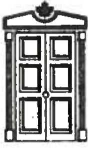
CAPREIT

FINANCIAL REVIEW
FOR THE THREE MONTHS ENDED
MARCH 31, 2013



CAPREIT

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May 7, 2013

Report to Unitholders

Our record portfolio growth in 2012 has made a significant and accretive contribution to our first quarter 2013 operating and financial performance. Looking ahead, we expect 2013 will be another record year for CAPREIT as we profit from a full year's contribution from our 2012 acquisitions, we continue to expand and diversify our portfolio, and our new properties benefit from our proven property management, procurement and energy management programs.

For the three months ended March 31, 2013, total operating revenues increased by 21.1% due to the contribution from acquisitions, increased rents in our residential suite portfolio, and continuing strong occupancies of 97.9%. The increase in average monthly rent was due to our proven and effective sales and marketing programs and continued strength in the residential rental sector in the majority of our markets. Our annualized net rental revenue run-rate, based on the average monthly rents in place and our share of residential suites and sites as at March 31, 2013, increased to $436.1 million, up 20.2% from last year's first quarter.

Operating costs increased marginally as a percentage of revenues in the first quarter compared to last year due primarily to higher utility costs resulting from the colder winter as well as higher increased repair and maintenance costs, partially offset by lower wage costs. As a result, our NOI margin declined slightly to 55.1% from 55.4% for the same three month period last year. Importantly, for the three months ended March 31, 2013, stabilized NOI increased by a strong 3.8% compared to the same period last year, our 29th consecutive quarter of stable or improved year-over-year same property NOI. Overall NOI rose 20.4% in the first three months of 2013 compared to the same period last year.

Normalized Funds from Operations (NFFO) increased by 30.2% in the quarter due primarily to the contribution from acquisitions, higher average monthly rents and high stable occupancies. On a per Unit basis, NFFO increased by a very accretive 8.7% for the three months ended March 31, 2013 despite the 20% increase in the weighted average number of Units outstanding in the quarter. Our NFFO payout ratio also improved significantly to 79.3% from 83.5% last year.

Our balance sheet and financial position remained strong as at March 31, 2013 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average interest rate declined further to 3.83%, and we continue to focus on extending our debt maturities. To date total financings of $304.7 million, including $170.5 million for mortgage renewals and $134.2 million in top-up financings, have been closed or committed with an average term to maturity of 10.0 years and a weighted average interest rate of 2.92%, well below the rate for the maturing mortgages. Looking ahead, we expect to raise between $575 million and $625 million in total renewals and refinancings this year.

Following our record growth in 2012, so far this year we have purchased a total of 263 rental suites well located in Calgary for total acquisition costs of approximately $49.0 million. We expect we will achieve our target of purchasing between 1,500 and 2,000 suites again this year.

[signed]
Thomas Schwartz
President and Chief Executive Officer

[signed]
Michael Stein
Chairman

CAPREIT

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

THREE MONTHS ENDED MARCH 31, 2013

MAY 7, 2013

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SECTION I

FORWARD-LOOKING DISCLAIMER

The following Management's Discussion and Analysis ("MD&A") of Canadian Apartment Properties Real Estate Investment Trust's ("CAPREIT") results of operations and financial condition for the three months ended March 31, 2013 and 2012, should be read in conjunction with CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital 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 economy will generally experience growth, however, may be adversely impacted by the global economy; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation ("CMHC") mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that conditions within the real estate market, including competition for acquisitions, will become more favourable; 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 MD&A are based on assumptions, Management believes they are reasonable as of the date hereof, there can be no assurance actual results will be consistent with these forward-looking statements; 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, co-ownerships, investment restrictions, operating risk, energy costs and hedging, environmental matters, insurance, capital investments, indebtedness, interest rate hedging, taxation, harmonization of federal goods and services tax and provincial sales tax, government regulations, controls over financial accounting, legal and regulatory concerns, the nature of units of CAPREIT ("Trust Units") and of CAPREIT's subsidiary, CAPREIT Limited Partnership ("Exchangeable Units") (collectively, the "Units"), 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, continued growth and risks related to acquisitions. 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 CAPREIT's MD&A contained in CAPREIT's 2012 Annual report in the Risks and Uncertainties section. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

NON-IFRS FINANCIAL MEASURES

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, and in earnings releases and investor conference calls, as a complement to results provided in accordance with IFRS, CAPREIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS, including Net Operating Income ("NOI"), Net Rental Revenue Run-Rate, Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO") and Adjusted Funds From Operations ("AFFO"), and applicable per Unit amounts and payout ratios (collectively the "non-IFRS measures"). These non-IFRS measures are further defined and discussed in Section III under Non-IFRS Financial Measures. Since NOI, Net Rental Revenue Run-Rate, FFO, NFFO and AFFO 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 and distribute cash returns to investors in the Units ("Unitholders") and to evaluate CAPREIT's performance. A reconciliation of non-IFRS measures is provided in Section III under Non-IFRS Financial Measures. These 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.

OVERVIEW

CAPREIT is an unincorporated open-ended publicly-traded real estate investment trust and one of Canada's largest residential landlords serving over 37,000 families across the country. CAPREIT owns and operates a portfolio of multi-unit residential rental properties, including apartments, townhomes and manufactured home communities located in and near major urban centres. CAPREIT's concentration on the residential real estate market is aimed at solid year over year income growth in a portfolio with stable occupancy. In addition, CAPREIT mitigates concentration risk through demographic diversification by operating properties across the affordable, mid-tier and luxury sectors as well as through geographic diversification across Canada.

CAPREIT was established under the laws of the Province of Ontario by a declaration of trust (the "DOT") dated February 3, 1997, as most recently amended and restated on November 13, 2009. As at March 31, 2013, CAPREIT owned interests in 37,488 residential units, comprised of 34,118 residential suites and 14 manufactured home communities ("MHC"), comprising 3,370 land lease sites. As at March 31, 2013, CAPREIT had 862 employees (829 employees as at December 31, 2012).

The tables below summarize acquisitions and dispositions of properties for the three months ended March 31, 2013 and for the year ended December 31, 2012:

Acquisitions Completed During the Three Months Ended March 31, 2013

($ Thousands)	Demographic Sector	Suite or Site Count	Region	Total Acquisition Costs	Assumed Mortgage Funding	Interest Rate	Mortgage Maturity Date
January 31, 2013	Mid-tier	263	Calgary	$ 49,022	$ 7,181	6.95%	October 10, 2017
Total		263		$ 49,022	$ 7,181		

Acquisitions Completed During the Year Ended December 31, 2012

($ Thousands)	Demographic Sector	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Interest Rate	Mortgage Maturity Date
May 31, 2012	MHC	2,032	Various (1)	$ 76,324	$ 37,753 (2)	5.33% (2)	– (2)
June 29, 2012	Mixed (3)	3,562	Various (3)	461,428	183,939 (4)	3.99% (4)	– (4)
July 19, 2012	MHC (5)	5	Bowmanville and Grand Bend	499	– (6)	– (6)	– (6)
August 31, 2012	Mid-tier (7)	405	Calgary	69,501	31,208 (8)	3.38% (8)	– (8)
November 1, 2012	Luxury	980	Montréal	183,516	82,048	4.39%	September 1, 2013
Total		6,984		$ 791,268	$ 334,948		

(1) The acquisition comprised 12 manufactured home communities ("MHC") consisting of 2,032 land lease sites located in Ontario, Saskatchewan, Alberta and British Columbia.

(2) Mortgages assumed on acquisition comprise $37,753 at a weighted average term to maturity of 3.0 years, at a weighted average stated interest rate of 5.33%.

(3) The acquisition comprised 14 properties consisting of 3,562 suites (1,027 affordable, 1,403 mid-tier, and 1,132 luxury suites) located in Ontario, Québec, and Nova Scotia.

(4) Mortgages assumed on acquisition comprise $183,939 at a weighted average term to maturity of 2.6 years, at a weighted average stated interest rate of 3.99%.

(5) The MHC land lease sites acquisition comprised four sites in Bowmanville and one site in Grand Bend.

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

(7) The acquisition comprised two mid-tier properties. One property is a fee simple interest, and the other is a land leasehold interest.

(8) Mortgages assumed on acquisition comprise $13,405 maturing on January 1, 2014, and $17,803 maturing on September 1, 2014, at a weighted average stated interest rate of 3.38%.

Dispositions Completed During the Year Ended December 31, 2012

($ Thousands)	Demographic Sector	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
February 22, 2012	Mid-tier	136	GTA	$ 17,500	$ 7,726	$ 9,485
May 31, 2012	Luxury	199	GTA	33,500	17,974	15,030
October 31, 2012	Various (1)	438	Various (1)	60,700	29,944	29,018
Total		773		$ 111,700	$ 55,644	$ 53,533

(1) The disposition comprised 5 properties consisting of 438 suites (270 mid-tier and 168 luxury suites) located in Mississauga, Oakville and Toronto, Ontario.

OBJECTIVES

CAPREIT's objectives are to:

- Provide Unitholders with long-term, stable and predictable monthly cash distributions;
- Grow Normalized Funds From Operations, sustainable distributions and Unit value through the active management of its properties, accretive acquisitions and strong financial management; and
- Reinvest capital within the property portfolio in order to ensure life safety of residents and maximize earnings and cash flow potential.

BUSINESS STRATEGY

To meet its objectives, CAPREIT has established the following strategies: Customer Service, Cost Controls, Capital Investments, Portfolio Growth, and Financial Management.

For a comprehensive description of CAPREIT's business strategies, refer to CAPREIT's MD&A for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

KEY PERFORMANCE INDICATORS

To assist Management and investors in monitoring and evaluating CAPREIT's achievement of its objectives, CAPREIT has defined a number of key operating and performance indicators ("KPIs") to measure the success of its operating and financial strategies:

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

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

NOI – As a measure of its operating performance, CAPREIT currently strives to achieve an annual net operating income margin that is in the range of 56% to 58% of operating revenues.

FFO and *NFFO* – CAPREIT is focused on achieving steady increases in these metrics. Management believes these measures are indicative of CAPREIT's operating performance and the sustainability of its distributions.

Payout Ratio – To help ensure it retains sufficient cash to meet its capital investment objectives, CAPREIT has historically targeted a long-term annual NFFO payout ratio of between 85% and 90%.

Portfolio Growth – Management's objective is to pursue strategic acquisitions of between 1,500 and 2,000 suites on an annual basis, subject to market conditions and available financing, which meet its strategic objectives, serve to accretively increase NFFO and continue to further diversify the portfolio by geography and by demographic sector.

Financing – CAPREIT takes a proactive approach with its mortgage portfolio, striving to manage interest expense volatility risk by achieving the lowest possible average interest rates while mitigating refinancing risk by prudently managing the portfolio's average term to maturity and staggering the maturity dates. For this purpose, CAPREIT strives to ensure its overall leverage ratios and interest and debt service coverage ratios are maintained at a sustainable level. In addition, CAPREIT focuses on maintaining capital adequacy by complying with investment and debt restrictions in its DOT and its financial covenants in its credit agreement comprising an acquisition and operating facility ("Acquisition and Operating Facility") and a bridge loan ("Bridge Loan") (collectively, the "Credit Facilities", as described under Liquidity and Financial Condition in Section IV).

PERFORMANCE MEASURES

The following table presents an overview of certain key IFRS and non-IFRS financial measures and operational results of CAPREIT for the periods ended March 31, 2013 and 2012. Management believes these measures are useful in assessing CAPREIT's performance vis-à-vis its objectives, business strategy and KPIs. Effective September 2012, monthly cash distributions declared to Unitholders increased to $0.093 per Unit, compared to $0.090 per Unit, previously.

Three Months Ended March 31,	2013	2012
Portfolio Performance		
Overall Portfolio Occupancy (1)	**97.9%**	98.3%
Overall Portfolio Average Monthly Rents (1)	**$ 978**	$ 995
Operating Revenues (000s)	**$ 115,324**	$ 95,262
NOI (000s)	**$ 63,491**	$ 52,738
NOI Margin	**55.1%**	55.4%
Operating Performance (2)		
FFO Per Unit – Basic	**$ 0.357**	$ 0.318
NFFO Per Unit – Basic	**$ 0.362**	$ 0.333
Weighted Average Number of Units - Basic (000s)	**99,942**	83,395
Cash Distributions Per Unit	**$ 0.280**	$ 0.270
FFO Payout Ratio	**80.4%**	87.5%
NFFO Payout Ratio	**79.3%**	83.5%
Liquidity and Leverage		
Total Debt to Gross Book Value (1)	**47.62%**	50.11%
Total Debt to Gross Historical Cost (1),(3)	**57.38%**	58.45%
Weighted Average Mortgage Interest Rate (1)	**3.83%**	4.45%
Weighted Average Mortgage Term (years) (1)	**6.0**	5.5
Debt Service Coverage (times) (4)	**1.53**	1.40
Interest Coverage (times) (4)	**2.55**	2.25
Available Liquidity – Acquisition and Operating Facility (000s) (1)	**$ 156,383**	$ 177,373
Other		
Number of Suites and Sites Acquired	**263**	–
Number of Suites Disposed	**–**	136
Closing Price of Trust Units (1)	**$ 25.22**	$ 22.51
Market Capitalization (millions) (5)	**$ 2,591**	$ 1,939

(1) As at March 31.
(2) NOI, FFO and NFFO are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies (see Non-IFRS Financial Measures).
(3) Based on the historical cost of investment properties.
(4) Based on the trailing four quarters.
(5) Defined as the closing price of the Units on the last trading date of the period times the number of Units outstanding on that date (see discussion of Unitholders' equity under the Liquidity and Financial Condition section).

PROPERTY PORTFOLIO

Types of Property Interests

CAPREIT's investments in its property portfolio reflect different forms of property interests, including: Fee Simple Interests – Apartments and Townhomes, Operating Leasehold Interests, Land Leasehold Interests, and Fee Simple Interests – MHC Land Lease Sites.

For a comprehensive description of the different forms of property interests listed above, refer to CAPREIT's MD&A for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

Portfolio by Type of Property Interest

As at March 31,	2013	%	2012	%
Fee Simple Interests – Apartments and Townhomes	**29,252**	**78.0**	24,831	80.4
Operating Leasehold Interests	**3,815**	**10.2**	3,815	12.4
Land Leasehold Interests	**1,051**	**2.8**	899	2.9
Total Residential Suites	**34,118**	**91.0**	29,545	95.7
Fee Simple Interests – MHC Land Lease Sites	**3,370**	**9.0**	1,333	4.3
Total Residential Suites and MHC Land Lease Sites	**37,488**	**100.0**	30,878	100.0

Portfolio Diversification

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

Portfolio by Demographic Sector

As at March 31,	2013	%	2012	%
Affordable	**2,470**	**6.6**	1,443	4.7
Mid-tier	**18,435**	**49.2**	16,634	53.9
Luxury	**13,213**	**35.2**	11,468	37.1
Total Residential Suites	**34,118**	**91.0**	29,545	95.7
MHC Land Lease Sites	**3,370**	**9.0**	1,333	4.3
Total Residential Suites and MHC Land Lease Sites	**37,488**	**100.0**	30,878	100.0

Portfolio by Geography

As at March 31,	**2013**	**%**	**2012**	**%**
Residential Suites				
Ontario				
Greater Toronto Area	**15,728**	**42.0**	15,126	49.0
Ottawa	**1,527**	**4.1**	1,527	4.9
London / Kitchener / Waterloo	**1,649**	**4.4**	903	2.9
Other Ontario	**1,410**	**3.8**	1,410	4.6
	20,314	**54.3**	18,966	61.4
Québec				
Greater Montréal Region	**4,436**	**11.8**	3,203	10.4
Québec City	**2,728**	**7.3**	1,909	6.2
	7,164	**19.1**	5,112	16.6
British Columbia				
Greater Vancouver Region	**1,948**	**5.2**	1,948	6.3
Victoria	**815**	**2.2**	815	2.6
	2,763	**7.4**	2,763	8.9
Alberta				
Edmonton	**310**	**0.8**	310	1.0
Calgary	**1,738**	**4.6**	1,070	3.5
	2,048	**5.4**	1,380	4.5
Nova Scotia				
Halifax	**1,588**	**4.2**	1,083	3.5
Saskatchewan				
Saskatoon	**133**	**0.3**	133	0.4
Regina	**108**	**0.3**	108	0.4
	241	**0.6**	241	0.8
Total Residential Suites	**34,118**	**91.0**	29,545	95.7
MHC Land Lease Sites				
Ontario	**2,676**	**7.1**	1,333	4.3
British Columbia	**130**	**0.3**	-	-
Alberta	**318**	**0.9**	-	-
Saskatchewan	**246**	**0.7**	-	-
Total MHC Land Lease Sites	**3,370**	**9.0**	1,333	4.3
Total Residential Suites and MHC Land Lease Sites	**37,488**	**100.0**	30,878	100.0

Over the last few years, CAPREIT has focused on diversifying its geographic portfolio outside of Ontario by increasing its presence in markets with higher growth potential, while maintaining a strong presence in Ontario's residential market, as Management continues to believe strategic investments in Ontario will benefit Unitholders in the long run. CAPREIT continues to look for investment opportunities that meet its investment criteria and that, where possible, will further its diversification strategy. The geographic diversification of its portfolio also enables CAPREIT to mitigate the risks arising from potential downturns in specific markets.

CAPREIT continues to maintain its objective of acquiring between 1,500 and 2,000 suites on an annual basis and Management expects to meet its growth objectives in 2013. CAPREIT exceeded its growth objective for 2012 with a total gross number of 6,984 suites and sites acquired.

INVESTMENT PROPERTIES

Investment property is defined as property held to earn rental income or for capital appreciation or both. Investment property is recognized initially at cost. Subsequent to initial recognition, all investment property is measured using the fair value model, whereby changes in fair value are recognized for each reporting period in net income.

The fair value of investment properties is established annually by a qualified, independent appraiser. Each quarter, CAPREIT utilizes market assumptions for rent increases, capitalization and discount rates provided by the external appraiser to determine the fair value of the investment properties for interim reporting purposes. To the extent that the externally provided capitalization rates change or results of operations change significantly from one reporting period to the next, the fair value of the investment properties would increase or decrease accordingly.

Investment properties have been valued using the same valuation methods and key assumptions as those described in CAPREIT's MD&A and audited consolidated annual financial statements contained in CAPREIT's 2012 Annual Report for the year ended December 31, 2012.

The following table summarizes the changes in the investment properties portfolio during the periods:

As at March 31, ($ Thousands)		**2013**	2012
Balance, Beginning of the Period		**$ 4,826,355**	$ 3,713,737
Add:	Acquisitions	**49,022**	–
	Property Capital Investments [1]	**20,810**	13,252
	Capitalized Leasing Costs [2]	**433**	295
Less:	Dispositions	**–**	(17,173)
	Realized Loss on Dispositions	**–**	(178)
	Unrealized Gain on Remeasurement at Fair Value	**33,655**	7,849
Investment Properties at Fair Value, End of the Period		**$ 4,930,275**	$ 3,717,782

(1) See Property Capital Investments section.
(2) Comprises tenant inducements, straight-line rent, and direct leasing costs.

For the periods ended March 31, 2013, and 2012, the unrealized gain on remeasurement of investment properties is primarily the result of changes in net operating income and capitalization rates offset by certain capital investments not having an immediate effect on stabilized NOI and thus not being reflected in the fair value of the investment properties at the measurement date.

A summary of the fair values of CAPREIT's investment properties and changes, along with key market assumptions, is presented below:

Investment Properties by Geography

As at	**Dec 2012**	Change Due to Change in			**Mar 2013**	**Dec 2012**	**Mar 2013**
($ Millions)	Fair Value	Rates [1]	Stabilized NOI	Net Acquisitions	**Fair Value**	Rates [1]	**Rates [1]**
Greater Toronto Area	$ 2,265	$ 14	$ 14	$ –	**$ 2,293**	5.07%	**5.02%**
Other Ontario	460	5	3	–	**468**	5.38%	**5.32%**
Québec	848	–	6	–	**854**	5.52%	**5.52%**
British Columbia	497	1	4	–	**502**	4.27%	**4.27%**
Alberta	330	–	3	48	**381**	4.94%	**4.91%**
Nova Scotia	226	3	2	–	**231**	5.98%	**5.90%**
Saskatchewan	27	–	–	–	**27**	6.14%	**6.14%**
MHC Land Lease Sites	173	–	1	–	**174**	6.25%	**6.25%**
Total	$ 4,826	$ 23	$ 33	$ 48	**$ 4,930**		

(1) Weighted average capitalization rates excluding implied capitalization rates on Operating and Land Leasehold Interests.
See note 6 to the accompanying unaudited consolidated interim financial statements for further valuation assumption details including discount rates as at March 31, 2013 for Operating and Land Leasehold Interests.

