CAPREIT

FINANCIAL REVIEW
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2020

CAPREIT

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August 11, 2020

Report to Unitholders

Our growth and strong operating performance continued in the second quarter of 2020. The numerous initiatives we have taken to manage through the COVID-19 pandemic are proving very effective and combined with the proven expertise and dedication of our team, I am confident we will continue to perform well in the coming quarters.

For the six months ended June 30, 2020 total operating revenues increased 16.8% compared to last year, driven by the contribution from acquisitions completed over the last twelve months, strong and stable occupancies and increased average monthly rents. Occupancies for total portfolio remained very strong at 98.0%, while average monthly rents rose 5.1% compared to last year. Stabilized property NOI increased by 4.1% for the six months ended June 30, 2020, another period of strong and sustainable organic growth. Overall NOI rose 17.4% compared to the same period last year.

Normalized Funds from Operations (NFFO), the key measure of our performance, increased by 17.2% for the first six months of 2020 primarily due to the contribution from acquisitions, continuing high stable occupancies, increased average monthly rents, and our focus on operational efficiency. Our growth was also accretive as basic NFFO per Unit rose 6.8% for the six months ended June 30, 2020 despite the 9.8% increase in the weighted average number of Units outstanding compared to last year. Our NFFO payout ratio improved to a very strong 62.8% at June 30, 2020, underpinning the strength and stability of our monthly cash distributions.

Our balance sheet and financial position remained strong and flexible at June 30, 2020 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate declined further to a low 2.69%, and we continue to focus on extending our debt maturities in the current low interest rate environment. Importantly, we have investment properties with a fair value of $773 million that are not encumbered by mortgages, providing further financial flexibility and liquidity should it be needed.

Throughout the COVID-19 pandemic, our main priorities have been to protect the health and safety of our people, our residents, and the communities in which we operate, to mitigate risk to our business caused by the pandemic, to preserve capital, and to operate as best we can during these challenging times. We are making significant progress in achieving all of these objectives.

We continue to communicate with our residents, working with them to collect our monthly rents and discussing with them any issues they may have in meeting their obligations. As a result, we have maintained a very high level of residential rent collection, with 98% of June residential rents collected. Our rent payment plans for those residents experiencing financial hardship are offered on a case-by-case basis, and to date less than 0.5% of our total resident base have been approved for this program. We also implemented a freeze on rent increases in early April, but as economies are starting to open, we are now beginning to increase rents where appropriate.

A key initiative over the last few months was the early buy-outs of properties under operating leases. Over the last nine months we have completed the buyout of 11 of our 15 operating leases in the Greater Toronto Area for a total cost of approximately $165 million. The transition to fee simple ownership of these properties adds material new financing capacity, meaningful net asset value accretion, and unlocks the potential for future new development opportunities. We acted on these buyout opportunities earlier than scheduled, resulting in a 29% discount to the agreed upon price for the properties as set out in the operating leases.

While we remain uncertain as to how the COVID-19 pandemic will evolve going forward, we believe we have taken the necessary steps to mitigate the current impact of the pandemic on our people, our residents and our business. Looking ahead, we strongly believe our business, and the multi-family real estate sector in general, remains a highly defensive and counter-cyclical asset class that can bear the broad market swings we are experiencing. With the strongest balance sheet and financial position in our twenty-two-year history, we have the resources to weather this storm. We were also very pleased to be included in the prestigious S&P/TSX 60 composite index in June, a reflection of our significant growth and strong performance over the last twenty-two years.

In closing, I want to thank our residents for their support and everyone at CAPREIT for their hard work and dedication. These are unprecedented times, and it is the experience and commitment of our people that will guide us through these issues. By working together, we will get through these challenges and emerge stronger than ever before.

Mark Kenney
President and Chief Executive Officer

CAPREIT

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

AUGUST 11, 2020

TABLE OF CONTENTS

SECTION I: OVERVIEW AND DISCLAIMER

BASIS OF PRESENTATION

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 and six months ended June 30, 2020 and 2019 dated August 11, 2020, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and audited consolidated annual financial statements for the year ended December 31, 2019 contained in CAPREIT's 2019 Annual Report.

FORWARD-LOOKING DISCLAIMER

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, occupancy rates, rental rates, productivity, projected costs, capital investments, development and development opportunities, 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 and the ongoing health crisis related to the novel coronavirus ("COVID-19") pandemic and its direct or indirect impacts on the business of CAPREIT, including the ability to enforce leases, perform capital expenditure work, increase rents and apply for the above guideline increases, and obtain mortgage financings; 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 the difference between in-place and market-based rents will be reduced upon such turnovers and renewals; 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; 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: public health crises, disease outbreaks, 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 Trust 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. For a detailed discussion of risk factors, refer to CAPREIT's MD&A contained in CAPREIT's 2019 Annual Report in the Risks and Uncertainties section in Section VI of this MD&A. 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 condensed consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, earnings releases and investor conference calls, CAPREIT discloses financial measures not recognized under IFRS which 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"). Since these measures are not recognized under IFRS, they may not be comparable to similar measures reported by other issuers. CAPREIT presents Non-IFRS measures because management believes Non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate its performance and cash flows. A reconciliation of these Non-IFRS measures to the comparable IFRS measures, along with further definitions and discussion, is provided in Section IV under Non-IFRS Financial Measures. The Non-IFRS measures should not be construed as alternatives to net income or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or the sustainability of our distributions.

OVERVIEW

CAPREIT is one of Canada's largest real estate investment trusts. CAPREIT owns approximately 56,800 suites and sites, including townhomes and manufactured housing sites, in Canada and, indirectly through its investment in ERES, approximately 5,600 suites in the Netherlands. CAPREIT manages approximately 60,900 of its owned suites in Canada and the Netherlands, and additionally 3,700 suites in Ireland as at June 30, 2020.

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 risk through demographic diversification by operating properties across the affordable, mid-tier and luxury sectors as well as through geographic diversification.

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 April 1, 2020. As at June 30, 2020, CAPREIT had 1,003 employees (1,026 employees as at December 31, 2019).

OBJECTIVES AND BUSINESS STRATEGY

CAPREIT's objectives are to:

- Provide holders of Trust Units ("Unitholders") with long-term, stable and predictable monthly cash distributions;
- Grow NFFO, sustainable distributions and Trust Unit value through the active management of its properties, accretive acquisitions, developments and intensifications and strong financial management; and
- Invest capital within the property portfolio in order to maximize earnings and cash flow potential and to help ensure life safety and satisfaction of residents.

To meet its objectives, CAPREIT has established business strategies focused on: customer service, cost management, 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, 2019 contained in CAPREIT's 2019 Annual Report.

ACQUISITIONS, DISPOSITIONS AND BUSINESS COMBINATIONS

Acquisitions and Dispositions

The tables below summarize property acquisitions and dispositions for the six months ended June 30, 2020 and the property acquisitions for the year ended 2019. The below tables do not include $150.2 million (year ended December 31, 2019 - $14.7 million) relating to CAPREIT's operating lease buyouts.

Acquisitions Completed During the Six Months Ended June 30, 2020

($ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) [1]	Term to Maturity (Years) [2]
February 10, 2020	1,503	Halifax, NS	$ 394,734	$ 108,744	$ —	1.94	1.14
March 4, 2020	112	Montreal, QC	44,331	—	33,427	2.06	10.00
March 16, 2020	109	Edmonton, Alberta	28,392	— [3]	— [3]	— [3]	— [3]
Total	1,724		$ 467,457	$ 108,744	$ 33,427		
Acquisition financing					$ 167,501 [4]	1.75 [4]	6.55 [4]

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

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

(3) The acquisition was funded from CAPREIT's cash and cash equivalents invested in short-term investments (see Liquidity and Financial Condition section).

(4) Subsequent acquisition financing of $167.5 million with a weighted average interest rate of 1.75% and a weighted average term to maturity of 6.6 years relates to a property acquired in 2019.

Acquisitions Completed During the Year Ended December 31, 2019

($ Thousands)	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) [1]	Term to Maturity (Years) [2]
February 26, 2019	511	The Netherlands	$ 153,424	$ —	$ 89,586	0.97	4.00
March 14, 2019	1,104	Various [4]	66,866	— [3]	—	— [3]	— [3]
April 15, 2019	191	Langley, BC	70,000	—	44,222	2.90	15.00
May 27, 2019	181	Various [5]	11,317	— [3]	—	— [3]	— [3]
May 28, 2019	3,898	Various [6]	204,955	74,345	—	3.38	2.39
June 7, 2019	72	Victoria, BC	26,558	—	18,368	2.44	10.00
June 20, 2019	98	Langley, BC	39,045	—	22,839	2.92	15.00
July 31, 2019 [7]	506	Toronto, Ontario	63,790	— [3]	—	— [3]	— [3]
August 1, 2019	942	The Netherlands	246,602	—	143,367	1.28	7.00
August 30, 2019	553	London, Ontario	70,301	— [3]	—	— [3]	— [3]
August 30, 2019	42	Charlottetown, PEI	7,430	— [3]	—	— [3]	— [3]
September 30, 2019	315	The Netherlands	95,076	—	77,639	1.45	7.00
October 15, 2019	64	Summerside, PEI	11,844	— [3]	—	— [3]	— [3]
October 31, 2019	294	The Netherlands	98,295	—	58,220	1.55	7.00
November 21, 2019	121	Montreal, QC	33,990	— [3]	—	— [3]	— [3]
December 12, 2019	79	Calgary, AB	19,578	— [3]	—	— [3]	— [3]
December 16, 2019	222	The Netherlands	152,362	— [8]	—	— [8]	— [8]
December 19, 2019	48	New Westminster, BC	13,475	— [3]	—	— [3]	— [3]
Total	9,241		$1,384,908	$ 74,345	$ 454,241		
Acquisition financing					$ 73,719 [9]	3.00 [9]	10.00 [9]

[1] Weighted average stated interest rate on mortgage funding.
[2] Weighted average term to maturity on mortgage funding.
[3] The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).
[4] The acquisition comprised 13 properties consisting of 407 sites in Ontario, 615 sites in Alberta, and 82 sites in British Columbia.
[5] The acquisition comprised 3 properties consisting of 56 sites in Ontario and 125 sites in British Columbia.
[6] The acquisition comprised 24 properties consisting of 800 sites in Ontario, 1,050 sites in Alberta, 1,211 sites in New Brunswick, 128 sites in Nova Scotia, 280 sites in Prince Edward Island, and 429 sites in Québec. The balance of the purchase was funded from CAPREIT's Acquisition and Operating Facility.
[7] In 2015, CAPREIT entered into an agreement to acquire one-third undivided interest in the residential component of a property upon completion. On July 31, 2019, CAPREIT acquired a 19.8% interest in the property, with an additional 5.3% interest acquired on each August 31, 2019 and September 30, 2019, and a final interest of 3% acquired on October 31, 2019. As at December 31, 2019, CAPREIT's interest stood at 33.3%.
[8] The acquisition was primarily funded from the ERES Credit Facility with the balance funded from CAPREIT's Acquisition and Operating Facility.
[9] Subsequent acquisition financing of $73.7 million with a weighted average interest rate of 3.00% and a weighted average term to maturity of 10.0 years relates to a property acquired in 2018.

Dispositions Completed During the Six Months Ended June 30, 2020

($ Thousands)	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
January 31, 2020 [1]	—	Germany	$ 25,585	$ 15,419	$ 10,166
March 30, 2020	6	Charlottetown, PEI	675	675	—
Total	6		$ 26,260	$ 16,094	$ 10,166

[1] This is a commercial property held by ERES consisting of 58,513 square feet.

There were no property dispositions for the year ended December 31, 2019.

Business Combination

The ERES Acquisition

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 real estate investment trust ("REIT"). Pursuant to the Acquisition, CAPREIT, the sole shareholder of Holding BV, exchanged all its shares of Holding BV for Class B limited partnership units ("ERES Class B LP Units") of ERES Limited Partnership ("ERES LP"). The purchase price for the initial properties of approximately $633.5 million was satisfied with $326.5 million through the issuance of 81.6 million ERES Class B LP Units, plus approximately $307.0 million in assumed mortgages. CAPREIT determined that ECREIT meets the definition of a business and the Acquisition has been accounted for as a business combination.

Pipeline Transactions

Pursuant to the terms of the pipeline agreement dated March 29, 2019 (the "Pipeline Agreement"), on May 31, 2019, subsidiaries of CAPREIT sold to ERES 26 properties representing an aggregate of 1,257 residential suites, ancillary commercial space and parking facilities, located in 24 cities and towns across the Netherlands. The sale price of the portfolio was at the original acquisition cost of $350.3 million adjusted for working capital, satisfied through the transfer of $146.5 million in mortgages plus $203.8 million satisfied through the receipt of 50.6 million ERES Class B LP Units.

On June 28, 2019, subsidiaries of CAPREIT sold to ERES 21 properties representing an aggregate of 511 residential suites located in 6 locations across the Netherlands at the original acquisition cost of $145.9 million adjusted for working capital, and earned an underwriting fee of $1.6 million. ERES paid $123.7 million in cash and $23.8 million through the issuance of 8.3 million ERES Class B LP Units.

On September 30, 2019, subsidiaries of CAPREIT sold to ERES 18 properties representing an aggregate of 942 residential suites located in 7 locations across the Netherlands at the original acquisition cost of $246.2 million, and earned an underwriting fee of $2.4 million. ERES paid $243.6 million in cash and $5.0 million through the issuance of 1.1 million ERES Class B LP Units.

As at June 30, 2020, all of the Netherlands properties are held through ERES and their results are consolidated with CAPREIT's results.

Ownership

The ERES Class B LP Units are exchangeable for ERES units on a one-to-one basis. Upon exchange and together with CAPREIT's holding of ERES units, as at June 30, 2020, CAPREIT will own approximately 66.0% (December 31, 2019 - 66.0%) of the issued and outstanding ERES units, with the remaining 34.0% (December 31, 2019 - 34.0%) held by non-controlling unitholders ("ERES units held by non-controlling unitholders").

SECTION II: KEY HIGHLIGHTS

SUMMARY OF Q2 - 2020 RESULTS OF OPERATIONS

Key Transactions and Events

- In June 2020, CAPREIT completed the buyout of eight operating leases for a purchase price of $131.2 million. The operating lease buyout completes the conversion of eleven of fifteen of CAPREIT's operating leases to traditional fee simple ownership interests. The purchase price was satisfied by the issuance of $30.4 million of Exchangeable LP Units and the remainder in cash
- On June 22, 2020, CAPREIT was included in the S&P/TSX 60 Composite index, a prestigious stock market index of sixty large companies listed on the Toronto Stock Exchange in ten industry sectors

Strong Operating Results

- Growth in revenue and net operating income ("NOI") from stabilized properties driven by higher monthly rents compared to last year
- The June 2020 rent collections on the Canadian portfolio were approximately 98% for the combined residential and MHC portfolio, and approximately 97% including commercial and ancillary income.
- On turnovers, monthly residential rents for the three and six months ended June 30, 2020 increased by 7.9% on 4.0% of the Canadian portfolio and 10.4% on 7.2% of the Canadian portfolio, compared to an increase of 14.2% on 4.4% of the Canadian portfolio and 14.1% on 7.9% of the Canadian portfolio for the three and six months ended June 30, 2019
- Net Average Monthly Rent ("Net AMR") for the stabilized portfolio as at June 30, 2020 increased by 4.0% compared to June 30, 2019, while occupancies remained stable at 98.2%
- Net AMR increased compared to June 30, 2019 due to the strong rents on turnovers in Ontario, Nova Scotia, Québec and the Netherlands and above guideline increases in Ontario
- NOI increased by 2.6% and 4.1% for the stabilized portfolio for the three and six months ended June 30, 2020, compared to an NOI increase of 4.2% and 5.2% for the stabilized portfolio for the three and six months ended June 30, 2019
- NOI for the total portfolio increased by 13.9% and 17.4% for the three and six months ended June 30, 2020 compared to last year primarily due to contributions from acquisitions and increased same property monthly rents
- NOI margin for the total portfolio decreased to 65.1% and increased at 64.5% for the three and six months ended June 30, 2020 compared to 65.7% and 64.2% for the same periods last year

Delivering Unitholder Value

- NFFO was up 11.3% and 17.2% for the three and six months ended June 30, 2020 compared to the same periods last year
- NFFO per unit was up 3.2% and 6.8% for the three and six months ended June 30, 2020 compared to the same periods last year

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with $213.5 million of cash and cash equivalents and $124.8 million of available liquidity on CAPREIT's Credit Facilities
- Management expects to raise between $520 million and $570 million in total mortgage renewals and refinancings for 2020, excluding financings on acquisitions. CAPREIT expects that the conversion of the eleven operating lease properties to fee simple ownership to date could have incremental CMHC-insured mortgage capacity of over $500 million.
- CAPREIT closed mortgage refinancing of $165.4 million and $223.3 million for the three and six months ended June 30, 2020, with top-ups of $101.3 million, a weighted average term to maturity of 9.3 years and a weighted average interest rate of 1.98%
- Debt Service Coverage ("DSC") ratio improved to 1.99 as at June 30, 2020 compared to 1.87 as at December 31, 2019
- Debt to gross book value ("GBV") increased to 36.30% as at June 30, 2020 from 34.99% as at December 31, 2019, due to acquisitions and debt refinancings

- CAPREIT's mortgage weighted average term to maturity and the weighted average interest rate as at June 30, 2020 are 5.0 years and 2.69%, respectively. CAPREIT continues to fix long-term mortgages to defend against the risk of rising interest rates
- For the three and six months ended June 30, 2020, the fair value of investment properties increased by $127.4 million and $733.5 million, primarily as a result of (i) new acquisitions, (ii) the buyout of operating leases, (iii) progress on the development pipeline, and (iv) foreign exchange gains on the Dutch properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio decreased by $16.5 million.

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, subject to risks discussed in "The COVID-19 Pandemic" section:

Occupancy – Through a focused, hands-on approach, CAPREIT strives to achieve occupancies at or greater than market conditions in each of the geographic regions where it operates. Management believes annual occupancies can be maintained between 97% to 99% over the long term.

Net AMR – Through its active property management strategies, lease administration system and proactive capital investment programs, CAPREIT strives to achieve the highest possible Net AMR in accordance with local market conditions. Management believes same property Net AMR will continue to gradually increase; thus, providing the basis for sustainable year-over-year increases in revenue.

Net Operating Income – NOI is a widely used operating performance indicator in the real estate industry, and is presented in the consolidated statements of income and comprehensive income as net rental income. Management has chosen to refer to net rental income as NOI in all instances in its MD&A. As a measure of its operating performance, CAPREIT currently expects to achieve an annual NOI margin in the range of 62% to 66% of operating revenues over the long term.

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

Payout Ratio – CAPREIT anticipates a long-term annual NFFO payout ratio of between 65% and 75%. This ratio is not meant to be a measure of the sustainability of CAPREIT's distributions. Although CAPREIT intends to continue to sustain and grow distributions, the actual amount of distributions in respect of the CAPREIT units will depend upon numerous factors including, but not limited to, the amount of debt refinancings, tenant inducements, capital expenditures and other factors that may be beyond the control of CAPREIT.

Portfolio Growth – Management's objective is to pursue acquisitions and development opportunities to accretively increase NFFO and continue to further diversify the portfolio by geography and demographic sector. In addition, management investigates opportunities to add new suites and sites and to enter into joint venture relationships, which could potentially develop new multi-unit rental residential properties on excess land owned by CAPREIT.

Leverage Ratios and Terms – CAPREIT takes a proactive approach with its mortgage portfolio, striving to manage interest expense volatility risk by fixing the lowest possible average interest rates for long-term mortgages, 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. CAPREIT focuses on maintaining capital adequacy by complying with investment and debt restrictions in its DOT, Large Borrower Agreement with CMHC ("LBA") and the financial covenants in its credit agreements. CAPREIT's credit agreements consist of an acquisition and operating facility which includes Euro LIBOR and US LIBOR borrowings ("Acquisition and Operating Facility"), a non-revolving term credit facility, and the ERES Credit Facility (collectively, the "Credit Facilities"), as described under Liquidity and Financial Condition in Section V.

THE COVID-19 PANDEMIC

The COVID-19 pandemic has given rise to uncertainty throughout the global economy, which may have various direct or indirect impacts on the global real estate market. CAPREIT continues to monitor this evolving situation with a focus on protecting the health and safety of its employees and its tenants and implementing appropriate cautionary measures to address potential risks to its business. CAPREIT has implemented a number of support measures to help ease the burden on its various tenants impacted by the pandemic, including a moratorium on evictions and a freeze on rental increases in Canada. CAPREIT is also reviewing and implementing flexible temporary payment plans on a case-by-case basis.

The long-term impacts of the COVID-19 pandemic on financial forecasts including the KPIs discussed above are subject to a degree of uncertainty and remain subject to further review and consideration given the uncertainty associated with the full impact of the COVID-19 pandemic.

CAPREIT's financial position and liquidity remain strong, providing it with the financial resources and flexibility to manage its way through these challenging times. CAPREIT did not see a substantial impact of the COVID-19 pandemic on the majority of its operational results for the three and six months ended June 30, 2020, however, this may not be an indicator of CAPREIT's future performances.

Rent Collection

The June 2020 rent collections for the Canadian portfolio were approximately 98% for the combined residential and MHC portfolio, and approximately 97% including commercial and ancillary sources of revenue. CAPREIT is closely monitoring its tenant receivables, and residents approved for the deferred rent payment program are well below 0.5% of total residents.

Update on Rental Revenue

As a result of the COVID-19 pandemic, CAPREIT has temporarily suspended the issuance and collection of any further rental increases in Canada during this period of crisis, commencing with the April 2020 rental payments. As economies are starting to re-open, CAPREIT is now beginning to increase rents where appropriate.

Due to the current economic uncertainty, there is a greater risk that CAPREIT's estimated net rental revenue run-rate may vary from actual rental revenue, and that such variation may be significant.

There are expected delays in the settlement of above guideline increases ("AGI") applications, and when settled, these increases also will be voluntarily waived during this period of crisis.

The real estate market has been affected by various measures that the Canadian federal and provincial governments have taken with regard to the prevention of further spread of COVID-19 and to help individuals and businesses affected by the crisis. Some of the legislative initiatives announced include:

- In March 2020, Alberta and British Columbia announced rent increase freezes during the state of emergency. The freeze in Alberta expired in June 2020. British Columbia has extended the state of emergency for rent increases until November 30, 2020 at this time, and landlords are not permitted to further increase for 12 months thereafter.
- In each of the Canadian provinces where CAPREIT holds properties, eviction freeze orders for non-payment of rent were announced, which limits new evictions and suspends existing evictions. The eviction ban has since expired in Québec, Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island, and Ontario. Landlords may now pursue evictions for non-payment of rent.
- Rental tribunal hearings were rescheduled, suspended or stopped in most provinces while the health emergency continues.
- British Columbia and Prince Edward Island announced they are providing temporary rental assistance to tenants, ranging from $250-$500 per month.
- The federal government, in partnership with provincial governments, has announced the Canada Emergency Commercial Rent Assistance (CECRA) program to provide relief for small businesses impacted by the COVID-19 pandemic.

The above list is not exhaustive and reflects only certain legislation enacted by government. As the situation continues to evolve, the legislation enacted by government may be subject to change.

Valuation

Due to the COVID-19 pandemic and the ongoing impact on the economy, and specifically its unknown future impact on the real estate market, there is a heightened uncertainty surrounding the valuation of the investment properties. Consequently, there is a need to apply a higher degree of judgment as it pertains to the forward-looking assumptions that underlie CAPREIT's valuation methodologies. In addition, less weight can be ascribed to previous market evidence, to inform opinions of value. Given this impact on the availability of reliable market metrics, greater caution must therefore be attached to the valuations than would normally be the case, as the fair values are subject to change and such changes may be significant.

There was a $733.5 million increase in fair value for the six months ended June 30, 2020 resulting from new acquisitions, buyout of operating leases, progress on the development pipeline and foreign exchange gains on the Dutch properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio decreased by $16.5 million.

Management performed additional risk-based procedures to assess the valuations, subject to the unknown direct and indirect impacts of the COVID-19 pandemic on the real estate market. Specifically, in these scenarios, management considered the pandemic-related economic risks which would negatively impact property cash flows in the short term, and in turn their valuations.

Capital expenditures

Capital investments and developments may be impacted by factors such as a lack of access to tenant suites and physical distancing restrictions. CAPREIT expects the impact to be short-term and will normalize over the long-term. As at June 30, 2020, CAPREIT has limited capital investments to those that can be done safely following appropriate physical distancing measures such as non-discretionary exterior work, and those required on an emergency basis or to protect the safety of the residents.

The COVID-19 pandemic may result in delays in the development application processing by the municipalities. Given the evolving situation, CAPREIT will continue to assess and revise, if necessary, the number of applications to be submitted this year.

Liquidity

Management has determined that CAPREIT is in a strong financial position despite the changes in the market and the heightened risk environment. CAPREIT’s liquidity position as at June 30, 2020 remains strong at $124.8 million available on the Acquisition and Operating Facility, and has $213.5 million of cash and cash equivalents. As at June 30, 2020 CAPREIT has investment properties with a fair value of approximately $772.7 million that are not encumbered by mortgages. Management expects to raise between $520 million and $570 million in total mortgage renewals and refinancings for 2020, excluding financings on acquisitions. CAPREIT expects that the conversion of the eleven operating lease properties to fee simple ownership to date could have incremental CMHC-insured mortgage capacity of over $500 million. CAPREIT's mortgage program has remained stable since the COVID-19 pandemic with refinancings proceeding as scheduled with favorable interest rates for a 10 year term. The actual refinancings amounts may vary from the forecast due to the evolving situation.

PERFORMANCE MEASURES

The following table presents an overview of certain IFRS and non-IFRS financial measures of CAPREIT for the periods ended June 30, 2020 and 2019. Management believes these measures are useful in assessing CAPREIT's performance in relation to its objectives and business strategy.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019 [4]	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019 [4]
Portfolio Performance				
Overall portfolio occupancy [1]			**98.0 %**	98.3 %
Overall portfolio net Average Monthly Rents [1]			**$ 1,104**	$ 1,050
Operating revenues (000s)	**$ 219,925**	$ 191,285	**$ 435,985**	$ 373,181
NOI (000s)	**$ 143,233**	$ 125,767	**$ 281,291**	$ 239,602
NOI margin	**65.1 %**	65.7 %	**64.5 %**	64.2 %
Financial Performance				
FFO per unit – basic [2]	**$ 0.551**	$ 0.531	**$ 1.095**	$ 1.017
NFFO per unit – basic [2]	**$ 0.555**	$ 0.538	**$ 1.102**	$ 1.032
Cash distributions per unit	**$ 0.345**	$ 0.345	**$ 0.690**	$ 0.682
FFO payout ratio [2]	**62.8 %**	65.9 %	**63.3 %**	67.7 %
NFFO payout ratio [2]	**62.4 %**	65.1 %	**62.8 %**	66.7 %
Liquidity and Leverage				
Total debt to gross book value [1]			**36.30 %**	36.34 %
Total debt to gross historical cost [1]			**49.23 %**	49.54 %
Weighted average mortgage interest rate [1]			**2.69 %**	2.97 %
Weighted average mortgage term (years) [1]			**4.99**	5.03
Debt service coverage (times) [3]			**1.99**	1.74
Interest coverage (times) [3]			**3.91**	3.45
Available liquidity – Acquisition and Operating Facility (000s) [1]			**$ 124,772**	$ 334,153
Available cash and cash equivalents (000s) [1]			**$ 213,455**	$ 27,254

[1] As at June 30.

[2] These measures are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies (see Section I - Non-IFRS Financial Measures). For a reconciliation to IFRS, see Section IV - Non-IFRS Financial Measures.

[3] Based on the trailing four quarters.

[4] Certain 2019 comparative figures have been adjusted to conform with current period presentation.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Other Measures				
Weighted average number of units - basic (000s)	**170,588**	158,237	**170,397**	155,241
Number of residential suites and sites acquired	**—**	4,440	**1,724**	6,055
Number of suites disposed	**—**	—	**6**	—
Closing price of Trust Units [1]			**$ 48.59**	$ 48.36
Market capitalization (millions) [1]			**$ 8,357**	$ 7,740

[1] As at June 30.

SECTION III: OPERATIONAL AND FINANCIAL RESULTS

NET AND OCCUPIED AVERAGE MONTHLY RENTS AND OCCUPANCY

Net AMR is defined as actual residential rents, excluding vacant units, divided by the total number of suites or sites in the property, and does not include revenues from parking, laundry or other sources. Occupied AMR is defined as actual residential rents, excluding vacant units, divided by the total number of occupied suites or sites in the property, and does not include revenues from parking, laundry or other sources. Stabilized AMR includes all properties held as at June 30, 2019 and are not disposed of.

