to materially affect the performance of CAPREIT.

CAPREIT's Prince Edward Island investment property residential portfolio interests represent 1.1% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 98.7% as at December 31, 2017 (1.0% and 99.1% respectively as at December 31, 2016).

CAPREIT's Netherlands investment property residential portfolio interest represent 4.1% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 94.8% at December 31, 2017 (1.2% and 98.4% respectively as at December 31, 2016).

CAPREIT's MHC land lease sites investment property portfolio interests represent 12.8% of CAPREIT's total investment property portfolio interests and had an occupancy rate of 98.3% as at December 31, 2017 (13.2% and 98.3% respectively, as at December 31, 2016). The MHC land lease sites investment property portfolio includes investments in Ontario, British Columbia, Alberta, Saskatchewan, Prince Edward Island and New Brunswick. CAPREIT believes that it can maintain or improve occupancy levels and average monthly rents, over the long term. Management believes its MHC land lease sites investment property portfolio will provide accretive growth in the long term.

Management believes the defensive characteristics of its nationwide portfolio and its ongoing strategies to further diversify among Canada's major rental markets and by demographic sector will continue to protect Unitholders from downturns in any specific geographic region or demographic sector. This characteristic is demonstrated by CAPREIT's ability to increase overall average monthly rents and maintain high occupancy levels in the course of the soft economic climate experienced over the last few years.

Our Growth Strategies

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

- 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 investment 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.

- Management will continue to focus on reducing its operating costs as a percentage of total revenues. CAPREIT is investing in various environment-friendly and energy-saving initiatives including energy-efficient boilers and lighting systems, and is evaluating all energy purchasing programs to reduce or stabilize overall net energy costs.
- 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 investments. These investments are expected to enhance the life safety of residents, improve the portfolio's long-term cash flow generating potential and increase its useful life over the long term.
- Management will continue to prudently focus on accretive acquisitions that meet its strategic criteria and, where possible, enhance CAPREIT's geographic diversification. From time to time, CAPREIT will also identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies. Management believes the realization and reinvestment of capital are fundamental components of its growth strategy and demonstrate the success of its investment programs.
- Management continues to seek development opportunities within its portfolio to ensure existing assets are put towards their most accretive use. In addition, CAPREIT continues to prudently investigate the opportunity to enter into joint venture relationships with other real estate entities to potentially develop new multi-unit rental residential properties on excess land owned by CAPREIT or other vacant land available for sale.
- Management 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. CAPREIT will also appropriately stagger the maturity dates within its mortgage portfolio to reduce exposure in any one year to excessive refinancing risk. Management believes that because of the continuing availability of financing insured by CMHC at a lower cost than is currently available under conventional mortgages, CAPREIT is well-positioned to meet its financing and refinancing objectives at reasonable costs over the medium term.
- Management will continue to maintain its conservative approach to its capital structure, leverage and coverage ratios and strive to further improve its distribution payout ratio, which may enable future distribution increases.

7.15 Intangible Properties

CAPREIT has established procedures to protect the trade-marks which are material to the business carried on by CAPREIT, including the trade-marks CAPREIT™ and Canadian Apartment Properties Real Estate Investment Trust™ and the design marks associated with those trade-marks. CAPREIT owns a number of domain names, including caprent.com. The domain name is used in connection with CAPREIT's online presence. The registrations for CAPREIT's trade-marks and domain names are renewable. Procedures are in place to ensure timely renewals.

7.16 Risk Factors

There are certain risks inherent in an investment in the Units and in the activities of CAPREIT, including the following.

Related to Ownership and Operation of Real Property

Real Property Ownership

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of CAPREIT to respond to changing economic or investment conditions. If CAPREIT were required to quickly liquidate assets, there is a risk the proceeds realized from such sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, CAPREIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

Leasehold Interests

CAPREIT has options to acquire fee simple interests in 14 of its operating leasehold interest properties, which are exercisable between the 26th and 35th year of each property's respective lease. In the case of the 15th such property, CAPREIT's option entitles it to acquire a prepaid operating leasehold interest in the property maturing in 2072. If Management chooses not to exercise any or all such options, the NOI and cash flow associated with such properties would no longer contribute to CAPREIT's results of operations and could adversely impact its ability to make distributions to Unitholders.

Investment Restrictions

CAPREIT has been structured and operates in adherence to the stringent investment restrictions and operating policies as set out in its Declaration of Trust and as applicable under tax laws relating to real estate investment trusts (also see "Taxation Related Risks" in this section). 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. In addition, pursuant to the Declaration of Trust, CAPREIT's overall leverage is limited to 70% of its reported gross book value, unless a majority of trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of CAPREIT. As CAPREIT reports gross book value at fair market value under IFRS, these amounts are not expected to be materially different (See "Description of Capital Structure and Governing Policies"). However, increases in the capitalization rates of CAPREIT's properties could negatively impact these fair values and CAPREIT's debt covenant compliance.

Operating Risk

CAPREIT is subject to general business risks and to risks inherent in the multi-unit residential rental property industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economic rents (including anticipated increases in rent), controlling bad debt exposure, rent control regulations, increases in labour costs and other operating costs including the costs of utilities, possible future changes in labour

relations, competition from other landlords or the oversupply of rental accommodations, the imposition of increased taxes or new taxes and capital investment requirements.

Changes in general economic conditions will also affect the performance of the portfolio. Additionally, the portfolio is currently weighted with 49.1% of its overall portfolio (by number of suites and sites) in Ontario (30.9% in the GTA), making CAPREIT's performance particularly sensitive to its performance in and changes affecting, Ontario and, in particular, the GTA.

CAPREIT's investment properties generate income through rental payments made by the residents thereof. Residential tenant leases are relatively short, exposing CAPREIT to market rental-rate volatility. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the resident replaced. The terms of any subsequent lease may be less favourable to CAPREIT than the existing lease. Renewal rates may be subject to restrictions on increases to the then current rent (see "Government Regulations" in this section). As well, unlike commercial leases, which are generally "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases (with the exception of sub-metering of certain utilities at some properties) and the landlord is not able to pass on costs to its residents. Moreover, there is no assurance that occupancy levels achieved to date at the properties will continue to be achieved and/or that occupancy levels expected in the future will be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to, or the financial position of CAPREIT.

Energy Costs

As a significant part of CAPREIT's operating expenses are attributable to energy and energy-related charges and fees, fluctuations in the price of energy and any related charges and fees (including transportation costs and commodity taxes) can have a material impact on the performance of CAPREIT, its ability to pay distributions and the value of the Units. The impact of such fluctuations could be exacerbated where such energy costs cannot be hedged.

From time to time, CAPREIT may enter into agreements to pay fixed prices on all or certain of its energy requirements (principally natural gas and electricity in certain markets) to offset the risk of rising expenditures resulting from the rise in the prices of these energy commodities; however, if the prices of these energy commodities decline beyond the levels set in these agreements, CAPREIT will not benefit from such declines in energy prices and will be required to pay the higher price for such energy supplies in accordance with these agreements.

Environmental Matters

Environmental legislation has continued to evolve with more restrictive regulatory frameworks and standards affecting the operation of real estate. As a result, CAPREIT could become liable to government authorities or third parties for the costs of assessing, removing, managing or remediating hazardous or toxic substances emanating from or in connection with its properties or the improper disposal of any such substances on CAPREIT's behalf at other locations.

The failure to monitor, manage, remove and/or remediate regulated substances, not in compliance with legislation, affecting a property could adversely affect an owner's ability to sell

its real estate or to borrow using the affected real estate as collateral. It could also result in regulatory enforcement proceedings, including fines and penalties, and/or private liability claims from third parties whose property may also be impacted or who have suffered any form of injury as a result of an environmental condition not in compliance with applicable environmental laws.

Pursuant to the Declaration of Trust, unless determined otherwise by the Board of Trustees, it is CAPREIT's operating policy to obtain environmental assessments, conducted by a qualified independent environmental engineering firm, as an integral component of pre-acquisition due diligence. Where an environmental assessment results in recommendations for further investigation, it is CAPREIT's standard practice to undertake these additional investigations, through qualified independent professional environmental engineers until the issue is fully understood and/or resolved. CAPREIT also follows this practice for the acquisition of development land and the redevelopment of existing properties.

Catastrophic Events

CAPREIT's properties may be impacted by acts of nature, such as climate-related events. Depending on severity, these events could cause threats to the safety of CAPREIT's tenants and significant damage to CAPREIT's properties and interruptions to CAPREIT's normal operations. CAPREIT may be required to incur significant unanticipated costs to manage the impact of these events. Management of the impact of a catastrophic event would also result in time and effort being diverted from CAPREIT's day-to-day operations. There is also a possibility that CAPREIT's ability to generate revenues from impacted properties would be significantly impaired. The increased costs, time, effort and potential revenue loss could be more significant if multiple properties or operating regions are impacted by catastrophic events within a relatively short time frame.

Insurance

All real property investments owned and operated by CAPREIT are subject to certain degrees of incidental operational risks and the potential for liability and accidental losses associated with these risks (i.e.: property damage, earthquake, fire, flood, occupiers liability claims, equipment breakdown, etc.) which when they materialize have the potential to disrupt income, value and cash flow for the affected property or properties. In order to safeguard its investments against the potential volatility of these losses, CAPREIT procures and maintains a comprehensive insurance program to provide indemnity, wherever commercially available and feasible, for these losses and liabilities, at a pre-determined fixed annual cost with policy specification limits and deductibles as deemed appropriate based on the nature of the risk, historical experience and industry standards.

While not all potential business losses can be transferred to insurance under commercially reasonable terms, the vast majority of losses and liabilities resulting from the ownership, operation and rental of residential apartment buildings are currently insurable, with reasonable deductibles and retentions which CAPREIT has accounted for in its budgets and financial statements. There can be no assurance that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms.

Capital Investments

For prudent management of its property portfolio, CAPREIT makes significant property capital investments throughout the period of ownership of its properties (for example, to upgrade and maintain building structure, balconies, parking garages, electrical and mechanical systems). CAPREIT has prepared building condition reports and has committed to a multi-year property capital investment plan. CAPREIT must continuously monitor its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. CAPREIT requires sufficient capital to carry out its planned property capital investment 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. A significant increase in capital investment requirements or difficulties securing financing or the availability of financing on reasonable terms could adversely impact the cash available to CAPREIT and its ability to pay distributions.

Related to Financing

Indebtedness

A portion of CAPREIT's cash flow is devoted to servicing its debt, and there can be no assurance that CAPREIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. CAPREIT has and will continue to have substantial outstanding consolidated indebtedness comprising mainly property mortgages and indebtedness under its Credit Facilities. CAPREIT is subject to the risks 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 or expectation of future interest rates. In such circumstances, CAPREIT could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing and its ability to make property capital investments and distributions to Unitholders and Preferred Unitholders could be adversely affected.

CAPREIT currently has access to the government-backed mortgage insurance program through the *National Housing Act*, which is administered by CMHC. CAPREIT entered into the LBA with CMHC during the third quarter of 2010. 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 so as to restrict access to the insurance program in the future. To the extent that any financing requiring CMHC consent or approval is not obtained or that such consent or approval is only available on unfavourable terms, CAPREIT may be required to finance a conventional mortgage which may be less favourable to CAPREIT than a CMHC-insured mortgage.

CAPREIT's Acquisition and Operating Facility of \$540 million matures on June 30, 2020. CAPREIT's Acquisition and Operating Facility is at a floating interest rate and, accordingly, changes in short-term borrowing rates will affect CAPREIT's costs of borrowing. CAPREIT's

financial condition and results of operations would be adversely affected if it were unable to obtain financing or cost-effective financing. As at the date hereof, it is difficult to forecast the future state of the commercial loan market. If, because of CAPREIT's level of indebtedness, the level of cash flows, lenders' perceptions of CAPREIT's creditworthiness or other reasons, management is unable to renew, replace or extend the Credit Facilities on acceptable terms, or to arrange for alternative financing, CAPREIT may be required to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding could be arranged, if such financing is available on acceptable terms, or at all. Such measures could include deferring property capital investments, dispositions of one or more properties on unfavourable terms, reducing or eliminating future cash distributions or other discretionary uses of cash, or other, more severe actions. Also, disruptions in the credit markets and uncertainty in the economy could adversely affect the banks that currently provide the Credit Facilities, could cause the banks or a bank to elect not to participate in any new Credit Facilities sought, or could cause other banks that are not currently participants in the Credit Facilities to be unwilling or unable to participate in any such new facility.

Furthermore, given the relatively small size of the Canadian and the Netherlands marketplace, there are a limited number of lenders from which CAPREIT can reasonably expect to borrow and the number of lenders currently participating in the CMHC-insured mortgage market is even smaller within the Canadian marketplace. Consequently, it is possible that financing which CAPREIT may require in order to grow and expand its operations, upon the expiry of the term of existing financing, or refinancing any particular property owned by CAPREIT or otherwise, may not be available or may not be available on favourable terms.

Related to Taxes and Regulations

Taxation Related Risks

There can be no assurance that Canadian federal income tax laws in respect of the treatment of mutual fund trusts will not be changed in a manner that adversely affects CAPREIT or its Unitholders and Preferred Unitholders. If CAPREIT ceases to qualify as a "mutual fund trust", CAPREIT will be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by CAPREIT may have adverse income tax consequences for certain of CAPREIT's Unitholders and Preferred Unitholders, including non-resident persons and trusts governed by registered retirement savings plans, registered disability savings plans, deferred profit-sharing plans, registered retirement income funds, tax-free savings accounts and registered education savings plans ("**designated savings plans**"), which acquired an interest in CAPREIT directly or indirectly from another CAPREIT Unitholder or Preferred Unitholder. If CAPREIT ceases to qualify as a "mutual fund trust" and a "registered investment" under the Tax Act and CAPREIT Units cease to be listed on a designated stock exchange, CAPREIT Units will cease to be qualified investments for trusts governed by designated savings plans. CAPREIT will endeavour to ensure CAPREIT Units continue to be qualified investments for trusts governed by the designated savings plans; however, there can be no assurance that this will be so. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such trusts. Unitholders should consult their own tax advisors in this regard, including as to whether CAPREIT Units are "prohibited investments" for registered retirement saving plans, registered retirement income funds, or tax free savings accounts.

On June 22, 2007, the specified investment flow-through rules (“**SIFT Rules**”) were enacted in the Tax Act, which modify the federal income tax treatment of certain publicly traded trusts and partnerships that are specified investment flow through (“**SIFT**”) trusts or partnerships. 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 rate similar to the combined federal/provincial tax rate of a corporation. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be taxed as eligible dividends from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. The SIFT Rules did not apply until the 2011 taxation year to SIFTs that were publicly traded prior to November 1, 2006 provided such SIFTs complied with the “Normal Growth Guidelines” released by the Department of Finance (Canada).

In accordance with the Tax Act, for fiscal 2017 and 2018, CAPREIT qualified as a real estate investment trust (“**REIT**”) for income tax purposes and, as such, was exempted from the SIFT Rules.

A REIT is defined under the SIFT Rules as a trust that is resident in Canada throughout the taxation year and that satisfies all of the following criteria:

- i) at each time in the taxation year the total fair market value at that time of all non-portfolio properties that are qualified REIT properties held by the trust is at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- ii) not less than 90% of the trust’s gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest, dispositions of real or immovable properties that are capital properties, dividends, royalties, and dispositions of eligible resale properties;
- iii) not less than 75% of the trust’s gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- iv) at each time in the taxation year an amount, that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a real or immovable property that is a capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers’ acceptance, a property described by either paragraph (a) or (b) of the definition “qualified investment” in section 204, or a deposit with a credit union; and,
- v) investments in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

For this purpose, “real or immovable property” includes a security of any trust, corporation or partnership that itself satisfies the above criteria in (i)-(iv) above, but does not include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

Excluded from the definition of a SIFT is a partnership, such as CAPLP, CAPREIT 2 Limited Partnership and CAPREIT 3 Limited Partnership, that is not publicly traded and of which the equity (and equity-like debt) is wholly owned by any combination of a SIFT, a REIT or a taxable Canadian corporation. If CAPREIT does not qualify for the real estate investment trust exemption rule (the “**REIT Exception**”) at any point in time in a given future year, the SIFT Rules will apply to CAPREIT for that taxation year.