As at March 31, 2013, a 25 basis point change in capitalization rates would have the following approximate effect on the fair value of investment properties:

As at March 31, 2013

($ Millions)	**Change (basis points) (1)**	**Estimated (Decrease) Increase**
Weighted Average Capitalization Rate	+25	$ (223)
Weighted Average Capitalization Rate	-25	$ 246

(1) For Operating Leasehold Interests, CAPREIT applies discount rates to determine the fair value of these properties. However, for the purposes of the above sensitivity analysis, CAPREIT has utilized the implied capitalization rates for Operating Leasehold Interests to determine the impact on fair value of the total portfolio.

SECTION II

AVERAGE MONTHLY RENTS AND OCCUPANCY

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

	Total Portfolio				**Properties Owned Prior to March 31, 2012**				**Properties Acquired Since March 31, 2012**	
As at March 31,	**2013**		**2012**		**2013**		**2012 (1)**		**2013**	
	AMR	**Occ. %(2)**	**AMR**	**Occ. %(2)**	**AMR**	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**
Affordable	**$ 859**	**97.4**	$ 824	97.0	**$ 840**	**97.2**	$ 824	97.0	$ 886	97.9
Mid-tier	**$ 994**	**98.2**	$ 963	98.5	**$ 991**	**98.5**	$ 964	98.5	$ 1,018	95.9
Luxury	**$ 1,118**	**97.2**	$ 1,105	97.9	**$ 1,136**	**97.7**	$ 1,105	97.9	$ 1,024	94.8
Average Residential Suites	**$ 1,033**	**97.8**	$ 1,013	98.2	**$ 1,041**	**98.1**	$ 1,013	98.2	$ 994	95.9
Average MHC Land Lease Sites	**$ 443**	**99.1**	$ 619	99.8	**$ 634**	**99.8**	$ 619	99.8	$ 317	98.7
Overall Portfolio Average	**$ 978**	**97.9**	$ 995	98.3	**$ 1,022**	**98.2**	$ 995	98.3	$ 804	96.7

(1) Prior period's comparable AMR and occupancy have been restated for properties disposed of between April 1, 2012 and December 31, 2012.

(2) As per the purchase agreements for two properties acquired between July 1, 2011 and June 30, 2012, CAPREIT receives monthly escrow payments for the positive differences, if any, between: (a) the product derived from multiplying 97.0% by the gross rent roll for such month less; (b) the actual rent earned for such month, with all applicable sales taxes. CAPREIT will continue to receive escrow payments if the actual occupancy rates are less than 97.0% up to a maximum of $1.5 million for each property, after which rental revenue will be based on actual occupancy. The occupancy rates in the tables are reflected at 97.0% for these two properties.

AMR is defined as actual residential rents, net of vacancies, divided by the total number of suites in the property and does not include revenues from parking, laundry or other sources. Average monthly rents increased in all demographic sectors of the residential suite portfolio, resulting in a 2.0% increase in overall average monthly rent as at March 31, 2013 to $1,033 compared to $1,013 for the same period last year while occupancy decreased marginally to 97.8% compared to 98.2% for the same period last year. The increases in average monthly rents were due to higher rent guideline increases, a combination of ongoing successful sales and marketing strategies, above guideline increases, and continued strength in the residential rental sector in the majority of CAPREIT's regional markets.

Average monthly rents for residential properties owned prior to March 31, 2012 also increased at March 31, 2013 to $1,041 from $1,013 at March 31, 2012, resulting in a 2.8% increase, while occupancy remained stable at 98.1% compared to the same period last year.

For the MHC land lease portfolio, average monthly rents decreased to $443 as at March 31, 2013, compared to $619 as at March 31, 2012, primarily due to the acquisition of 2,032 MHC land lease sites acquired in the second quarter of 2012 in lower rent geographic regions. Management believes MHC land lease sites provide secure and stable cash flows due to long-term tenancies, high occupancies, steady increases in average monthly rents, and significantly lower capital and maintenance costs.

The table below summarizes the changes in the average monthly rent due to suite turnovers and lease renewals compared to the prior year.

Suite Turnovers and Lease Renewals

For the Three Months Ended March 31,	**2013**			**2012**		
	Change in AMR		**% Turnovers**	**Change in AMR**		**% Turnovers**
	$	**%**	**& Renewals (1)**	**$**	**%**	**& Renewals (1)**
Suite Turnovers	**10.2**	**1.0**	**5.4**	20.1	2.0	5.2
Lease Renewals	**29.9**	**2.8**	**15.5**	36.4	3.5	15.7
Weighted Average of Turnovers and Renewals	**24.8**	**2.3**		32.4	3.1	

(1) Percentage of suites turned over or renewed during the period based on the total number of residential suites (excluding co-ownerships) held at the end of the period.

Suite turnovers in the residential suite portfolio (excluding co-ownerships) during the three months ended March 31, 2013, resulted in average monthly rent increasing by approximately $10 or 1.0%, compared to an increase of approximately $20 or 2.0% for the same period last year.

Pursuant to Management's focus on increasing overall portfolio rents for the three months ended March 31, 2013, average monthly rents on lease renewals increased by approximately $30 or 2.8%, compared to an increase of approximately $36 or 3.5% for the same period last year. The lower rate of growth in average monthly rents on lease renewals during the period is due primarily to the lower guideline increases for 2013 (Ontario – 2.5%, British Columbia – 3.8%), compared to the permitted guideline increases in 2012 (Ontario – 3.1%, British Columbia – 4.3%), partially offset by increases due to above guideline increases ("AGI") achieved in Ontario. Management continues to pursue applications in Ontario for AGIs where it believes increases are supported by market conditions above the annual guideline to raise average monthly rents on lease renewals (see discussion in the Future Outlook section).

Portfolio Average Monthly Rents and Occupancy by Geography

As at March 31,	Total Portfolio 2013		Total Portfolio 2012		Properties Owned Prior to March 31, 2012 2013		Properties Owned Prior to March 31, 2012 2012 [1]		Properties Acquired Since March 31, 2012 2013	
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %
Residential Suites										
Ontario										
Greater Toronto Area	**$ 1,137**	**98.2**	$ 1,108	98.6	**$ 1,142**	**98.3**	$ 1,111	98.6	$ 1,077	97.3
Ottawa	**915**	**99.9**	885	99.7	**915**	**99.9**	885	99.7	-	-
London / Kitchener / Waterloo	**846**	**95.0**	869	97.6	**879**	**96.9**	869	97.6	805	92.6
Other Ontario	**1,057**	**99.0**	1,031	99.6	**1,057**	**99.0**	1,031	99.6	-	-
	$ 1,097	**98.1**	$ 1,080	98.7	**$ 1,111**	**98.4**	$ 1,082	98.7	$ 975	95.6
Québec										
Greater Montréal Region	**$ 850**	**96.4**	$ 776	97.0	**$ 788**	**96.8**	$ 776	97.0	$ 1,011	95.5
Québec City	**903**	**97.0**	822	96.7	**845**	**98.2**	822	96.7	1,040	94.1
	$ 870	**96.6**	$ 793	96.9	**$ 809**	**97.3**	$ 793	96.9	$ 1,022	95.0
British Columbia										
Greater Vancouver Region	**$ 1,039**	**98.4**	$ 1,010	98.5	**$ 1,039**	**98.4**	$ 1,010	98.5	$ -	-
Victoria	**870**	**96.4**	856	96.1	**870**	**96.4**	856	96.1	-	-
	$ 989	**97.8**	$ 965	97.8	**$ 989**	**97.8**	$ 965	97.8	$ -	-
Alberta										
Edmonton	**$ 1,078**	**99.4**	$ 1,035	97.1	**$ 1,078**	**99.4**	$ 1,035	97.1	$ -	-
Calgary	**1,100**	**99.3**	1,053	98.3	**1,128**	**99.6**	1,053	98.3	1,054	98.7
	$ 1,097	**99.3**	$ 1,049	98.0	**$ 1,117**	**99.6**	$ 1,049	98.0	$ 1,054	98.7
Nova Scotia										
Halifax	**$ 1,008**	**95.7**	$ 1,051	96.5	**$ 1,069**	**95.1**	$ 1,051	96.5	$ 877	97.0
Saskatchewan										
Saskatoon	**$ 901**	**99.2**	$ 857	98.5	**$ 901**	**99.2**	$ 857	98.5	$ -	-
Regina	**973**	**100.0**	916	100.0	**973**	**100.0**	916	100.0	-	-
	$ 934	**99.6**	$ 883	99.2	**$ 934**	**99.6**	$ 883	99.2	$ -	-
Total Residential Suites	**$ 1,033**	**97.8**	$ 1,013	98.2	**$ 1,041**	**98.1**	$ 1,013	98.2	$ 994	95.9
MHC Land Lease Sites										
Ontario	**$ 470**	**99.4**	$ 619	99.8	**$ 634**	**99.8**	$ 619	99.8	$ 307	99.0
British Columbia	**384**	**97.7**	-	-	**-**	**-**	-	-	384	97.7
Alberta	**352**	**97.5**	-	-	**-**	**-**	-	-	352	97.5
Saskatchewan	**295**	**98.8**	-	-	**-**	**-**	-	-	295	98.8
Total MHC Land Lease Sites	**$ 443**	**99.1**	$ 619	99.8	**$ 634**	**99.8**	$ 619	99.8	$ 317	98.7
Total Residential Suites and MHC Land Lease Sites	**$ 978**	**97.9**	$ 995	98.3	**$ 1,022**	**98.2**	$ 995	98.3	$ 804	96.7

(1) Prior period's comparable AMR and occupancy have been restated for properties disposed of between April 1, 2012 and December 31, 2012.

All residential properties acquired since March 31, 2012 except Québec, have lower average monthly rents, due to acquisitions in lower rent geographic regions and lower occupancy levels compared to properties owned by CAPREIT prior to March 31, 2012, resulting in lower AMR and occupancy for the total portfolio. Management expects the properties acquired since March 31, 2012 will be fully integrated with CAPREIT's strategies and systems in the medium term, resulting in improved performance.

CAPREIT acquired a large and well-established national portfolio of 12 MHC communities in the second quarter of 2012, comprised of 2,032 land lease sites located in Ontario, Saskatchewan, Alberta and British Columbia. In the third quarter of 2012, CAPREIT acquired five MHC sites located in Bowmanville and Grand Bend, Ontario. The acquisition of the 12

MHC communities were in lower rent geographic regions resulting in lower overall AMR for the total MHC portfolio. Management believes the acquisition of the MHC land lease sites will be accretive in the long term.

Management continues to focus on improving resident quality, with an emphasis on maintaining or increasing rents in most of the portfolio's core markets, as summarized below:

- Average monthly rents for residential properties owned prior to March 31, 2012 increased in all regional markets of the portfolio, while the overall average occupancy level remained at nearly full level of 98.1% as at March 31, 2013.
- Ontario, where residential suites represent about 60% of the total residential suite portfolio, experienced an increase of 2.7% in average monthly rents for its properties owned prior to March 31, 2012. Occupancy levels remained nearly full at 98.4%. Management expects the Ontario rental market to remain strong and benefit from the guideline increase of 2.5% in 2013.
- Québec, representing about 21% of the total residential suite portfolio, experienced an increase of 2% in average monthly rents for its properties owned prior to March 31, 2012, compared to the same period last year, while occupancy levels increased to 97.3% from 96.9% for the same period last year. Management expects the Québec rental market to remain stable.
- British Columbia experienced an increase of 2.5% in average monthly rents for its total residential portfolio as at March 31, 2013, while occupancy levels remained stable at 97.8% compared to the same period last year. Management expects the British Columbia rental market to remain strong and benefit from the guideline increase of 3.8% in 2013.
- Improving economic conditions in Alberta resulted in an increase of 6.5% in average monthly rents for its properties owned prior to March 31, 2012, and occupancy increased to 99.6% from 98.0% for the same period last year. Management believes the Alberta market should continue to improve over the medium term.

Overall average monthly rents for the residential suite portfolio as at March 31, 2013 increased by approximately 2.0%, as compared to March 31, 2012. Management believes annual occupancies can be maintained in the 97% to 98% range and the trend for gradual increases in average monthly rents will continue, providing the basis for sustainable year-over-year increases in revenues.

Management also 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.

The table below shows the new tenant inducements incurred during the periods ended March 31, 2013 and 2012 as well as the amortization of tenant inducements, loss from vacancies, and bad debt expense included in net rental revenue for the same periods.

Tenant Inducements, Vacancy Loss, and Bad Debt Expense on Residential Suites and Sites

Three Months Ended March 31, ($ Thousands)		**2013**	**%** (1)		**2012**	**%** (1)
New Tenant Inducements Incurred (2),(3)	**$**	**598**		$	134	
Tenant Inducements Amortized	**$**	**311**	**0.3**	$	175	0.2
Vacancy Loss Incurred		**2,817**	**2.4**		1,693	1.8
Total Amortization and Loss	**$**	**3,128**	**2.7**	$	1,868	2.0
Bad Debt Expense	**$**	**490**	**0.4**	$	440	0.5

(1) As a percentage of total operating revenues.
(2) New Tenant Inducements increased compared to last year in specific regions such as Halifax, London, Vancouver, and GTA, including the impact of acquisitions.
(3) Includes tenant inducements for commercial leases.

RESULTS OF OPERATIONS

Total Operating Revenues by Geography

For the Three Months Ended March 31, ($ Thousands)	2013	2012
Residential Suites		
Ontario		
Greater Toronto Area	**$ 55,797**	$ 52,359
Ottawa	**2,242**	2,178
London / Kitchener / Waterloo	**4,272**	2,399
Other Ontario	**4,746**	4,609
	$ 67,057	$ 61,545
Québec		
Greater Montréal Region	**$ 12,531**	$ 7,845
Québec City	**8,839**	4,926
	$ 21,370	$ 12,771
British Columbia		
Greater Vancouver Region	**$ 6,644**	$ 6,478
Victoria	**2,184**	2,156
	$ 8,828	$ 8,634
Alberta		
Edmonton	**$ 1,133**	$ 1,092
Calgary	**6,673**	4,311
	$ 7,806	$ 5,403
Nova Scotia		
Halifax	**$ 5,037**	$ 3,767
Saskatchewan		
Saskatoon	**$ 366**	$ 337
Regina	**322**	304
	$ 688	$ 641
Total Residential Suites	**$ 110,786**	$ 92,761
MHC Land Lease Sites		
Ontario	**$ 3,828**	$ 2,501
British Columbia	**154**	-
Alberta	**334**	-
Saskatchewan	**222**	-
Total MHC Land Lease Sites	**$ 4,538**	$ 2,501
Total Residential Suites and MHC Land Lease Sites	**$ 115,324**	$ 95,262

Results of Operations

For the Three Months Ended March 31, ($ Thousands)		**2013**	**% (1)**		**2012**	**% (1)**
Operating Revenues						
Net Rental Revenues	**$**	**109,356**	**94.8**	$	90,430	94.9
Other (2)		**5,968**	**5.2**		4,832	5.1
Total Operating Revenues	**$**	**115,324**	**100.0**	$	95,262	100.0
Operating Expenses						
Realty Taxes		**14,125**	**12.2**		11,621	12.2
Utilities		**15,616**	**13.5**		12,541	13.1
Other (3)		**22,092**	**19.2**		18,362	19.3
Total Operating Expenses		**51,833**	**44.9**		42,524	44.6
NOI	**$**	**63,491**	**55.1**	$	52,738	55.4

(1) As a percentage of total operating revenues.
(2) Comprises ancillary income such as parking, laundry and antenna income.
(3) Comprises R&M, wages, general and administrative, insurance, advertising, and legal costs.

Operating Revenues

For the three months ended March 31, 2013, total operating revenues increased by 21.1%, compared to the same period last year, due to the contributions from acquisitions, increased average monthly rents on the residential suite portfolio, and continuing high stable occupancies. As CAPREIT continues to enhance the profile of its resident base and increase the level of service to residents, it expects to realize further increases in operating and ancillary revenues. Ancillary revenues, such as parking, laundry and antenna income, increased by 23.5% for the three months ended March 31, 2013, primarily from acquisitions.

Estimated Net Rental Revenue Run-Rate

As at March 31, ($ Thousands)		**2013**		**2012**
Residential Rent Roll (1),(2)	**$**	**422,373**	$	353,809
Commercial Rent Roll (1),(2)		**13,679**		8,824
Annualized Net Rental Revenue Run-Rate	**$**	**436,052**	$	362,633

(1) Based on rent roll as at March 31, net of vacancy loss, tenant inducements and bad debt for the 12 months ended on such date.
(2) Includes rent roll for all properties owned as at March 31.

The table above shows the estimated Net Rental Revenue Run-Rate based on average monthly rents in place for CAPREIT's share of residential suites and sites as at March 31, 2013 and 2012, net of average historical vacancy loss, tenant inducements and bad debt. The estimated annualized Net Rental Revenue Run-Rate improved by 20.2% to $436.1 million from $362.6 million, partially as a result of new acquisitions within the past twelve months. Net rental revenue net of dispositions for the twelve months ended March 31, 2013 was $407.5 million (2012 – $350.4 million).

Operating Expenses

Overall operating expenses as a percentage of operating revenues slightly increased in the three months ended March 31, 2013, compared to the same period last year as a result of higher utility and R&M costs offset partially by lower wage costs.

Realty Taxes

For the three months ended March 31, 2013, realty taxes as a percentage of operating revenues remained stable at 12.2% compared to the same period last year.

Utilities

As a percentage of operating revenues, utility costs for the three months ended March 31, 2013 increased to 13.5% from 13.1% for the same period last year.

CAPREIT's utility costs can be highly variable from year to year depending on the energy consumption and rates. The table below provides CAPREIT's utility costs by type.

Three Months Ended March 31, ($ Thousands)		**2013**	**% [(1)]**		2012	% [(1)]
Electricity	**$**	**7,048**	**6.1**	$	5,744	6.0
Natural Gas		**5,544**	**4.8**		4,434	4.6
Water		**3,024**	**2.6**		2,363	2.5
Total	**$**	**15,616**	**13.5**	$	12,541	13.1

(1) As a percentage of total operating revenues.

For the three months ended March 31, 2013, electricity costs as a percentage of total operating revenues increased to 6.1% compared to 6.0% for the same period last year, primarily due to higher consumption on acquisitions offset by lower consumption and electricity rates on stabilized properties (as defined in the Stabilized Portfolio Performance section). As at March 31, 2013, tenants who pay their hydro charges directly, represent 30.6% of the total 15,002 recently sub-metered suites in Ontario and Alberta.

For the three months ended March 31, 2013, natural gas costs as a percentage of total operating revenues increased to 4.8% compared to 4.6% for the same period last year, primarily due to higher natural gas consumption resulting from cooler weather in the 2013 winter months.

The table below provides information on CAPREIT's fixed natural gas contracts for the fiscal years 2013 and 2014:

As at March 31,		**Remaining 2013**		**2014**
Fixed Weighted Average Cost per GJ [(1)]	**$**	**3.31**	$	-
Total of CAPREIT's Estimated Requirements		**19.80%**		-

(1) Fixed weighted average cost per gigajoule ("GJ") excludes estimated transportation costs of $1.21, $1.06 and $1.03 per GJ for the remainder of 2013, 2014 and 2015, respectively, and other administrative costs.

NET OPERATING INCOME

Management believes NOI is a key indicator of operating performance in the real estate industry. NOI includes all rental revenues generated at the property level, less: (i) related direct costs such as utilities, realty taxes, insurance, Repair and Maintenance ("R&M") costs and on-site wages and salaries; and (ii) an appropriate allocation of overhead costs. It may not, however, be comparable to similar measures presented by other real estate trusts or companies.

The following table shows the NOI and the NOI margin attained for each regional market for the periods ended March 31, 2013 and 2012.