Total Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

	Net AMR			Occupied AMR			Occupancy %	
As at June 30,	**2020 AMR ($)**	**2019 AMR ($)**	**% Change AMR**	**2020 AMR ($)**	**2019 AMR ($)**	**% Change AMR**	**2020**	**2019**
Residential Suites								
Ontario								
Greater Toronto Area	**1,473**	1,417	4.0	**1,487**	1,421	4.6	**99.0**	99.7
London / Kitchener / Waterloo	**1,048**	1,018	2.9	**1,054**	1,035	1.8	**99.5**	98.4
Ottawa	**1,352**	1,288	5.0	**1,352**	1,288	5.0	**100.0**	100.0
Other Ontario	**1,371**	1,322	3.7	**1,381**	1,324	4.3	**99.3**	99.8
	1,398	1,354	3.2	**1,410**	1,359	3.8	**99.2**	99.6
Québec								
Greater Montréal Region	**994**	951	4.5	**1,006**	960	4.8	**98.9**	99.0
Québec City	**1,081**	1,057	2.3	**1,099**	1,073	2.4	**98.4**	98.5
	1,016	978	3.9	**1,028**	989	3.9	**98.8**	98.9
British Columbia								
Greater Vancouver Region	**1,447**	1,350	7.2	**1,467**	1,412	3.9	**98.6**	95.6
Victoria	**1,301**	1,268	2.6	**1,320**	1,275	3.5	**98.6**	99.4
	1,402	1,325	5.8	**1,423**	1,369	3.9	**98.6**	96.8
Nova Scotia								
Halifax	**1,181**	1,127	4.8	**1,216**	1,160	4.8	**97.2**	97.1
Alberta								
Calgary	**1,084**	1,091	(0.6)	**1,121**	1,107	1.3	**96.6**	98.5
Edmonton	**1,057**	1,154	(8.4)	**1,269**	1,195	6.2	**83.3**	96.6
	1,078	1,103	(2.3)	**1,150**	1,124	2.3	**93.7**	98.1
Prince Edward Island								
Charlottetown	**1,082**	1,051	2.9	**1,100**	1,053	4.5	**98.4**	99.8
Saskatchewan								
Regina	**1,021**	1,021	—	**1,048**	1,071	(2.1)	**97.4**	95.3
Europe								
The Netherlands (1), (2)	**1,324**	1,195	10.8	**1,340**	1,224	9.5	**98.8**	97.6
Total Residential Suites	**1,274**	1,226	3.9	**1,293**	1,241	4.2	**98.6**	98.8
MHC Sites								
Ontario	**492**	481	2.3	**493**	482	2.3	**99.9**	99.8
New Brunswick	**276**	270	2.2	**303**	293	3.4	**91.1**	92.1
Alberta	**453**	449	0.9	**495**	483	2.5	**91.5**	92.8
Prince Edward Island	**166**	165	0.6	**166**	165	0.6	**100.0**	99.9
British Columbia	**479**	471	1.7	**482**	472	2.1	**99.4**	99.8
Québec	**261**	259	0.8	**261**	259	0.8	**100.0**	100.0
Saskatchewan	**435**	419	3.8	**436**	420	3.8	**99.7**	99.7
Nova Scotia	**255**	246	3.7	**257**	248	3.6	**99.2**	99.2
Total MHC sites	**386**	379	1.8	**403**	394	2.3	**95.8**	96.3
Total suites and sites	**1,104**	1,050	5.1	**1,126**	1,069	5.3	**98.0**	98.3

(1) Includes foreign exchange impact and service charge income. The amounts in Euros for the total portfolio for Net AMR are €865 and €803 as at June 30, 2020 and June 30, 2019, respectively, and for Occupied AMR are €876 and €822 as at June 30, 2020 and June 30, 2019, respectively.

(2) Includes all residential properties owned by ERES.

Stabilized Portfolio: Net AMR, Occupied AMR and Occupancy by Geography

	Net AMR			Occupied AMR			Occupancy %	
As at June 30,	**2020 AMR ($)**	**2019 [(1)] AMR ($)**	**% Change AMR**	**2020 AMR ($)**	**2019 [(1)] AMR ($)**	**% Change AMR**	**2020**	**2019**
Residential Suites								
Ontario								
Greater Toronto Area	**1,473**	1,417	4.0	**1,481**	1,421	4.2	**99.5**	99.7
London / Kitchener / Waterloo	**1,080**	1,018	6.1	**1,084**	1,035	4.7	**99.6**	98.4
Ottawa	**1,352**	1,288	5.0	**1,353**	1,288	5.0	**100.0**	100.0
Other Ontario	**1,371**	1,322	3.7	**1,381**	1,324	4.3	**99.3**	99.8
	1,411	1,354	4.2	**1,417**	1,359	4.3	**99.5**	99.6
Québec								
Greater Montréal Region	**979**	951	2.9	**989**	960	3.0	**99.0**	99.0
Québec City	**1,081**	1,057	2.3	**1,099**	1,073	2.4	**98.4**	98.4
	1,004	978	2.7	**1,016**	989	2.7	**98.8**	98.9
British Columbia								
Greater Vancouver Region	**1,446**	1,350	7.1	**1,467**	1,412	3.9	**98.6**	95.6
Victoria	**1,301**	1,268	2.6	**1,320**	1,275	3.5	**98.6**	99.4
	1,402	1,325	5.8	**1,422**	1,369	3.9	**98.6**	96.8
Nova Scotia								
Halifax	**1,186**	1,127	5.2	**1,224**	1,160	5.5	**96.9**	97.1
Alberta								
Edmonton	**1,057**	1,154	(8.4)	**1,210**	1,195	1.3	**87.4**	96.6
Calgary	**1,073**	1,091	(1.6)	**1,111**	1,107	0.4	**96.6**	98.5
	1,070	1,103	(3.0)	**1,128**	1,124	0.4	**94.9**	98.2
Prince Edward Island								
Charlottetown	**1,050**	1,053	(0.3)	**1,064**	1,055	0.9	**98.7**	99.8
Saskatchewan								
Regina	**1,021**	1,021	0.0	**1,048**	1,071	(2.1)	**97.4**	95.3
Europe								
The Netherlands [(2), (3)]	**1,301**	1,195	8.9	**1,316**	1,224	7.5	**98.8**	97.6
Total Residential Suites	**1,276**	1,226	4.1	**1,291**	1,241	4.0	**98.9**	98.8
MHC Sites								
Ontario	**492**	481	2.3	**481**	482	2.3	**99.9**	99.9
New Brunswick	**276**	270	2.2	**270**	293	3.4	**91.1**	92.1
Alberta	**453**	449	0.9	**449**	483	2.5	**91.5**	92.8
Prince Edward Island	**166**	165	0.6	**165**	165	0.6	**100.0**	99.9
British Columbia	**479**	471	1.7	**471**	472	2.1	**99.4**	99.8
Québec	**261**	259	0.8	**259**	259	0.8	**100.0**	100.0
Saskatchewan	**435**	419	3.8	**419**	420	3.8	**99.7**	99.7
Nova Scotia	**255**	246	3.7	**246**	248	3.6	**99.2**	99.2
Total MHC sites	**386**	379	1.8	**403**	394	2.3	**95.8**	96.3
Total suites and sites	**1,092**	1,050	4.0	**1,112**	1,069	4.0	**98.2**	98.3

(1) Prior year comparable Net and Occupied AMR and occupancy has been restated for properties disposed of since June 30, 2019.

(2) Includes foreign exchange impact and service charge income. The amounts in Euros for the stabilized portfolio for Net AMR are €850 and €803 as at June 30, 2020 and June 30, 2019, respectively, resulting in a Net AMR change of 5.9%. The Occupied AMR for the stabilized portfolio is €860 and €822 as at June 30, 2020 and June 30, 2019, respectively, resulting in an Occupied AMR change of 4.6%.

(3) Includes all residential properties owned by ERES.

Overall Net AMR for the stabilized portfolio as at June 30, 2020 increased by approximately 4.0% (including the Netherlands) and 3.6% (excluding the Netherlands) compared to the same period last year, while occupancy remained stable at 98.2%.

The rate of growth in stabilized Net AMR has been primarily due to (i) significant rental increases on turnover in the strong rental markets of Ontario, Nova Scotia, Québec and the Netherlands along with strong contributions from certain other regions, slightly offset by a currently weakening Alberta market and (ii) increases on renewals due to AGI achieved in Ontario.

Annual Rental Guidelines as per Rental Board

The chart below presents the annual rental guideline increases in provinces under rent control legislation which impacts lease renewals.

	2020	**2019**
Ontario	**2.2%**	**1.8%**
British Columbia [1]	**2.6%**	**2.5%**

[1] On March 25, 2020, British Columbia announced a freeze on rent increases, as further discussed in Section II under COVID-19 Pandemic.

Suite Turnovers and Lease Renewals - Total Portfolio

The tables below summarize the changes in the monthly rent due to suite turnovers and lease renewals compared to the prior year.

Canadian Portfolio

For the Three Months Ended June 30,	**2020**			**2019**		
	Change in monthly rent		**Turnovers and Renewals [1]**	**Change in monthly rent**		**Turnovers and Renewals [1]**
	$	%	%	**$**	%	%
Suite turnovers	**104.9**	**7.9**	**4.0**	177.1	14.2	4.4
Lease renewals [2]	**0.0**	**0.0**	**21.6**	25.2	2.1	21.3
Weighted average of turnovers and renewals	**16.4**	**1.2**		51.4	4.1	

For the Six Months Ended June 30,	**2020**			**2019**		
	Change in monthly rent		**Turnovers and Renewals [1]**	**Change in monthly rent**		**Turnovers and Renewals [1]**
	$	%	%	**$**	%	%
Suite turnovers	**137.2**	**10.4**	**7.2**	174.9	14.1	7.9
Lease renewals	**12.5**	**1.0**	**39.0**	25.6	2.1	38.5
Weighted average of turnovers and renewals	**31.9**	**2.5**		51.0	4.1	

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

[2] There was no increase on lease renewals for the three months ended June 30, 2020 as CAPREIT has temporarily suspended the issuance of rental increases during the pandemic. For further information, please see Section II under COVID-19 Pandemic for further details.

The Netherlands Portfolio (1)

For the Three Months Ended June 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals (2)	Change in monthly rent		Turnovers and Renewals (2)
	€	%	%	€	%	%
Suite turnovers	**92.6**	**10.7**	**3.4**	45.9	5.7	3.6
Lease renewals	**—**	**—**	**—**	—	—	—
Weighted average of turnovers and renewals	**92.6**	**10.7**		45.9	5.7	

For the Six Months Ended June 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals (2)	Change in monthly rent		Turnovers and Renewals (2)
	€	%	%	€	%	%
Suite turnovers	**77.7**	**8.9**	**7.5**	54.8	6.8	5.8
Lease renewals	**—**	**—**	**—**	—	—	—
Weighted average of turnovers and renewals	**77.7**	**8.9**		54.8	6.8	

(1) Includes all residential properties owned by ERES.

(2) Percentage of suites turned over or renewed during the period based on the total weighted number of Dutch residential suites held during the period.

Overall, suite turnovers in the Canadian residential suite portfolio (excluding co-ownerships) during the three and six months ended June 30, 2020 resulted in monthly rent increasing by approximately $105 or 7.9% and $137 or 10.4%, respectively, compared to an increase of approximately $177 or 14.2% and $175 or 14.1%, for the same periods last year, primarily due to the strong rental markets in Ontario, Nova Scotia, and Québec. The reduced turnover increases are mainly due to the impact of the COVID-19 pandemic as discussed in Section II under COVID-19 Pandemic.

Monthly rents on lease renewals on the Canadian residential suite portfolio (excluding co-ownerships) resulted in monthly rent remaining stable for the three months ended June 30, 2020, and increasing by $13 or 1.0%, for the six months ended June 30, 2020, compared to an increase of approximately $25 or 2.1% and $26 or 2.1%, for both of the same periods last year. The reduced renewal increases are mainly due to the impact of the COVID-19 pandemic rent freezes as discussed in Section II under COVID-19 Pandemic.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three and six months ended June 30, 2020 resulted in monthly rent increasing by approximately €93 or 10.7% and €78 or 8.9% respectively, compared to an increase of approximately €46 or 5.7% and €55 or 6.8%respectively for the same periods last year.

As the Netherlands' lease renewals occur only once a year in July, there were no renewal increases for the three and six months ended June 30, 2020 and 2019. The tenant notices for rent renewal increases beginning on July 1, 2020 have been served to 95% of the Dutch residential suites with a weighted average rental increase of 2.4%.

Above Guideline Increases

Management continues to pursue applications in Ontario for AGIs where it believes increases above the annual guideline are supported by market conditions to raise monthly rents on lease renewals. The maximum allowable annual increase is up to 3% above the annual rental guideline, with the exception of applications based on an increase in the cost of municipal taxes and charges.

The following table summarizes the status of cumulative AGI applications settled and outstanding:

	January 1, 2020 - June 30, 2020	January 1, 2019 - December 31, 2019
Applications Settled:		
Number of suites and sites	**467**	1,565
Weighted average total increase approved [1], [2]	**2.23%**	1.70%
Weighted average total increase applied for [1], [3]	**2.53%**	2.27%
Applications Outstanding:		
Number of suites and sites	**7,855**	4,409
Term weighted average total increase applied for [1], [4]	**1.90%**	1.89%

[1] Weighted by number of impacted suites and sites filed.

[2] For applications settled during the six months ended June 30, 2020, the weighted average total increase approved is to apply over a weighted average of 2.04 years (2.10 years for the year ended December 31, 2019).

[3] For applications settled during the six months ended June 30, 2020, the weighted average total increase applied for was to apply over a weighted average of 2.04 years (1.78 years for the year ended December 31, 2019).

[4] For applications outstanding as at June 30, 2020, the weighted average total increase applied for was to apply over a weighted average of 1.29 years (1.28 years for the year ended December 31, 2019).

Tenant Inducements, Vacancy Loss and Expected Credit Loss Expense

The table below shows the new tenant inducements incurred during the three and six months ended June 30, 2020 and 2019 as well as the amortization of tenant inducements and loss from vacancies included in net rental revenue for the same years and additional expected credit loss/bad debt ("bad debt") included in other operating expenses. The increase in residential tenant inducements, vacancy loss, and bad debt allowances were due to circumstances caused by the COVID-19 pandemic as discussed in Section II under COVID-19 Pandemic.

($ Thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	% [1]	2019	% [1]	**2020**	% [1]	2019	% [1]
New tenant inducements incurred - residential	**$ 226**		$ 276		**$ 394**		$ 437	
New tenant inducements incurred - commercial	**—**		149		**—**		149	
Total new tenant inducements incurred	**$ 226**		$ 425		**$ 394**		$ 586	
Tenant inducements amortized	**$ 347**	**0.2**	$ 502	0.3	**$ 717**	**0.2**	$ 910	0.2
Vacancy loss incurred	**4,646**	**2.1**	3,203	1.7	**9,044**	**2.1**	6,030	1.6
Total amortization and loss	**$ 4,993**	**2.3**	$ 3,705	2.0	**$ 9,761**	**2.3**	$ 6,940	1.8
Additional bad debt allowance recognized as an expense	**$ 2,369**	**1.1**	$ 550	0.3	**$ 3,065**	**0.7**	$ 935	0.3

[1] As a percentage of total operating revenues.

RESULTS OF OPERATIONS

Total Operating Revenues by Geography

For the Three Months Ended June 30, ($ Thousands)		2020	Revenue (%)		2019 [3]	Revenue (%)
Residential Suites						
Ontario						
Greater Toronto Area	**$**	**72,675**	**33.1**	$	69,288	36.2
London / Kitchener / Waterloo		**9,552**	**4.3**		7,622	4.0
Ottawa		**6,792**	**3.1**		6,470	3.4
Other Ontario		**7,679**	**3.5**		7,470	3.9
	$	**96,698**	**44.0**	$	90,850	47.5
Québec						
Greater Montréal Region	**$**	**26,384**	**12.0**	$	24,289	12.7
Québec City		**9,028**	**4.1**		8,976	4.7
	$	**35,412**	**16.1**	$	33,265	17.4
British Columbia						
Greater Vancouver Region	**$**	**16,744**	**7.6**	$	14,871	7.7
Victoria		**6,467**	**3.0**		6,057	3.2
	$	**23,211**	**10.6**	$	20,928	10.9
Nova Scotia						
Halifax	**$**	**12,067**	**5.5**	$	6,004	3.1
Alberta						
Calgary	**$**	**7,545**	**3.4**	$	7,226	3.8
Edmonton		**2,003**	**0.9**		1,752	0.9
	$	**9,548**	**4.3**	$	8,978	4.7
Prince Edward Island						
Charlottetown	**$**	**2,082**	**0.9**	$	1,709	0.9
Saskatchewan						
Regina		**721**	**0.3**		716	0.4
Europe						
The Netherlands [1]	**$**	**23,467**	**10.7**	$	14,743	7.7
Other Europe [2]		**2,514**	**1.1**		2,897	1.5
	$	**25,981**	**11.8**	$	17,640	9.2
Total residential suites	**$**	**205,720**	**93.5**	$	180,090	94.1
MHC Sites						
Ontario	**$**	**6,059**	**2.8**	$	5,218	2.7
New Brunswick		**3,145**	**1.4**		2,447	1.3
Alberta		**2,914**	**1.3**		1,937	1.0
Prince Edward Island		**387**	**0.2**		286	0.2
British Columbia		**774**	**0.4**		669	0.3
Québec		**331**	**0.2**		125	0.1
Saskatchewan		**498**	**0.2**		478	0.3
Nova Scotia		**97**	**0.0**		35	0.0
Total MHC sites		**14,205**	**6.5**		11,195	5.9
Total residential suites and MHC sites	**$**	**219,925**	**100.0**	$	191,285	100.0

[1] In € Thousands, €15,454 and €9,830 for three months ended June 30, 2020 and June 30, 2019, respectively.
[2] Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,652 for the three months ended June 30, 2020 and €1,927 for the three months ended June 30, 2019
[3] Certain 2019 comparative figures have been adjusted to conform with current period presentation.

For the Six Months Ended June 30,		2020			2019 (3)	
($ Thousands)			Revenue (%)			Revenue (%)
Residential Suites						
Ontario						
Greater Toronto Area	$	145,047	33.3	$	137,742	36.9
London / Kitchener / Waterloo		19,013	4.3		15,158	4.1
Ottawa		13,567	3.1		12,874	3.5
Other Ontario		15,381	3.5		14,722	3.9
	$	193,008	44.2	$	180,496	48.4
Québec						
Greater Montréal Region	$	52,424	12.0	$	48,472	13.0
Québec City		18,105	4.2		17,779	4.7
	$	70,529	16.2	$	66,251	17.7
British Columbia						
Greater Vancouver Region	$	33,359	7.6	$	29,023	7.8
Victoria		13,083	3.0		11,953	3.2
	$	46,442	10.6	$	40,976	11.0
Nova Scotia						
Halifax	$	21,690	5.0	$	11,958	3.2
Alberta						
Calgary	$	15,218	3.5	$	14,479	3.9
Edmonton		3,844	0.9		3,517	0.9
	$	19,062	4.4	$	17,996	4.8
Prince Edward Island						
Charlottetown	$	4,189	1.0	$	3,401	0.9
Saskatchewan						
Regina	$	1,444	0.3		1,439	0.4
Europe						
The Netherlands (1)	$	45,838	10.5	$	27,975	7.5
Other Europe (2)		5,562	1.3		2,996	0.8
	$	51,400	11.8	$	30,971	8.3
Total residential suites	$	407,764	93.5	$	353,488	94.7
MHC Sites						
Ontario	$	11,972	2.8	$	9,734	2.6
New Brunswick		6,226	1.4		4,498	1.2
Alberta		5,808	1.3		2,681	0.7
Prince Edward Island		772	0.2		515	0.2
British Columbia		1,593	0.4		1,159	0.3
Québec		667	0.2		125	0.0
Saskatchewan		990	0.2		946	0.3
Nova Scotia		193	0.0		35	0.0
Total MHC sites		28,221	6.5		19,693	5.3
Total residential suites and MHC sites	$	435,985	100.0	$	373,181	100.0

(1) In € thousands, €30,455 and €18,579 for six months ended June 30, 2020 and June 30, 2019, respectively.

(2) Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €3,711 for the six months ended June 30, 2020 and €1,993 from for the period from March 29, 2019 to June 30, 2019.

(3) Certain 2019 comparative figures have been adjusted to conform with current period presentation.

Estimated Net Rental Revenue Run-Rate

The table below shows the estimated net rental revenue run-rate (net of average historical vacancy loss and tenant inducements) based on Net AMRs in place for CAPREIT's share of residential suites and sites and commercial leases as at June 30, 2020 and 2019.

($ Thousands) **As at June 30,**	**2020**	2019 [3]
Residential rent roll [1], [2]	**$ 805,846**	$ 707,926
Commercial rent roll [1], [2]	**44,604**	33,039
Annualized net rental revenue run-rate	**$ 850,450**	$ 740,965

(1) Based on the rent roll as at June 30, net of vacancy loss and tenant inducements for the 12 months ended on such date.
(2) Includes the rent roll for all properties owned as at June 30.
(3) Certain 2019 comparative figures have been adjusted to conform with current period presentation.

The estimated annualized net rental revenue run-rate improved by 14.8% to $850.5 million compared to $741.0 million primarily as a result of the extensive MHC portfolio growth and acquisitions in the Netherlands and Halifax. Net rental revenue net of dispositions for the 12 months ended June 30, 2020 was $807.6 million (2019 - $681.6 million).

NOI

Stabilized properties for the three and six months ended June 30, 2020 are defined as all properties owned by CAPREIT continuously since December 31, 2018, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2020 and 2019. As at June 30, 2020, stabilized suites and sites represented 80.6% of CAPREIT's total portfolio excluding co-ownerships.

($ Thousands)	**Total NOI**			**Stabilized NOI**		
For the Three Months Ended June 30,	**2020**	**2019** [4]	% [1]	**2020**	**2019** [4]	% [1]
Operating revenues						
Net rental revenues	**$ 208,625**	$ 180,832	15.4	**$ 179,413**	$ 172,871	3.8
Other [2]	**11,300**	10,453	8.1	**9,841**	10,308	(4.5)
Total operating revenues	**$ 219,925**	$ 191,285	15.0	**$ 189,254**	$ 183,179	3.3
Operating Expenses						
Realty taxes	**(20,724)**	(18,311)	13.2	**(18,462)**	(17,777)	3.9
Utilities	**(15,382)**	(12,899)	19.2	**(13,590)**	(12,544)	8.3
Other [3]	**(40,586)**	(34,308)	18.3	**(34,427)**	(33,181)	3.8
Total operating expenses	**$ (76,692)**	$ (65,518)	17.1	**$ (66,479)**	$ (63,502)	4.7
NOI	**$ 143,233**	$ 125,767	13.9	**$ 122,775**	$ 119,677	2.6
NOI margin	**65.1 %**	65.7 %		**64.9 %**	65.3 %	

($ Thousands)	Total NOI			Stabilized NOI		
For the Six Months Ended June 30,	**2020**	**2019 [4]**	**% [1]**	**2020**	**2019 [4]**	**% [1]**
Operating Revenues						
Net rental revenues	**$ 413,240**	$ 352,973	17.1	**$ 357,856**	$ 344,033	4.0
Other [2]	**22,745**	20,208	12.6	**20,041**	20,050	0.0
Total operating revenues	**$ 435,985**	$ 373,181	16.8	**$ 377,897**	$ 364,083	3.8
Operating Expenses						
Realty taxes	**(40,592)**	(36,212)	12.1	**(36,567)**	(35,636)	2.6
Utilities	**(34,125)**	(30,923)	10.4	**(30,555)**	(30,541)	0.0
Other [3]	**(79,977)**	(66,444)	20.4	**(68,530)**	(65,252)	5.0
Total operating expenses	**$ (154,694)**	$ (133,579)	15.8	**$ (135,652)**	$ (131,429)	3.2
NOI	**$ 281,291**	$ 239,602	17.4	**$ 242,245**	$ 232,654	4.1
NOI margin	**64.5 %**	64.2 %		**64.1 %**	63.9 %	

(1) Represents the year-over-year percentage change.
(2) Comprises ancillary income such as parking, laundry and antenna revenue.
(3) Comprises R&M, wages, general and administrative, insurance, advertising, legal costs and bad debt.
(4) Bad debt, previously offset against revenues, has now been reclassified under other expenses in net operating income to conform with current presentation.

Operating Revenues

For the three and six months ended June 30, 2020, total operating revenues for the total and stabilized portfolios increased compared to the same periods last year, due to increases in monthly rents and continuing high occupancies. Contributions from acquisitions further contributed to higher operating revenues for the total portfolio.

Operating Expenses

Realty Taxes
For the three and six months ended June 30, 2020, the stabilized portfolio's realty taxes increased compared to the same period last year, primarily because of increased property assessment values in Alberta, British Columbia, Ontario and Québec.

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

($ Thousands)	Total Utilities			Stabilized Utilities		
For the Three Months Ended June 30,	**2020**	**2019**	**% [1]**	**2020**	**2019**	**% [1]**
Electricity	**$ 5,289**	$ 4,343	21.8	**$ 4,575**	$ 4,272	7.1
Natural gas	**3,311**	2,891	14.5	**3,004**	2,855	5.2
Water	**6,782**	5,665	19.7	**6,011**	5,417	11.0
Total	**$ 15,382**	$ 12,899	19.2	**$ 13,590**	$ 12,544	8.3

($ Thousands)	Total Utilities			Stabilized Utilities		
For the Six Months Ended June 30,	**2020**	**2019**	**% [1]**	**2020**	**2019**	**% [1]**
Electricity	**$ 12,141**	$ 11,217	8.2	**$ 10,711**	$ 11,138	(3.8)
Natural gas	**9,198**	9,111	1.0	**8,464**	9,074	(6.7)
Water	**12,786**	10,595	20.7	**11,380**	10,329	10.2
Total	**$ 34,125**	$ 30,923	10.4	**$ 30,555**	$ 30,541	0.0

(1) Represents the year-over-year percentage change.

As at June 30, 2020, tenants who pay their hydro charges directly represented 71% of the total 17,681 sub-metered suites in Ontario, Alberta, and Halifax. For the stabilized portfolio, hydro costs increased for the three months ended June 30, 2020 compared to the same period last year primarily due to increased consumption as a result of the impact from the COVID-19 pandemic. For the six months ended June 30, 2020, hydro costs for the stabilized portfolio decreased compared to the same period last year primarily due to lower consumption as a result of warmer weather.

For the stabilized portfolio, natural gas costs increased for the three months ended June 30, 2020 compared to the same period last year primarily due to increased consumption in Ontario and Alberta, and the carbon tax impact in Alberta. For the six months ended June 30, 2020, natural gas costs costs for the stabilized portfolio decreased compared to the same period last year primarily due to reduced consumption in Ontario and Québec as a result of warmer weather, leading to less usage in electrically heated properties.

Water costs for the stabilized portfolio increased for the three months ended June 30, 2020 compared to the same period last year primarily due to increased consumption in Ontario as a result of the impact from the COVID-19 pandemic. For the six months ended June 30, 2020 water costs increased compared to the same period last year primarily due to increased water consumption and rates in 2020.

A summary of CAPREIT's fixed natural gas contracts can be found in note 27 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2020.

Other Operating Expenses

The stabilized other operating expenses for the three and six months ended June 30, 2020 increased primarily due to higher bad debt, wages, rising insurance costs driven by higher overall increases in global insurance markets, driven by claims, and reduced availability of coverage from insurers and reinsurers, slightly offset by reductions in R&M expenses on a year to date basis.

NOI Margin

For the three months ended June 30, 2020, NOI margin for the total portfolio decreased to 65.1%. For the six months ended June 30, 2020, NOI margin for the total portfolio increased to 64.5%.

NOI BY REGION

Management believes NOI is a key indicator of operating performance in the real estate industry. NOI includes all rental revenues and other related ancillary income (including MHC home sales) generated at the property level, less: (i) related direct costs such as bad debt, utilities, realty taxes, insurance, 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 investment trusts or companies.