To the extent that CAPREIT does not qualify for the REIT Exception, CAPREIT will consider alternative measures, including restructuring, assuming that these measures are in the best interests of its Unitholders and Preferred Unitholders, in order to qualify for the REIT Exception in the following year. No assurances can be given that CAPREIT will continue to qualify for the REIT Exception. If applicable, the SIFT Rules may have a material adverse effect on Unitholders’ and Preferred Unitholders’ returns.

CAPREIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments, together with associated interest and penalties, could adversely affect CAPREIT and CAPREIT’s Unitholders and Preferred Unitholders.

Land Transfer Tax

On February 18, 2016, the Ontario Ministry of Finance (the “**Ministry**”) announced retroactive amendments to the regulations under the *Land Transfer Tax Act* (Ontario) that impact the availability of an exemption from Ontario land transfer tax for certain transactions involving trusts (including real estate investment trusts) and partnerships. On July 14, 2017, the Ministry announced a review of the land transfer tax applicable to unregistered dispositions of beneficial interests in land by certain widely-held investment vehicles, including mutual fund trusts. Under this review, the Ministry proposed a new approach to facilitate the payment and administration of the land transfer tax by these widely-held vehicles by placing liability for collecting and paying land transfer tax with the vehicles themselves, rather than with the partners or unitholders. The public consultation period ended on September 8, 2017. The Ministry has not released the results of the consultation. Management of CAPREIT is currently evaluating both the impact of the February 2016 amendments and the July 2017 proposed amendments, the effect of which could be significant.

Foreign Tax

CAPREIT has made investments into Ireland, including an ownership interest in IRES, and The Netherlands. Accordingly, it is subject to the tax laws and related tax treaties in each of those jurisdictions and the risk that those tax laws and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, the effective tax rate in the jurisdictions in which CAPREIT operates and the portion of distributions which would be income for Canadian income tax purposes. CAPREIT proactively monitors changes to those tax laws and treaties and regularly reviews and assesses its impact to CAPREIT’s foreign operations and its investors.

Government Regulations

Multi-unit residential rental properties are subject to rent control legislation in most provinces in Canada. Each province in which CAPREIT operates maintains distinct regulations with respect to tenants’ and landlords’ rights and obligations. The legislation in various degrees

provides restrictions on 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 restricts 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 of rent controls, CAPREIT may incur property capital investments in the future that will not be fully recoverable from rents charged to the tenants.

Applicable legislation may be further amended in a manner that 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. Additional information relating to each province where CAPREIT owns properties is provided below.

In Ontario, the *Residential Tenancies Act, 2006* (Ontario) (the “**RTA**”), which came into force January 31, 2007, provides restrictions upon the ability of a landlord to increase rents above an annually prescribed guideline, and requires that the landlord give tenants ninety days’ prior written notice of an increase in rent. Unless landlord and tenant mutually agree that landlord will add a parking space or an additional “prescribed” service, rent cannot be increased more than once in any twelve month period, or at least twelve months after a new tenant has taken occupancy of a unit.

The Rental Fairness Act, 2017 (Ontario) (“**RFA**”), which received royal assent on May 30, 2017, amended the RTA including certain provisions dealing with rent control in Ontario. The amendments by the RFA expand the limits on annual rent renewal increases to include apartment buildings built after 1991. These buildings were previously exempt from the annual prescribed guideline. Currently only 3.7% of CAPREIT’s total Ontario portfolio consists of rental suites built after 1991. As a resident-focused landlord, CAPREIT has consistently adhered to the government-mandated rent guidance increases on all of its Ontario properties, including those constructed after 1991. Thus the changes to the rent control provisions of the RTA will have no impact on CAPREIT’s projected rental revenues.

The Ontario guideline for 2018 is 1.8%. For subsequent years, the guideline will be the percentage change from year to year in the Consumer Price Index for Ontario for prices of goods and services as reported monthly by Statistics Canada, averaged over the twelve-month period that ends at the end of May of the previous calendar year. Effective June 19, 2012, the Ontario provincial government amended the RTA so that the annual rent increase guideline, commencing in 2013, is capped at 2.5%.

In order to increase rents above the guideline, a landlord must make an application to the Landlord and Tenant Board (the “**Board**”) based on an extraordinary increase in the cost for municipal levies and charges, certain eligible capital expenditures incurred with respect to a residential complex or rental unit therein, or operating costs related to third-party security services provided in respect of a residential complex or building in which rental units are located. As a result of the changes to the RTA by the RFA, a landlord is no longer permitted to bring an application to increase rents above the guideline based on an extraordinary increase in the cost

for utilities. A rent increase based on capital expenditures or security services may not be more than 3% above the prescribed guideline for each year, provided that if a landlord can justify a larger increase, such increase may be taken over three years. There is no limit for rent increases based on increases in the cost for municipal levies. Furthermore, a landlord's application to increase rent can be dismissed in the event that the landlord has not completed items in work orders for which the compliance period has expired and which were found by the Board to be related to a serious breach of a health, safety, housing or maintenance standard. Similarly, a tenant can make an application to the Board on the grounds that the residential complex or units in it do not comply with health, safety, housing and maintenance standards, and in such event, the Board can order, among other things, that the landlord complete related items in work orders. As a result, CAPREIT may, in the future, incur capital or other expenditures which may not be fully recoverable from tenants.

The RTA also permits tenants to bring proceedings to reduce rent due to reductions or discontinuances in services or facilities or due to a reduction in the applicable municipal taxes. The RTA also provides for automatic rental reductions upon expiry of prescribed periods where rent has been increased in connection with eligible capital expenditures or upon reductions in municipal taxes.

The RTA provides tenants of residential rental properties with a high level of security of tenure and prescribes certain procedures, including mandatory notice periods, which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the Board it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

The applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of CAPREIT to maintain the historical level of earnings of its properties.

In Alberta, landlords are generally restricted from increasing rents payable in respect of existing residential tenancies more than once in a period of 365 days (which period commences on the commencement of the tenancy or the last increase in rent, as applicable). Pursuant to the regulations made under the *Residential Tenancies Act (Alberta)* (the "**AB RTA**"), a landlord shall not increase the rent payable by a tenant under a residential tenancy agreement in respect of a fixed-term tenancy for a term of one year or more. Further, a landlord shall not increase the rent payable by a tenant who is occupying the same premises under 2 or more consecutive residential tenancy agreements in respect of fixed-term tenancies each for a term of less than one year unless 365 days have passed since the commencement of the first of those tenancies or the last increase in rent, whichever is later. Pursuant to the regulations under the AB RTA, if the 365th day occurs during the term of a fixed-term tenancy, the landlord shall not increase the rent until the expiration of that tenancy.

Pursuant to the AB RTA a landlord shall not increase the rent payable under a residential tenancy agreement unless the landlord serves on the tenant a written notice of the increase in rent: (a) in respect of a weekly tenancy, at least 12 tenancy weeks before the effective date of the increase; (b) in respect of a monthly tenancy, at least 3 tenancy months before the effective date

of the increase; and (c) in respect of any other periodic tenancy (as that term is defined in the AB RTA), at least 90 days before the effective date of the increase. A residential tenancy agreement could require a period of notice longer than the periods specified by the AB RTA and the landlord must comply with such longer period of notice before increasing the rent payable.

In the case of MHCs, the *Mobile Home Sites Tenancies Act* (Alberta) prescribes that the landlord deliver written notice of a rent increase at least 180 days prior to the date the increase is to be effective; however a tenancy agreement may prescribe a period of notice longer than 180 days and the landlord must comply with such longer period of notice before increasing the rent payable. Further, a landlord shall not increase the rent payable under a tenancy agreement unless 365 days have passed since the commencement of the tenancy or last rent increase.

In British Columbia, landlords are restricted from increasing rents payable in respect of existing residential tenancies within twelve months of the date on which the tenant's rent was first payable for the rental unit or a previous rental increase, and any such rental increases require three months prior notice to the tenants. The *Residential Tenancy Act*, S.B.C. 2002 (the "BC RTA"), and in the case of MHCs, the *Manufactured Home Park Tenancy Act*, S.B.C. 2002, restrict the ability of a landlord to increase rents above a prescribed amount. A landlord may not impose a rent increase that is greater than the percentage amount equal to the inflation rate plus 2%, or in the case of MHCs, a rent increase that is greater than the sum of the inflation rate, plus 2%, plus a proportional amount (being the sum of the change in local government levies and utility fees in respect of the manufactured home park divided by the number of manufactured home sites in the landlord's manufactured home park). The inflation rate is the 12 month average percent change in the all-items Consumer Price Index for British Columbia ending in the July that is most recently available for the calendar year in which the rent increase takes effect, being 2.0% for a rent increase taking effect in 2018. Accordingly, the allowable rent increase for 2018 is 4.0%. Unless tenants agree in writing, a landlord may only impose a rent increase greater than the prescribed amount by an order granted following an application (fees are between \$300 - \$600) made pursuant to the applicable legislation, followed by notice to all tenants and a hearing. Grounds for a rent increase exceeding the prescribed amount include situations where: (i) the landlord has completed significant repairs or renovations that could not have been foreseen under reasonable circumstances and will not re-occur within a reasonable time period; (ii) where there have been extraordinary increases in operating expenses that have caused the landlord to incur a financial loss; or (iii) financial loss has been incurred arising from an unforeseen increase in financing costs. As a result, CAPREIT may, in the future, incur capital or other expenditures which may not be fully recoverable from tenants, unless such an application was successfully made.

Effective December 11, 2017 in British Columbia, a landlord can no longer apply for a rent increase above the prescribed amount on the basis that the rent is significantly lower than other similar rental units in the same geographic area. Effective also on December 11, 2017, a landlord can no longer require a tenant to move out on the date the tenancy agreement ends unless the landlord is an individual and that landlord or a close family member of that landlord intends in good faith at the time of entering into the tenancy agreement to occupy the rental unit at the end of the term. Unless the landlord and the tenant agree to another fixed term, the tenancy will automatically continue as a month-to-month tenancy until one party serves notice in accordance

with the legislation or both parties agree to end the tenancy. The effect of this change is that a landlord can no longer increase rent beyond the prescribed amount between tenancy agreements with the same tenant.

In Nova Scotia, Section 10 (3A) of the *Residential Tenancies Act* (the “**NS RTA**”) states that a landlord shall not give to the tenant a notice to quit residential premises except in accordance with Section 10. Section 10 then sets out the limited circumstances under which a landlord may provide notice to quit. Under the NS RTA tenants are granted a right of redemption. Where a year-to-year, month-to-month or fixed term tenant is in arrears, within 15 days of receiving a notice to quit, the tenant may pay the rent that is in arrears and upon payment, the notice to quit is void. Alternatively, a tenant may apply to the Director for an order setting aside the notice to quit. The NS RTA provides that the Director may set aside a notice to quit given by a landlord.

The NS RTA provides that landlords are restricted from increasing rents payable in respect of existing residential tenancies more than once in a period of one year (a withdrawal of services is deemed to be a rent increase) and any such rental increases require four months’ prior notice for a year-to-year or month-to-month lease or eight weeks’ notice for a week-to-week lease. For a fixed-term lease, the lease must set out the amount and effective dates of any increases.

In New Brunswick, the *Residential Tenancies Act* (the “**NB RTA**”) sets out certain restrictions on landlords. In order to increase rent, a landlord must provide a tenant with the proper amount of written notice of the increase. The amount of the notice depends on the type of tenancy and whether the tenant lives on a mobile home site or is a long-term tenant. If the tenancy is weekly or monthly, two months’ notice is required. For yearly tenancies, three months’ notice must be given to tenants.

The NB RTA provides that a tenant is a long-term tenant if the same tenant has lived in the same rental for at least five years in a row. The landlord must give three months’ written notice to increase the rent to long-term tenants, and the landlord may only increase the rent fairly and by the same amount as other similar units in the same building or only by what is reasonable in other similar units in the same area. In the event a tenant disputes the increase, he or she can apply to the rentalsman within fifteen days of receipt of the notice to have the increase reviewed. The rentalsman will require the landlord establish that the requirements necessary for increasing rent have been met.

In the event the tenant is a tenant of a mobile home site, pursuant to the NB RTA the landlord must give at least six months’ written notice. In addition, the landlord must also increase the rent for each mobile home site in the mobile home park or in the same area of the park by the same percentage. As with long-term tenants, a tenant of a mobile home site may apply to the rentalsman to have the notice reviewed, and the landlord will be required to establish it has met the necessary requirements for increasing rent.

In Prince Edward Island, the *Rental of Residential Property Act* R.S.P.E.I. c. R-13.1 (the “**PEI RRPA**”) is administered by the Director of Residential Rental Property (the “**PEI Director**”) who is appointed by the Island Regulatory and Appeals Commission (the “**PEI Commission**”).

The PEI RRPA provides that lessors are restricted from increasing rent more than once in a 12 month period, and must provide the lessee, in the case of a monthly rental arrangement, with at least 3 months' notice, and the case of a weekly rental arrangement, at least 3 weeks' notice, of any increase in rent using the prescribed Form 10. The amount of rent increase shall not exceed the prescribed percentage amount established by order of the PEI Commission between January 1 and December 31 of any year. The allowable percentage increase for 2018 is 1.75% for heated premises, 1.5% for non-heated premises, and 1.5% for mobile home sites in mobile home parks.

Where lessors seek a rent increase greater than the permitted percentage for any given year, application is required to be made to the PEI Director for approval of the proposed increase not later than 10 days after notifying the lessee. Application must be made on the prescribed Form 12 and served on the other party, following which the PEI Director will give notice of the place and date of hearing to the lessor and lessee. Factors that the PEI Director may consider at the hearing include: (a) whether the increase in rent is necessary to prevent financial loss by the lessor in operation of the building; (b) increased operating costs or capital expenditures as advised by the lessor; (c) the expectation of the lessor to have a reasonable return on his capital investment; and (d) any other matters as may be prescribed by the regulations. The lessor may not charge or collect a rent increase pending the outcome of a rental increase application. A right of appeal lies to the PEI Commission from a decision of the PEI Director within 20 days of the date of the decision, and shall be heard within 30 days of receipt of notice of the appeal.

In Saskatchewan, pursuant to *The Residential Tenancies Act, 2006*, SS 2006, c R-22.0001 and the regulations made thereunder (collectively, the "**Saskatchewan RTA**"), landlords are restricted from increasing rents payable in respect of fixed term tenancies unless the amount of the increase and time when an increase is to come into effect were agreed to between the landlord and the tenant at the time they entered into the tenancy agreement. No later than two months before a fixed term tenancy ends, a landlord must provide written notice to fixed lease tenants regarding its willingness to enter into a new agreement and, if willing, to specify the terms of the new agreement. The notice must be in the approved form and must also state that a failure by the tenant to respond will be deemed to be a rejection of the offer to enter into a new tenancy agreement. There are no legislated restrictions on the amount of an increase in rent a landlord can specify in the new agreement.

The Saskatchewan RTA provides landlords, such as CAPREIT, who are members in good standing of Saskatchewan Rental Housing Industry Association Inc. ("**SRHIA**"), with preferred rent increase timelines for periodic tenancies. Landlords who are members of SRHIA, such as CAPREIT, are restricted from increasing rents payable in respect of existing periodic tenancies or existing mobile home sites more than once in a period of six months and any such rental increase requires six months' prior notice to the tenants. For new periodic tenancies and new mobile home sites, landlords are restricted from increasing rents payable until twelve months after the commencement of the tenancy, and thereafter six months after any previous increase, and any such rental increase requires six months' prior notice. There is no restriction in the Saskatchewan RTA on the amount by which a landlord can increase rent for periodic tenancies and an increase in rent for additional occupants is not subject to the above time or notice provisions provided the written tenancy agreement sets out the amount by which rent varies with the number of occupants. Notwithstanding a landlord's ability to increase rent in accordance with the time and

notice provisions, landlords cannot terminate or restrict services or facilities, nor impose or increase a charge for a service or facility unless the tenant agrees or the landlord obtains an order from the Office of Residential Tenancies.

The Saskatchewan RTA creates three restrictions which are unique to landlords of MHC. Pursuant to the Saskatchewan RTA, landlords cannot: (a) limit the occupancy of the mobile home unless the residential property has never been used as a mobile home site; (b) unreasonably restrict or interfere with a tenant's attempt to sell a mobile home situated on the residential property; and (c) charge any fee in connection with a sale or attempted sale of a mobile home situated on the residential property unless the landlord has provided some service with respect to that sale or attempted sale.