For the Three Months Ended March 31,	2013			2012		Increase (Decrease) %		
($ Thousands)		NOI	NOI Margin (%)		NOI	NOI Margin (%)	Revenue Change (%)	Operating Expense Change (%)	NOI Change (%)
Residential Suites									
Ontario									
Greater Toronto Area	**$**	**30,768**	**55.1**	$	28,775	55.0	**6.6**	**6.1**	**6.9**
Ottawa		**1,191**	**53.1**		1,051	48.3	**2.9**	**(6.7)**	**13.3**
London / Kitchener / Waterloo		**2,272**	**53.2**		1,284	53.5	**78.1**	**79.4**	**76.9**
Other Ontario		**2,652**	**55.9**		2,490	54.0	**3.0**	**(1.2)**	**6.5**
	$	**36,883**	**55.0**	$	33,600	54.6	**9.0**	**8.0**	**9.8**
Québec									
Greater Montréal Region	**$**	**5,897**	**47.1**	$	3,708	47.3	**59.7**	**60.4**	**59.0**
Québec City		**4,577**	**51.8**		2,586	52.5	**79.4**	**82.1**	**77.0**
	$	**10,474**	**49.0**	$	6,294	49.3	**67.3**	**68.2**	**66.4**
British Columbia									
Greater Vancouver Region	**$**	**4,007**	**60.3**	$	3,931	60.7	**2.6**	**3.5**	**1.9**
Victoria		**1,414**	**64.7**		1,399	64.9	**1.3**	**1.7**	**1.1**
	$	**5,421**	**61.4**	$	5,330	61.7	**2.2**	**3.1**	**1.7**
Alberta									
Edmonton	**$**	**747**	**65.9**	$	735	67.3	**3.8**	**8.1**	**1.6**
Calgary		**3,932**	**58.9**		2,409	55.9	**54.8**	**44.1**	**63.2**
	$	**4,679**	**59.9**	$	3,144	58.2	**44.5**	**38.4**	**48.8**
Nova Scotia									
Halifax	**$**	**2,901**	**57.6**	$	2,472	65.6	**33.7**	**64.9**	**17.4**
Saskatchewan									
Saskatoon	**$**	**173**	**47.3**	$	159	47.2	**8.6**	**8.4**	**8.8**
Regina		**199**	**61.8**		199	65.5	**5.9**	**17.1**	**-**
	$	**372**	**54.1**	$	358	55.9	**7.3**	**11.7**	**3.9**
Total Residential Suites	**$**	**60,730**	**54.8**	$	51,198	55.2	**19.4**	**20.4**	**18.6**
MHC Land Lease Sites									
Ontario	**$**	**2,330**	**60.9**	$	1,540	61.6	**53.1**	**55.9**	**51.3**
British Columbia		**120**	**77.9**		-	-	**-**	**-**	**-**
Alberta		**198**	**59.3**		-	-	**-**	**-**	**-**
Saskatchewan		**113**	**50.9**		-	-	**-**	**-**	**-**
Total MHC Land Lease Sites	**$**	**2,761**	**60.8**	$	1,540	61.6	**81.4**	**84.9**	**79.3**
Total Residential Suites and MHC Land Lease Sites	**$**	**63,491**	**55.1**	$	52,738	55.4	**21.1**	**21.9**	**20.4**

For the three months ended March 31, 2013, NOI increased by 20.4% and the NOI margin decreased marginally to 55.1% from 55.4%, for the same period last year due to higher operating expenses. The significant increase in NOI in specific regions of the portfolio was primarily the result of acquisitions completed in the prior 12 months and higher

operating revenues. CAPREIT remains focused on continuing to further improve NOI and NOI margin through a combination of accretive and value-enhancing acquisitions, successful sales and marketing strategies to improve revenues, and investments in capital programs to enhance the quality and value of its portfolio. For a comprehensive analysis of stabilized NOI growth or decline compared to the same period last year by geography, refer to the Stabilized Portfolio Performance section.

STABILIZED PORTFOLIO PERFORMANCE

For The Three Months Ended March 31,	2013			2012			Increase (Decrease) %		
($ Thousands)		**NOI**	**NOI Margin (%)**		**NOI**	**NOI Margin (%)**	**Revenue Change (%)**	**Operating Expense Change (%)**	**NOI Change (%)**
Residential Suites									
Ontario									
Greater Toronto Area	**$**	**28,622**	**55.5**	$	27,358	54.7	**3.0**	**1.1**	**4.6**
Ottawa		**1,191**	**53.1**		1,051	48.3	**2.9**	**(6.7)**	**13.3**
London / Kitchener / Waterloo		**1,333**	**54.7**		1,284	53.5	**1.5**	**(1.2)**	**3.8**
Other Ontario		**2,652**	**55.9**		2,490	54.0	**3.0**	**(1.1)**	**6.5**
	$	**33,798**	**55.5**	$	32,183	54.4	**3.0**	**0.5**	**5.0**
Québec									
Greater Montréal Region	**$**	**3,638**	**46.1**	$	3,709	47.3	**0.6**	**2.9**	**(1.9)**
Québec City		**2,718**	**53.7**		2,586	52.5	**2.8**	**0.3**	**5.1**
	$	**6,356**	**49.0**	$	6,295	49.3	**1.5**	**2.0**	**1.0**
British Columbia									
Greater Vancouver Region	**$**	**4,007**	**60.3**	$	3,931	60.7	**2.6**	**3.5**	**1.9**
Victoria		**1,414**	**64.7**		1,399	64.9	**1.3**	**1.7**	**1.1**
	$	**5,421**	**61.4**	$	5,330	61.7	**2.2**	**3.1**	**1.7**
Alberta									
Edmonton	**$**	**747**	**65.9**	$	735	67.3	**3.8**	**8.1**	**1.6**
Calgary		**2,687**	**57.2**		2,409	55.9	**9.0**	**5.8**	**11.5**
	$	**3,434**	**58.9**	$	3,144	58.2	**8.0**	**6.2**	**9.2**
Nova Scotia									
Halifax	**$**	**2,320**	**62.9**	$	2,472	65.6	**(2.0)**	**5.8**	**(6.1)**
Saskatchewan									
Saskatoon	**$**	**173**	**47.3**	$	159	47.2	**8.6**	**8.4**	**8.8**
Regina		**199**	**61.8**		199	65.5	**5.9**	**17.1**	**-**
	$	**372**	**54.1**	$	358	55.9	**7.3**	**11.7**	**3.9**
Total Residential Suites	**$**	**51,701**	**55.6**	$	49,782	55.1	**2.8**	**1.5**	**3.9**
MHC Land Lease Sites									
Ontario	**$**	**1,560**	**60.6**	$	1,540	61.6	**3.0**	**5.7**	**1.3**
Total MHC Land Lease Sites	**$**	**1,560**	**60.6**	$	1,540	61.6	**3.0**	**5.7**	**1.3**
Total Residential Suites and MHC Land Lease Sites	**$**	**53,261**	**55.8**	$	51,322	55.2	**2.8**	**1.6**	**3.8**
Stabilized Suites and Sites		**29,086**			29,086				

Stabilized properties for the three months ended March 31, 2013 are defined as all properties owned by CAPREIT continuously since December 31, 2011, and therefore, do not take into account the impact on performance of acquisitions or dispositions completed during 2013 and 2012. As at March 31, 2013, stabilized suites and sites represent 80.1% of CAPREIT's overall portfolio (excluding co-ownerships).

As at March 31, 2013, CAPREIT has generated more than seven years (29 consecutive quarters) of stable or improved year-over-year NOI growth for stabilized properties. For the three months ended March 31, 2013, operating revenues and operating costs increased by 2.8% and 1.6%, respectively, compared to the same period last year. As a result, stabilized NOI increased by 3.8% for the three months ended March 31, 2013.

For the three months ended March 31, 2013, the NOI margin for properties acquired since December 31, 2011 was 51.1%.

Ontario:

NOI for the stabilized Ontario portfolio increased by 5.0% during the three months ended March 31, 2013 compared to the same period last year, primarily due to higher operating revenues and lower bad debt, electricity, R&M, wages and advertising costs offset by slightly higher realty taxes and increased vacancies, heating, and water costs. The NOI margin improved to 55.5% for the three months ended March 31, 2013, compared to 54.4% for the same period last year. Management believes the Ontario portfolio will remain strong and generate steady returns in the medium term. As discussed earlier, the rent guideline increase for 2013 is 2.5% compared to 3.1% in 2012.

Québec:

NOI for the stabilized Québec portfolio increased by 1.0% during the three months ended March 31, 2013, compared to the same period last year, primarily due to higher operating revenues and lower electricity and R&M costs partially offset by higher tenant allowances, heating, wages, onsite, insurance and legal costs. For the three months ended March 31, 2013, the NOI margin decreased marginally to 49.0% compared to 49.3% for the same period last year. CAPREIT believes the Québec rental market will remain stable and generate steady to improving returns in the medium term.

British Columbia:

NOI for the stabilized British Columbia portfolio increased by 1.7% during the three months ended March 31, 2013, compared to the same period last year, primarily due to higher operating revenues and lower wages partially offset by higher R&M and onsite costs. For the three months ended March 31, 2013, the NOI margin decreased marginally to 61.4% from 61.7% compared to the same period last year. Management believes the British Columbia portfolio will continue to generate steady returns in the medium term. The rent guideline increase for 2013 is 3.8% compared to 4.3% in 2012.

Alberta:

NOI for the stabilized Alberta portfolio increased by a significant 9.2% during the three months ended March 31, 2013 compared to the same period last year, primarily due to higher operating revenues, lower vacancies, bad debt, tenant allowances, wages and electricity costs partially offset by higher realty taxes, water, R&M, and leasing costs. For the three months ended March 31, 2013, the NOI margin increased to 58.9% compared to 58.2% for the same period last year. Management believes the Alberta market should continue to improve over the medium term.

Nova Scotia:

NOI for the stabilized Nova Scotia portfolio decreased by 6.1% for the three months ended March 31, 2013 compared to the same period last year, primarily due to lower parking revenue and higher vacancies, bad debt, tenant allowances, utilities and R&M costs partially offset by higher operating revenues and lower wage costs. For the three months ended March 31, 2013, the NOI margin decreased to 62.9% from 65.6% for the same period last year. Management believes its presence primarily in downtown Halifax locations will serve to maintain or increase occupancy levels and average monthly rents in the medium term.

MHC Land Lease Sites:

NOI for the stabilized MHC land lease sites portfolio increased by 1.3% for the three months ended March 31, 2013 compared to the same period last year, primarily due to higher operating revenues and lower wage costs partially offset by higher water and R&M costs. For the three months ended March 31, 2013, the NOI margin decreased to 60.6% from 61.6% for the same period last year. Management believes its MHC land lease portfolio will provide accretive growth in the long term.

NET INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)

Three Months Ended March 31, ($ Thousands)	**2013**	2012
Net Operating Income	**$ 63,491**	$ 52,738
(Less) Plus:		
Trust Expenses	**(4,375)**	(3,249)
Unrealized Gain on Remeasurement of Investment Properties	**33,655**	7,849
Realized Loss on Disposition of Investment Properties	**-**	(178)
Remeasurement of Exchangeable Units	**(104)**	(82)
Unit-based Compensation Expenses	**(1,710)**	(1,616)
Interest on Mortgages Payable and Other Financing Costs	**(24,018)**	(21,001)
Interest on Bank Indebtedness	**(1,494)**	(1,078)
Interest on Exchangeable Units	**(59)**	(111)
Other Income	**2,485**	480
Amortization	**(517)**	(518)
Unrealized and Realized Gain (Loss) on Derivative Financial Instruments	**92**	(956)
Net Income	**$ 67,446**	$ 32,278
Other Comprehensive (Loss) Income		
Items That May Be Reclassified Subsequently to Net Income		
Amortization of Losses From AOCL to Interest and Other Financing Costs	**$ 752**	334
Change in Fair Value of Derivative Financial Instruments	**108**	4,303
Change in Fair Value of Investments	**(1,064)**	2,312
Realized Gain on Sale of Investments	**(1,381)**	–
Other Comprehensive (Loss) Income	**(1,585)**	6,949
Comprehensive Income	**$ 65,861**	$ 39,227

Trust Expenses

Trust expenses include costs directly attributable to head office, such as salaries, trustee fees, professional fees for legal and advisory services, trustees' and officers' insurance premiums, and other general and administrative expenses. Trust expenses increased for the three months ended March 31, 2013, to $4.4 million from $3.2 million for the same period last year mainly due to higher compensation costs partly related to the asset management and property management services, consulting fees, travel expenses, and legal fees.

Unrealized Gain on Remeasurement of Investment Properties

CAPREIT recognizes its investment properties at fair value at each reporting period, with any unrealized gain or loss on remeasurement recognized in the consolidated statements of income and comprehensive income for the period. A description of the key components of the change in the fair value of investment properties is included in the Investment Properties section.

Realized Loss on Disposition of Investment Properties

The realized loss on disposition of investment properties for the three months ended March 31, 2012 of $0.2 million represents the difference between the net proceeds from the disposition, compared to the fair value of the property at the date of disposition.

Remeasurement of Exchangeable Units

CAPREIT accounts for its Exchangeable Units as a financial liability, remeasures such liability at each reporting period, and includes this remeasurement in the consolidated statement of income and comprehensive income. During the first quarter of 2013, pursuant to the terms of the Exchangeable Units, 100,000 Exchangeable Units were exchanged for 100,000 Trust Units. The higher change in the market price of CAPREIT's Trust Units offset partially by the lower number of Exchangeable Units outstanding for the three months ended March 31, 2013, compared to March 31, 2012, resulted in a higher remeasurement expense compared to the same period last year. A description of the key components of the

remeasurement of Exchangeable Units is included in note 11 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

Unit-based Compensation Expenses

Unit-based compensation benefits are provided to officers, trustees and certain employees and are intended to facilitate long-term ownership of Trust Units and to provide additional incentives by increasing the participants' interest, as owners, in CAPREIT. Unit-based compensation expenses include costs attributable to these incentive plans, namely the Restricted Unit Rights Plan ("RUR Plan"), Unit Option Plan ("UOP"), Deferred Unit Plan ("DUP"), Long-Term Incentive Plan ("LTIP") and Senior Executive Long-Term Incentive Plan ("SELTIP") (see notes 11 and 12 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report).

As a result of CAPREIT being an open-ended mutual fund trust, whereby each Unitholder of the Trust Units is entitled to redeem their Units in accordance with the conditions specified in CAPREIT's DOT, under IFRS, the underlying Trust Units relating to the Unit-based compensation awards are not treated as equity and are instead considered financial liabilities. As such, these Unit-based compensation awards must be presented as liabilities and remeasured at fair value at each reporting date. Close-ended mutual fund trusts, such as certain of CAPREIT's industry peers, are not required to remeasure their respective Unit-based compensation awards. In such cases, the related expense is limited to the amortization of the fair value of the award over the applicable vesting period.

In order to aid comparability with CAPREIT's peers, the Unit-based compensation expense has been separated into two components: (i) the amortization of the grant date fair value of the award over its vesting period, and (ii) the remeasurement of awards outstanding at period end at fair value.

CAPREIT's Unit-based compensation expense for the three months ended March 31, 2013 increased to $1.7 million from $1.6 million for the same period last year due to the increase in the remeasurement expense relating to higher increase in the market price of CAPREIT's Trust Units compared to the same period last year. The table below demonstrates the impact of each component of CAPREIT's plans on the total compensation expense.

Three Months Ended March 31, ($ Thousands)	**2013**	2012
Remeasurement of Unit-based Compensation Liabilities	**$ 1,245**	$ 1,194
Amortization of Fair Value on Grant Date of Unit-based Compensation	**465**	422
Total	**$ 1,710**	$ 1,616

Interest on Mortgages Payable and Other Financing Costs

Interest on mortgages, which includes the amortization of certain financing costs, increased for the three months ended March 31, 2013, to $24.0 million from $21.0 million for the same period last year, due to acquisitions and top up financings. However, as a percentage of operating revenues, mortgage interest expense decreased to 20.8% for the three months ended March 31, 2013, compared to 22.0% for the same period last year as a result of CAPREIT's successful refinancing of mortgages at lower interest rates. Additional information on the interest on mortgages payable and other financing costs is included in note 15 to the accompanying unaudited condensed consolidated interim financial statements and the Liquidity and Financial Condition section of this report.

Interest on Bank Indebtedness

Interest on bank indebtedness relates to borrowings under the Credit Facilities (see Liquidity and Capital Resources discussion).

Other Income

Other income primarily consists of dividends received from investments (see notes 7 to the accompanying unaudited condensed consolidated interim financial statements) and gains realized on the sale of investments. Other income for the three months ended March 31, 2013 increased to $2.5 million from $0.5 million for the same period last year primarily due to the sale of investments. During the three months ended March 31, 2013, CAPREIT sold investments and realized a gain of $1.7 million compared to $nil for the same period last year, which was included in other income.

Effective December 5, 2012, CAPREIT entered into third party external management agreements to perform certain asset management duties and property services with a third party real estate investment trust in the United States, which owns and operates 16 manufactured home communities in Colorado, Texas, Arizona, and Michigan. Included in other income for the three months ended, March 31, 2013 is $0.4 million from asset management and property management fees. Expenses related to the asset management and property management services were included in trust expenses for the three months ended, March 31, 2013.

Amortization

These costs represent the amortization of CAPREIT's head office property, plant and equipment on a straight-line basis over their estimated useful lives ranging primarily between three and five years.

Unrealized and Realized Loss on Derivative Financial Instruments

i) *Forward interest rate hedges for which hedge accounting is being applied:* In June 2011, CAPREIT entered into a forward interest rate hedge agreement to hedge interest rates on approximately $312 million of mortgages maturing between September 2011 and June 2013, to which hedge accounting is being applied. The maturing mortgages are refinanced on ten-year terms and bear interest rates based upon ten-year Government of Canada bond rates between a floor rate of 3.00% with a maximum of 3.62%, before the impact of credit spread. Current spot market rates are below the floor rate of 3.00% as at March 31, 2013. At each reporting date, the hedging derivative will be marked-to-market with the difference between the change in fair value and intrinsic value recognized in net income or loss. For the three months ended March 31, 2013, there was a gain on derivative financial instruments of approximately $0.1 million.

ii) *Interest rate contracts for which hedge accounting is being applied*: As at March 31, 2013, CAPREIT has a $65 million interest rate swap agreement fixing the interest rate at 3.6%, which matures in September 2022, for which hedge accounting is being applied. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a ten-year term. The related floating rate credit facility is for a five-year term, on expiry of the term it is expected to be refinanced for an additional five-year term. At each reporting date, the hedging derivative will be marked-to-market with the ineffective portion recognized in net income, $nil for the three months ended March 31, 2013.

Additional information on the above instruments is included in notes 15 and 16 to the accompanying unaudited condensed consolidated interim financial statements.

OTHER COMPREHENSIVE INCOME ("OCI")

Included in OCI are the following:

i) *Amortization of losses from Accumulated Other Comprehensive Loss ("AOCL") to interest and other financing costs*: are primarily comprised of amortization of $0.8 million for the three months ended March 31, 2013 of realized losses of $30.8 million on forward contracts entered during 2005 and 2011 included in AOCL.

ii) *Change in fair value of the derivative financial instruments* for three months ended March 31, 2013 is comprised of:

   a. $65.0 million swap agreement: gain recorded in OCI of $0.1 million for the three months ended March 31, 2013. A description of the swap agreement has been provided in the Liquidity and Financial Condition section.

   b. $312 million forward interest rate hedge agreement: gain recorded in OCI of $7 thousand for the three months ended March 31, 2013.

   CAPREIT entered into a $312 million forward interest rate hedge agreement to hedge interest rates for the majority of mortgages maturing between September 2011 and June 2013. This forward interest rate hedge agreement has been assessed as an effective hedge in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") with the effective portion of the intrinsic value of the contract derivative recognized in OCI.

iii) *Change in fair value of investments*: represents the cumulative marked-to-market gain or loss for the period on investments accounted for as available-for-sale. The marked-to-market loss on the investment for the three months ended March 31, 2013 was $1.1 million.

iv) *Realized gain on sale of investments*: for the three months ended March 31, 2013, CAPREIT sold investments and reversed the realized gains in OCI of $1.4 million.

Additional information on the above instruments and investments is included in note 16 to the accompanying unaudited condensed consolidated interim financial statements.

SECTION III

NON-IFRS FINANCIAL MEASURES

PER UNIT CALCULATIONS

As a result of CAPREIT being an open-ended mutual fund trust, Unitholders are entitled to redeem their Trust Units, subject to certain restrictions. The impact of this redemption feature causes CAPREIT's Trust Units to be treated as financial liabilities under IFRS. Consequently, all per Unit calculations are considered non-IFRS measures.