The following tables show each region's NOI and NOI margin for the periods ended June 30, 2020 and 2019:

For the Three Months Ended June 30,	**2020**			**2019 [4]**			**Increase (Decrease)**
($ Thousands)	**NOI**	**NOI % [1]**	**NOI Margin (%)**	**NOI**	**NOI % [1]**	**NOI Margin (%)**	**NOI Change (%)**
Residential Suites							
Ontario							
Greater Toronto Area	**$ 47,077**	**32.8**	**64.8**	$ 45,593	36.2	65.8	**3.3**
London / Kitchener / Waterloo	**6,299**	**4.4**	**65.9**	5,094	4.0	66.8	**23.7**
Ottawa	**4,462**	**3.1**	**65.7**	4,217	3.4	65.2	**5.8**
Other Ontario	**4,712**	**3.3**	**61.4**	4,850	3.9	64.9	**(2.8)**
	$ 62,550	**43.6**	**64.7**	$ 59,754	47.5	65.8	**4.7**
Québec							
Greater Montréal Region	**$ 16,153**	**11.3**	**61.2**	$ 14,459	11.5	59.5	**11.7**
Québec City	**5,515**	**3.9**	**61.1**	5,407	4.3	60.2	**2.0**
	$ 21,668	**15.2**	**61.2**	$ 19,866	15.8	59.7	**9.1**
British Columbia							
Greater Vancouver Region	**$ 12,097**	**8.4**	**72.2**	$ 10,437	8.3	70.2	**15.9**
Victoria	**4,650**	**3.2**	**71.9**	4,549	3.6	75.0	**2.2**
	$ 16,747	**11.6**	**72.2**	$ 14,986	11.9	71.6	**11.8**
Nova Scotia							
Halifax	**6,846**	**4.8**	**56.7**	3,687	2.9	61.4	**85.7**
Alberta							
Calgary	**$ 4,073**	**2.8**	**54.0**	$ 3,773	3.0	52.2	**8.0**
Edmonton	**1,031**	**0.7**	**51.5**	1,144	0.9	65.3	**(9.9)**
	$ 5,104	**3.5**	**53.5**	$ 4,917	3.9	54.8	**3.8**
Prince Edward Island							
Charlottetown	**$ 1,095**	**0.8**	**52.6**	$ 893	0.7	52.3	**22.6**
Saskatchewan							
Regina	**391**	**0.3**	**54.2**	395	0.3	55.2	**(1.0)**
Europe							
The Netherlands [2]	**$ 17,746**	**12.4**	**75.6**	$ 11,509	9.2	78.4	**54.2**
Other Europe [3]	**$ 1,941**	**1.4**	**77.2**	$ 2,346	1.9	81.0	**(17.3)**
	$ 19,687	**13.8**	**75.8**	$ 13,855	11.1	78.9	**42.1**
Total residential suites	**$ 134,088**	**93.6**	**65.2**	$ 118,353	94.1	65.7	**13.3**
MHC sites							
Ontario	**4,139**	**2.9**	**68.3**	$ 3,545	2.8	67.9	**16.8**
New Brunswick	**1,702**	**1.2**	**54.1**	1,334	1.1	54.5	**27.6**
Alberta	**1,963**	**1.4**	**67.4**	1,414	1.1	73.0	**38.8**
Prince Edward Island	**188**	**0.1**	**48.6**	149	0.1	52.1	**26.2**
British Columbia	**564**	**0.4**	**72.9**	524	0.4	78.6	**7.6**
Québec	**233**	**0.2**	**70.4**	104	0.1	83.2	**124.0**
Saskatchewan	**319**	**0.2**	**64.1**	319	0.3	66.9	**0.0**
Nova Scotia	**37**	**—**	**38.1**	25	0.0	71.4	**48.0**
Total MHC sites	**$ 9,145**	**6.4**	**64.4**	$ 7,414	5.9	66.2	**23.3**
Total suites and sites	**$ 143,233**	**100.0**	**65.1**	$ 125,767	100.0	65.7	**13.9**

(1) Represents percentage of the portfolio by NOI.

(2) In € thousands, €11,814 and €7,608 for the three months ended June 30, 2020 and June 30, 2019, respectively.

(3) Comprised of ERES' NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,274 for the three months ended June 30, 2020 and €1,561 from March 29, 2019 onwards for the three months ended June 30, 2019.

(4) Certain 2019 comparative figures have been adjusted to conform with current period presentation.

For the Six Months Ended June 30,	2020			2019 (4)			Increase (Decrease)
($ Thousands)	NOI	NOI % (1)	NOI Margin (%)	NOI	NOI % (1)	NOI Margin (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	**$ 93,559**	**33.3**	**64.5**	$ 89,103	37.2	64.7	**5.0**
London / Kitchener / Waterloo	**12,393**	**4.4**	**65.2**	9,914	4.1	65.4	**25.0**
Ottawa	**8,787**	**3.1**	**64.8**	8,229	3.4	63.9	**6.8**
Other Ontario	**9,461**	**3.4**	**61.5**	9,312	3.9	63.3	**1.6**
	$ 124,200	**44.2**	**64.3**	$ 116,558	48.6	64.6	**6.6**
Québec							
Greater Montréal Region	**$ 30,738**	**10.9**	**58.6**	$ 27,519	11.5	56.8	**11.7**
Québec City	**11,001**	**3.9**	**60.8**	10,263	4.3	57.7	**7.2**
	$ 41,739	**14.8**	**59.2**	$ 37,782	15.8	57.0	**10.5**
British Columbia							
Greater Vancouver Region	**$ 22,987**	**8.2**	**68.9**	$ 20,095	8.4	69.2	**14.4**
Victoria	**9,399**	**3.3**	**71.8**	8,793	3.7	73.6	**6.9**
	$ 32,386	**11.5**	**69.7**	$ 28,888	12.1	70.5	**12.1**
Nova Scotia							
Halifax	**$ 12,489**	**4.4**	**57.6**	$ 7,063	2.9	59.1	**76.8**
Alberta							
Calgary	**$ 8,399**	**3.0**	**55.2**	$ 7,820	3.2	54.0	**7.4**
Edmonton	**2,176**	**0.8**	**56.6**	2,279	1.0	64.8	**(4.5)**
	$ 10,575	**3.8**	**55.5**	$ 10,099	4.2	56.1	**4.7**
Prince Edward Island							
Charlottetown	**$ 2,081**	**0.7**	**49.7**	$ 1,613	0.7	47.4	**29.0**
Saskatchewan							
Regina	**$ 767**	**0.3**	**53.1**	$ 768	0.3	53.4	**(0.1)**
Europe							
The Netherlands (2)	**$ 34,673**	**12.3**	**75.6**	$ 21,696	9.1	77.2	**59.8**
Other Europe (3)	**4,503**	**1.6**	**81.0**	2,426	1.0	81.0	**85.6**
	$ 39,176	**13.9**	**76.2**	$ 24,122	10.1	78.2	**62.4**
Total residential suites	**$ 263,413**	**93.6**	**64.6**	$ 226,893	94.7	64.2	**16.1**
MHC Sites							
Ontario	**$ 8,124**	**2.9**	**67.9**	$ 6,604	2.7	67.8	**23.0**
New Brunswick	**3,256**	**1.2**	**52.3**	2,346	1.0	52.2	**38.8**
Alberta	**3,889**	**1.4**	**67.0**	1,914	0.8	71.4	**103.2**
Prince Edward Island	**313**	**0.1**	**40.5**	220	0.1	42.7	**42.3**
British Columbia	**1,149**	**0.4**	**72.1**	873	0.4	75.3	**31.6**
Québec	**429**	**0.2**	**64.3**	104	0.0	83.2	**312.5**
Saskatchewan	**636**	**0.2**	**64.2**	623	0.3	65.9	**2.1**
Nova Scotia	**82**	**0.0**	**42.5**	25	0.0	71.4	**228.0**
Total MHC sites	**17,878**	**6.4**	**63.3**	12,709	5.3	64.5	**40.7**
Total suites and sites	**$ 281,291**	**100.0**	**64.5**	$ 239,602	100.0	64.2	**17.4**

(1) Represents percentage of the portfolio by NOI.

(2) In € thousands, €23,049 and €14,413 for the six months ended June 30, 2020 and June 30, 2019, respectively.

(3) Comprised of ERES' NOI for the commercial properties located in Germany and Belgium. In € thousands, €3,004 for the six months ended June 30, 2020 and €1,614 from March 29, 2019 onwards for the six months ended June 30, 2019.

(4) Certain 2019 comparative figures have been adjusted to conform with current period presentation.

The significant improvement in the NOI contribution in 2020 was primarily the result of higher operating revenues due to contributions from acquisitions and increased same property monthly rents. CAPREIT remains focused on continuing to further improve NOI and NOI margin over the long-term through a combination of accretive and value-enhancing acquisitions, successful sales and marketing strategies to further improve revenues, and investments in capital programs to further reduce costs and 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 region, refer to the Stabilized NOI by Region section.

STABILIZED NOI BY REGION

Three Months Ended June 30, 2020	2020		2019 [9]		Increase (Decrease)		
($ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	**$ 46,790**	**65.0**	$ 45,593	65.8	**3.8**	**6.2**	**2.6**
London / Kitchener / Waterloo	**5,332**	**66.6**	5,094	66.8	**5.0**	**5.7**	**4.7**
Ottawa	**4,462**	**65.7**	4,217	65.2	**5.0**	**3.4**	**5.8**
Other Ontario	**4,712**	**61.4**	4,850	64.9	**2.8**	**13.2**	**(2.8)**
	$ 61,296	**64.9**	$ 59,754	65.8	**3.9**	**6.5**	**2.6** [1]
Québec							
Greater Montréal Region	**$ 15,376**	**61.0**	$ 14,459	59.5	**3.8**	**0.0**	**6.3**
Québec City	**5,515**	**61.1**	5,407	60.2	**0.6**	**(1.4)**	**2.0**
	$ 20,891	**61.0**	$ 19,866	59.7	**2.9**	**(0.4)**	**5.2** [2]
British Columbia							
Greater Vancouver Region	**$ 10,926**	**73.0**	$ 10,318	71.9	**4.3**	**0.2**	**5.9**
Victoria	**4,361**	**71.1**	4,463	74.8	**2.7**	**17.5**	**(2.3)**
	$ 15,287	**72.4**	$ 14,781	72.7	**3.8**	**4.9**	**3.4** [3]
Nova Scotia							
Halifax	**$ 3,592**	**57.9**	$ 3,687	61.4	**3.3**	**12.7**	**(2.6)** [5]
Alberta							
Calgary	**$ 3,863**	**53.6**	$ 3,773	52.2	**(0.2)**	**(3.0)**	**2.4**
Edmonton	**834**	**50.9**	1,144	65.3	**(6.6)**	**32.1**	**(27.1)**
	$ 4,697	**53.1**	$ 4,917	54.8	**(1.4)**	**2.2**	**(4.5)** [4]
Prince Edward Island							
Charlottetown	**$ 862**	**50.9**	$ 886	51.8	**(1.0)**	**0.9**	**(2.7)**
Saskatchewan							
Regina	**$ 391**	**54.2**	$ 395	55.2	**0.7**	**2.8**	**(1.0)**
Europe							
The Netherlands [8]	**$ 10,289**	**76.7**	$ 10,058	77.3	**3.1**	**5.7**	**2.3**
Total residential suites	**$ 117,305**	**64.9**	$ 114,344	65.4	**3.3**	**4.6**	**2.6**
MHC sites							
Ontario	**$ 3,129**	**66.7**	$ 3,003	67.3	**5.2**	**7.1**	**4.2** [6]
New Brunswick	**1,143**	**53.5**	1,087	52.4	**2.9**	**0.4**	**5.2**
Alberta	**401**	**65.6**	411	68.3	**1.5**	**9.9**	**(2.4)**
Prince Edward Island	**112**	**48.1**	109	47.6	**1.7**	**0.8**	**2.8**
British Columbia	**366**	**78.7**	404	84.9	**(2.3)**	**37.5**	**(9.4)** [7]
Saskatchewan	**319**	**64.1**	319	66.7	**4.2**	**12.6**	**0.0**
Total MHC sites	**$ 5,470**	**63.4**	$ 5,333	64.1	**3.8**	**5.9**	**2.6**
Total suites and sites	**$ 122,775**	**64.9**	$ 119,677	65.3	**3.3**	**4.0**	**2.6**
Stabilized suites and sites	**50,306**		50,306				

(1) Higher expenses: higher utilities costs, bad debt, wages and realty taxes, partially offset by lower on-site costs.

(2) Lower expenses: lower R&M costs and on-site costs, partially offset by higher bad debt and realty taxes.

(3) Higher expenses: higher bad debt, R&M costs and utilities costs.

(4) Higher expenses: higher bad debt, R&M costs, realty taxes and on-site costs.

(5) Higher expenses: higher bad debt, R&M costs, partially offset by lower insurance costs and wages.

(6) Higher expenses: higher R&M costs and wages.

(7) Lower revenues: 2019 figures includes home sales. Excluding home sales, revenues increased by $21 and 5.6%.
Higher expenses: higher R&M costs and realty taxes.

(8) In € Thousands, €6,703 and €6,695 for the three months ended June 30, 2020 and June 30, 2019, respectively. NOI increased by €8 and 0.1%.

(9) Certain 2019 comparative figures have been adjusted to conform with current period presentation.

For the Six Months Ended June 30,	2020		2019 [9]		Increase (Decrease)			
($ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)	
Residential Suites								
Ontario								
Greater Toronto Area	**$ 93,220**	**64.9**	$ 89,103	64.7	**4.3**	**3.7**	**4.6**	
London / Kitchener / Waterloo	**10,527**	**66.1**	9,914	65.4	**5.0**	**2.9**	**6.2**	
Ottawa	**8,787**	**64.8**	8,229	63.9	**5.4**	**2.9**	**6.8**	
Other Ontario	**9,461**	**61.5**	9,312	63.3	**4.5**	**9.4**	**1.6**	
	$ 121,995	**64.7**	$ 116,558	64.6	**4.5**	**4.1**	**4.7**	(1)
Québec								
Greater Montréal Region	**$ 29,512**	**58.5**	$ 27,519	56.8	**4.2**	**0.1**	**7.2**	
Québec City	**11,001**	**60.7**	10,263	57.7	**1.9**	**(5.4)**	**7.2**	
	$ 40,513	**59.1**	$ 37,782	57.0	**3.5**	**(1.4)**	**7.2**	(2)
British Columbia								
Greater Vancouver Region	**$ 20,534**	**68.9**	$ 19,976	70.0	**4.5**	**8.5**	**2.8**	
Victoria	**8,829**	**71.7**	8,707	73.4	**3.8**	**10.6**	**1.4**	
	$ 29,363	**69.7**	$ 28,683	71.0	**4.3**	**9.0**	**2.4**	(3)
Nova Scotia								
Halifax	**$ 7,206**	**57.8**	$ 7,063	59.1	**4.3**	**7.6**	**2.0**	(5)
Alberta								
Calgary	**$ 7,958**	**54.7**	$ 7,820	54.0	**0.4**	**(1.1)**	**1.8**	
Edmonton	**1,948**	**57.0**	2,279	64.8	**(2.9)**	**18.5**	**(14.5)**	
	$ 9,906	**55.2**	$ 10,099	56.1	**(0.2)**	**2.0**	**(1.9)**	(4)
Prince Edward Island								
Charlottetown	**$ 1,606**	**47.1**	$ 1,606	47.2	**0.2**	**0.4**	**0.0**	
Saskatchewan								
Regina	**$ 767**	**53.1**	$ 768	53.4	**0.3**	**0.9**	**(0.1)**	
Europe								
The Netherlands [8]	**$ 20,009**	**76.2**	$ 19,679	76.9	**2.6**	**5.8**	**1.7**	
Total residential suites	**$ 231,365**	**64.1**	$ 222,238	64.0	**3.8**	**3.3**	**4.1**	
MHC Sites								
Ontario	**$ 6,192**	**67.1**	$ 5,988	67.3	**3.7**	**4.3**	**3.4**	(6)
New Brunswick	**2,260**	**53.2**	2,099	50.9	**2.9**	**(2.0)**	**7.7**	(7)
Alberta	**813**	**66.3**	782	65.5	**2.8**	**0.5**	**4.0**	
Prince Edward Island	**191**	**41.0**	180	39.2	**1.5**	**(1.4)**	**6.1**	
British Columbia	**788**	**80.8**	744	78.8	**3.3**	**(6.5)**	**5.9**	
Saskatchewan	**636**	**64.2**	623	65.9	**4.7**	**9.6**	**2.1**	
Total MHC sites	**$ 10,880**	**63.5**	$ 10,416	62.9	**3.4**	**1.6**	**4.5**	
Total suites and sites	**$ 242,245**	**64.1**	$ 232,654	63.9	**4.1**	**4.1**	**4.1**	
Stabilized suites and sites	**50,306**		50,306					

(1) Higher expenses: higher utilities costs, bad debt, wages and realty taxes, partially offset by lower R&M costs.
(2) Lower expenses: lower utilities costs, and R&M costs, partially offset by higher bad debt, legal costs and wages.
(3) Higher expenses: higher bad debt, realty taxes and R&M costs.
(4) Higher expenses: higher bad debt, realty taxes, advertising costs and on-site costs, partially offset by lower utilities costs.
(5) Higher expenses: higher bad debt, R&M costs, partially offset by lower wages and utilities costs.
(6) Higher expenses: higher R&M costs and wages, partially offset by lower utilities costs and on-site costs.
(7) Lower expenses: lower R&M costs, partially offset by higher realty taxes.
(8) In € thousands, €13,243 and €13,090 for the six months ended June 30, 2020 and June 30, 2019, respectively. NOI increased by €153 and 1.2%.
(9) Certain 2019 comparative figures have been adjusted to conform with current period presentation.

For the three and six months ended June 30, 2020, stabilized NOI for the residential portfolio increased by 2.6% and 4.1% respectively compared to the same periods last year. NOI margin for the residential portfolio for the three and six months ended June 30, 2020 decreased to 64.9% and remained strong at 64.1%, respectively, from 65.3% and 63.9% for the same periods last year.

The following table reconciles stabilized NOI and NOI from net acquisitions to total NOI for the periods ended June 30, 2020 and March 31, 2019:

($ Thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	**NOI Margin (%)**	**2019**	**NOI Margin (%)**	**2020**	**NOI Margin (%)**	**2019** [2]	**NOI Margin (%)**
Stabilized NOI	**$ 122,775**	**64.9**	$ 119,677	65.3	**$ 242,245**	**64.1**	$ 232,654	63.9
Net acquisitions NOI [1]	**20,458**	**69.5**	6,090	85.2	**39,046**	**69.5**	6,948	85.2
Total NOI	**$ 143,233**	**65.1**	$ 125,767	65.7	**$ 281,291**	**64.5**	$ 239,602	64.2

[1] Represents the NOI of acquisitions and dispositions completed during 2020 and 2019.

[2] Certain 2019 comparative figures have been adjusted to conform with current period presentation.

NET INCOME AND OTHER COMPREHENSIVE INCOME

($ Thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
NOI	**$ 143,233**	$ 125,767	**$ 281,291**	$ 239,602
(Less) plus:				
Trust expenses	**(10,291)**	(10,970)	**(21,655)**	(21,316)
Transaction costs	**—**	—	**—**	(8,527)
Unit-based compensation (expense) recovery	**(6,045)**	12	**(793)**	(7,540)
Fair value adjustments of investment properties	**(4,053)**	86,620	**(35,972)**	209,936
Realized loss on disposition of investment properties	**—**	—	**(753)**	—
Amortization of property, plant and equipment	**(1,953)**	(1,542)	**(3,724)**	(2,957)
Gain (loss) on non-controlling interest	**(34,650)**	(6,699)	**35,029**	(6,699)
Fair value adjustments of investments	**3,783**	(1,326)	**(3,087)**	6,196
Loss on derivative financial instruments	**(7,447)**	(10,227)	**(958)**	(3,789)
Interest on mortgages payable and other financing costs	**(33,083)**	(30,438)	**(65,052)**	(60,205)
Interest on bank indebtedness and other financing costs	**(2,091)**	(2,430)	**(4,401)**	(3,842)
Interest on leases	**(1,737)**	(381)	**(2,254)**	(833)
(Loss) gain on foreign currency translation	**22,116**	11,326	**(31,692)**	23,592
Other income (loss)	**(3,204)**	10,640	**3,739**	15,046
Net income before income taxes	**$ 64,578**	$ 170,352	**$ 149,718**	$ 378,664
Current and deferred income tax expense	**(3,316)**	(3,023)	**(8,823)**	(5,825)
Net income	**$ 61,262**	$ 167,329	**$ 140,895**	$ 372,839
Other comprehensive income (loss), including items that may be reclassified subsequently to net income				
Amortization of losses from AOCL to interest and other financing costs	**$ 633**	$ 808	**$ 1,267**	$ 1,448
Gain (loss) on foreign currency translation	**(24,616)**	(6,760)	**60,786**	(35,674)
Other comprehensive income (loss)	**(23,983)**	(5,952)	**62,053**	(34,226)
Comprehensive income	**$ 37,279**	$ 161,377	**$ 202,948**	$ 338,613

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, providing third-party property and asset management services, and other general and administrative expenses, net of amounts allocated to property operating expenses for properties owned by CAPREIT. Trust expenses include costs related to the generation of asset management and services fees to ERES and asset and property management fees to IRES. For the three and six months ended June 30, 2020, asset management and services fees of $1.9 million and $3.7 million were charged to ERES and eliminated upon consolidation. Excluding CAPREIT's ownership of ERES, the portion of these fees attributable to the ERES non-controlling unitholders is $0.7 million and $1.2 million for the three and six months ended June 30, 2020. In addition, total fees of $2.4 million and $4.7 million were charged to IRES for the three and six months ended June 30, 2020. Trust expenses increased for the six months ended June 30, 2020 to $21.7 million from $21.3 million for the same period last year, primarily due to higher salaries and consulting fees, partially offset by lower travel costs and marketing expenses. For the six months ended June 30, 2019, trust expenses included non-routine items of approximately $0.5 million related to legal, consulting, accounting and tax costs incurred in connection with ERES operating in its inception.

Transaction Costs

Transaction costs are related to the one-time business combination fees associated with the Acquisition, consisting of legal, audit, tax, consulting and financial advisory fees.

Unit-based Compensation Expense (Recovery)

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"), Deferred Unit Plan ("DUP") and the ERES unit options ("ERES UOP") (see notes 13 and 14 of the condensed consolidated interim financial statements).

The unit-based compensation expense (recovery) has been separated into two components: (i) the amortization of the fair value at grant date of the award over its vesting period, and (ii) the remeasurement of awards outstanding at period end at fair value.

($ Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Remeasurement of unit-based compensation liabilities	**$ 4,177**	$ (1,544)	**$ (2,762)**	$ 3,959
Amortization of fair value on grant date of unit-based compensation	**1,868**	1,532	**3,555**	3,581
Total	**$ 6,045**	$ (12)	**$ 793**	$ 7,540

CAPREIT's remeasurement of unit-based compensation liabilities for the three and six months ended June 30, 2020 was a remeasurement loss of $4.2 million and gain of $2.8 million, compared to a remeasurement gain of $1.5 million and loss of $4.0 million in the prior year primarily due to Trust Unit price movements within the three and six months ended of 2020 and 2019. CAPREIT's amortization of fair value on grant date of unit-based compensation for three and six months ended June 30, 2020 increased to $1.9 million and decreased to $3.6 million, compared to $1.5 million and $3.6 million in the prior year. The increase in the quarter is primarily due to ERES unit options amortization and normal issuances of unit-based compensation on an annual basis. The decrease for the six months ended is primarily due to accelerated RUR amortization expense relating to the former President and CEO in prior year.

Fair Value Adjustments of Investment Properties

CAPREIT recognizes its investment properties at fair value at each reporting period, with any unrealized gain or loss upon remeasurement recognized in the consolidated statements of 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 in Section V.

Amortization

These costs represent the amortization of right-of-use assets as per IFRS 16 and head office property, plant and equipment on a straight-line basis over their estimated useful lives, ranging primarily between three and five years.

(Gain) Loss on Non-Controlling Interest

For the three and six months ended June 30, 2020, CAPREIT recorded a loss of $34.7 million and a gain of $35.0 million on the ERES units held by non-controlling unitholders. This is comprised of a mark-to-market loss of $31.5 million and a mark-to-market gain of $41.2 million respectively, and distributions to ERES non-controlling unitholders of $3.1 million and $6.2 million respectively. The mark-to-market gain or loss is due to fluctuations in the ERES unit price.

Interest on Mortgages Payable and Other Financing Costs

Information on the interest on mortgages payable and other financing costs is included in note 23 to the accompanying condensed consolidated interim financial statements and included in Liquidity and Financial Condition in Section V of this report.

Interest on Bank Indebtedness

Interest on bank indebtedness relates to borrowings under the Credit Facilities (see Liquidity and Financial Condition discussion in Section V).

Gain (Loss) on Foreign Currency Translation

CAPREIT is exposed to gain/loss in foreign exchange due to its holdings of assets and liabilities through its investment in IRES, its ERES subsidiary, and foreign denominated cash and borrowings held by CAPREIT. The following table summarizes the gain or loss recorded in other comprehensive income and net income on this exposure and its associated derivative instruments.

As of June 30,
($ Thousands)

2020

		Other Comprehensive Gain (Loss)		Net Income Gain (Loss)		Total Foreign Exchange Gain (Loss)	
	Balance	**Three Months Ended**	**Six Months Ended**	**Three Months Ended**	**Six Months Ended**	**Three Months Ended**	**Six Months Ended**
Total Foreign Assets (1)	€ 1,569,179	$ (40,637)	$ 110,492	$ 27	$ 347	$ (40,610)	$ 110,839
Total Foreign Liabilities (2)	705,913	16,021	(49,706)	22,089	(32,039)	38,110	(81,745)
Net Equity (3)	863,266	(24,616)	60,786	22,116	(31,692)	(2,500)	29,094
Cross-Currency Swap	442,358	—	—	(9,680)	(3,903)	(9,680)	(3,903)
Net Foreign Exchange Exposure and Gain (Loss)	**€ 420,908**	**$ (24,616)**	**$ 60,786**	**$ 12,436**	**$ (35,595)**	**$ (12,180)**	**$ 25,191**
Net Foreign Exchange Exposure - Excluding Non-controlling Interest (3)	**€ 180,780**						

2019

		Other Comprehensive Gain (Loss)		Net Income Gain (Loss)		Total Foreign Exchange Gain (Loss)	
	Balance	**Three Months Ended**	**Six Months Ended**	**Three Months Ended**	**Six Months Ended**	**Three Months Ended**	**Six Months Ended**
Total Foreign Assets (1)	€ 1,115,540	$ (11,073)	$ (58,343)	$ —	$ —	$ (11,073)	(58,343)
Total Foreign Liabilities (2)	520,579	4,313	22,669	11,326	23,592	15,639	46,261
Net Equity (3)	594,961	(6,760)	(35,674)	11,326	23,592	4,566	(12,082)
Foreign Exchange Swap	195,000	—	—	(4,876)	(2,534)	(4,876)	(2,534)
Cross-Currency Swap	163,540	—	—	(4,605)	366	(4,605)	366
Net Foreign Exchange Exposure and Gain (Loss)	**€ 236,421**	**$ (6,760)**	**$ (35,674)**	**$ 1,845**	**$ 21,424**	**$ (4,915)**	**$ (14,250)**
Net Foreign Exchange Exposure - Excluding Non-controlling Interest (3)	**€ 178,378**						

(1) Foreign assets are comprised of CAPREIT's Euro cash, ERES's assets, and CAPREIT's investment in IRES. Foreign exchange gains or losses related to CAPREIT's Euro cash are recorded in foreign currency translation under Net Income. Foreign exchange gain or losses related to ERES's assets and CAPREIT's investment in IRES are recorded in foreign currency translation under OCI.

(2) Foreign liabilities are comprised of ERES's liabilities and CAPREIT's LIBOR borrowings: (a) foreign exchange gains or losses related to loans secured by ERES are recorded in foreign currency translation under OCI; (b) gain or losses on CAPREIT's Euro LIBOR borrowings are recorded in foreign currency translation under Net Income.

(3) As at June 30, 2020, net equity includes €706,259 (June 30, 2019 - €465,446) relating to ERES which CAPREIT has 66% (June 30, 2019 - 89%) interest in. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €180,780 (June 30, 2019 - €178,378).

Other Income (Loss)

Other income (loss) primarily consists of income received from investments (see note 7 of the accompanying condensed consolidated interim financial statements), income (loss) from investment in associate, and asset management and property management fees.

($ Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Investment income (loss)	**$ (346)**	$ 362	**$ 486**	$ 729
Net (loss) profit from equity-accounted investment [1]	**(5,536)**	7,668	**(2,787)**	9,652
Asset and property management fees [2]	**2,393**	1,757	**4,740**	3,713
Other	**285**	853	**1,300**	952
Total	**$ (3,204)**	$ 10,640	**$ 3,739**	$ 15,046

[1] CAPREIT's share of IRES' investment property fair value change, earnings and foreign exchange effects thereon. For the three and six months ended June 30, 2020, CAPREIT's share of IRES's investment property fair value (loss) gain is $(7.7) million (three and six months ended June 30, 2019 - $6.0 million).

[2] Other income includes asset and property management fees from IRES, which CAPREIT has a 18.3% ownership in and excludes asset and property management fees and service fees from ERES, which CAPREIT has a 66.0% ownership in. For further details on expenses incurred related to management fee income refer to discussion under Trust Expenses within Section III.

($ Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Total fee income generated	**$ 5,229**	$ 3,181	**$ 10,168**	$ 5,137
Asset and property management fees and service fees from ERES eliminated on consolidation	**2,836**	1,424	**5,428**	1,424
Asset and property management fee from IRES recognized in other income	**2,393**	1,757	**$ 4,740**	$ 3,713

Income Taxes

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. During the three and six months ended June 30, 2020 and 2019, income tax expenses increased to $3.3 million from $3.0 million on a quarter to date basis and increased to $8.8 million from $5.8 million on a year to date basis. The increase in income tax expense is primarily due to an increase in taxable income from acquisitions in the Netherlands. As a result of the Acquisition, during the six months ended June 30, 2019, capital gains were triggered on the reorganization of the legal structure of the Netherlands subsidiaries. Therefore, $18.1 million previously included in deferred tax liability was reclassified to current tax liability.

($ Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Current income tax expense triggered on Acquisition	**$ —**	—	**$ —**	$ 18,050
Current income tax expense (recovery) not related to the Acquisition	**360**	(1,029)	**1,941**	(1,028)
Current Income tax expense (net)	**$ 360**	$ (1,029)	**$ 1,941**	$ 17,022

($ Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Deferred income tax recovery triggered on Acquisition	**$ —**	—	**$ —**	$ (18,050)
Deferred income tax expense not related to the Acquisition	**2,956**	4,052	**6,882**	6,853
Deferred income tax expense (net)	**$ 2,956**	$ 4,052	**$ 6,882**	$ (11,197)

SECTION IV: UNIT CALCULATIONS, 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 used in calculating non-IFRS financial measures on a per unit basis:

(Thousands)	*Weighted Average Number of Units*				*Outstanding Number of Units*
	Three Months Ended June 30,		**Six Months Ended June 30,**		**As at June 30,**
	2020	**2019**	**2020**	**2019**	**2020**
Trust Units	**170,424**	157,961	**170,238**	154,960	**170,632**
Exchangeable LP Units [1]	**7**	—	**4**		**633**
Units under the DUP	**157**	276	**155**	281	**163**
Basic number of units	**170,588**	158,237	**170,397**	155,241	**171,428**
Plus:					
Unit rights under the RUR Plan [2]	**587**	569	**581**	568	**558**
Diluted number of units	**171,175**	158,806	**170,978**	155,809	**171,986**

[1] See note 15 to the accompanying condensed consolidated interim financial statements for details on Exchangeable LP Units.
[2] See notes 13 and 14 to the audited consolidated annual financial statements for the year ended December 31, 2019 contained in CAPREIT's 2019 Annual Report for details of CAPREIT's unit-based compensation plans.