In Québec, the Civil Code of Quebec provides restrictions upon the ability of a landlord to increase rents, as well as notice requirements in respect of rent increases. A new tenant or a subtenant may apply to the court for the fixing of the rent if his rent is higher than the lowest rent paid during the twelve months preceding the beginning of the lease or sublease, as the case may be, unless that rent has already been fixed by the court.

A tenant is entitled to maintain occupancy of its premises until renewal of its lease. At the renewal of the lease, the landlord may modify its conditions, particularly the term or the rent, but only if a notice of modification is given to the tenant not less than three months nor more than six months before the expiration of the given lease. If the term of the lease is less than twelve months, the notice shall be given not less than one month nor more than two months before the end of the lease term. A landlord may not modify a lease with an indeterminate term unless he gives the tenant a notice of not less than one month nor more than two months. A tenant who objects to the modification proposed by the landlord is required to notify the landlord, within one month after receiving the notice of modification of the lease, that he or she objects or that he or she is vacating the premises; otherwise, the tenant is deemed to have agreed to the renewal of the lease on the conditions proposed by the landlord. Where a tenant refuses any such rent increase, the landlord may bring an application to a residential tenancies tribunal within one month after receiving the notice of objection, otherwise, the lease is renewed of right on the same conditions. The tribunal reviews such matters on a case-by-case basis. Even if there is no ceiling on rent increases or fixed rates of increase, the tribunal will generally apply the annual percentages prescribed by the Regulation respecting the criteria for the fixing of rent.

Alberta, Nova Scotia and Saskatchewan do not specifically limit the rents payable by residential tenants.

In the Netherlands, rental units are divided into "liberalized units" (geliberaliseerde huurwoningen) and "regulated units" (sociale huurwoningen).

Regulated units are subject to a maximum rent of EUR 710.68. To ensure that a landlord does not demand rent for a unit which is considered excessive in relation to the unit involved, the rent can be assessed on the basis of the WWS-system (woningwaarderingstelsel). This system consists of attributing points to the unit and determining the allowable rent based on the total number of points.

As of July 1, 2017, 145 points corresponds with a maximum starting rent of EUR 714.97. A rental unit with 145 points (or more) is considered liberalized (as the rent is above the then current rent control ceiling of EUR 710.68). However, 144 points corresponds with a maximum starting rent of EUR 709.77, which means that a property with 144 points (or less) is considered regulated (as the rent is below the then current rent control ceiling).

Residential rent indexation may only occur once every twelve months, which usually occurs as of July 1 of each year. For tenants of regulated units with an annual household income in 2016 of up to EUR 41,056, the maximum rent indexation as of July 1, 2018 is inflation (set at 1.4% for 2018 for this purpose) plus 2.5% (thus 3.9% in total). For tenants of regulated residential units with an annual household income over EUR 41,056, the maximum rent indexation as of July 1, 2018 is inflation plus 4.0% (thus 5.4% in total). The rent indexation cannot lead to a rent level which is higher than the maximum rent level allowed for regulated units.

As a result of the aforementioned rent controls, CAPREIT may incur property capital investments in the future that will not be fully recoverable from rents charged to the tenants.

Parties are free to decide on the length of the lease period. However the lease does not automatically expire at the end of a lease term. A notice of termination will be required, even in case of a fixed term lease. For the landlord, there are only a limited number of grounds for notice of termination, including the urgent need of the landlord to use the property itself (not being for a sale), the conduct of the tenant being other than befits a good tenant and the realization by the landlord of a zoning plan applying to the leased premises.

A recent exception to the rule that the lease does not expire at the end of the lease term is with respect to temporary leases. These are leases for a term of up to two years. Provided that timely notification of the pending expiry is given by the landlord, the lease will automatically terminate at the end of its term and the tenant is obliged to vacate the unit. No grounds for notice of termination are required in such case. If upon expiry the tenant stays on (with the permission of the landlord), normal tenancy rules will apply and the lease will be considered extended for an indefinite period of time.

Most leases for a fixed term are, upon expiry of the stated fixed term, automatically renewed for another fixed term, unless one of the parties gives notice of termination with observance of the contractual notice period. If a fixed term lease does not contain an automatic fixed term extension period, but the parties nonetheless continue the lease after the expiry date, the lease will be considered extended for an indefinite period of time.

If the tenancy agreement does not contain a notice period, the statutory notice period will apply. The length of this notice period depends on the duration of the lease agreement and is between three months and six months for the landlord and between one month and three months for the tenant.

In each jurisdiction, the applicable legislation may be subject to further regulations or may be amended, repealed or enforced in a way, or new legislation may be enacted, which will materially adversely affect the ability of CAPREIT to maintain such properties' historical level of earnings.

The nature of high-rise apartment construction and operation is such that refurbishment and structural repairs are required periodically, in addition to regular ongoing maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continuously evolving and changes thereto may give rise to ongoing financial and other obligations of CAPREIT, the costs of which may not be fully recoverable from tenants.

Controls over Financial Reporting

CAPREIT maintains information systems, procedures and controls over financial reporting. As a result of inherent limitations in all control systems, there cannot be complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that Management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

In addition, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by Management override. 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 assurance that any design will succeed in achieving its stated goals under all potential conditions.

Other Legal and Regulatory Risks

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. If CAPREIT or its advisors fail to monitor and become aware of changes in applicable laws and regulations or if CAPREIT fails to comply with these changes in an appropriate and timely manner, it could result in fines and penalties, litigation, or other significant costs, as well as significant time and effort to remediate any violations. Additionally, such violations could result in reputational damage to CAPREIT both from an operating and investment perspective.

Related to Reporting Investment Property at Fair Value

CAPREIT holds investment property to earn rental income or for capital appreciation or both. All investment property is measured using the fair value model under IFRS, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income and comprehensive income. Management values each investment property based on the most probable price that a property should be sold for in a competitive and open market as of the specified date under all conditions requisite to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Each investment property has been valued on a highest and best use basis.

There is a risk that general declines in real estate markets or sales of assets by CAPREIT under financial or other hardship would impact the fair values reported, or the cash flows associated with owning or disposing of such properties. Market assumptions applied for valuation purposes do not necessarily reflect CAPREIT's specific history or experience and the conditions for realizing the fair values through a sale may change or may not be realized.

Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser, as this approach may not adequately capture the range of fair values that market participants would assign to the investment properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could significantly impact CAPREIT's operating revenues and cash flows, as well as the fair values of the investment properties.

Related to CAPREIT's Securities, Organization and Structure

Nature of Trust Units

Trusts are not traditional equity investments and Trust Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against CAPREIT. The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, CAPREIT is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. In addition, although CAPREIT is intended to qualify as a "mutual fund trust" as defined by the Tax Act, CAPREIT is not a "mutual fund" as defined by applicable securities legislation.

Securities like the Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Trust Units do not represent a direct investment in the business of CAPREIT and should not be viewed by investors as shares or interests in CAPREIT, or any other company or entity. The Trust Units do not represent debt instruments and there is no principal amount owing to Trust Unitholders under the Trust Units. Each Trust Unit represents an equal, undivided, beneficial interest in CAPREIT as compared to all other Trust Units of the same class.

Unitholder Liability

Recourse for any liability of CAPREIT is limited to the assets of CAPREIT. The Declaration of Trust provides that no Trust Unitholder or annuitant (an "**annuitant**") under a plan of which a Trust Unitholder acts as a trustee or carrier will be held to have any personal liability and that no recourse shall be had to the private property of any Unitholder, Preferred Unitholder, Special Unitholder or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with the property or the affairs of CAPREIT, including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of CAPREIT or of the trustees or any obligation which a Trust Unitholder or annuitant would otherwise have to indemnify a trustee for any personal liability incurred by the trustee, but rather the assets of CAPREIT only are intended to be liable and subject to levy or execution for satisfaction of such liability. Each Trust Unitholder and annuitant under a plan of which a Trust Unitholder acts as trustee or carrier shall be entitled to be indemnified and reimbursed out of the assets of CAPREIT in respect of any payment of an obligation of CAPREIT made by such Trust Unitholder or annuitant. Certain provincial legislatures have passed legislation that provides for statutory limited liability for unitholders of public income trusts governed as a contractual matter by the laws of their jurisdictions. Certain of these statutes have not yet been

judicially considered and it is possible that reliance on such statute by a Trust Unitholder or annuitant could be successfully challenged on jurisdictional or other grounds.

Liquidity and Price Fluctuation of Units

CAPREIT is an unincorporated “open-end” investment trust and its Units are listed on the Toronto Stock Exchange (“TSX”). There can be no assurance that an active trading market in the Units will be sustained.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. The prices at which Units will trade cannot be predicted. The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors beyond the control of CAPREIT. One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units. Accordingly, the Units may trade at a premium or a discount to the value of CAPREIT’s underlying assets.

In addition, changes in CAPREIT’s creditworthiness or perceived creditworthiness may affect the market price or value and/or the liquidity of the Units.

The Declaration of Trust imposes various restrictions on Unitholders. Non-residents and non-Canadian partnerships are prohibited from beneficially owning more than 49% of the outstanding Units (on a non-diluted and diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain non-resident persons and partnerships to acquire Units, to continue to hold Units and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and other investors and thereby adversely affect the liquidity and market value of the Units.

Dilution

Subject to applicable laws, CAPREIT is authorized to issue an unlimited number of Units for the consideration and on the terms and conditions that the Board of Trustees determine without Unitholders’ approval. Unitholders have no pre-emptive right in connection with any such further issuance. The Board of Trustees has the discretion to issue additional Units in other circumstances, pursuant to CAPREIT’s various incentive plans. Any issuance of additional Units may have a dilutive effect on Unitholders. Furthermore, timing differences may occur between the issuance of additional Units and the time the proceeds may be used to invest in new properties. Depending on the duration of this timing difference, this may be dilutive.

Distributions

Cash distributions are not guaranteed. Distributions on the Units are established by the Board of Trustees and are subject to change at the discretion of the Board of Trustees. While CAPREIT has historically made monthly cash distributions to Unitholders, the actual amount of

distributions paid in respect of the Units will depend upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of CAPREIT. The market value of the Units will deteriorate if CAPREIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of the cash distributions for tax purposes may change over time and may affect the after-tax return for Unitholders.

Distribution Reinvestment Plan ("DRIP") Participation

Participation by Unitholders in CAPREIT's DRIP is determined by factors such as CAPREIT's overall performance and also by many factors outside the control of management such as, but not limited to, market trends, general economic conditions and the liquidity and credit crisis. Declining DRIP participation may adversely affect funds available for distribution to Unitholders, to make interest and principal payments and make property capital investments. Additionally, such effects may adversely affect Unit prices.

Potential Conflicts of Interest

CAPREIT may be subject to various conflicts of interest because of the fact that certain of the trustees and officers of CAPREIT are engaged in a wide range of real estate and other business activities. CAPREIT may become involved in transactions which conflict with the interests of the foregoing.

The trustees may from time to time deal with persons, firms, institutions or corporations with which CAPREIT may be dealing, or which may be seeking investments similar to those desired by CAPREIT. The interests of these persons could conflict with those of CAPREIT. In addition, from time to time, these persons may be competing with CAPREIT for available investment opportunities.

David Ehrlich is President and Chief Executive Officer and a trustee of CAPREIT. He is also a Non-Executive Director of IRES as IRES Fund Management's nominee. This may give rise to conflicts of interest with his directorships of CAPREIT and IRES particularly in any dispute relating to the Investment Management Agreement or the Services Agreement. Voting restrictions have been put in place in the memorandum and articles of association of IRES to manage any conflicts of interest that may arise out of these roles and the Declaration of Trust also contains "conflict of interest" provisions (see "Conflict of Interest Restrictions and Provisions") but such conflicts of interest may still exist.

CAPREIT's Declaration of Trust contains "conflicts of interest" provisions requiring trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Dependence on Key Personnel

The success of CAPREIT depends to a significant extent on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although CAPREIT has entered into employment agreements with certain of its key employees, it cannot be certain that any of those persons will not voluntarily terminate his or her employment with CAPREIT.

The loss of an executive officer or other key employee could have a material adverse effect on the business, operating results or financial condition of CAPREIT.

Related to the Real Estate Industry

General Economic Conditions and Competition for Residents

All real property investments are subject to elements of risk. The real value of real property and any improvements thereto depend on the credit and financial stability of residents and upon the vacancy rates of such properties. The properties generate revenue through rental payments made by residents thereof. CAPREIT is affected by changes in general economic conditions (such as the availability and cost of mortgage funds), local real estate markets (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available rental premises, including new developments, and various other factors. If a significant number of residents are unable to meet their obligations under their leases or if a significant amount of available space in the properties become vacant and cannot be leased on economically favourable lease terms, cash available for distribution may be adversely affected.

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with CAPREIT in seeking residents. Competition for residents also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners and competition for CAPREIT's residents could have an adverse effect on CAPREIT's ability to lease suites in its properties and on the rents charged, and may increase leasing and marketing costs and refurbishing costs necessary to lease and release suites, all of which could adversely affect CAPREIT's revenues and, consequently, its ability to meet its obligations and pay distributions. For example, increased condominium construction in the GTA could impact the rental market and affect residential rental fundamentals. In addition, any increase in the supply of available rental accommodation in the markets in which CAPREIT operates or may operate could have an adverse effect on CAPREIT.

Furthermore, low interest rates may encourage residents to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting CAPREIT's business and profitability, including its financing costs.

Competition for Real Property Investments

CAPREIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by CAPREIT. A number of these investors may have greater financial resources than those of CAPREIT, or operate without the investment or operating restrictions of CAPREIT or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Acquisitions

CAPREIT's external growth prospects will depend in large part on identifying suitable acquisition opportunities that meet CAPREIT's investment criteria and satisfy its rigorous due diligence process. In addition, external growth prospects will be affected by competition for acquisition opportunities, the purchase price, ability to obtain adequate financing and financing on reasonable terms, consummating acquisitions (including obtaining necessary consents) and effectively integrating and operating the acquired properties. Acquired properties may not meet financial or operational expectations due to unexpected costs associated with acquiring the property, as well as the general investment risks inherent in any real estate investment or acquisition, including future refinancing risks. Moreover, newly acquired properties may require significant management attention or property capital investments that would otherwise be allocated to other properties. If CAPREIT is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected.

Acquisition agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of CAPREIT. CAPREIT's due diligence investigations and representations and warranties obtained from third party vendors may not adequately protect against these liabilities and any recourse against such vendors may be limited by the financial capacity of such vendors.

Development

CAPREIT is pursuing numerous development activities alone and with partners. These activities create development-specific risks, including: the risk of subcontractors placing liens on projects, construction delays, changes in rental market conditions, increasing costs, availability of financing, labour disputes, delays in obtaining municipal and regional approvals and disputes with development partners.

Cybersecurity Risk

Cyber-attacks have become increasingly common and could lead to unauthorized access and fraudulent activities surrounding confidential and personal information belonging to CAPREIT, and its tenants, vendors, and employees. A cyber-attack could cause financial fraud, compromise sensitive data or disrupt operations. This could result in direct losses to CAPREIT and to stakeholders, including tenants, employees, and third parties, as a result of litigation, identity theft, loss of revenue, remediation costs and regulatory investigation, and reputational damage to CAPREIT. CAPREIT employs a number of cybersecurity risk mitigation techniques. Access to data is controlled through physical security and IT security mechanisms and ongoing employee training. Additionally, CAPREIT maintains cybersecurity insurance coverage and continues to monitor and assess the risks surrounding collection, usage, storage, protection, and retention/destruction practices of personal data.

Foreign Operation and Currency Risks

The Irish and Dutch real estate markets differ from the Canadian environment and CAPREIT's experience and expertise in managing Canadian properties may not apply perfectly

to a foreign operation. Additionally, these foreign markets may differ from Canadian markets with respect to laws and regulations, economic conditions, and market norms. Operating success in these foreign markets will depend on CAPREIT's ability to recognize these differences and adapt its business model accordingly. CAPREIT's growth in foreign jurisdictions also requires management oversight and resources that may have been otherwise focused on its Canadian properties. Additionally, it is possible that CAPREIT's subsidiaries and involvement in foreign operations will expose CAPREIT to foreign currency risk, as CAPREIT's functional and presentation currency is the Canadian dollar, while the functional currency of CAPREIT's foreign operations and its investment in IRES is the euro.