The following table explains the number of Units (in thousands) used in calculating non-IFRS financial measures on a per Unit basis:

	Weighted Average Number of Units		*Outstanding Number of Units*
Three Months Ended March 31,	**2013**	**2012**	**2013**
Trust Units	**99,578**	82,874	**99,766**
Exchangeable Units [1],[5]	**224**	411	**161**
Units under the DUP [2]	**140**	110	**149**
Basic Weighted Average Number of Units	**99,942**	83,395	**100,076**
Plus:			
Dilutive Units under the LTIP [2],[3]	**775**	656	**1,516**
Dilutive Units under the SELTIP [2],[3]	**345**	275	**818**
Units Rights under the RUR Plan [2]	**300**	202	**345**
Dilutive Unexercised Options under the UOP [2],[4]	**150**	112	**-** [6]
Diluted Weighted Average Number of Units	**101,512**	84,640	**102,755**

(1) See note 11 to the accompanying unaudited condensed consolidated interim financial statements for details of Exchangeable Units.
(2) See notes 12 and 13 to the audited consolidated annual financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report for details of CAPREIT's Unit-based compensation plans.
(3) Calculated using the treasury method after taking into account the respective subscriptions receivable (see note 12 to the accompanying unaudited condensed consolidated interim financial statements).
(4) Calculated using the treasury method after taking into account the exercise prices.
(5) During the second and third quarter of 2012 and first quarter of 2013, pursuant to the terms of the Exchangeable Units, 250 Exchangeable Units were exchanged for 250 Trust Units.
(6) There are 916 unexercised options outstanding under the UOP.

Distribution Reinvestment Plan ("DRIP") and Net Distributions Paid

Three Months Ended March 31, ($ Thousands)	**2013**	**2012**
Distributions Declared on Trust Units	**$ 27,896**	$ 22,389
Distributions Declared on Exchangeable Units	**59**	111
Distributions Declared on Awards Outstanding under Unit-based Compensation Plans [1]	**747**	710
Total Distributions Declared	**28,702**	23,210
Less:		
Distributions on Trust Units Reinvested	**(6,041)**	(4,961)
Distributions on Unit Awards Reinvested [1]	**(747)**	(710)
Net Distributions Paid	**$ 21,914**	$ 17,539
Percentage of Distributions Reinvested	**23.6%**	24.4%

(1) Comprises: (i) non-cash distributions related to the DUP and the RUR plan, and (ii) retained distributions on LTIP and SELTIP Units (see notes 12 and 13 to the audited consolidated annual financial statements for the year ended, December 31, 2012 contained in CAPREIT's 2012 Annual Report for a discussion of these plans).

Under CAPREIT's DRIP, a participant may purchase additional Units with the cash distributions paid on the eligible Units, registered in the participant's name or held in a participant's account maintained pursuant to the DRIP. Each participant has the right to receive an additional amount equal to 5% of their monthly distributions reinvested pursuant to the DRIP, which will 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 trading price for CAPREIT's Trust Units on the Toronto Stock Exchange ("TSX") for the five trading days immediately preceding the relevant distribution date.

The average participation rate in the DRIP and other plans under which distributions are reinvested decreased for the three months ended March 31, 2013 to 23.6%, from 24.4% for the same period last year. Also, as the price of CAPREIT's Trust Units has steadily risen during the period since March 31, 2012, the number of Units issued for a given amount of reinvested distributions has declined. The DRIP participation rate is subject to factors beyond Management's control and varies between investors.

Distributions declared on Units outstanding under the Unit-based compensation plans in these tables are based on all awards granted under the RUR Plan, DUP, LTIP and SELTIP (see notes 12 and 13 to the accompanying unaudited condensed consolidated interim financial statements for a discussion of these plans). When establishing the level of monthly cash distributions to Unitholders, the Board of Trustees relies on cash flow information including forecasts and budgets.

Net Operating Income

NOI is a key non-IFRS financial measure of the operating performance of CAPREIT and is defined and reported in the Results of Operations section.

Funds From Operations

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. FFO as presented is based on the recommendations of the Real Property Association of Canada, with the exception of the amortization of certain other assets. It may not, however, be comparable to similar measures presented by other real estate trusts or companies in similar or different industries. Management considers FFO to be an important measure of CAPREIT's operating performance.

Payout ratios compare total and net distributions declared to these non-IFRS financial measures. Management also considers these ratios to be important measures of the sustainability of the level of distributions.

A reconciliation of net income to FFO is as follows:

Three Months Ended March 31, ($ Thousands, except per Unit amounts)	**2013**	**2012**
Net Income	**$ 67,446**	$ 32,278
Adjustments:		
Unrealized Gain on Remeasurement of Investment Properties	**(33,655)**	(7,849)
Realized Loss on Disposition of Investment Properties	**–**	178
Remeasurement of Exchangeable Units	**104**	82
Remeasurement of Unit-based Compensation Liabilities	**1,245**	1,194
Interest on Exchangeable Units	**59**	111
Amortization of Property, Plant and Equipment	**517**	518
FFO	**$ 35,716**	$ 26,512
FFO per Unit – Basic	**$ 0.357**	$ 0.318
FFO per Unit – Diluted	**$ 0.352**	$ 0.313
Total Distributions Declared	**$ 28,702**	$ 23,210
FFO Payout Ratio	**80.4%**	87.5%
Net Distributions Paid	**$ 21,914**	$ 17,538
Excess FFO over Net Distributions Paid	**$ 13,802**	$ 8,974
FFO Effective Payout Ratio	**61.4%**	66.2%

Normalized Funds From Operations

Management considers NFFO to be the key measure of CAPREIT's operating performance and the primary indicator with respect to the sustainability of CAPREIT's distributions. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including changes in fair value of hedging instruments, amortization of losses on certain hedging instruments, and mortgage prepayment penalties offset by fair value adjustment on assumed mortgages that were refinanced early. Management relies on NFFO on a per Unit basis as it facilitates better comparability to historical performance and provides a better indicator of CAPREIT's long-term cash flow generation capability than other measures. See the discussions in the Net Income and Other Comprehensive Income and Risks and Uncertainties sections for additional information on hedging instruments currently in place.

A reconciliation of FFO to NFFO is as follows:

Three Months Ended March 31, ($ Thousands, except per Unit amounts)	2013	2012
FFO	$ 35,716	$ 26,512
Adjustments:		
Unrealized and Realized (Gain) Loss on Derivative Financial Instruments	(92)	956
Amortization of losses from AOCL to interest and other financing costs	752	334
Net Mortgage Prepayment Cost (1)	1,547	–
Realized Gain on Sale of Investments (2)	(1,737)	–
NFFO	$ 36,186	$ 27,802
NFFO per Unit – Basic	$ 0.362	$ 0.333
NFFO per Unit – Diluted	$ 0.356	$ 0.328
Total Distributions Declared	$ 28,702	$ 23,210
NFFO Payout Ratio	79.3%	83.5%
Net Distributions Paid	$ 21,914	$ 17,538
Excess NFFO Over Net Distributions Paid	$ 14,272	$ 10,264
Effective NFFO Payout Ratio	60.6%	63.1%

(1) Mortgage prepayment costs relates to early refinancing net of related fair value adjustment on assumed mortgages.
(2) Included in Other Income in the Net Income and Other Comprehensive Income section.

NFFO for the three months ended March 31, 2013 increased by 30.2%, compared to the same period last year primarily due to the contributions from acquisitions, and higher net operating income for properties owned prior to March 31, 2012.

For the three months ended March 31, 2013, basic NFFO per Unit increased by 8.7% compared to the same period last year despite an approximate 20% increase in the weighted average number of Units outstanding. Management expects per Unit FFO and NFFO and related payout ratios to improve in the medium term as a result of NOI contributions from recent acquisitions.

Comparing distributions declared to NFFO, the NFFO payout ratios for the three months ended March 31, 2013 improved to 79.3%, compared to 83.5% for the same period last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid, improved for the three months ended March 31, 2013, to 60.6% from 63.1% for the same period last year primarily due to higher NFFO during the current period. Management believes NFFO will be sufficient to fund CAPREIT's distributions at their current level.

Adjusted Funds From Operations

AFFO is a supplemental measure of cash generated from operations that is used in the real estate industry to assess the sustainability of future distributions paid to Unitholders after provision for maintenance property capital investments.

Management relies on an industry-based estimate to determine the amount of maintenance property capital investments, as significant judgement is required to classify property capital investments as either maintenance or stabilizing or value-enhancing (see discussion in the Productive Capacity section). Management views AFFO as less reliable or applicable under a gross lease operating structure, as is the case for CAPREIT, because maintenance property capital investments

are not clearly identifiable. However, given the current use by investors and other stakeholders of this non-IFRS financial measure, CAPREIT currently intends to continue presenting an estimate of AFFO.

CAPREIT calculates AFFO by deducting from NFFO an industry-based estimate for maintenance property capital investments and adding back the non-cash Unit-based compensation costs. In order to determine the AFFO payout ratio, CAPREIT compares distributions declared to AFFO. The effective AFFO payout ratio compares net cash distributions paid to AFFO.

A reconciliation of NFFO to AFFO is as follows:

Three Months Ended March 31, ($ Thousands, except per Unit amounts)	**2013**	2012
NFFO	**$ 36,186**	$ 27,802
Adjustments:		
Provision for Maintenance Property Capital Investments [1]	**(3,708)**	(3,199)
Amortization of Fair Value on Grant Date of Unit-based Compensation	**465**	422
AFFO	**$ 32,943**	$ 25,025
AFFO per Unit – Basic	**$ 0.330**	$ 0.300
AFFO per Unit – Diluted	**$ 0.325**	$ 0.296
Distributions Declared	**$ 28,702**	$ 23,210
AFFO Payout Ratio	**87.1%**	92.7%
Net Distributions Paid	**$ 21,914**	$ 17,538
Excess AFFO Over Net Distributions Paid	**$ 11,029**	$ 7,487
Effective AFFO Payout Ratio	**66.5%**	70.1%

(1) Based on an industry estimate of $450 per suite per year and the weighted average number of residential suites during the period (see Productive Capacity section).

SECTION IV

PROPERTY CAPITAL INVESTMENTS

CAPREIT strives to acquire properties at prices significantly below their current replacement costs, and is committed to improving its operating performance by incurring appropriate capital investments in order to maintain the productive capacity of its property portfolio and to sustain the portfolio's rental income-generating potential over its useful life. CAPREIT continues to invest in environment-friendly and energy-saving initiatives that improve overall net operating income. 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.

A breakdown of property capital investments (excluding disposed properties, head office assets, tenant improvements and signage) is summarized by category below:

Property Capital Investments by Category

Three Months Ended March 31, ($ Thousands)		**2013**	**%**		**2012**	**%**
Building Improvements	$	**4,843**	**24.0**	$	2,478	19.5
Suite Improvements		**6,804**	**33.7**		4,880	38.3
Common Area		**3,118**	**15.5**		2,065	16.2
Energy-saving Initiatives		**550**	**2.7**		668	5.2
Equipment		**1,901**	**9.4**		1,524	12.0
Boilers and Elevators		**2,498**	**12.4**		751	5.9
Appliances		**472**	**2.3**		370	2.9
Total	$	**20,186**	**100.0**	$	12,736	100.0

The significant portfolio growth generated in 2012 has led CAPREIT to adjust its multi-year capital investment programs to increase the anticipated levels for 2013. Based on a revised multi-year property capital investment plan, Management expects CAPREIT to complete property capital investments of approximately $160 million to $170 million during 2013, including approximately $67 million targeted at acquisitions completed in 2011 and 2012 and approximately $13 million in high-efficiency boilers and other energy-saving initiatives.

Set out in the table below is Management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements for 2013 through 2016 for properties owned as of March 31, 2013. Building improvements represent the most significant category of property capital investment at present, but are expected to decline significantly in the coming years.

Future Investments in Building Improvements

($ Thousands)	**Properties Held As At March 31, 2013 Excluding 2012 and 2013 Acquisitions** **Estimated Range** (1),(2)					**2012 and 2013 Acquisitions** **Estimate** (1)	
2013	$	59,000	–	$	63,000	$	30,500
2014	$	18,000	–	$	22,000	$	21,200
2015	$	14,000	–	$	18,000	$	1,800
2016	$	9,000	–	$	13,000	$	250

(1) Excludes property capital investments in other categories, such as suite improvements and common area.
(2) Excludes disposed properties.

Management believes CAPREIT has sufficient liquidity and access to top up financing opportunities (see the Liquidity and Financial Condition section) to execute the above property capital investment strategy.

During the third quarter of 2011, CAPREIT began the multi-phase implementation of a new Enterprise Resource Planning ("ERP") system. Management believes this unified platform will continue to drive operational efficiencies to the business. To date, $4.9 million of costs related to this initiative have been capitalized to property, plant and equipment.

PRODUCTIVE CAPACITY

The primary focus of the following discussion is to differentiate between investments to maintain existing cash flows from the properties and investments incurred in order to achieve CAPREIT's longer term goals of enhanced cash flows and Unit distributions.

Maintenance property capital investments vary with market conditions, are partially related to suite turnover and are intended to maintain the earning capacity of the portfolio. Industry estimates for annual overall maintenance capital investments are approximately $450 per residential suite. These maintenance property capital investments are in addition to regular R&M costs, which have historically averaged in the range of $700 to $800 per residential suite annually and are expensed to NOI.

Stabilizing and value-enhancing property capital investments are focused on increasing the productivity of the property portfolio. These investments enhance operating effectiveness and profitability and increase revenues or reduce costs to improve NOI over the long term. In addition, they improve the economic life and value of the properties and are mainly long term in nature.

Owing to the gross lease structure of its portfolio, CAPREIT does not distinguish its property capital investments between the two categories described above. Instead, CAPREIT uses industry guidelines for maintenance property capital investments to estimate its stabilizing and value-enhancing property capital investments as follows:

Three Months Ended March 31, ($ Thousands)	**2013**	**2012**
Total Property Capital Investments (1)	$ **20,186**	$ 12,736
Less: Estimated Maintenance Property Capital Investments (2)	**(3,708)**	(3,199)
Stabilizing and Value-enhancing Property Capital Investments	$ **16,478**	$ 9,537

(1) Excludes capital investments for disposed properties, head office assets, tenant improvements and signage.
(2) Based on an industry estimate of $450 per suite per year and the weighted average number of residential suites during the period.

Management believes its increased emphasis on targeted property capital investment programs for its property portfolio is yielding positive results, as significant benefits are being and are expected to continue to be, realized through maintaining high occupancy, increasing average monthly rents and reducing operating costs.

CAPITAL STRUCTURE

CAPREIT defines capital as the aggregate of Unitholders' equity, debt financing, Unit-based compensation liabilities and Exchangeable Units. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund distributions to Unitholders, to retain a portion to meet repayment obligations under its mortgages and credit facilities, and to ensure sufficient funds are available to meet capital commitments. Management aims to maintain an optimal degree of leverage relative to the gross book value of CAPREIT's assets depending on a number of factors at any given time which include expected cash flow requirements, impact on near-term and long-term financial performance, current and expected state of the credit markets as well as any risks among other considerations. Capital adequacy is monitored against investment and debt restrictions contained in CAPREIT's DOT and the Credit Facilities agreement.

CAPREIT's Credit Facilities (see Liquidity and Financial Condition) require compliance with the financial covenants shown in the table below. In addition, borrowings must not exceed the borrowing base, calculated as a predefined percentage of the fair value of the investment properties determined on an annual basis.

In the short term, CAPREIT utilizes the Credit Facilities to finance its capital investments, which may include acquisitions. In the long term, equity issuances, mortgage financings and refinancings, including top-ups, are put in place to finance the cumulative investment in the property portfolio and ensure the sources of financing better reflect the long-term useful lives of the underlying investments.

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

As at ($ Thousands)		**March 31, 2013**	**December 31, 2012**
Mortgages Payable		**$ 2,286,936**	$ 2,189,556
Bank Indebtedness		**117,229**	147,316
Unit-based Compensation Liabilities		**42,304**	40,844
Exchangeable Units		**4,069**	6,507
Unitholders' Equity		**2,475,826**	2,429,214
Total Capital		**$ 4,926,364**	$ 4,813,437
	Threshold		
Total Debt to Gross Book Value [1]	Maximum 70.00%	**47.62%**	47.25%
Total Debt to Gross Historical Cost [3]		**57.38%**	56.71%
Tangible Net Worth [4]	Minimum $1,200,000	**$ 2,522,199**	$ 2,476,565
For the four quarters ended		**March 31, 2013**	**December 31, 2012**
Debt Service Coverage Ratio (times) [2],[5]	Minimum 1.20	**1.53**	1.52
Interest Coverage Ratio (times) [2],[6]	Minimum 1.50	**2.55**	2.51

(1) CAPREIT's DOT limits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's financial statements, determined on a fair value basis for investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees, and deferred loan costs. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments.

(2) Based on the trailing four quarters.

(3) Based on the historical cost of investment properties, calculated as CAPREIT's assets, as disclosed under IFRS, plus accumulated amortization on property, plant and equipment, CMHC fees, and deferred loan costs and minus fair value adjustment on investment properties.

(4) As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' Equity and effective July 1, 2011, Unit-based rights and compensation liabilities or assets, including Exchangeable Units are added back. Based on the renewed and amended CAPREIT's Credit Facilities agreement effective June 30, 2012, the tangible net worth requirement increased to $1,200 million from $700 million previously.

(5) As per the Credit Facilities agreement and DOT, the debt service coverage ratio is defined as earnings before interest, depreciation, amortization, income taxes and other adjustments including non-cash costs ("EBITDA") less taxes paid divided by the sum of principal and interest payments.

(6) As per the Credit Facilities agreement and DOT, the interest coverage ratio is defined as EBITDA less taxes paid divided by interest payments.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

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

i) CAPREIT's business continues to be stable and is expected to generate sufficient cash flow from operating activities to fund the current level of distributions. Management expects the combination of the current level of funds reinvested from its DRIP, the retained portion of its annual NFFO, mortgage top-ups and the available borrowing capacity on the Credit Facilities will be sufficient to fund its ongoing property capital investments. For the three months ended March 31, 2013, CAPREIT's NFFO payout ratio was 79.3%, compared to 83.5% for the same period last year, and the effective NFFO payout ratio was 60.6% compared to 63.1% for the same period last year which demonstrated a greater retained portion of annual NFFO. Historically, CAPREIT has targeted a long-term annual NFFO payout ratio in the 85% to 90% range.

ii) Management believes CAPREIT is well-positioned to meet its mortgage renewals and refinancing goals for 2013 due to the continuing availability of CMHC-insured financing. Management does not anticipate any material difficulties in completing the renewal of mortgages maturing during 2013 of approximately $193.2 million, which have an effective interest rate of approximately 3.72%, and refinancing approximately $49.4 million principal repayments through 2013 with new mortgages at lower interest rates.

iii) Management successfully renewed and amended the Credit Facilities aggregating to $420 million effective June 30, 2012, which comprise a revolving three-year Acquisition and Operating Facility, and a Bridge Loan, subject to compliance with the various provisions of the Credit Facilities in order to fund operations, acquisitions, capital improvements, letters of credit and other uses. On renewal, the Credit Facilities agreement was amended, to combine the Acquisition and Operating Facility and the Land Lease Facility into one credit facility for a total of $280 million. In addition, Management secured a Bridge Loan aggregating to $140 million in conjunction to renewing the existing Credit Facilities, in order to fund specific acquisitions. The Bridge Loan is a term credit with a maturity date one year from the initial drawdown of the advance, which was August 31, 2012 and any principal amount repaid under the facility may not be reborrowed. As at December 31, 2012, the Bridge Loan is no longer available for borrowing, as it was used to fund the specific acquisitions in the third and fourth quarter of 2012 and was fully repaid from the net proceeds of the equity offering completed on December 4, 2012.

iv) Effective September 28, 2012, CAPREIT has a $65 million credit facility on two of the MHC land lease sites bearing interest at the banker's acceptance rate plus 1.4% per annum. This credit facility is a five-year non-revolving term credit facility, and any principal amount repaid under this facility may not be reborrowed. On expiry of the term, it is expected to be refinanced for an additional five-year term. There is an interest rate swap agreement on this facility, fixing the banker's acceptance rate to 2.20%, maturing in September 2022. The swap agreement fixes the all-in rate of the loan at 3.60% for a five-year term.

v) On April 26, 2012, CAPREIT announced it had agreed to sell, subject to regulatory approval, 6,850,000 Units for $22.75 per Unit for aggregate gross proceeds of $155.8 million on a bought-deal basis with an over-allotment option. The transaction closed on May 17, 2012, and under the over-allotment option, 900,000 additional Units were also issued on the same day. CAPREIT used the net proceeds of the offering to repay a portion of the borrowings under its Acquisition and Operating Facility.

vi) On November 12, 2012, CAPREIT announced it had agreed to sell, subject to regulatory approval, 6,700,000 Units for $24.00 per Unit for aggregate gross proceeds of $160.8 million on a bought-deal basis with an over-allotment option. The transaction closed on December 4, 2012, and under the over-allotment option, 1,005,000 additional Units were also issued on December 13, 2012. CAPREIT used the net proceeds of the offering to repay its borrowings under its Bridge Loan and a portion of Acquisition and Operating Facility.

