## CAPREIT Reports Continued Growth and Strong Operating Performance in First Quarter of 2019

TORONTO, ONTARIO, (Globe Newswire) – May 14, 2019 -- Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT") (TSX: CAR.UN) announced today continuing strong operating and financial results for the three months ended March 31, 2019.

**HIGHLIGHTS:**

| For the Three Months Ended March 31, | | 2019 | | 2018 |
|---|---|---|---|---|
| **Portfolio Performance** | | | | |
| Overall Portfolio Occupancy[1] | | **98.7%** | | 98.6% |
| Overall Portfolio Net Average Monthly Rents[1],[2] | **$** | **1,093** | $ | 1,054 |
| Operating Revenues (000s) | **$** | **181,511** | $ | 168,019 |
| Net Rental Income ("NOI") (000s)[3] | **$** | **113,835** | $ | 102,779 |
| NOI Margin[3] | | **62.7%** | | 61.2% |
| **Financial Performance** | | | | |
| Normalized Funds From Operations ("NFFO") (000s)[4] | **$** | **75,205** | $ | 64,095 |
| NFFO per Unit – Basic[4] | **$** | **0.494** | $ | 0.463 |
| Cash Distributions Per Unit | **$** | **0.337** | $ | 0.320 |
| FFO Payout Ratio[4] | | **69.8%** | | 71.2% |
| NFFO Payout Ratio[4] | | **68.5%** | | 70.4% |
| **Liquidity and Leverage** | | | | |
| Total Debt to Gross Book Value[1] | | **37.67%** | | 41.48% |
| Total Debt to Gross Historical Cost[1] | | **51.63%** | | 53.77% |
| Weighted Average Mortgage Interest Rate[1] | | **3.02%** | | 3.07% |
| Weighted Average Mortgage Term (years)[1] | | **4.97** | | 5.45 |
| Debt Service Coverage (times)[5] | | **1.75** | | 1.64 |
| Interest Coverage (times)[5] | | **3.46** | | 3.22 |
| Available Liquidity – Acquisition and Operating Facility (000s)[1] | **$** | **141,619** | $ | 210,349 |

(1) As at March 31.
(2) Net Average Monthly Rent ("Net AMR"), previously defined as "AMR", is defined as actual residential rents, net of vacancies, divided by the total number of suites and sites in the property and does not include revenues from parking, laundry or other sources.
(3) Q1 2018 comparative balances have been adjusted to conform with the current period due to the adoption of IFRS 16, which is effective January 1, 2019.
(4) These measures are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies. Please refer to the cautionary statements under the heading "Non-IFRS Financial Measures" and the reconciliations provided in this press release.
(5) Based on the trailing four quarters.

| OTHER MEASURES | | 2019 | | 2018 |
|---|---|---|---|---|
| Weighted Average Number of Units - Basic (000s) | | **152,212** | | 138,554 |
| Number of Residential Suites and Sites Acquired | | **1,615** | | – |
| Closing Price of Trust Units[1] | **$** | **51.37** | $ | 37.15 |
| Market Capitalization (millions)[1] | **$** | **7,874** | $ | 5,376 |

(1) As at March 31.

## SUMMARY OF Q1-2019 RESULTS OF OPERATIONS

### Key Transactions

- On April 23, 2019, CAPREIT closed on its issuance and sale of 7,043,750 units for $49.00 per unit for aggregate gross proceeds of $345.1 million to a syndicate of underwriters led by RBC on a brought-deal basis
- On April 22, 2019, CAPREIT entered into an agreement with ERES, pursuant to which ERES will acquire two portfolios of multi-residential properties located in the Netherlands, comprising 1,768 suites across 47 properties for approximately $501 million, subject to TSX Venture Exchange and ERES external unitholder approval
- On March 29, 2019, CAPREIT NL Holding B.V. ("Holding BV") completed the reverse acquisition (the "Acquisition") of European Commercial Real Estate Investment Trust ("ECREIT"), and the ongoing entity adopted the name European Residential Real Estate Investment Trust ("ERES"), creating Canada's first Europe-focused multi-residential REIT. The purchase price for the properties of approximately $633.5 million was satisfied through $326.5 million through the issuance of 81.6 million Class B LP Units of ERES Limited Partnership "ERES LP", a subsidiary of ERES, plus approximately $307 million in assumed mortgages. The Class B LP Units are exchangeable to ERES Units on a one-to-one basis. Upon conversion, CAPREIT will own approximately 82.8% of the issued and outstanding ERES Units, with the remaining 17.2% held by non-controlling unitholders. The acquisition by ERES from CAPREIT was for a portfolio of 41 multi-residential properties located in the Netherlands.
- In January 2019, CAPREIT closed on its issuance and sale of 6,325,000 units for $45.50 per unit for aggregate gross proceeds of $287.8 million to a syndicate of underwriters led by RBC on a bought-deal basis.
- Total acquisition of 1,615 suites and sites for a total of $220.3 million for the three months ended March 31, 2019