8 - DESCRIPTION OF CAPITAL STRUCTURE AND GOVERNING POLICIES

8.1 General

CAPREIT is an unincorporated "open-end" real estate investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario.

8.2 Trust Units

The beneficial interests in CAPREIT are divided into three classes of trust units, described and designated as Trust Units. The aggregate number of Units and Special Voting Units which CAPREIT may issue is unlimited. The aggregate number of Preferred Units which CAPREIT may issue is limited to 25,840,600. There has not been any Preferred Units issuances to date. The Declaration of Trust provides that the Board of Trustees may create additional classes of units of CAPREIT having such attributes as may be ascribed from time to time provided that, other than Preferred Units, in no event, shall any such additional class of units contain any rights, terms or conditions which are more favourable than the rights terms and conditions attaching to the Units and Special Voting Units outstanding as of the date hereof. As at December 31, 2017, there were 138,067,945 Units (excluding 260,159 Deferred Units (as defined herein) and 521,980 RURs (as defined herein), but including 470,683 units issued under the LTIP (as defined below), 554,715 issued under the SELTIP (as defined below), and 130,655 Class B LP units of CAPLP that are exchangeable for Units of CAPREIT (the "**Exchangeable Securities**")) issued and outstanding and a further 1,077,977 Units are issuable pursuant to CAPREIT's Unit incentive plans, which consist of a Unit Option Plan, Employee Unit Purchase Plan, Deferred Unit Plan and RUR Plan (effective April 4, 2014, the Board of Trustees terminated CAPREIT's Unit Purchase Plan, SELTIP and LTIP (all as defined below)). The 130,655 Exchangeable Securities were issued as partial consideration for the acquisition of two MHCs in Ontario located near Bowmanville and Grand Bend (the "**Rice Portfolio**") pursuant to the terms of an exchange agreement dated July 9, 2007 between CAPREIT, CAPREIT GP Inc. and CAPLP. As at December 31, 2017, there were 130,655 Special Voting Units issued and outstanding. As of December 31, 2017, there were no Preferred Units issued and outstanding.

Units

Each Unit represents a Unitholder's proportionate undivided beneficial interest in CAPREIT, subject to the rights of Preferred Unitholders. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Each Unit confers the right to one vote at any meeting of Unitholders, except at a

meeting of Preferred Unitholders in specified circumstances, and, subject to the rights of Preferred Unitholders, to participate *pro rata* in any distributions by CAPREIT and, in the event of termination of CAPREIT, in the net assets of CAPREIT remaining after satisfaction of the rights of Preferred Unitholders and all liabilities. Units will be issued in registered form and are transferable. Issued and outstanding Units may be subdivided or consolidated from time to time by the Board of Trustees without Unitholder approval. No certificates or interests for fractional Units will be issued or credited, as applicable, and fractional Units will not entitle the holders thereof to vote.

Preferred Units

At CAPREIT's annual and special meeting of Unitholders and Special Unitholders held on May 25, 2016, Unitholders and Special Unitholders approved amendments to the Declaration of Trust to facilitate the issuance of a new class of preferred equity securities, issuable in series, being designated as the Preferred Units. The Preferred Units may be issued from time to time in one or more series, and the Board of Trustees may fix from time to time before such issue the number of Preferred Units which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Units and the currency thereof, including, without limiting the generality of the foregoing, any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of CAPREIT, and any sinking fund or other provisions. No Preferred Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Preferred Units will be issued in registered form and are transferable. Issued and outstanding Preferred Units may be subdivided or consolidated from time to time by the Board of Trustees without Preferred Unitholder approval. No certificates or interests for fractional Preferred Units will be issued or credited, as applicable, and fractional Preferred Units will not entitle the holders thereof to vote.

The Preferred Units of each series shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units) and the distribution of assets of CAPREIT or return of capital in the event of the liquidation, dissolution or winding-up of CAPREIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of CAPREIT among its Unitholders and Special Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and Special Voting Units, and over any other security of CAPREIT ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given such other preferences, not inconsistent with the Declaration of Trust, over the Units, Special Voting Units and any other securities of CAPREIT ranking by their terms junior to the Preferred Units, as may be fixed by the Board of Trustees.

If any cumulative distributions or amounts payable on the return of capital in respect of a series of Preferred Units are not paid in full, all series of Preferred Units of equal ranking shall participate rateably in respect of accumulated distributions and return of capital based on the accumulated distributions and return of capital of a series of Preferred Units as a proportion of the accumulated distributions and return of capital of all series of Preferred Units of equal ranking.

The terms of a particular series of Preferred Units as fixed by the Board of Trustees shall be set out in a “Certificate of Preferred Unit Terms” which certificate shall be approved by the Board of Trustees prior to the issue of such Preferred Units and, upon such approval, the certificate shall become a part of the Declaration of Trust.

Except as otherwise provided in the terms of a particular series of Preferred Units as fixed by the Board of Trustees, the Units, Special Voting Units or any series of Preferred Units shall not have or be deemed to have any term, condition, right or other attribute which would provide Unitholders, Special Unitholders or Preferred Unitholders of any series with an interest in the income of CAPREIT as a percentage in any distribution received by that Trust Unitholder that is greater or lesser than an interest in the income of CAPREIT as a percentage of any distribution received by the holder of any other Units, Special Voting Units or Preferred Units of any series. As of December 31, 2017, there were no Preferred Units issued and outstanding.

Special Voting Units

Holders of Special Voting Units are not entitled to any share of or interest in the distributions or net assets of CAPREIT. Special Voting Units may be issued in series and may only be issued in connection with or in relation to securities of any trust, limited partnership or corporation other than CAPREIT that are convertible or exchangeable directly for Units without the payment of additional consideration thereof (for example, the Exchangeable Units) (the “**Exchangeable Securities**”) issued and shall be automatically cancelled on the issuance of Units on exercise, conversion or cancellation of Exchangeable Securities. Subject to the restrictions set forth in the Declaration of Trust, each holder of Special Voting Units is entitled to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities to which such Special Voting Units relate are, directly or indirectly, exchangeable or convertible (other than in respect of Exchangeable Securities which have been so exchanged, converted or cancelled). Holders of Special Voting Units are not entitled to any distributions of any nature whatsoever from CAPREIT nor do they have any legal or beneficial interests in any assets of CAPREIT on termination or winding-up of CAPREIT.

8.3 Meetings of Trust Unitholders

The Declaration of Trust provides that meetings of Trust Unitholders entitled to vote must be called and held for the appointment, election or removal of trustees; the appointment or removal of the auditors of CAPREIT; the approval of amendments to the Declaration of Trust (except as described under “**Amendments to Declaration of Trust**” and except for any amendment resulting from or in connection with the issuance of any new series of Preferred Units or the conversion or reclassification of one series of Preferred Units into another series); provided that Preferred Unitholders shall not be entitled to vote on any amendment which directly or indirectly adds, removes or changes any of the rights, privileges, restrictions and conditions in respect of the Units; and further provided that any amendment which directly or indirectly adds, removes or changes in an adverse manner any of the rights, privileges, restrictions and conditions in respect of any series of Preferred Units cannot occur without the affirmative vote of at least two-thirds of the votes cast at a duly called and held meeting of the Preferred Unitholders of that series or those series so affected, except for in connection with the issuance of any new series of

Preferred Units or the conversion or reclassification of one series of Preferred Unit into another series), including the amendment of any right with respect to any outstanding Units or Preferred Units to reduce the amount payable thereon upon termination of CAPREIT or to diminish or eliminate any voting rights pertaining thereto, the amendment of the duration or termination provisions of CAPREIT and the amendment of the powers, duties, obligations, liabilities or indemnification of the trustees; the sale or transfer of the assets of CAPREIT as an entirety or substantially as an entirety other than as part of an internal reorganization of the assets of CAPREIT as approved by the Board of Trustees; and the termination of CAPREIT. Meetings of the Trust Unitholders entitled to vote will be held at such time and place as the Board of Trustees shall prescribe for the purpose of electing trustees, appointing the auditors of CAPREIT and transacting such other business as the Board of Trustees may determine or as may properly be brought before the meeting. The annual meeting of Trust Unitholders entitled to vote shall be held after delivery to the Trust Unitholders of the annual report and, in any event, within 180 days after the end of each fiscal year of CAPREIT, or such later date (not later than fifteen months after holding the last preceding annual meeting of the Trust Unitholders entitled to vote) as the Board of Trustees may determine is in the best interests of the Trust Unitholders, subject to the receipt of all applicable regulatory approvals.

A meeting of Trust Unitholders may be convened at any time and for any purpose by the Board of Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Trust Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Trust Unitholders have the right to obtain a list of Trust Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Canada Business Corporations Act*.

Trust Unitholders entitled to vote at a meeting may attend and vote at all meetings of Trust Unitholders either in person or by proxy and a proxy need not be a Trust Unitholder. Unitholders and Special Unitholders shall be entitled to vote at all meetings of Trust Unitholders, except at a class meeting of the Preferred Unitholders.

8.4 Purchases of Units and Preferred Units

Provided the holder thereof agrees or the terms of the Units or Preferred Units so provide, CAPREIT may from time to time purchase for cancellation Units or Preferred Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof. A Unitholder will not have the right at any time to require CAPREIT to purchase such Unitholder’s Units, except as described under “Right of Redemption” below (see “Market for Securities – Normal Course Issuer Bids”).

8.5 Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units or Special Voting Units, within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (or Special Voting Units, if the take-over bid is made for Special Voting

Units), other than Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror, are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) held by Unitholders who did not accept the offer either at the election of such Unitholders, on the terms offered by the offeror or at the fair value of such Unitholders' Units (or Special Voting Units, if the take-over bid is made for Special Voting Units) determined in accordance with the procedures set out in the Declaration of Trust. The take-over bid provisions of the Declaration of Trust shall apply *mutatis mutandis* to any series of Preferred Units that is the subject of a take-over bid (whether or not the Preferred Units are voting securities or equity securities for the purposes of the *Securities Act* (Ontario)).

8.6 Issuance of Trust Units

CAPREIT may issue new Trust Units from time to time. Trust Unitholders do not have any pre-emptive rights whereby additional Trust Units proposed to be issued are first offered to existing Trust Unitholders. New Units or Preferred Units may be issued for cash through public offerings, through rights offerings to existing Unitholders or Preferred Unitholders (i.e., in which Unitholders or Preferred Unitholders receive rights to subscribe for new Units or Preferred Units in proportion to their existing holdings of Units or Preferred Units, as applicable, which rights may be exercised or sold to other investors) or through private placements (i.e., offerings to specific investors which are not made generally to the public or existing Unitholders or Preferred Unitholders), except that Special Voting Units shall only be issued in connection with the issuance of Exchangeable Securities. In certain instances, CAPREIT may also issue new Trust Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which Trust Units may be issued will be determined by the Board of Trustees, and in the case of offerings of Units or Preferred Units, generally in consultation with investment dealers or brokers, if applicable, who may act as underwriters or agents in connection with such offerings.

8.7 Right of Redemption

Units (but not Preferred Units and Special Voting Units) are redeemable at any time on demand by the holders thereof upon delivery to CAPREIT of (i) the certificate or certificates representing such Units to be redeemed or (ii) written instructions as to the number of Units to be redeemed, accompanied by a duly completed and properly executed notice requesting redemption. A Unitholder not otherwise holding a registered Unit certificate that wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to CAPREIT and to CDS. No form or manner of completion or execution shall be sufficient unless the same is in all respects reasonably acceptable to the Board of Trustees and is accompanied by any further evidence that the Board of Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Upon receipt of the redemption request by CAPREIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of (i) 90% of the "market price" of

the Units on the principal market on which the Units are quoted for trading during the ten (10) trading day period ending on the date on which the Units are surrendered to CAPREIT for redemption; and (ii) the “closing market price” of the Units on the principal market on which the Units are quoted for trading on the date that the Units are surrendered to CAPREIT for redemption.

“**Market price**” will be an amount equal to the simple average of the closing price of the Units for each of the ten (10) trading days on the principal market on which the Units are quoted for trading and on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Units traded on a particular day, the market price shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five (5) of the ten (10) trading days, the “market price” shall be the weighted average of the following prices established for each of the ten trading days: the average last bid and last ask prices for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides for a closing price; and the weighted average of the highest and lowest price of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day. The “**closing market price**” on a particular day shall be an amount equal to the closing price of the Units if there was a trade on that day and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on that day; and the weighted average of the last bid and last ask prices of the Units if there was no trading on that day.

The aggregate cash Redemption Price payable by CAPREIT in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that (i) the total amount payable by CAPREIT in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that such limitation may be waived at the discretion of the Board of Trustees; (ii) at the time such Units are tendered for redemption the outstanding Units of CAPREIT shall be listed for trading on a stock exchange or traded or quoted on any other market which the Board of Trustees considers, in its sole discretion, provides representative fair market value prices for the Units; or (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which CAPREIT Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the ten day trading period commencing immediately after the date on which the Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for such Units shall be satisfied by the distribution *in specie* of certain securities held by CAPREIT, as determined by the Board of Trustees and, subject to any applicable regulatory approvals. No fractional securities owned by

CAPREIT (the “**Securities**”) will be distributed and where a number of Securities to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. CAPREIT shall be entitled to all income paid or accrued and unpaid on the Securities on or before the date of the distribution *in specie*. The holders of Securities will be subject to the provisions of all material agreements that relate to such Securities.

8.8 Limitation on Non-Resident Ownership

At no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units or Preferred Units, on a basic or fully-diluted basis (and for greater certainty, including Units into which Exchangeable Securities may be converted or exchanged), and the Board of Trustees shall inform the transfer agent and registrar of this restriction. The transfer agent and registrar, at the request of CAPREIT, shall require declarations as to the jurisdictions in which beneficial owners of Units or Preferred Units are resident. If the transfer agent and registrar becomes aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% of the Units or Preferred Units (on a basic or fully-diluted basis, including Units into which Exchangeable Securities may be converted or exchanged) are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar will advise the Board of Trustees and, upon receiving direction from the Board of Trustees, may make a public announcement thereof and shall not accept a subscription for Units or Preferred Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident and does not hold such Units or Preferred Units for the benefit of non-residents. If, notwithstanding the foregoing, the transfer agent and registrar determines that more than 49% of the Units or Preferred Units (on a basic or fully-diluted basis, including Units, Preferred Units into which Exchangeable Securities may be converted or exchanged) are held by non-residents, the transfer agent and registrar upon receiving direction and a suitable indemnity from the Board of Trustees, may send a notice to non-resident holders of the Units, Preferred Units or Exchangeable Securities, chosen in inverse order to the order of acquisition or registration or in such manner as the Board of Trustees may consider equitable and practicable, requiring them to sell their Units, Preferred Units or Exchangeable Securities or a portion thereof within a specified period of not more than 30 days. If the Unitholders or Preferred Unitholders receiving such notice have not sold the specified number of Units, Preferred Units or Exchangeable Securities or provided the Board of Trustees with satisfactory evidence that they are not non-residents within such period, the transfer agent and registrar may on behalf of such unitholders sell such Units, Preferred Units or Exchangeable Securities and, in the interim, shall suspend the voting and distribution rights attached to such Units, Preferred Units or Exchangeable Securities (other than the right to receive the net proceeds from the sale). Upon such sale or conversion, the affected holders shall cease to be Unitholders, Preferred Unitholders or Exchangeable Securities and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate, if any, representing such securities.

8.9 Information and Reports

CAPREIT will furnish to Trust Unitholders such consolidated financial statements (including quarterly and annual consolidated financial statements) and other reports as are from

time to time required by applicable law, including prescribed forms needed for the completion of Trust Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each annual or special meeting of Trust Unitholders, the Board of Trustees will provide the Trust Unitholders (along with notice of such meeting) with information similar to that required to be provided to shareholders of a public corporation governed by the *Canada Business Corporations Act*.

8.10 Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments (including termination of CAPREIT) require approval by at least two-thirds of the votes cast at a meeting of the Trust Unitholders called for such purpose by Trust Unitholders entitled to vote thereon. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of the Trust Unitholders called for such purpose by Trust Unitholders entitled to vote thereon.