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

(Thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2020	**2019**	**2020**	**2019**
Distributions declared on Trust Units	**$ 58,824**	$ 55,111	**$ 117,517**	$ 106,374
Distributions declared on awards outstanding under unit-based compensation plans [1]	**253**	299	**502**	578
Total distributions declared	**59,077**	55,410	**118,019**	106,952
Less:				
Distributions on Trust Units reinvested	**(13,548)**	(17,088)	**(32,342)**	(33,097)
Distributions on unit awards reinvested [1]	**(253)**	(299)	**(502)**	(578)
Net distributions paid	**$ 45,276**	$ 38,023	**$ 85,175**	$ 73,277
Percentage of distributions reinvested	**23.4%**	31.4%	**27.8%**	31.5%

[1] Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 13 and 14 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2019 contained in CAPREIT's 2019 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. Reinvestments pursuant to the DRIP will increase the total number of units outstanding over time, which may result in upward pressure on the total amount of net distributions paid if those participants do not elect to join the DRIP or choose cash distributions. Exchangeable LP Units are not eligible for DRIP.

The average participation rate in the DRIP and other plans under which distributions are reinvested for the three months ended June 30, 2020 decreased to 23.4% from 31.4% for the same period last year. For the six months ended June 30, 2020, the average participation rate in the DRIP decreased to 27.8% from 31.5% for the same period last year. The DRIP participation rate is subject to factors beyond management's control and varies amongst investors.

NON-IFRS FINANCIAL MEASURES

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 in accordance with the recommendations of the Real Property Association of Canada ("REALpac"), with the exception of (i) the adjustment for unrealized gains or losses on fair value through profit or loss ("FVTPL") marketable securities in its calculation of FFO, (ii) the adjustment for amortization of certain other assets consistent with prior years and (iii) the deduction of the impact attributable to the non-controlling interest of ERES. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries. Management considers FFO to be an important measure of CAPREIT's operating performance.

A reconciliation of net income to FFO is as follows:

($ Thousands, except per unit amounts)	**Three Months Ended June 30, 2020**	**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2020**	**Six Months Ended June 30, 2019**
Net income	**$ 61,262**	$ 167,329	**$ 140,895**	$ 372,839
Adjustments:				
Fair value adjustments of investment properties	**4,053**	(86,620)	**35,972**	(209,936)
Realized loss on disposition of investment properties	**—**	—	**753**	—
Remeasurement of investments	**(3,783)**	1,326	**3,087**	(6,196)
Remeasurement of unit-based compensation liabilities	**4,177**	(1,544)	**(2,762)**	3,959
Deferred income taxes (1)	**2,956**	4,052	**8,037**	6,853
Loss (gain) on foreign currency translation	**(22,116)**	(11,326)	**31,692**	(23,592)
FFO adjustment for income from equity-accounted investments	**7,690**	(6,027)	**7,690**	(6,027)
Loss on derivative financial instruments	**7,447**	10,227	**958**	3,789
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	**31,512**	5,944	**(41,181)**	5,944
Distributions on ERES units held by non-controlling unitholders	**3,138**	755	**6,152**	755
Net FFO impact attributable to ERES units held by non-controlling unitholders (2)	**(3,774)**	(1,005)	**(7,873)**	(1,206)
Amortization of property, plant and equipment	**1,953**	1,542	**3,724**	2,957
Lease principal repayment	**(459)**	(562)	**(575)**	(761)
Transaction costs (3)	**—**	—	**—**	8,527
FFO	**$ 94,056**	$ 84,091	**$ 186,569**	$ 157,905
FFO per unit – basic	**$ 0.551**	$ 0.531	**$ 1.095**	$ 1.017
FFO per unit – diluted	**$ 0.549**	$ 0.530	**$ 1.091**	$ 1.013
Total distributions declared	**$ 59,077**	$ 55,410	**$ 118,019**	$ 106,952
FFO payout ratio	**62.8%**	65.9%	**63.3%**	67.7%
Net distributions paid	**$ 45,276**	$ 38,023	**$ 85,175**	$ 73,277
Excess FFO over net distributions paid	**$ 48,780**	$ 46,068	**$ 101,394**	$ 84,628
FFO effective payout ratio	**48.1%**	45.2%	**45.7%**	46.4%

(1) The 2020 figures consist of $3.0 million and $6.8 million of deferred income tax expenses as well as $nil and $1.2 million of current income taxes on the disposition of a German investment property, for the three and six months ended June 30, 2020 respectively. The figure for the six months ended June 30, 2019 consists of $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 $11.2 million of deferred income tax recovery for the six months ended June 30, 2019.

(2) This calculation is based on the weighted-average ownership held by ERES non-controlling unitholders.

(3) Costs include legal, audit, tax, consulting, and financial advisory fees related to the Acquisition.

Normalized Funds From Operations

Management considers NFFO to be the key measure of CAPREIT's operating performance. NFFO is calculated by excluding from FFO the effects of certain non-recurring items, including amortization of losses on certain hedging instruments previously settled and paid, mortgage prepayment penalties, offset by write-off of fair value adjustment on assumed mortgages that were refinanced early, accelerated vesting of previously granted RUR units, and large acquisition research costs relating to transactions that were not completed. As it is an operating performance metric, no adjustment is made to NFFO for capital expenditures. NFFO facilitates better comparability than FFO to prior year's performance and provides a better indicator of CAPREIT's long-term operating performance. For further information on CAPREIT's total property capital investments, please refer to the Property Capital Investments in Section V. See discussions under the Net Income and Other Comprehensive Income in Section III for additional information on hedging instruments currently in place. NFFO is not a measure of sustainability of distributions.

A reconciliation of FFO to NFFO is as follows:

($ Thousands, except per unit amounts)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
FFO	**$ 94,056**	$ 84,091	**$ 186,569**	$ 157,905
Adjustments:				
Amortization of losses from AOCL to interest and other financing costs	**633**	626	**1,267**	1,266
Net mortgage prepayment cost	**23**	345	**23**	345
Other employee costs [1]	**—**	—	**—**	751
NFFO	**$ 94,712**	$ 85,062	**$ 187,859**	$ 160,267
NFFO per unit – basic	**$ 0.555**	$ 0.538	**$ 1.102**	$ 1.032
NFFO per unit – diluted	**$ 0.554**	$ 0.536	**$ 1.099**	$ 1.029
Total distributions declared	**$ 59,077**	$ 55,410	**$ 118,019**	$ 106,952
NFFO payout ratio	**62.4%**	65.1%	**62.8%**	66.7%
Net distributions paid	**$ 45,276**	$ 38,023	**$ 85,175**	$ 73,277
Excess NFFO over net distributions paid	**$ 49,436**	$ 47,039	**$ 102,684**	$ 86,990
Effective NFFO payout ratio	**47.8%**	44.7%	**45.3%**	45.7%

[1] Expenses included in unit-based compensation expenses relate to accelerated vesting of previously-granted RUR units.

NFFO for the three and six months ended June 30, 2020 increased by 11.3% and 17.2%, compared to the same periods last year. This increase was primarily due to the contribution from acquisitions and higher NOI for stabilized properties. Asset management fees, property management fees, and service fees received from ERES increased FFO and consequently NFFO by $1.0 million and $1.8 million for the three and six months ended June 30, 2020 compared to $0.2 million for the three and six months ended June 30, 2019, representing the amount of fees attributed to the ERES non-controlling unitholders.

For the three months ended June 30, 2020, basic NFFO per unit increased by 3.2% compared to the same period last year. For the six months ended June 30, 2020, basic NFFO per unit increased by 6.8% compared to the same period last year despite an approximate 9.8% increase in the weighted average number of units outstanding resulting from the January, April and December 2019 equity offerings (see Liquidity and Financial Condition in Section V). 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.

Comparing distributions declared to NFFO, the NFFO payout ratio for the three months ended June 30, 2020 improved to 62.4% compared to 65.1% for the same period last year. For the six months ended June 30, 2020, NFFO payout ratio improved to 62.8% compared to 66.7% for the same period last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid, for the three and six months ended June 30, 2020, was 47.8% and 45.3%, respectively, compared to 44.7% and 45.7%, for the same periods last year.

Adjusted Cash Flows From Operations and Distributions Declared

As a measure of economic cash flows, CAPREIT calculates ACFO using guidelines from the white paper published by REALpac, "White Paper on Adjusted Cashflow From Operations (ACFO) for IFRS", dated February 2017 and updated as of February 2019.

There may be periods when actual distributions declared exceed ACFO due to weaker performance in certain periods from seasonal fluctuations, regional market volatility, or from year to year based on the timing of property capital investments and the impact of acquisitions. Excess distributions (shortfalls) are funded by the Acquisition and Operating Facility.

ACFO is a measure of economic cash flow based on the operating cash flows generated by the business adjusted to deduct items such as interest expense, non-discretionary capital expenditures as described below, capitalized leasing costs, tenant improvements and amortization of other financing costs, partially offset by investment income. ACFO as calculated by CAPREIT is in accordance with the corresponding definition recommended by REALpac, with the exception of (i) the adjustment for investment income and (ii) the deduction of the non-controlling interest of ERES. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

The following table reconciles cash generated from operating activities (per the consolidated financial statements) to ACFO:

($ Thousands, except per unit amounts)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Actual Annual 2019
Cash generated from operating activities	**$ 150,144**	$ 97,044	**$ 253,647**	$ 182,560	$ 454,629
Adjustments:					
Working capital adjustment (1)	**—**	8,485	**—**	8,485	8,485
Interest expense included in cash flow from financing activities	**(31,030)**	(29,465)	**(64,243)**	(58,061)	(119,609)
Forecasted non-discretionary property capital investments (2)	**(17,640)**	(16,587)	**(35,280)**	(33,173)	(65,532)
Capitalized leasing costs (3)	**(431)**	8	**(640)**	147	(1,518)
Amortization of other financing costs (4)	**(2,422)**	(1,911)	**(4,640)**	(3,764)	(8,601)
Transactions costs (5)	**—**	—	**—**	8,527	8,527
Investment income	**184**	655	**6,404**	4,655	10,039
Net ACFO impact attributed to ERES units held by non-controlling unitholders (6)	**(1,465)**	(887)	**(5,353)**	(887)	(4,179)
Lease principal and interest repayments	**(2,023)**	(943)	**(2,829)**	(1,594)	(3,402)
Tax on disposition (7)	**—**	—	**1,155**	—	—
ACFO	**$ 95,317**	$ 56,399	**$ 148,221**	$ 106,895	$ 278,839
Total distributions declared	**$ 59,077**	$ 55,410	**$ 118,019**	$ 106,952	$ 219,206
(Deficit) Excess ACFO over distributions declared	**$ 36,240**	$ 989	**$ 30,202**	$ (57)	$ 59,633
ACFO payout ratio	**62.0%**	98.2%	**79.6%**	100.1%	78.6%

(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. As a result, the one-time special distribution to the pre-existing unitholders of ECREIT was added back for the six months ended June 30, 2019 and annual 2019.

(2) Non-discretionary property capital investments for the three and six months ended June 30, 2020 and 2019 has been calculated as follows: Non-Discretionary Property Capital Investments per suite and site are based on the annual 2020 and 2019 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 2020 and 2019 on an annual basis is $1,166 and $1,270 respectively. The weighted average number of residential suites and sites for the six months ended June 30, 2020 and 2019 is 60,528 and 52,221, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the table on the next page.

(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) Relates to expensed transaction costs associated with the Acquisition.

(6) This calculation is based on the weighted-average ownership held by ERES non-controlling unitholders.

(7) Represents $1.2 million of income tax expenses on the disposition of a German investment property for the six months ended June 30, 2020.

For the three and six months ended June 30, 2020, CAPREIT's ACFO exceeded distributions declared by $36.2 million and $30.2 million respectively. As per OSC Staff Notice 51-724, if distributions are in excess of ACFO, then it represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period.

The table below reconciles actual non-discretionary capital investments incurred to the forecasted amount:

Non-Discretionary Property Capital Actuals to Forecast Reconciliation

($ Thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Actual	**$ 9,800**	$ 12,437	**$ 15,441**	$ 21,192
Forecast	**17,640**	16,587	**35,280**	33,173
Difference	**$ (7,840)**	$ (4,150)	**$ (19,839)**	$ (11,981)

For the three months ended June 30, 2020, CAPREIT's actual non-discretionary capital investments of $9.8 million was lower than the forecast by approximately $7.8 million. For the six months ended June 30, 2020, CAPREIT's actual non-discretionary capital investments of $15.4 million was lower than the forecast by approximately $19.8 million, mainly related to the deferral of structural work into fall 2020 as a result of the COVID-19 pandemic. For further details, please refer to Section II of this MD&A under COVID-19 Pandemic.

CAPREIT's capital investments programs are affected by seasonal cycles, and professional judgment is used by management to determine timing of property capital investments. Therefore, actual and forecasted capital investments may differ during the applicable periods. Management continues to monitor the rollout of the capital expenditure plan in an effort to continuously improve the accuracy if its capital expenditure budgets.

Significant non-discretionary property capital investment programs are usually completed within three to five years. Actual completion of such projects may differ from the forecasted timelines as they are longer term in nature and professional judgment is applied to forecast completion dates.

Discretionary and Non-Discretionary Property Capital Investments

Management does not differentiate between maintenance and value-enhancing property capital investments. Maintenance property capital investments are generally not clearly identifiable, nor do they have a common definition and would require significant judgment to classify property capital investments as maintenance or value-enhancing capital investments. In addition, there is no generally accepted definition of maintenance capital investments in the Canadian real estate industry. Management has decided to classify property capital investments into two categories: discretionary and non-discretionary. Management is of the view that this classification, while still requiring a degree of professional judgment, provides a better measure of economic cash flows.

Non-Discretionary Property Capital Investments are those investments management believes are essential for the safety of residents and to ensure the structural integrity of the properties. These investments may enhance the property's operating effectiveness, including its profitability, through increases in revenues or reductions in costs over the long term. Included in non-discretionary capital expenditures are items such as building improvements, which include items such as roof, structural, balcony, sidewalks, windows, brick, electrical, MHC infrastructure investments, and life and safety. Management uses its professional judgment to include other capital expenditure categories that could impact the safety of residents. These Non-Discretionary Property Capital Investments are in addition to regular R&M costs, which have been in the range of $750 to $1,100 per residential suite annually over the last five years and are expensed to NOI.

Discretionary Property Capital Investments are capital expenditures made to the property that are not essential to operation of the business in the short term. These investments may enhance the property's operating effectiveness, including its profitability, through increases in revenues or reductions in costs over the long term. Included in discretionary capital expenditures are items such as suite and common area improvements, energy-saving initiatives, equipment, boilers, elevators and risers.

The following table presents the forecasted 2020, and actual 2019 and 2018 Non-Discretionary Property Capital Investments per suite and site:

($ Thousands)	**2020 Forecast**	2019 Actual	2018 Actual
Non-discretionary property capital investments	**$ 70,803**	$ 65,532	$ 51,252
Weighted average number of suites and sites	**60,736**	55,175	49,595
Non-discretionary property capital investments per suite and site	**$ 1,166**	$ 1,188	$ 1,033

ADJUSTED CASH GENERATED FROM OPERATING ACTIVITIES

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table quantifies cash generated from operating activities net of interest expense included in cash flow from financing activities.

($ Thousands, except per unit amounts)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019 [1]	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019 [1]
Cash generated from operating activities	**$ 150,144**	$ 97,044	**$ 253,647**	$ 182,560
Adjustments:				
Interest expense included in cash flow from financing activities	**(31,030)**	(29,465)	**(64,243)**	(58,061)
Adjusted Cash Generated from Operating Activities	**$ 119,114**	$ 67,579	**$ 189,404**	$ 124,499
Total distributions declared	**$ 59,077**	$ 55,410	**$ 118,019**	$ 106,952
Excess	**$ 60,037**	$ 12,169	**$ 71,385**	$ 17,547

[1] Certain 2019 comparative figures have been restated to conform with current year presentation.

The following table outlines the differences between adjusted cash generated from operating activities and total distributions declared, as well as the differences between net income and total distributions, in accordance with the guidelines:

($ Thousands, except per unit amounts)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019 [1]	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019 [1]
Net income	**$ 61,262**	$ 167,329	**$ 140,895**	$ 372,839
Adjusted Cash Generated from Operating Activities	**$ 119,114**	$ 67,579	**$ 189,404**	$ 124,499
Total distributions declared	**$ 59,077**	$ 55,410	**$ 118,019**	$ 106,952
Net distributions paid	**$ 45,276**	$ 38,023	**$ 85,175**	$ 73,277
Excess of net income over total distributions declared	**$ 2,185**	$ 111,919	**$ 22,876**	$ 265,887
Excess of net income over net distributions paid	**$ 15,986**	$ 129,306	**$ 55,720**	$ 299,562
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	**$ 60,037**	$ 12,169	**$ 71,385**	$ 17,547
Excess of Adjusted Cash Generated from Operating Activities over net distributions declared	**$ 73,838**	$ 29,556	**$ 104,229**	$ 51,222

[1] Certain 2019 comparative balances have been restated to conform with current year presentation.

CAPREIT does not use net income as a basis for distributions as it includes fair value change in investment properties, remeasurement of unit-based compensation liabilities and fair value change in derivative financial instruments, which are not reflective of CAPREIT's ability to make distributions. Amounts retained in excess of the declared distributions are used for mortgage principal repayments, tenant inducements and capital expenditure requirements.

For the three and six months ended June 30, 2020, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by $60.0 million and $71.4 million. As per OSC Staff Notice 51-724, if distributions are in excess of Adjusted Cash Generated from Operating Activities, then it represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated from CAPREIT's continuing operations during the period. Management believes, should it occur, there is adequate overall liquidity to fund excess distributions over Adjusted Cash Generated from Operating Activities on an annual basis through the Acquisition and Operating Facility.

SECTION V: CAPITAL INVESTMENT, INVESTMENT PROPERTY, CAPITAL STRUCTURE, FINANCIAL CONDITION

PROPERTY CAPITAL INVESTMENTS

CAPREIT capitalizes all capital investments related to the improvement of its properties. These investments have the objective of growing future NOI, increasing property value over the long term, ensuring life safety and safeguarding of assets.

An important component of CAPREIT's property capital investment strategy is to acquire properties significantly below current replacement costs and improve its operating performance by investing annually. This ensures sustainable growth to maximize the portfolio's future rental income-generating potential.

For the six months ended June 30, 2020, CAPREIT made property capital investments (excluding head office assets and development) of $77.2 million compared to $87.9 million for the same period last year. Energy-saving initiatives and suite and common area improvement costs generally tend to increase NOI more quickly compared to other capital investment categories. A breakdown of property capital investments (excluding head office assets and development) is summarized by category below.

Property Capital Investments by Category

Six Months Ended June 30, 2020 ($ Thousands)		**Actual Total Portfolio**	**% of Actual**		**2020 Annual Forecast Total Portfolio**
Non-discretionary property capital investments:					
Building improvements	**$**	**14,093**	**18.3**	**$**	**61,032**
MHC infrastructural		**999**	**1.3**		**7,285**
Life and safety		**349**	**0.5**		**2,486**
		15,441	**20.1**		**70,803**
Discretionary property capital investments:					
Suite improvements		**27,643**	**35.8**		**57,555**
Common area		**17,874**	**23.1**		**46,588**
Energy-saving initiatives		**9,048**	**11.7**		**19,182**
Equipment		**4,839**	**6.3**		**10,275**
Elevators and risers		**1,888**	**2.4**		**11,059**
Others		**295**	**0.4**		**1,502**
MHC common area		**187**	**0.2**		**728**
		61,774	**79.9**		**146,889**
Total	**$**	**77,215**	**100.0**	**$**	**217,692**

Six Months Ended June 30, 2019 ($ Thousands)		**Actual Total Portfolio**	**% of Actual**		**2019 Annual Actual Total Portfolio**
Non-discretionary property capital investments:					
Building improvements	$	20,513	23.3	$	61,869
MHC infrastructural		416	0.5		2,605
Life and safety		263	0.3		1,058
		21,192	24.1		65,532
Discretionary property capital investments:					
Suite improvements		30,654	34.8		68,907
Common area		19,759	22.5		45,517
Energy-saving initiatives		5,176	5.9		15,132
Equipment		5,916	6.7		14,752
Elevators and risers		4,466	5.1		8,505
Others		664	0.8		1,900
MHC common area		114	0.1		980
		66,749	75.9		155,693
Total	$	87,941	100.0	$	221,225

CAPREIT's capital investments programs are affected by seasonal cycles, and professional judgment used by management to determine the timing of property capital investments. Therefore actual and forecasted capital investments may differ during the applicable periods.

Set out in the next table is management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements, including investments in MHC sites, for 2020 through 2023 for properties owned as of June 30, 2020.

Future Investments in Building Improvements

($ Thousands)	**Building Improvements Estimated Range**
2020	**$54,000 - $67,000**
2021	**$36,000 - $45,000**
2022	**$17,000 - $21,000**
2023	**$23,000 - $29,000**

Management believes CAPREIT has sufficient liquidity (see Liquidity and Financial Condition in Section V) to execute the above property capital investment strategy.

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 by qualified, independent appraisers annually. Each quarter, CAPREIT utilizes internal market assumptions for rent changes and capitalization and discount rates provided by the independent appraisers to determine the fair value of the investment properties for interim reporting purposes. Capitalization rates employed by the appraisers are based on recently closed transactions, generally within the last three months, and other current market indicators for similar properties. To the extent that the externally provided capitalization rates or results of operations change from one reporting period to the next, the fair value of the investment properties would increase or decrease accordingly.

For a discussion of risk factors associated with the valuation of investment properties, refer to Risks and Uncertainties in Section VI. For a detailed description of valuation methods and key assumptions used for investment properties, see note 6 to the audited consolidated annual financial statements for the year ended December 31, 2019 contained in CAPREIT's 2019 Annual Report.

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

($ Thousands) **For the Six Months Ended June 30,**		**2020**		**2019**
Balance, beginning of the year	**$**	**13,096,426**	$	10,503,387
Add:				
Properties acquired through business combinations (1)		**—**		135,533
Acquisitions		**467,457**		572,165
Property capital investments (2)		**81,196**		95,713
Capitalized leasing costs (3)		**48**		(147)
Operating lease buyout		**150,157**		—
Fair value adjustments		**(35,972)**		209,936
Gain (loss) on foreign currency translation		**96,856**		(51,397)
Less:				
Dispositions		**(26,260)**		—
Investment Properties at fair value, end of the period	**$**	**13,829,908**	$	11,465,190

(1) Represents the fair value of the properties acquired as part of the business combination. For details, please refer to note 4 of the audited consolidated annual financial statements for the year ended December 31, 2019.

(2) See Section V - Property Capital Investments, Conversions, Infill, and Redevelopment included within the Development Summary.

(3) Comprised of tenant inducements, straight-line rent and direct leasing costs.

During the six months ended June 30, 2020, CAPREIT completed early buyouts of nine existing operating leases at a net purchase price of $150.2 million. The operating lease buyouts resulted in the conversion from operating leasehold interests, with options to purchase, to traditional fee simple property interests, resulting in a fair value gain of $36.4 million. These operating lease buyouts coincide with CAPREIT's strategic initiative of simplifying the company's ownership structure, increasing net asset value, and strengthening overall liquidity and flexibility.

Included in the fair value adjustment for the three and six months ended June 30, 2020, is an $18.9 million fair value gain on the 100 Wellesley Street East, Toronto, Ontario property as a result of the progress made on its development application and approval process. For further details, please refer to Section V under the Development section.

A summary of the fair values of CAPREIT's investment properties and changes, along with key market assumptions, is presented below. For the six months ended June 30, 2020, there was a $733.5 million increase in fair value primarily due to new acquisitions, the buyout of nine operating leases, progress on the development pipeline, and foreign exchange gain on the Dutch properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio decreased by $16.5 million.

Investment Properties by Geography

As at	Dec 2019	Change Due to Change in				Jun 2020	Jun 2020	Dec 2019
($ Millions)	Fair Value	Cap Rates (1), (3)	Normalized NOI (2), (3)	Forex Translation	Net Acquisitions	**Fair Value**	**Cap Rates (1)**	Cap Rates (1)
Greater Toronto Area	$ 4,808	$ 29	$ (9)	$ —	$ 187	**$ 5,015**	**3.61%**	3.63%
Other Ontario	1,351	1	(1)	—	—	**$ 1,351**	**4.26%**	4.27%
Québec	1,843	(2)	4	—	44	**$ 1,889**	**4.44%**	4.45%
British Columbia	1,576	3	(18)	—	—	**$ 1,561**	**3.83%**	3.83%
Alberta	469	(8)	(16)	—	30	**$ 475**	**4.56%**	4.47%
Nova Scotia	328	(2)	(1)	—	380	**$ 705**	**4.34%**	4.71%
Saskatchewan	32	(2)	—	—	—	**$ 30**	**5.53%**	5.53%
Prince Edward Island	90	3	1	—	(1)	**$ 93**	**5.66%**	5.65%
Subtotal	10,497	22	(40)	—	640	**$ 11,119**	**4.01%**	4.01%
MHC sites	600	1	—	—	—	**$ 601**	**6.30%**	6.30%
Europe (5)	1,962	32	8	96	(25)	**$ 2,073**	**3.91%**	3.99%
Total (4)	$ 13,059	$ 55	$ (32)	$ 96	$ 615	**$ 13,793**	**4.07%**	4.11%

(1) Weighted average capitalization rates excluding implied capitalization rates on Operating and Land Leasehold Interests. See note 6 to the accompanying condensed consolidated interim financial statements for further valuation assumption details, including discount rates as at June 30, 2020 for Operating and Land Leasehold Interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

(2) Represents normalized net operating income for valuation purposes.

(3) Fair value changes due to changes in rates and normalized NOI exclude properties acquired and disposed of during the six months ended June 30, 2020.

(4) Excludes right-of-use assets and land and air rights lease principal repayments.

(5) Increase in fair value of Europe properties is due to compression of implied capitalization rates supported by market transactions during the period.

As at June 30, 2020, CAPREIT's fair value of investment properties, including right-of-use assets, was $13,830 million with a weighted average capitalization rate of 4.07%. The below table summarizes the sensitivity impact of changes in both the capitalization rate and normalized NOI on CAPREIT's fair value of investment properties. It should be noted that the below sensitivity utilizes the direct capitalization method, where the impact of any short-term changes in NOI on fair value will be overstated. Currently, Management believes that any impact to NOI resulting from the COVID-19 pandemic would be short-term in nature. Using a discounted cash flow model, the impact would be much smaller than that shown below.

As at June 30, 2020		**Change in NOI**				
($ Millions)		**(2.0)%**	**(1.0)%**	**— %**	**1.0 %**	**2.0 %**
Change in Capitalization Rate (1)	**(0.50)%**	$ 1,670	$ 1,828	$ 1,985	$ 2,142	$ 2,299
	(0.25)%	630	777	924	1,070	1,217
	—%	(275)	(137)	—	137	275
	+0.25%	(1,070)	(941)	(812)	(682)	(553)
	+0.50%	(1,775)	(1,653)	(1,531)	(1,408)	(1,286)

(1) For operating leasehold interests and European properties, 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 and the European properties to determine the impact on fair value of the total portfolio.

DEVELOPMENT

Development is a component in CAPREIT's growth and value creation strategy. CAPREIT categorizes the projects within its development program as follows:

Conversion - Projects within existing income producing properties ("IPP") which typically involve increasing the density and/or rentable square footage of the property through means of retrofit resulting in increase in NOI

Infill - Projects on underutilized, often vacant owned land that are being constructed or developed from the ground-up for future use as IPPs where an existing NOI and asset is to remain resulting in increase in NOI.

Redevelopment - Existing IPPs, or components thereof, that are being repositioned through partial and/or full redevelopment, which typically increases NOI and unit count by adding to the rentable area of the properties.

Development Progress

The development program remains a component of CAPREIT's growth strategy by unlocking value within the portfolio's existing assets through intensification and redevelopment to deliver strong net asset value growth to its Unitholders. CAPREIT's development strategy encompasses a combination of three different approaches to add new units to the portfolio: (i) forward purchase of newly constructed properties, (ii) intensification through means of conversion and infill of existing IPPs and (iii) full or partial redevelopment.

Development Pipeline

Shown below are the number of sites and proposed net new units by major market targeted for planning approval submission in the remainder of 2020:

Major Market	Pre-Application (# of sites)	Active Application (# of sites)	Zoning Entitlement (# of sites)	Construction (# of sites)	Potential Growth (Estimated # of net new units)
British Columbia	1 (1)	—	—	—	180
Greater Toronto Area (GTA)	5 (1)	1 (2)	1 (3)	—	6,250 (4)
Québec	2	—	—	—	500 (4)
Prince Edward Island	1	—	—	—	58
Total	9 (1)	1 (2)	1 (3)	—	6,988 (4)

(1) The Q2 reported number of anticipated application submissions for 2020 have been revised downwards given the COVID-19 pandemic.