In order to maintain and enhance its CMHC-insured financing program, and consistent with CMHC's risk management practices involving large borrowers, CAPREIT entered into an agreement with CMHC (the "Large Borrower Agreement"

or "LBA") in 2010. Other than improving the efficiency and consistency of such process, the LBA has not materially affected the manner in which CAPREIT conducts its business or its approach to mortgage financing. The LBA provides for, among other things:

i) Enhanced disclosure to CMHC;
ii) Certain financial covenants and commitments and limitations on indebtedness, none of which are inconsistent with CAPREIT's current operating policies;
iii) The posting of a revolving letter of credit with respect to certain capital expenditures on a portfolio, rather than an individual property basis; and
iv) Cross-collateralization of mortgage loans for certain CMHC-insured mortgage lenders.

CAPREIT is in compliance with all its investment and debt restrictions and financial covenants contained in the DOT, the LBA and the Credit Facilities. Under the terms of the LBA, total indebtedness of CAPREIT is limited to greater of (i) 60% of Gross Book Value determined on a fair value basis or, (ii) 70% of Gross Book Value determined on a historical basis, and may only be increased above such limits with CMHC's consent. Under the LBA, financial covenants are not significantly different than those required under the DOT or Credit Facilities other than as described above.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheet as at March 31, 2013, which includes non-cash Unit-based compensation liabilities, is managed through the available liquidity under the Credit Facilities as well as the ongoing refinancing of mortgages payable.

The table below summarizes CAPREIT's bank indebtedness position as at March 31, 2013 and 2012:

As at March 31, 2013

($ Thousands)	**Acquisition and Operating Facility** (1),(2)	**Land Lease Facility** (1)	**Total**
Facility	$ 280,000	$ –	$ 280,000
Less: Bank Indebtedness	(117,229)	–	(117,229)
Letters of Credit	(6,388)	–	(6,388)
Available Borrowing Capacity	$ 156,383	$ –	$ 156,383
Weighted Average Floating Interest Rate	3.29%	–	3.29%

As at December 31, 2012

($ Thousands)	**Acquisition and Operating Facility** (1),(2)	**Land Lease Facility** (1)	**Total**
Facility	$ 280,000	$ –	$ 280,000
Less: Bank Indebtedness	(147,316)	–	(147,316)
Letters of Credit	(6,388)	–	(6,388)
Available Borrowing Capacity	$ 126,296	$ –	$ 126,296
Weighted Average Floating Interest Rate	3.27%	–	3.27%

(1) Effective June 30, 2012, the Land Lease Facility of $10 million was combined with the Acquisition and Operating Facility.
(2) As at December 31, 2012, the Bridge Loan aggregating to $140 million was fully repaid from the net proceeds of the equity offering completed on December 4, 2012.

CAPREIT's key liquidity metrics are summarized as follows:

As at March 31,	2013	2012
Mortgage Debt to Gross Book Value	**45.30%**	47.89%
Total Debt to Gross Book Value	**47.62%**	50.11%
Total Debt to Gross Historical Cost [(1)]	**57.38%**	58.45%
Total Debt to Total Capitalization	**48.13%**	49.77%
Debt Service Coverage Ratio (times) [(2)]	**1.53**	1.40
Interest Coverage Ratio (times) [(2)]	**2.55**	2.25
Weighted Average Mortgage Interest Rate [(3)]	**3.83%**	4.45%
Weighted Average Mortgage Term to Maturity (years)	**6.0**	5.5

(1) Based on the historical cost of investment properties.
(2) Based on the trailing four quarters ended March 31, 2013.
(3) Weighted average mortgage interest rate includes deferred financing costs and fair value adjustments on an effective interest basis. Including the amortization of the realized component of the loss on settlement of $30.8 million included in AOCL, the effective portfolio weighted average interest rate at March 31, 2013 would be 4.02% (March 31, 2012 - 4.54%).

As at March 31, 2013, the overall leverage represented by the ratio of total debt to gross book value improved to 47.62%, as compared to 50.11% the same period last year, mainly due to the increases in the fair value of investment properties and lower leveraged acquisitions. As at March 31, 2013, CAPREIT's total debt improved to 48.13% of total market capitalization compared to 49.77% for the same period last year due to the rise in CAPREIT's Trust Unit price since March 31, 2012, combined with the equity offerings completed in May 2012 and December 2012. The investment properties with a fair value of $4,792,665 have been pledged as security as at March 31, 2013.

The effective portfolio weighted average interest rate has steadily declined from 4.45% as at March 31, 2012, to 3.83% as at March 31, 2013, which Management expects will result in continued significant interest rate savings in future years. Management believes that as CAPREIT's refinancing plan continues to be realized, there is scope to further reduce the effective portfolio weighted average interest rate based on foreseeable market conditions. 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.

Mortgages Payable

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

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

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

As at March 31,	2013	2012
Percentage of CMHC-Insured Mortgages [(1)]	**93.30%**	96.40%
Percentage of Fixed-Rate Mortgages	**99.37%**	98.71%

(1) Excludes the mortgages on the MHC land lease sites portfolio.

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

As at March 31, ($ Thousands)		**2013**	2012
Balance, Beginning of the Period		**$ 2,189,556**	$ 1,848,190
Add:	Assumed	**7,181**	–
	Refinanced	**263,005**	37,002
Less:	Mortgage Repayments	**(17,158)**	(13,967)
	Mortgages Matured	**(152,625)**	(25,822)
	Mortgages Repaid on Dispositions of Investment Properties	**–**	(9,485)
	Change in Deferred Financing Costs, Fair Value Adjustments, Net	**(3,023)**	57
Balance, End of the Period		**$ 2,286,936**	$ 1,835,975

The following table presents the refinancing, weighted average interest rates obtained and mortgage top ups closed or committed up to May 7, 2013, as well as those expected for the remainder of 2013.

($ Thousands)	**Original Mortgage Amount**	**Original Interest Rate [1]**	**New Mortgage Amount**	**New Weighted Average Interest Rate [1],[2]**	**Weighted Average Term on New Mortgage (Yrs)**	**Top Up Financing Amount**
First Quarter	$ 152,625	4.47%	$ 263,005	2.94%	10.0	$ 110,380
Total and Weighted Average	$ 152,625	4.47%	$ 263,005	2.94%	10.0	$ 110,380
Subsequent to March 31, 2013:[3]						
Committed or Completed	17,834	4.83%	41,699	2.81%	10.2	23,865
Expected for the Remainder of 2013	175,326	4.21%	270,296	–	–	94,970
Total and Weighted Average	$ 345,785	4.51%	$ 575,000	2.92%	10.0	$ 229,215

(1) Weighted average.

(2) Excludes CMHC, other financing costs, and hedge impact.

(3) $28.2 million of mortgages maturing between April 1, 2013 and June 3, 2013 have been hedged and are expected to be refinanced on ten-year terms bearing effective interest rates between 3.80% and 4.40%, adjusted for credit spread of 0.80% which may differ from the actual credit spread realized on the underlying mortgages.

For purposes of estimating top-up financing potential, the following table provides annualized NOI for those properties with mortgages maturing over the next five years and beyond. A property's full NOI is included in the first year in which a mortgage matures. The balance of mortgages remaining on the same property but maturing in other years is also shown. Management expects to raise between $575 million and $625 million in total mortgage renewals and refinancings for 2013. Based on this mortgage maturity profile, Management believes it will be in a position to achieve its mortgage renewal and refinancing plan for 2013.

As at March 31, 2013

($ Thousands)

Year of Maturity	Mortgage Maturities (1)	Mortgages on the Same Properties Maturing in Other Years (1)	Total Mortgages	NOI of Properties with Maturing Mortgage(s) (2),(3)
2013	$ 193,160	$ 47,603	$ 240,763	$ 33,680
2014	300,954	70,399	371,353	47,860
2015	154,849	6,992	161,841	21,156
2016	60,335	(10,825)	49,510	8,930
2017	164,958	(22,735)	142,223	15,439
2018 Onward	920,014	(91,434)	828,580	136,340
Total	$ 1,794,270	$ –	$ 1,794,270	$ 263,405

(1) Mortgage balance due upon maturity.
(2) NOI for the twelve months ended March 31, 2013.
(3) Projected NOI included for acquisitions since March 31, 2012.

The breakdown of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at March 31, 2013, is as follows:

($ Thousands)

Period	Principal Repayments	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%)(1),(2)
Remaining months in 2013	$ 49,354	$ 193,160	$ 242,514	10.6	3.72
2014	59,740	300,954	360,694	15.8	3.75
2015	55,018	154,849	209,867	9.2	3.59
2016	50,493	60,335	110,828	4.8	4.54
2017 (3)	47,991	164,958	212,949	9.3	4.25
2018	48,054	69,707	117,761	5.2	3.80
2019	46,385	92,636	139,021	6.1	4.91
2020	44,539	54,648	99,187	4.3	4.66
2021	38,037	260,506	298,543	13.1	4.12
2022	26,921	323,813	350,734	15.4	3.10
2023 – 2027	22,404	118,704	141,108	6.2	3.90
Total	**$ 488,936**	**$ 1,794,270**	**$ 2,283,206**	**100.0**	**3.83** (2)
Deferred Financing Costs, Fair Value Adjustments, Net			3,730		
Total			**$ 2,286,936**		

(1) Effective weighted average interest rate 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 $30.8 million included in AOCL, the effective portfolio weighted average interest rate at March 31, 2013 would be 4.02% (March 31, 2012 - 4.54%).
(3) Included in mortgages payable is a $65 million non-amortizing credit facility on two of the MHC Land Lease sites.

To ensure CAPREIT is not overly exposed to interest rate volatility risk, Management has been successful in staggering the maturity dates within its mortgage portfolio or entering into long term financing arrangements.

To reduce its interest cost and cost of capital, Management will continue to leverage its balance sheet strength and the stability of its property portfolio to fund acquisitions and its capital investment plan, and to refinance its mortgage principal repayments.

Unitholders' Equity and Units Awarded under Unit-based Compensation Plans

Unitholders' Equity only represents the issued and outstanding Trust Units, and excludes the Exchangeable Units and any Units issued in connection with Unit-based incentive plans. For the purposes of the discussion below, Exchangeable Units and Units issued in connection with Unit-based incentive plans are treated as equity as they have claims similar or identical to those of the Trust Units.

Equity offerings and over-allotments as at March 31, 2013:

($ Thousands, except per Unit amounts) Period	Price Per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
May 2012					
Bought-deal	$ 22.75	$ 155,838	$ 6,897	$ 148,941	6,850,000
Over-allotment	$ 22.75	20,475	819	19,656	900,000
Total		$ 176,313	$ 7,716	$ 168,597	7,750,000
December 2012					
Bought-deal	$ 24.00	$ 160,800	$ 7,232	$ 153,568	6,700,000
Over-allotment	$ 24.00	24,120	965	23,155	1,005,000
Total		$ 184,920	$ 8,197	$ 176,723	7,705,000

In connection with the equity offerings and the exercise of the over-allotment options in May 2012 and December 2012, a total of 232,500 and 231,150 Unit Options were granted to the President and CEO under the UOP at weighted average exercise prices of $22.75 and $24.11 per Unit, respectively with expiration dates of May 2022, and December 2022.

Three Months Ended March 31,	**2013**
Market Capitalization ($ thousands)	**$ 2,591,475**
Number of Units Outstanding	**102,754,744**
LTIP and SELTIP Units	**2,333,341**
Deferred Units	**148,741**
RUR Plan Units	**344,764**
Exchangeable Units	**161,311**
Number of Unit Options Outstanding and Exercisable	**915,900**
Ownership by Trustees, Officers and Senior Managers	**4.2%**

Normal Course Issuer Bid

On a periodic basis, CAPREIT may apply to the Toronto Stock Exchange ("TSX") for approval of a Normal Course Issuer Bid ("NCIB"). Pursuant to regulations of NCIBs, CAPREIT will receive approval to purchase and cancel a specified number of Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The NCIB will terminate on the earlier of the termination date or at such time as the purchases under the bid are completed. CAPREIT believes the purchase of its outstanding Trust Units from time to time may be an appropriate use of its resources and can provide liquidity to Unitholders who desire to sell their Trust Units.

The table below summarizes the NCIBs in place since January 1, 2012. No Trust Units were acquired and cancelled under these NCIBs. Management has not renewed the NCIB as at March 31, 2013, as currently it does not believe that the purchase of CAPREIT's outstanding Trust Units is an appropriate use of its resources.

Period Covered Under Each NCIB	**Approval Limit**
June 27, 2011 to June 26, 2012	7,267,915

SECTION V

SELECTED CONSOLIDATED QUARTERLY INFORMATION

		Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11
Overall Portfolio AMR		$ 978	$ 975	$ 972	$ 960	$ 995	$ 991	$ 991	$ 982
Operating Revenues (000s) (1)		$ 115,324	$ 112,109	$ 109,118	$ 95,932	$ 95,262	$ 94,564	$ 92,824	$ 88,235
NOI (000s) (1)		$ 63,491	$ 62,651	$ 65,813	$ 56,714	$ 52,738	$ 52,563	$ 55,039	$ 51,991
NOI Margin (1)		55.1%	55.9%	60.3%	59.1%	55.4%	55.6%	59.3%	58.9%
Net Income (000s)		$ 67,446	$ 162,982	$ 96,703	$ 120,300	$ 32,278	$ 226,356	$ 22,980	$ 57,173
FFO (000s)		$ 35,716	$ 32,243	$ 39,742	$ 30,657	$ 26,512	$ 23,774	$ 28,689	$ 26,591
NFFO (000s)		$ 36,186	$ 33,556	$ 39,866	$ 31,329	$ 27,802	$ 25,223	$ 29,252	$ 26,848
Total Debt to Gross Book Value		47.62%	47.25%	50.97%	50.83%	50.11%	50.27%	56.55%	55.57%
FFO Per Unit	- Basic	$ 0.357	$ 0.342	$ 0.434	$ 0.350	$ 0.318	$ 0.295	$ 0.381	$ 0.354
NFFO Per Unit	- Basic	$ 0.362	$ 0.356	$ 0.435	$ 0.358	$ 0.333	$ 0.312	$ 0.388	$ 0.357
Weighted Average Number of Units (000s)	- Basic	99,942	94,210	91,667	87,509	83,395	80,715	75,397	75,143
	- Diluted	101,512	95,635	93,134	88,880	84,640	81,790	76,395	76,048

(1) Includes the results of investment properties owned as at the respective period-end.
Non-IFRS financial measures are reconciled with IFRS reported amounts in the respective quarterly SEDAR filings.

CAPREIT's operations are affected by seasonal cycles, and operating performance in one quarter may not be indicative of operating performance in any other quarter of the year. The fourth and first quarters of each year tend to typically generate weaker performance due to increased energy consumption in the winter months.

SECTION VI

ACCOUNTING POLICIES AND CRITICAL ESTIMATES

Changes in Accounting Policies and New Accounting Standards

As of May 7, 2013, there have been no new or amended IFRS issued by the International Accounting Standards Board since the last update provided by CAPREIT in CAPREIT's 2012 Annual Report for the year ended December 31, 2012 that has an impact on CAPREIT's fiscal years beginning after December 31, 2012. For a detailed description of CAPREIT's accounting policies, refer to CAPREIT's 2012 Annual report.

CAPREIT has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provision.

- CAPREIT assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.
- CAPREIT has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.
- CAPREIT has concluded that the adoption of IFRS 13 resulted in enhanced fair value disclosures relating to financial instruments as detailed in note 15 of the accompanied unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013.

- CAPREIT has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required CAPREIT to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. CAPREIT has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

Critical Estimates

In preparing the accompanying unaudited condensed consolidated interim financial statements in accordance with IFRS, certain accounting policies require the use of estimates, assumptions and judgment that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the unaudited condensed consolidated interim financial statements and accompanying notes. Areas of such estimation include, but are not limited to valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, accounting for deferred income taxes and Unit-based compensation liabilities. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

Management believes the nature of the business and CAPREIT's portfolio is defensive against economic downturns and, therefore, the current economic conditions have not had as significant an impact on CAPREIT's critical accounting estimates as may have been realized in other industries. However, the current economic conditions impacting the general economy or those more specific to the housing industry or to CAPREIT could have the potential to alter accounting estimates and could impact CAPREIT's financial condition, changes in financial condition or results of operations. Disclosures in the MD&A, including specifically the Property Portfolio, Results of Operations, Property Capital Investments, Liquidity and Financial Condition and Future Outlook sections, outline the risks and both the positive and negative impacts on CAPREIT's performance that have resulted, or may in the future result, from the unusual economic conditions.

Estimates deemed by Management to be more significant, due to subjectivity, are as follows:

Valuation of Investment Properties

Fair values are supported by independent external valuations and detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise both the capitalized net operating income method and the discounted cash flow method and include estimating, among other things, future stabilized net operating income, capitalization rates, reversionary capitalization rates, discount rates and other future cash flows applicable to investment properties.

Valuation of Unit-based Compensation Liabilities

The basis of valuation for CAPREIT's Unit-based compensation liabilities, such as market assumptions, estimates and valuation methodology, is set out in note 12 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

Valuation of Derivative Financial Instruments

The fair value of a derivative financial instrument is based on assumptions of future events and involves significant estimates. The basis of valuation for CAPREIT's derivatives is set out in note 15 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

CONTROLS AND PROCEDURES

CAPREIT maintains appropriate information systems, procedures and controls to provide reasonable assurance that information disclosed externally is complete, reliable and timely. Pursuant to the Canadian Securities Administrators requirements under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, CAPREIT's President and CEO and the Chief Financial Officer have satisfied themselves that as at March 31, 2013, the design of

disclosure controls and procedures and the design of internal controls over financial reporting continue to be appropriate.

Management has designed an adequate and appropriate controls framework for the fair value assessment processes to ensure values reported accurately reflect market conditions. For the fair value assessment process of investment properties and Unit-based compensation, these controls include a comprehensive review of the assumptions and estimates, including those used by the independent appraiser or third-party on an annual basis, as well as multiple levels of reviews of such key assumptions and data within CAPREIT by Management with final approval by the Board of Trustees on an interim and annual basis.

During September 2011, CAPREIT implemented SAP, Finance and Control Module. Management has assessed that the Finance and Control Module did not cause significant or material changes to the design of internal controls over financial reporting. During August 2012, CAPREIT implemented SAP, Real Estate Module. Management has assessed that the new Module did not cause significant or material changes to the design of internal controls over financial reporting.

CAPREIT did not make any other changes to the design of internal controls over financial reporting in the three months ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting

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

SECTION VII

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and the activities of CAPREIT, which investors should carefully consider before investing in Units. Risks and uncertainties are disclosed in CAPREIT's MD&A for the year ended December 31, 2012 in the Risks and Uncertainties section contained in CAPREIT's 2012 Annual Report and in CAPREIT's latest Annual Information Form.

RELATED PARTY TRANSACTIONS

CAPREIT incurred the following transactions with key management personnel and trustees. The loans outstanding from key management personnel and trustees for indebtedness relating to the SELTIP and LTIP at March 31, 2013 were $8.2 million and $13.1 million, respectively (December 31, 2012 - $8.3 million and $13.2 million, respectively). These amounts are taken into consideration when calculating the fair value of the Unit-based compensation financial liabilities. Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are subject to termination benefits that entitle them to payments of up to 36 months of benefits (based on base salary, bonus and other benefits) depending on cause.

Key management personnel and trustee compensation included in the consolidated statements of income and comprehensive income is comprised of:

Three Months Ended March 31,		**2013**		**2012**
($ Thousands)				
Short-term employee benefits [1]	**$**	**848**	$	779
Unit-based compensation - grant date amortization		**465**		342
		1,313		1,121
Unit-based compensation - fair value remeasurement		**943**		848
Total	**$**	**2,256**	$	1,969

Previously, CAPREIT entered into construction management agreements with a company that was owned by two trustees and officers of CAPREIT to provide construction management services (based on 4.5% of construction costs up to $20.0 million, 3.0% for the next $15.0 million and 1.0% thereafter) to carry out the capital improvements for the properties. Effective January 1, 2012, CAPREIT terminated its construction management agreement and entered into a new construction management agreement with a non-related party on substantially similar terms. CAPREIT had related party management fees until the balance of the work on the previous contract was completed. All previous contracts have been completed as at December 31, 2012.

CAPREIT leases office space from a company in which one of the trustees and officers has an 18% beneficial interest. The rent paid for the office space (which is based on fair market rents at the date the lease was entered into) for the three months ended March 31, 2013 was $0.2 million including property operating costs, and has been expensed as trust expenses. The lease agreement expires on October 31, 2014 and yearly minimum rental payments are $0.5 million before HST. During the third quarter of 2011, the lease was amended for additional office space, resulting in minimum annual rental payments increasing by $51 thousand; however, the lease expiry date remains unchanged.