The Board of Trustees may, without the approval of the Trust Unitholders, make certain amendments to the Declaration of Trust, including:

- amendments for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Board of Trustees or over CAPREIT, its status as a "mutual fund trust", a "registered investment" or, if applicable, a "real estate investment trust" under the Tax Act or the distribution of Units or Special Voting Units;
- amendments which, in the opinion of the Board of Trustees, provide additional protection for the Trust Unitholders;
- amendments, which in the opinion of the Board of Trustees, are necessary or desirable to remove any conflicts or inconsistencies in the Declaration of Trust;
- amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments in the opinion of the Board of Trustees are necessary or desirable and not prejudicial to the Trust Unitholders;
- such amendments to the Declaration of Trust as the Board of Trustees in its discretion deems necessary or desirable as a result of changes in taxation laws or accounting standards from time to time which may affect CAPREIT, Trust Unitholders or annuitants under a plan of which a Trust Unitholder acts as a trustee or carrier;
- amendments, which in the opinion of the Board of Trustees, are not prejudicial to Trust Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Trust Unitholder vote is specifically otherwise required); and

- amendments, which in the opinion of the Board of Trustees, are necessary or desirable to enable CAPREIT to issue Trust Units for which the purchase price is payable on an instalment basis, as permitted pursuant to section 5.4 (Consideration of Units) of the Declaration of Trust.

8.11 Term of CAPREIT and Sale of Substantially All Assets

CAPREIT has been established for an indefinite term. Pursuant to the Declaration of Trust, termination of CAPREIT or the sale or transfer of the assets of CAPREIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of CAPREIT as approved by the Board of Trustees) requires approval by at least two-thirds of the votes cast at a meeting of the Trust Unitholders entitled to vote thereon.

8.12 Unitholders' Rights Plan

CAPREIT has established an amended and restated Unitholders' rights plan agreement (the "**Rights Plan**"). The Rights Plan utilizes the mechanism of a permitted bid (a "**Permitted Bid**") (as hereinafter described) to ensure that a person seeking control of CAPREIT gives Unitholders and the Board of Trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and must be open for 105 days after the bid is made or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* ("**MI 62-104**") must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104. If more than 50% of the Units held by Independent Unitholders (as hereinafter defined) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units. The take-over bid must then be extended for a further period of ten days on the same terms to allow those Unitholders who did not initially tender their Units to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 105-day period, or such shorter period as permitted by MI 62-104, because the bid must be open for acceptance for at least a further ten days after the expiry of the initial tender period. The intention of the Rights Plan is to make it impractical for any person to acquire more than 20% of the outstanding Units without the approval of the Board of Trustees, except pursuant to the Permitted Bid procedures or pursuant to certain other exemptions outlined below. Management believes that the Rights Plan, taken as a whole, should not be an unreasonable obstacle to a serious bidder willing to make a bona fide and financially fair offer open to all Unitholders while permitting the Board of Trustees to fully consider the bidder's offer and, if appropriate, investigate and pursue alternatives.

The terms of the Rights Plan were established on a basis that takes account of concerns previously expressed by institutional investors with respect to certain of the provisions of such plans. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons (see "Portfolio Managers" below).

Summary

The following is a summary of the principal terms of the Rights Plan. The provisions of the Rights Plan shall apply *mutatis mutandis* to Special Voting Units and any series of Preferred Units that are the subject of a take-over bid.

Term

At CAPREIT's annual and special meeting of Trust Unitholders held on May 25, 2016, Unitholders reconfirmed and approved amendments to the Rights Plan. The Rights Plan must be reconfirmed and approved by a resolution passed by a majority of the votes cast by Independent Trust Unitholders who vote in respect of such reconfirmation and approval at a meeting of Unitholders to be held not later than the date of CAPREIT's 2019 annual meeting of Trust Unitholders (or any adjournment or postponement thereof) and thereafter at such meeting to be held, *mutatis mutandis*, every three years thereafter.

Issue of Rights

One right (a "**Right**") has been issued in respect of each Trust Unit outstanding at the Record Time (as defined in the Rights Plan) and one Right has and will be issued in respect of each Unit issued after the Record Time and prior to the Separation Time (as defined below). The initial exercise price of each Right is: (i) until the Separation Time, an amount equal to three times the Market Price (as defined in the Rights Plan), from time to time per Trust Unit and (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Trust Unit (the "**Exercise Price**"), subject to appropriate anti-dilution adjustments.

Rights Exercise Privilege

The Rights will separate from the Trust Units to which they are attached and will become exercisable at the time (the "**Separation Time**") that is ten trading days after the earlier of: (i) a person having acquired, or (ii) the commencement or announcement date in respect of a take-over bid to acquire, 20% or more of the Trust Units of CAPREIT, other than by an acquisition pursuant to a Permitted Bid.

The acquisition by a person (an "**Acquiring Person**"), including persons acting in concert, of 20% or more of the Trust Units of CAPREIT, other than by way of a Permitted Bid in certain circumstances, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by CAPREIT or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Trust Units, reported earnings per Trust Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on the certificates for Trust Units (or by a legend included in the registration record of book-entry form Units) and will not be transferable separately from the attached Trust Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates or by book-entry form registration, which will be transferable and traded separately from the Trust Units.

Permitted Bid Requirements

The requirements of a Permitted Bid include the following:

- The take-over bid must be made by way of a take-over bid circular.
- The take-over bid must be made to all holders of Trust Units (or instalment receipts related to Trust Units, if any), other than the bidder.
- The take-over bid must contain, and the provisions for the take-up and payment for securities tendered or deposited thereunder must be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the take-over bid prior to the close of business on a date which is not less than 105 days following the date of the take-over bid or such shorter period that a take-over bid (that is not exempt from the requirements of Division 5: Bid Mechanics of MI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to MI 62-104.
- The take-over bid must contain irrevocable and unqualified provisions that securities may be deposited pursuant to the take-over bid at any time prior to the close of business on the date of first take-up or payment for securities and that all securities deposited pursuant to the take-over bid may be withdrawn, unless restricted by law, at any time prior to the close of business on such date.
- The take-over bid must contain, and the provisions for take-up and payment for securities tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no securities shall be taken up or paid for pursuant to the take-over bid unless, at such date, more than 50% of the outstanding Trust Units held by Independent Trust Unitholders (defined below), determined as at the close of business on the date of first take-up or payment for securities under the take-over bid, have been deposited or tendered to the take-over bid and not withdrawn.
- The take-over bid must contain an irrevocable and unqualified provision that in the event that more than 50% of the Trust Units held by Trust Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the “**Independent Trust Unitholders**”) are deposited to the take-over bid and not withdrawn as at the close of business on the date of first take-up or payment for securities under the take-over bid, the offeror will make a public announcement of that fact and the take-over bid will remain open for deposits and tenders of securities for not less than 10 days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid (other than the requirements set out in clause (ii) of that definition in the Rights Plan) and contain, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Trust Units will be taken up or paid for pursuant to the take-over bid prior to the close of business on the date that is no earlier than the minimum number of days such take-over bid must remain open for deposits of securities thereunder pursuant to MI 62-104 after the date of the take-over bid constituting the Competing Permitted Bid.

Waiver and Redemption

The Board of Trustees acting in good faith may, with the consent of the Trust Unitholders (or instalment receipts related to Trust Units, if any), prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event. At any time prior to the occurrence of a Flip-in Event, the Board of Trustees may, at their option, redeem all, but not less than all, of the then outstanding Rights at a price of \$0.00001 each.

Waiver of Inadvertent Flip-in Event

The Board of Trustees acting in good faith may, in respect of any Flip-in Event, waive the application of the Rights Plan to that Flip-in Event, provided that (i) the Board of Trustees have determined that the Acquiring Person became an Acquiring Person by inadvertence and without any intent or knowledge that it would become an Acquiring Person, and (ii) such Acquiring Person has reduced its beneficial ownership of Trust Units (or instalment receipts related to Units, if any) such that at the time of waiver it is no longer an Acquiring Person.

Portfolio Managers

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

Supplement and Amendments

CAPREIT is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or, subject to certain exceptions, which are required to maintain the validity of the Rights Plan as a result of any changes in law or regulation.

General

Until a Right is exercised, the holders thereof, as such, will have no rights as a Trust Unitholder.

9 - EQUITY INCENTIVE PLANS

9.1 Active Plans

(1) Restricted Unit Rights Plan

CAPREIT has adopted a restricted unit rights plan (the “**RUR Plan**”) as the primary plan through which long-term incentive compensation will be awarded. The Human Resources and Compensation Committee of the Board of Trustees may award restricted unit rights (“**RURs**”), subject to the attainment of specified performance objectives to certain officers and key employees, collectively the “**Participants**”. The purpose of the RUR Plan is to provide its Participants with additional incentive and to further align the interest of its Participants with Unitholders through the use of RURs which, upon vesting, are exercisable for Units. RUR Plan Units will be issued from treasury upon vesting.

The RURs earn notional distributions in respect of each distribution paid on RURs commencing from the grant date and such notional distributions are used to calculate additional RURs (“**Distribution RURs**”), which are accrued for the benefit of the Participants. The Distribution RURs are credited to the Participants only when the underlying RURs upon which the Distribution RURs are earned become vested.

The maximum available for future issuance under all Unit incentive plans as at December 31, 2017 was 9,500,000 Units. As at December 31, 2017, 521,980 RURs were issued and outstanding under the RUR Plan.

(2) Employee Unit Purchase Plan

CAPREIT has adopted an employee unit purchase plan (“**Employee Unit Purchase Plan**”) that is available to certain full-time employees and senior officers of CAPREIT (a “**Participant**”). Under the terms of the Employee Unit Purchase Plan, each Participant is entitled to acquire a number of Units up to a maximum of 10% of their respective annual salary from payroll deductions. A Participant may not assign, transfer or dispose of his interest in the Employee Unit Purchase Plan and CAPREIT reserves the right to amend or terminate the Employee Unit Purchase Plan at any time. Units issuable under the Employee Unit Purchase Plan will be issued at the weighted average trading price of the Units on the TSX for the five trading days immediately preceding the date of issue. In addition, Participants (including “**insiders**”) receive an additional amount equal to 20% of the Units purchased pursuant to the Employee Unit Purchase Plan, which amount is automatically paid in the form of additional Units at the time of purchase of Units. The maximum available for future issuance under all Unit incentive plans as at December 31, 2017 was 1,077,977 Units. As at December 31, 2017, 46,833 Units have been issued under the Employee Unit Purchase Plan.

(3) Deferred Unit Plan

CAPREIT has adopted a deferred unit plan (the “**Deferred Unit Plan**”) to promote a greater alignment of interests between the non-executive trustees of CAPREIT and Unitholders.

Under the terms of the Deferred Unit Plan, non-executive trustees have 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 Human Resources and Compensation Committee of the Board of Trustees, 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 2017 is 100% of a trustee’s annual board compensation.

Under no circumstances shall Deferred Units be considered Units nor entitle a participant to any Unitholder rights, including, without limitation, voting rights, distribution entitlements (other than as described below) or rights on liquidation. One Deferred Unit is equivalent in value to one Unit.

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 and redeem them for Units at any one time or from time to time in any five-year period (a “**Redemption Period**”). The Redemption Period commences on the date the Deferred Units are first credited to a trustee’s Deferred Unit account and expires on the fifth anniversary thereof; with each subsequent Redemption Period occurring in five-year increments thereafter. In the event that a trustee does not elect to withdraw up to a total of twenty percent (20%) of the Deferred Units credited to his Deferred Unit account and redeem them for Units during a Redemption Period, the remaining balance of up to twenty percent (20%) of the Deferred Units credited to his Deferred Unit account at the end of such Redemption Period shall be carried forward to the next Redemption Period. Upon withdrawal, one Unit is issued for each withdrawn Deferred Unit.

The maximum available for future issuance under all Unit incentive plans as at December 31, 2017 was 1,077,977 Units. As at December 31, 2017, 260,159 Deferred Units have been issued and were outstanding under the Deferred Unit Plan.

In 2016, the Board of Trustees made certain amendments to the Deferred Unit Plan to: (i) permit a trustee to elect to withdraw up to twenty percent (20%) of the Deferred Units credited to his Deferred Unit account at any one time or from time to time in any five-year period and (ii) permit a trustee to carry forward the remaining balance of up to twenty percent (20%) of the Deferred Units credited to his Deferred Unit account not redeemed at the end the five-year period to the next five-year period.

(4) **Unit Option Plan**

CAPREIT has adopted a Unit option plan (the “**Unit Option Plan**”). Participation in the Unit Option Plan is restricted to (i) trustees, officers and employees of CAPREIT, (ii) persons or companies engaged to provide ongoing management or consulting services for CAPREIT, and

(iii) personal holding companies or family trusts of any persons referred to in (i) and (ii), all as approved by the Human Resources and Compensation Committee of the Board of Trustees. Options have a maximum term of ten years and are exercisable at a price not less than the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the date of that grant, except with respect to any options issued to Thomas Schwartz, the former president and chief executive officer, relating to an equity offering, which are exercisable at the greater of the price the Units are issued under such equity offering and the market price. The maximum available for future issuance under all Unit incentive plans as at December 31, 2017 was 1,077,977 Units. As at December 31, 2017, options in respect of 3,854,212 Units have been granted (of which 2,590,250 were exercised, cancelled or expired and 1,263,962 are outstanding) under the Unit Option Plan. The Board of Trustees' current policy is not to award any further options under the Unit Option Plan.

(5) **Executive RRSP Plan**

The CAPREIT Executive Registered Retirement Savings Plan (the "**RRSP Plan**") was established in 2008 in order to assist designated executives in accumulating retirement savings.

Under the RRSP Plan, CAPREIT or one of its affiliates may make contributions on designated executives' behalf, in such amounts and in such years as it determines at its sole discretion. The contributions will be deposited into participants' self-directed RRSP accounts to be used solely for purposes of the RRSP Plan. It is CAPREIT's general expectation that RRSP Plan contributions will be made annually and equal to 5 percent of participating executives' base salary, subject to applicable Tax Act limitations. However, there is no guarantee that contributions will be made in any particular year or that any contributions which are made will equal any specific amount. Without limiting the generality of the foregoing, the making of contributions or the level thereof in any given year may depend on CAPREIT and/or individual performance in that year.

9.2 Terminated Plans

(1) **Senior Executive Long-Term Incentive Plan**

CAPREIT adopted a senior executive long-term incentive plan (the "**SELTIP**") that was available to the former Chief Executive Officer and former Chief Financial Officer of CAPREIT and such other persons as the Compensation and Governance Committee of the Board of Trustees (constituted at the time) may from time to time direct (the "**SELTIP Participants**"). The SELTIP was intended to facilitate long-term ownership of Units by the SELTIP Participants and to provide SELTIP Participants with additional incentives by increasing their interest, as owners, in CAPREIT. The Compensation and Governance Committee of the Board of Trustees (constituted at the time) was able to award SELTIP Units, subject to the attainment of specified performance objectives, to SELTIP Participants. The SELTIP Participants can subscribe for Units of CAPREIT at a purchase price equal to the weighted average trading price of the Units on the TSX for five trading days prior to issuance. SELTIP Participants who were non-executive trustees were permitted to participate in the SELTIP, provided that no such trustee was at any time to be issued Units under the SELTIP which would result in the non-executive trustees collectively holding an aggregate number of Units (including Units issuable pursuant to the exercise of options granted

pursuant to CAPREIT's Unit Option Plan) in excess of 0.5% of the aggregate number of Units, on a non-diluted basis, outstanding from time to time. The purchase price is payable in instalments, with an initial instalment of 5% paid when the Units were issued. The balance of the beneficial ownership of the SELTIP Units is represented by instalment receipts issued by CAPREIT (the "**SELTIP Instalment Receipts**") which are due over a term not exceeding thirty years. Participants are required to pay interest at a thirty-year fixed rate based on CAPREIT's fixed borrowing rate for long-term mortgage financing and are required to apply cash distributions received by them on these Units toward the payment of interest and principal instalments 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 SELTIP Participants. On the thirtieth anniversary of the date of issuance of the SELTIP Units, the SELTIP Participants must pay the balance, if any, of the principal in respect of SELTIP Instalment Receipts. SELTIP Participants may pre-pay any remaining instalments at their discretion. The SELTIP Instalment Receipts are non-recourse to the SELTIP Participants and are secured by the Units as well as the distributions on the Units. If a SELTIP Participant fails to pay interest and/or principal, CAPREIT may elect to re-acquire or sell the pledged Units in satisfaction of the outstanding amounts. As at December 31, 2017, 817,914 Units have been issued under the SELTIP and 554,715 Units were still outstanding under the SELTIP. Of the 817,914 Units issued, includes 672,084 Units originally issued to CAPREIT's former Chief Executive Officer and its former Chief Financial Officer pursuant the LTIP (as defined below) that were, effective August 21, 2007, "converted" to Units on the terms and conditions of the SELTIP, pursuant to a resolution of Unitholders at the Annual and Special Meeting of Unitholders of CAPREIT held on May 23, 2007. On April 4, 2014, the SELTIP was terminated by the Board of Trustees, although awards previously granted under the SELTIP remain outstanding.