### Strong Operating Results Supported by Strong Market Fundamentals

- Growth in revenue and net operating income ("NOI") from stabilized properties driven by higher monthly rents and stronger occupancies compared to last year
- On turnovers, monthly residential rents for the three months ended March 31, 2019 increased by 14.1% on 3.5% of the Canadian portfolio, compared to an increase of 9.6% on 4.2% of the Canadian portfolio for the three months ended March 31, 2018
- On renewals, monthly residential rents for the three months ended March 31, 2019 increased by 2.4% on 17.3% of the Canadian portfolio, compared to an increase of 2.2% on 16.7% of the Canadian portfolio for the three months ended March 31, 2018
- Net AMR for the stabilized portfolio as at March 31, 2019 increased by 4.5% compared to March 31, 2018, while occupancy increased to 98.9%
- Net AMR increased due to the strong rents on turnovers in British Columbia and Ontario and above guideline increases in Ontario
- Year-over-year NOI increased by 6.3% for the stabilized portfolio for the three months ended March 31, 2019, compared to a year-over-year NOI increase of 7.0% for the stabilized portfolio for the same period last year
- NOI for the total portfolio increased by 10.8% for the three months ended March 31, 2019 compared to last year due to contributions from acquisitions, increased same property monthly rents, and improved margins due to operating efficiencies
- NOI margin for the total portfolio increased to 62.7% for the three months ended March 31, 2019 due to higher monthly rents and lower vacancies, legal costs, utility costs and wages

### Continued Fair Value Increases in Investment Properties

- For the three months ended March 31, 2019, the fair value of investment properties increased by $123.3 million, primarily as a result of increases in NOI attributable to the growth in rents driven by the rental increases on turnovers, as current rents are significantly below market rents, especially in major regions such as the GTA, other Ontario and British Columbia

**Strong and Flexible Balance Sheet**

- CAPREIT's financial position continues to strengthen, with reduced leverage ratios
- Debt to Gross Book Value ("GBV") reduced to 37.67% as at March 31, 2019 from 39.37% at December 31, 2018, due to increases in fair value of investment properties and equity raise
- Debt Service Coverage ("DSC") ratio remained at 1.75 compared to 1.75 as at December 31, 2018.
- Liquidity available on our Credit Facilities is $141.6 million as at March 31, 2019
- Closed mortgage refinancing for $11.1 million for the three months ended March 31, 2019, with top-ups of $5.1 million, a weighted average term to maturity of 10.4 years and a weighted average interest rate of 2.76%
- CAPREIT's mortgage weighted average term to maturity and the weighted average interest rate for the three months ended March 31, 2019 are approximately 5.0 years and 3.02%. CAPREIT continues to fix long-term mortgages to defend against the risk of rising interest rate environment

**Delivering Unitholder Value**

- NFFO up 17.3% for the three months ended March 31, 2019
- Growth highly accretive as NFFO per Unit was up 6.7% despite a 9.9% increase in weighted average number of Units outstanding
- NFFO payout ratio for the three months ended March 31, 2019 improved to 68.5% from 70.4% last year

"Following another record year in 2018, our growth and strong operating performance continued in the first quarter of 2019. We expect these strong results to continue through the balance of the year" commented Mark Kenney, President and CEO. "We are also very excited about the potential for our controlling interest in the newly-established ERES REIT. We expect to receive a growing stream of income from our property and asset management services for ERES, as well as strong and stable cash distributions on our equity investment in the new REIT."