COMMITMENTS AND CONTINGENCIES

From time to time, CAPREIT enters into commitments for fixed price natural gas, hydro and land lease agreements, as outlined in note 23 to the accompanying unaudited condensed consolidated interim financial statements.

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

SECTION VIII

SUBSEQUENT EVENTS

As at May 7, 2013, CAPREIT has committed under two separate purchase agreements to acquire a portfolio of multi-residential buildings in Toronto and in Calgary for approximately $81.6 million expected to be satisfied through mortgages aggregating to approximately $37.2 million with an average term to maturity of 4.7 years, with the remaining balance funded from CAPREIT's Acquisition and Operating credit facility.

FUTURE OUTLOOK

Despite the potential adverse impact of the global economic uncertainty, with a robust national economy, Management believes the multi-unit residential rental business will continue to improve 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 ancillary revenues from parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost management initiatives have proven effective, which should lead to stable net operating income over this period.

However, as a result of some continued economic uncertainty in certain geographic regions, CAPREIT may experience an increase in bad debt and tenant inducement costs combined with a reduction in occupancy levels over the short term. CAPREIT believes the strong defensive characteristics of its property portfolio, due to diversification by both geography and demographic sector, will serve to mitigate some of the negative impact of the unfavourable economic conditions that certain regions are experiencing or may experience. CAPREIT intends to continue to seek opportunities to further diversify its property portfolio. In addition, despite having entered into a forward interest rate hedge, CAPREIT may still experience difficulty in obtaining long-term financing (i.e., financing for terms of ten years and longer) due to credit market conditions.

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

First, Management will maintain its focus on maximizing occupancy and average monthly rents in accordance with local conditions in each of its markets. Since its inception in May 1997, CAPREIT's hands-on management style, focus on resident communications and capital 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.

A significant part of managing CAPREIT's annual rental increases is determined by the annual guideline increases established by certain provincial governments, currently in Ontario and British Columbia under rent control legislation that CAPREIT must adhere to in setting annual rental rates for renewing tenants. In the Province of Ontario, the guideline increase for 2013 is 2.5%. An amendment to the *Residential Tenancies Act, 2006,* enacted on June 19, 2012, set Ontario's annual rent increase guideline to not more than 2.5% beginning in 2013. The Ontario rent control legislation provides that landlords may apply to the Landlord and Tenant Board (the "Board") to raise rents by more than the approved annual guideline. The Board can allow such an AGI for: (i) eligible capital expenditures; (ii) unusually high increases in property taxes and/or utility costs; and (iii) increases in eligible security costs. The maximum AGI permitted in connection with eligible capital expenditures is three percent per year to a maximum of nine percent over a three-year period. These same limitations do not apply to AGI applications related to unusually high increases in property taxes and/or utilities, or increases in eligible security costs.

In line with its focus to maximize average monthly rents, CAPREIT continues to pursue AGIs where it believes appropriate and to this effect, has filed applications for completed property capital investments and/or unusually high increases in realty taxes, as well as one application relating to an unusually high increase in water costs. In addition, CAPREIT continues to assess the viability of a number of additional AGI applications. The impact of these AGI applications could be significant at the property level; however, it is presently indeterminable due to the inherent uncertainties associated with the adjudication process and the impact of tenant turnover at the affected properties.

The following table summarizes the status of cumulative AGI applications filed as at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Number of Units and Sites Filed	**11,583**	11,583
Applications Settled		
Number of Applications	**63**	63
Term Weighted Average Total Increase (1)	**3.20%**	3.20%
Weighted Average Term (years) (1),(2)	**1.62**	1.62
Applications Outstanding		
Number of Applications	**12**	12
Term Weighted Average Total Increase (1)	**5.91%**	5.91%
Weighted Average Term (years) (1),(2)	**2.14**	2.14

(1) Weighted by number of impacted suites and sites.
(2) Represents the number of years over which the AGI application is expected to apply.

Second, Management will continue to focus on reducing its operating costs as a percentage of total revenues. Management 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.

Third, Management will continue to direct its efforts on its building infrastructure improvement programs to upgrade properties across the portfolio and to reposition the portfolio by completing value-enhancing capital 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.

Fourth, CAPREIT will continue to prudently focus on accretive acquisitions that meet its strategic criteria and enhance CAPREIT's geographic diversification. From time to time, CAPREIT may also identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies, or where Management believes they have maximized value. Management believes the realization and reinvestment of capital are fundamental components of its growth strategy and demonstrate the success of its investment programs.

Fifth, CAPREIT will continue to effectively manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowings on its credit facilities, while appropriately staggering the maturity dates within its mortgage portfolio to ensure it is not exposed in any one year to a refinancing risk. Management believes that as a result of the continuing availability of financing insured by CMHC that is at 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.

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

CAPREIT

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2013
(UNAUDITED)

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CONSOLIDATED BALANCE SHEETS

(Unaudited - CA$ Thousands)

As at	Note	March 31, 2013	December 31, 2012
Non-Current Assets			
Investment properties	6	**$ 4,930,275**	$ 4,826,355
Other non-current assets	7	**76,474**	81,073
		5,006,749	4,907,428
Current Assets			
Other current assets	7	**16,670**	14,118
		$ 5,023,419	$ 4,921,546
Non-Current Liabilities			
Mortgages payable	9	**$ 1,952,454**	$ 1,790,772
Bank indebtedness	10	**117,229**	147,316
Unit-based compensation financial liabilities	11, 12	**877**	2,144
		2,070,560	1,940,232
Current Liabilities			
Mortgages payable	9	**334,482**	398,784
Unit-based compensation financial liabilities	11, 12	**41,427**	38,700
Accounts payable and accrued liabilities		**54,056**	64,295
Other current liabilities	8	**9,665**	11,158
Security deposits		**24,022**	23,377
Exchangeable Units	11	**4,069**	6,507
Distributions payable		**9,312**	9,279
		477,033	552,100
		$ 2,547,593	$ 2,492,332
Unitholders' Equity			
Unit Capital		**$ 1,553,397**	$ 1,544,750
Accumulated other comprehensive loss ("AOCL")	19	**(24,096)**	(22,511)
Retained earnings		**946,525**	906,975
		$ 2,475,826	$ 2,429,214
		$ 5,023,419	$ 4,921,546

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited - CA$ Thousands)

For The Three Months Ended March 31,	Note		2013		2012
Operating Revenues					
Revenue from investment properties		**$**	**115,324**	$	95,262
Operating Expenses					
Realty taxes			**14,125**		11,621
Property operating costs			**37,708**		30,903
			51,833		42,524
Net Rental Income			**63,491**		52,738
Trust expenses			**4,375**		3,249
Unit-based compensation expenses	12		**1,710**		1,616
Fair value adjustments of investment properties	6		**(33,655)**		(7,849)
Realized loss on disposition of investment properties	5		**–**		178
Amortization of property, plant and equipment			**517**		518
Operating Income			**90,544**		55,026
Fair value adjustments of Exchangeable Units	11		**104**		82
(Gain)/Loss on derivative financial instruments	16		**(92)**		956
Interest and other financing costs	20		**25,571**		22,190
Other income			**(2,485)**		(480)
Net Income		**$**	**67,446**	$	32,278
Other Comprehensive (Loss) Income					
Items That May Be Reclassified Subsequently to Net Income					
Amortization of losses from AOCL to interest and other financing costs	19	**$**	**752**	$	334
Change in fair value of derivative financial instruments	16		**108**		4,303
Change in fair value of investments	19		**(1,064)**		2,312
Realized gain on sale of investments	19		**(1,381)**		–
Other Comprehensive (Loss) Income		**$**	**(1,585)**	$	6,949
Comprehensive Income		**$**	**65,861**	$	39,227

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Unaudited - CA$ Thousands)

	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Unitholders' Equity, January 1, 2013		**$ 1,544,750**	**$ 906,975**	**$ (22,511)**	**$ 2,429,214**
Unit Capital					
New Units Issued	13	2,542	–	–	2,542
Distribution Reinvestment Plan	13	5,883	–	–	5,883
RUR Plan	12, 13	119	–	–	119
Employee Unit Purchase Plan	12	103	–	–	103
		8,647	–	–	8,647
Retained Earnings and Other Comprehensive Loss					
Net Income		–	67,446	–	67,446
Other comprehensive loss		–	–	(1,585)	(1,585)
		–	67,446	(1,585)	65,861
Distributions on Trust Units					
Distributions declared and paid	14	–	(18,584)	–	(18,584)
Distributions payable	14	–	(9,312)	–	(9,312)
		–	(27,896)	–	(27,896)
Unitholders' Equity, March 31, 2013		**$ 1,553,397**	**$ 946,525**	**$ (24,096)**	**$ 2,475,826**

	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Unitholders' Equity, January 1, 2012		**$ 1,172,058**	**$ 592,615**	**$ (24,010)**	**$ 1,740,663**
Unit Capital					
Distribution Reinvestment Plan	13	4,801	–	–	4,801
Unit Option Plan	12, 13	1,119	–	–	1,119
Employee Unit Purchase Plan	12	98	–	–	98
		6,018	–	–	6,018
Retained Earnings and Other Comprehensive Income					
Net Income		–	32,278	–	32,278
Other comprehensive income		–	–	6,949	6,949
		–	32,278	6,949	39,227
Distributions on Trust Units					
Distributions declared and paid	14	–	(14,916)	–	(14,916)
Distributions payable	14	–	(7,473)	–	(7,473)
		–	(22,389)	–	(22,389)
Unitholders' Equity, March 31, 2012		**$ 1,178,076**	**$ 602,504**	**$ (17,061)**	**$ 1,763,519**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - CA$ Thousands)

For the Three Months Ended March 31,	Note	2013	2012
Cash Provided By (Used In):			
Operating Activities			
Net income		**$ 67,446**	$ 32,278
Items related to operating activities not affecting cash:			
Fair value adjustment - investment properties		**(33,655)**	(7,849)
Fair value adjustment - Exchangeable Units		**104**	82
Gain on sale of investments		**(1,737)**	–
Loss on disposition of investment properties	5	**–**	178
(Gain)/Loss on derivative financial instruments	16	**(92)**	956
Amortization of property, plant and equipment		**517**	518
Amortization of other financing costs	20	**(1,581)**	931
Amortization of loss on derivative financial instruments from AOCL	19	**752**	334
Unit-based compensation expenses		**1,710**	1,616
Straight-line rent adjustment		**(48)**	(51)
		33,416	28,993
Net income items related to financing and investing activities	21	**22,938**	20,403
Changes in non-cash operating assets and liabilities	21	**(1,358)**	(5,089)
Cash Provided By Operating Activities		**54,996**	44,307
Investing Activities			
Acquisition of investment properties	21	**(40,722)**	–
Capital investments	21	**(33,182)**	(22,218)
Disposition of investments		**7,815**	–
Disposition of investment properties	21	**–**	7,726
Change in restricted cash		**(146)**	(64)
Investment income received		**345**	480
Cash Used In Investing Activities		**(65,890)**	(14,076)
Financing Activities			
Mortgage financings		**263,005**	37,002
Mortgage principal repayments		**(17,158)**	(13,967)
Mortgages repaid on maturity		**(152,625)**	(25,822)
Financing costs on mortgages payable		**(1,047)**	(227)
CMHC premiums on mortgages payable		**(4,713)**	(538)
Interest paid on mortgages payable	21	**(22,008)**	(19,929)
Bank indebtedness		**(30,087)**	11,221
Interest paid on bank indebtedness	21	**(1,206)**	(843)
Interest paid on Exchangeable Units	21	**(69)**	(111)
Hedge Settlement	16	**(1,321)**	(224)
Proceeds on issuance of Units	21	**103**	770
Net cash distributions to Unitholders	21	**(21,980)**	(17,563)
Cash Provided By (Used In) Financing Activities		**10,894**	(30,231)
Changes in Cash and Cash Equivalents During the Period		**–**	–
Cash and Cash Equivalents, End of the Period		**$ –**	$ –

See accompanying notes to consolidated financial statements.

1. Organization of the Trust

Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT") owns interests in multi-unit residential rental properties, including apartments, townhomes and manufactured home communities ("MHC") located in and near major urban centres across Canada. CAPREIT's net assets and operating results are derived from real estate located in Canada where it is also domiciled.

CAPREIT converted from a closed-end real estate investment trust to an open-ended mutual fund trust on January 8, 2008, and is governed under the laws of the Province of Ontario by a Declaration of Trust ("DOT") dated February 3, 1997, as most recently amended and restated on November 13, 2009. CAPREIT commenced active operations on February 4, 1997 when it acquired an initial portfolio of properties and became a reporting issuer on May 21, 1997, pursuant to an initial public offering prospectus dated May 12, 1997.

CAPREIT 2 Limited Partnership, a wholly owned consolidated subsidiary of CAPREIT, was formed on June 13, 2012. It was formed to complete the acquisition on June 29, 2012 of 14 properties (see note 4).

CR Advisors Limited Partnership and CR Property Management Limited Partnership, wholly-owned consolidated subsidiaries of CAPREIT, were formed on December 5, 2012 to provide property and asset management services to a third party real estate investment trust domiciled in the United States, which owns and operates 16 manufactured housing communities in Colorado, Texas, Arizona, and Michigan.

CAPREIT is listed on the Toronto Stock Exchange ("TSX") under the symbol "CAR.UN" and its registered address is 11 Church Street, Suite 401, Toronto, Ontario, Canada M5E 1W1.

2. Significant Accounting Policies

Basis of presentation

These condensed consolidated interim financial statements, which have been approved by CAPREIT's Board of Trustees on May 7, 2013, have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

CAPREIT's results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in utility costs and other factors. CAPREIT has historically experienced higher utility expenses in the first and last quarters as a result of the winter months, which create variations in the quarterly results.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below.

CAPREIT has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provision.

- CAPREIT assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.
- CAPREIT has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.
- CAPREIT has concluded that the adoption of IFRS 13 resulted in enhanced fair value disclosures relating to financial instruments as detailed in note 15.
- CAPREIT has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required CAPREIT to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. CAPREIT has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

These condensed consolidated interim financial statements should be read in conjunction with CAPREIT's audited consolidated financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

3. Critical Accounting Estimates, Assumptions and Judgements

The preparation of condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying CAPREIT's accounting policies. The critical accounting estimates and judgements have been set out in detail in note 3 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2012.

The estimates deemed to be most significant, due to subjectivity and the potential risk of causing a material adjustment within the next financial year to the carrying amounts of assets and liabilities, are noted below:

i) Valuation of investment properties

ii) Valuation of financial instruments

iii) Unit-based compensation

4. Recent Investment Property Acquisitions

CAPREIT completed the following investment property acquisitions since January 1, 2012, which have contributed to the operating results effective from their respective acquisition dates:

For the Three Months Ended March 31, 2013:

	Suite or Site Count	Region		Total Acquisition Costs		Mortgage Funding	Interest Rate	Maturity Date
January 31, 2013	263	Calgary	$	49,022	$	7,181	6.95%	October 10, 2017
	263		$	49,022	$	7,181		

For the Year Ended December 31, 2012:

	Suite or Site Count	Region(s)		Total Acquisition Costs		Mortgage Funding	Interest Rate	Maturity Date
November 1, 2012	980	Greater Montréal Region	$	183,516	$	82,048	4.39%	September 1, 2013
August 31, 2012(1)	405	Calgary		69,501		31,208 (2)	3.38%(2)	–(2)
July 19, 2012(3)	5	Bowmanville and Grand Bend		499		–(4)	–(4)	–(4)
June 29, 2012(5)	3,562	Various		461,428		183,939 (6)	3.99%(6)	–(6)
May 31, 2012(7)	2,032	Various		76,324		37,753 (8)	5.33%(8)	–(8)
	6,984		$	791,268	$	334,948		

(1) The acquisition comprised two mid-tier properties. One property is a fee simple interest, and the other is a land leasehold interest.

(2) Mortgages assumed on acquisition comprised $13,405 maturing on January 1, 2014, and $17,803 maturing on September 1, 2014, at a weighted average stated interest rate of 3.38%.

(3) The MHC land lease sites acquisition comprised four sites in Bowmanville and one site in Grand Bend.

(4) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see note 10).

(5) The acquisition comprised 14 properties consisting of 3,562 suites (1,027 affordable, 1,403 mid-tier and 1,132 luxury) located in Ontario, Québec and Nova Scotia.

(6) Mortgages assumed on acquisition comprised $183,939 at a weighted average term to maturity of 2.6 years, at a weighted average stated interest rate of 3.99%.

(7) The acquisition comprised 12 manufactured home communities ("MHC") consisting of 2,032 land lease sites located in Ontario, Saskatchewan, Alberta and British Columbia.

(8) Mortgages assumed on acquisition comprised $37,753 at a weighted average term to maturity of 3.0 years,

The total purchase consideration including mortgages payable and bank indebtedness is allocated to investment properties and other assets acquired based on the relative fair value of each at the time of purchase.

5. Investment Property Dispositions

The tables below summarize the investment property dispositions completed since January 1, 2012. These dispositions do not meet the definition of discontinued operations under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Dispositions Completed During the Year Ended December 31, 2012

Disposition Date	Suite Count	Region	Sale Price	Cash Proceeds	Mortgage Discharged
October 31, 2012	438	Various [1]	$ 60,700	$ 29,944	$ 29,018
May 31, 2012	199	Greater Toronto Area	33,500	17,974	15,030
February 22, 2012	136	Greater Toronto Area	17,500	7,726	9,485
	773		$ 111,700	$ 55,644	$ 53,533

(1) The disposition comprised five properties consisting of 438 suites located in Mississauga, Oakville and Toronto, Ontario.

A loss of $178 was recognized for the three months ended March 31, 2012 in connection with the property dispositions.

6. Investment Properties

Valuation basis

Investment property is defined as property held to earn rental income or for capital appreciation or both. Investment property is recognized initially at cost. Subsequent to initial recognition, all investment property is measured using the fair value model, whereby changes in fair value are recognized for each reporting period in net income.

The fair value of investment properties is established by a qualified, independent appraiser annually. Each quarter, CAPREIT utilizes market assumptions for rent increases, capitalization and discount rates provided by the external appraiser to determine the fair value of the investment properties for interim reporting purposes. Changes in the externally provided capitalization rates or results of operations from one reporting period to the next would increase or decrease the fair value of the investment properties.

Investment properties have been valued using the same valuation methods and key assumptions as those described in note 6 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report.

A summary of the market assumptions and ranges for each type of property interest along with their fair values are presented below as at March 31, 2013 and December 31, 2012:

As at March 31, 2013

Type of Interest	Fair Value	Rate Type	Max	Min	Weighted Average
Fee Simple Interests – Apartments and Townhomes	$ 4,094,490	Capitalization rate	6.50%	3.50%	5.16%
MHC Land Lease Sites	174,730	Capitalization rate	7.52%	5.87%	6.25%
Operating Leasehold Interests (1), (2)	473,915	Discount rate (3)	7.75%	6.00%	6.36%
Land Leasehold Interests (1)	187,140	Discount rate	7.75%	7.15%	7.52%
Total Investment Properties	$ 4,930,275				

As at December 31, 2012

Type of Interest	Fair Value	Rate Type	Max	Min	Weighted Average
Fee Simple Interests – Apartments and Townhomes	$ 3,996,120	Capitalization rate	6.50%	3.50%	5.19%
MHC Land Lease Sites	173,620	Capitalization rate	7.52%	5.87%	6.25%
Operating Leasehold Interests (1), (2)	471,185	Discount rate (3)	7.75%	6.00%	6.36%
Land Leasehold Interests (1)	185,430	Discount rate	7.75%	7.15%	7.52%
Total Investment Properties	$ 4,826,355				

(1) The fair values of Operating Leasehold Interests subject to a contractual air rights lease and Land Leasehold Interests subject to land leases reflect the estimated land lease or air rights payments over the term of the leases.

(2) The fair values of Operating Leasehold Interests include the fair values of the Options to purchase the related freehold interests of $36,645 as at March 31, 2013 and December 31, 2012.

(3) Represents the discount rate used to determine the fair value for Operating Leasehold Interests using the DCF method. A weighted average stabilized NOI growth of 2.5% has been assumed as at March 31, 2013, and December 31, 2012.

Reconciliation of carrying amounts of investment properties

For the Three Months Ended March 31,	2013	2012
Balance at the beginning of the period	**$ 4,826,355**	$ 3,713,737
Additions:		
Acquisitions	**49,022**	-
Property capital investments	**20,810**	13,252
Capitalized leasing costs (1)	**433**	295
Dispositions	**–**	(17,173)
Realized loss on disposition of investment properties	**–**	(178)
Unrealized fair value adjustments	**33,655**	7,849
Balance at the end of the period	**$ 4,930,275**	$ 3,717,782

(1) Comprises tenant inducements, straight-line rent, and direct leasing costs.

