CAPREIT

FINANCIAL REVIEW
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020

CAPREIT

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November 9, 2020

Report to Unitholders

We continue to perform well during the COVID-19 pandemic. Our objectives through this challenging period have been to preserve capital, maintain a strong financial position, mitigate risk, and generate the best operating results possible. We believe we are making solid progress on these goals.

For the nine months ended September 30, 2020 total operating revenues increased 14.8% 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 97.7% while average monthly rents rose 4.1% compared to last year. Stabilized property NOI increased by 4.1% for the nine months ended September 30, 2020, another period of strong and sustainable organic growth. Overall NOI rose 15.3% compared to the same period last year.

Normalized Funds from Operations (NFFO), the key measure of our performance, increased by 15.7% for the first nine months of 2020 due primarily 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 6.3% for the nine months ended September 30, 2020 despite the 8.8% increase in the weighted average number of Units outstanding compared to last year. Our NFFO payout ratio improved to a very strong 61.4% at September 30, 2020, underpinning the strength and stability of our monthly cash distributions.

Our balance sheet and financial position remained strong and flexible at September 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 2.65%, 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 $817 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. 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 rent collection, with over 99% of rents collected year to date. Our rent payment plans for those residents experiencing financial hardship are offered on a case-by-case basis, and to date approximately 0.7% of our total resident base has been approved for this program. We also implemented a voluntary 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 year 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-three-year history, we have the resources to weather this storm.

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 NINE MONTHS ENDED SEPTEMBER 30, 2020

NOVEMBER 9, 2020

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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 nine months ended September 30, 2020 and 2019 dated November 9, 2020, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 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. These impacts may include 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 57,000 suites and sites, including townhomes and manufactured housing sites, in Canada and, indirectly through its investment in European Residential Real Estate Investment Trust ("ERES"), approximately 5,800 suites in the Netherlands. CAPREIT manages approximately 61,200 of its owned suites in Canada and the Netherlands, and additionally approximately 3,800 suites in Ireland as at September 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 September 30, 2020, CAPREIT had 1,014 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.

SECTION II: KEY HIGHLIGHTS

SUMMARY OF Q3 - 2020 RESULTS OF OPERATIONS

Key Transactions and Events

- CAPREIT continues to invest in accretive opportunities with total acquisitions for the three months ended September 30, 2020 amounting to $74 million comprised of 389 suites located in Nova Scotia and Ontario, and $32 million comprised of 120 suites located in the Netherlands.
- Total dispositions for the three months ended September 30, 2020 of $30 million, which included 188 suites located in Alberta.

Strong Operating Results

- CAPREIT has maintained a very high level of rent collection, with over 99% of rents collected year to date.
- On turnovers, monthly residential rents for the three and nine months ended September 30, 2020 increased by 7.0% on 6.1% of the Canadian portfolio and 8.8% on 13.2% of the Canadian portfolio, compared to an increase of 13.0% on 6.9% of the Canadian portfolio and 13.6% on 14.8% of the Canadian portfolio for the three and nine months ended September 30, 2019.
- Net Average Monthly Rent ("Net AMR") for the stabilized portfolio as at September 30, 2020 increased by 3.3% compared to September 30, 2019.
- Net operating income ("NOI") increased by 4.0% and 4.1% for the stabilized portfolio for the three and nine months ended September 30, 2020, compared to an NOI increase of 3.7% and 4.7% for the stabilized portfolio for the three and nine months ended September 30, 2019.
- NOI margin for the total portfolio increased to 66.9% and 65.3% for the three and nine months ended September 30, 2020 compared to 66.6% and 65.0% for the same periods last year.
- NFFO per unit was up 5.6% and 6.3% for the three and nine months ended September 30, 2020 compared to the same periods last year.

Strong and Flexible Balance Sheet

- CAPREIT's financial position remains strong, with $234.4 million of cash and cash equivalents and $137.8 million of available liquidity on CAPREIT's Credit Facilities.
- Management expects to raise between $1,100 million and $1,200 million in total mortgage renewals and refinancings for 2020, excluding financings on acquisitions, but including mortgages on the operating lease buyout properties. Management expects to raise between $900 million and $950 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions.
- CAPREIT closed mortgage refinancing of $43.9 million and $267.2 million for the three and nine months ended September 30, 2020, with top-ups of $115.9 million, a weighted average term to maturity of 9.3 years and a weighted average interest rate of 1.93%
- For the three and nine months ended September 30, 2020 the fair value of investment properties increased by $425.6 million and $1,159.0 million respectively, primarily as a result of (i) capitalization rate compression, (ii) new acquisitions, (iii) the buyout of operating leases, (iv) progress on the development pipeline, and (v) foreign exchange gains on the European properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio increased by $269.6 million for the nine months ended September 30, 2020.

ACQUISITIONS AND DISPOSITIONS

The tables below summarize property acquisitions and dispositions for the nine months ended September 30, 2020. The below table does not include $150.2 million relating to CAPREIT's operating lease buyouts.

Acquisitions Completed During the Nine Months Ended September 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	$ 76,174	1.84	4.66
March 4, 2020	112	Montreal, QC	44,331	—	33,427	2.06	10.00
March 16, 2020	109	Edmonton, AB	28,392	— [3]	— [3]	— [3]	— [3]
August 13, 2020	88	Halifax, NS	23,033	— [3]	— [3]	— [3]	— [3]
September 1, 2020	120	The Netherlands	32,233	— [4]	— [4]	— [4]	— [4]
September 21, 2020	301	London & Sarnia, ON	51,097	— [3]	— [3]	— [3]	— [3]
Total	2,233		$ 573,820	$ 108,744	$ 109,601		
2019 Acquisition financing					$ 190,910 [5]	1.74 [5]	7.00 [5]

[1] Weighted average stated interest rate on mortgage funding.
[2] Weighted average term to maturity on mortgage funding.
[3] The acquisition was funded from CAPREIT's cash and cash equivalents invested in short-term investments.
[4] The acquisition was funded from ERES's cash and cash equivalents.
[5] Subsequent acquisition financing of $190.9 million with a weighted average interest rate of 1.74% and a weighted average term to maturity of 7.0 years relates to properties acquired in 2019.

Dispositions Completed During the Nine Months Ended September 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	—
July 15, 2020	188	Calgary, AB	30,500	19,335	11,165
Total	194		$ 56,760	$ 35,429	$ 21,331

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

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. These KPIs may be impacted by and should be read in conjunction with the risks and uncertainties discussed under "The COVID-19 Pandemic."

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 a revolving 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 temporary 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 nine months ended September 30, 2020, however, this may not be an indicator of CAPREIT's future performance.

Rent Collection

CAPREIT has maintained a very high level of rent collection, with over 99% of rents collected year to date. CAPREIT is closely monitoring its tenant receivables, and residents approved for the deferred rent payment program are approximately 0.7% 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. To the extent that economies reopen and remain open, and corresponding restrictions are relaxed, CAPREIT may increase rents as appropriate.

Residential lease renewals generally occur on July 1st in the Netherlands. The weighted average rental increase on the Dutch portfolio was 2.4%, below management's intended increase for 2020. This reflects the uncertain environment and the risk of potential stresses that may have affected some tenants due to the COVID-19 pandemic, and related governmental or similar measures limiting economic activity to essential services and imposing physical distancing restrictions.

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 will be excluded from the government imposed rent freeze. However, CAPREIT has not been imposing these increases during the pandemic.

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 July 10, 2021 at this time, except for approved above guideline increases.
- The province of Ontario has passed a legislation to freeze rent at 2020 levels until December 31, 2021, except for approved above guideline increases.
- 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 all provinces where it was instated. 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. At this time, most rental tribunal hearings have reopened or have converted to online or telephone hearings.
- British Columbia and Prince Edward Island announced they were providing temporary rental assistance to tenants, ranging from $250-$500 per month. This has now ended in both provinces as of September 30, 2020.
- The federal government previously introduced the Canada Emergency Response Benefit ("CERB") in response to the COVID-19 pandemic. The benefit period for this program has ended on October 3, 2020. Going forward, support has transitioned from CERB to the Employment Insurance program ("EI") to provide support to Canadians. Additionally, the federal government announced new recovery benefits including benefits for those not eligible for EI called the Canada Recovery Benefit ("CRB"). As per currently disclosed information on the Government of Canada's website, the programs are expected to remain available until September 25, 2021.
- 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. This program has now ended to new applicants as of September 30, 2020. The federal government has announced the new Canada Emergency Rent Subsidy ("CERS") to provide similar relief as well as mortgage support until July 2021.
- Assistance programs, such as wage subsidies, government loans, and tax deferrals. have also been enacted by the Dutch government.

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 $1,159.0 million increase in fair value for the nine months ended September 30, 2020 resulting from capitalization rate compression, new acquisitions, buyout of operating leases, progress on the development pipeline, and foreign exchange gains on the European properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio increased by $269.6 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 could 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 September 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 September 30, 2020 remains strong with:

- $137.8 million available on the Acquisition and Operating Facility,
- $234.4 million of cash and cash equivalents
- $817.2 million of investment properties that are not encumbered by mortgages.

In addition, management expects to raise between $1,100 million and $1,200 million in total mortgage renewals and refinancings for 2020, excluding financings on acquisitions, but including mortgages on the operating lease buyout properties. Management expects to raise between $900 and $950 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions. CAPREIT's mortgage program has remained stable since the COVID-19 pandemic with refinancings proceeding as scheduled with favorable interest rates for longer terms including 10 year terms. The actual refinancing 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 September 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 September 30,		Nine Months Ended September 30,	
	2020	**2019** [4]	**2020**	**2019** [4]
Portfolio Performance				
Overall portfolio occupancy [1]			**97.7%**	98.2 %
Overall portfolio net Average Monthly Rents [1]			**$ 1,113**	$ 1,069
Operating revenues (000s)	**$ 221,420**	$ 199,417	**$ 657,405**	$ 572,598
NOI (000s)	**$ 148,234**	$ 132,844	**$ 429,525**	$ 372,446
NOI margin	**66.9%**	66.6 %	**65.3%**	65.0 %
Financial Performance				
FFO per unit – basic [2]	**$ 0.585**	$ 0.554	**$ 1.680**	$ 1.572
NFFO per unit – basic [2]	**$ 0.589**	$ 0.558	**$ 1.692**	$ 1.591
Cash distributions per unit	**$ 0.345**	$ 0.345	**$ 1.035**	$ 1.027
FFO payout ratio [2]	**59.3%**	62.5 %	**61.9%**	65.8 %
NFFO payout ratio [2]	**58.8%**	62.0 %	**61.4%**	65.1 %
Liquidity and Leverage				
Total debt to gross book value [1]			**35.99%**	36.74 %
Total debt to gross historical cost [1]			**49.56%**	50.33 %
Weighted average mortgage interest rate [1]			**2.65%**	2.93 %
Weighted average mortgage term (years) [1]			**4.92**	5.18
Debt service coverage (times) [3]			**2.03**	1.79
Interest coverage (times) [3]			**4.04**	3.52
Available liquidity – Acquisition and Operating Facility (000s) [1]			**$ 137,756**	$ 44,741
Available cash and cash equivalents (000s) [1]			**$ 234,444**	$ 34,111

(1) As at September 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 September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Other Measures				
Weighted average number of units - basic (000s)	**171,628**	**160,328**	**170,810**	156,956
Number of residential suites and sites acquired	**509**	**2,358**	**2,233**	8,413
Number of suites disposed	**188**	—	**194**	—
Closing price of Trust Units [1]			**$ 46.45**	$ 54.47
Market capitalization (millions) [1]			**$ 8,008**	$ 8,774

(1) As at September 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 September 30, 2019 and are not disposed of.

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

	Net AMR			Occupied AMR			Occupancy %	
As at September 30,	**2020 AMR ($)**	**2019 AMR ($)**	**% Change AMR**	**2020 AMR ($)**	**2019 AMR ($)**	**% Change AMR**	**2020**	**2019**
Residential Suites								
Ontario								
Greater Toronto Area	**1,473**	1,431	2.9	**1,496**	1,446	3.5	**98.5**	98.9
London / Kitchener / Waterloo	**1,037**	1,009	2.8	**1,048**	1,022	2.5	**99.0**	98.7
Ottawa	**1,369**	1,309	4.6	**1,369**	1,311	4.4	**100.0**	99.9
Other Ontario	**1,382**	1,338	3.3	**1,390**	1,344	3.4	**99.5**	99.6
	1,394	1,357	2.7	**1,412**	1,370	3.1	**98.7**	99.0
Québec								
Greater Montréal Region	**998**	968	3.1	**1,022**	976	4.7	**97.6**	99.2
Québec City	**1,090**	1,067	2.2	**1,116**	1,085	2.9	**97.7**	98.3
	1,021	993	2.8	**1,045**	1,003	4.2	**97.7**	99.0
British Columbia								
Greater Vancouver Region	**1,457**	1,425	2.2	**1,474**	1,445	2.0	**98.9**	98.6
Victoria	**1,316**	1,288	2.2	**1,329**	1,296	2.5	**99.0**	99.4
	1,415	1,383	2.3	**1,430**	1,399	2.2	**98.9**	98.8
Nova Scotia								
Halifax	**1,207**	1,175	4.8	**1,244**	1,194	4.8	**97.0**	98.4
Alberta								
Calgary	**1,079**	1,103	(2.2)	**1,111**	1,115	(0.4)	**97.1**	98.9
Edmonton	**1,106**	1,197	(7.6)	**1,251**	1,214	3.0	**88.4**	98.6
	1,085	1,120	(3.1)	**1,142**	1,133	0.8	**95.0**	98.8
Prince Edward Island								
Charlottetown	**1,096**	1,067	2.7	**1,104**	1,076	2.6	**99.2**	99.1
Saskatchewan								
Regina	**974**	1,035	(5.9)	**1,046**	1,067	(2.0)	**93.2**	97.0
Total Canadian residential suites	**1,272**	1,247	2.0	**1,296**	1,260	2.9	**98.2**	99.0
Europe								
The Netherlands [1]	**1,378**	1,195	15.3	**1,400**	1,230	13.8	**98.4**	97.1
Total residential suites	**1,284**	1,241	3.5	**1,308**	1,256	4.1	**98.2**	98.8
MHC Sites								
Total MHC sites	**387**	381	1.6	**404**	397	1.8	**95.7**	96.1
Total suites and sites	**1,113**	1,069	4.1	**1,139**	1,088	4.7	**97.7**	98.2

[1] Includes foreign exchange impact and service charge income. The amounts in Euros for the total portfolio for Net AMR are €882 and €828 as at September 30, 2020 and September 30, 2019, respectively, and for Occupied AMR are €895 and €852 as at September 30, 2020 and September 30, 2019, respectively.