## OPERATIONAL AND FINANCIAL RESULTS

**Portfolio Net Average Monthly Rents**

| | Total Portfolio | | | | Properties Owned Prior to March 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **As at March 31,** | **2019** | | **2018** | | **2019** | | **2018[1]** | |
| | **AMR** | **Occ. %** | **AMR** | **Occ. %** | **AMR** | **Occ. %** | **AMR** | **Occ. %** |
| Average Residential Suites | **$ 1,214** | **99.1** | $ 1,153 | 98.7 | **$ 1,212** | **99.1** | $ 1,158 | 98.7 |
| Average MHC Sites | **$ 397** | **96.5** | $ 391 | 98.2 | **$ 398** | **97.6** | $ 391 | 98.2 |
| Overall Portfolio Average | **$ 1,093** | **98.7** | $ 1,054 | 98.6 | **$ 1,104** | **98.9** | $ 1,056 | 98.7 |

(1) Prior period comparable Net AMR and occupancy have been restated for properties disposed of since March 31, 2018.

Overall Net AMR for the stabilized residential suite portfolio as at March 31, 2018 increased by approximately 4.7% (including the Netherlands), and 4.9% (excluding the Netherlands) compared to the same period last year, while occupancies increased to 99.1%. The rate of growth in Net AMR is primarily due to (i) significant rental increases on turnover in the strong rental markets in British Columbia and Ontario and (ii) increases due to above guideline increases ("AGI") achieved in Ontario.

**Canadian Portfolio**

| For the Three Months Ended March 31, | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Change in monthly rent | | Turnovers and Renewals[1] | Change in monthly rent | | Turnovers and Renewals[1] |
| | $ | % | % | $ | % | % |
| Suite Turnovers | **171.9** | **14.1** | **3.5** | 109.0 | 9.6 | 4.2 |
| Lease Renewals | **26.1** | **2.4** | **17.3** | 25.8 | 2.2 | 16.7 |
| Weighted Average of Turnovers and Renewals | **50.4** | **4.4** | | 42.5 | 3.7 | |

(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 the period.

**The Netherlands Portfolio[1]**

| For the Three Months Ended March 31, | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Change in monthly rent | | Turnovers and Renewals[2] | Change in monthly rent | | Turnovers and Renewals[2] |
| | € | % | % | € | % | % |
| Suite Turnovers | **67.6** | **8.3** | **2.6** | 126.8 | 16.7 | 2.3 |
| Lease Renewals | **-** | **-** | **-** | - | - | - |
| Weighted Average of Turnovers and Renewals | **67.6** | **8.3** | | 126.8 | 16.7 | |

(1) Includes all residential properties owned by CAPREIT and 100% of the ERES residential properties.
(2) Percentage of suites turned over or renewed during the period based on the total weighted number of Netherlands' residential suites held during the period.

Suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) for the three months ended March 31, 2019 resulted in monthly rents increasing by approximately $172 or 14.1% compared to an increase of approximately $109 or 9.6% for the same period last year, primarily due to the strong rental markets of British Columbia and Ontario.

Monthly rents on lease renewals for the Canadian residential portfolio (excluding co-ownerships) for the three months ended March 31, 2019 increased by approximately $26 or 2.4% compared to an increase of approximately $26 or 2.2% for the same period last year.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three months ended March 31, 2019 resulted in monthly rents increasing by approximately €68 or 8.3% compared to an increase of €127 or 16.7% for the same period last year. Prior years had higher changes in monthly rents as a result of more units converting from government regulated rental units to non-government regulated rental units compared to this year. As the Netherlands lease renewals occur once a year in July, there were no renewal increases for the three months ended March 31, 2019 and 2018.

### Estimated Net Rental Revenue Run-Rate

CAPREIT's annualized net rental revenue run-rate as at March 31, 2019 grew to $711.3 million, up 10.5% from $643.8 million, primarily due to acquisitions within the last 12 months, higher rents and significant growth in the commercial rent roll primarily as a result of the ERES commercial income. Net rental revenue net of dispositions for the three months ended March 31, 2019 was $658.5 million (2018 – $617.2 million).