(2) 141 Davisville Avenue, Toronto, Ontario continues to be under review, which includes 146 new units in a proposed 16-storey infill building and is currently in settlement negotiations with the City.

(3) 100 Wellesley Street East, Toronto, Ontario - In May 2020, the Local Planning Appeal Tribunal approved the Zoning By-Law Amendment permitting 128 net new units in a 10-storey infill building with a one-storey amenity on top. CAPREIT recorded a fair value gain of $18.9 million during the three and six months ended June 30, 2020 associated with the development progression.

(4) CAPREIT continuously assesses the highest and best use of all its assets where the value may be realized through development or sale of a property.

The table below presents the actual and forecasted conversion, infill and redevelopment costs estimated for 2020, which include costs related to planning, rezoning, architectural surveys, application fees and building permits. The following forecasted conversion, infill and redevelopment costs may vary from actuals as expectations of processing time for development applications become better defined. The regulatory and application processing is subject to factors beyond management's control and varies between projects.

Development Summary

Six Months Ended June 30, 2020 ($ Thousands)	**Actual Total Portfolio**	**2020 Annual Forecast Total Portfolio**
Conversion [1]	**$ 3,980**	**$ 13,916**
Infill [2]	**1,273**	**11,569**
Redevelopment [2]	**567**	**8,497**
Total for development	**$ 5,820**	**$ 33,982**

Six Months Ended June 30, 2019 ($ Thousands)	**Actual Total Portfolio**	**2019 Annual Forecast Total Portfolio**
Conversion [1]	$ 7,772	$ 16,829
Infill [2]	354	3,550
Redevelopment [2]	246	8,460
Total for development	$ 8,372	$ 28,839

[1] Includes costs from 2525 Cavendish Boulevard, Montreal, Québec.

[2] Infill and Redevelopment costs relate primarily to pre-approval costs such as application, consultant fees, and levies.

CAPITAL STRUCTURE

CAPREIT defines capital as the aggregate of Unitholders' equity, debt financing, and Exchangeable LP Units. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund distributions to Unitholders, retain a portion to meet repayment obligations under its mortgages and credit facilities, and ensure sufficient funds are available to meet capital commitments. Management aims to maintain an optimal degree of leverage relative to the GBV 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 and any risks, among other considerations. 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. 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 in Section V) 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 addition, CAPREIT must comply with all investment and debt restrictions and financial covenants under the agreement with CMHC. Refer to Liquidity and Financial Condition in Section V of this report for further details.

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.

As at June 30, 2020 CAPREIT is in compliance with all the investment and debt restrictions and financial covenants contained in the DOT, the LBA and the Credit Facilities. The total capital managed by CAPREIT and the results of compliance with the key covenants and liquidity metrics are summarized below:

($ Thousands)

As at		June 30, 2020	December 31, 2019
Mortgages payable		$ **4,683,343**	$ 4,308,572
Bank indebtedness		**608,005**	623,893
Unitholders' equity		**8,526,781**	8,403,895
Exchangeable LP Units		**30,746**	—
Total capital		$ **13,848,875**	$ 13,336,360
	Threshold		
Total debt to gross book value [1]	Maximum 70.00%	**36.30%**	34.99 %
Mortgage debt to gross book value		**32.13%**	30.56 %
Total debt to gross historical cost [2]		**49.23%**	48.24 %
Total debt to total capitalization [3]		**38.77%**	35.30 %
Tangible net worth [1]	Minimum $2,400,000	$ **8,571,052**	$ 8,421,096
For the four quarters ended		**June 30, 2020**	**December 31, 2019**
Debt service coverage ratio (times) [1]	Minimum 1.20	**1.99**	1.87
Interest coverage ratio (times) [1]	Minimum 1.50	**3.91**	3.69

(1) See note 20 to the accompanying condensed consolidated interim financial statements for details.

(2) 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, minus fair value adjustment on investment properties.

(3) Based on market capitalization as defined in the Performance Measures table of Section II of the MD&A, plus total debt.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

Management believes there is adequate overall liquidity to fund property capital investment commitments to provide for future growth in the business. CAPREIT finances these commitments through: (i) ACFO on an annual basis; (ii) secured short-term debt financing with three Canadian chartered banks; (iii) mortgage debt secured by its investment properties; and (iv) equity and funds reinvested from its DRIP. 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 ACFO on annual basis to fund the current level of distributions.
ii) CAPREIT's liquidity position as at June 30, 2020 remains strong at $124.8 million available on the Acquisition and Operating Facility, and has $213.5 million of cash and cash equivalents.

CAPREIT's Acquisition and Operating Facility bears an interest rate of 1.08%, after factoring the cross-currency swaps as discussed in note 19 of the condensed consolidated interim financial statements, and has $120.0 million of cash and cash equivalents invested in short-term investments generating interest revenue at a weighted average interest rate of 1.08% per annum.

($ Thousands) **As at June 30, 2020**		**Acquisition and Operating Facility**	
Facility	$	740,000	(1)
Less: USD LIBOR borrowings		(608,005)	(2), (4)
Euro LIBOR borrowings		—	(3)
Letters of credit		(7,223)	
Available borrowing capacity	$	124,772	
Weighted average interest rate including interest rate swaps		1.08 %	

(1) In addition there is a $76,525 (€50,000) ERES Credit Facility and a $76,525 (€50,000) ERES Bridge Facility. There were no amounts drawn on the ERES Credit Facility and the ERES Bridge Facility as of June 30, 2020.

(2) CAPREIT has net USD LIBOR borrowings of USD $446,144 that bears interest at the USD LIBOR rate plus a margin of 1.65% per annum.

(3) CAPREIT has net Euro LIBOR borrowings of €nil that bears interest at the Euro LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%.

(4) CAPREIT entered into a number of cross-currency swaps to (i) hedge the USD-based loan into Euro, and (ii) convert the variable interest rate on the USD-based loan of USD LIBOR plus 1.65% into a weighted average fixed interest rate of 1.08% and remaining weighted average term of 0.86 years.

Effective June 30, 2020 CAPREIT amended its credit agreement to change the "conversion date" from June 30, 2020 to June 30, 2021 for when the revolving facility converts to a one-year non-revolving term facility. CAPREIT can request an extension of the conversion date by one year by requesting to the lenders prior to the conversion date. The lenders have discretion on whether to grant the extension. The Acquisition and Operating Facility matures on June 30, 2022 and the margins are renegotiated annually.

Investment properties with a fair value of $13.1 billion have been pledged as security as at June 30, 2020. In addition, CAPREIT has investment properties with a fair value of approximately $772.7 million, as at June 30, 2020, that are not encumbered by mortgages. Of these, $770.6 million of the investment properties are located in Canada and secure only the Acquisition and Operating Facility, while the remaining properties are located in Europe. CAPREIT intends to maintain unencumbered investment properties with an aggregate fair value in the range of $500 million to $550 million over the medium term. This range mainly represents a pool of MHC sites.

The working capital deficiency, as presented on CAPREIT's consolidated balance sheet as at June 30, 2020, is funded through DRIP and the Credit Facilities. Management does a liquidity forecast on a monthly basis which includes refinancings, property capital investments, potential acquisitions and potential dispositions to monitor the available capacity.

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 primarily focuses on multi-unit residential real estate in Canada, 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 coverage is transferable between approved lenders and is effective for the full initial amortization period of the underlying mortgage ranging between 25 and 40 years.

In order to maintain and enhance its CMHC-insured financing program, and consistent with CMHC's risk management practices involving large borrowers, CAPREIT has entered into the LBA. Other than improving the efficiency and consistency of such processes such as underwriting, the LBA has not materially affected the manner in which CAPREIT conducts its business or its approach to mortgage financing.

As at June 30,	**2020**	**2019**
Percentage of CMHC-insured mortgages [(1)]	**98.5%**	97.7%
Percentage of fixed-rate mortgages [(2)]	**99.2%**	98.9%
Weighted average mortgage interest rate [(3)]	**2.69%**	2.97%
Weighted average mortgage term to maturity (years) [(4)]	**4.99**	5.03

(1) Excludes the mortgages on the MHC sites and European financings.

(2) Taking into consideration interest rate swaps where hedge accounting is not being applied, 100% of mortgages are subject to fixed rates.

(3) Weighted average mortgage interest rate includes deferred financing costs and fair value adjustments on an effective interest rate basis. Including the amortization of the realized component of the loss on settlement of $32.5 million included in AOCL, the effective portfolio weighted average interest rate as at June 30, 2020 would be 2.74% (June 30, 2019 - 3.05%).

(4) The Canadian and European properties have a weighted average mortgage term to maturity of 5.0 years and 5 years, respectively.

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

($ Thousands)

As at June 30,	**2020**	**2019**
Balance, beginning of the period	**$ 4,308,572**	$ 3,728,333
Add:		
New borrowings on acquisitions	**200,928**	181,673
Mortgages assumed [(1)]	**108,744**	147,814
Refinanced	**223,292**	184,107
Loss (gain) on foreign currency translation	**41,561**	(22,669)
Less:		
Mortgage principal repayments	**(66,699)**	(62,082)
Mortgages matured	**(121,942)**	(103,722)
Mortgages repaid on dispositions of investment properties	**(10,166)**	—
Change in deferred financing costs, fair value adjustments, net	**(947)**	(324)
Balance, end of the period	**$ 4,683,343**	**$ 4,053,130**

(1) Includes the mortgages on the properties assumed as part of the business combination. For details, please refer to note 4 of the audited consolidated annual financial statements for the year ended December 31, 2019.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to August 11, 2020, as well as those expected for the remainder of 2020.

($ Thousands)		Original Mortgage Amount	Original Stated Interest Rate		New Mortgage Amount	New [1] Stated [2] Interest Rate	Weighted Average Term on New Mortgages (Yrs)		Top-Up Financing Amount
The Canadian Portfolio									
First Quarter	$	23,708	4.80 %	$	57,896	2.20 %	10.0	$	34,187
Second Quarter		98,234	2.20 %		165,396	1.90 %	9.0		67,162
Total and Weighted Average	$	121,942	2.71 %	$	223,292	1.98 %	9.3	$	101,349
Acquisitions		—	— %		103,121	2.00 %	8.1		103,121
Total and Weighted Average with Acquisitions	$	121,942	2.71 %	$	326,413	1.98 %	8.9	$	204,470
Subsequent to June 30, 2020									
Committed or completed (Canadian)	$	25,568	3.43 %	$	20,790	1.70 %	10.0	$	(4,778)
Acquisitions		—	— %		99,709	1.70 %	9.8		99,709
Expected for the remainder of 2020 [3]		178,101	2.23 %		304,868	— %	—		126,767
Subtotal and weighted average	$	325,611	2.50 %	$	751,780	1.91 %	9.2	$	426,168
The ERES Portfolio									
First Quarter	$	10,166	0.95 %	$	—	— %	—	$	(10,166)
Second Quarter		—	— %		—	— %	—		—
Total and Weighted Average	$	10,166	0.95 %		—	— %	—	$	(10,166)
Acquisitions		—	— %		97,808	1.58 %	6.1		97,808
Total and Weighted Average with Acquisitions	$	10,166	0.95 %	$	97,808	1.58 %	6.1	$	87,642
Grand Total and weighted average	**$**	**335,777**	**2.46 %**	**$**	**849,588**	**1.87 %**	**8.8**	**$**	**513,810**

[1] Weighted average.
[2] Excludes CMHC, other financing costs and impact of hedging.
[3] Net of mortgage discharges of $25.0 million.

Management expects to raise between $520 million and $570 million in total mortgage renewals and refinancings for 2020, excluding financings on acquisitions. CAPREIT expects that the conversion of the eleven operating lease properties to fee simple ownership to date could have incremental CMHC-insured mortgage capacity of over $500 million.

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.

As at June 30, 2020
($ 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]
2020	$ 203,389	$ 31,068	$ 234,457	$ 30,116
2021	444,232	62,814	507,046	64,157
2022	422,498	15,603	438,101	62,586
2023	481,089	74,270	555,359	74,117
2024	296,535	34,027	330,562	42,616
2025 onward	2,125,227	(217,782)	1,907,445	159,154
Total	**$ 3,972,970**	**$ —**	**$ 3,972,970**	**$ 432,746**

(1) Mortgage balance due upon maturity.
(2) NOI for the 12 months ended June 30, 2020.
(3) Projected NOI included for acquisitions since June 30, 2019.

The breakdown of CAPREIT's Canadian dollar-denominated future principal repayments, including mortgage maturities, and effective weighted average interest rates as at June 30, 2020 is as follows:

As at June 30, 2020
($ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%) [1], [2]
2020	$ 68,422	$ 203,389	$ 271,811	7.4	2.64
2021	125,415	444,232	569,647 [3]	15.4	3.22
2022	115,154	346,104	461,258	12.5	3.09
2023	97,012	327,029	424,041	11.5	3.27
2024	81,800	244,356	326,156	8.8	3.73
2025	72,958	322,083	395,041	10.7	2.76
2026	52,141	298,212	350,353	9.5	2.74
2027	35,040	188,379	223,419	6.1	2.81
2028	27,754	157,933	185,687	5.0	2.98
2029	16,594	269,244	285,838	7.7	2.76
2030-2034	16,186	180,111	196,297	5.4	2.50
	$ 708,476	**$ 2,981,072**	**$ 3,689,548**	**100.0 %**	**2.97 %** [2]
Deferred financing costs, fair value adjustments, net			(7,974)		
Total			**$ 3,681,574**		

(1) Effective weighted average interest rates for maturing mortgages only.
(2) Effective weighted average interest rate includes deferred financing costs and fair value adjustments, but excludes CMHC premiums.
(3) Included in mortgages payable is a $65.0 million non-amortizing credit facility on two of the MHC sites.

The breakdown for ERES of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at June 30, 2020 is as follows:

As at June 30, 2020
($ Thousands)

Period	Principal Amortization	Mortgage Maturities	Mortgage Balance ($)	Mortgage Balance (€)		% of Total Mortgage Balance	Interest Rate (%) [1], [2]
2020	$ 1,231	$ —	$ 1,231	€ 804		0.1	—
2021	3,340	—	3,340	2,182		0.3	—
2022	3,352	76,394	79,746	52,104	[3]	7.9	1.43
2023	3,364	154,060	157,424	102,858	[3]	15.6	1.49
2024	2,718	52,179	54,897	35,869	[3]	5.5	1.70
2025	436	347,398	347,834	227,301	[3]	34.6	1.87
2026	—	294,088	294,088	192,184	[3]	29.2	1.47
2027-2034	—	67,779	67,779	44,300	[3]	6.8	1.74
	$ 14,441	**$ 991,898**	**$ 1,006,339**	**€ 657,602**		**100.0 %**	**1.65 %** [2]
Deferred financing costs, fair value adjustments, net			(4,570)				
Total			**$ 1,001,769**				

[1] Effective weighted average interest rates for maturing mortgages only.
[2] Effective weighted average interest rate includes deferred financing costs and fair value adjustments.
[3] Included in mortgages payable are non-amortizing mortgages from ERES.

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 represents the issued and outstanding Trust Units, and excludes the Exchangeable LP Units and any units issued in connection with unit-based incentive plans. For the purposes of the discussion below, Exchangeable LP 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 for the periods ending June 30, 2020 and year ended December 31, 2019:

($ Thousands, except per unit amounts)

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
December 2019 (the "December 2019 Equity Offering")					
Bought-deal (December 6, 2019)	$ 53.60	$ 425,048	$ 17,612	$ 407,436	7,930,000
Over-allotment (December 6, 2019)	$ 53.60	63,757	2,641	61,116	1,189,500
Total		$ 488,805	$ 20,253	$ 468,552	9,119,500

($ Thousands, except per unit amounts)

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Trust Units Issued
April 2019 (the "April 2019 Equity Offering")					
Bought-deal (April 23, 2019)	$ 49.00	$ 300,125	$ 13,807	$ 286,318	6,125,000
Over-allotment (April 23, 2019)	$ 49.00	45,019	950	44,069	918,750
Total		$ 345,144	$ 14,757	$ 330,387	7,043,750

($ Thousands, except per unit amounts)

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Trust Units Issued
January 2019 (the "January 2019 Equity Offering")					
Bought-deal (January 4, 2019)	$ 45.50	$ 250,250	$ 11,512	$ 238,738	5,500,000
Over-allotment (January 11, 2019)	$ 45.50	37,538	900	36,638	825,000
Total		$ 287,788	$ 12,412	$ 275,376	6,325,000

Market capitalization and units outstanding:

As at June 30, 2020	
Market capitalization ($ thousands)	**$ 8,356,812**
Number of units outstanding	**171,986,244**
Deferred units	**163,098**
RUR Plan units	**558,445**
Exchangeable LP Units	**632,761**
Ownership by trustees, officers and senior managers	**0.7** %

SECTION VI: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES

SELECTED CONSOLIDATED QUARTERLY INFORMATION

	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18
Overall portfolio net AMR	$ 1,104	$ 1,105	$ 1,084	$ 1,069	$ 1,050	$ 1,093	$ 1,103	$ 1,079
Operating revenues (000s) (1), (3)	$ 219,925	$ 216,060	$ 208,183	$ 199,417	$ 191,285	$ 181,896	$ 178,313	$ 172,985
NOI (000s) (1), (2)	$ 143,233	$ 138,058	$ 135,704	$ 132,844	$ 125,767	$ 113,835	$ 112,313	$ 113,850
NOI Margin (1), (3)	65.1%	63.9%	65.2%	66.6%	65.7%	62.6%	62.8%	65.8%
Net Income (000s)	$ 61,262	$ 79,633	$ 492,267	$ 330,341	$ 167,329	$ 205,510	$ 736,267	$ 119,594
FFO (000s) (1), (2)	$ 94,056	$ 92,513	$ 87,863	$ 88,860	$ 84,091	$ 73,814	$ 69,312	$ 77,290
NFFO (000s) (1), (2)	$ 94,712	$ 93,147	$ 89,341	$ 89,513	$ 85,062	$ 75,205	$ 71,414	$ 77,933
Total debt to gross book value	36.30%	36.14%	34.99%	36.74%	36.34%	37.67%	39.37%	40.48%
FFO per unit (1) - basic	$ 0.551	$ 0.544	$ 0.538	$ 0.554	$ 0.531	$ 0.485	$ 0.477	$ 0.535
NFFO per unit (1) - basic	$ 0.555	$ 0.547	$ 0.547	$ 0.558	$ 0.538	$ 0.484	$ 0.492	$ 0.540
Weighted average number of units (000s) - basic	170,588	170,206	163,295	160,328	158,237	152,212	145,199	144,431
Weighted average number of units (000s) - diluted	171,175	170,780	163,840	160,895	158,806	152,778	145,784	145,831

(1) Includes the results of investment properties owned as at the period end.

(2) Non-IFRS financial measures are reconciled with IFRS reported amounts in the respective quarterly SEDAR filings.

(3) Certain 2019 comparative figures have been adjusted to conform with current period presentation.

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 typically tend to generate weaker performance due to increased energy consumption in the winter months. There may be periods where actual distributions declared may exceed cash generated from (utilized in) operating activities after interest paid, primarily due to weaker performance in certain periods from seasonal fluctuations. These seasonal or short-term fluctuations are funded, if necessary, with our Acquisition and Operating Facility. CAPREIT determines its annual distributions and the annual distribution rate by, among other considerations, its assessment of ACFO (a non-IFRS measure). As such, CAPREIT believes the cash distributions are not an economic return of capital, but a distribution of adjusted cash flow from operating activities.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Summary of Significant Accounting Policies

A summary of significant accounting policies can be found in note 2 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2020.

Critical Accounting Estimates, Assumptions, and Judgments

A summary of accounting estimates, assumptions and judgments can be found in note 3 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2020.

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 Chief Executive Officer and the Chief Financial Officer have satisfied themselves that as at June 30, 2020, the design of disclosure controls and procedures and the design of internal controls over financial reporting continue to be appropriate.

CAPREIT did not make any significant changes to the design of internal controls over financial reporting in the six months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and the activities of CAPREIT. The following is a description of risks in CAPREIT's day-to-day operations. In additional to the risks described herein, reference is made to the risks and uncertainties section in CAPREIT's MD&A for the year ended December 31, 2019 in the Risks and Uncertainties section contained in CAPREIT's 2019 Annual Report and in CAPREIT's latest Annual Information Form.

COVID-19 and Other Public Health Crises

Public health crises, including the ongoing health crisis related to the COVID-19 pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a "Health Crisis") could adversely impact CAPREIT, including through: a general or acute decline in economic activity in the countries and regions in which CAPREIT's properties and investments are located; increased unemployment, supply shortages, mobility restrictions and other quarantine measures; increased government regulation, inability to access governmental programs or processes on a timely basis, efficacy of governmental relief efforts; and the quarantine or contamination of one or more of our properties. Contagion in a property or market in which CAPREIT operates could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict CAPREIT's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations, among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of CAPREIT, including, but not limited to: the ability to implement rent increases; rent collection and receivables; vacancy levels; mortgage renewals and refinancings; submission and processing of various applications and approvals; deferral of certain capital expenditures and R&M expenditures; valuation of investment properties; CAPREIT's ability to meet its debt covenant restrictions; and CAPREIT's ability to raise capital.

The current public health crisis has also resulted in general economic slowdown and extreme volatility in financial markets. In addition to impacting CAPREIT's Trust Unit price, this may create difficulty in raising capital in debt and equity markets, which could in turn adversely impact CAPREIT's strategy. While various governments and central banks have announced or implemented a range of measures targeted to alleviate these impacts and encourage economic growth, the impact of these measures remains uncertain, particularly in the short term.

RELATED PARTY TRANSACTIONS

As at June 30, 2020, CAPREIT has an 18.3% share ownership in IRES and has determined it has significant influence over IRES. Additionally, CAPREIT has a controlling interest of 66.0% effective ownership in ERES. A summary of related party transactions can be found in note 26 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2020.

COMMITMENTS AND CONTINGENCIES

A summary of commitments and contingencies can be found in notes 27 and 28 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2020.

SUBSEQUENT EVENTS

A summary of subsequent events can be found in note 30 to CAPREIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2020.

FUTURE OUTLOOK

CAPREIT believes the multi-unit residential rental business will continue to strengthen in the majority of the markets in which it operates over the long term. With strong market fundamentals, and through its proven property and asset management programs, CAPREIT expects to generate modest annual increases in same-property Net AMR while stabilizing average occupancies in the range of 97% to 99% on an annual basis, which may be temporarily impacted by the COVID-19 pandemic. CAPREIT also anticipates operating revenues will benefit from programs that enhance ancillary revenues, including fees for parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost management initiatives are proving effective, leading to stable and growing same property NOI over the long term.

CAPREIT believes the strong defensive characteristics of its property portfolio, due to diversification by geography in Canada and the Netherlands, and by property type, including its strong presence in the Canadian MHC business, will serve to mitigate the negative impact of any future unfavourable economic conditions that certain regions may experience (please refer to "COVID-19 and Other Public Health Crises" above).

CAPREIT continues to evaluate opportunities to expand and diversify its property portfolio through accretive acquisitions at below replacement cost where management believes it can enhance returns on investment by increasing and stabilizing occupancy, growing Net AMRs, reducing operating costs, and enhancing property values through its capital investment and property improvement programs. CAPREIT is also targeting modernizing and reducing the average age of its property portfolio by acquiring newer, recently constructed properties. Newer properties attract higher-quality residents and require less repair and maintenance or capital improvement costs. While CAPREIT's strategy is to remain principally focused on its core Canadian markets, CAPREIT continues to consider select opportunities in other geographic markets.

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:

- CAPREIT maintains a focus on maximizing occupancy and Net AMR in accordance with local conditions in each of its markets. Since its inception in May 1997, CAPREIT's hands-on management style has focused on ensuring it maintains strong relations with its residents while its capital investment and property improvement programs are aimed at enhancing the lives of its residents and ensuring properties and amenities meet their needs.

- CAPREIT continues to invest in and adopt the latest technologies and solutions to enhance the REIT's risk management, market research and operating efficiency, while reducing costs and strengthening relationships with its residents.

- CAPREIT's building infrastructure improvement programs are designed to upgrade and reposition properties through 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 the portfolio's useful life over the long term.

From time to time, CAPREIT may identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies, or where CAPREIT believes their value has been maximized. CAPREIT believes the realization and reinvestment of capital from such non-core property dispositions are fundamental components of its growth strategy and demonstrate the success of its investment programs.

CAPREIT will prudently investigate the opportunity to develop new multi-unit rental residential properties on land it owns, as well as add new rental suites in certain properties where the opportunity exists. Such investments are highly accretive as no land costs are incurred and serve to further modernize and reduce the average age of its portfolio. CAPREIT believes its current portfolio provides the opportunity to add new rental suites over time through its development and intensification initiatives, primarily in Vancouver and Toronto where demand remains strong and monthly rents support profitable investment.

CAPREIT continues to manage interest costs by leveraging its balance sheet strength and the stability of its property portfolio to reduce borrowing costs on its credit facilities while appropriately staggering the maturity dates within its mortgage portfolio to ensure it is not exposed to refinancing risk. CAPREIT believes that, with the continuing availability of lower cost CMHC-insured financing, CAPREIT is well positioned to meet its financing and refinancing objectives at reasonable costs. Effective July 1, 2020, CMHC has revised its requirements for the eligibility of multi-unit CMHC-insured financing and limited it to financing for the purpose of property purchase, construction, capital repairs or improvements, or securing permanent financing. Due to CAPREIT's well defined use of proceeds, the rule changes are not expected to have a material impact.

CAPREIT maintains a conservative approach to its capital structure, leverage and coverage ratios to further improve its payout ratio. CAPREIT believes its successful equity financing and mortgage refinancing programs have resulted in the REIT 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.

Through numerous environmental, social, and governance ("ESG") programs, CAPREIT ensures it remains a responsible steward of the environment, attracts and retains the best people in its business, builds strong relationships with its residents and the communities in which they live, adopts best practice programs in corporate governance, and maintains open and transparent communication with its investors. In support of our ESG integration strategy, we initiated our inaugural Global Real Estate Sustainability Benchmark (GRESB)-submission process, the results of which will underpin the development of our ESG strategy going forward.

As discussed in context in various sections of this MD&A, management continues to monitor the potential impact to CAPREIT of the COVID-19 pandemic and assess and implement, as applicable, various measures designed to help ensure the health and safety of our communities and to mitigate the potential areas of risk to our business.

SECTION VII: SUPPLEMENTAL INFORMATION

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 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, 2019 contained in CAPREIT's 2019 Annual Report.

Portfolio Diversification

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

Portfolio by Geography

As at June 30,	2020	%	2019	%
Residential Suites				
Ontario				
Greater Toronto Area	**16,156**	**25.9**	15,649	27.2
London / Kitchener / Waterloo	**2,960**	**4.8**	2,407	4.2
Ottawa	**2,377**	**3.8**	2,377	4.1
Other Ontario	**1,702**	**2.7**	1,702	3.0
	23,195	**37.2**	22,135	38.5
Québec				
Greater Montréal Region	**7,767**	**12.4**	7,482	13.0
Québec City	**2,517**	**4.0**	2,517	4.4
	10,284	**16.4**	9,999	17.4
British Columbia				
Greater Vancouver Region	**3,551**	**5.7**	3,506	6.1
Victoria	**1,550**	**2.5**	1,550	2.7
	5,101	**8.2**	5,056	8.8
Nova Scotia				
Halifax	**3,162**	**5.1**	1,659	2.9
Alberta				
Calgary	**1,963**	**3.1**	1,884	3.3
Edmonton	**544**	**0.9**	435	0.8
	2,507	**4.0**	2,319	4.1
Prince Edward Island				
Charlottetown	**637**	**1.0**	537	0.9
Saskatchewan				
Regina	**234**	**0.4**	234	0.4
Europe				
The Netherlands [1]	**5,632**	**9.0**	3,859	6.7
Total residential suites	**50,752**	**81.3**	45,798	79.7
MHC Sites				
Ontario	**3,961**	**6.4**	3,962	6.9
New Brunswick	**3,448**	**5.5**	3,447	6.0
Alberta	**2,079**	**3.3**	2,082	3.6
Prince Edward Island	**772**	**1.2**	772	1.3
British Columbia	**490**	**0.8**	482	0.8
Québec	**429**	**0.7**	429	0.8
Saskatchewan	**376**	**0.6**	376	0.7
Nova Scotia	**128**	**0.2**	127	0.2
Total MHC sites	**11,683**	**18.7**	11,677	20.3
Total suites and sites	**62,435**	**100.0**	57,475	100.0

[1] Includes all residential properties owned by ERES.

While maintaining a strong and strategic presence in Ontario's vibrant residential market, CAPREIT continues to focus on diversifying its geographic portfolio outside of Ontario by increasing its presence in other markets with strong fundamentals. 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 any specific markets.

CAPREIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

(UNAUDITED)

TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEETS

(CA$ thousands)

(Unaudited)

As at	Note		**June 30, 2020**		**December 31, 2019**
Non-current assets					
Investment properties	6	**$**	**13,829,908**	$	13,096,426
Other non-current assets	7		**386,420**		385,435
			14,216,328		13,481,861
Current assets					
Other current assets	7		**59,223**		58,760
Cash and cash equivalents			**213,455**		477,328
			272,678		536,088
		$	**14,489,006**	$	14,017,949
Non-current liabilities					
Mortgages payable	11	**$**	**4,032,189**	$	3,872,125
Bank indebtedness	12		**608,005**		623,893
Unit-based compensation financial liabilities	13, 14		**12,523**		14,391
ERES units held by non-controlling unitholders	10		**323,903**		364,928
Other non-current liabilities	8		**3,315**		3,361
Deferred income tax liability	21		**40,654**		32,312
Lease liability			**37,221**		37,775
			5,057,810		4,948,785
Current liabilities					
Mortgages payable	11		**651,154**		436,447
Unit-based compensation financial liabilities	13, 14		**17,135**		18,658
Accounts payable and accrued liabilities	9		**106,438**		116,544
Other current liabilities	8		**38,471**		34,512
Security deposits			**40,848**		39,575
Exchangeable LP Units	15		**30,746**		—
Distributions payable			**19,623**		19,533
			904,415		665,269
		$	**5,962,225**	$	5,614,054
Unitholders' equity					
Unit capital		**$**	**4,051,396**	$	4,013,941
Accumulated other comprehensive income (loss)	22		**42,543**		(19,510)
Retained earnings			**4,432,842**		4,409,464
		$	**8,526,781**	$	8,403,895
		$	**14,489,006**	$	14,017,949

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(CA$ thousands)

		Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited)	Note	**2020**	2019	**2020**	2019
Operating revenues					
Revenue from investment properties	25	**$ 219,925**	$ 191,285	**$ 435,985**	$ 373,181
Operating expenses					
Realty taxes		**(20,724)**	(18,311)	**(40,592)**	(36,212)
Property operating costs		**(55,968)**	(47,207)	**(114,102)**	(97,367)
		(76,692)	(65,518)	**(154,694)**	(133,579)
Net rental income		**143,233**	125,767	**281,291**	239,602
Trust expenses		**(10,291)**	(10,970)	**(21,655)**	(21,316)
Transaction costs		**—**	—	**—**	(8,527)
Unit-based compensation (expense) recovery	14	**(6,045)**	12	**(793)**	(7,540)
Fair value adjustments of investment properties	6	**(4,053)**	86,620	**(35,972)**	209,936
Realized loss on disposition of investment properties	5	**—**	—	**(753)**	—
Amortization of property, plant and equipment		**(1,953)**	(1,542)	**(3,724)**	(2,957)
Gain (loss) on non-controlling interest	10	**(34,650)**	(6,699)	**35,029**	(6,699)
Fair value adjustments of investments		**3,783**	(1,326)	**(3,087)**	6,196
Loss on derivative financial instruments	19	**(7,447)**	(10,227)	**(958)**	(3,789)
Interest and other financing costs	23	**(36,911)**	(33,249)	**(71,707)**	(64,880)
(Loss) gain on foreign currency translation		**22,116**	11,326	**(31,692)**	23,592
Other income (loss)	25	**(3,204)**	10,640	**3,739**	15,046
Net income before income taxes		**64,578**	170,352	**149,718**	378,664
Current and deferred income tax expense	21	**(3,316)**	(3,023)	**(8,823)**	(5,825)
Net income		**$ 61,262**	$ 167,329	**$ 140,895**	$ 372,839
Other comprehensive income (loss), including items that may be reclassified subsequently to net income					
Amortization of losses from AOCL to interest and other financing costs	22	**$ 633**	$ 808	**$ 1,267**	$ 1,448
Gain (loss) on foreign currency translation	22	**(24,616)**	(6,760)	**60,786**	(35,674)
Other comprehensive income (loss)		**$ (23,983)**	$ (5,952)	**$ 62,053**	$ (34,226)
Comprehensive income		**$ 37,279**	$ 161,377	**$ 202,948**	$ 338,613

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(CA$ thousands)

(Unaudited)	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Unitholders' Equity, January 1, 2020		**$ 4,013,941**	**$ 4,409,464**	**$ (19,510)**	**$ 8,403,895**
Unit capital					
Distribution Reinvestment Plan	16	**32,342**	**—**	**—**	**32,342**
RUR Plan	14,16	**3,835**	**—**	**—**	**3,835**
Employee Unit Purchase Plan	14	**1,278**	**—**	**—**	**1,278**
		37,455	**—**	**—**	**37,455**
Retained earnings and other comprehensive income					
Net income		**—**	**140,895**	**—**	**140,895**
Other comprehensive income		**—**	**—**	**62,053**	**62,053**
		—	**140,895**	**62,053**	**202,948**
Distributions on Trust Units					
Distributions declared and paid	17	**—**	**(97,894)**	**—**	**(97,894)**
Distributions payable	17	**—**	**(19,623)**	**—**	**(19,623)**
		—	**(117,517)**	**—**	**(117,517)**
Unitholders' Equity, June 30, 2020		**$ 4,051,396**	**$ 4,432,842**	**$ 42,543**	**$ 8,526,781**

(Unaudited)	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Unitholders' Equity, January 1, 2019		$ 2,855,701	$ 3,432,153	$ 28,846	$ 6,316,700
Unit capital					
New Trust Units issued	16	605,764	—	—	605,764
Distribution Reinvestment Plan	16	32,069	—	—	32,069
RUR Plan	14,16	4,735	—	—	4,735
Employee Unit Purchase Plan	14	957	—	—	957
		647,879	—	—	647,879
Retained earnings and other comprehensive loss					
Net income		—	372,839	—	372,839
Other comprehensive loss		—	—	(34,226)	(34,226)
		—	372,839	(34,226)	338,613
Distributions on Trust Units					
Distributions declared and paid	17	—	(87,992)	—	(87,992)
Distributions payable	17	—	(18,382)	—	(18,382)
		—	(106,374)	—	(106,374)
Unitholders' Equity, June 30, 2019		$ 3,503,580	$ 3,698,618	$ (5,380)	$ 7,196,818

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA$ thousands)

(Unaudited)	Note	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash provided by (used in):					
Operating activities					
Net income		**$ 61,262**	$ 167,329	**$ 140,895**	$ 372,839
Items related to operating activities not affecting cash:					
Fair value adjustments - investment properties		**4,053**	(86,620)	**35,972**	(209,936)
Fair value adjustments - investments		**(3,783)**	1,326	**3,087**	(6,196)
Mark-to-market (gain) loss on ERES units	10	**31,512**	5,944	**(41,181)**	5,944
Loss on disposition of investment properties	5	**—**	—	**753**	—
Loss on derivative financial instruments	19	**7,447**	10,227	**958**	3,789
Amortization	7, 22, 23	**5,007**	4,275	**9,632**	8,184
Unit-based compensation expense (recovery)	14	**6,045**	(12)	**793**	7,540
Straight-line rent adjustment		**(27)**	2	**(87)**	(9)
Deferred income tax expense (recovery)	21	**2,956**	4,052	**6,882**	(11,197)
Net loss (profit) from equity-accounted investment	25	**5,536**	(7,667)	**2,787**	(9,652)
Unrealized foreign currency loss (gain)		**(22,116)**	(11,003)	**31,692**	(21,442)
		97,892	87,853	**192,183**	139,864
Net income items related to financing and investing activities	24	**35,721**	29,946	**70,617**	58,528
Changes in non-cash operating assets and liabilities	24	**16,531**	(20,755)	**(9,153)**	(15,832)
Cash provided by operating activities		**150,144**	97,044	**253,647**	182,560
Investing activities					
Acquisition of investment properties	24	**(528)**	(270,534)	**(342,364)**	(497,453)
Capital investments	24	**(51,195)**	(50,861)	**(98,528)**	(96,910)
Operating lease buyout	6, 24	**(100,366)**	—	**(119,411)**	—
Acquisition of investments	26	**—**	(20,543)	**—**	(20,543)
Disposition of investment properties	24	**—**	—	**15,333**	—
Change in restricted cash		**(38)**	(670)	**(360)**	(590)
Investment income received		**184**	655	**6,404**	4,655
Cash acquired on business combination		**—**	—	**—**	9,069
Cash used in investing activities		**(151,943)**	(341,953)	**(538,926)**	(601,772)
Financing activities					
Mortgage financings	24	**296,630**	280,989	**424,220**	365,780
Mortgage principal repayments	24	**(33,795)**	(31,545)	**(66,699)**	(62,082)
Mortgages repaid on maturity	24	**(98,234)**	(97,767)	**(121,942)**	(103,722)
Lease payments		**(2,023)**	(943)	**(2,829)**	(1,594)
Financing costs		**(1,354)**	(2,267)	**(2,191)**	(2,690)
CMHC premiums on mortgages payable		**(3,109)**	(3,330)	**(6,076)**	(4,782)
Interest paid on mortgages and bank indebtedness	24	**(31,030)**	(29,465)	**(64,243)**	(58,061)
Bank indebtedness	24	**(43,259)**	(181,270)	**(47,843)**	(244,804)
Proceeds on issuance of Trust Units, net of issuance costs	24	**622**	330,725	**1,135**	606,516
Net cash distributions to Unitholders and ERES non-controlling unitholders	24	**(47,793)**	(37,507)	**(91,063)**	(72,127)
Cash provided by financing activities		**36,655**	227,620	**22,469**	422,434
Changes in cash and cash equivalents during the period		**34,856**	(17,289)	**(262,810)**	3,222
Effect of exchange rate changes on cash		**(3,657)**	146	**(1,063)**	(1,681)
Cash and cash equivalents, beginning of the period		**182,256**	44,397	**477,328**	25,713
Cash and cash equivalents, end of the period		**$ 213,455**	$ 27,254	**$ 213,455**	$ 27,254

See accompanying notes to the condensed consolidated interim financial statements.

1. Organization of the Trust

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

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 April 1, 2020. CAPREIT commenced active operations on February 4, 1997 when it acquired an initial portfolio of properties. CAPREIT became a reporting issuer on May 21, 1997, pursuant to an initial public offering prospectus of its units ("Trust Units") dated May 12, 1997.

CAPREIT Limited Partnership ("CAPLP") is a subsidiary of CAPREIT established under the laws of the Province of Manitoba pursuant to a limited partnership agreement dated June 26, 2007, and as amended on April 1, 2008, owns directly or indirectly the beneficial interest of all its properties along with the related mortgages and all the corporate debt obligations of CAPREIT.

CAPREIT's subsidiary, IRES Fund Management Limited, entered into an external investment management agreement to perform property and asset management services for Irish Residential Properties REIT plc ("IRES"), an Irish residential REIT listed on the Euronext Dublin exchange. As at June 30, 2020, CAPREIT holds 95.5 million (December 31, 2019 - 95.5 million) ordinary shares, representing 18.3% (December 31, 2019 - 18.3%) of the issued share capital of IRES. Refer to note 26 for further details.

On March 29, 2019, CAPREIT NL Holding B.V. ("Holding BV") which indirectly owned the beneficial interest in a portfolio of 2,091 residential suites in the Netherlands, 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"). Pursuant to the Acquisition, CAPREIT, the sole shareholder of Holding BV, exchanged all its shares of Holding BV for 81.6 million Class B limited partnership units ("ERES Class B LP Units") of ERES Limited Partnership ("ERES LP"). ERES Class B LP Units are exchangeable, on a one-for-one basis, for units of ERES ("ERES units") at the option of the holder, and have economic and voting rights through special voting units of ERES that are equivalent, in all material respects, to ERES units. CAPREIT determined that ECREIT meets the definition of a business and the Acquisition has been accounted for as a business combination.

Upon exchange of the ERES Class B LP Units and together with its holding of ERES units, as at June 30, 2020, CAPREIT holds a 66.0% (December 31, 2019 - 66.0%) ownership of ERES, with the remaining 34.0% (December 31, 2019 - 34.0%) held by non-controlling unitholders.

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. Summary of Significant Accounting Policies

Basis of Presentation

These condensed consolidated interim financial statements, which have been approved by CAPREIT's Board of Trustees on August 11, 2020, 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.

The condensed consolidated interim financial statements are prepared on a going concern basis and are presented in Canadian dollars, which is also CAPREIT's functional currency. CAPREIT's results for the six months ended June 30, 2020 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.

Certain prior year figures in 2019 have been restated to conform with current year presentation.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended December 31, 2019.

Impact of Accounting Standards Effective January 1, 2020 on CAPREIT's Current Year Consolidated Financial Statements:

IFRS 3, Business Combinations ("IFRS 3")

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There was no impact on transition as the amendment is effective for business combinations for which the acquisition date is on or after the transition date. Therefore, no adjustment was required for acquisitions that were completed prior to January 1, 2020. The amendment was applied during the six months ended June 30, 2020.

Future Accounting Changes

CAPREIT has assessed the new or amended IFRS issued by the IASB for annual reporting periods beginning after December 31, 2020. None of the new or amended IFRS are expected to have a significant impact on CAPREIT.

3. Critical Accounting Estimates, Assumptions and Judgments

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 judgment in applying CAPREIT's accounting policies. The critical accounting estimates and judgments have been set out in detail in note 3 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2019.

The estimates or judgments deemed to be most significant, due to subjectivity and the potential risk of causing a significant 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) Investment in Irish Residential Properties REIT plc ("IRES")

iv) Business Combination

v) Valuation of Goodwill

In addition to the discussion of these critical accounting estimates and judgments as set out in note 3 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2019, the significant global uncertainty resulting from the novel coronavirus ("COVID-19") pandemic has the following impact:

(CA $ thousands, except unit and per unit amounts)

i) Valuation of Investment Properties

The availability of reliable market metrics to inform opinions of value is reduced, and therefore a higher degree of judgment must be applied. Consequently, fair values are subject to significant change. Refer to note 6 for further information.

ii) Valuation of Financial Instruments

The fair value of CAPREIT's derivatives as reported may differ significantly from the amounts they are ultimately settled for due to volatility between the valuation date and settlement date. In response to the developing COVID-19 pandemic, there is increased volatility in the financial markets. CAPREIT is subject to these market fluctuations, impacting interest rates upon which the fair values of CAPREIT's interest rate swaps are derived, and expects to continue to experience significant volatility in interest rates as the situation evolves. As a result, there is uncertainty in the future expected interest rates (forward curves) upon which are based the expected variable cash receipts, thereby impacting the fair values of CAPREIT's interest rate swaps.

iii) Investment in Irish Residential Properties REIT plc ("IRES")

In response to the developing COVID-19 pandemic, there is increased volatility in the financial markets. IRES is subject to these market fluctuations, impacting its share price which may continue to experience significant volatility as the situation evolves. CAPREIT has determined that the deficiency of the market capitalization of IRES over the carrying amount of the investment as at June 30, 2020 is an indicator of impairment. As such, an impairment assessment was performed. The recoverable amount was determined using a value in use approach using inputs classified as Level 3 in the fair value hierarchy. Based on this analysis, an impairment of $nil was recorded for the three and six months ended June 30, 2020. Refer to note 7 for further information.

iv) Valuation of Goodwill

CAPREIT recognized goodwill pursuant to the Acquisition, which was tested for impairment in the fourth quarter of the year ended December 31, 2019, resulting in an impairment of $nil being recorded. As a result of the COVID-19 pandemic, there is an increased risk that goodwill may be impaired due to the economic uncertainty and financial market response. CAPREIT has determined that the decline in the market capitalization of ERES as at June 30, 2020 is an indicator of impairment and as such, an impairment assessment was performed. An impairment of $nil has been recorded for the three and six months ended June 30, 2020.

4. Recent Investment Property Acquisitions

CAPREIT completed the following investment property acquisitions since January 1, 2019, which have contributed to the operating results effective from their respective acquisition dates. The below tables do not include $150,157 relating to CAPREIT's operating lease buyouts completed during the six months ended June 30, 2020 (year ended December 31, 2019 - $14,746).

Acquisitions Completed During the Six Months Ended June 30, 2020

Acquisition Date	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) [1]	Term to Maturity (Years) [2]
February 10, 2020	1,503	Halifax, NS	$ 394,734	$ 108,744	$ —	1.94	1.14
March 4, 2020	112	Montreal, QC	44,331	—	33,427	2.06	10.00
March 16, 2020	109	Edmonton, Alberta	28,392	— [3]	— [3]	— [3]	— [3]
Total	**1,724**		**$ 467,457**	**$ 108,744**	**$ 33,427**		

[1] Weighted average stated interest rate on mortgage funding.
[2] Weighted average term to maturity on mortgage funding.
[3] The acquisition was funded from CAPREIT's cash and cash equivalents invested in short-term investments.

(CA $ thousands, except unit and per unit amounts)

Acquisitions Completed During the Year Ended December 31, 2019

Acquisition Date	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Subsequent Acquisition Financing	Interest Rate (%) [(1)]	Term to Maturity (Years) [(2)]
February 26, 2019	511	The Netherlands	$ 153,424	$ —	$ 89,586	0.97	4.00
March 14, 2019	1,104	Various [(4)]	66,866	— [(3)]	—	— [(3)]	— [(3)]
April 15, 2019	191	Langley, BC	70,000	—	44,222	2.90	15.00
May 27, 2019	181	Various [(5)]	11,317	— [(3)]	—	— [(3)]	— [(3)]
May 28, 2019	3,898	Various [(6)]	204,955	74,345	—	3.38	2.39
June 7, 2019	72	Victoria, BC	26,558	—	18,368	2.44	10.00
June 20, 2019	98	Langley, BC	39,045	—	22,839	2.92	15.00
July 31, 2019 [(7)]	506	Toronto, Ontario	63,790	— [(3)]	—	— [(3)]	— [(3)]
August 1, 2019	942	The Netherlands	246,602	—	143,367	1.28	7.00
August 30, 2019	553	London, Ontario	70,301	— [(3)]	—	— [(3)]	— [(3)]
August 30, 2019	42	Charlottetown, PEI	7,430	— [(3)]	—	— [(3)]	— [(3)]
September 30, 2019	315	The Netherlands	95,076	—	77,639	1.45	7.00
October 15, 2019	64	Summerside, PEI	11,844	— [(3)]	—	— [(3)]	— [(3)]
October 31, 2019	294	The Netherlands	98,295	—	58,220	1.55	7.00
November 21, 2019	121	Montreal, QC	33,990	— [(3)]	—	— [(3)]	— [(3)]
December 12, 2019	79	Calgary, AB	19,578	— [(3)]	—	— [(3)]	— [(3)]
December 16, 2019	222	The Netherlands	152,362	— [(8)]	—	— [(8)]	— [(8)]
December 19, 2019	48	New Westminster, BC	13,475	— [(3)]	—	— [(3)]	— [(3)]
Total	**9,241**		**$1,384,908**	**$ 74,345**	**$ 454,241**		

(1) Weighted average stated interest rate on mortgage funding.
(2) Weighted average term to maturity on mortgage funding.
(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility.
(4) The acquisition comprised 13 properties consisting of 407 sites in Ontario, 615 sites in Alberta, and 82 sites in British Columbia.
(5) The acquisition comprised 3 properties consisting of 56 sites in Ontario and 125 sites in British Columbia.
(6) The acquisition comprised 24 properties consisting of 800 sites in Ontario, 1,050 sites in Alberta, 1,211 sites in New Brunswick, 128 sites in Nova Scotia, 280 sites in Prince Edward Island, and 429 sites in Québec. The balance of the purchase was funded from CAPREIT's Acquisition and Operating Facility.
(7) In 2015, CAPREIT entered into an agreement to acquire one-third undivided interest in the residential component of a property upon completion. On July 31, 2019, CAPREIT acquired a 19.8% interest in the property, with an additional 5.3% interest acquired on each August 31, 2019 and September 30, 2019, and a final interest of 3% acquired on October 31, 2019. As at December 31, 2019, CAPREIT's interest stood at 33.3%.
(8) The acquisition was primarily funded from the ERES Credit Facility with the balance funded from CAPREIT's Acquisition and Operating Facility.

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. Dispositions

The table below summarizes the dispositions completed during the six months ended June 30, 2020.

Dispositions Completed During the Six Months Ended June 30, 2020

Disposition Date	Suite Count	Region(s)	Sale Price	Cash Proceeds	Mortgage Discharged
January 31, 2020 [(1)]	—	Germany	$ 25,585	$ 15,419	$ 10,166
March 30, 2020	6	Charlottetown, PEI	675	675	—
Total	**6**		**$ 26,260**	**$ 16,094**	**$ 10,166**

(1) This is a commercial property held by ERES consisting of 58,513 square feet.

There were no property dispositions during the year ended December 31, 2019.

(CA $ thousands, except unit and per unit amounts)

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 all investment properties is established by qualified, independent appraisers annually. Each quarter, CAPREIT utilizes internal market assumptions for rent changes and capitalization and discount rates provided by the independent appraisers to determine the fair value of the investment properties for interim reporting purposes. Capitalization rates employed by the appraisers are based on recently closed transactions, generally within the last three months, and other current market indicators for similar properties. To the extent that the externally provided capitalization rates or results of operations change 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 note 6 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2019 contained in CAPREIT's 2019 Annual Report. When considering highest and best use, CAPREIT takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

In addition, due to the COVID-19 pandemic and the ongoing impact on the economy, and specifically its unknown future impact on the real estate market, there is heightened uncertainty surrounding the valuation of the investment properties. Consequently, there is a need to apply a higher degree of judgment as it pertains to the forward-looking assumptions that underlie CAPREIT's valuation methodologies. In addition, less weight can be ascribed to previous market evidence, for comparative purposes, to inform opinions of value. Given this impact on the availability of reliable market metrics, fair values are subject to significant change. The fair values of CAPREIT's investment properties as at June 30, 2020 are therefore subject to significant change.

A summary of the market assumptions and ranges for each type of property interest, along with their fair values, are presented below as at June 30, 2020 and December 31, 2019:

As at June 30, 2020						
Type of Interest	**Fair Value**	**WA NOI / Cash Flow** [1]	**Rate Type**	**Max**	**Min**	**Weighted Average**
Fee simple interests [2], [6]	$ 12,888,996	$ 3,743	Capitalization rate	7.70 %	2.20 %	3.96 %
MHC sites	601,430	1,864	Capitalization rate	9.57 %	5.00 %	6.30 %
Operating leasehold interests [3], [4]	146,042	2,246	Discount rate [5]	6.00 %	5.50 %	5.76 %
Land leasehold interests [2]	156,563	3,256	Discount rate [5]	7.75 %	6.50 %	7.16 %
Total Investment Properties excluding right-of-use assets	**$ 13,793,031**					
Add: Right-of-use assets, net of fair value change	36,877					
Total Investment Properties	**$ 13,829,908**					

As at December 31, 2019						
Type of Interest	**Fair Value**	**WA NOI / Cash Flow** [1]	**Rate Type**	**Max**	**Min**	**Weighted Average**
Fee simple interests [6]	$ 11,332,684	$ 3,579	Capitalization rate	7.00%	2.15%	3.99%
MHC sites	601,820	1,872	Capitalization rate	9.57%	5.00%	6.30%
Operating leasehold interests [2], [3], [4]	962,879	4,637	Discount rate [5]	6.00%	5.50%	5.58%
Land leasehold interests [2]	161,920	3,547	Discount rate [5]	8.00%	6.50%	7.27%
Total Investment Properties excluding right-of-use assets	**$ 13,059,303**					
Add: Right-of-use assets, net of fair value change	37,123					
Total Investment Properties	**$ 13,096,426**					

(CA $ thousands, except unit and per unit amounts)

(1) Weighted average ("WA") net operating income ("NOI") or cash flow by property fair value.

(2) The fair values of fee simple and operating leasehold interests subject to a contractual air rights lease, and land leasehold interests subject to land leases reflect the estimated air rights or land lease payments over the term of the leases.

(3) The fair values of operating leasehold interests include the fair values of the options to purchase the related freehold interests of $48,422 as at June 30, 2020 (December 31, 2019 - $470,169). The decrease during the six months ended June 30, 2020 is due to the early buyout of nine operating leases with a fair value of $425,170 transferred to fee simple upon conversion of the leasehold interest into fee simple (six months ended June 30, 2019 - $nil).

(4) For the four operating leasehold interests remaining as at June 30, 2020, the contractual weighted average remaining lease term on operating leasehold interests is 15.9 years as at June 30, 2020 (December 31, 2019 - 16.4 years) based on the assumption that the early purchase option is not exercised. If the purchase option is exercised at the earliest allowable date, the weighted average remaining lease term on the four operating leasehold interests is 5.9 years as at June 30, 2020 (December 31, 2019 - 6.4 years).

(5) Represents the discount rate used to determine the fair value of operating leasehold and land leasehold interests using the Discounted Cash Flow ("DCF") method. A weighted average stabilized net operating income growth for operating leasehold interests of 3.1% has been assumed as at June 30, 2020 and December 31, 2019, respectively.

(6) The fee simple interests include $2,073,171 (December 31, 2019 - $1,962,949) of CAPREIT's European portfolio with an implied capitalization rate of 3.91% (December 31, 2019 - 3.99%) which were valued using the DCF method at a weighted average discount rate of 5.76% and a terminal capitalization rate of 5.08% (December 31, 2019 - 5.80% and 5.14% respectively).

The table below summarizes the sensitivity impact of changes in both the capitalization rate and stabilized NOI on the fair value of CAPREIT's investment properties:

As at June 30, 2020		**Change in NOI**				
		(2.00)%	**(1.00)%**	**—%**	**+1.00%**	**+2.00%**
Change in Capitalization Rate (1)	**(0.50)%**	$ 1,670,238	$ 1,827,532	$ 1,984,826	$ 2,142,121	$ 2,299,415
	(0.25)%	630,194	776,875	923,557	1,070,239	1,216,920
	— %	(274,892)	(137,446)	—	137,446	274,893
	+0.25 %	(1,070,190)	(940,860)	(811,529)	(682,198)	(552,867)
	+0.50 %	(1,774,880)	(1,652,740)	(1,530,600)	(1,408,459)	(1,286,319)

(1) For operating leasehold interests and European properties, 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 and European properties to determine the impact on fair value of the total portfolio.

Reconciliation of Carrying Amounts of Investment Properties by Type

For the Six Months Ended June 30, 2020	**Fee Simple and MHC Land Lease Sites**	**Operating Leasehold Interests**	**Land Leasehold Interests**	**Total**
Balance of Investment Properties, beginning of the period	$ 11,934,504	$ 965,869	$ 196,053	$ 13,096,426
Additions:				
Acquisitions	467,457	—	—	467,457
Property capital investments	75,348	4,180	1,668	81,196
Capitalized leasing costs (1)	62	2	(16)	48
Operating lease buyout (2)	—	150,157	—	150,157
Dispositions	(26,260)	—	—	(26,260)
Transfer between investment property types (2)	972,721	(972,721)	—	—
Fair value adjustments	(27,635)	(1,070)	(7,267)	(35,972)
Gain on foreign currency translation	96,856	—	—	96,856
Balance of Investment Properties, end of the period	**$ 13,493,053**	**$ 146,417**	**$ 190,438**	**$ 13,829,908**

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

(2) During the six months ended June 30, 2020, CAPREIT purchased the freehold interest on nine of its operating leasehold properties and converted the ownership into fee simple.

(CA $ thousands, except unit and per unit amounts)

For the Six Months Ended June 30, 2019	Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance of Investment Properties, beginning of the period	$ 9,420,347	$ 876,067	$ 206,973	$ 10,503,387
Additions:				
Properties acquired through Business Combination [1]	135,533	—	—	135,533
Acquisitions	572,165	—	—	572,165
Property capital investments	85,279	7,126	3,308	95,713
Capitalized leasing costs [2]	(26)	13	(134)	(147)
Fair value adjustments	178,152	29,422	2,362	209,936
Loss on foreign currency translation	(51,397)	—	—	(51,397)
Balance of Investment Properties, end of the period	**$ 10,340,053**	**$ 912,628**	**$ 212,509**	**$ 11,465,190**

[1] Represents the fair value of the properties acquired as part of the Acquisition. For details, please refer to the audited consolidated annual financial statements for the year ended December 31, 2019.

[2] Comprises tenant inducements, straight-line rent and direct leasing costs.

7. Other Assets

As at	Note	June 30, 2020	December 31, 2019
Other non-current assets			
Property, plant and equipment [1]		$ 55,247	$ 51,306
Accumulated amortization of property, plant and equipment		(39,730)	(36,366)
Net property, plant and equipment		15,517	14,940
Right-of-use asset, net of amortization [2]		1,454	1,777
Prepaid CMHC premiums, net [3]		83,678	79,767
Deferred loan costs, net [4]		701	1,320
Fair value through profit or loss investment		38,090	41,177
Investment in associate [6]		228,690	224,812
Derivative asset	19	819	3,984
Deferred tax asset	21	1,338	1,810
Goodwill [5]		16,133	15,848
Total		**$ 386,420**	**$ 385,435**
Other current assets			
Prepaid expenses		$ 14,495	$ 8,032
Other receivables		17,685	13,973
Derivative asset	19	4,749	—
Restricted cash		9,416	8,959
Deposits		12,878	27,796
Total		**$ 59,223**	**$ 58,760**

[1] Consists of head office and regional offices' leasehold improvements, corporate assets and information technology systems.

[2] Amortization during the three and six months ended June 30, 2020 is $151 and $323 respectively (three and six months ended June 30, 2019 - $178 and $356 respectively).

[3] Represents prepaid Canada Mortgage and Housing Corporation ("CMHC") premiums on mortgages payable net of accumulated amortization of $33,905 (December 31, 2019 - $32,175).