7. Other Assets

As at	Ref		March 31, 2013		December 31, 2012
Other Non-Current Assets					
Property, plant and equipment	*(1)*	**$**	**16,086**	$	15,613
Accumulated amortization of property, plant and equipment			**(10,267)**		(9,750)
Net property, plant and equipment			**5,819**		5,863
Investments	*(2)*		**26,003**		34,526
Prepaid CMHC premiums, net	*(3)*		**42,854**		38,626
Deferred loan costs, net	*(4)*		**1,798**		2,058
Total		**$**	**76,474**	$	81,073
Other Current Assets					
Prepaid expenses		**$**	**4,870**	$	2,096
Other receivables			**4,419**		5,188
Restricted cash			**3,890**		3,744
Deposits			**3,491**		3,090
Total		**$**	**16,670**	$	14,118

(1) Consists of head office and regional offices' leasehold improvements, corporate and information technology systems.

(2) CAPREIT sold investments with a realized gain of $1,737 (December 31, 2012 - $1,455).

(3) Represents prepaid CMHC premiums on mortgages payable net of accumulated amortization of $9,832 (December 31, 2012 - $9,347).

(4) Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of $5,142 (December 31, 2012 - $4,866).

8. Other Liabilities

As at	Note		March 31, 2013		December 31, 2012
Other Current Liabilities					
Hedge liability	16(b)	**$**	**2,831**	$	4,352
Mortgage interest payable			**6,834**		6,806
Total		**$**	**9,665**	$	11,158

9. Mortgages Payable

Mortgages payable bear interest at a weighted average effective rate of 4.02% (December 31, 2012 – 4.05%), and mature between 2013 and 2027. The effective interest rate as at March 31, 2013 includes 0.19% (December 31, 2012 – 0.18%) for the amortization of the realized component of the loss on settlement of derivative financial instruments of $30,816 included in AOCL. All but $14,356 or 0.6% of CAPREIT's mortgages payable are financed at fixed interest rates. The investment properties at fair value of $4,792,665 have been pledged as security as at March 31, 2013. As at March 31, 2013, unamortized deferred financing costs of $6,147 and fair value adjustments of ($9,877) are netted against mortgages payable.

Future principal repayments ending December 31 for the years indicated are as follows:

As at March 31, 2013		Principal Amount	% of Total Principal
Nine Months Remaining in 2013	$	242,514	10.6
2014		360,694	15.8
2015		209,867	9.2
2016		110,828	4.8
Subsequent to 2016 (1)		1,359,303	59.6
		2,283,206	100.0
Deferred financing costs and fair value adjustments		3,730	
	$	2,286,936	

As at		March 31, 2013		December 31, 2012
Represented by:				
Mortgages Payable - non-current (1)		1,952,454		1,790,772
Mortgages Payable - current	$	334,482	$	398,784
	$	2,286,936	$	2,189,556

(1) Included in mortgages payable as at March 31, 2013 is a $65,000 non-amortizing credit facility on two of the MHC Land Lease sites.

10. Bank Indebtedness

CAPREIT renewed and amended the existing acquisition and operating facility ("Acquisition and Operating Facility") and secured a new bridge loan ("Bridge Loan") (collectively, the "Credit Facilities") aggregating to $420,000 effective June 30, 2012. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities in order to fund operations, acquisitions, capital improvements, letters of credit and other uses. On renewal, the Credit Facilities agreement was amended, to combine the Acquisition and Operating Facility and the Land Lease Facility into one credit facility for a total of $280,000 for a revolving three year term. In addition, CAPREIT secured the Bridge Loan aggregating to $140,000 in order to fund specific acquisitions. The Bridge Loan is a term credit facility and any principal amount repaid may not be reborrowed, and its maturity date was a year from the initial drawdown of the advance, which was August 31, 2012. As of March 31, 2013, the Bridge Loan is no longer available for borrowing, as it was used to fund the specific acquisitions in the third and fourth quarter of 2012 and was fully repaid from the net proceeds of the equity offering completed on December 4, 2012.

As at March 31, 2013

	Acquisition and Operating Facility (1),(2)	Land Lease (1)	Total
Facility	$ 280,000	$ –	$ 280,000
Less: Bank Indebtedness	(117,229)	–	(117,229)
Letters of Credit	(6,388)	–	(6,388)
Available Borrowing Capacity	$ 156,383	$ –	$ 156,383
Weighted Average Floating Interest Rate	3.29%	–	3.29%

As at December 31, 2012

	Acquisition and Operating Facility (1),(2)	Land Lease (1)	Total
Facility	$ 280,000	$ –	$ 280,000
Less: Bank Indebtedness	(147,316)	–	(147,316)
Letters of Credit	(6,388)	–	(6,388)
Available Borrowing Capacity	$ 126,296	$ –	$ 126,296
Weighted Average Floating Interest Rate	3.27%	–	3.27%

(1) Effective June 30, 2012, the Land Lease Facility of $10,000 was combined with the Acquisition and Operating Facility.

(2) As at December 31, 2012, the Bridge Loan aggregating to $140,000 was fully repaid from the net proceeds of the equity offering completed on December 4, 2012.

11. Unit-based Compensation Financial Liabilities

Units are issuable pursuant to CAPREIT's Unit-based compensation plans, namely, the Unit Option Plan ("UOP"), the Employee Unit Purchase Plan ("EUPP"), the Unit Purchase Plan ("UPP"), the Long-term Incentive Plan ("LTIP"), the Senior Executive Long-term Incentive Plan ("SELTIP"), the Deferred Unit Plan ("DUP") and the Restricted Unit Rights ("RUR") Plan (each of which is more fully described in note 12). As at March 31, 2013, the maximum number of Units issuable under all of CAPREIT's Unit-based incentive plans is 7,000,000 Units (December 31, 2012 – 7,000,000). The maximum number of Units available for future issuance under all Unit incentive plans as at March 31, 2013 is 412,252 Units (December 31, 2012 – 511,020 Units).

The Units, Unit Rights and Unit Options issued or outstanding under CAPREIT's incentive plans as at March 31, 2013 and 2012 are as follows:

Three Months Ended March 31, 2013 (Number of Units)	**UOP**	**DUP**	**RUR**	**SELTIP/ LTIP (1)**	**Exch. Units (2)**	**Total**
Units, Unit Rights and Unit Options outstanding as at January 1, 2013	915,900	139,907	268,397	2,333,341	261,311	3,918,856
Issued, cancelled or granted during the period:						
Issued or granted	–	7,273	92,966	–	–	100,239
Exercised or settled	–	–	(9,504)	–	(100,000)	(109,504)
Cancelled	–	–	(10,360)	–	–	(10,360)
Distributions reinvested	–	1,561	3,265	–	–	4,826
Units, Unit Rights and Unit options outstanding as at March 31, 2013	**915,900**	**148,741**	**344,764**	**2,333,341**	**161,311**	**3,904,057**

Three Months Ended March 31, 2012 (Number of Units)	**UOP**	**DUP**	**RUR**	**SELTIP/ LTIP (1)**	**Exch. Units (2)**	**Total**
Units, Unit Rights and Unit Options outstanding as at January 1, 2012	590,750	108,639	170,555	2,340,841	411,311	3,622,096
Issued, cancelled or granted during the period:						
Issued or granted	–	6,847	89,098	–	–	95,945
Exercised or settled	(50,000)	–	–	–	–	(50,000)
Cancelled	–	–	(2,341)	–	–	(2,341)
Distributions reinvested	–	1,298	2,037	–	–	3,335
Units, Unit Rights and Unit options outstanding as at March 31, 2012	540,750	116,784	259,349	2,340,841	411,311	3,669,035

1) The distributions payable on SELTIP and LTIP Units do not increase the number of Units outstanding on these plans but are incorporated into the fair value of the plans.
2) The outstanding 161,311 Exchangeable Units are entitled to distributions equivalent to distributions on Trust Units, must be exchanged solely for Trust Units on a one-for-one basis, and are exchangeable at any time at the option of the holder. An equivalent number of Special Voting Units were issued at the same time as the Exchangeable Units. The holders of such Units have no entitlement to any share of or interest in the distributions or net assets of CAPREIT. Through Special Voting Units, holders of Exchangeable Units are entitled to an equivalent number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Exchangeable Units held. The carrying value of these Units is measured at amortized cost, $4,069 as at March 31, 2013 (December 31, 2012 - $6,507), which approximates the closing bid price of the Trust Units. 100,000 Exchangeable Units were converted to 100,000 Trust Units in the first quarter of 2013. 150,000 Exchangeable Units were converted to 150,000 Trust Units in 2012 (see note 13(a)).

The table below summarizes the change in the total Unit-based compensation financial liability for the years ended March 31, 2013 and 2012 including the reversal of liabilities as a result of settlements for Trust Units.

As at	**March 31, 2013**	**December 31, 2012**
Total Unit-based compensation financial liabilities, beginning of the period	**$ 40,844**	$ 28,975
Unit-based compensation expenses	**1,701**	13,296
Settlement of Unit-based compensation awards for Trust Units	**(241)**	(1,427)
Total Unit-based compensation financial liabilities, end of the period	**$ 42,304**	$ 40,844

The Unit-based compensation financial liabilities comprise:	**March 31, 2013**	**December 31, 2012**
Current		
LTIP	**$ 19,825**	$ 19,293
SELTIP	**10,423**	10,229
DUP	**3,752**	3,484
RUR	**3,413**	1,859
UOP	**4,014**	3,835
	41,427	38,700
Non-Current		
RUR	**877**	2,144
Total Unit-based compensation financial liabilities	**$ 42,304**	$ 40,844

Units or Unit-based compensation financial liabilities held by trustees, officers and other senior management

As at March 31, 2013, 4.2% (March 31, 2012 – 4.4%) of all Units and Trust Unit equivalents outstanding were held by trustees, officers and other senior management of CAPREIT.

Normal course issuer bid ("NCIB")

The table below summarizes the NCIBs in place since January 1, 2012. No Trust Units were acquired and cancelled under these NCIBs. CAPREIT has not renewed the NCIB as at March 31, 2013.

Period Covered Under Each NCIB	**Approval Limit**
June 27, 2011 to June 26, 2012	7,267,915

12. Unit-based Compensation Expenses

These costs represent Unit-based compensation amortization, which includes fair value remeasurement at each reporting date amortized over the respective vesting periods for each plan for the periods ended March 31, 2013 and 2012, as follows:

Three Months Ended March 31,	2013	2012
UOP	$ 179	$ 185
LTIP	532	802
SELTIP	195	26
DUP	267	205
RUR Plan	528	389
EUPP	9	9
	$ 1,710	$ 1,616

This Unit-based compensation note disclosure should be read in conjunction with CAPREIT's note 12 to the audited consolidated financial statements for the year ended December 31, 2012 contained in CAPREIT's 2012 Annual Report, which provides a detailed description for each of the Unit-based compensation plans.

a) UOP

On May 17, 2012, there were 232,500 options granted to the President and CEO in connection with CAPREIT's May 2012 Equity Offering at an exercise price of $22.75 with an expiration date of May 16, 2022. On December 4, 2012, there were 201,000 options granted to the President and CEO in connection with CAPREIT's December 2012 Equity Offering at an exercise price of $24.00 with an expiration date of December 3, 2022 and, on December 13, 2012, there were 30,150 options granted to the President and CEO in connection with the over-allotment option of CAPREIT's December 2012 Equity Offering at an exercise price of $24.85 with an expiration date of December 12, 2022.

The fair value of Unit Options is determined as at the grant date and subsequent interim and annual valuations are determined by adjusting market-based valuation assumptions used in arriving at the estimated fair value. The weighted average assumptions utilized to arrive at the estimated fair value for the outstanding grants at the respective periods were as follows:

As at	March 31, 2013	December 31, 2012
Number of Units	915,900	915,900
Weighted average issue price	$ 21.14	$ 21.14
Weighted average risk free rate (%)	1.7	1.7
Weighted average distribution yield (%)	4.4	4.5
Weighted average expected years	8.8	9.0
Weighted average volatility (%)	23.7	23.6
Weighted average Unit option value	$ 4.38	$ 4.19

b) LTIP and SELTIP

The fair value of LTIP and SELTIP awards is determined by using an option pricing model which uses market-based valuation assumptions.

The following table summarizes the market-based rates and assumptions as well as projections of certain inputs used in determining the fair values using an option pricing model for LTIP and SELTIP Units outstanding at the respective measurement dates.

LTIP

As at		March 31, 2013		December 31, 2012
Number of Units		**1,515,427**		1,515,427
Weighted average loan rate (%)		**4.66**		4.66
Weighted average issue price	**$**	**15.49**	$	15.49
Weighted average loan balance per Unit - current	**$**	**12.26**	$	12.39
Weighted average loan balance per Unit - at maturity	**$**	**9.56**	$	9.56
Weighted average risk free rate (%)		**1.3**		1.4
Weighted average distribution yield (%)		**4.4**		4.5
Weighted average expected years		**4.5**		4.8
Weighted average volatility (%)		**22.3**		23.6
Weighted average Unit value	**$**	**13.08**	$	12.73

SELTIP

As at		March 31, 2013		December 31, 2012
Number of Units		**817,914**		817,914
Weighted average loan rate (%)		**4.96**		4.96
Weighted average issue price	**$**	**17.66**	$	17.66
Weighted average loan balance per Unit - current	**$**	**14.54**	$	14.63
Weighted average loan balance per Unit - at maturity	**$**	**13.40**	$	13.40
Weighted average risk free rate (%)		**1.8**		1.8
Weighted average distribution yield (%)		**4.4**		4.5
Weighted average expected years		**23.2**		23.4
Weighted average volatility (%)		**25.8**		26.0
Weighted average Unit value	**$**	**12.75**	$	12.51

c) DUP

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

	March 31, 2013					March 31, 2012				
		Weighted Avg Issue Price		Fair Value per Unit	Number of Units		Weighted Avg Issue Price		Fair Value per Unit	Number of Units
Outstanding, beginning of the period	**$**	**18.50**	**$**	**24.90**	**139,907**	$	16.94	$	22.31	108,639
Granted during the period		**25.22**		**–**	**7,273**		22.51		–	6,847
Additional Unit Distributions		**25.31**		**–**	**1,561**		22.55		–	1,298
Outstanding, end of the period	**$**	**18.90**	**$**	**25.22**	**148,741**	$	17.33	$	22.51	116,784

d) RUR Plan

The fair value of RURs represents the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the reporting date, representing the fair value of the redemption price.

The details of the RURs granted under the RUR Plan (including the Distribution RURs) are as follows:

	March 31, 2013			March 31, 2012		
	Weighted Avg Issue Price	Fair Value per Unit	Number of Units	Weighted Avg Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the period	$ 18.86	$ 24.90	268,397	$ 16.67	$ 22.31	170,555
Granted during the period	25.64	–	92,966	22.37	–	89,098
Additional Unit Distributions	25.19	–	3,265	22.53	–	2,037
Cancelled during the period	17.77	–	(19,864)	16.48	–	(2,341)
Outstanding, end of the period	$ 20.81	$ 25.22	344,764	$ 18.68	$ 22.51	259,349

e) EUPP

The EUPP grants employees the right to receive an additional amount equal to 10% of the Units they acquire, paid in the form of additional Units. This additional amount is expensed as compensation on issuance of the Units.

13. Unitholders' Equity

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. CAPREIT is authorized to issue an unlimited number of Trust Units. Trust Units represent a Unitholder's proportionate undivided beneficial interest in CAPREIT. No Trust 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 and 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 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 trustees without Unitholder approval. No certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

By virtue of CAPREIT being an open-ended mutual fund trust, Unitholders of Trust Units are entitled to redeem their Units at any time at prices determined and payable in accordance with the conditions specified in the DOT. As a result, under IFRS, Trust Units are defined as financial liabilities; however, for the purposes of financial statement classification and presentation, the Trust Units may be presented as equity instruments as they meet the puttable instrument exemption under IAS 32, Financial Instruments: Presentation. For the purposes of presenting earnings on a per Unit basis as well as for Unit-based compensation plans, CAPREIT's Trust Units are not treated as equity instruments.

The number of issued and outstanding Trust Units is as follows:

For the Three Months Ended March 31,	Ref	2013	2012
Units outstanding, beginning of the period		**99,412,550**	82,754,453
Issued or granted during the period in connection with the following:			
Exchangeable Units	(a)	**100,000**	–
Distribution Reinvestment Plan ("DRIP")	(b)	**245,247**	222,102
EUPP	(c)	**4,063**	4,473
RUR Plan	(d)	**4,727**	–
UOP	(e)	**–**	50,000
Units outstanding, end of the period		**99,766,587**	83,031,028

a) Exchangeable Units

During the first quarter of 2013, pursuant to the terms of the Exchangeable Units, 100,000 Exchangeable Units were exchanged for 100,000 Trust Units. During 2012, 150,000 Exchangeable Units were exchanged for 150,000 Trust Units.

b) Distribution Reinvestment Plan ("DRIP")

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

c) Employee Unit Purchase Plan ("EUPP")

The EUPP grants employees the right to receive an additional amount equal to 10% of the Units they acquire, paid in the form of additional Units.

d) Restricted Unit Rights Plan ("RUR Plan")

During 2013, CAPREIT issued 4,727 Trust Units pursuant to the settlement of rights under the terms of the RUR Plan.

e) Unit Option Plan ("UOP")

Under the terms of the UOP, options are granted to trustees, officers and employees based on performance incentive for improved service and enhancing profitability and vest on the date of grant.

14. Distributions on Trust Units

CAPREIT paid distributions to its Unitholders in accordance with its DOT. Distributions declared by its Board of Trustees were paid monthly, on or about the 15th day of each month.

Three Months Ended March 31,	2013	2012
Distributions declared on Trust Units	**$ 27,896**	$ 22,389
Distributions Per Unit	**$ 0.280**	$ 0.270

15. Financial Instruments and Risk Management

a) Fair value of financial instruments

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

As at March 31, 2013, the fair value of CAPREIT's mortgages payable is estimated to be $2,433,000 (December 31, 2012 - $2,316,000) due to changes in interest rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions.

CAPREIT has classified and disclosed the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13. The fair value hierarchy distinguishes between market value data obtained from independent sources and CAPREIT's own assumptions about market value. The hierarchy levels are defined below:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs based on factors other than quoted prices included in Level 1 and may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 - Inputs which are unobservable for the asset or liability, and are typically based on CAPREIT's own assumptions, as there is little, if any, related market activity.

CAPREIT's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the asset or liability.

The following table presents CAPREIT's estimates of assets and liabilities measured at fair value on a recurring basis based on information available to management as at March 31, 2013, and aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts CAPREIT could ultimately realize.

	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs	Total
Recurring Measurements				
Assets				
Restricted cash	$ 3,890 (1)	$ –	$ –	$ 3,890
Investments	$ 26,003 (2)	$ –	$ –	$ 26,003
Liabilities				
Derivative financial instruments - interest	$ –	$ (317)(3)	$ –	$ (317)
Derivative financial instruments - forward interest rate hedge	$ –	$ (2,514)(4)	$ –	$ (2,514)
Total	$ 29,893	$ (2,831)	$ –	$ 27,062

(1) CAPREIT's restricted cash is accounted for as FVTPL and measured at fair value.

(2) CAPREIT's investments are accounted for as available-for-sale and are measured at fair value based on the quoted market price in an active market of the asset.

(3) The valuation of the interest rate swap instrument is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. The fair value is determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market

interest rate curves. CAPREIT considers the impact of credit valuation adjustments to reflect both its risk and the counterparty's risk in the fair value measurement of the interest rate swap agreement.

(4) CAPREIT uses certain derivative financial instruments to manage its interest rate risk. The valuation of these forward interest rate hedge instruments is determined using the Black-Scholes option pricing model. The variables that determine the value of the options are the forward price of the hedging bond, the strike price on each option, the risk-free discount rate, the time to maturity of each option and the volatility of the price on the specified bond. The options are valued as a portfolio to provide a market value (see note 16(b)). CAPREIT considers the impact of credit valuation adjustments to reflect both its risk and the counterparty's risk in the fair value measurement of the forward interest rate hedge.