## NOI

Stabilized properties for the three months ended March 31, 2019 are defined as all properties owned by CAPREIT continuously since December 31, 2017 and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2019 and 2018.

| NOI for the Total Portfolio | Total NOI | | | Stabilized NOI | | |
|---|---|---|---|---|---|---|
| **For the Three Months Ended March 31,** | **2019** | **2018** | **%(1)** | **2019** | **2018** | **%(1)** |
| ($ Thousands) | | | | | | |
| Total Operating Revenues | **$ 181,511** | $ 168,019 | 8.0 | **173,711** | $ 165,425 | 5.0 |
| Operating Expenses | | | | | | |
| Realty Taxes | **$ (17,901)** | $ (17,332) | 3.3 | **$ (17,627)** | $ (17,079) | 3.2 |
| Utilities | **(18,024)** | (18,650) | (3.4) | **(17,755)** | (18,323) | (3.1) |
| Other(2),(3) | **(31,751)** | (29,258) | 8.5 | **(30,657)** | (28,696) | 6.8 |
| Total Operating Expenses | **$ (67,676)** | $ (65,240) | 3.7 | **$ (66,039)** | $ (64,098) | 3.0 |
| NOI | **$ 113,835** | $ 102,779 | 10.8 | **$ 107,672** | $ 101,327 | 6.3 |
| NOI Margin | **62.7%** | 61.2% | | **62.0%** | 61.3% | |

(1) Represents the year over year percentage change.
(2) Comprises R&M, wages, general and administrative, insurance, advertising, and legal costs.
(3) Q1 2018 comparative balances have been adjusted to conform with the current period presentation for land and air right leases. Prior to IFRS 16 which is effective January 1, 2019, land and air right lease expenses were deducted as an "operating expense" to calculate NOI. Post IFRS 16 being effective, leases are capitalized as an asset with a corresponding lease liability and the fixed land and air right lease payments are not deducted as an operating expense through NOI. In Q1, 2019 the fixed land and air right lease payments are deducted as interest expense and principal repayment. Therefore, Q1 2018 NOI comparatives have been restated to conform with the current period presentation for land leases, and will not agree to the 2018 Net Rental Income presented in the financial statements. Q1 2018 Total and Stabilized NOI has increased by $377 thousand by adding back the fixed land and air right lease expense, increasing the Total NOI margin from 60.9% to 61.2% and increasing the Stabilized NOI margin from 61.0% to 61.3%.

### Operating Revenues

For the three months ended March 31, 2019, total operating revenues for the total and stabilized portfolios increased compared to the same period last year, due to increases in monthly rents and continuing high occupancies. Contributions from acquisitions further contributed to increased operating revenues for the total portfolio.

### Operating Expenses

The stabilized operating expenses for the three months ended March 31, 2019 increased compared to the same period last year, primarily due to increases in realty taxes and other operating expenses, partially offset by the reduction in utility costs. The realty taxes for the stabilized portfolio increased mainly as a result of the increase in the assessment of the property values in British Columbia and Ontario, while reduced electricity and natural gas costs alongside positive impacts of energy-saving initiatives and sub-metering costs, contributed to the reduction in utility costs. Lastly, stabilized other operating expenses for the three months ended March 31, 2019 increased primarily due to rising insurance costs driven by higher replacement cost valuations, and overall increases in insurance rates.

### NOI Margin

For the three months ended March 31, 2019, the NOI margin on the stabilized portfolio was 62.0% compared to 61.3% for the same period last year. The increase in the NOI margin is due to (i) higher monthly rents on a stabilized basis, (ii) higher ancillary income, and (iii) lower utilities costs.

## NON-IFRS FINANCIAL PERFORMANCE

For the three months ended March 31, 2019, basic NFFO per Unit increased by 6.7% compared to the same period last year despite an approximate 9.9% increase in the weighted average number of Units outstanding, due primarily to strong organic NOI growth and contributions from acquisitions. Management expects per Unit FFO and NFFO and related payout ratios to strengthen further in the medium term as a result of NOI contributions from recent acquisitions.

**PROPERTY CAPITAL INVESTMENTS**

During the three months ended March 31, 2019, CAPREIT made property capital investments (excluding head office assets) of $38.4 million, compared to $27.1 million for the same period last year. Management expects CAPREIT to complete property capital investments (excluding development and intensification) of approximately $211 million to $221 million in 2019.