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

	Net AMR			**Occupied AMR**			**Occupancy %**	
As at September 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**	1,431	2.9	**1,496**	1,446	3.5	**98.5**	98.9
London / Kitchener / Waterloo	**1,052**	1,009	4.3	**1,061**	1,022	3.8	**99.2**	98.7
Ottawa	**1,369**	1,309	4.6	**1,369**	1,311	4.4	**100.0**	99.9
Other Ontario	**1,382**	1,338	3.3	**1,390**	1,344	3.4	**99.5**	99.6
	1,400	1,357	3.2	**1,418**	1,370	3.5	**98.7**	99.0
Québec								
Greater Montréal Region	**983**	968	1.5	**1,006**	976	3.1	**97.7**	99.2
Québec City	**1,090**	1,067	2.2	**1,116**	1,085	2.9	**97.7**	98.2
	1,010	993	1.7	**1,034**	1,003	3.1	**97.7**	99.0
British Columbia								
Greater Vancouver Region	**1,458**	1,425	2.3	**1,474**	1,445	2.0	**98.9**	98.6
Victoria	**1,316**	1,288	2.2	**1,329**	1,296	2.5	**99.0**	99.4
	1,415	1,383	2.3	**1,430**	1,399	2.2	**98.9**	98.8
Nova Scotia								
Halifax	**1,184**	1,175	0.8	**1,240**	1,194	3.9	**95.5**	98.4
Alberta								
Edmonton	**1,040**	1,197	(13.1)	**1,185**	1,214	(2.4)	**87.8**	98.6
Calgary	**1,066**	1,101	(3.2)	**1,100**	1,112	(1.1)	**96.9**	99.1
	1,061	1,121	(5.4)	**1,116**	1,133	(1.5)	**95.1**	99.0
Prince Edward Island								
Charlottetown	**1,080**	1,070	0.9	**1,086**	1,079	0.6	**99.5**	99.1
Saskatchewan								
Regina	**974**	1,035	(5.9)	**1,046**	1,067	(2.0)	**93.2**	97.0
Total Canadian residential suites	**1,274**	1,247	2.2	**1,298**	1,260	3.0	**98.2**	99.0
Europe								
The Netherlands [2]	**1,356**	1,195	13.5	**1,377**	1,230	12.0	**98.4**	97.2
Total residential suites	**1,283**	1,241	3.4	**1,307**	1,257	4.0	**98.2**	98.8
MHC Sites								
Total MHC sites	**387**	381	1.6	**404**	397	1.8	**95.7**	96.1
Total suites and sites	**1,103**	1,068	3.3	**1,129**	1,088	3.8	**97.7**	98.2

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

(2) Includes foreign exchange impact and service charge income. The amounts in Euros for the stabilized portfolio for Net AMR are €868 and €828 as at September 30, 2020 and September 30, 2019, respectively, resulting in a Net AMR change of 4.8%. The Occupied AMR for the stabilized portfolio is €881 and €852 as at September 30, 2020 and September 30, 2019, respectively, resulting in an Occupied AMR change of 3.4%.

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 the Netherlands, Ontario and British Columbia along with strong contributions from certain other regions, slightly offset by a currently weakening Alberta and Saskatchewan market due to economic impacts related to the COVID-19 pandemic and (ii) increases on renewals due to AGI achieved in Ontario prior to the pandemic. Weighted average gross rent per square foot was approximately $1.60 as at September 30, 2020.

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.

	2021	2020	2019
Ontario [1]	**0.0%**	**2.2%**	**1.8%**
British Columbia [2]	**1.4%**	**2.6%**	**2.5%**

[1] Ontario has passed legislation to freeze rent at 2020 levels. The rent freeze period will end on December 31, 2021.
[2] British Columbia announced a freeze on rent increases which will expire on July 10, 2021. This is 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 September 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [1]	Change in monthly rent		Turnovers and Renewals [1]
	$	%	%	$	%	%
Suite turnovers	**92.0**	**7.0**	**6.1**	157.3	13.0	6.9
Lease renewals	**12.5**	**1.1**	**20.6**	23.9	2.0	29.0
Weighted average of turnovers and renewals	**30.7**	**2.4**		49.5	4.1	

For the Nine Months Ended September 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [1]	Change in monthly rent		Turnovers and Renewals [1]
	$	%	%	$	%	%
Suite turnovers	**116.5**	**8.8**	**13.2**	166.7	13.6	14.8
Lease renewals	**13.2**	**1.1**	**59.5**	24.9	2.1	67.5
Weighted average of turnovers and renewals	**32.0**	**2.5**		50.3	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.

The Netherlands Portfolio [1]

For the Three Months Ended September 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [2]	Change in monthly rent		Turnovers and Renewals [2]
	€	%	%	€	%	%
Suite turnovers	**68.1**	**7.3**	**3.3**	58.3	7.2	3.4
Lease renewals	**18.9**	**2.4**	**93.5**	27.4	3.5	91.7
Weighted average of turnovers and renewals	**20.6**	**2.6**		28.5	3.6	

For the Nine Months Ended September 30,	2020			2019		
	Change in monthly rent		Turnovers and Renewals [2]	Change in monthly rent		Turnovers and Renewals [2]
	€	%	%	€	%	%
Suite turnovers	**74.8**	**8.4**	**10.8**	56.1	6.9	9.1
Lease renewals	**18.9**	**2.4**	**93.5**	27.4	3.5	91.7
Weighted average of turnovers and renewals	**24.7**	**3.0**		30.0	3.8	

(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 nine months ended September 30, 2020 resulted in monthly rent increase of approximately $92 or 7.0% and $117 or 8.8%, respectively, compared to an increase of approximately $157 or 13.0% and $167 or 13.6%, for the same periods last year, primarily due to the strong rental markets in Ontario and Québec. The reduced turnover increases are mainly due to the impact of the COVID-19 pandemic as discussed in Section II under The COVID-19 Pandemic.

Monthly rents on lease renewals on the Canadian residential suite portfolio (excluding co-ownerships) resulted in monthly rent increasing by approximately $13 or 1.1% for the three months ended September 30, 2020, and $13 or 1.1%, for the nine months ended September 30, 2020, compared to an increase of approximately $24 or 2.0% and $25 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 The COVID-19 Pandemic.

For the Netherlands portfolio, suite turnovers in the residential suite portfolio during the three and nine months ended September 30, 2020 resulted in monthly rent increasing by approximately €68 or 7.3% and €75 or 8.4% respectively, compared to an increase of approximately €58 or 7.2% and €56 or 6.9% respectively for the same periods last year.

As the Netherlands' lease renewals occur only once a year in July, renewals resulted in an increase of €18.9 or 2.3% for the three and nine months ended September 30, 2020 compared to an increase of €27.4 or 3.5% for the three and nine months ended September 30, 2019.

Management estimates the weighted average market rents are approximately 20% higher than average occupied Canadian residential AMR of $1,296. This is an indicator of CAPREIT's mark-to-market potential on turnover, as well as its ability to sustain current revenue levels. However, the actual change in monthly rent on turnover will vary depending on the age of tenancy.

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 - September 30, 2020	**January 1, 2019 - December 31, 2019**
Applications Settled:		
Number of suites and sites	**819**	1,565
Weighted average total increase approved [(1), (2)]	**1.83%**	1.70%
Weighted average total increase applied for [(1), (3)]	**2.07%**	2.27%
Applications Outstanding:		
Number of suites and sites	**8,107**	4,409
Term weighted average total increase applied for [(1), (4)]	**1.92%**	1.89%

(1) Weighted by number of impacted suites and sites filed.

(2) For applications settled during the nine months ended September 30, 2020, the weighted average total increase approved is to apply over a weighted average of 1.60 years (2.10 years for the year ended December 31, 2019).

(3) For applications settled during the nine months ended September 30, 2020, the weighted average total increase applied for was to apply over a weighted average of 1.60 years (1.78 years for the year ended December 31, 2019).

(4) For applications outstanding as at September 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

($ Thousands)	**Three Months Ended September 30,**				**Nine Months Ended September 30,**			
	2020	% [(1)]	**2019**	% [(1)]	**2020**	% [(1)]	**2019**	% [(1)]
New tenant inducements incurred - residential	**$ 755**		$ 406		**$ 1,149**		$ 843	
New tenant inducements incurred - commercial	**—**		—		**—**		149	
Total new tenant inducements incurred	**$ 755**		$ 406		**$ 1,149**		$ 992	
Tenant inducements amortized	**$ 486**	**0.2**	$ 408	0.2	**$ 1,203**	**0.2**	$ 1,318	0.2
Vacancy loss incurred	**5,153**	**2.3**	3,816	1.9	**14,197**	**2.2**	9,846	1.7
Total amortization and loss	**$ 5,639**	**2.5**	$ 4,224	2.1	**$ 15,400**	**2.4**	$ 11,164	1.9
Additional bad debt allowance recognized as an expense	**$ 692**	**0.3**	$ 657	0.3	**$ 3,757**	**0.6**	$ 1,592	0.3

(1) As a percentage of total operating revenues.

The increase in residential tenant inducements, vacancy loss, and expected credit loss/bad debt expense ("bad debt") were due to circumstances caused by the COVID-19 pandemic as discussed in Section II under COVID-19 Pandemic.

RESULTS OF OPERATIONS

Total Operating Revenues by Geography

For the Three Months Ended September 30,	2020		2019 [3]	
($ Thousands)		Revenue (%)		Revenue (%)
Residential Suites				
Ontario				
Greater Toronto Area	**$ 72,653**	**32.9**	$ 70,244	35.2
London / Kitchener / Waterloo	**9,746**	**4.4**	8,212	4.1
Ottawa	**6,852**	**3.1**	6,582	3.3
Other Ontario	**7,697**	**3.5**	7,517	3.9
	$ 96,948	**43.9**	$ 92,555	46.5
Québec				
Greater Montréal Region	**$ 26,459**	**11.9**	$ 24,637	12.4
Québec City	**9,071**	**4.1**	8,873	4.4
	$ 35,530	**16.0**	$ 33,510	16.8
British Columbia				
Greater Vancouver Region	**$ 16,715**	**7.5**	$ 15,894	8.0
Victoria	**6,510**	**3.0**	6,441	3.2
	$ 23,225	**10.5**	$ 22,335	11.2
Nova Scotia				
Halifax	**$ 12,329**	**5.6**	$ 6,060	3.0
Alberta				
Calgary	**$ 6,876**	**3.1**	$ 7,448	3.7
Edmonton	**1,957**	**0.9**	1,809	0.9
	$ 8,833	**4.0**	$ 9,257	4.6
Prince Edward Island				
Charlottetown	**$ 2,084**	**0.9**	$ 1,755	0.9
Saskatchewan				
Regina	**704**	**0.3**	733	0.4
Total Canadian residential suites	**$ 179,653**	**81.2**	$ 166,205	83.4
Europe				
The Netherlands [1]	**$ 24,779**	**11.2**	$ 16,384	8.2
Other Europe [2]	**2,803**	**1.3**	2,899	1.5
	$ 27,582	**12.5**	$ 19,283	9.7
Total residential suites	**$ 207,235**	**93.7**	$ 185,488	93.1
MHC Sites				
Total MHC sites	**14,185**	**6.3**	13,929	6.9
Total residential suites and MHC sites	**$ 221,420**	**100.0**	$ 199,417	100.0

(1) In € Thousands, €15,899 and €11,135 for three months ended September 30, 2020 and September 30, 2019, respectively.

(2) Comprised of ERES's revenues for the commercial properties located in Germany and Belgium. In € thousands, €1,797 for the three months ended September 30, 2020 and €1,982 for the three months ended September 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 September 30, 2020 and 2019. Increases in net rental revenue run-rate are primarily due to acquisitions within the last 12 months.

($ Thousands)

As at September 30,	2020	2019 [3]
Residential rent roll [1], [2]	$ 816,696	$ 744,113
Commercial rent roll [1], [2]	45,789	38,130
Annualized net rental revenue run-rate	$ 862,485	$ 782,243

[1] Based on the rent roll as at September 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 September 30.
[3] Certain 2019 comparative figures have been adjusted to conform with current period presentation.

Net rental revenue net of dispositions for the 12 months ended September 30, 2020 was $827.0 million (2019 - $715.6 million).

NOI

Stabilized properties for the three and nine months ended September 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 September 30, 2020, stabilized suites and sites represented 79.9% of CAPREIT's total portfolio excluding co-ownerships.