(2) **Long-Term Incentive Plan**

CAPREIT adopted a long-term incentive plan (the "**LTIP**") that was available to certain trustees, officers and employees of CAPREIT ("**LTIP Participants**"). The objective of the LTIP was to encourage increased long-term equity participation in CAPREIT by LTIP Participants. The Compensation and Governance Committee of the Board of Trustees (constituted at the time) were able to award LTIP Units, subject to the attainment of specified performance objectives to LTIP Participants. The LTIP Participants could subscribe for Units of CAPREIT at a purchase price equal to the weighted average trading price of the Units on the TSX for five trading days prior to issuance. Non-executive trustees were permitted to participate in the LTIP, provided that no such trustee was to at any time be issued Units under the LTIP which would result in the non-executive trustees collectively holding an aggregate number of Units (including Units issuable pursuant to the exercise of options granted pursuant to CAPREIT's Unit Option Plan) in excess of 0.5% of the aggregate number of Units, on a non-diluted basis, outstanding from time to time. The purchase price is payable in instalments, with an initial instalment of 5% paid when the Units were issued. The balance of the beneficial ownership of the LTIP Units is represented by instalment receipts issued by CAPREIT (the "**Instalment Receipts**") which are due over a term not exceeding fifteen years. Participants are required to pay interest at a ten-year fixed rate based on CAPREIT's fixed borrowing rate for long-term mortgage financing for the first ten years following the issuance of the Instalment Receipts, and are required to pay interest at the five-year fixed rate based on CAPREIT's fixed borrowing rate for long-term mortgage financing thereafter. Participants are

required to apply cash distributions received by them on these Units towards the payment of interest and remaining instalments. Participants may pre-pay any remaining instalments at their discretion. The Instalment 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 re-acquire or sell the pledged Units in satisfaction of the outstanding amounts. As at December 31, 2017, 1,682,927 have been issued under the LTIP and 470,683 Units were still outstanding under the LTIP. On April 4, 2014, the LTIP was terminated by the Board of Trustees, although awards previously granted under the LTIP remain outstanding.

10 - INVESTMENT RESTRICTIONS AND OPERATING POLICIES

10.1 Investment Restrictions

The Declaration of Trust provides for certain restrictions on investments which may be made by CAPREIT. The assets of CAPREIT may be invested only in accordance with the following restrictions:

- (a) CAPREIT shall focus its activities primarily on the acquisition, holding, developing, maintaining, improving, leasing, or management of income producing real property with an emphasis on real property which is being utilized or intended to be utilized to provide living accommodation (the “**Focus Activities**”);
- (b) notwithstanding anything else contained in the Declaration of Trust, CAPREIT shall not make any investment, take any action or omit to take any action that would result in Trust Units not being units of a “mutual fund trust” within the meaning of the Tax Act, that would result in Units being disqualified for investment by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans or that would, if CAPREIT is a registered investment within the meaning of the Tax Act, result in CAPREIT paying a tax under the registered investment provisions of the Tax Act imposed for exceeding certain investment limits;
- (c) CAPREIT may, directly or indirectly, make such investments, do all such things and carry out all such activities as are necessary or desirable in connection with the conduct of its activities provided they are not otherwise specifically prohibited under the Declaration of Trust;
- (d) CAPREIT may invest in freehold, leasehold, or other interests in property (real, personal, moveable or immovable);
- (e) CAPREIT may make its investments and conduct its activities directly or indirectly through an investment in one or more persons on such terms as the Board of Trustees may from time to time determine;

- (f) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, or money market instruments of, or guaranteed by, a Canadian bank listed on Schedule I to the *Bank Act* (Canada) maturing prior to one year from the date of issue, CAPREIT may not hold securities other than securities of a person:
 - (i) acquired in connection with the carrying on, directly or indirectly, of CAPREIT's activities or the holding of its assets; or
 - (ii) which focuses its activities primarily on Focus Activities and ancillary activities;
- (g) CAPREIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (h) CAPREIT shall not acquire any interest in a single real property if, after giving effect to the proposed acquisition, the cost to CAPREIT of such acquisition (net of the amount of acquisition debt) will exceed 20% of CAPREIT's Adjusted Unitholders' Equity (as defined in the Declaration of Trust);
- (i) CAPREIT may invest in operating businesses;
- (j) CAPREIT may invest in mortgages and mortgage bonds (including a participating or convertible mortgage) where the aggregate amount of such investments after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity; and
- (k) notwithstanding any other provision of the Declaration of Trust but subject always to (b) above, CAPREIT may make investments not otherwise permitted under the Declaration of Trust, provided the aggregate amount of such investments (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by CAPREIT and secured by a mortgage on such property) will not exceed 20% of the Adjusted Unitholders' Equity of CAPREIT after giving effect to the proposed investment.

10.2 Operating Policies

The Declaration of Trust provides that the operations and affairs of CAPREIT shall be conducted in accordance with the following policies:

- (a) CAPREIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 - *Mutual Funds*, as amended from time to time;

- (b) (i) any written instrument creating an obligation which is or includes the granting by CAPREIT of a mortgage, and (ii) to the extent the Board of Trustees determines to be practicable and consistent with its fiduciary duty to act in the best interests of the Trust Unitholders, any written instrument which is, in the judgment of the Board of Trustees, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the trustees, Trust Unitholders, annuitants under a plan of which a Trust Unitholder acts as a trustee or carrier, or officers, employees or agents of CAPREIT, but that only property of CAPREIT or a specific portion thereof shall be bound; CAPREIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by CAPREIT upon the acquisition of real property;
- (c) CAPREIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of CAPREIT (including the amount then advanced under the Credit Facilities) would be more than 70% of the Gross Book Value, unless a majority of the trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of CAPREIT. For the purposes of this subparagraph, "indebtedness" means (without duplication) on a consolidated basis:
- (i) any obligation of CAPREIT for borrowed money (other than under the Credit Facilities),
 - (ii) any obligation of CAPREIT (other than under the Credit Facilities) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions,
 - (iii) any obligation of CAPREIT issued or assumed as the deferred purchase price of property, and
 - (iv) any capital lease obligation of CAPREIT;

provided that (A) for the purposes of (i) through (iv), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of CAPREIT in accordance with generally accepted accounting principles, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, security deposits, distributions payable to Unitholders or Preferred Unitholders, contingent liabilities and accrued liabilities arising in the ordinary course, and (C) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding;

- (d) CAPREIT shall obtain an independent appraisal of each real property that it intends to acquire;
- (e) CAPREIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of CAPREIT and the accidental loss of value of the assets of CAPREIT from risks, in amounts, with such insurers, and on such terms as the Board of Trustees considers appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- (f) unless the Board of Trustees determines it is not necessary, CAPREIT shall have conducted a Phase I environmental audit of each real property to be acquired by it and, if the Phase I environmental audit report recommends that further environmental audits be conducted, CAPREIT shall have conducted such further environmental audits, in each case by an independent and experienced environmental consultant; such audit, as a condition to any acquisition, shall be satisfactory to the Board of Trustees.

10.3 Amendments to Investment Restrictions and Operating Policies

Pursuant to the Declaration of Trust, all of the investment restrictions set out under the headings “Investment Restrictions” and the operating policies set out under the heading “Operating Policies” may be amended only with the affirmative vote of at least two-thirds of the votes cast at a meeting of Trust Unitholders duly called and held by Trust Unitholders entitled to vote thereon, except for amendments, which in the opinion of the Board of Trustees, are not prejudicial to Trust Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Trust Unitholder vote is specifically otherwise required).

11 - DISTRIBUTIONS

11.1 Distribution Policy

The following outlines the distribution policy of CAPREIT as contained in the Declaration of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Trust Unitholders entitled to vote thereon.

Distributions are determined by the Board of Trustees. All declared distributions are due and payable on or about the 15th day of each month with the exception of the year end distribution which is payable on December 31st and due on January 15th of the immediately following year. Distributions may be adjusted for amounts paid in prior periods. Unitholders of record at the close of business on the distribution record date in respect of a month shall be entitled to receive proportionately any distribution declared payable by the Board of Trustees for such month, subject to the preferential entitlements of Preferred Unitholders.

Distributions are made in cash or Units pursuant to any distribution reinvestment plan or Unit purchase plan.

CAPREIT shall pay or declare payable to Preferred Unitholders of each series as may from time to time be issued and outstanding, and such Preferred Unitholders will have a right to receive, such portion of the income of CAPREIT as the Board of Trustees have determined to distribute to such Preferred Unitholders as prescribed by the rights, privileges, restrictions and conditions established by the Board of Trustees on the creation of such series of Preferred Units. For so long as any Preferred Units remain issued and outstanding, CAPREIT shall not pay or declare payable any amount to Unitholders (other than amounts that are paid solely through the issuance of additional Units) unless and until the distribution entitlements of the Preferred Units have been paid in full.

The cost for Canadian tax purposes of Units or Preferred Units held by a Canadian resident Unitholder or Preferred Unitholder will generally be reduced by the non-taxable portion of distributions made to the Unitholder or Preferred Unitholder, as applicable, other than the non-taxable portion of certain capital gains. A Unitholder or Preferred Unitholder will generally realize a capital gain to the extent that the Unitholder's or Preferred Unitholder's tax cost of his or her Units or Preferred Units, as applicable, would otherwise be a negative amount. Unitholders and Preferred Unitholders should seek advice from their respective tax advisors with respect to any specific tax matters.

11.2 Cash Distributions

For January 2015 – April 2015, the annualized distribution was \$1.18 per Unit payable monthly. For the months May 2015 – May 2016, the annualized distribution was \$1.22 per Unit payable monthly. For the months June 2016 – February 2017, the annualized distribution was \$1.25 per Unit payable monthly. For the months of March 2017 to December 2017, the annualized distribution was \$1.28 per Unit payable monthly. In determining the amount of monthly cash distributions, the Board of Trustees relies upon cash flow information, including NFFO, and management forecasts and budgets.

11.3 Distribution Reinvestment Plan

CAPREIT has established a DRIP. Under the DRIP, a participant may purchase additional Units with the cash distributions paid on the eligible Units which are registered in the name of the participant or held in a participant's account maintained pursuant to the DRIP. Each participant will also receive a right to receive an additional amount equal to 5% of their monthly distributions reinvested pursuant to the DRIP, which amount shall automatically be paid on each Distribution Date in the form of additional Units. The price at which Units will be purchased with cash distributions will be the weighted average of the trading price for Units of CAPREIT on the TSX for the five trading days immediately preceding the relevant Distribution Date. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP. Full investment of participants' funds is possible under the DRIP because the DRIP permits fractions of Units as well as whole Units to be purchased and held for participants. Distributions in respect of whole Units and fractions of Units acquired under the DRIP will be held by the agent for the DRIP for the participants' account and automatically invested under the DRIP in additional Units. For the year ended December 31, 2017, the average participation rate in the DRIP was approximately 30.7% of Units outstanding compared to 33.2% for the year ended December 31, 2016.

12 - MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of results of operations and financial position of CAPREIT for the year ended December 31, 2017 is incorporated herein by reference.

13 - MARKET FOR SECURITIES

Trading Price and Volume

Units of CAPREIT are listed and posted for trading on the TSX under the symbol "CAR.UN". As at December 31, 2017, there were 137,937,290 Units (excluding 260,159 Deferred Units and 521,980 RURs) issued and outstanding. The following table indicates the high and low trading price and the volume of the Units traded on the TSX on a monthly basis for the year ended December 31, 2017:

Date	High	Low	Volume Traded
January	32.29	30.95	5712343
February	32.49	31.27	4021599
March	33.55	31.36	5574663
April	34.79	32.85	4451788
May	34.00	33.07	4639080
June	34.20	33.31	3624262
July	33.66	32.03	3281970
August	34.40	32.30	3829602
September	34.55	33.14	3675575
October	34.87	33.82	5450369
November	37.44	34.01	4597487
December	37.94	36.42	3616920

14 - MANAGEMENT OF CAPREIT, TRUSTEES AND EXECUTIVE OFFICERS

14.1 General

The investment policies and operations of CAPREIT are subject to the control and direction of the trustees, a majority of whom must be independent trustees (as defined in NI 58-101). All of the Trustees of CAPREIT, other than Mr. Ehrlich who is the President and Chief Executive Officer and a trustee of CAPREIT and a trustee of IRES, are independent. Trustees hold office for a term ending following the annual meeting subsequent to the annual meeting at which they were elected by Trust Unitholders entitled to vote.

14.2 Trustees and Executive Officers

The name, province of residence, office held with CAPREIT, principal occupations held during the preceding 5 years and the period during which each trustee or executive officer has served are as follows:

Name and Place of Residence	Office	Principal Occupations during preceding five years	Year first became a Trustee or Executive Officer	Number of Units, Deferred Units and RURs beneficially owned, controlled or directed, directly or indirectly as at December 31, 2017 ⁽¹⁾
David Ehrlich Toronto, Ontario, Canada	President and Chief Executive Officer and a Trustee	President and Chief Executive Officer of CAPREIT, Chief Executive Officer and Executive Director of Irish Residential Properties REIT plc, Corporate Director and former partner at Stikeman Elliott LLP (a law firm)	2013	6,040 Units 24,160 Deferred Units 18,528 RURs
Michael Stein ⁽⁴⁾ Toronto, Ontario, Canada	Chairman and a Trustee	Chairman and Chief Executive Officer of MPI Group Inc. (a real estate investment and development company)	1997	554,905 Units 63,879 Deferred Units
Harold Burke ⁽⁵⁾ Toronto, Ontario, Canada	Trustee	Senior Vice President of Taxation, Dream Asset Management Corporation (Formerly Dundee Realty Corporation, an integrated real estate asset manager and developer)	2010	25,961 Deferred Units
Paul Harris ^{(2) (3) (5)} Montréal, Québec, Canada	Trustee	Corporate Director and former partner at Davies, Ward, Phillips & Vineberg LLP (a law firm)	1998	55,000 Units 60,744 Deferred Units
Gina Parvaneh Cody ^{(4) (5)} Toronto, Ontario, Canada	Trustee	Corporate Director and former President and principal of Construction Control Inc.	2017	17,500 Units 2,613 Deferred Units
Stanley Swartzman ^{(2) (3) (4) (6)} Toronto, Ontario, Canada	Lead Trustee	Corporate Director, and Former Vice President, Real Estate and Store Planning, Sears Canada (a national retailer)	1997	87,550 Units 55,903 Deferred Units

Name and Place of Residence	Office	Principal Occupations during preceding five years	Year first became a Trustee or Executive Officer	Number of Units, Deferred Units and RURs beneficially owned, controlled or directed, directly or indirectly as at December 31, 2017 ⁽¹⁾
Elaine Todres ⁽²⁾ ⁽³⁾ Toronto, Ontario, Canada	Trustee	Chief Executive Officer of Todres Leadership Counsel (a consultancy company)	2013	3,000 Units 26,899 Deferred Units
Mark Kenney Newmarket, Ontario, Canada	Chief Operating Officer	Chief Operating Officer of CAPREIT	2002	156,758 Units 162,891 RURs
Scott Cryer Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of CAPREIT and former Vice President, Financial Reporting of CAPREIT	2011	6,191 Units 61,611 RURs

Notes:

- (1) Individual trustees and executive officers have furnished information as to Units beneficially owned, or controlled or directed, directly or indirectly, by them. The number of Units includes, among other things, LTIP and SELTIP units, as applicable.
- (2) Member of Human Resources and Compensation Committee.
- (3) Member of the Governance and Nominating Committee.
- (4) Member of Investment Committee.
- (5) Member of Audit Committee.
- (6) Mr. Swartzman currently acts as the Lead Trustee of the Board of Trustees.