Property capital investments include suite improvements, common areas and equipment, which generally tend to increase NOI more quickly. CAPREIT also continues to invest in environment-friendly and energy-saving initiatives, including energy-efficient boilers and lighting systems.

**SUBSEQUENT EVENTS**

On April 23, 2019, CAPREIT announced that it has closed on its previously announced issue and sale of 6,125,000 units for $49.00 per unit for aggregate gross proceeds of $300.1 million to a syndicate of underwriters led by RBC Capital Markets on a bought-deal basis. On April 23, 2019, CAPREIT announced that it has closed the issuance of an additional 918,750 units for $49.00 per unit for aggregate gross proceeds of $45.0 million (the "Over-Allotment Offering"), pursuant to the exercise of the over-allotment option. CAPREIT used the net proceeds to partially repay the Acquisition and Operating Facility.

On April 15, 2019, CAPREIT announced that it has completed the acquisition of a brand new purpose-built apartment building, containing 191 rental suites located in Langley, British Columbia, for an acquisition price of $69.6 million. The acquisition was funded by CAPREIT's Acquisition and Operating credit facility.

On April 22, 2019, pursuant to the Pipeline Agreement, CAPREIT announced the sale of two portfolios of multi-residential properties comprising of 1,768 suites in the Netherlands to ERES, which include all of the remaining Netherlands properties that CAPREIT currently owns. Subject to the approval of the TSX Venture Exchange and ERES external unitholders, closing of the sale is expected to occur by late May 2019 for the first portfolio and late August 2019 for the second portfolio. The aggregate purchase price for the two portfolios is approximately €333 million ($501 million), subject to certain purchase price adjustments.

**ADDITIONAL INFORMATION**

More detailed information and analysis is included in CAPREIT's unaudited condensed consolidated interim financial statements and MD&A for the three months ended March 31, 2019, which have been filed on SEDAR and can be viewed at www.sedar.com under CAPREIT's profile or on CAPREIT's website on the investor relations page at www.caprent.com or www.capreit.net.

**Conference Call**

A conference call hosted by Mark Kenney, President and Chief Executive Officer ("CEO") and the CAPREIT Management Team, will be held Wednesday, May 15, 2019 at 10:00 am EST. The telephone numbers for the conference call are: Local/International: (416) 340-2216, North American Toll Free: (800) 273-9672.

A slide presentation to accompany Management's comments during the conference call will be available one hour and a half prior to the conference call. To view the slides, access the CAPREIT website at www.caprent.com or www.capreit.net, click on "Investor Relations" and follow the link at the top of the page. Please log on at least 15 minutes before the call commences.

The telephone numbers to listen to the call after it is completed (Instant Replay) are local/international (905) 694-9451 or North American toll free (800) 408-3053. The Passcode for the Instant Replay is 4854943#. The Instant Replay will be available until midnight, June 14, 2019. The call and accompanying slides will also be archived on the CAPREIT website at www.caprent.com or www.capreit.net. For more information about CAPREIT, its business and its investment highlights, please refer to our website at www.caprent.com or www.capreit.net.

**About CAPREIT**

CAPREIT owns interests in multi-unit residential rental properties, including apartments, townhomes and manufactured home communities ("MHC") primarily located in and near major urban centres across Canada. As at March 31, 2019, CAPREIT had owning interests in 53,143 residential units, comprised of 45,446 residential suites and 45 MHC, comprising 7,697 land lease sites. For more information about CAPREIT, its business and its investment highlights, please refer to our website at www.caprent.com or www.capreit.net and our public disclosure which can be found under our profile at www.sedar.com.

**Non-IFRS Financial Measures**

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). In this and other 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. These include stabilized net rental income ("Stabilized NOI"), Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO"), Adjusted Cash Flow from Operations ("ACFO"), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios, and Adjusted Cash Generated from Operating Activities (collectively, the "Non-IFRS Measures"). These Non-IFRS Measures are further defined and discussed in the MD&A released on May 14, 2019, which should be read in conjunction with this press release. Since these measures are not recognized under IFRS, they may not be comparable to similarly measures reported by other issuers. CAPREIT presents the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. A reconciliation of these Non-IFRS measures is included in this press release. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or sustainability of our distributions.