($ Thousands)	Total NOI			Stabilized NOI		
For the Three Months Ended September 30,	**2020**	**2019 [4]**	**% [1]**	**2020**	**2019 [4]**	**% [1]**
Operating revenues						
Net rental revenues	$ 210,485	$ 189,447	11.1	$ 179,747	$ 174,432	3.0
Other [2]	10,935	9,970	9.7	9,397	9,571	(1.8)
Total operating revenues	$ 221,420	$ 199,417	11.0	$ 189,144	$ 184,003	2.8
Operating Expenses						
Realty taxes	(20,591)	(18,853)	9.2	(18,469)	(17,999)	2.6
Utilities	(13,422)	(11,579)	15.9	(11,573)	(10,981)	5.4
Other [3]	(39,173)	(36,141)	8.4	(32,640)	(33,368)	(2.2)
Total operating expenses	$ (73,186)	$ (66,573)	9.9	$ (62,682)	$ (62,348)	0.5
NOI	$ 148,234	$ 132,844	11.6	$ 126,462	$ 121,655	4.0
NOI margin	66.9 %	66.6 %		66.9 %	66.1 %	

($ Thousands)	Total NOI			Stabilized NOI		
For the Nine Months Ended September 30,	**2020**	**2019 [4]**	**% [1]**	**2020**	**2019 [4]**	**% [1]**
Operating Revenues						
Net rental revenues	**$ 623,725**	$ 542,420	15.0	**$ 536,404**	$ 517,220	3.7
Other [2]	**33,680**	30,178	11.6	**29,405**	29,587	(0.6)
Total operating revenues	**$ 657,405**	$ 572,598	14.8	**$ 565,809**	$ 546,807	3.5
Operating Expenses						
Realty taxes	**(61,183)**	(55,065)	11.1	**(54,933)**	(53,526)	2.6
Utilities	**(47,547)**	(42,502)	11.9	**(42,095)**	(41,493)	1.5
Other [3]	**(119,150)**	(102,585)	16.1	**(100,829)**	(98,391)	2.5
Total operating expenses	**$ (227,880)**	$ (200,152)	13.9	**$ (197,857)**	$ (193,410)	2.3
NOI	**$ 429,525**	$ 372,446	15.3	**$ 367,952**	$ 353,397	4.1
NOI margin	**65.3 %**	65.0 %		**65.0 %**	64.6 %	

(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 nine months ended September 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 nine months ended September 30, 2020, the stabilized portfolio's realty taxes increased compared to the same periods last year, primarily because of increased property assessment values in Ontario, British Columbia, Alberta 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 September 30,	**2020**	**2019**	**% [1]**	**2020**	**2019**	**% [1]**
Electricity	**$ 4,890**	$ 4,193	16.6	**$ 3,991**	$ 4,035	(1.1)
Natural gas	**1,819**	1,487	22.3	**1,631**	1,449	12.6
Water	**6,713**	5,899	13.8	**5,951**	5,493	8.3
Total	**$ 13,422**	$ 11,579	15.9	**$ 11,573**	$ 10,977	5.4

($ Thousands)	Total Utilities			Stabilized Utilities		
For the Nine Months Ended September 30,	**2020**	**2019**	**% [1]**	**2020**	**2019**	**% [1]**
Electricity	**$ 17,031**	$ 15,410	10.5	**$ 14,676**	$ 15,149	(3.1)
Natural gas	**11,017**	10,598	4.0	**10,091**	10,521	(4.1)
Water	**19,499**	16,494	18.2	**17,328**	15,823	9.5
Total	**$ 47,547**	$ 42,502	11.9	**$ 42,095**	$ 41,493	1.5

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

The below tables break down the factors causing the above changes in the stabilized portfolio:

For the Three Months Ended September 30, 2020	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	(4.5)%	3.4%	Cooler weather leading to less air conditioning usage
Natural gas	3.8%	8.8%	Cooler weather increased consumption, carbon taxes increased rate
Water	4.2%	4.1%	Higher usage during the COVID-19 pandemic
Total	**(4.7)%**	**10.1%**	

For the Nine Months Ended September 30, 2020	Increase (decrease) due to consumption	Increase (decrease) due to rate	Explanation
Electricity	(3.0)%	(0.1)%	Warmer winter and cooler summer reduced consumption
Natural gas	(6.1)%	2.0%	Warmer winter reduced consumption
Water	3.2%	6.3%	Higher usage during the COVID-19 pandemic
Total	**(3.8)%**	**5.3%**	

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 nine months ended September 30, 2020.

<u>Other Operating Expenses</u>
The stabilized other operating expenses for the three months ended September 30, 2020 decreased primarily due to lower R&M costs driven by the reduced ability to complete work given restrictions and limitations imposed in connection with the COVID-19 pandemic. The stabilized other operating expenses for the nine months ended September 30, 2020 increased primarily due to higher bad debt, advertising costs and wages, partially offset by reductions in R&M expenses. The increased bad debt was driven by the economic instability caused by the COVID-19 pandemic leading to some commercial tenants and residential tenants forgoing rent payments. The increased advertising costs were also due to the COVID-19 pandemic in an effort to increase occupancies in some weakened markets.

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 September 30, 2020 and 2019:

For the Three Months Ended September 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	**$ 48,439**	**32.4**	**66.7**	$ 46,224	34.8	65.8	**4.8**
London / Kitchener / Waterloo	**6,554**	**4.4**	**67.2**	5,347	4.1	65.1	**22.6**
Ottawa	**4,568**	**3.1**	**66.7**	4,270	3.2	64.9	**7.0**
Other Ontario	**4,829**	**3.3**	**62.7**	4,960	3.7	66.0	**(2.6)**
	$ 64,390	**43.2**	**66.4**	$ 60,801	45.8	65.7	**5.9**
Québec							
Greater Montréal Region	**$ 17,586**	**11.9**	**66.5**	$ 15,272	11.5	62.0	**15.2**
Québec City	**5,727**	**3.9**	**63.1**	5,412	4.1	61.0	**5.8**
	$ 23,313	**15.8**	**65.6**	$ 20,684	15.6	61.7	**12.7**
British Columbia							
Greater Vancouver Region	**$ 11,637**	**7.9**	**69.6**	$ 11,112	8.4	69.9	**4.7**
Victoria	**4,738**	**3.2**	**72.8**	4,854	3.7	75.4	**(2.4)**
	$ 16,375	**11.1**	**70.5**	$ 15,966	12.1	71.5	**2.6**
Nova Scotia							
Halifax	**7,518**	**5.1**	**61.0**	3,820	2.9	63.0	**96.8**
Alberta							
Calgary	**$ 3,804**	**2.6**	**55.3**	$ 4,769	3.6	64.0	**(20.2)**
Edmonton	**1,223**	**0.8**	**62.5**	1,210	0.9	66.9	**1.1**
	$ 5,027	**3.4**	**56.9**	$ 5,979	4.5	64.6	**(15.9)**
Prince Edward Island							
Charlottetown	**$ 1,103**	**0.7**	**52.9**	$ 974	0.7	55.5	**13.2**
Saskatchewan							
Regina	**382**	**0.3**	**54.3**	434	0.3	59.2	**(12.0)**
Total Canadian residential suites	**$ 118,108**	**79.6**	**65.7**	$ 108,658	81.9	65.4	**8.7**
Europe							
The Netherlands (2)	**$ 18,535**	**12.5**	**74.8**	$ 12,524	9.4	76.4	**48.0**
Other Europe (3)	**$ 2,182**	**1.5**	**77.8**	$ 2,289	1.7	79.0	**(4.7)**
	$ 20,717	**14.0**	**75.1**	$ 14,813	11.1	76.8	**39.9**
Total residential suites	**$ 138,825**	**93.6**	**67.0**	$ 123,471	93.0	66.6	**12.4**
MHC sites							
Total MHC sites	**$ 9,409**	**6.4**	**66.3**	$ 9,373	7.0	67.3	**0.4**
Total suites and sites	**$ 148,234**	**100.0**	**66.9**	$ 132,844	100.0	66.6	**11.6**

(1) Represents percentage of the portfolio by NOI.

(2) In € thousands, €11,900 and €8,503 for the three months ended September 30, 2020 and September 30, 2019, respectively.

(3) Comprised of ERES' NOI for the commercial properties located in Germany and Belgium. In € thousands, €1,402 for the three months ended September 30, 2020 and €1,567 for the three months ended September 30, 2019.

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

For the Nine Months Ended September 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	**$ 141,998**	**33.0**	**65.2**	$ 135,327	36.3	65.1	**4.9**
London / Kitchener / Waterloo	**18,947**	**4.4**	**65.9**	15,261	4.1	65.3	**24.2**
Ottawa	**13,355**	**3.1**	**65.4**	12,499	3.4	64.2	**6.8**
Other Ontario	**14,290**	**3.3**	**61.9**	14,272	3.8	64.2	**0.1**
	$ 188,590	**43.8**	**65.0**	$ 177,359	47.6	65.0	**6.3**
Québec							
Greater Montréal Region	**$ 48,324**	**11.3**	**61.3**	$ 42,791	11.5	58.5	**12.9**
Québec City	**16,728**	**3.9**	**61.6**	15,675	4.2	58.8	**6.7**
	$ 65,052	**15.2**	**61.3**	$ 58,466	15.7	58.6	**11.3**
British Columbia							
Greater Vancouver Region	**$ 34,624**	**8.1**	**69.1**	$ 31,207	8.4	69.5	**10.9**
Victoria	**14,137**	**3.3**	**72.2**	13,647	3.7	74.2	**3.6**
	$ 48,761	**11.4**	**70.0**	$ 44,854	12.1	70.8	**8.7**
Nova Scotia							
Halifax	**$ 20,007**	**4.7**	**58.8**	$ 10,883	2.9	60.4	**83.8**
Alberta							
Calgary	**$ 12,203**	**2.8**	**55.2**	$ 12,589	3.4	57.4	**(3.1)**
Edmonton	**3,399**	**0.8**	**58.6**	3,489	0.9	65.5	**(2.6)**
	$ 15,602	**3.6**	**55.9**	$ 16,078	4.3	59.0	**(3.0)**
Prince Edward Island							
Charlottetown	**$ 3,184**	**0.7**	**50.8**	$ 2,587	0.7	50.2	**23.1**
Saskatchewan							
Regina	**$ 1,149**	**0.3**	**53.5**	$ 1,202	0.3	55.3	**(4.4)**
Total Canadian residential suites	**$ 342,345**	**79.7**	**63.9**	$ 311,429	83.6	63.7	**9.9**
Europe							
The Netherlands [2]	**$ 53,208**	**12.4**	**75.3**	$ 34,220	9.2	77.1	**55.5**
Other Europe [3]	**6,685**	**1.6**	**79.9**	4,715	1.3	80.0	**41.8**
	$ 59,893	**14.0**	**75.8**	$ 38,935	10.5	77.5	**53.8**
Total residential suites	**$ 402,238**	**93.7**	**65.4**	$ 350,364	94.1	65.0	**14.8**
MHC Sites							
Total MHC sites	**27,287**	**6.3**	**64.3**	22,082	5.9	65.7	**23.6**
Total suites and sites	**$ 429,525**	**100.0**	**65.3**	$ 372,446	100.0	65.0	**15.3**

(1) Represents percentage of the portfolio by NOI.

(2) In € thousands, €34,949 and €22,916 for the nine months ended September 30, 2020 and September 30, 2019, respectively.

(3) Comprised of ERES' NOI for the commercial properties located in Germany and Belgium. In € thousands, €4,406 for the nine months ended September 30, 2020 and €3,181 from March 29, 2019 onwards for the nine months ended September 30, 2019.

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

STABILIZED NOI BY REGION

For the Three Months Ended September 30,	2020		2019 [11]		Increase (Decrease)		
($ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	**$ 48,055**	**66.8**	$ 46,289	66.0	**2.6**	**0.3**	**3.8** [1]
London / Kitchener / Waterloo	**5,521**	**68.3**	5,003	65.1	**5.1**	**(4.6)**	**10.4** [2]
Ottawa	**4,568**	**66.7**	4,270	64.9	**4.1**	**(1.2)**	**7.0** [3]
Other Ontario	**4,829**	**62.7**	4,960	66.0	**2.4**	**12.2**	**(2.6)** [1]
	$ 62,973	**66.6**	$ 60,522	65.9	**2.9**	**0.8**	**4.0**
Québec							
Greater Montréal Region	**$ 16,832**	**66.5**	$ 15,279	62.0	**2.7**	**(9.5)**	**10.2**
Québec City	**5,727**	**63.2**	5,424	61.1	**2.2**	**(3.0)**	**5.6**
	$ 22,559	**65.6**	$ 20,703	61.8	**2.6**	**(7.7)**	**9.0** [4]
British Columbia							
Greater Vancouver Region	**$ 10,479**	**69.9**	$ 10,261	70.6	**3.2**	**5.9**	**2.1**
Victoria	**4,443**	**72.6**	4,549	75.0	**0.9**	**10.6**	**(2.3)**
	$ 14,922	**70.7**	$ 14,810	71.9	**2.5**	**7.1**	**0.8** [5]
Nova Scotia							
Halifax	**$ 4,178**	**67.1**	$ 3,820	63.0	**2.8**	**(8.3)**	**9.4** [6]
Alberta							
Calgary	**$ 3,576**	**55.4**	$ 4,325	63.6	**(5.1)**	**16.2**	**(17.3)** [7]
Edmonton	**992**	**65.6**	1,210	66.9	**(16.4)**	**(13.0)**	**(18.0)** [8]
	$ 4,568	**57.3**	$ 5,535	64.3	**(7.5)**	**10.5**	**(17.5)**
Prince Edward Island							
Charlottetown	**$ 872**	**51.6**	$ 920	54.6	**0.4**	**7.1**	**(5.2)**
Saskatchewan							
Regina	**$ 382**	**54.3**	$ 434	59.2	**(4.0)**	**7.7**	**(12.0)**
Total Canadian residential suites	**$ 110,454**	**66.3**	$ 106,744	65.5	**2.2**	**(0.2)**	**3.5**
Europe							
The Netherlands	**$ 10,426**	**75.0**	$ 9,272	74.3	**11.4**	**8.3**	**12.4** [10]
Total residential suites	**$ 120,880**	**67.0**	$ 116,016	66.1	**2.9**	**0.2**	**4.2**
MHC sites							
Total MHC sites	**$ 5,582**	**65.0**	$ 5,639	66.7	**1.6**	**6.9**	**(1.0)** [9]
Total suites and sites	**$ 126,462**	**66.9**	$ 121,655	66.1	**2.8**	**(0.2)**	**4.0**
Stabilized suites and sites	**50,118**		50,118				

[1] Higher expenses: higher utilities costs and bad debt, partially offset by lower R&M costs.
[2] Lower expenses: lower utilities, wage and R&M costs, partially offset by higher bad debt.
[3] Lower expenses: lower wages and R&M costs, partially offset by higher utilities costs.
[4] Lower expenses: lower R&M and bad debt.
[5] Higher expenses: higher bad debt.
[6] Lower expenses: lower bad debt and R&M costs.
[7] Higher expenses: higher R&M costs.
[8] Lower expenses: lower bad debt.
[9] Higher expenses: higher realty taxes and wages.
[10] In € Thousands, €6,664 and €6,301 for the three months ended September 30, 2020 and September 30, 2019, respectively. NOI increased by €363 and 5.8%.
[11] Certain 2019 comparative figures have been adjusted to conform with current period presentation.