[4] Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of $12,418 (December 31, 2019 - $11,690).

[5] Goodwill arising from the acquisition of ECREIT on March 29, 2019, as discussed in note 4 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2019, was fully allocated to the Europe segment described in note 29 given that it is expected to benefit from the synergies of that acquisition.

[6] CAPREIT has determined that its investment in IRES should be accounted for using the equity method of accounting given the significant influence it has over IRES. In making the determination that CAPREIT does not control IRES, CAPREIT used judgment when considering the extent of its ownership interest in IRES, the level of its involvement, responsibilities and remuneration as IRES' investment manager, and the control and influence exerted over IRES by its independent board of directors and CEO. As at June 30, 2020, CAPREIT concluded

(CA $ thousands, except unit and per unit amounts)

that it continues to exert significant influence over IRES. CAPREIT will continue to reassess this conclusion should its ownership interest or the terms of the asset management agreement change. Refer to note 26 for further details.

The table below discloses CAPREIT's ownership in IRES and IRES' share price:

As at	June 30, 2020	December 31, 2019
IRES Investment		
Share ownership (%)	**18.3%**	18.3%
Number of IRES shares	**95,510,000**	95,510,000
IRES share price (€)	**1.41**	1.59

8. Other Liabilities

As at	Note		June 30, 2020		December 31, 2019
Other non-current liabilities					
Derivative liability	19	$	3,315	$	3,361
Total		**$**	**3,315**	**$**	**3,361**
Other current liabilities					
Current tax liability [(1)]	21	$	20,237	$	17,646
Derivative liability	19		6,909		3,734
Mortgage interest payable			10,224		12,011
Current lease liability			1,101		1,121
Total		**$**	**38,471**	**$**	**34,512**

(1) The current tax liability is primarily a result of reorganization of legal structures of the Dutch subsidiaries in connection with the Acquisition.

9. Accounts Payable and Accrued Liabilities

As at		June 30, 2020		December 31, 2019
Accounts payable	$	28,207	$	47,096
Accrued liabilities		57,748		51,824
Deferred revenue		13,650		11,920
Distributions payable to ERES non-controlling unitholders		1,029		832
Other		5,804		4,872
Total	**$**	**106,438**	**$**	**116,544**

10. ERES Units Held by Non-Controlling Unitholders

The ERES units held by non-controlling unitholders are classified as equity on ERES' balance sheets but are classified as a liability on CAPREIT's consolidated balance sheets. ERES units are redeemable at any time, in whole or in part, by the unitholder. Upon receipt of the redemption notice by ERES, all rights to and under the units tendered for redemption shall be surrendered, and the holder shall be entitled to receive a price per unit equal to the lesser of (i) 90% of the weighted average market price of the ERES units on the principal exchange or market on which the ERES units are listed or quoted for trading during the 10 consecutive trading days ending on the date (the "Redemption Date") on which the units were surrendered for redemption of ERES units; and (ii)100% of the closing market price on the principal exchange or market on which the ERES units are listed or quoted for trading on the Redemption Date.

As at June 30, 2020, CAPREIT valued the ERES units held by non-controlling unitholders at $323,903 (December 31, 2019 - $364,928) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the ERES units and the distributions paid to ERES non-controlling unitholders, CAPREIT recorded a (gain) loss on non-controlling interest for the three and six months ended June 30, 2020 of $34,650 and $(35,029) (three and six months ended June 30, 2019 - $6,699) in the consolidated statements of income and comprehensive income. The mark-to-market (gain) loss arises from the decrease (increase) in ERES' unit price.

(CA $ thousands, except unit and per unit amounts)

	Three Months Ended June 30,		Six Months Ended, June 30,	
	2020	**2019**	**2020**	**2019**
Mark-to-market (gain) loss on ERES units	$ 31,512	$ 5,944	$ (41,181)	$ 5,944
Distributions to ERES non-controlling unitholders	3,138	755	6,152	755
(Gain) loss on non-controlling interest	**$ 34,650**	$ 6,699	**$ (35,029)**	$ 6,699

11. Mortgages Payable

As at June 30, 2020, mortgages payable bear interest at a weighted average effective rate of 2.74% (December 31, 2019 - 2.84%) and mature between 2020 and 2034. The effective interest rate as at June 30, 2020 includes 0.05% (December 31, 2019 - 0.06%) for the amortization of the realized component of the loss on settlement of derivative financial instruments of $32,494 included in AOCL (December 31, 2019 - $32,494). As at June 30, 2020, 99.2% of CAPREIT's mortgages payable are financed at fixed interest rates. Investment properties at fair value of $13,057,211 have been pledged as security as at June 30, 2020. CAPREIT has investment properties with a fair value of $772,697 as at June 30, 2020 that are not encumbered by mortgages. Of these, $770,600 of the investment properties are located in Canada and secure only CAPREIT's acquisition and operating facility which includes Euro LIBOR and US LIBOR borrowings ("Acquisition and Operating Facility"), while the remaining properties are located in Europe. As at June 30, 2020, unamortized deferred financing costs of $13,282 and unamortized fair value loss of $738 are netted against mortgages payable.

Future principal repayments as at June 30, 2020 for the years indicated are as follows:

As at June 30, 2020	**Principal Amount**		**% of Total Principal**
2020	$ 273,042		5.8
2021	572,987	(1)	12.2
2022	541,004	(2)	11.5
2023	581,465	(2)	12.4
2024	381,053	(2)	8.1
2025 - 2034	2,346,336	(2)	50.0
	4,695,887		**100.0**
Deferred financing costs and fair value adjustments	(12,544)		
Total Portfolio	**$ 4,683,343**		

As at	**June 30, 2020**	**December 31, 2019**
Represented by:		
Mortgages payable - non-current [(1), (2)]	$ 4,032,189	$ 3,872,125
Mortgages payable - current	651,154	436,447
	$ 4,683,343	**$ 4,308,572**

(1) Included in mortgages payable as at June 30, 2020 is a $65,000 fully drawn, non-amortizing credit facility on two of the MHC sites.
(2) Included in mortgages payable as at June 30, 2020 are non-amortizing mortgages from ERES.

12. Bank Indebtedness

Effective June 30, 2020 CAPREIT amended its credit agreement to change the "conversion date" from June 30, 2020 to June 30, 2021 for when the revolving facility converts to a one-year non-revolving term facility. CAPREIT can request an extension of the conversion date by one year by requesting to the lenders prior to the conversion date. The lenders have discretion on whether to grant the extension.

(CA $ thousands, except unit and per unit amounts)

Effective November 15, 2019, CAPREIT amended its credit agreement to, among other things: (i) increase its Acquisition and Operating Facility by $100,000 to $740,000, (ii) increase its Acquisition and Operating Facility by $200,000 for four months via a bridge facility maturing on March 15, 2020 ("Bridge Facility"), as well as (iii) amend the tangible net worth requirement to $2,400,000. The Bridge Facility cannot be drawn once repaid. On March 15, 2020, the Bridge Facility expired.

CAPREIT's credit facilities include the $740,000 Acquisition and Operating Facility which can be borrowed in US dollar ("USD"), Euro or Canadian dollar, and the existing $65,000 five-year non-revolving term credit facility (collectively, the "Credit Facilities"). The $65,000 five-year non-revolving term credit facility bears interest at the bankers' acceptance rate plus 1.4% per annum (included in mortgages payable). The Acquisition and Operating Facility matures on June 30, 2022 and the margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities. The Credit Facilities are used to fund operations, acquisitions, capital improvements, letters of credit and working capital deficiencies.

On July 8, 2019, ERES entered into a new revolving credit facility ("ERES Credit Facility") for up to $76,525 (€50,000) with two Canadian chartered banks. The ERES Credit Facility will expire on July 8, 2021.

On December 12, 2019, ERES entered into a one-year revolving bridge credit facility ("ERES Bridge Facility") for up to $76,525 (€50,000) with the same two Canadian chartered banks. The ERES Bridge Facility will expire on December 6, 2020. As of June 30, 2020, no amounts were drawn on the ERES Bridge Facility (December 31, 2019 - €nil).

As at June 30, 2020	**Acquisition and Operating Facility**		**ERES Credit Facility**	
Facility	$ 740,000		$ 76,525	
Less: USD LIBOR borrowings	(608,005)	(2), (4)	—	
Letters of credit	(7,223)		—	
Available borrowing capacity	**$ 124,772**		**$ 76,525**	
Weighted average interest rate including interest rate swaps	**1.08 %**	(5)	**— %**	(6)

As at December 31, 2019	**Acquisition and Operating Facility**		**ERES Credit Facility**	
Facility	$ 740,000	(1)	$ 72,915	
Less: USD LIBOR borrowings	(579,821)	(2), (4)	(37,226)	(4)
Euro LIBOR borrowings	(6,846)	(3)	—	
Letters of credit	(7,163)		—	
Available borrowing capacity	**$ 146,170**		**$ 35,689**	
Weighted average interest rate including interest rate swaps	**1.08 %**	(5)	**1.15 %**	(6)

(1) In addition to the above facility, there was a $200,000 Bridge Facility in place. There were no amounts drawn on this Bridge Facility as of December 31, 2019. The Bridge Facility expired on March 15, 2020.

(2) CAPREIT has net USD LIBOR borrowings of USD $446,144 (December 31, 2019 - USD $446,428) that bear interest at the USD LIBOR rate plus a margin of 1.65% per annum.

(3) CAPREIT has net Euro LIBOR borrowings of €nil (December 31, 2019 - €4,694) that bear interest at the Euro LIBOR rate plus a margin of 1.65% per annum, subject to a floor of 0%.

(4) For details on cross-currency interest rate swaps, refer to note 19.

(5) Excluding the impact of interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 1.82% (December 31, 2019 - 3.44%).

(6) The ERES Credit Facility bears interest at the LIBOR rate plus a margin of 1.65% per annum. Excluding the impact of interest rate swaps, the weighted average interest rate on the ERES Credit Facility as at December 31, 2019 was 3.57%.

(CA $ thousands, except unit and per unit amounts)

13. 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 Deferred Unit Plan ("DUP") and the Restricted Unit Rights Plan ("RUR Plan"), each of which is more fully described in note 14. As at June 30, 2020, the maximum number of units issuable under CAPREIT's unit-based incentive plans (excluding ERES UOP) is 9,500,000 units (December 31, 2019 - 9,500,000 units). The maximum number of units available for future issuance under these unit incentive plans agreements as at June 30, 2020 is 596,931 units (December 31, 2019 - 729,783 units).

The unit rights and unit options issued or outstanding under CAPREIT's incentive plans and the ERES UOP as at June 30, 2020 and 2019 are as follows:

Six Months Ended June 30, 2020 (Number of units)	**ERES UOP**	**DUP**	**RUR**	**Total CAPREIT** [1]
Unit rights and unit options outstanding as at January 1, 2020	4,256,014	150,996	542,087	693,083
Issued, cancelled or granted during the period				
Issued or granted	—	9,975	87,985	97,960
Exercised or settled	—	—	(79,364)	(79,364)
Cancelled or forfeited	(56,320)	—	(236)	(236)
Distributions reinvested	—	2,127	7,973	10,100
Unit rights and unit options outstanding as at June 30, 2020	**4,199,694**	**163,098**	**558,445**	**721,543**

Six Months Ended June 30, 2019 (Number of units)	**ERES UOP**	**DUP**	**RUR**	**Total CAPREIT** [1]
Unit rights and unit options outstanding as at January 1, 2019	—	286,696	578,120	864,816
Issued, cancelled or granted during the period				
Assumed	1,143,014	—	—	—
Issued or granted	500,000	9,711	83,124	92,835
Exercised or settled	(5,333)	(89,435)	(97,053)	(186,488)
Cancelled or forfeited	(21,334)	(1)	(7,386)	(7,387)
Distributions reinvested	—	4,065	7,847	11,912
Unit rights and unit options outstanding as at June 30, 2019	**1,616,347**	**211,036**	**564,652**	**775,688**

[1] Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the six months ended June 30, 2020 and year ended December 31, 2019, including the settlement of such liabilities through the issuance of Trust Units and ERES units.

For the Period Ended	**June 30, 2020**	**December 31, 2019**
Total unit-based compensation financial liabilities, beginning of the period	$ 33,049	$ 32,805
Unit-based compensation expense	580	14,497
ERES UOP assumed as part of the Acquisition	—	487
Settlement of unit-based compensation awards for Trust Units and ERES units	(3,978)	(14,740)
Loss on foreign currency translation	7	—
Total unit-based compensation financial liabilities, end of the period	**$ 29,658**	**$ 33,049**

(CA $ thousands, except unit and per unit amounts)

Unit-based compensation financial liabilities are as follows:

As at		June 30, 2020		December 31, 2019
Non-current				
RUR	$	11,978	$	14,080
ERES UOP		545		311
	$	**12,523**	**$**	**14,391**
Current				
DUP	$	7,925	$	8,005
RUR		8,276		9,662
ERES UOP		934		991
	$	**17,135**	**$**	**18,658**
Total unit-based compensation financial liabilities, end of the period	**$**	**29,658**	**$**	**33,049**

Units or Unit-based Compensation Financial Liabilities Held by Trustees, Officers and Other Senior Management

As at June 30, 2020, 0.7% (June 30, 2019 - 0.8%) of all Trust Units outstanding were held by trustees, officers and other senior management of CAPREIT.

14. Unit-based Compensation Expense (Recovery)

These costs represent unit-based compensation expense (recovery), which include fair value remeasurements at each reporting date recognized over the respective vesting periods for each plan for the periods ended June 30, 2020 and 2019, as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
		2020		2019		2020		2019
DUP	$	1,167	$	(508)	$	(122)	$	1,864
RUR Plan		3,828		123		345		5,233
EUPP		103		90		213		160
ERES UOP		947		283		357		283
Unit-based compensation expense (recovery)	**$**	**6,045**	**$**	**(12)**	**$**	**793**	**$**	**7,540**

a) DUP

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

For the Six Months Ended	June 30, 2020					June 30, 2019				
		Weighted Average Issue Price		Fair Value per Unit	Number of Units		Weighted Average Issue Price		Fair Value per Unit	Number of Units
Outstanding, beginning of the period	$	30.09	$	53.01	150,996	$	26.31	$	44.30	286,696
Granted during the period		45.35		—	9,975		49.83		—	9,711
Additional unit distributions		50.93		—	2,127		48.46		—	4,065
Settled or cancelled during the period		—		—	—		26.40		—	(89,436)
Outstanding, end of the period	**$**	**31.29**	**$**	**48.59**	**163,098**	**$**	**27.78**	**$**	**48.36**	**211,036**

The fair value of DUPs represents the closing price of the Trust Units on the TSX on the last trading day on which the Trust Units traded as of the reporting date.

(CA $ thousands, except unit and per unit amounts)

b) RUR Plan

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

For the Six Months Ended	June 30, 2020			June 30, 2019		
	Weighted Average Issue Price	Fair Value per Unit	Number of Units	Weighted Average Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the period	$ 32.69	$ 53.01	542,087	$ 29.23	$ 44.30	578,119
Granted during the period	59.00	—	87,985	47.84	—	83,124
Additional unit distributions	50.47	—	7,973	48.48	—	7,847
Settled or cancelled during the period	23.79	—	(79,600)	28.34	—	(104,438)
Outstanding, end of the period	**$ 38.36**	**$ 48.59**	**558,445**	**$ 32.40**	**$ 48.36**	**564,652**

The fair value of RURs represents the closing price of the Trust Units on the TSX on the last trading day on which the Trust Units traded as of the reporting date.

c) EUPP

The EUPP grants all employees the right to receive an additional amount equal to 20% of the Trust Units they acquire, paid in the form of additional Trust Units. This additional amount is expensed as compensation on issuance of the Trust Units.

d) ERES UOP

A summary of unit option activity for the six months ended June 30, 2020 and 2019 is presented below.

For the Six Months Ended	June 30, 2020		June 30, 2019	
	Weighted Average Issue Price	Number of Units	Weighted Average Issue Price	Number of Units
Outstanding unit options, beginning of the period	$ 4.41	4,256,014	$ —	—
Assumed	—	—	3.97	1,143,014
Issued or granted	—	—	4.00	500,000
Exercised or settled	—	—	3.75	(5,333)
Cancelled or forfeited	3.26	(56,320)	4.22	(21,334)
Outstanding unit options, end of the period	**4.42**	**4,199,694**	**3.98**	**1,616,347**
Exercisable unit options, end of the period	**$ 4.02**	**818,694**	**$ 3.94**	**373,120**

The fair value of ERES 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	June 30, 2020	December 31, 2019
Number of units	**4,199,694**	4,256,014
Weighted average issue price	**$ 4.42**	$ 4.41
Weighted average risk-free rate (%)	**0.33**	1.68
Weighted average distribution yield (%)	**3.88**	3.29
Weighted average expected years	**3.91**	4.38
Weighted average volatility (%)	**33.40**	25.00
Weighted average unit option value	**$ 0.67**	$ 0.82

(CA $ thousands, except unit and per unit amounts)

15. Exchangeable LP Units

On June 30, 2020, Class B limited partnership units of CAPLP ("Exchangeable LP Units") were issued in connection to the operating lease buyouts as described in notes 6 and 24. Exchangeable LP 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. Exchangeable LP Units are not eligible for the Distribution Reinvestment Plan ("DRIP"). An equivalent number of special voting units ("Special Voting Units") were issued at the same time as the Exchangeable LP Units. The holders of these Special Voting 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 LP Units are entitled to an equivalent number of votes at all meetings of holders of Trust Units ("Unitholders") or in respect of any written resolution of Unitholders equal to the number of Exchangeable LP Units held. The carrying value of the Exchangeable LP Units is measured at their fair value of $30,746 as at June 30, 2020 (December 31, 2019 - $nil), which is based on the closing price of the Trust Units. The number of issued and outstanding Exchangeable LP Units is as follows:

For the Six Months Ended June 30,	2020	2019
Exchangeable LP Units outstanding, beginning of the period	—	—
Issued or granted	632,761	—
Exchangeable LP Units outstanding, end of the period	**632,761**	**—**

16. Unitholders' Equity

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. The authorized capital of CAPREIT consists of an unlimited number of Trust Units, an unlimited number of Special Voting Units and 25,840,600 preferred units ("Preferred Units"). As at June 30, 2020, no Preferred Units were issued and outstanding. 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 Trust 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 ("IAS 32"). 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, and accordingly earnings per unit has not been presented.

The number of issued and outstanding Trust Units (excluding unit rights issued or outstanding under CAPREIT's incentive plans) is as follows:

For the Six Months Ended June 30,	Ref	2020	2019
Trust Units outstanding, beginning of the period		169,869,197	145,653,982
Issued or granted during the period in connection with the following:			
New Trust Units issued	(a)	—	13,368,750
DRIP	(b)	658,351	693,905
EUPP	(c)	25,028	19,719
DUP	(d)	—	89,435
RUR Plan	(e)	79,364	97,053
Trust Units outstanding, end of the period		**170,631,940**	**159,922,844**

(CA $ thousands, except unit and per unit amounts)

a) New Trust Units Issued

Six Months Ended June 30, 2020

There were no new Trust Units issued during the six months ended June 30, 2020.

Six Months Ended June 30, 2019

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Trust Units Issued
April 2019 (the "April 2019 Equity Offering")					
Bought-deal (April 23, 2019)	$ 49.00	$ 300,125	$ 13,807	$ 286,318	6,125,000
Over-allotment (April 23, 2019)	$ 49.00	45,019	950	44,069	918,750
Total		**$ 345,144**	**$ 14,757**	**$ 330,387**	**7,043,750**

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Trust Units Issued
January 2019 (the "January 2019 Equity Offering")					
Bought-deal (January 4, 2019)	$ 45.50	$ 250,250	$ 11,512	$ 238,738	5,500,000
Over-allotment (January 11, 2019)	$ 45.50	37,538	900	36,638	825,000
Total		**$ 287,788**	**$ 12,412**	**$ 275,376**	**6,325,000**

b) Distribution Reinvestment Plan

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

The EUPP grants all employees the right to receive an additional amount equal to 20% of the Trust Units they acquire, paid in the form of additional Trust Units.

d) Deferred Unit Plan

During the six months ended June 30, 2020, no DUP units were settled. During the six months ended June 30, 2019, 89,436 DUP units were settled, out of which 89,435 DUP units were settled for an equivalent number of Trust Units and the remaining DUP unit was settled in cash.

e) Restricted Unit Rights Plan

During the six months ended June 30, 2020, 79,600 RUR units were settled, out of which 79,364 RUR units were settled for an equivalent number of Trust Units and the remaining RUR units were forfeited. During the six months ended June 30, 2019, 104,438 RUR units were settled, out of which 97,053 RUR units were settled for an equivalent number of Trust Units and the remaining RUR units were settled in cash.

17. 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. Effective March 2019, monthly cash distributions declared to Unitholders increased to $0.1150 ($1.38 annually) compared to $0.1108 ($1.33 annually) effective May 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Distributions declared on Trust Units	**$ 58,824**	$ 55,111	**$ 117,517**	$ 106,374
Distributions per unit	**$ 0.345**	$ 0.345	**$ 0.690**	$ 0.682

(CA $ thousands, except unit and per unit amounts)

18. Financial Instruments, Investment Properties and Risk Management

a) Fair Value of Financial Instruments

At June 30, 2020, the fair value of CAPREIT's mortgages payable is estimated to be $4,893,000 (December 31, 2019 - $4,196,000) 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. At June 30, 2020, the principal outstanding on CAPREIT's mortgages payable is $4,695,887 (December 31, 2019 - $4,320,169) as shown in note 11.

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

	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				
Investment properties				
Fee simple and MHC land lease sites	$ —	$ —	$ 13,493,053 [1]	$ 13,493,053
Operating leasehold interests	—	—	146,417 [1]	146,417
Land leasehold interests	—	—	190,438 [1]	190,438
Investments	38,090 [2]	—	—	38,090
Derivative financial assets [3]	—	5,568	—	5,568
Liabilities				
Derivative financial liabilities [3]	—	(10,224)	—	(10,224)
ERES units held by non-controlling unitholders	(323,903)	—	—	(323,903)
Exchangeable LP Units	—	(30,746)	—	(30,746)
Total	**$ (285,813)**	**$ (35,402)**	**$ 13,829,908**	**$ 13,508,693**

(1) Fair values for investment properties are calculated using either the direct income capitalization or the discounted cash flow methods, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 6 for detailed information on the valuation methodologies and fair value reconciliation.

(2) CAPREIT's investments (excluding CAPREIT's equity-accounted investment in IRES) are accounted for as fair value through profit or loss ("FVTPL") 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 and cross-currency swap instruments 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. If the total mark-to-market value is positive, CAPREIT will consider a credit value adjustment to reflect the credit risk of the counterparty, and if the total mark-to-market value is negative, CAPREIT will consider a credit value adjustment to reflect CAPREIT's own credit risk in the fair value measurement of the interest rate swap agreements.

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. As at June 30, 2020, 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 as Level 2 of the fair value hierarchy. For assets and liabilities measured at fair value as at June 30, 2020, there were no transfers between Level 1, Level 2 and Level 3 during the period.

(CA $ thousands, except unit and per unit amounts)

b) Risk Management

The main risks arising from CAPREIT's financial instruments are interest rate, liquidity, credit and foreign currency 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 at least 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 or different financing terms from the hedging derivative assumptions, which may result in the hedging relationship being ineffective, causing volatility in earnings.

For the six months ended June 30, 2020 and 2019, a 100 basis point change in interest rates would have the following effect:

	Change in interest rates (basis points)	Increase (decrease) in net income June 30, 2020	June 30, 2019
Floating rate debt	+100	$ —	$ (3)
Floating rate debt	-100	$ —	$ 3
Cross-currency interest rate swaps [1]	+100	$ 6,407	$ 9,083
Cross-currency interest rate swaps [1]	-100	$ (6,747)	$ (8,322)

[1] Represents the parallel interest rate shift of both the LIBOR and EURIBOR forward rates.

CAPREIT's objective in managing interest rate risk is to minimize the volatility of interest expenses due to fluctuations in market interest rates. As at June 30, 2020, interest rate risk has been minimized as 99.2% (June 30, 2019 - 98.9%) of the mortgages payable are financed at fixed interest rates, with maturities staggered over a number of years. Taking into consideration interest rate swaps where hedge accounting has not been applied, 100.0% of the mortgages payable are financed at fixed interest rates.

Liquidity Risk

Liquidity risk is the risk that CAPREIT may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. Approximately 98.5% of CAPREIT's mortgages are CMHC-insured (excluding $1,042,745 of mortgages on the MHC sites and the ERES properties), which reduces the risk in refinancing mortgages. 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 and 40 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 and unencumbered assets to fund its ongoing operational and capital commitments, distributions to Unitholders, and to provide future growth in its business. As at June 30, 2020, CAPREIT had undrawn lines of credit in the amount of $124,772 (December 31, 2019 - $146,170), excluding borrowing capacity under the ERES Credit Facility, the Bridge Facility and the ERES Bridge Facility.

CAPREIT has available borrowing capacity in its Credit Facilities described in note 12 in addition to cash on hand. As a result, management has determined that CAPREIT is in a strong financial position despite the changes in the market and the heightened risk environment resulting from the COVID-19 pandemic.

(CA $ thousands, except unit and per unit amounts)

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at June 30, 2020 are as follows:

	2020 [2]	2021 - 2022	2023 - 2024	2025 onward
Mortgages payable	$ 273,042	$ 1,113,991	$ 962,518	$ 2,346,336
Bank indebtedness	—	608,005	—	—
Mortgage interest [1]	59,447	197,949	136,562	134,344
Bank indebtedness interest [1]	5,557	16,536	—	—
Other liabilities [3]	136,899	—	—	—
Derivative financial liabilities	3,432	4,543	—	2,249
ERES units held by non-controlling unitholders	—	—	—	323,903
Lease liabilities	547	2,196	1,241	34,338
Security deposits	40,848	—	—	—
Exchangeable LP Units [4]	30,746	—	—	—
Distributions payable	19,623	—	—	—
Swap premium [5]	89	344	324	6
	$ 570,230	**$ 1,943,564**	**$ 1,100,645**	**$ 2,841,176**

[1] Based on current in-place interest rates for the remaining term to maturity.
[2] Estimates of the amounts as at June 30, 2020.
[3] Related to accounts payable and accrued liabilities, current tax liability and mortgage interest payable.
[4] As described in note 15, Exchangeable LP Units are exchangeable for Trust Units on a one-for-one basis at any time at the option of the holder. Exchangeable LP Units cannot be settled in cash.
[5] Related to interest rate swaps on ERES commercial properties.

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 that a stringent policy is adopted to provide for all past due amounts. The maximum exposure to credit risk at the reporting date is the carrying value of the tenant receivables.

Foreign Currency Risk

Foreign currency risk is the financial risk exposure to unanticipated changes in the exchange rate between two currencies. CAPREIT is exposed to foreign currency risk as CAPREIT's functional and presentation currency is Canadian dollars while the functional currency of CAPREIT's fund management subsidiary in Ireland, investment in IRES and CAPREIT's subsidiaries in the Netherlands, including ERES, is the Euro.

CAPREIT manages and mitigates the exposure to foreign currency risk on its investment in IRES and subsidiaries in the Netherlands with its US LIBOR borrowings, cross-currency swap and Euro LIBOR borrowings. The (loss) gain on foreign currency translation relating to CAPREIT's subsidiaries in Ireland, and the Netherlands and IRES investment is recognized in OCI. The mark-to-market on the cross-currency swap and foreign exchange translation on the US LIBOR and Euro LIBOR borrowings are recognized in the consolidated statements of income and comprehensive income.

(CA $ thousands, except unit and per unit amounts)

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

a) *Contracts for Which Hedge Accounting Is Being Applied*

(i) 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 have been refinanced for 10-year terms and as a result 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 22). The hedging program matured in June 2013, for which hedge accounting was applied. The ineffective portion and the difference between the settled amount and the mark-to-market have been recognized in net income. All contracts have been settled.

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

As at		June 30, 2020		December 31, 2019
Derivative liability in AOCL, beginning of the period	$	(6,005)	$	(8,270)
Amortization from AOCL to interest and other financing costs		1,128		2,265
Derivative liability in AOCL, end of the period	**$**	**(4,877)**	**$**	**(6,005)**

b) *Contracts for Which Hedge Accounting Is No Longer Effective*

(ii) 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 and six months ended June 30, 2020, $67 and $134 respectively (June 30, 2019 - $67 and $134 respectively) were amortized from AOCL to mortgage interest expense.

(iii) CAPREIT had a $65,000 interest rate swap agreement fixing the bankers' acceptance rate at 2.20%, which had a maturity date of September 2022, for which hedge accounting was not being applied. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a 10-year term (see note 11 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. The hedge became ineffective in July 2017. On September 26, 2019, the $65,000 swap was settled.

c) *Contracts for Which Hedge Accounting Is Not Being Applied*

(iv) In June 2017, CAPREIT entered into a cross-currency swap to (i) hedge a USD-based loan of USD $186,436 into €163,540 effective July 2017 and (ii) convert the variable interest rate on the USD-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65%, equaling 1.20%, and maturing in June 2019. The USD-based loan was drawn from the Acquisition and Operating Facility in July 2017. As at June 30, 2019 the cross-currency swap matured and settled.