**Cautionary Statements Regarding Forward-Looking Statements**

Certain statements contained, or contained in documents incorporated by reference, in this press release constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, occupancy rates, productivity, 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 strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, Dutch, German and Belgian economies will generally experience growth, which, however, may be adversely impacted by the global economy; 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 the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates on renewals will grow at levels similar to the rate of inflation; that rental rates on turnovers will grow; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT's financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT's investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this press release are based on assumptions, Management believes they are reasonable as of the date hereof; however there can be no assurance actual results will be consistent with these forward-looking statements, and they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond CAPREIT's control, that may cause CAPREIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: reporting investment properties at fair value, real property ownership, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, taxation-related risks, government regulations, controls over financial reporting, other legal and regulatory risks, the nature of units of CAPREIT ("Trust Units"), unitholder liability, liquidity and price fluctuation of Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, cyber security risk and foreign operation and currency risks. There can be no assurance that the expectations of CAPREIT's Management will prove to be correct. These risks and uncertainties are more fully described in regulatory filings, including CAPREIT's Annual Information Form, which can be obtained on SEDAR at www.sedar.com, under CAPREIT's profile, as well as under Risks and Uncertainties section of the MD&A released on May 14, 2019. The information in this press release is based on information available to Management as of May 14, 2019. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

SOURCE: Canadian Apartment Properties Real Estate Investment Trust


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## SELECTED FINANCIAL INFORMATION

### Condensed Consolidated Balance Sheets

| As at<br>($ Thousands) | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Investment properties | $ 10,982,903 | $ 10,473,544 |
| Total Assets | 11,406,868 | 10,842,263 |
| Mortgages payable | 3,831,836 | 3,728,333 |
| Bank indebtedness | 491,565 | 567,365 |
| Total Liabilities | 4,668,423 | 4,525,563 |
| Unitholders' Equity | 6,738,445 | 6,316,700 |

### Condensed Consolidated Income Statements

| (CA$ Thousands)<br>For the Three Months Ended March 31, | 2019 | 2018 |
|---|---|---|
| **Operating Revenues** | | |
| Revenue from investment properties | $ 181,511 | $ 168,019 |
| **Operating Expenses** | | |
| Realty taxes | (17,901) | (17,332) |
| Property operating costs | (49,775) | (48,285) |
| | (67,676) | (65,617) |
| **Net Rental Income** | 113,835 | 102,402 |
| Trust expenses | (10,346) | (10,140) |
| Transaction costs | (8,527) | - |
| Unit-based compensation expenses | (7,552) | (2,786) |
| Fair value adjustments of investment properties | 123,316 | 61,235 |
| Amortization of property, plant and equipment | (1,415) | (1,273) |
| Fair value adjustments of exchangeable units | - | 22 |
| Fair value adjustments of investments | 7,522 | (739) |
| Gain (loss) on derivative financial instruments | 6,438 | (6,037) |
| Interest and other financing costs | (31,631) | (32,830) |
| Gain (loss) on foreign currency translation | 12,266 | (9,928) |
| Other income | 4,406 | 3,439 |
| **Net Income Before Income Taxes** | 208,312 | 103,365 |
| Current and deferred income tax expense | (2,802) | (3,167) |
| **Net Income** | $ 205,510 | $ 100,198 |
| **Other Comprehensive (Loss) Income** | $ (28,274) | $ 21,979 |
| **Comprehensive Income** | $ 177,236 | $ 122,177 |