For the Nine Months Ended September 30,	2020		2019 [8]		Increase (Decrease)		
($ Thousands)	Stabilized NOI	NOI Margin (%)	Stabilized NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	**$ 141,275**	**65.5**	$ 135,349	65.1	**3.7**	**2.5**	**4.4**
London / Kitchener / Waterloo	**16,048**	**66.9**	14,917	65.3	**5.1**	**0.3**	**7.6**
Ottawa	**13,355**	**65.4**	12,499	64.2	**4.9**	**1.5**	**6.8**
Other Ontario	**14,290**	**61.9**	14,272	64.2	**3.8**	**10.3**	**0.1**
	$ 184,968	**65.3**	$ 177,037	65.0	**3.9**	**2.9**	**4.5** [1]
Québec							
Greater Montréal Region	**$ 46,344**	**61.1**	$ 42,799	58.5	**3.7**	**(2.9)**	**8.3**
Québec City	**16,728**	**61.6**	15,688	58.9	**2.0**	**(4.7)**	**6.6**
	$ 63,072	**61.3**	$ 58,487	58.6	**3.2**	**(3.3)**	**7.8** [2]
British Columbia							
Greater Vancouver Region	**$ 31,013**	**69.2**	$ 30,236	70.2	**4.1**	**7.6**	**2.6**
Victoria	**13,272**	**72.0**	13,255	74.0	**2.8**	**10.6**	**0.1**
	$ 44,285	**70.0**	$ 43,491	71.3	**3.7**	**8.4**	**1.8** [3]
Nova Scotia							
Halifax	**$ 11,384**	**60.9**	$ 10,883	60.4	**3.8**	**2.6**	**4.6** [4]
Alberta							
Calgary	**$ 10,776**	**54.5**	$ 11,278	56.4	**(1.2)**	**3.1**	**(4.5)**
Edmonton	**2,940**	**59.7**	3,489	65.5	**(7.5)**	**8.2**	**(15.7)**
	$ 13,716	**55.5**	$ 14,767	58.3	**(2.5)**	**4.0**	**(7.1)** [5]
Prince Edward Island							
Charlottetown	**$ 2,479**	**48.8**	$ 2,526	50.0	**0.5**	**2.9**	**(1.9)**
Saskatchewan							
Regina	**$ 1,149**	**53.5**	$ 1,202	55.3	**(1.1)**	**3.0**	**(4.4)**
Total Canadian residential suites	**$ 321,053**	**64.2**	$ 308,393	63.8	**3.4**	**2.0**	**4.1**
Europe							
The Netherlands	**$ 30,435**	**75.7**	$ 28,951	75.9	**5.5**	**6.7**	**5.1** [7]
Total residential suites	**$ 351,488**	**65.1**	$ 337,344	64.7	**3.5**	**2.3**	**4.2**
MHC Sites							
Total MHC sites	**$ 16,464**	**64.0**	$ 16,053	64.2	**2.8**	**3.3**	**2.6** [6]
Total suites and sites	**$ 367,952**	**65.0**	$ 353,397	64.6	**3.8**	**3.2**	**4.1**
Stabilized suites and sites	**50,118**		50,118				

[1] Higher expenses: higher utilities cost and bad debt partially offset by lower R&M costs

[2] Lower expenses: lower R&M costs and utilities.

[3] Higher expenses: higher bad debt, realty taxes and R&M costs.

[4] Higher expenses: higher bad debt and R&M costs.

[5] Higher expenses: higher realty taxes and R&M costs.

[6] Higher expenses: higher wages.

[7] In € thousands, €19,907 and €19,391 for the nine months ended September 30, 2020 and September 30, 2019, respectively. NOI increased by €516 and 2.7%.

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

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

($ Thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	NOI Margin (%)	2019 [2]	NOI Margin (%)	2020	NOI Margin (%)	2019 [2]	NOI Margin (%)
Stabilized NOI	**$ 126,462**	**66.9**	$ 121,655	66.1	**$ 367,952**	**65.0**	$ 353,397	64.6
Net acquisitions NOI [1]	**21,772**	**69.5**	11,189	85.2	**61,573**	**69.5**	19,049	85.2
Total NOI	**$ 148,234**	**66.9**	$ 132,844	66.6	**$ 429,525**	**65.3**	$ 372,446	65.0

(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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
NOI	**$ 148,234**	$ 132,844	**$ 429,525**	$ 372,446
(Less) plus:				
Trust expenses	**(9,984)**	(10,752)	**(31,639)**	(32,068)
Transaction costs	**—**	—	**—**	(8,527)
Unit-based compensation expense	**(694)**	(5,876)	**(1,487)**	(13,416)
Fair value adjustments of investment properties	**233,437**	263,640	**197,465**	473,576
Realized loss on disposition of investment properties	**(634)**	—	**(1,387)**	—
Amortization of property, plant and equipment	**(1,939)**	(1,593)	**(5,663)**	(4,550)
Fair value adjustments of Exchangeable LP Units	**1,354**	—	**1,354**	—
Gain (loss) on non-controlling interest [1]	**(15,913)**	(33,248)	**19,116**	(39,947)
Fair value adjustments of investments	**(348)**	2,696	**(3,435)**	8,892
(Loss) gain on derivative financial instruments	**(25,800)**	11,096	**(26,758)**	7,307
Interest on Exchangeable LP Units	**(218)**	—	**(218)**	—
Interest on mortgages payable and other financing costs	**(33,166)**	(31,305)	**(98,218)**	(91,510)
Interest on bank indebtedness and other financing costs	**(1,804)**	(3,501)	**(6,205)**	(7,343)
Interest on leases	**(1,126)**	(412)	**(3,380)**	(1,245)
(Loss) gain on foreign currency translation	**11,730**	11,668	**(19,962)**	35,260
Other income	**5,515**	4,971	**9,254**	20,017
Net income before income taxes	**$ 308,644**	$ 340,228	**$ 458,362**	$ 718,892
Current and deferred income tax expense	**(8,569)**	(9,887)	**(17,392)**	(15,712)
Net income	**$ 300,075**	$ 330,341	**$ 440,970**	$ 703,180
Other comprehensive income (loss), including items that may be reclassified subsequently to net income				
Amortization of losses from AOCI (AOCL) to interest and other financing costs	**$ 629**	$ 1,725	**$ 1,896**	$ 3,173
Gain (loss) on foreign currency translation	**28,604**	(30,086)	**89,390**	(65,760)
Other comprehensive income (loss)	**29,233**	(28,361)	**91,286**	(62,587)
Comprehensive income	**$ 329,308**	$ 301,980	**$ 532,256**	$ 640,593

(1) Includes distributions to ERES non-controlling unitholders of $3.2 million and $9.3 million for the three and nine months ended September 30, 2020 respectively. The remaining balance is the mark-to-market gain or loss due to fluctuations in the ERES unit price.

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 Irish Residential Properties REIT plc ("IRES"). The table below shows trust expenses net of external fees income:

($ Thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Trust expenses attributable to CAPREIT (excluding ERES)	**$ 7,593**	$ 9,193	**$ 24,831**	$ 26,584
Trust expenses attributable to ERES	**2,391**	1,559	**6,808**	5,484
Trust Expenses	**9,984**	10,752	**31,639**	32,068
Less: Asset management and services fees income from ERES attributed to ERES non-controlling unitholders [1]	**(642)**	(151)	**(1,884)**	(271)
Less: Asset and property management fees income from IRES	**(2,421)**	(2,104)	**(7,161)**	(5,817)
Net Trust Expenses	**6,921**	8,497	**22,594**	25,980

[1] These fees are eliminated upon consolidation

Trust expenses remained stable for the nine months ended September 30, 2020 at $31.6 million compared to the same period last year. Lower office and travel expenses were incurred due to the COVID-19 pandemic, as well as lower marketing expenses, which were partially offset by higher salaries and consulting fees. For the nine months ended September 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 reverse acquisition (the "Acquisition") of European Commercial Real Estate Investment Trust ("ECREIT"), consisting of legal, audit, tax, consulting and financial advisory fees.

Unit-based Compensation Expense (Recovery)

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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Remeasurement of unit-based compensation liabilities	**$ (1,236)**	$ 4,437	**$ (3,998)**	$ 8,396
Amortization of fair value on grant date of unit-based compensation	**1,930**	1,439	**5,485**	5,020
Total	**$ 694**	$ 5,876	**$ 1,487**	$ 13,416

Gain (Loss) on Derivative Financial Instruments

The gain (loss) on derivative financial instruments is due to changes in the fair value in derivatives for which hedge accounting is not applied. The loss on derivative financial instruments for the three and nine months ended September 30, 2020 primarily relates to CAPREIT's cross-currency interest rate swaps and is a result of the strengthening of the Euro in comparison to the US dollar. CAPREIT uses derivative financial instruments to minimize its exposure to fluctuations in interest rates and foreign exchange rates. These derivative financial instruments allows CAPREIT to take advantage of the low EURIBOR rates, resulting in significant interest savings, and to convert its borrowings to Euro-denominated liabilities to hedge against a majority of its Euro-denominated assets.

Gain (Loss) on Foreign Currency Translation

CAPREIT is exposed to gain/loss on foreign currency translation 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 September 30, ($ Thousands)							
2020							
		Other Comprehensive Gain (Loss)		**Net Income Gain (Loss)**		**Total Foreign Exchange Gain (Loss)**	
	Balance	**Three Months Ended**	**Nine Months Ended**	**Three Months Ended**	**Nine Months Ended**	**Three Months Ended**	**Nine Months Ended**
Total Foreign Assets (1)	€ 1,610,118	$ 51,828	$ 162,320	$ 130	$ 477	$ 51,958	$ 162,797
Total Foreign Liabilities (2)	723,423	(23,224)	(72,930)	11,600	(20,439)	(11,624)	(93,369)
Net Equity (3)	886,695	28,604	89,390	11,730	(19,962)	40,334	69,428
Cross-Currency Swap	442,358	—	—	(27,418)	(31,321)	(27,418)	(31,321)
Net Foreign Exchange Exposure and Gain (Loss)	**€ 444,337**	**$ 28,604**	**$ 89,390**	**$ (15,688)**	**$ (51,283)**	**$ 12,916**	**$ 38,107**
Net Foreign Exchange Exposure - Excluding Non-controlling Interest (3)	**€ 193,944**						

2019							
		Other Comprehensive Gain (Loss)		**Net Income Gain (Loss)**		**Total Foreign Exchange Gain (Loss)**	
	Balance	**Three Months Ended**	**Nine Months Ended**	**Three Months Ended**	**Nine Months Ended**	**Three Months Ended**	**Nine Months Ended**
Total Foreign Assets (1)	€ 1,341,722	$ (49,022)	$ (107,365)	$ 5,944	$ 5,245	$ (43,078)	(102,120)
Total Foreign Liabilities (2)	699,951	18,936	41,605	5,724	30,015	24,660	71,620
Net Equity (3)	641,771	(30,086)	(65,760)	11,668	35,260	(18,418)	(30,500)
Foreign Exchange Swap	97,000	—	—	2,016	(518)	2,016	(518)
Cross-Currency Swap	208,358	—	—	10,528	9,730	10,528	9,730
Net Foreign Exchange Exposure and Gain (Loss)	**€ 336,413**	**$ (30,086)**	**$ (65,760)**	**$ 24,212**	**$ 44,472**	**$ (5,874)**	**$ (21,288)**
Net Foreign Exchange Exposure - Excluding Non-controlling Interest (3)	**€ 116,986**						

(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 other comprehensive income.

(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 other comprehensive income; (b) gain or losses on CAPREIT's Euro LIBOR borrowings are recorded in foreign currency translation under net income.

(3) As at September 30, 2020, net equity includes €736,450 (September 30, 2019 - €679,243) relating to ERES which CAPREIT has 66% (September 30, 2019 - 74%) interest in. Taking into consideration the non-controlling interest of ERES, net foreign exchange exposure is €193,944 (September 30, 2019 - €116,986).

Other Income

Other income primarily consists of income received from investments (see note 8 of the accompanying condensed consolidated interim financial statements), net (loss) profit from investment in associate and asset management and property management fees.

($ Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Investment income	**$ 370**	$ 340	**$ 856**	$ 1,069
Net (loss) profit from investment in associate [1]	**2,449**	2,215	**(338)**	11,867
Asset and property management fees [2]	**2,421**	2,104	**7,161**	5,817
Other [3]	**275**	312	**1,575**	1,264
Total	**$ 5,515**	$ 4,971	**$ 9,254**	$ 20,017

[1] CAPREIT's share of IRES' investment property fair value change, earnings and foreign exchange effects thereon. For the three and nine months ended September 30, 2020, CAPREIT's share of IRES' investment property fair value gain (loss) is $nil and $(7.7) million (three and nine months ended September 30, 2019 - $nil and $6.0 million) respectively as a result of lower investment property valuations due to the COVID-19 pandemic.

[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 September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Total fee income generated	**$ 5,263**	$ 4,032	**$ 15,431**	$ 9,315
Asset and property management fees and service fees from ERES eliminated on consolidation	**2,842**	1,928	**8,270**	3,498
Asset and property management fee from IRES recognized in other income	**$ 2,421**	$ 2,104	**$ 7,161**	$ 5,817

[3] Comprises of interest income earned and varies due to the amount of cash on hand, the type of investment and interest rates.

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 September 30,		**Nine Months Ended September 30,**		**As at September 30,**
	2020	**2019**	**2020**	**2019**	**2020**
Trust Units	**170,826**	160,153	**170,441**	156,711	**171,037**
Exchangeable LP Units [(1)]	**633**	—	**212**	—	**633**
Units under the DUP	**169**	175	**157**	245	**169**
Basic number of units	**171,628**	160,328	**170,810**	156,956	**171,839**
Plus:					
Unit rights under the RUR Plan [(2)]	**560**	567	**574**	567	**559**
Diluted number of units	**172,188**	160,895	**171,384**	157,523	**172,398**

(1) See note 16 to the accompanying condensed consolidated interim financial statements for details on Exchangeable LP Units.

(2) See notes 14 and 15 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 September 30,**		**Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Distributions declared on Trust Units	**$ 59,008**	$ 55,283	**$ 176,525**	$ 161,657
Distributions declared on awards outstanding under unit-based compensation plans [(1)]	**258**	252	**760**	830
Total distributions declared	**59,484**	55,535	**177,503**	162,487
Less:				
Distributions on Trust Units reinvested	**(17,213)**	(17,845)	**(49,555)**	(50,942)
Distributions on unit awards reinvested [(1)]	**(258)**	(252)	**(760)**	(830)
Net distributions paid	**$ 42,013**	$ 37,438	**$ 127,188**	$ 110,715
Percentage of distributions reinvested	**29.4%**	32.6%	**28.3%**	31.9%

(1) Comprises non-cash distributions related to the DUP and the RUR Plan (see notes 14 and 15 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. Exchangeable LP Units are not eligible for DRIP.

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 September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Net income	**$ 300,075**	$ 330,341	**$ 440,970**	$ 703,180
Adjustments:				
Fair value adjustments of investment properties	**(233,437)**	(263,640)	**(197,465)**	(473,576)
Realized loss on disposition of investment properties	**634**	—	**1,387**	—
Remeasurement of Exchangeable Units	**(1,354)**	—	**(1,354)**	—
Remeasurement of investments	**348**	(2,696)	**3,435**	(8,892)
Remeasurement of unit-based compensation liabilities	**(1,236)**	4,437	**(3,998)**	8,396
Interest on Exchangeable Units	**218**	—	**218**	—
Deferred income taxes [(1)]	**7,698**	9,458	**15,735**	16,311
Loss (gain) on foreign currency translation	**(11,730)**	(11,668)	**19,962**	(35,260)
FFO adjustment for income from equity-accounted investments	**(56)**	—	**7,634**	(6,027)
(Loss) gain on derivative financial instruments	**25,800**	(11,096)	**26,758**	(7,307)
Fair value mark-to-market adjustment on ERES units held by non-controlling unitholders	**12,722**	32,399	**(28,459)**	38,343
Distributions on ERES units held by non-controlling unitholders	**3,191**	849	**9,343**	1,604
Net FFO impact attributable to ERES units held by non-controlling unitholders [(2)]	**(4,178)**	(865)	**(12,051)**	(2,071)
Amortization of property, plant and equipment	**1,939**	1,593	**5,663**	4,550
Lease principal repayment	**(292)**	(252)	**(867)**	(1,013)
Transaction costs [(3)]	**—**	—	**—**	8,527
FFO	**$ 100,342**	$ 88,860	**$ 286,911**	$ 246,765
FFO per unit – basic	**$ 0.585**	$ 0.554	**$ 1.680**	$ 1.572
FFO per unit – diluted	**$ 0.583**	$ 0.552	**$ 1.674**	$ 1.567
Total distributions declared	**$ 59,484**	$ 55,535	**$ 177,503**	$ 162,487
FFO payout ratio	**59.3%**	62.5%	**61.9%**	65.8%
Net distributions paid	**$ 42,013**	$ 37,438	**$ 127,188**	$ 110,715
Excess FFO over net distributions paid	**$ 58,329**	$ 51,422	**$ 159,723**	$ 136,050
FFO effective payout ratio	**41.9%**	42.1%	**44.3%**	44.9%

(1) The 2020 figures consist of $7.7 million and $14.6 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 nine months ended September 30, 2020 respectively. The figure for the nine months ended September 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 $1.7 million of deferred income tax recovery for the nine months ended September 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 September 30,			Nine Months Ended September 30,		
	2020	**2019**	%[1]	**2020**	**2019**	%[1]
FFO	**$ 100,342**	$ 88,860	12.9	**$ 286,911**	$ 246,765	16.3
Adjustments:						
Amortization of losses from (AOCL) AOCI to interest and other financing costs	**629**	653	(3.7)	**1,896**	1,919	(1.2)
Net mortgage prepayment cost	**143**	—	—	**166**	345	(51.9)
Other employee costs [2]	**—**	—	—	**—**	751	(100.0)
NFFO	**$ 101,114**	$ 89,513	13.0	**$ 288,973**	$ 249,780	15.7
NFFO per unit – basic	**$ 0.589**	$ 0.558	5.6	**$ 1.692**	$ 1.591	6.3
NFFO per unit – diluted	**$ 0.588**	$ 0.556	5.8	**$ 1.686**	$ 1.586	6.3
Total distributions declared	**$ 59,484**	$ 55,535	7.1	**$ 177,503**	$ 162,487	9.2
NFFO payout ratio	**58.8%**	62.0%		**61.4%**	65.1%	
Net distributions paid	**$ 42,013**	$ 37,438	12.2	**$ 127,188**	$ 110,715	14.9
Excess NFFO over net distributions paid	**$ 59,101**	$ 52,075	13.5	**$ 161,785**	$ 139,065	16.3
Effective NFFO payout ratio	**41.6%**	41.8%		**44.0%**	44.3%	

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

(2) Expenses included in unit-based compensation expenses relate to accelerated vesting of previously-granted RUR units.

The increased NFFO 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 $2.8 million for the three and nine months ended September 30, 2020 compared to $0.2 and $0.4 million for the three and nine months ended September 30, 2019, representing the amount of fees attributed to the ERES non-controlling unitholders.

For the three months ended September 30, 2020, basic NFFO per unit increased by 5.6% compared to the same period last year. For the nine months ended September 30, 2020, basic NFFO per unit increased by 6.3% compared to the same period last year despite an approximate 8.8% 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.

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 to ACFO:

($ Thousands, except per unit amounts)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019 [9]	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019 [9]	Actual Annual 2019 [9]
Cash generated from operating activities	**$ 126,567**	$ 121,748	**$ 380,214**	$ 304,308	$ 458,564
Adjustments:					
Working capital adjustment [1]	**18,116**	—	**18,116**	8,485	8,485
Interest expense included in cash flow from financing activities [2]	**(32,544)**	(33,508)	**(96,787)**	(91,569)	(119,609)
Forecasted non-discretionary property capital investments [3]	**(16,995)**	(17,503)	**(50,693)**	(49,399)	(65,532)
Capitalized leasing costs [4]	**(1,034)**	(1,429)	**(1,674)**	(1,282)	(1,518)
Amortization of other financing costs [5]	**(2,063)**	(2,415)	**(6,703)**	(6,179)	(8,601)
Transactions costs [6]	**—**	—	**—**	8,527	8,527
Investment income	**4,498**	4,289	**10,902**	8,944	10,039
Net ACFO impact attributed to ERES units held by non-controlling unitholders [7]	**(5,597)**	(786)	**(10,950)**	(1,673)	(4,179)
Lease principal and interest repayments	**(1,418)**	(662)	**(4,247)**	(2,256)	(3,402)
Tax on disposition [8]	**—**	—	**1,155**	—	—
ACFO	**$ 89,530**	$ 69,734	**$ 239,333**	$ 177,906	$ 282,774
Total distributions declared	**$ 59,484**	$ 55,535	**$ 177,503**	$ 162,487	$ 219,206
Excess ACFO over distributions declared	**$ 30,046**	$ 14,199	**$ 61,830**	$ 15,419	$ 63,568
ACFO payout ratio	**66.4%**	79.6%	**74.2%**	91.3%	77.5%

(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 current income tax payment of $18.1 million relating to current income tax expense triggered on the Acquisition was added back for the three and nine months ended September 30, 2020. The one-time special distribution to the pre-existing unitholders of ECREIT was added back for the nine months ended September 30, 2019 and annual 2019.

(2) Excludes interest with respect to leases, distributions to ERES non-controlling unitholders, and holders of Exchangeable LP Units.

(3) Non-discretionary property capital investments for the three and nine months ended September 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 $1,113 and $1,221 respectively. The weighted average number of residential suites and sites for the nine months ended September 30, 2020 and 2019 is 60,705 and 53,948, respectively. For a reconciliation of actual non-discretionary property capital investments incurred during the period to forecast, see the table on the next page.

(4) Comprises tenant inducements and direct leasing costs.

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

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

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

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

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

For the three and nine months ended September 30, 2020, CAPREIT's ACFO exceeded distributions declared by $30.0 million and $61.8 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 September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Actual	**$ 24,337**	$ 22,881	**$ 39,778**	$ 44,073
Forecast	**16,995**	17,503	**50,693**	49,399
Difference	**$ 7,342**	$ 5,378	**$ (10,915)**	$ (5,326)

For the three months ended September 30, 2020, CAPREIT's actual non-discretionary capital investments of $24.3 million was higher than the forecast by approximately $7.3 million as warmer weather conditions gives rise to higher capital expenditures. For the nine months ended September 30, 2020, CAPREIT's actual non-discretionary capital investments of $39.8 million was lower than the forecast by approximately $10.9 million, mainly related to the deferral of structural work 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	**$ 67,801**	$ 65,532	$ 51,252
Weighted average number of suites and sites	**60,893**	55,175	49,595
Non-discretionary property capital investments per suite and site	**$ 1,113**	$ 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 September 30,		Nine Months Ended September 30,	
	2020	2019 (1)	2020	2019 (1)
Cash generated from operating activities	**$ 126,567**	$ 121,748	**$ 380,214**	$ 304,308
Adjustments:				
Interest expense included in cash flow from financing activities (2)	**(32,544)**	(33,508)	**(96,787)**	(91,569)
Adjusted Cash Generated from Operating Activities	**$ 94,023**	$ 88,240	**$ 283,427**	$ 212,739
Total distributions declared	**$ 59,484**	$ 55,535	**$ 177,503**	$ 162,487
Excess	**$ 34,539**	$ 32,705	**$ 105,924**	$ 50,252

(1) Certain 2019 comparative figures have been restated to conform with current year presentation.

(2) Excludes interest with respect to leases, distributions to ERES non-controlling unitholders, and holders of Exchangeable LP Units.

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 September 30,		Nine Months Ended September 30,	
	2020	2019 (1)	2020	2019 (1)
Net income	**$ 300,075**	$ 330,341	**$ 440,970**	$ 703,180
Adjusted Cash Generated from Operating Activities	**$ 94,023**	$ 88,240	**$ 283,427**	$ 212,739
Total distributions declared	**$ 59,484**	$ 55,535	**$ 177,503**	$ 162,487
Net distributions paid	**$ 42,013**	$ 37,181	**$ 127,188**	$ 109,885
Excess of net income over total distributions declared	**$ 240,591**	$ 274,806	**$ 263,467**	$ 540,693
Excess of net income over net distributions paid	**$ 258,062**	$ 293,160	**$ 313,782**	$ 593,295
Excess of Adjusted Cash Generated from Operating Activities over total distributions declared	**$ 34,539**	$ 32,705	**$ 105,924**	$ 50,252
Excess of Adjusted Cash Generated from Operating Activities over net distributions declared	**$ 52,010**	$ 51,059	**$ 156,239**	$ 102,854

(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 nine months ended September 30, 2020, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by $34.5 million and $105.9 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.

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

Nine Months Ended September 30, 2020 ($ Thousands)		**Actual Total Portfolio**	**% of Actual**		**2020 Annual Forecast Total Portfolio**
Non-discretionary property capital investments:					
Building improvements	**$**	**35,457**	**25.0**	**$**	**59,887**
MHC infrastructural		**3,863**	**2.7**		**5,811**
Life and safety		**458**	**0.3**		**2,103**
		39,778	**28.0**		**67,801**
Discretionary property capital investments:					
Suite improvements		**44,666**	**31.7**		**60,984**
Common area		**31,384**	**22.2**		**47,278**
Energy-saving initiatives		**12,659**	**8.9**		**20,592**
Equipment		**8,272**	**5.8**		**11,680**
Elevators and risers		**3,751**	**2.6**		**9,975**
Others		**549**	**0.4**		**1,166**
MHC common area		**603**	**0.4**		**1,068**
		101,884	**72.0**		**152,743**
Total	**$**	**141,662**	**100.0**	**$**	**220,544**

Nine Months Ended September 30, 2019 ($ Thousands)		**Actual Total Portfolio**	**% of Actual**		**2019 Annual Actual Total Portfolio**
Non-discretionary property capital investments:					
Building improvements	$	42,457	27.5	$	61,869
MHC infrastructural		1,106	0.7		2,605
Life and safety		510	0.3		1,058
		44,073	28.5		65,532
Discretionary property capital investments:					
Suite improvements		50,131	32.4		68,907
Common area		31,971	20.7		45,517
Energy-saving initiatives		10,484	6.8		15,132
Equipment		9,453	6.1		14,752
Elevators and risers		6,843	4.4		8,505
Others		1,334	0.9		1,900
MHC common area		379	0.2		980
		110,595	71.5		155,693
Total	$	154,668	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 September 30, 2020.