Based on information provided by such persons, as of December 31, 2017, the trustees and executive officers of CAPREIT, as a group, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 1,390,133 Units of CAPREIT, representing approximately 1.0% of CAPREIT's issued and outstanding Units.

The nature and extent of the experience of the trustees and executive officers of CAPREIT in the real estate industry and their principal occupations during the last five years and their current public board memberships are as follows.

David Ehrlich is President and Chief Executive Officer of CAPREIT. Mr. Ehrlich was previously the Chief Executive Officer and an Executive Director of IRES, a real estate investment trust with investments in multi-unit residential properties in Ireland, since April 2014. Prior to this, Mr. Ehrlich was a senior partner in the Toronto office of the law firm Stikeman Elliott LLP where he was a member of both the corporate and real estate groups until December 2013. During his career of over 30 years, his practice was focused on real estate and structured finance, including public real estate securities. Mr. Ehrlich has been actively involved with real estate investment trusts since their inception in Canada, acting for both issuers and underwriters in numerous transactions. He has also been involved with some of Canada's largest REIT merger and acquisition transactions.

Michael Stein has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Mr. Stein also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is a director of FirstService Corporation (TSX/NASDAQ), a director of McEwan Mining Inc. (TSX/NYSE) and Chairman of the board of directors of Cliffside Capital Ltd. (TSX-V). In 2012, Mr. Stein was appointed to the Board of Directors of City Financial Investment Company Limited, a United Kingdom FCA-regulated asset management company that is also registered as an Investment Adviser firm with the Securities and Exchange Commission. Between 2000 and 2006, Mr. Stein was a member of the Board of Directors of Goldcorp Inc., a public natural resource company the shares of which are listed on the TSX and New York Stock Exchange. Between 1978 and 1987, Mr. Stein held progressively senior positions, ultimately holding the position of Executive Vice President responsible for operations, with The Mortgage Insurance Co. of Canada. Mr. Stein is a graduate engineer and holds a master of business administration in finance and international business from Columbia University in New York.

Harold Burke is a Senior Vice President of Taxation of Dream Asset Management Corporation, a real estate asset manager and developer, (formerly Dundee Realty Corporation), which he joined in July 2008. Mr. Burke has more than 30 years of professional practice in the tax area, at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP, and another major Canadian accounting firm. Mr. Burke is recognized as a specialist in the area of real estate-related financial services as well as in domestic and international taxation issues. While a senior partner at PricewaterhouseCoopers LLP, Mr. Burke advised a diverse domestic and foreign clientele many of which were public, private and institutional, on a variety of matters including mergers and acquisitions, capital markets financing and investment structuring. He is a Chartered Professional Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Paul Harris is a Corporate Director. He joined the law firm of Davies Ward Phillips & Vineberg LLP in 1977 where he was a partner from 1984 until his retirement on December 31, 2016. Mr. Harris is currently Chairman of the Board of The Montréal Alouettes Football Club, a Governor of the Canadian Football League and a non-voting member of the Board of Directors of Plusgrade LP, a global travel technology company based in New York and Montreal. Mr. Harris was a director of Primetech Electronics and The Jewish General Hospital Foundation.

Gina Parvaneh Cody holds a Masters and a Doctorate in Building Engineering from Concordia University. Dr. Cody has more than 30 years of professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm. Dr. Cody has provided professional engineering services to some of Canada's largest REITs, financial institutions, builders and developers. Dr. Cody recently retired as president and principal of Construction Control Inc., a Toronto based national engineering company. Dr. Cody also served the Professional Engineers of Ontario for over 15 years as a member of the Discipline Committee and for over 8 years as a member and subsequently chair of the Professional Practice Committee. Dr. Cody was a commissioner with the Ontario Ministry of Housing, a member and chair of a number of technical committees for the Canadian Standards Association (CSA), a director with the Canadian Condominium Institute and has provided engineering support to the Canadian International Development Agency (CIDA). Dr. Cody is currently a member of the Board of

Governors and the Governance Committee and Chair of the Real Estate Planning Committee of Concordia University.

Stanley Swartzman is a Corporate Director. Previously, Mr. Swartzman was Vice President, Real Estate and Store Planning, of Sears Canada, a national retailer, which he joined in July, 2011 until December, 2012. Prior to that, Mr. Swartzman was Executive Vice President of Loblaw Properties Limited, the company responsible for all Canadian real estate and development matters for Loblaw Companies Limited, from 1997 to 1999. From 1983 to 1996, Mr. Swartzman was President of IPCF Properties Inc., the company which was previously responsible for real estate and development matters for Loblaw Companies Limited in Ontario and Eastern Canada. Since July 2008, Mr. Swartzman has served as a director of GT Canada Capital Corporation and is the Chairman of its investment committee. Mr. Swartzman was formerly a director of Centre Fund Corporation and served on its audit committee.

Elaine Todres has had a distinguished career in government, the not for profit sector and the volunteer community. After having completed a doctorate in Political Science at the University of Pittsburgh, Dr. Todres joined the civil service of Ontario where she ultimately served as a Deputy Minister for ten years. Her portfolios ranged from human resources and the Civil Service Commission, culture and cultural industries, telecommunications, tourism, solicitor general, the corrections system and emergency response. In 1997, Dr. Todres became the President of the Baycrest Centre Foundation where she stayed for three years, completing a capital campaign for the new Apotex Centre - Jewish Home for the Aged. Dr. Todres is the Chief Executive Officer of Todres Leadership Counsel, a boutique consultancy practice specializing in strategy, leadership, organizational transformation, and governance. Dr. Todres has served on many community and hospital boards, including as chair of Women's College Hospital Foundation. She served as director of The Northern Trust Company, Canada from August 2005 to February 2014. Dr. Todres holds the ICD.D designation.

Mark Kenney joined CAPREIT in 1998 and is the Chief Operating Officer. Prior to this appointment, Mr. Kenney held the position of Vice President, Operations of CAPREIT. Mr. Kenney has over 25 years of experience in the multi-family sector, having worked previously at Realstar Management Partnership as District Manager of Western Canada and Northern Ontario (1995 to 1998) and Greenwin Property Management as Senior Property Manager prior to 1995. Mr. Kenney is also a director of the Federation of Rental Providers of Ontario since 2009 and was a director of the Greater Toronto Apartment Association from 1998 to 2009. Mr. Kenney maintains active membership in the Halifax, Montreal, Calgary, and Vancouver Apartment Associations, and holds a Bachelor of Economics degree from Carleton University.

Scott Cryer joined CAPREIT in September 2009 and is the Chief Financial Officer. Mr. Cryer most recently held the position of Vice President, Financial Reporting. Prior to joining CAPREIT, Mr. Cryer had an eleven year career of increasing responsibility in the Real Estate Assurance and Advisory practice of Deloitte & Touche LLP. He received his Chartered Accountant designation in 2000 and holds a Bachelor of Economics degree from the University of Western Ontario. Mr. Cryer is also a Director on the Board of IRES Fund Management.

14.3 Trustees

The Declaration of Trust provides that the assets and operations of CAPREIT will be subject to the control and authority of a minimum of seven and a maximum of eleven trustees. The number of trustees within such minimum and maximum numbers may be changed by the Trust Unitholders or, if authorized by the Trust Unitholders, by the Board of Trustees, provided that the Board of Trustees may not, between meetings of Trust Unitholders entitled to vote, appoint an additional trustee if, after such appointment, the total number of trustees would be greater than one and one-third times the number of trustees in office immediately following the last annual meeting of Trust Unitholders entitled to vote. At the 1998 annual and special meeting of Unitholders, Unitholders approved a resolution authorizing the Board of Trustees to increase or decrease, from time to time, the number of trustees. The number of trustees is currently fixed at nine (9). A majority of the trustees are required to be independent of the management of CAPREIT. A vacancy occurring among the trustees may be filled by resolution of the remaining trustees or by the Trust Unitholders at a meeting of the Trust Unitholders entitled to vote. A trustee elected or appointed to fill a vacancy shall hold office for the remaining term of the trustee he or she is succeeding.

All of the trustees are elected annually by resolution passed by a majority of the votes cast at a meeting of the Trust Unitholders entitled to vote.

The Declaration of Trust provides for the appointment by the Board of Trustees of an Audit Committee, Human Resources and Compensation Committee, Governance and Nominating Committee and an investment committee (the “**Investment Committee**”). The approval of the independent trustees is required prior to CAPREIT making any acquisition or disposition of real property, and for the assumption or granting of any mortgage. A trustee may be removed with or without cause by two-thirds of the votes in the aggregate cast at a meeting called for that purpose of Trust Unitholders entitled to vote thereon or by the written consent of Trust Unitholders holding in the aggregate not less than two-thirds of the outstanding Trust Units entitled to vote thereon or with cause by the resolution passed by an affirmative vote of not less than two-thirds of the remaining trustees.

The standard of care and duties of the trustees provided in the Declaration of Trust are similar to those imposed on a director of a corporation governed by the *Canada Business Corporations Act*. Accordingly, each trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of CAPREIT and the Trust Unitholders and, in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

14.4 Cease Trade Orders, Bankruptcies, Penalties and Sanctions

Corporate Cease Trade Orders or Bankruptcies

No trustee or executive officer of CAPREIT, nor any personal holding company of any such person, is, as at the date of this Annual Information Form or within the 10 years before the date of this Annual Information Form has been, a director, trustee, chief executive officer or chief financial officer of any company (including CAPREIT) that, (i) while that person was acting in that capacity was the subject of a cease trade or similar order or an order that denied the relevant

company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) after that person ceased to act in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, and which resulted from an event that occurred while the person was acting in that capacity.

No trustee or executive officer of CAPREIT or, to the knowledge of CAPREIT, a Unitholder holding a sufficient number of Units of CAPREIT to affect materially the control of CAPREIT, nor any personal holding company of any such person, (i) is as of the date of this Annual Information Form or has been within 10 years before the date of this Annual Information Form, a director, trustee or executive officer of a company (including CAPREIT) that while that person was acting in such capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has within the 10 years before the date of this Annual Information Form become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, trustee or officer.

Penalties or Sanctions

No trustee or executive officer of CAPREIT or, to the knowledge of CAPREIT, a Unitholder holding a sufficient number of Units to affect materially the control of CAPREIT, nor any personal holding company of any such person, has (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or entered into a settlement agreement with a Canadian securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

14.5 Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Trust Unitholders without creating undue limitations on CAPREIT. Given that the trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each trustee to disclose to CAPREIT any interest in a material contract or transaction or proposed material contract or transaction with CAPREIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture arrangement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with CAPREIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the trustees, a trustee is required to disclose in writing to CAPREIT or request to have entered into the minutes of meetings of the Board of Trustees the nature and extent of his

interest forthwith after the trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a trustee, officer, employee or agent of CAPREIT or any affiliate of CAPREIT or one for indemnity under the provisions of the Declaration of Trust or the purchase of liability insurance.

CAPREIT has also adopted a Code of Business Ethics and Conduct, which provides a framework of guidelines and principles to govern and encourage ethical and professional behaviour in conducting its business. The Code of Business Ethics and Conduct applies to all trustees, officers and employees of CAPREIT and provides guidelines for identifying and reporting conflicts of interest or potential conflicts of interest.

14.6 Independent Trustee Matters

The following matters require the approval of at least a majority of the independent trustees to become effective:

- the entering into of an arrangement in which a Non-Independent Trustee (as defined in the Declaration of Trust) or an officer of CAPREIT has a material interest;
- the enforcement of any agreement entered into by CAPREIT with a Non-Independent Trustee (as defined in the Declaration of Trust) or an officer of CAPREIT or an affiliate or associate of such party;
- the grant of options under any Unit option plan or any rights to participate in any other long term incentive plans adopted by CAPREIT;
- the demolition of all or substantially all of a property owned by CAPREIT;
- to increase the number of trustees by no more than one-third in accordance with Section 2.1 of the Declaration of Trust and to appoint trustees to fill the vacancies so created; or
- to recommend to Trust Unitholders that the number of trustees be increased, where a vote of Trust Unitholders thereon is required, and to nominate individuals as trustees to fill the vacancies so created.

14.7 Audit Committee

The Audit Committee must consist of at least three trustees, all of whom must be independent and financially literate, as those terms are defined NI 52-110, subject to any applicable exceptions in NI 52-110. The Audit Committee assists the trustees in fulfilling their oversight responsibilities in respect of CAPREIT's accounting and reporting practices.

Pursuant to its charter, a copy of which is attached hereto as Appendix "A", the Audit Committee is responsible for the review of the consolidated financial statements, accounting policies and reporting procedures of CAPREIT. In addition, the Audit Committee is responsible

for reviewing, on an annual basis, the principal risks that CAPREIT is faced with, and considering whether adequate systems are in place to manage such risks and that such systems appear effective. It also supervises the activities of CAPREIT's Director, Internal Audit.

The Audit Committee reviews CAPREIT's quarterly and annual consolidated financial statements and other required financial documents or documents that contain financial disclosure (such as press releases), reviews with management and the external auditors the state of internal controls, and makes appropriate reports thereon to the Board of Trustees. The Audit Committee has unrestricted access to the senior management of CAPREIT and to CAPREIT's external auditor, who regularly attends the Audit Committee meetings.

As at the date of this Annual Information Form, the Audit Committee consists of the following members: Harold Burke, Paul Harris and Gina Parvaneh Cody. Harold Burke serves as Chairman of the Audit Committee. All members of the Audit Committee are independent and financially literate, as those terms are defined in NI 52-110. The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by CAPREIT to prepare its annual and quarterly consolidated financial statements.

Name of Audit Committee Member	Relevant Education and Experience
Harold Burke	<ul style="list-style-type: none"> • Senior Vice President of Taxation, Dream Asset Management Corporation, an integrated real estate asset manager and developer (formerly Dundee Realty Corporation) • More than 30 years professional practice in the tax area at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP and another major Canadian accounting firm • Chartered Professional Accountant • Holds the Institute of Corporate Directors, Institute-Certified Designation, ICD.D
Paul Harris	<ul style="list-style-type: none"> • Former Partner, Davies Ward Phillips & Vineberg LLP • More than 38 years of professional practice in corporate, real estate and securities law • Former interim president of a professional sports organization with full responsibility for all operations and financial performance • Member of the Board of Governors and until November 2014 member of the Executive Committee of the Canadian Football League • Former member of the Board of Directors of Primetech Electronics Inc., a publicly-listed company (TSX) • B.Comm, B.C.L. and LL.B. degrees from McGill University

Gina Parvaneh Cody

- More than 30 years of professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm
- Provided professional engineering services to some of Canada's largest REITs, financial institutions, builders and developers
- Former President and principal of Construction Control Inc., a Toronto based national engineering company
- Served the Professional Engineers of Ontario for over 15 years as a member of the Discipline Committee and for over 8 years as a member and subsequently chair of the Professional Practice Committee
- Former commissioner with the Ontario Ministry of Housing
- Member and chair of a number of technical committees for the Canadian Standards Association (CSA)
- Former President of the Canadian Condominium Institute
- Has provided engineering support to the Canadian International Development Agency (CIDA)
- Currently a member of the Board of Governors and the Governance Committee and Chair of the Real Estate Planning Committee of Concordia University.
- Holds a Masters and a Doctorate in Building Engineering from Concordia University

Further to CAPREIT's Audit Committee Charter, the Audit Committee has adopted specific policies and procedures for the engagement of non-audit services provided by its external auditor. The Audit Committee must pre-approve all engagements (and fees related thereto) for non-audit services. In connection with this requirement, the Audit Committee has adopted an internal policy allowing management to engage external non-audit services, subject to the following approval process:

<u>Limit</u>	<u>Required Approval</u>
Up to \$50,000	Chief Executive Officer or Chief Financial Officer
\$50,000 to \$100,000	Chair of the Audit Committee
Over \$100,000	Audit Committee

In addition to compliance with the above process, management must notify the Audit Committee of any assignments to the external auditor for non-audit services prior to the next scheduled Audit Committee meeting.