Although CAPREIT has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by CAPREIT itself. As at March 31, 2013, CAPREIT has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of the derivative. As a result, CAPREIT has determined that the derivative valuations in their entirety should be classified in Level 2 of the fair value hierarchy.

b) Risk management

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

Interest rate risk

CAPREIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced on terms as favourable as those of the existing indebtedness. In addition, interest on CAPREIT's bank indebtedness is subject to floating interest rates. CAPREIT is also subject to the risks associated with changes in interest rates above or below the fixed ceiling or floor, respectively, or different financing terms from the hedging derivative assumptions which may result in the hedging relationship to be ineffective causing volatility in earnings. For the three months ended March 31, 2013 and 2012, a 100 basis point change in interest rates would have the following effect:

	Change in interest rates (basis points)	Increase (decrease) in net income		Increase (decrease) in OCI	
		2013	**2012**	**2013**	**2012**
Floating rate debt	+100	**$ (340)**	$ (182)	**$ –**	$ –
Floating rate debt	–100	**$ 340**	$ 182	**$ –**	$ –
Forward interest rate hedge	+100	**$ –**	$ –	**$ 1,818**	$ 14,267
Forward interest rate hedge	–100	**$ –**	$ –	**$ (1,989)**	$ (19,269)
Interest rate swap agreements	+100	**$ –**	$ –	**$ 5,638**	$ 275
Interest rate swap agreements	–100	**$ –**	$ –	**$ (5,830)**	$ (139)

CAPREIT's objective of managing interest rate risk is to minimize the volatility of earnings. As at March 31, 2013, interest rate risk has been minimized as all but $14,356 or 0.6% of mortgages payable is financed at fixed interest rates, with maturities staggered over a number of years.

Liquidity risk

Liquidity risk is the risk CAPREIT may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. Approximately 93.3% of CAPREIT's mortgages are CMHC-insured (excluding $95,424 in

mortgages on the MHC portfolio), which reduces the risk of mortgage refinancings. CAPREIT's overall risk for mortgage refinancings is further reduced as the unamortized mortgage insurance premiums are transferable between approved lenders and are effective for the full amortization period of the underlying mortgages, ranging between 25 to 35 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities to fund its ongoing operational and capital commitments, distributions to Unitholders and provide future growth in its business. As at March 31, 2013, CAPREIT had undrawn lines of credit (excluding the Bridge Loan) in the amount of $156,383 (December 31, 2012 - $126,296) and $nil (December 31, 2012 - $nil) on the Bridge Loan to fund specific acquisitions.

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at March 31, 2013 are as follows:

	2013	2014-2015	2016-2017	2018 onward
Mortgages payable	$ 242,514	$ 570,561	$ 323,777	$ 1,146,354
Bank indebtedness	–	117,229	–	–
Mortgage interest (1)	61,836	130,113	99,617	147,060
Bank indebtedness interest (1)	2,901	1,914	–	–
Other liabilities	63,721	–	–	–
Security deposits	24,022	–	–	–
Exchangeable Units	4,069	–	–	–
Distributions payable	9,312	–	–	–
	$ 408,375	$ 819,817	$ 423,394	$ 1,293,414

(1) Based on current in-place interest rates for the remaining term to maturity.

Credit risk

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

CAPREIT monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

CAPREIT mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying its portfolio.

CAPREIT monitors its collection experience on a monthly basis and ensures a stringent policy is adopted to provide for all past due amounts.

16. Realized and Unrealized Gains and Losses on Derivative Financial Instruments

a) Contracts for which hedge accounting is no longer effective

During 2005, CAPREIT entered into interest rate forward contracts aggregating to $145,740 (the "Interest Rate Forward Contracts") to hedge its exposure to the potential rise in interest rates for refinancings of mortgages maturing in 2009.

CAPREIT settled these Interest Rate Forward Contracts in 2009. The associated cumulative unamortized loss of $9,908 included in AOCL at September 30, 2008 is being amortized to mortgage interest expense over the original terms of the hedged contracts. For the three months ended March 31, 2013, $264 (March 31, 2012 - $267) was amortized from AOCL to mortgage interest expense.

b) **Contracts for which hedge accounting is being applied**

As at March 31, 2013, CAPREIT has a $65,000 interest rate swap agreement fixing the banker's acceptance rate at 2.20%, which matures in September 2022, for which hedge accounting was being applied. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a ten-year term (see note 9 for further details). The related floating rate credit facility is for a five-year, non-revolving term with an effective interest rate of 3.60%, and any principal that is repaid may not be reborrowed. On expiry of the term, it is expected to be refinanced for an additional five-year term. The mark-to-market loss of $317 has been set up in other liabilities as at March 31, 2013.

The interest rate swap agreement has been summarized as follows:

As at		March 31, 2013		December 31, 2012
Hedge liability, beginning of the period	**$**	**(418)**	$	-
Change in intrinsic value in OCI		**101**		(418)
Hedge liability, end of the period	**$**	**(317)**	$	(418)
Hedge liability in AOCL, beginning of the period	**$**	**(418)**	$	-
Change in intrinsic value in OCI		**101**		(418)
Hedge liability in AOCL, end of the period	**$**	**(317)**	$	(418)

In June 2011, CAPREIT entered into a hedging program, which effectively hedged interest rates on approximately $312,000 of mortgages maturing between September 2011 and June 2013. The maturing mortgages are expected to be refinanced for ten-year terms and will bear interest rates between a floor rate of 3.00% and a ceiling rate of 3.62%, before the credit spread. The change in the intrinsic value of the forward interest rate hedge has been included in OCI (see note 19). The ineffective portion and the difference between the settled amount and the mark-to-market has been recognized in net income. As at March 31, 2013 and 2012, the mark-to-market cumulative unrealized losses of $2,514 and $13,530, respectively, has been set up in other liabilities.

The forward interest rate hedge liability has been summarized as follows:

As at		March 31, 2013		December 31, 2012
Hedge liability, beginning of the period	**$**	**(3,934)**	$	(16,349)
Change in intrinsic value included in OCI		**7**		(2,831)
Gain/(Loss) on derivative financial instruments		**92**		(3,131)
Cash settlement of derivatives		**1,321**		18,377
Hedge liability, end of the period	**$**	**(2,514)**	$	(3,934)
Hedge liability in AOCL, beginning of the period	**$**	**(22,422)**	$	(20,540)
Change in intrinsic value included in OCI		**7**		(2,831)
Amortization from AOCL to interest and other financing costs		**488**		949
Hedge liability in AOCL, end of the period	**$**	**(21,927)**	$	(22,422)

CAPREIT had a $55,000 interest rate swap agreement fixing the interest rate at 5.706%, which matured in July 2012, for which hedge accounting was being applied. The mark-to-market losses of $nil and $1,044 was set up in other liabilities as at March 31, 2013 and March 31, 2012, respectively.

As at	March 31, 2013	December 31, 2012
Hedge liability, beginning of the period	$ -	$ (1,568)
Settlement of previously unrealized losses included in OCI	-	1,031
Change in ineffective portion included in loss on derivative financial instruments	-	61
Change in accrued mortgage interest included in interest and other financing costs	-	476
Hedge liability, end of the period	$ -	$ -
Hedge liability in AOCL, beginning of the period	$ -	$ (1,031)
Settlement of previously unrealized losses included in OCI	-	1,031

17. Capital Management

CAPREIT defines capital as the aggregate of Unitholders' equity, mortgages payable, bank indebtedness, Unit-based compensation financial liabilities, Exchangeable Units and other non-current liabilities. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund its distributions to Unitholders, to meet its repayment obligations under its mortgages and credit facilities, and to ensure sufficient funds are available to meet capital commitments. Capital adequacy is monitored against investment and debt restrictions contained in CAPREIT's DOT and Credit Facilities.

CAPREIT's Credit Facilities (see note 10) require compliance with certain financial covenants. In addition, borrowings must not exceed the borrowing base, calculated at a predefined percentage to the market value of the properties.

In the short term, CAPREIT utilizes the Credit Facilities to finance its capital investments, which may include acquisitions. In the long term, equity issuances, mortgage financings and refinancings, including "top ups", are put in place to finance the cumulative investment in the property portfolio and ensure that the sources of financing better reflect the long-term useful lives of the underlying investments.

CAPREIT is in compliance with all its investment and debt restrictions and financial covenants contained in the DOT, the Large Borrowers Agreement ("LBA") and the Credit Facilities.

Under the terms of CAPREIT's LBA with CMHC, total indebtedness of CAPREIT is limited to greater of (i) 60% of Gross Book Value determined on a fair value basis or, (ii) 70% of Gross Book Value determined on a historical basis, and may only be increased above such limits with CMHC's consent.

The LBA provides for, among other things: (i) certain financial covenants and limitations on indebtedness; (ii) the posting of a revolving letter of credit with respect to certain capital expenditures on a portfolio rather than an individual property basis; and (iii) cross-collateralization of mortgage loans for certain CMHC-insured mortgage lenders.

The total capital managed by CAPREIT and the results of its compliance with the key covenants are summarized as follows:

As at	Threshold	March 31, 2013	December 31, 2012
Mortgages payable		**$ 2,286,936**	$ 2,189,556
Bank indebtedness		**117,229**	147,316
Unit-based compensation financial liabilities		**42,304**	40,844
Exchangeable Units		**4,069**	6,507
Unitholders' equity		**2,475,826**	2,429,214
Total capital		**$ 4,926,364**	$ 4,813,437
Total debt to gross book value (1)	Maximum 70.00%	**47.62%**	47.25%
Tangible net worth (3)	Minimum $1,200,000	**$ 2,522,199**	$ 2,476,565
Debt service coverage ratio (times) (2),(4)	Minimum 1.20	**1.53**	1.52
Interest coverage ratio (times) (2),(5)	Minimum 1.50	**2.55**	2.51

(1) CAPREIT's DOT limits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's financial statements, determined on a fair value basis for the investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees and deferred loan costs. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments.

(2) Based on the trailing four quarters.

(3) As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' Equity and effective July 1, 2011, Unit-based rights and compensation liabilities or assets, including Exchangeable Units are added back. Based on the renewed and amended CAPREIT's Credit Facilities effective June 30, 2012, the tangible net worth requirement increased to $1,200,000 from $700,000, previously.

(4) As per the Credit Facilities agreement and DOT, the debt service coverage ratio is defined as earnings before interest, income taxes, depreciation and amortization and other adjustments including non-cash costs ("EBITDA") less income taxes paid divided by the sum of principal and interest payments.

(5) As per the Credit Facilities agreement and DOT, the interest coverage ratio is defined as EBITDA less taxes paid divided by interest payments.

18. Deferred Income Taxes

Trusts that satisfy the REIT Exception are excluded from the SIFT definition and therefore will not be subject to taxation under the SIFT Rules. For a more detailed explanation of the SIFT definition and SIFT Rules, refer to note 18 to the consolidated annual financial statements contained in CAPREIT's 2012 Annual Report. In 2010, CAPREIT qualified for the REIT Exception and continues to meet the REIT Exception as at March 31, 2013 and is therefore not subject to taxation. CAPREIT expects to continue to meet the REIT Exception through the remainder of 2013.

On December 16, 2010, the Department of Finance (Canada) announced proposed amendments to the real estate investment trust exemption rule. On October 24, 2012, the Department of Finance (Canada) motioned to finalize the amendments to the real estate investment trust exemption rule. In accordance with IAS 12 – Income Taxes, the December 16, 2010 technical amendments were considered substantively enacted, effective November 21, 2012, when the legislation was introduced for First Reading by the Government of Canada.

19. Accumulated Other Comprehensive Loss

	Three Months Ended March 31, 2013	2012
AOCL balance, beginning of the period	**$ (22,511)**	$ (24,010)
Other comprehensive (loss) income:		
Amortization from AOCL to interest and other financing costs [1] [2]	**752**	334
Settlement on derivative financial instruments (note 16(b))	**101**	520
Change in instrinsic value of derivative financial instruments (note 16(b))	**7**	3,783
Change in fair value of investments	**(1,064)**	2,312
Realized gain on sale of investments	**(1,381)**	–
Other comprehensive (loss) income	**(1,585)**	6,949
AOCL balance, end of the period	**$ (24,096)**	$ (17,061)

	March 31, 2013	December 31, 2012
AOCL comprise:		
Loss on derivative financial instruments		
Cumulative realized loss [1]	**$ (9,908)**	$ (9,908)
Accumulated amortization to interest and other financing costs	**4,272**	4,008
Unamortized balance of loss on cash flow hedges previously settled	**(163)**	(163)
Loss on interest rate swap agreements	**(317)**	(418)
Loss on forward interest rate hedge [2]	**(23,397)**	(23,404)
Accumulated amortization to interest and other financing costs	**1,470**	982
Change in fair value of investments	**6,779**	7,843
Realized gain on sale of investments	**(2,832)**	(1,451)
AOCL balance, end of the period	**$ (24,096)**	$ (22,511)

(1) The cumulative realized loss on derivative financial instruments aggregating to $9,908 will be amortized as mortgage interest expense to net income over periods ending December 2014 to September 2022, being the original terms of the hedged contracts. The estimated amount of the amortization that is expected to be reclassified to net income from AOCL in the next 12 months is $1,077.

(2) The realized loss component of the $23,397 OCI loss on forward interest rate hedge is $20,908, which will be amortized as mortgage interest expense to net income over the original terms of the hedged contracts; each hedged contract has a ten year term. The estimated amount of the amortization expected to be reclassified to net income from AOCL in the next 12 months is $2,206.

20. Interest and Other Financing Costs

Three Months Ended March 31,	2013	2012
Interest on mortgages payable [1]	**$ 23,533**	$ 20,566
Amortization of CMHC premiums and fees	**485**	435
Interest on bank indebtedness and deferred loan costs [2]	**1,494**	1,078
Interest on Exchangeable Units	**59**	111
	$ 25,571	$ 22,190

(1) Includes amortization of deferred financing costs, fair value adjustments and OCI hedge interest of ($2,329) (March 31, 2012 - $272).

(2) Includes amortization of deferred loan costs of $263 (March 31, 2012 - $224).

21. Supplemental Cash Flow Information

a) Net income items related to investing and financing activities

Three Months Ended March 31,	2013	2012
Dividend and interest income on investments	**$ (345)**	$ (480)
Interest paid on Exchangeable Units	**69**	111
Interest paid on mortgages payable	**22,008**	19,929
Interest paid on bank indebtedness	**1,206**	843
	$ 22,938	$ 20,403

b) Changes in non-cash operating assets and liabilities

Three Months Ended March 31,	2013	2012
Prepaid expenses	**$ (2,774)**	$ (2,249)
Tenant inducements and direct leasing costs	**(384)**	(244)
Other receivables	**769**	116
Deferred loan costs	**(16)**	(14)
Deposits on purchases	**(399)**	(182)
Deposits	**(2)**	(1)
Accounts payable and other liabilities	**803**	(2,814)
Security deposits	**645**	299
	$ (1,358)	$ (5,089)

c) Net cash distributions to Unitholders

Three Months Ended March 31,	2013	2012
Distributions declared to Unitholders	**$ (27,896)**	$ (22,389)
Add: Distributions payable at beginning of period	**(9,279)**	(7,448)
Less: Distributions payable at end of period	**9,312**	7,473
Less: Distributions to participants in the DRIP	**5,883**	4,801
	$ (21,980)	$ (17,563)

d) Capital investments

Three Months Ended March 31,	2013	2012
Capital investments	$ (21,283)	$ (14,105)
Change in capital investments included in accounts payable and other liabilities	(11,899)	(8,113)
	$ (33,182)	$ (22,218)

e) Acquisition of investment properties

Three Months Ended March 31,	2013	2012
Acquired properties	$ (49,022)	$ -
Fair value adjustment of assumed debt	1,119	-
Assumed debt	7,181	-
Net disbursement	$ (40,722)	$ -

f) Disposition of investment properties

Three Months Ended March 31,	2013	2012
Proceeds	$ -	$ 17,500
Closing costs	-	(289)
Mortgages assumed by purchasers and discharged	-	(9,485)
Net proceeds	$ -	$ 7,726

g) Issuance of Trust Units

Three Months Ended March 31,	2013	2012
Issuance of Trust Units	$ 2,764	$ 4,899
Conversion of Exchangeable Units to Trust Units	(2,542)	–
Settlement of Unit-based Compensation Awards for Trust Units	(119)	(4,129)
Proceeds on issuance of Trust Units	$ 103	$ 770

22. Related Party Transactions

a) CAPREIT incurred the following transactions with key management personnel and trustees. The loans outstanding from key management personnel and trustees for indebtedness relating to the SELTIP and LTIP as at March 31, 2013 were $8,210 and $13,068, respectively (December 31, 2012 - $8,264 and $13,214, respectively). These amounts are taken into consideration when calculating the fair value of the Unit-based compensation financial liabilities. Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR, and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are subject to termination benefits that entitle them to payments of up to 36 months of benefits (based on base salary, bonus and other benefits) depending on cause.

Key management personnel and trustee compensation included in the consolidated statements of income and comprehensive income comprises:

Three Months Ended March 31,	**2013**	**2012**
Short-term employee benefits	**$ 848**	$ 779
Unit-based compensation - grant date amortization	**465**	342
	1,313	1,121
Unit-based compensation - fair value remeasurement	**943**	848
Total	**$ 2,256**	$ 1,969

b) Previously, CAPREIT had entered into a construction management agreement with a company that was owned by two trustees and officers of CAPREIT to provide construction management services (based on 4.5% of construction costs up to $20,000, 3% for the next $15,000 and 1% thereafter) to carry out the capital improvements for the properties. Effective January 1, 2012, CAPREIT terminated its construction management agreement and entered into a new construction management agreement with a non-related party on substantially similar terms. CAPREIT continued to incur related party management fees until the balance of the work on the previous contract has been completed. All previous contracts have been completed as at December 31, 2012. The total construction management fees for the three months ended March 31, 2012 (excluding reimbursable expenses of $nil and HST/GST) was $167 and has been capitalized to income properties. As at March 31, 2013, there were construction management fees outstanding of $nil (December 31, 2012 - $nil) in accounts payable and other liabilities.

CAPREIT has a lease for office space with a company in which one of the trustees and officers has an 18% beneficial interest. The rent paid for the office space (which is based on fair market rents at the date the lease was entered into) for the three months ended March 31, 2013 and 2012 were $217 and $217, respectively, including property operating costs and has been expensed as trust expenses. During the third quarter of 2011, the above lease was amended for additional office space resulting in minimum annual rental payments increasing by $51. There is no change to the lease expiry date. The lease agreement expires on October 31, 2014. Minimum annual rental payments for the next two years are as follows:

	2013	**2014**
Minimum annual rent	$ 343	$ 382

23. Commitments

Natural gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at March 31, 2013, in the aggregate amount of $2,712 for its natural gas and transport requirements. These commitments, which range from one to three years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

As at March 31,	**Remaining 2013**	**2014**
Fixed Average Weighted Cost per GJ [(1)]	**$ 3.31**	$ -
Total of CAPREIT's Estimated Requirements	**19.80%**	-

(1) Fixed weighted average cost per gigajoule ("GJ") excludes estimated transportation costs of $1.21, $1.06 and $1.03 per GJ for the remainder of 2013, 2014 and 2015, respectively, and other administrative costs.

Land Leasehold Interests

On August 31, 2012, CAPREIT acquired a property with a land lease expiring February 28, 2068. The lease provides for annual rent and additional rent calculated from the results of property operations. The minimum annual rent for the next five years under the lease agreement is $149.

Four of the investment properties have ground leases with various expiry dates (subject to revisions at periodic intervals) between March 31, 2045 and March 31, 2070. Generally, each lease provides for annual rent and additional rent calculated from the results of property operations.

In addition, CAPREIT has one leasehold interest, expiring on May 31, 2014, in a land parcel used in conjunction with an existing freehold property. In the first quarter of 2012, CAPREIT disposed of a property with a leasehold interest, expiring on September 30, 2013, in land parcel used in conjunction with an existing freehold property.

Annual lease payments under these six leasehold interests are included in property operating costs. For additional details of minimum annual rent under these leases, see note 25 to the annual consolidated financial statements contained in CAPREIT's 2012 Annual Report.

Property capital investments

Commitments primarily related to capital investments in investment properties of $49,223 were outstanding as at March 31, 2013 (December 31, 2012 - $21,171).

24. Contingencies

CAPREIT is contingently liable under guarantees provided to certain of CAPREIT's lenders in the event of default, and with respect to litigation and claims that arise in the ordinary course of business. Matters relating to litigation and claims are generally covered by insurance.

25. Subsequent Events

As at May 7, 2013, CAPREIT has committed under two separate purchase agreements to acquire a portfolio of multi-residential buildings in Toronto and in Calgary for approximately $81,550 expected to be satisfied through mortgages aggregating to approximately $37,200 with an average term to maturity of 4.7 years, with the remaining balance funded from CAPREIT's Acquisition and Operating credit facility.

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STOCK EXCHANGE LISTING

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