Future Investments in Building Improvements

($ Thousands)	Building Improvements Estimated Range
2020	**$54,000 - $66,000**
2021	**$53,000 - $65,000**
2022	**$14,000 - $17,000**
2023	**$22,000 - $27,000**

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

INVESTMENT PROPERTIES

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

($ Thousands) **For the Nine Months Ended September 30,**		**2020**		**2019**
Balance, beginning of the year	**$**	**13,096,426**	$	10,511,307
Add:				
Properties acquired through business combination [(1)]		**—**		135,533
Acquisitions [(2)]		**578,761**		1,047,241
Property capital investments [(3)]		**147,767**		167,925
Capitalized leasing costs [(4)]		**398**		53
Operating lease buyout		**150,157**		—
Fair value adjustments		**197,465**		473,576
Gain (loss) on foreign currency translation		**141,245**		(96,047)
Less:				
Dispositions		**(56,760)**		—
Investment Properties at fair value, end of the period	**$**	**14,255,459**	$	12,239,588

[(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)] Includes additional transaction costs on acquisitions.

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

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

During the nine months ended September 30, 2020, CAPREIT completed early buyouts of nine existing operating leases at a net purchase price of $150.2 million. Subsequent to the quarter, CAPREIT completed the buyout of another operating lease property for approximately $7.8 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 $43.2 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 nine months ended September 30, 2020, is $nil and $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 nine months ended September 30, 2020, there was a $1,159.0 million increase in fair value primarily due to capitalization rate compression, new acquisitions, the buyout of nine operating leases, progress on the development pipeline, and foreign exchange gain on the European properties. Excluding the impact of net acquisitions and operating lease buyouts, the fair value of the Canadian portfolio increased by $269.6 million.

Investment Properties by Geography

($ Millions)	Dec 2019 Fair Value	Fair Value Change Due To: Net Acquisitions	CAPEX [1]	Fair Value Adjustments	Foreign Exchange Translation	Sept 2020 Fair Value	Sept 2020 Cap Rates [2]	Dec 2019 Cap Rates [2]
Greater Toronto Area	$ 4,811	$ 150	$ 56	$ 178	$ —	$ 5,195	3.48 %	3.63 %
Other Ontario	1,351	51	18	17	—	1,437	4.14 %	4.27 %
Québec	1,843	44	22	24	—	1,933	4.33 %	4.45 %
British Columbia	1,591	—	11	(21)	—	1,581	3.82 %	3.83 %
Nova Scotia	328	418	10	(24)	—	732	4.34 %	4.71 %
Alberta	488	(2)	6	(35)	—	458	4.51 %	4.47 %
Prince Edward Island	90	(1)	1	4	—	94	5.59 %	5.65 %
Saskatchewan	32	—	1	(3)	—	30	5.53 %	5.53 %
Subtotal	10,534	660	125	140	—	11,460	3.87 %	4.01 %
Europe	1,962	13	11	66	141	2,192	3.84 %	3.88 %
MHC	600	—	12	(9)	—	603	6.27 %	6.30 %
Total	**$ 13,096**	**$ 673**	**$ 148**	**$ 197**	**$ 141**	**$ 14,255**	**3.99 %**	**4.11 %**

For the Nine Months Ended September 30, 2020 ($ Millions)	Components of Fair Value Adjustments: Cap Rates [2]	Normalized NOI [3]	CAPEX [1]	Total
Greater Toronto Area	$ 250	$ (16)	$ (56)	$ 178
Other Ontario	39	(4)	(18)	17
Québec	49	(3)	(22)	24
British Columbia	6	(16)	(11)	(21)
Nova Scotia	(15)	1	(10)	(24)
Alberta	(9)	(20)	(6)	(35)
Prince Edward Island	4	1	(1)	4
Saskatchewan	(2)	—	(1)	(3)
Subtotal	322	(57)	(125)	140
Europe	8	69	(11)	66
MHC	4	(1)	(12)	(9)
Total	**$ 334**	**$ 11**	**$ (148)**	**$ 197**

(1) Represents property capital investments and capitalized leasing costs during the nine months ended September 30, 2020.

(2) 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 September 30, 2020 for operating and land leasehold interests. Capitalization rates for Europe represent the implied capitalization rates for these properties.

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

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 September 30, 2020 ($ Millions)		**Change in NOI** (2.00)%	(1.00)%	— %	+1.00 %	+2.00 %
Change in Capitalization Rate [1]	**(0.50)%**	$ 1,768	$ 1,931	$ 2,093	$ 2,256	$ 2,418
	(0.25)%	670	821	972	1,124	1,275
	—%	(283)	(142)	—	142	283
	+0.25%	(1,118)	(985)	(852)	(719)	(586)
	+0.50%	(1,857)	(1,731)	(1,606)	(1,480)	(1,354)

[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 Progress

The development program remains a component of CAPREIT's growth strategy by allowing for the potential to unlock 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 income producing properties ("IPP") and (iii) full or partial redevelopment.

Development Pipeline

Over the long-term, CAPREIT has intensification and redevelopment potential in excess of 10,000 units, subject to market conditions, cost of construction, and other factors. Shown below are the number of sites and proposed net new units by major market targeted for planning approval submission in the next 12 months:

Major Market	**Pre-Application (# of sites)**	**Active Application (# of sites)**	**Zoning Entitlement (# of sites)**	**Construction (# of sites)**	**Potential Growth (Estimated # of net new units)** [3]
British Columbia	1	—	—	—	180
Greater Toronto Area (GTA)	4	1 [1]	1 [2]	—	5,876
Québec	2	—	—	—	508
Prince Edward Island	—	—	1	—	58
Total	7	1 [1]	2 [2]	—	6,622

[1] 141 Davisville Avenue, Toronto, Ontario under review and in settlement negotiation with the City of Toronto.
[2] 100 Wellesley Street East, Toronto, Ontario approved in May 2020 by the Local Planning Appeal Tribunal. The Zoning By-Law Amendment permits 128 net new units in a 10-storey infill building with an additional storey of amenity. CAPREIT recorded a fair value gain of $18.9 million during the nine months ended September 30, 2020 as a result of the entitlement.
[3] CAPREIT regularly re-evaluates its assets for highest and best use where the value may be realized through development or sale of a property.

Development Summary

Nine Months Ended September 30, ($ Thousands)	**2020** Actual Total Portfolio [3]	**2019** Actual Total Portfolio [3]	**2020 Annual Forecast Total Portfolio**
Conversion [1]	$ **6,106**	13,257	$ **10,920**
Infill [2]	**1,963**	—	**5,762**
Redevelopment [2]	**853**	900	**3,872**
Total for development	$ **8,922**	14,157	$ **20,554**

(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.

(3) Includes costs related to planning, rezoning, architectural surveys, application fees and building permits.

Conversion - Projects within existing 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.

Actual costs may vary from forecast 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.

CAPITAL STRUCTURE

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 September 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		**September 30, 2020**	**December 31, 2019**
Mortgages payable		**$ 4,784,071**	$ 4,308,572
Bank indebtedness		**626,215**	623,893
Unitholders' equity		**8,815,068**	8,403,895
Exchangeable LP Units		**29,392**	—
Total capital		**$ 14,254,746**	$ 13,336,360
	Threshold		
Total debt to gross book value [(1)]	Maximum 70.00%	**35.99%**	34.99 %
Mortgage debt to gross book value		**31.82%**	30.56 %
Total debt to gross historical cost [(2)]		**49.56%**	48.24 %
Total debt to total capitalization [(3)]		**40.32%**	35.30 %
Tangible net worth [(1)]	Minimum $2,400,000	**$ 8,858,150**	$ 8,421,096

For the four quarters ended		**September 30, 2020**	**December 31, 2019**
Debt service coverage ratio (times) [(1)]	Minimum 1.20	**2.03**	1.87
Interest coverage ratio (times) [(1)]	Minimum 1.50	**4.04**	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 September 30, 2020 remains strong at $137.8 million available on the Acquisition and Operating Facility, and has $234.4 million of cash and cash equivalents.

CAPREIT's Acquisition and Operating Facility bears an interest rate of 1.08%, after factoring the cross-currency interest rate swaps as discussed in note 19 of the condensed consolidated interim financial statements, and has $145.1 million of cash and cash equivalents invested in short-term investments generating interest revenue at a weighted average interest rate of 0.96% per annum.

($ Thousands) **As at September 30, 2020**		**Acquisition and Operating Facility**	
Facility	$	740,000	(1)
Less: USD LIBOR borrowings		(595,021)	(2), (3)
Letters of credit		(7,223)	
Available borrowing capacity	$	137,756	
Weighted average interest rate including interest rate swaps		1.08 %	

(1) In addition, there is a $78,155 (€50,000) ERES Credit Facility and a $78,155 (€50,000) ERES Bridge Facility. As of September 30, 2020, $31,194 (€19,957) were drawn on the ERES Credit Facility and no amounts were drawn on the ERES Bridge Facility.
(2) CAPREIT has net USD LIBOR borrowings of USD $446,076 that bears interest at the USD LIBOR rate plus a margin of 1.65% per annum.
(3) CAPREIT entered into a number of cross-currency interest rate 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 0.61 years.

CAPREIT has investment properties with a fair value of approximately $817.2 million, as at September 30, 2020, that are not encumbered by mortgages. Of these, $783.4 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 September 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

In order to maintain and enhance its CMHC-insured financing program, and consistent with CMHC's risk management practices involving large borrowers, CAPREIT entered into 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 September 30,	2020	2019
Percentage of CMHC-insured mortgages (1)	**98.5%**	98.3%
Percentage of fixed-rate mortgages (2)	**99.2%**	98.9%
Weighted average mortgage interest rate (3)	**2.65%**	2.93%
Weighted average mortgage term to maturity (years) (4)	**4.92**	5.18

(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 accumulated other comprehensive income (loss), the effective portfolio weighted average interest rate as at September 30, 2020 would be 2.70% (September 30, 2019 - 3.01%).
(4) The Canadian and European properties have a weighted average mortgage term to maturity of 5.0 years and 4.7 years, respectively.

The following table presents refinancings, weighted average interest rates obtained, and mortgage top-ups closed or committed up to November 9, 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
Third Quarter	29,325	3.20 %	43,916	1.70 %	9.8	14,591
Acquisitions	—	— %	202,703	1.85 %	8.9	202,703
Total and Weighted Average with Acquisitions	$ 151,267	2.81 %	$ 469,911	1.90 %	9.2	$ 318,643
Committed and Expected for the remainder of 2020 (3)	222,759	2.71 %	945,403	1.74 %	10.3	722,644
Subtotal and Weighted Average	$ 374,026	2.75 %	$ 1,415,314	1.84 %	9.6	$ 1,041,287
The ERES Portfolio						
Total and Weighted Average with Acquisitions	$ 10,167	0.95 %	$ 97,809	1.58 %	6.1	$ 87,642
Grand Total and Weighted Average	**$ 384,193**	**2.70 %**	**$ 1,513,123**	**1.82 %**	**9.4**	**$ 1,128,929**

(1) Weighted average.
(2) Excludes CMHC, other financing costs and impact of hedging.
(3) Net of mortgage discharges of $32.4 million and includes the expected mortgages from the eleven operating lease buyout.

Management expects to raise between $1,100 million and $1,200 million in total mortgage renewals and refinancings for 2020, excluding financings on acquisitions, but including mortgages on the operating lease buyout properties. Management expects to raise between $900 million and $950 million in total mortgage renewals and refinancings for 2021, excluding financings on acquisitions.

As at September 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	$ 174,307	$ —	$ 174,307	$ 23,282
2021	444,232	43,364	487,596	76,378
2022	424,125	15,603	439,728	70,043
2023	484,371	74,270	558,641	86,382
2024	297,647	35,472	333,119	49,740
2025 onward	2,249,824	(168,709)	2,081,115	224,977
Total	**$ 4,074,506**	**$ —**	**$ 4,074,506**	**$ 530,802**

[1] Mortgage balance due upon maturity.

[2] NOI for the 12 months ended September 30, 2020.

[3] Projected NOI included for acquisitions since September 30, 2019.