## Condensed Consolidated Statements of Cash Flows

| For the Three Months Ended March 31, | 2019 | 2018 |
|---|---|---|
| **Cash Provided By (Used In):** | | |
| **Operating Activities** | | |
| Net income | $ 205,510 | $ 100,198 |
| Items related to operating activities not affecting cash: | | |
| Fair value adjustments - investment properties | (123,316) | (61,235) |
| Fair value adjustments - exchangeable units | - | (22) |
| Fair value adjustments - investments | (7,522) | 739 |
| (Gain) loss on derivative financial instruments | (6,438) | 6,037 |
| Amortization | 3,909 | 3,625 |
| Unit-based compensation expenses | 7,552 | 2,786 |
| Straight-line rent adjustment | (11) | (1) |
| Deferred income tax expense | 2,801 | 3,167 |
| Net profit from equity-accounted investments | (1,985) | (1,499) |
| (Gain) loss on Foreign currency translation | (12,266) | 9,928 |
| | 68,234 | 63,723 |
| Net income items related to financing and investing activities | 25,048 | 30,092 |
| Changes in non-cash operating assets and liabilities | (9,593) | (12,212) |
| **Cash Provided by Operating Activities** | 83,689 | 81,603 |
| **Investing Activities** | | |
| Acquisition of investment properties | (226,919) | (3,837) |
| Capital investments | (46,049) | (31,483) |
| Change in restricted cash | 80 | (121) |
| Investment income received | 4,000 | 361 |
| Cash acquired on business combination | 9,069 | - |
| **Cash Used in Investing Activities** | (259,819) | (35,080) |
| **Financing Activities** | | |
| Mortgage financings | 84,791 | 3,595 |
| Mortgage principal repayments | (30,537) | (28,977) |
| Mortgages repaid on maturity | (5,955) | (3,207) |
| Lease Payments | (651) | - |
| Financing costs | (423) | (37) |
| CMHC premiums on mortgages payable | (1,452) | (86) |
| Interest paid | (28,596) | (28,766) |
| Bank indebtedness | (63,534) | (133,485) |
| Proceeds on issuance of Units | 275,791 | 176,201 |
| Net cash distributions to Unitholders | (34,620) | (31,575) |
| **Cash Provided by (Used in) Financing Activities** | 194,814 | (46,337) |
| **Changes in Cash and Cash Equivalents During the Period** | 20,511 | (1,315) |
| **Effect of exchange rate changes on cash** | (1,827) | 1,501 |
| **Cash and Cash Equivalents, Beginning of the Period** | 25,713 | 23,786 |
| **Cash and Cash Equivalents, End of the Period** | $ 44,397 | $ 23,972 |

## SELECTED NON-IFRS FINANCIAL MEASURES

### A reconciliation of net income to NFFO is as follows:

| **For the Three Months Ended March 31,**<br>($ Thousands, except per Unit amounts) | **2019** | **2018** |
|---|---|---|
| Net Income | **$ 205,510** | $ 100,198 |
| Adjustments | | |
| Unrealized Gain on Remeasurement of Investment Properties | **(123,316)** | (61,235) |
| Remeasurement of Exchangeable Units | **-** | (22) |
| Remeasurement of Investments[1] | **(7,522)** | 739 |
| Remeasurement of Unit-based Compensation Liabilities | **5,503** | 1,602 |
| Interest on Exchangeable Units | **-** | 42 |
| Deferred Income Taxes[2] | **2,801** | 3,167 |
| (Gain) Loss on Foreign Currency Translation | **(12,266)** | 9,928 |
| (Gain) Loss on Derivative Financial Instruments | **(6,438)** | 6,037 |
| Net FFO Impact Attributable to Non-Controlling Interest | **-** | 1,657 |
| Net FFO Impact Attributable to ERES External Unitholders[3] | **(201)** | - |
| Amortization of Property, Plant and Equipment | **1,415** | 1,273 |
| Lease Principal Repayment[4] | **(199)** | - |
| Transaction Costs[5] | **8,527** | - |
| **FFO** | **$ 73,814** | $ 63,386 |
| Adjustments: | | |
| Amortization of losses from AOCL to interest and other financing costs | **640** | 709 |
| Other Employee Costs[6] | **751** | - |
| **NFFO** | **75,205** | 64,095 |
| NFFO per Unit – Basic | **0.494** | 0.463 |
| NFFO per Unit – Diluted | **0.492** | 0.458 |
| Total Distributions Declared[7] | **51,542** | 45,101 |
| NFFO Payout Ratio[8] | **68.5%** | 70.4% |
| | | |
| Net Distributions Paid[7] | **$ 35,254** | $ 32,223 |
| Excess NFFO over Net Distributions Paid | **$ 39,951** | $ 31,872 |
| Effective NFFO Payout Ratio[9] | **46.9%** | 50.3% |