The Audit Committee is responsible for monitoring CAPREIT's external auditor and ensuring that the external auditor is and remains independent of management. For a description of the external auditor service fees see section 18 below.

14.8 Human Resources and Compensation Committee

The Declaration of Trust requires the creation of a Human Resources and Compensation Committee, consisting of at least three trustees, to review matters relating to human resources, including compensation of trustees and officers of CAPREIT. All of the members of the Human Resources and Compensation Committee must at all times be "independent", as this term is defined in NI 58-101.

As at the date of this Annual Information Form, the members of the Human Resources and Compensation Committee are as follows: Paul Harris; Stanley Swartzman and Elaine Todres. Elaine Todres serves as Chairperson of the Human Resources and Compensation Committee.

14.9 Governance and Nominating Committee

The Declaration of Trust requires the creation of a Governance and Nominating Committee, consisting of at least three trustees, to review matters relating to the governance of CAPREIT including the nomination of trustees. All of the members of the Governance and Nominating Committee must at all times be “independent”, as this term is defined in NI 58-101.

As at the date of this Annual Information Form, the members of the Governance and Nominating Committee are as follows: Paul Harris; Stanley Swartzman and Elaine Todres. Stanley Swartzman serves as Chairman of the Governance and Nominating Committee.

14.10 Investment Committee

The Declaration of Trust provides that the trustees shall appoint from among their number an Investment Committee consisting of at least three trustees. A majority of the members of the Investment Committee must have had at least five years of substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be “independent”, as this term is defined in NI 58-101. The duties of the Investment Committee are to, unless delegated by the Board of Trustees to officers of CAPREIT: (i) review all investment and financing proposals for CAPREIT; (ii) where the approval of the Board of Trustees is required, recommend to the Board of Trustees approval or rejection of proposed transactions by CAPREIT (including acquisitions and dispositions of investments by CAPREIT); (iii) where the approval of the Investment Committee is required, approve or reject proposed transactions by CAPREIT (including acquisitions and dispositions of investments by CAPREIT); and (iv) approve all proposed borrowings and the assumption or granting of any mortgage or other security interest in real property.

As at the date of this Annual Information Form, the members of the Investment Committee are as follows: Gina Parvaneh Cody, Michael Stein and Stanley Swartzman. Stanley Swartzman serves as Chairman of the Investment Committee.

14.11 Remuneration of Trustees and Officers

A person who is employed by and receives salary from CAPREIT will not receive any remuneration from CAPREIT for serving as a trustee. Trustees who were not so employed during fiscal 2017 received a flat annual retainer from CAPREIT in the amount of \$75,000, in addition each of the Chair of the Audit Committee, Investment Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee, received an additional \$17,500 for 2017 for serving as Chair of such committee, and the lead trustee, received an additional \$15,000 for serving as lead trustee, and the Chairman of the Board of Trustees received an additional \$30,000. Pursuant to the terms of the Deferred Unit Plan, in 2017, each non-executive trustee was entitled to elect to receive up to 100% of his board compensation (being \$75,000), in the form of Deferred Units, in lieu of cash, which amount was matched by CAPREIT. As a result, for non-executive trustees who elected to receive 100% of their board compensation in the form of Deferred Units, such trustee’s annual compensation for 2017 (including the impact of Deferred Units issued and matched by CAPREIT, but excluding additional Chair or lead trustee fees described above), amounted to \$150,000.

Effective January 1, 2018, trustees who are not employed by or receive a salary from CAPREIT will receive a flat annual retainer from CAPREIT in the amount of \$85,000 and the Chair of each committee will receive an additional fee of \$25,000 for serving as Chair of the committee.

The position of lead trustee was created in 2006 and the lead trustee's responsibilities are to act as the effective leader of the Board of Trustees where it is inappropriate for the Chairman to act in that role and for ensuring that the Board of Trustees' agenda will enable it to successfully carry out its duties.

In fiscal 2017, no additional meeting or written resolutions fees were paid to the trustees. The officers of CAPREIT are entitled to participate in the Unit Option Plan described under the heading "Unit Option Plan" (however, except with respect to options which are required to be awarded to the President and Chief Executive Officer in accordance with the terms of his employment contract, the Board of Trustees current policy is not to award any further options under the Unit Option Plan) and certain officers are entitled to participate in the Employee Unit Purchase Plan described under the heading "Employee Unit Purchase Plan". Non-executive trustees are entitled to participate in the Deferred Unit Plan described under the heading "Deferred Unit Plan".

15 - LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of CAPREIT is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against it or relating to its business which would be material to CAPREIT's financial condition or results of operations.

During the year ended December 31, 2017, no penalties or sanctions were imposed against CAPREIT by a court relating to securities legislation or by a securities regulatory authority, no other penalties or sanctions were imposed by a court or regulatory body against CAPREIT that would likely be considered important to a reasonable investor in making an investment decision, and CAPREIT entered into no settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

16 - TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

17 - MATERIAL CONTRACTS

See "General Development of the Business – Amendments to the Declaration of Trust"; "Description of Capital Structure and Governance Policies" generally in relation to the Declaration of Trust; "Description of Capital Structure and Governance Policies – Unitholders' Rights Plan"; "Description of Capital Structure and Governance Policies – Deferred Unit Plan"; "Description of Capital Structure and Governance Policies – Restricted Unit Rights Plan" and "Description of Capital Structure and Governance Policies – Employee Unit Purchase Plan".

18 - INTEREST OF EXPERTS

CAPREIT's auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have prepared an independent auditors' report dated February 27, 2018 in respect of CAPREIT's consolidated annual financial statements with accompanying notes as at and for the years ended December 31, 2017 and 2016. PricewaterhouseCoopers LLP has advised that they are independent with respect to CAPREIT within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

19 - EXTERNAL AUDITOR FEES

The following chart summarizes the fees for services provided by the auditors to CAPREIT for the fiscal years 2017 and 2016.

Summary of External Audit Fees

Nature of Fees	2017	2016
Audit fees ⁽¹⁾	\$722,166	\$623,855
Audit-related fees ⁽²⁾	\$352,045	\$270,375
Tax fees ⁽³⁾	\$595,000	\$490,546
All other fees ⁽⁴⁾	\$-	\$-
Total	\$1,669,211	\$1,384,776

Notes:

- (1) "Audit fees" include fees billed for audit and review services in respect of the annual and quarterly consolidated financial statements and other regulatory filings.
- (2) "Audit-related fees" include fees billed for services related to consultations regarding financial reporting and accounting standards and prospectuses filed during the respective years, and other compliance related matters not included under "Audit fees".
- (3) "Tax fees" include fees billed for tax compliance and tax advisory services, including the review of tax returns and other structuring matters.
- (4) "All other fees" include fees billed for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including advisory services. There were no services in this category in 2017 and 2016.

The Audit Committee considered and agreed that the above fees are compatible with maintaining the independence of CAPREIT's auditors. Further, the Audit Committee determined that, in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to CAPREIT by CAPREIT's external auditors and in such case, only with the prior approval of the Audit Committee.

20 - ADDITIONAL INFORMATION

Additional information, including trustee and officer remuneration and indebtedness, principal holders of CAPREIT's securities and securities authorized for issuance under equity compensation plans is contained in CAPREIT's information circular for its most recent annual and special meeting of Unitholders and Special Unitholders which involved the election of trustees. Additional information, including CAPREIT's consolidated audited annual financial statements and management's discussion and analysis for the year ended December 31, 2017, may be found on SEDAR at www.sedar.com under CAPREIT's profile. CAPREIT will provide

any person, upon request to the Chief Financial Officer of CAPREIT, any of the following documents:

- (a) one copy of the Annual Information Form of CAPREIT, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
- (b) one copy of the consolidated audited financial statements of CAPREIT for its most recently completed financial year together with the accompanying report of the auditor and one copy of any quarterly consolidated financial statements of CAPREIT subsequent to the consolidated annual audited financial statements for its most recently completed financial year; and
- (c) one copy of the information circular of CAPREIT in respect of its most recent annual meeting of Unitholders and Special Unitholders that involved the election of trustees or one copy of any annual filing prepared in lieu of that information circular, as appropriate.

When the securities of CAPREIT are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus that has been filed by CAPREIT in respect of a distribution of securities, the foregoing documents, in addition to any other documents that are incorporated by reference into the short form prospectus or preliminary short form prospectus, will be provided free of charge. At other times, CAPREIT may require the payment of a reasonable charge if the request is made by a person who is not a securityholder of CAPREIT.

APPENDIX "A" -

**CHARTER OF THE AUDIT COMMITTEE OF
THE BOARD OF TRUSTEES**

**CANADIAN APARTMENT PROPERTIES
REAL ESTATE INVESTMENT TRUST**

SECTION 1 PURPOSE

The Audit Committee (the "**Committee**") is a committee of the Trustees (the "**Trustees**") of Canadian Apartment Real Estate Investment Trust, (the "**Trust**"). The Committee and its Chair are appointed by the Trustees for the purpose of assisting the Trustees in fulfilling their oversight responsibilities. The Committee will primarily fulfill this role by carrying out the activities enumerated in this Charter. The Committee is, however, independent of the Trustees and the Trust, and in carrying out its role of assisting the Trustees in fulfilling their oversight responsibilities the Committee shall have the ability to determine its own agenda and any additional activities that the Committee shall carry out.

SECTION 2 COMPOSITION

The Committee is comprised of not less than three trustees, each of whom is, and must at all times be, independent and financially literate within the meaning of applicable Canadian securities laws. The members of the Committee, and its Chair, shall be appointed by the Trustees on an annual basis or until their successors are duly appointed. A majority of the members of the Committee must be resident Canadians.

SECTION 3 LIMITATIONS ON COMMITTEE'S DUTIES

In contributing to the Committee's discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the Trustees are subject.

It is not the duty of the Committee to prepare financial statements or ensure their accuracy or absence of errors and omissions, to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Trust's internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the

accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Trust by the external auditor, (iv) financial statements of the Trust represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Trust in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, auditor, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

SECTION 4 FUNCTION

The primary function of the Audit Committee is to assist the Board of Trustees in fulfilling their roles as Trustees of the Trust by:

- (a) recommending to the Board the appointment and compensation of the Trust's external auditor;
- (b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;
- (c) establishing pre-approval processes for all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Trust by the Trust's external auditor;
- (d) reviewing and approving the annual and interim financial statements, related management discussion and analysis ("MD&A"), and annual and interim earnings press releases before such information is publicly disclosed to determine whether they are complete and consistent with the information known to the Committee members about the Trust and its operations;
- (e) satisfying themselves that adequate procedures are in place for the review of the Trust's public disclosure of financial information, including any information extracted or derived from its financial statements, and including periodically assessing the adequacy of such procedures;
- (f) establishing procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters and including the establishment and review of a whistle blower policy;
- (g) reviewing and approving any proposed hiring of a current or former partner or employee of the current and former external auditor of the Trust;
- (h) reviewing and approving any proposed hiring of the Trust's internal auditor (the "Internal Auditor"), as may be recommended to the Audit Committee by management;
- (i) determining the annual compensation of the internal auditor; and

- (j) overseeing the work of the Internal Auditor.

The Audit Committee should primarily fulfill these responsibilities by carrying out the activities enumerated in this Charter. However, it is not the duty of the Committee to prepare financial statements, or to plan or conduct audits, as these are the responsibility of management and in certain cases the external auditor, as the case may be.

SECTION 5 COMPOSITION OF THE COMMITTEE AND MEETINGS

- (1) The Audit Committee must be constituted as required under Multilateral Instrument 52-110 *Audit Committees*, as it may be amended from time to time (“MI 52-110”).
- (2) All members of the Committee must (except to the extent permitted by MI 52-110) be free from any direct or indirect relationship with the Trust that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Committee.
- (3) All members of the Committee must (except to the extent permitted by MI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust’s financial statements).
- (4) The members of the Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- (5) Any member of the Audit Committee may be removed or replaced at any time by the Board of Trustees and shall cease to be a member of the Audit Committee on ceasing to be a Trustee. The Board of Trustees may fill vacancies on the Audit Committee by election from among the Board of Trustees. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains.
- (6) The Committee shall meet at least four times annually, or more frequently as circumstances require.
- (7) The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Trust with senior employees, officers and the external auditor of the Trust, and others as they consider appropriate.
- (8) In order to foster open communication, the Committee or its Chair shall meet at least annually with management and the external auditor in separate sessions to discuss any

matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or its Chair should meet with management quarterly in connection with the Trust's interim financial statements.

- (9) Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall determine by resolution.
- (10) Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members, which shall not be less than 48 hours. The notice period may be waived by all members of the Committee. Each of the Chairman of the Board and the external auditor, and the Chief Executive Officer, the Chief Financial Officer or the Secretary of the Trust, shall be entitled to request that any member of the Committee to call a meeting.
- (11) The Committee shall determine any desired agenda items.

SECTION 6 ACTIVITIES

The Audit Committee shall, in addition to the matters described in Section 1:

- (1) Review and recommend to the Board changes to this Charter as considered appropriate from time to time.
- (2) Regularly update the Board about Committee activities and make appropriate recommendations.
- (3) Review the public disclosure regarding the Audit Committee required by MI 52-110.
- (4) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Trust to assess their independence.
- (5) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (6) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (7) Review, with the Trust's counsel, any legal matters that could have a significant impact on the Trust's financial statements.
- (8) Periodically obtain updates from management, general counsel, others as appropriate regarding compliance.

- (9) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- (10) Review correspondence and findings of any examinations by regulatory agencies.
- (11) Arrange for the external auditor to be available to the Committee and the Board of Trustees as needed.
- (12) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor.
- (13) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Trust's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
- (14) Review all material balance sheet issues paying particular attention to judgemental areas and complex and/or unusual transactions, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (15) Consider proposed major changes to the Trust's accounting principles and practices.
- (16) Review with management and the external auditor the Trust's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financing reporting.
- (17) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (18) Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- (19) Following completion of the annual audit and, if applicable, quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

- (20) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (21) Review the system in place to seek to ensure that the financial statements, MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.
- (22) Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- (23) Review activities, organizational structure and qualifications of the Chief Financial Officer and the staff in the financial reporting area and see to it that matters related to succession planning are raised for consideration by the Board of Trustees.
- (24) Review management's program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.
- (25) Review and approve the Internal Audit Charter.
- (26) Review and approve the annual work plan of the Internal Auditor.
- (27) Receive and review reports from the Internal Auditor regarding the status of the work plan and any control issues, which may arise. At a minimum, quarterly reports shall be provided.
- (28) Arrange for the Internal Auditor to be available to the Committee and the Board of Trustees as needed.
- (29) Evaluate the performance and determine the compensation of the Director, Internal Audit.

SECTION 7 GENERAL MATTERS

- (1) The Committee is authorized to retain independent counsel, accountants, consultants and any other professionals ("Advisors") it deems necessary to carry out its duties, and the Committee shall have the authority to determine the compensation of and to cause the Trust to pay any such Advisors.
- (2) The Committee is authorized to communicate directly with the external (and, if applicable, internal) auditors as it sees fit.
- (3) If considered appropriate by it, the Committee is authorized to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, and to

perform any other activities as the Committee or the Board deems necessary or appropriate.

- (4) Review the public disclosure regarding the Committee required from time to time by applicable Canadian securities laws, including:
 - (i) the Charter of the Committee;
 - (ii) the composition of the Committee;
 - (iii) the relevant education and experience of each member of the Committee;
 - (iv) the external auditor services and fees; and
 - (v) such other matters as the Trust is required to disclose concerning the Committee.
- (5) Review in advance, and approve, the hiring and appointment of the Trust's senior financial executives.
- (6) Perform any other activities as the Committee or the Trustees deems necessary or appropriate.
- (7) Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible for preparing financial statements, for planning or conducting internal or external audits or for determining that the Trust's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, as these are the responsibility of management and in certain cases the external auditor, as the case may be. Nothing contained in this Charter is intended to make the Committee liable for any non-compliance by the Trust with applicable laws or regulations.
- (8) The Committee is a committee of the Board of Trustees and is not and shall not be deemed to be an agent of the Trust's unitholders for any purpose whatsoever. The Board of Trustees may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to security holders of the Trust or to any other liability whatsoever.