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

As at September 30, 2020 ($ Thousands) **Period**	**Principal Amortization**	**Mortgage Maturities**	**Mortgage Balance**	**% of Total Mortgage Balance**	**Interest Rate (%)** [1], [2]
2020	$ 34,605	$ 174,307	$ 208,912	5.5	2.51
2021	128,654	444,232	572,886 [3]	15.2	3.21
2022	118,448	346,104	464,552	12.3	3.09
2023	100,362	327,029	427,391	11.3	3.27
2024	85,207	244,356	329,563	8.7	3.72
2025	76,423	322,083	398,506	10.6	2.76
2026	55,665	298,212	353,877	9.4	2.74
2027	38,624	188,379	227,003	6.0	2.81
2028	31,399	157,933	189,332	5.0	2.98
2029	20,058	283,055	303,113	8.0	2.71
2030-2034	18,309	275,968	294,277	8.0	2.28
	$ 707,754	**$ 3,061,658**	**$ 3,769,412**	**100.0 %**	**2.92 %** [2]
Deferred financing costs, fair value adjustments, net			(8,066)		
Total			**$ 3,761,346**		
Weighted average term to maturity (years)			**4.98**		

[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 September 30, 2020 is as follows:

As at September 30, 2020 ($ Thousands) **Period**	**Principal Amortization**	**Mortgage Maturities**	**Mortgage Balance ($)**	**Mortgage Balance (€)**		**% of Total Mortgage Balance**	**Interest Rate (%)** [1], [2]
2020	$ 851	$ —	$ 851	€ 544		0.1	—
2021	3,411	—	3,411	2,182		0.3	—
2022	3,423	78,021	81,444	52,104	[3]	7.9	1.43
2023	3,436	157,342	160,778	102,858	[3]	15.6	1.49
2024	2,776	53,291	56,067	35,869	[3]	5.5	1.70
2025	445	354,698	355,143	227,301	[3]	34.6	1.87
2026	—	300,251	300,251	192,184	[3]	29.2	1.47
2027	—	69,245	69,245	44,300	[3]	6.8	1.74
	$ 14,342	**$ 1,012,848**	**$ 1,027,190**	**€ 657,342**		**100.0 %**	**1.65 %** [2]
Deferred financing costs, fair value adjustments, net			(4,465)				
Total			**$ 1,022,725**				
Weighted average term to maturity			**4.68**				

[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.

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.

Equity offerings and over-allotments for the periods ending September 30, 2020 and year ended December 31, 2019:

	Price per Unit	**Units Issued**
December 2019 (the "December 2019 Equity Offering")	$ 53.60	9,119,500
April 2019 (the "April 2019 Equity Offering")	$ 49.00	7,043,750
January 2019 (the "January 2019 Equity Offering")	$ 45.50	6,325,000

Market capitalization and units outstanding:

As at September 30, 2020	
Market capitalization ($ thousands)	**$ 8,007,883**
Total number of units outstanding	**172,397,901**
Trust Units	**171,036,560**
Deferred units	**169,184**
RUR Plan units	**559,396**
Exchangeable LP Units	**632,761**
Ownership by trustees, officers and other senior management	**0.7 %**

SECTION VI: COMPLIANCE AND GOVERNANCE DISCLOSURES, RISKS AND UNCERTAINTIES

SELECTED CONSOLIDATED QUARTERLY INFORMATION

	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18
Overall portfolio net AMR	$ 1,113	$ 1,104	$ 1,105	$ 1,084	$ 1,069	$ 1,050	$ 1,093	$ 1,103
Operating revenues (000s) [1], [3]	$ 221,420	$ 219,925	$ 216,060	$ 208,183	$ 199,417	$ 191,285	$ 181,896	$ 178,313
NOI (000s) [1], [2]	$ 148,234	$ 143,233	$ 138,058	$ 135,704	$ 132,844	$ 125,767	$ 113,835	$ 112,313
NOI Margin [1], [3]	66.9%	65.1%	63.9%	65.2%	66.6%	65.7%	62.6%	62.8%
Net Income (000s)	$ 300,075	$ 61,262	$ 79,633	$ 492,267	$ 330,341	$ 167,329	$ 205,510	$ 736,267
FFO (000s) [1], [2]	$ 100,342	$ 94,056	$ 92,513	$ 87,863	$ 88,860	$ 84,091	$ 73,814	$ 69,312
NFFO (000s) [1], [2]	$ 101,114	$ 94,712	$ 93,147	$ 89,341	$ 89,513	$ 85,062	$ 75,205	$ 71,414
Total debt to gross book value	35.99%	36.30%	36.14%	34.99%	36.74%	36.34%	37.67%	39.37%
FFO per unit [1] - basic	$ 0.585	$ 0.551	$ 0.544	$ 0.538	$ 0.554	$ 0.531	$ 0.485	$ 0.477
NFFO per unit [1] - basic	$ 0.589	$ 0.555	$ 0.547	$ 0.547	$ 0.558	$ 0.538	$ 0.484	$ 0.492
Weighted average number of units (000s) - basic	171,628	170,588	170,206	163,295	160,328	158,237	152,212	145,199
Weighted average number of units (000s) - diluted	172,188	171,175	170,780	163,840	160,895	158,806	152,778	145,784

[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 nine months ended September 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 nine months ended September 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 September 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 nine months ended September 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

On March 29, 2019, CAPREIT NL Holding B.V. ("Holding BV") completed the Acquisition of ECREIT, and the ongoing entity adopted the name European Residential Real Estate Investment Trust, 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. In addition, pursuant to the terms of the pipeline agreement dated March 29, 2019, there were a number of transactions occurring in 2019 resulting in further ownership of ERES Class B LP Units. For further information, please see CAPREIT's 2019 Annual Report. ERES Class B LP Units are exchangeable for ERES units on a one-to-one basis. As at September 30, 2020, CAPREIT has a controlling interest of 66.0% effective ownership in ERES.

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

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 September 30,	2020	%	2019	%
Residential Suites				
Ontario				
Greater Toronto Area	**16,158**	**25.7**	16,155	27.0
London / Kitchener / Waterloo	**3,261**	**5.2**	2,960	5.0
Ottawa	**2,377**	**3.8**	2,377	4.0
Other Ontario	**1,702**	**2.7**	1,702	2.8
	23,498	**37.4**	23,194	38.8
Québec				
Greater Montréal Region	**7,767**	**12.4**	7,493	12.5
Québec City	**2,517**	**4.0**	2,517	4.2
	10,284	**16.4**	10,010	16.7
British Columbia				
Greater Vancouver Region	**3,551**	**5.6**	3,506	5.9
Victoria	**1,550**	**2.5**	1,550	2.6
	5,101	**8.1**	5,056	8.5
Nova Scotia				
Halifax	**3,250**	**5.2**	1,659	2.8
Alberta				
Calgary	**1,775**	**2.8**	1,884	3.1
Edmonton	**544**	**0.9**	435	0.7
	2,319	**3.7**	2,319	3.8
Prince Edward Island				
Charlottetown	**637**	**1.0**	579	1.0
Saskatchewan				
Regina	**234**	**0.4**	234	0.4
Total Canadian residential suites	**45,323**	**72.2**	43,051	72.0
Europe				
The Netherlands (1)	**5,752**	**9.2**	5,116	8.5
Total residential suites	**51,075**	**81.4**	48,167	80.5
MHC Sites				
Total MHC sites	**11,685**	**18.6**	11,677	19.5
Total suites and sites	**62,760**	**100.0**	59,844	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 NINE MONTHS ENDED SEPTEMBER 30, 2020

(UNAUDITED)

TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEETS

(CA$ thousands)

(Unaudited)

As at	Note		**September 30, 2020**		**December 31, 2019**
Non-current assets					
Investment properties	6	**$**	**14,255,459**	$	13,096,426
Investment in associate	7		**231,913**		224,812
Derivative asset	19		**819**		3,984
Other non-current assets	8		**161,654**		156,639
			14,649,845		13,481,861
Current assets					
Other current assets	8		**59,986**		58,760
Cash and cash equivalents			**234,444**		477,328
			294,430		536,088
		$	**14,944,275**	$	14,017,949
Non-current liabilities					
Mortgages payable	12	**$**	**4,115,556**	$	3,872,125
Bank indebtedness	13		**595,021**		623,893
Unit-based compensation financial liabilities	14, 15		**12,688**		14,391
ERES units held by non-controlling unitholders	11		**336,837**		364,928
Derivative liability	19		**8,180**		3,361
Deferred income tax liability	21		**49,420**		32,312
Lease liability			**36,849**		37,775
			5,154,551		4,948,785
Current liabilities					
Mortgages payable	12		**668,515**		436,447
Bank indebtedness	13		**31,194**		—
Unit-based compensation financial liabilities	14, 15		**17,496**		18,658
Derivative liability	19		**26,505**		3,734
Accounts payable and accrued liabilities	10		**126,230**		116,544
Other current liabilities	9		**14,871**		30,778
Security deposits			**40,784**		39,575
Exchangeable LP Units	16		**29,392**		—
Distributions payable			**19,669**		19,533
			974,656		665,269
		$	**6,129,207**	$	5,614,054
Unitholders' equity					
Unit capital		**$**	**4,069,383**	$	4,013,941
Accumulated other comprehensive income (loss)	22		**71,776**		(19,510)
Retained earnings			**4,673,909**		4,409,464
		$	**8,815,068**	$	8,403,895
		$	**14,944,275**	$	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 September 30,		Nine Months Ended September 30,	
(Unaudited)	Note	**2020**	2019	**2020**	2019
Operating revenues					
Revenue from investment properties	25	**$ 221,420**	$ 199,417	**$ 657,405**	$ 572,598
Operating expenses					
Realty taxes		**(20,591)**	(18,853)	**(61,183)**	(55,065)
Property operating costs		**(52,595)**	(47,720)	**(166,697)**	(145,087)
		(73,186)	(66,573)	**(227,880)**	(200,152)
Net rental income		**148,234**	132,844	**429,525**	372,446
Trust expenses		**(9,984)**	(10,752)	**(31,639)**	(32,068)
Transaction costs		**—**	—	**—**	(8,527)
Unit-based compensation expense	15	**(694)**	(5,876)	**(1,487)**	(13,416)
Fair value adjustments of investment properties	6	**233,437**	263,640	**197,465**	473,576
Realized loss on disposition of investment properties	5	**(634)**	—	**(1,387)**	—
Amortization of property, plant and equipment		**(1,939)**	(1,593)	**(5,663)**	(4,550)
Fair value adjustments of Exchangeable LP Units	16	**1,354**	—	**1,354**	—
Gain (loss) on non-controlling interest	11	**(15,913)**	(33,248)	**19,116**	(39,947)
Fair value adjustments of investments		**(348)**	2,696	**(3,435)**	8,892
(Loss) gain on derivative financial instruments	19	**(25,800)**	11,096	**(26,758)**	7,307
Interest and other financing costs	23	**(36,314)**	(35,218)	**(108,021)**	(100,098)
(Loss) gain on foreign currency translation		**11,730**	11,668	**(19,962)**	35,260
Other income	25	**5,515**	4,971	**9,254**	20,017
Net income before income taxes		**308,644**	340,228	**458,362**	718,892
Current and deferred income tax expense	21	**(8,569)**	(9,887)	**(17,392)**	(15,712)
Net income		**$ 300,075**	$ 330,341	**$ 440,970**	$ 703,180
Other comprehensive income (loss), including items that may be reclassified subsequently to net income					
Amortization of losses from AOCI (AOCL) to interest and other financing costs	22	**$ 629**	$ 1,725	**$ 1,896**	$ 3,173
Gain (loss) on foreign currency translation	22	**28,604**	(30,086)	**89,390**	(65,760)
Other comprehensive income (loss)		**$ 29,233**	$ (28,361)	**$ 91,286**	$ (62,587)
Comprehensive income		**$ 329,308**	$ 301,980	**$ 532,256**	$ 640,593

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	17	**49,555**	**—**	**—**	**49,555**
RUR Plan	15,17	**3,882**	**—**	**—**	**3,882**
Employee Unit Purchase Plan	15	**2,005**	**—**	**—**	**2,005**
		55,442	**—**	**—**	**55,442**
Retained earnings and other comprehensive income					
Net income		**—**	**440,970**	**—**	**440,970**
Other comprehensive income		**—**	**—**	**91,286**	**91,286**
		—	**440,970**	**91,286**	**532,256**
Distributions on Trust Units					
Distributions declared and paid		**—**	**(156,856)**	**—**	**(156,856)**
Distributions payable		**—**	**(19,669)**	**—**	**(19,669)**
		—	**(176,525)**	**—**	**(176,525)**
Unitholders' Equity, September 30, 2020		**$ 4,069,383**	**$ 4,673,909**	**$ 71,776**	**$ 8,815,068**

(Unaudited)	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Unitholders' Equity, January 1, 2019		$ 2,855,701	$ 3,432,153	$ 28,846	$ 6,316,700
Unit capital					
New Trust Units issued	17	605,764	—	—	605,764
Distribution Reinvestment Plan	17	49,778	—	—	49,778
Deferred Unit Plan	15,17	7,900	—	—	7,900
RUR Plan	15,17	4,903	—	—	4,903
Employee Unit Purchase Plan	15	1,525	—	—	1,525
		669,870	—	—	669,870
Retained earnings and other comprehensive loss					
Net income		—	703,180	—	703,180
Other comprehensive loss		—	—	(62,587)	(62,587)
		—	703,180	(62,587)	640,593
Distributions on Trust Units					
Distributions declared and paid		—	(143,217)	—	(143,217)
Distributions payable		—	(18,440)	—	(18,440)
		—	(161,657)	—	(161,657)
Unitholders' Equity, September 30, 2019		$ 3,525,571	$ 3,973,676	$ (33,741)	$ 7,465,506

See accompanying notes to the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA$ thousands)