(1) Effective January 1, 2018, CAPREIT adopted IFRS 9 Financial Instruments. Under this standard, this investment has been designated as FVTPL whereas previously it was designated as available-for-sale. Under the guidance in this new standard, any mark-to-market gains or losses are recorded in the statement of income and comprehensive income whereas previously they were recorded through OCI. The cumulative mark to market gains/losses have also been reclassified from accumulated OCI to retained earnings on adoption of this standard.
(2) Represents $18.1 million of current income taxes on the deemed disposition of investment properties associated with the reorganization of the legal structure of the Netherlands subsidiaries, offset by $15.3 million of deferred income tax recovery for the three months ended March 31, 2019.
(3) This calculation is based on 17.2% of ERES' FFO, adjusted for intercompany transactions, representing the non-controlling interest of ERES external unitholders.
(4) Upon adoption of IFRS 16, there is no impact on FFO. In Q1 2019, amounts deducted as interest expense and principal repayment equal $651 thousand, compared to fixed lease amounts of $651 thousand.
(5) Costs include legal, audit, tax, consulting, and financial advisory fees related to the business combination.
(6) Expenses included in Unit-based compensation expenses relates to accelerated vesting of previously-granted RUR units.
(7) For the description of distributions declared and net distributions paid, see the Per Unit Calculations section in the MD&A for the three months ended March 31, 2019.
(8) The payout ratio compares distributions declared to NFFO.
(9) The effective payout ratio compares net distributions paid to NFFO.

**Reconciliation of cash generated from operating activities to Adjusted Cash Flows from Operating Activities:**

| **For the Three Months Ended March 31,**<br>($ Thousands, except per Unit amounts) | | **2019** | | **2018** | **Annual 2018** |
|---|---|---|---|---|---|
| Cash Generated From Operating Activities | **$** | **83,689** | $ | 81,603 | 431,177 |
| Adjustments:(1) | | | | | |
| Interest expense included in cash flow from financing activities | | **(28,596)** | | (28,766) | (114,271) |
| Non-Discretionary Property Capital Investments(2) | | **(17,659)** | | (14,625) | (51,252) |
| Capitalized Leasing Costs(3) | | **139** | | (1,615) | (1,046) |
| Amortization of Other Financing Costs(4) | | **(1,853)** | | (1,643) | (6,464) |
| Non-Controlling Interest | | **-** | | (31) | (216) |
| Transaction Costs(5) | | **8,527** | | - | - |
| Investment Income | | **4,000** | | 361 | 7,442 |
| Lease Principal & Interest Repayments(6) | | **(651)** | | - | - |
| ACFO | **$** | **47,596** | $ | 35,284 | 265,370 |
| Total Distributions Declared | **$** | **51,542** | $ | 45,101 | 190,124 |
| Excess (Deficit) ACFO over Distributions Declared | **$** | **(3,946)** | $ | (9,817) | 75,246 |
| ACFO Payout Ratio | | **108.3%** | | 127.8% | 71.6% |

(1) On a quarterly basis, a review of working capital is performed to determine whether changes in prepaids, receivables, deposits, accounts payable and other liabilities, security deposits and other non-cash operating assets and liabilities were attributed to items which were not indicative of sustainable cash flows available for distribution in line with the ACFO guidance provided by REALpac. Based on review, it was concluded that no adjustments were needed.

(2) Non-Discretionary Property Capital Investments for the three months ended March 31, 2019 and 2018 has been calculated as follows: Non-Discretionary Property Capital Investments per suite and site is based on the annual 2019 and 2018 forecasts respectively, divided by four for the quarter, and multiplied by the weighted average number of residential suites and sites during the period. The forecasted Non-Discretionary Property Capital Investments per suite and site for 2019 and 2018 on an annual basis is $1,391 and $1,183 respectively. The weighted average number of residential suites and sites for the three months ended March 31, 2019 and 2018 is 50,769 and 49,469, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the Adjusted Cash Flows From Operations and Distributions Declared Section of the MD&A.

(3) Comprises tenant inducements and direct leasing costs.

(4) Includes amortization of deferred financing costs, CMHC premiums, deferred loan costs and fair value adjustments.

(5) Expensed transaction costs associated with The Acquisition are added back as per The REALpac whitepaper for ACFO dated February, 2019.

(6) Upon adoption of IFRS 16, effective January 1, 2019, CAPREIT's leases were required to be capitalized with a corresponding lease liability. This has led to the recording of lease interest on these lease liabilities, and lease repayments. This deduction is allowed under the amended REALpac whitepaper for ACFO dated February, 2019.