(v) In June 2019, CAPREIT entered into a new cross-currency swap to (i) hedge a USD-based loan of USD $186,190 into €163,540 effective June 2019 and (ii) convert the variable interest rate on the USD-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65%, equaling 1.08%, and maturing in June 2021. The loss on the derivative has been recorded under loss on derivative financial instruments in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2020 of $4,733 and $159 and the cumulative mark-to-market gain of $3,095 is in other current assets as at June 30, 2020.

(vi) In January 2019, CAPREIT entered into a recurring monthly cross-currency swap to convert surplus Canadian dollars into Euro denominated amounts to pay down Euro debt throughout 2019. The cross-currency swap was unwound as Canadian dollars were required. As at December 20, 2019, CAPREIT exited this swap program.

(vii) On January 31, 2020, ERES settled the €7,500 interest rate swap connected to the mortgages on the ERES commercial property located in Düsseldorf, Germany. There is a remaining €25,500 interest rate swap fixing the variable three-month EURIBOR rate at 0.49%, which matures on January 13, 2025, and results in a fixed effective interest rate of 1.87%. There is an interest rate floor agreement, which stipulates that any variable rate associated with the agreement will not be below 0%. The loss on the derivative has been recorded under loss on derivative financial instruments in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2020 of $117 and $2 and results in a $819 other non-current asset and $2,249 other non-current liability as presented in the balance sheets.

(viii) In September 2019, CAPREIT entered a cross-currency swap to (i) hedge a $65,000 CAD-based loan into €44,818 effective September 2019, and (ii) convert the variable interest rate on the CAD-based loan of banker's acceptable plus 1.40% to a Euro LIBOR fixed interest rate of 0.97%, and maturing June 28, 2021 to match the maturity on the credit facility (see note 12 for further details). The gain (loss) on the derivative has been recorded under loss on derivative financial instruments in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2020 of $1,277 and $(3,082) and the cumulative mark-to-market loss of $3,477 is in other current liabilities as at June 30, 2020

(ix) In November 2019, ERES entered into a three-month cross-currency EURIBOR/LIBOR interest rate swap in connection with the US dollar draw on the revolving credit facility of USD $28,634 to hedge into €26,000. Interest is paid at floating rates of EURIBOR plus 1.55% and LIBOR plus1.65% on the Euro and US dollar notional amounts, respectively. The cross-currency interest rate swap expired February 27, 2020. Upon the settlement of the derivative, the gain on the derivative has been recorded under loss on derivative financial instruments of $1,134.

(x) In December 2019, CAPREIT entered a cross-currency swap to (i) hedge a USD $177,296 USD-based loan into €160,000 effective December 2019 and (ii) convert the variable interest rate on the USD-based loan of US LIBOR plus 1.65% to a EURIBOR fixed interest rate of 1.06%, and maturing November 30, 2020. The loss on the derivative has been recorded under loss on derivative financial instruments in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2020 of $4,237 and $291 and the cumulative mark-to-market loss of $3,432 is in other current liabilities as at June 30, 2020.

(xi) In December 2019, CAPREIT entered a cross-currency swap to (i) hedge a USD $82,525 USD-based loan into €74,000 effective December 2019 and (ii) convert the variable interest rate on the USD-based loan of US LIBOR plus 1.65% to a EURIBOR fixed interest rate of 1.05%, and maturing December 31, 2021. The loss on the derivative has been recorded under loss on derivative financial instruments in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2020 of $1,990 and $373 and the cumulative mark-to-market loss of $1,066 is in other non-current liabilities as at June 30, 2020.

(xii) In February 2020, ERES entered into a two-month cross-currency EURIBOR/LIBOR interest rate swap in connection with the US dollar draw on the revolving credit facility of USD $28,300 to hedge into €26,045. Interest is paid at floating rates of EURIBOR plus 1.55% and LIBOR plus 1.65% on the Euro and US dollar notional amounts, respectively. The cross-currency interest rate swap expired on April 27, 2020. The gain on the derivative has been recorded under loss on derivative financial instruments in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2020 of $699 and $161. The gain on the derivative is offset by the aggregate foreign exchange loss recognized on conversions of the US dollar borrowings on the ERES Credit Facility at period end and settlement date exchange rates (included within (loss) gain on foreign currency translation in the consolidated statements of income and comprehensive income).

(xiii) In April 2020, ERES entered into a three-month foreign exchange swap in connection with the excess proceeds from the mortgage financing drawn down during the quarter of €31,000 to hedge into USD $33,558. The USD proceeds were simultaneously invested into a three-month guaranteed investment certificate, earning interest at a rate of 1.30% per annum. The gain on the derivative has been recorded under loss on derivative financial instruments in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2020 of $1,654 and the cumulative mark-to-market gain of $1,654 is in other current assets as at June 30, 2020.

(CA $ thousands, except unit and per unit amounts)

20. Capital Management

CAPREIT defines capital as the aggregate of Unitholders' equity, mortgages payable, bank indebtedness and Exchangeable LP Units. CAPREIT's objectives when managing capital are to safeguard its ability to continue to fund its distributions to Unitholders, meet its repayment obligations under its mortgages and credit facilities, and 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 12) require compliance with certain financial covenants. In addition, borrowings must not exceed the borrowing base, calculated at a predefined percentage of 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.

Under the terms of CAPREIT's Large Borrower Agreement ("LBA") with CMHC, total indebtedness of CAPREIT is limited to the 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 is as follows:

As at	June 30, 2020	December 31, 2019
Mortgages payable	$ 4,683,343	$ 4,308,572
Bank indebtedness	608,005	623,893
Unitholders' equity	8,526,781	8,403,895
Exchangeable LP Units	30,746	—
Total capital	**$ 13,848,875**	**$ 13,336,360**

(CA $ thousands, except unit and per unit amounts)

The results of CAPREIT's compliance with the key covenants are summarized below:

	Threshold	June 30, 2020	December 31, 2019
Total debt to gross book value [(1)]	Maximum 70.00 %	**36.30 %**	34.99 %
Tangible net worth [(2)]	Minimum $2,400,000	**$ 8,571,052**	$ 8,421,096
Debt service coverage ratio (times) [(3), (4)]	Minimum 1.20	**1.99**	1.87
Interest coverage ratio (times) [(3), (5)]	Minimum 1.50	**3.91**	3.69

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

(2) As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' equity and unit-based rights and compensation liabilities or assets, including Exchangeable LP Units added back, and excluding goodwill. The tangible net worth requirement is $2,400,000 (December 31, 2019 - $2,400,000).

(3) Based on the trailing four quarters.

(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.

CAPREIT's subsidiary, ERES, is subject to various debt covenants contained in ERES' credit facilities. ERES must have a maximum debt to gross book value of 65%, a maximum debt to market value of portfolio of 60%, a minimum tangible net worth of € 372,400, a minimum debt service coverage ratio of 1.35, and a minimum interest coverage ratio of 1.5. As at June 30, 2020, ERES is in compliance with its debt covenants.

Due to the recent emergence of the COVID-19 pandemic, CAPREIT has been closely monitoring its investment and debt restrictions along with the financial covenants contained in CAPREIT's Credit Facilities, LBA and DOT. Management has performed stress-testing on CAPREIT's covenants prescribed above to ensure that CAPREIT continues to meet its covenant obligations long term.

(CA $ thousands, except unit and per unit amounts)

21. Income Taxes

CAPREIT is taxed as a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act") and continues to meet the prescribed conditions relating to the nature of its assets and revenues in order to qualify as a Real Estate Investment Trust eligible for the REIT exception to the specified investment flow-through ("SIFT") rules. The Trust expects to distribute all of its taxable income to its Unitholders; accordingly, no provision for Canadian income tax has been made. Income tax obligations relating to the distributions from CAPREIT are with the individual Unitholder, with the exception of Canadian withholding taxes for distributions to non-resident Unitholders.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgment is required in the estimation of income taxes and deferred income tax assets and liabilities in each of CAPREIT's operating jurisdictions. Income taxes may be paid where activities relating to the foreign subsidiaries are considered to be taxable in those countries.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Income before income taxes	$ 64,578	$ 170,352	$ 149,718	$ 378,664
Income not subject to taxation [1]	(50,506)	(157,675)	(108,401)	(352,245)
Income before income taxes in foreign subsidiary entities	14,072	12,677	41,317	26,419
Tax calculated at the Dutch corporate tax rate of 25%	3,518	3,169	10,329	6,605
Increase (decrease) resulting from:				
Expenses not deductible for tax	—	218	—	218
Effect of different tax rates in countries in which CAPREIT operates	(64)	(106)	(183)	(119)
Adjustments to deferred taxes for the current and future years' change in tax rates	(363)	(208)	(1,229)	(815)
Adjustments for difference in tax rates for first €200 of income	(135)	205	(419)	(245)
Other adjustments	360	(255)	325	181
Provision for income taxes	**$ 3,316**	**$ 3,023**	**$ 8,823**	**$ 5,825**

[1] Relates to Canadian income subject to tax at the Unitholder level.

A breakdown of current and deferred income tax expense is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Current income tax expense (recovery)	$ 360	$ (1,029)	$ 1,941	$ 17,022
Deferred income tax expense (recovery)	2,956	4,052	6,882	(11,197)
Deferred and current income tax expense (net)	**$ 3,316**	**$ 3,023**	**$ 8,823**	**$ 5,825**

Deferred income tax assets (liabilities) are primarily due to the following:

As at	**June 30, 2020**	**December 31, 2019**
Deferred tax liability related to difference in tax and book basis of investment properties	$ (41,550)	$ (33,000)
Deferred tax assets related to loss carryforward	2,838	2,498

Due to the reorganization of the legal structure of the Dutch subsidiaries as a result of the Acquisition, capital gains were triggered. Therefore, $18,050 was reclassified from deferred income tax liability to current income tax liability during the six months ended June 30, 2019.

As at June 30, 2020, CAPREIT has total non-capital loss carryforwards of $14,430 (December 31, 2019 - $12,459). Of these losses, $10,142 are in respect of the Dutch subsidiaries and expire between 2025 and 2027. The remaining losses of $4,288 are in respect of German subsidiaries and have no expiry period.

(CA $ thousands, except unit and per unit amounts)

22. Accumulated Other Comprehensive Income (Loss)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
AOCL balance, beginning of the period	$ 66,526	$ 572	$ (19,510)	$ 28,846
Other comprehensive (loss) income:				
Amortization from AOCL to interest and other financing costs [1], [2]	633	808	1,267	1,448
Gain (loss) on foreign currency translation	(24,616)	(6,760)	60,786	(35,674)
Other comprehensive (loss) income	**(23,983)**	**(5,952)**	**62,053**	**(34,226)**
AOCL balance, end of the period	**$ 42,543**	**$ (5,380)**	**$ 42,543**	**$ (5,380)**

	June 30, 2020	December 31, 2019
AOCL comprises:		
Loss on derivative financial instruments		
Cumulative realized loss	$ (9,908) [1]	$ (9,908) [1]
Accumulated amortization to interest and other financing costs	9,395	9,261
Unamortized balance of loss on cash flow hedges previously settled	(55)	(61)
Loss on interest rate swap agreements	—	—
Loss on forward interest rate hedge	(22,884) [2]	(22,884) [2]
Accumulated amortization to interest and other financing costs	18,007	16,880
Cumulative gain (loss) on foreign currency translation	44,861	(15,925)
Reversal of cumulative foreign currency translation relating to IRES ownership dilution	3,127	3,127
AOCL balance, end of the period	**$ 42,543**	**$ (19,510)**

(1) The cumulative realized loss on derivative financial instruments aggregating to $9,908 will be amortized to net income as mortgage interest expense over periods ending December 2017 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 $270.

(2) The realized loss component of the $22,884 OCI loss on forward interest rate hedges is $22,586, which will be amortized to net income as mortgage interest expense over the original 10-year term of the hedged contracts. The estimated amount of the amortization expected to be reclassified to net income from AOCL in the next 12 months is $2,242.

23. Interest and Other Financing Costs

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Interest on mortgages payable [1]	$ 32,000	$ 29,415	$ 62,887	$ 58,179
Amortization of CMHC premiums and fees	1,083	1,023	2,165	2,026
Interest on bank indebtedness and other deferred costs [2]	2,091	2,430	4,401	3,842
Interest on land and air rights lease liability	1,737	381	2,254	833
	$ 36,911	**$ 33,249**	**$ 71,707**	**$ 64,880**

(1) Includes amortization of deferred financing costs, fair value adjustments and OCI hedge interest for the three and six months ended June 30, 2020 of $1,638 and $3,016 respectively (three and six months ended June 30, 2019 - $1,194 and $2,365 respectively).

(2) Includes amortization of deferred loan costs for the three and six months ended June 30, 2020 of $335 and $728 respectively (three and six months ended June 30, 2019 - $319 and $639 respectively) and OCI hedge interest of $nil and $nil respectively (three and six months ended June 30, 2019 - $83 and $167 respectively).

(CA $ thousands, except unit and per unit amounts)

24. Supplemental Cash Flow Information

a) *Net Income Items Related to Investing and Financing Activities*

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Dividend and interest income	$ (184)	$ (655)	$ (2,032)	$ (1,121)
Distributions to ERES non-controlling unitholders	3,138	755	6,152	755
Interest paid on mortgages	30,067	28,053	61,366	55,547
Interest paid on bank indebtedness	963	1,412	2,877	2,514
Interest paid on leases	1,737	381	2,254	833
Net disbursements	**$ 35,721**	**$ 29,946**	**$ 70,617**	**$ 58,528**

b) *Changes in Non-cash Operating Assets and Liabilities*

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Prepaid expenses	$ (2,818)	$ (8,807)	$ (6,425)	$ (12,288)
Tenant inducements, direct leasing costs and other adjustments	(60)	(854)	39	(116)
Other receivables	(1,039)	1,276	(3,712)	(804)
Deposits	(906)	409	(1,894)	13
Accounts payable and other liabilities	20,822	(12,581)	232	(3,340)
Security deposits	(613)	914	1,066	1,815
Current tax liability	1,145	(1,112)	1,541	(1,112)
Net increase (decrease) in non-cash operating assets and liabilities	**$ 16,531**	**$ (20,755)**	**$ (9,153)**	**$ (15,832)**

c) *Net Cash Distributions to Unitholders and ERES Non-Controlling Unitholders*

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Distributions declared to Unitholders and ERES non-controlling unitholders	$ (61,962)	$ (55,866)	$ (123,669)	$ (107,129)
Add: Distributions payable to Unitholders at beginning of the period	(19,580)	(17,528)	(19,533)	(16,143)
Less: Distributions payable to Unitholders at end of the period	19,623	18,382	19,623	18,382
Less: Distributions to participants in the DRIP	13,548	16,809	32,342	32,067
Add: Distributions payable to ERES non-controlling unitholders at beginning of the period	(460)	—	(832)	—
Less: Distributions payable to ERES non-controlling unitholders at end of the period	1,029	686	1,029	686
(Loss) gain on foreign currency translation	9	10	(23)	10
Net disbursements	**$ (47,793)**	**$ (37,507)**	**$ (91,063)**	**$ (72,127)**

d) *Capital Investments*

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Capital investments	$ (40,217)	$ (55,241)	$ (85,137)	$ (98,156)
Change in capital investments included in accounts payable and other liabilities	(10,978)	4,380	(13,391)	1,246
Net disbursements	**$ (51,195)**	**$ (50,861)**	**$ (98,528)**	**$ (96,910)**

(CA $ thousands, except unit and per unit amounts)

e) Acquisition of Investment Properties

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Acquired properties	$ —	$ (351,875)	$ (467,457)	$ (572,165)
Fair value adjustment of assumed debt	—	67	(463)	67
Assumed debt	—	74,346	108,744	74,346
Deposit on purchases	(528)	6,928	16,812	299
Net disbursements	**$ (528)**	**$ (270,534)**	**$ (342,364)**	**$ (497,453)**

f) Operating Lease Buyout

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating lease buyout	$ (131,112)	$ —	$ (150,157)	$ —
Issuance of Exchangeable LP Units	30,746	—	30,746	—
Net disbursements	**$ (100,366)**	**$ —**	**$ (119,411)**	**$ —**

g) Disposition of Investment Properties

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Proceeds	$ —	$ —	$ 26,260	$ —
Closing costs	—	—	(753)	—
Working capital adjustments	—	—	(8)	—
Mortgages assumed by purchasers and discharged	—	—	(10,166)	—
Net proceeds	**$ —**	**$ —**	**$ 15,333**	**$ —**

h) Issuance of Trust Units

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Issuance of Trust Units	$ 3,321	$ 335,298	$ 5,113	$ 615,812
Settlement of unit-based compensation awards for Trust Units	(2,699)	(4,573)	(3,978)	(9,296)
Net proceeds	**$ 622**	**$ 330,725**	**$ 1,135**	**$ 606,516**

(CA $ thousands, except unit and per unit amounts)

i) Mortgage Portfolio

The following table summarizes the movement in mortgages payable during the period:

For the Six Months Ended June 30,		2020		2019
Balance, beginning of the period	$	4,308,572	$	3,728,333
Add:				
New borrowings on acquisitions		200,928		181,673
Refinanced		223,292		184,107
Less:				
Mortgage principal repayments		(66,699)		(62,082)
Mortgages matured		(121,942)		(103,722)
Mortgages repaid on dispositions of investment properties		(10,166)		—
Non-cash adjustments:				
Mortgages assumed [(1)]		108,744		147,814
Loss (gain) on foreign currency translation		41,561		(22,669)
Change in deferred financing costs, fair value adjustments, net		(947)		(324)
Balance, end of the period	**$**	**4,683,343**	**$**	**4,053,130**

[(1)] Includes the mortgages on the properties acquired as part of the Acquisition.

j) Bank Indebtedness

The following table summarizes the movement in bank indebtedness during the period:

For the Six Months Ended June 30,		2020		2019
Balance, beginning of the period	$	623,893	$	567,365
Net repayments before foreign currency translation		(47,843)		(244,804)
Loss (gain) on foreign currency translation		31,955		(23,592)
Balance, end of the period	**$**	**608,005**	**$**	**298,969**

25. Revenue and Other Income (Loss)

Other income (loss)

		Three Months Ended June 30,				Six Months Ended June 30,		
		2020		2019		2020		2019
Investment income (loss)	$	(346)	$	362	$	486	$	729
Net (loss) profit from equity-accounted investment [(1)]		(5,536)		7,668		(2,787)		9,652
Asset and property management fees [(2)]		2,393		1,757		4,740		3,713
Other		285		853		1,300		952
Total	**$**	**(3,204)**	**$**	**10,640**	**$**	**3,739**	**$**	**15,046**

[(1)] CAPREIT's share of IRES' investment property fair value change, earnings and foreign exchange effects thereon. For the three and six months ended June 30, 2020, CAPREIT's share of IRES's investment property fair value (loss) gain is $(7,690) (three and six months ended June 30, 2019 - $6,000).

[(2)] Based on investment management agreement with IRES, which owns properties in Ireland.

In accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), management has evaluated the lease and non-lease components of its revenue and income. Revenues under IFRS 15 consist of asset and property management fees listed above and miscellaneous revenues. For the three and six months ended June 30, 2020, miscellaneous revenues of $4,327 and $9,283 respectively were included in revenue from investment properties (three and six months ended June 30, 2019 - $4,407 and $8,440 respectively). Miscellaneous revenues consist of cable income, common area maintenance recoveries and premium service components.

(CA $ thousands, except unit and per unit amounts)

26. Related Party Transactions

a) IRES Transactions

As at June 30, 2020, CAPREIT has an 18.3% share ownership in IRES and has determined that it has significant influence over IRES. Pursuant to a placing of shares completed by IRES in June 2019 and July 2019, CAPREIT's share ownership increased to 18.3% from 18.0%. The share ownership is held through a subsidiary of CAPREIT, Irish Residential Properties Fund. See note 7 for a more detailed description.

Included in other income for the three and six months ended June 30, 2020 are asset management and property management fees of $2,393 and $4,740 respectively (three and six months ended June 30, 2019 - $1,757 and $3,713 respectively). Expenses related to the asset and property management services are included in trust expenses. The amount receivable from IRES as at June 30, 2020 is $4,001 (December 31, 2019 - $2,730).

b) Transactions with Key Management Personnel

Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR Plan and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are entitled to termination benefits that provide for 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 June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Short-term employee benefits	$ 840	$ 700	$ 1,767	$ 1,225
Unit-based compensation - grant date amortization [1]	681	581	1,243	2,124
	1,521	1,281	3,010	3,349
Unit-based compensation - fair value remeasurement	2,190	(1,221)	(1,378)	2,373
Total	**$ 3,711**	**$ 60**	**$ 1,632**	**$ 5,722**

[1] 2019 figures include $750 of accelerated vesting of previously granted RUR units related to the former President and CEO.

c) ERES Transactions

New Management Agreement

Upon closing of the Acquisition, CAPREIT and CanLiving (together, the "Manager") entered into a new management agreement with ERES pursuant to which the Manager will act as the asset manager to ERES, except for the commercial properties (the "New Management Agreement"). The Manager will, among other things, provide strategic, advisory, asset management, project management, construction management and administrative services necessary for ERES.

The New Management Agreement provides for a broad range of asset management services for the following fees:

a) An annual asset management fee in the amount of 0.35% of the historical purchase price of ERES' properties excluding the commercial properties plus HST/VAT;

b) An acquisition fee in the amount of (i) 1.0% of the purchase price paid by ERES or one or more of its subsidiaries for the purchase of a residential or commercial real property of ERES located in Europe, on the first €100,000 of such properties acquired in each fiscal year, (ii) 0.75% of the purchase price paid by ERES or one or more of its subsidiaries for the purchase of such a property, on the next €100,000 of such properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by ERES or one or more of its subsidiaries for the purchase of such a property, on properties in excess of €200,000 acquired in each fiscal year, plus VAT;

c) A capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project (other than in respect of the commercial properties) with costs in excess of €1,000, excluding work done on behalf of tenants or any maintenance expenditures, plus VAT; and

d) A financing fee equal to 0.25% of the debt and equity of all financing or refinancing transactions completed for ERES or any of its subsidiaries, which is intended to cover the actual expenses incurred by the Manager in supplying services to ERES relating to financing transactions. To the extent that the financing fees paid by ERES exceed the actual amount of such expenses, the Manager will reimburse ERES for the difference. To the extent that the financing fees charged by the Manager are less than the actual amount of such expenses, ERES will pay the difference as an additional financing fee amount.

During the three and six months ended June 30, 2020, the Manager recorded asset management fees from ERES of $1,784 and $3,320, respectively (three and six months ended June 30, 2019 - $655 and $675).

Any asset management fees and acquisition fees charged by the Manager to ERES are eliminated upon consolidation in these condensed consolidated interim financial statements.

Property Management Agreement

Prior to closing of the Acquisition, ERES had a property management agreement with CanLiving. Under the terms of the agreement, CanLiving received 3.5%, effective February 2019 (2.5% previously) of EGI (effective gross income) for its services. CanLiving was a subsidiary of Holding BV prior to December 27, 2018, when Holding BV transferred the shares of CanLiving to CAPREIT.

Upon closing of the Acquisition, CanLiving entered into a new property management agreement with ERES pursuant to which CanLiving will act as the property manager to ERES for residential properties and receive 3.5% of EGI for its services.

During the three and six months ended June 30, 2020, CAPREIT recorded property management fees from ERES of $910 and $1,776 respectively (three and six months ended June 30, 2019 - $397 and $749 respectively).

Any property management fees charged by CanLiving to ERES are eliminated upon consolidation in these condensed consolidated interim financial statements.

Services Agreement

The Manager has entered into a services agreement with ERES, pursuant to which the Manager will provide ERES with certain administrative services, including financial, information technology, internal audit and other support services as may be reasonably required from time to time. The Manager will provide these services to ERES on a cost recovery basis.

During the three and six months ended June 30, 2020, the Manager recorded service fees from ERES of $142 and $332 respectively (three and six months ended June 30, 2019 - $126).

Any service fees charged by the Manager to ERES are eliminated upon consolidation in these condensed consolidated interim financial statements.

Pipeline Agreement

CAPREIT entered into a pipeline agreement with ERES (the "Pipeline Agreement") on March 29, 2019, pursuant to which CAPREIT, for a period ending on March 29, 2021, will make up to $253 million (€165 million) (the "Total Commitment") available to acquire Pipeline Properties that comply with ERES' investment policy and do not contravene the investment policy of CAPREIT for which ERES wishes to purchase but is unable to do so (a "Suitable Property Investment"). Once any part of the Total Commitment has been repaid by cash or units, that part of the Total Commitment will be available for reuse under the terms of the Pipeline Agreement. CAPREIT will receive an underwriting fee in the amount of 1.0% of the purchase price on any acquisitions under the Pipeline Agreement.

(CA $ thousands, except unit and per unit amounts)

There were no acquisitions made pursuant to the Pipeline Agreement during the three and six months ended June 30, 2020.

During the three and six months ended June 30, 2019, there were the following acquisitions made pursuant to the Pipeline Agreement.

Pursuant to the terms of the Pipeline Agreement, on May 31, 2019, subsidiaries of CAPREIT sold to ERES 26 properties representing an aggregate of 1,257 residential suites, ancillary commercial space and parking facilities, located in 24 cities and towns across Netherlands. The sale price of the portfolio was at the original acquisition cost of $350.3 million, satisfied through the transfer of $146.5 million in mortgages plus $203.8 million satisfied through the receipt of 50.6 million ERES Class B LP Units.

On June 28, 2019, subsidiaries of CAPREIT sold to ERES 21 properties representing an aggregate of 511 residential suites located in 6 locations across Netherlands at the original acquisition cost of $145.9 million, and earned an underwriting fee of $1.6 million. ERES paid $123.7 million in cash and $33.4 million through the issuance of 8.3 million ERES Class B LP Units.

27. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at June 30, 2020, in the aggregate amount of $11,557 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.

	Remaining 2020	2021	2022
Gas Commodity			
Fixed weighted average cost per GJ [(1)]	$ 2.08	$ 1.73	$ 2.05
Total of CAPREIT's estimated requirements	103.0 %	70.7 %	57.1 %
Transport			
Fixed weighted average cost per GJ [(1)]	$ 1.25	$ 1.34	$ 1.09
Total of CAPREIT's estimated requirements	96.7 %	77.2 %	57.6 %

[(1)] Fixed weighted average cost per gigajoule ("GJ") excludes other administrative costs.

Property capital investments

Commitments primarily related to capital investments in investment properties of $63,608 were outstanding as at June 30, 2020 (December 31, 2019 - 29,483).

28. Contingencies

CAPREIT is contingently liable under guarantees provided to certain of CAPREIT's and CAPREIT's subsidiaries' 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, or have been provided for in Trust expenses where appropriate.

29. Segmented Information

CAPREIT owns and operates investment properties located in Canada, the Netherlands, Germany and Belgium. In measuring performance, CAPREIT distinguishes its operations on a geographic basis and, accordingly, has identified two reportable segments for disclosure purposes after aggregation. Segments include (i) Canada and (ii) the Netherlands and other European markets. CAPREIT's chief operating decision-maker reviews operating results of the Canadian and European properties to make decisions about resources to be allocated to the segments and assess their performance.

(CA $ thousands, except unit and per unit amounts)

For the Three Months Ended June 30, 2020						
Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	$	193,944	$	25,981	$	219,925
Operating expenses		(70,398)		(6,294)		(76,692)
Net rental income	**$**	**123,546**	**$**	**19,687**	**$**	**143,233**
Fair value adjustments of investment properties	$	(12,584)	$	8,531	$	(4,053)

For the Three Months Ended June 30, 2019						
Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	$	173,753	$	17,532	$	191,285
Operating expenses		(61,841)		(3,677)		(65,518)
Net rental income	**$**	**111,912**	**$**	**13,855**	**$**	**125,767**
Fair value adjustments of investment properties	$	73,355	$	13,265	$	86,620

For the Six Months Ended June 30, 2020						
Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	$	384,585	$	51,400	$	435,985
Operating expenses		(142,470)		(12,224)		(154,694)
Net rental income	**$**	**242,115**	**$**	**39,176**	**$**	**281,291**
Fair value adjustments of investment properties	$	(66,903)	$	30,931	$	(35,972)

For the Six Months Ended June 30, 2019						
Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	$	342,319	$	30,862	$	373,181
Operating expenses		(126,839)		(6,740)		(133,579)
Net rental income	**$**	**215,480**	**$**	**24,122**	**$**	**239,602**
Fair value adjustments of investment properties	$	184,501	$	25,435	$	209,936

As at June 30, 2020						
Selected balance sheet items		Canada		Europe		Consolidated Financial Statements
Investment properties	$	11,756,737	$	2,073,171	$	13,829,908
Mortgages payable		3,676,999		1,006,344		4,683,343

As at December 31, 2019						
Selected balance sheet items		Canada		Europe		Consolidated Financial Statements
Investment properties	$	11,133,477	$	1,962,949	$	13,096,426
Mortgages payable		3,429,921		878,651		4,308,572

30. Subsequent Events

On July 15, 2020, CAPREIT closed the sale of a 188-suite townhome property located in Calgary, Alberta for $30,500. CAPREIT acquired the Queen's Park Village Townhomes in December 2002.

On July 31, 2020, ERES entered into an agreement to acquire a multi-residential property in the Netherlands, comprising 120 residential suites and 24 parking units, for a purchase price of $31,899 (€20,150), excluding transaction costs, with closing expected on or around September 1, 2020.

Unitholder Information

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STOCK EXCHANGE LISTING

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