(Unaudited)	Note	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash provided by (used in):					
Operating activities					
Net income		**$ 300,075**	$ 330,341	**$ 440,970**	$ 703,180
Items related to operating activities not affecting cash:					
Fair value adjustments - investment properties		**(233,437)**	(263,640)	**(197,465)**	(473,576)
Fair value adjustments - Exchangeable LP Units		**(1,354)**	—	**(1,354)**	—
Fair value adjustments - investments		**348**	(2,696)	**3,435**	(8,892)
Mark-to-market (gain) loss on ERES units	11	**12,722**	32,399	**(28,459)**	38,343
Loss on disposition of investment properties	5	**634**	—	**1,387**	—
Loss (gain) on derivative financial instruments	19	**25,800**	(11,096)	**26,758**	(7,307)
Amortization	8, 22, 23	**4,628**	5,718	**14,260**	13,902
Unit-based compensation expense	15	**694**	5,876	**1,487**	13,416
Straight-line rent adjustment		**(54)**	(63)	**(141)**	(72)
Deferred income tax expense (recovery)	21	**7,698**	9,458	**14,580**	(1,739)
Net loss (profit) from investment in associate	25	**(2,449)**	(2,215)	**338**	(11,867)
Unrealized foreign currency loss (gain)		**(11,730)**	(16,211)	**19,962**	(37,653)
		103,575	87,871	**295,758**	227,735
Net income items related to financing and investing activities	24	**36,679**	34,253	**107,296**	92,781
Changes in non-cash operating assets and liabilities	24	**(13,687)**	(376)	**(22,840)**	(16,208)
Cash provided by operating activities		**126,567**	121,748	**380,214**	304,308
Investing activities					
Acquisition of investment properties	24	**(110,451)**	(474,358)	**(452,815)**	(971,811)
Capital investments	24	**(56,176)**	(66,355)	**(154,704)**	(163,265)
Operating lease buyout	6, 24	**—**	—	**(119,411)**	—
Acquisition of investments	26	**—**	(20,125)	**—**	(40,668)
Disposition of investment properties	24	**17,979**	—	**33,312**	—
Change in restricted cash		**(136)**	(400)	**(496)**	(990)
Investment income received		**4,498**	4,289	**10,902**	8,944
Cash acquired on business combination		**—**	—	**—**	9,069
Cash used in investing activities		**(144,286)**	(556,949)	**(683,212)**	(1,158,721)
Financing activities					
Mortgage financings	24	**143,499**	205,776	**567,719**	571,556
Mortgage principal repayments	24	**(34,713)**	(31,826)	**(101,412)**	(93,908)
Mortgages repaid on maturity	24	**(18,161)**	(99,082)	**(140,103)**	(202,804)
Lease payments		**(1,418)**	(662)	**(4,247)**	(2,256)
Financing costs		**(1,055)**	(1,812)	**(3,246)**	(4,502)
CMHC premiums on mortgages payable		**(4,048)**	(3,606)	**(10,124)**	(8,388)
Interest paid on mortgages and bank indebtedness	24	**(32,544)**	(33,508)	**(96,787)**	(91,569)
Bank indebtedness	24	**31,134**	301,080	**(16,709)**	56,276
Proceeds on issuance of ERES units, net of issuance costs	11	**—**	137,583	**—**	137,583
Proceeds on issuance of Trust Units, net of issuance costs	24	**693**	531	**1,828**	607,047
Net cash distributions	24	**(45,073)**	(38,369)	**(136,136)**	(110,496)
Cash provided by financing activities		**38,314**	436,105	**60,783**	858,539
Changes in cash and cash equivalents during the period		**20,595**	904	**(242,215)**	4,126
Effect of exchange rate changes on cash		**394**	5,953	**(669)**	4,272
Cash and cash equivalents, beginning of the period		**213,455**	27,254	**477,328**	25,713
Cash and cash equivalents, end of the period		**$ 234,444**	$ 34,111	**$ 234,444**	$ 34,111

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 ("REIT") 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.

As at September 30, 2020, CAPREIT holds a 66.0% (December 31, 2019 - 66.0%) ownership of European Residential Real Estate Investment Trust ("ERES"), which operates primarily in the Netherlands, 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 November 9, 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 nine months ended September 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

<u>IFRS 3, Business Combinations ("IFRS 3")</u>
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 nine months ended September 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:

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.

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

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 September 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 nine months ended September 30, 2020. Refer to note 7 for further information.

iv) Valuation of Goodwill

CAPREIT recognized goodwill pursuant to the reverse acquisition (the "Acquisition") of European Commercial Real Estate Investment Trust ("ECREIT") on March 29, 2019, 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 September 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 nine months ended September 30, 2020.

4. Recent Investment Property Acquisitions

CAPREIT completed the following investment property acquisitions since January 1, 2020, which have contributed to the operating results effective from their respective acquisition dates. The below table does not include $150,157 relating to CAPREIT's operating lease buyouts.

Acquisitions Completed During the Nine Months Ended September 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	$ 76,174	1.84	4.66
March 4, 2020	112	Montreal, QC	44,331	—	33,427	2.06	10.00
March 16, 2020	109	Edmonton, AB	28,392	— [3]	— [3]	— [3]	— [3]
August 13, 2020	88	Halifax, NS	23,033	— [3]	— [3]	— [3]	— [3]
September 1, 2020	120	The Netherlands	32,233	— [4]	— [4]	— [4]	— [4]
September 21, 2020	301	London & Sarnia, ON	51,097	— [3]	— [3]	— [3]	— [3]
Total	**2,233**		**$ 573,820**	**$ 108,744**	**$ 109,601**		

(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.
(4) The acquisition was funded from ERES's cash and cash equivalents.

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.

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

5. Dispositions

The table below summarizes the dispositions completed during the nine months ended September 30, 2020.

Dispositions Completed During the Nine Months Ended September 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		—
July 15, 2020	188	Calgary, AB		30,500		19,335		11,165
Total	**194**		**$**	**56,760**	**$**	**35,429**	**$**	**21,331**

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

6. Investment Properties

Reconciliation of Carrying Amounts of Investment Properties by Type

For the Nine Months Ended September 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 [(1)]	578,761	—	—	578,761
Property capital investments	140,389	4,823	2,555	147,767
Capitalized leasing costs [(2)]	450	(1)	(51)	398
Operating lease buyout [(3)]	—	150,157	—	150,157
Dispositions	(56,760)	—	—	(56,760)
Transfer between investment property types [(2)]	972,721	(972,721)	—	—
Fair value adjustments	202,589	4,974	(10,098)	197,465
Gain on foreign currency translation	141,245	—	—	141,245
Balance of investment properties, end of the period	**$ 13,913,899**	**$ 153,101**	**$ 188,459**	**$ 14,255,459**

[(1)] Includes additional transaction costs on acquisitions.
[(2)] Comprises tenant inducements, straight-line rent and direct leasing costs.
[(3)] During the nine months ended September 30, 2020, CAPREIT purchased the freehold interest on nine of its operating leasehold properties and converted the ownership into fee simple.

For the Nine Months Ended September 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	$ 214,893	$ 10,511,307
Additions:				
Properties acquired through business combination [(1)]	135,533	—	—	135,533
Acquisitions	1,047,241	—	—	1,047,241
Property capital investments	149,084	12,850	5,991	167,925
Capitalized leasing costs [(2)]	132	24	(103)	53
Fair value adjustments	452,414	34,125	(12,963)	473,576
Loss on foreign currency translation	(96,047)	—	—	(96,047)
Balance of investment properties, end of the period	**$ 11,108,704**	**$ 923,066**	**$ 207,818**	**$ 12,239,588**

[(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.

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

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 September 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 September 30, 2020 and December 31, 2019:

As at September 30, 2020

Type of Interest	Fair Value	WA NOI / Cash Flow [1]	Rate Type	Max	Min	Weighted Average
Fee simple interests [2], [6]	$ 13,307,727	$ 3,799	Capitalization rate	7.73 %	2.20 %	3.88 %
MHC sites	603,719	1,883	Capitalization rate	9.58 %	5.00 %	6.27 %
Operating leasehold interests [3], [4]	152,727	2,217	Discount rate [5]	6.00 %	5.50 %	5.73 %
Land leasehold interests [2]	154,540	3,241	Discount rate [5]	7.75 %	6.50 %	7.16 %
Total Investment Properties excluding right-of-use assets	$ 14,218,713					
Add: Right-of-use assets, net of fair value change	36,746					
Total Investment Properties	**$ 14,255,459**					

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**					

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

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

(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 $55,198 as at September 30, 2020 (December 31, 2019 - $470,169). The decrease during the nine months ended September 30, 2020 is due to the early buyout of nine operating leases with an option fair value of $425,170 (nine months ended September 30, 2019 - $nil).

(4) For the four operating leasehold interests remaining as at September 30, 2020, the contractual weighted average remaining lease term on operating leasehold interests is 15.6 years as at September 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 5.6 years as at September 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 September 30, 2020 and December 31, 2019, respectively.

(6) The fee simple interests include $2,191,788 (December 31, 2019 - $1,962,949) of CAPREIT's European portfolio with an implied capitalization rate of 3.84% (December 31, 2019 - 3.88%) which were valued using the DCF method at a weighted average discount rate of 5.73% 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 September 30, 2020		**Change in NOI**				
		(2.00)%	**(1.00)%**	**—%**	**+1.00%**	**+2.00%**
Change in Capitalization Rate (1)	**(0.50)%**	$ 1,768,190	$ 1,930,758	$ 2,093,327	$ 2,255,895	$ 2,418,464
	(0.25)%	669,727	821,087	972,446	1,123,806	1,275,165
	— %	(283,270)	(141,635)	—	141,635	283,270
	+0.25 %	(1,118,445)	(985,332)	(852,220)	(719,107)	(585,994)
	+0.50 %	(1,856,748)	(1,731,168)	(1,605,589)	(1,480,010)	(1,354,431)

(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.

7. Investment in Associate

CAPREIT's subsidiary, IRES Fund Management Limited, entered into an external investment management agreement to perform property and asset management services for IRES, an Irish residential REIT listed on the Euronext Dublin exchange. 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 September 30, 2020, CAPREIT concluded 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 further details about CAPREIT's investment in IRES:

As at	**September 30, 2020**	**December 31, 2019**
Carrying value of investment in associate	**$ 231,913**	$ 224,812
Share ownership (%)	**18.3%**	18.3%
Number of IRES shares	**95,510,000**	95,510,000
IRES share price (€)	**1.41**	1.59
Fair value of investment in associate based on quoted market price (1)	**$ 210,501**	$ 221,459

(1) CAPREIT has determined that the deficiency of the market capitalization of IRES over the carrying amount of the investment as at September 30, 2020 is an indicator of impairment. An impairment analysis was performed and an impairment of $nil was recorded for the three and nine months ended September 30, 2020 as described in note 3.

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

8. Other Assets

As at	Note	September 30, 2020	December 31, 2019
Other non-current assets			
Property, plant and equipment [1]		$ 58,202	$ 51,306
Accumulated amortization of property, plant and equipment		(41,505)	(36,366)
Net property, plant and equipment		16,697	14,940
Right-of-use asset, net of amortization [2]		1,298	1,777
Prepaid CMHC premiums, net [3]		86,767	79,767
Deferred loan costs, net [4]		600	1,320
Fair value through profit or loss investment		37,742	41,177
Deferred tax asset	21	2,056	1,810
Goodwill [5]		16,494	15,848
Total		**$ 161,654**	**$ 156,639**
Other current assets			
Prepaid expenses		$ 15,776	$ 8,032
Other receivables		16,619	13,973
Restricted cash		9,596	8,959
Deposits		17,995	27,796
Total		**$ 59,986**	**$ 58,760**

[1] Consists of head office and regional offices' leasehold improvements, corporate assets and information technology systems.
[2] Amortization during the three and nine months ended September 30, 2020 is $156 and $479 respectively (three and nine months ended September 30, 2019 - $178 and $534 respectively).
[3] Represents prepaid Canada Mortgage and Housing Corporation ("CMHC") premiums on mortgages payable net of accumulated amortization of $35,097 (December 31, 2019 - $32,175).
[4] Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of $12,707 (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.

9. Other Current Liabilities

As at	Note	September 30, 2020	December 31, 2019
Current tax liability [1]	21	$ 2,927	$ 17,646
Mortgage interest payable		10,761	12,011
Current lease liability		1,183	1,121
Total		**$ 14,871**	**$ 30,778**

[1] The current tax liability as at December 31, 2019, which was paid in August 2020, is primarily a result of reorganization of legal structures of the Dutch subsidiaries in connection with the Acquisition.

10. Accounts Payable and Accrued Liabilities

As at	September 30, 2020	December 31, 2019
Accounts payable	$ 43,730	$ 47,096
Accrued liabilities	59,409	51,824
Deferred revenue	15,664	11,920
Distributions payable to ERES non-controlling unitholders	1,067	832
Other	6,360	4,872
Total	**$ 126,230**	**$ 116,544**

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

11. ERES Units Held by Non-Controlling Unitholders

As at September 30, 2020, CAPREIT valued the units of ERES ("ERES units") held by non-controlling unitholders at $336,837 (December 31, 2019 - $364,928) and classified the units as a liability on the consolidated balance sheets. The mark-to-market (gain) loss arises from the decrease (increase) in ERES' unit price.

	Three Months Ended September 30,		Nine Months Ended, September 30,	
	2020	**2019**	**2020**	**2019**
Mark-to-market (gain) loss on ERES units	$ 12,722	$ 32,399	$ (28,459)	$ 38,343
Distributions to ERES non-controlling unitholders	3,191	849	9,343	1,604
(Gain) loss on non-controlling interest	**$ 15,913**	$ 33,248	**$ (19,116)**	$ 39,947

12. Mortgages Payable

As at September 30, 2020, mortgages payable bear interest at a weighted average effective rate of 2.70% (December 31, 2019 - 2.84%) and mature between 2020 and 2034. The effective interest rate as at September 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 accumulated other comprehensive income (loss) (December 31, 2019 - $32,494). As at September 30, 2020, 99.2% of CAPREIT's mortgages payable are financed at fixed interest rates. Investment properties at fair value of $13,438,247 have been pledged as security as at September 30, 2020. CAPREIT has investment properties with a fair value of $817,212 as at September 30, 2020 that are not encumbered by mortgages. Of these, $783,418 of the investment properties are located in Canada and secure only CAPREIT's acquisition and operating facility ("Acquisition and Operating Facility"), while the remaining properties are located in Europe. As at September 30, 2020, unamortized deferred financing costs of $13,273 and unamortized fair value loss of $742 are netted against mortgages payable.

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

As at September 30, 2020	Principal Amount		% of Total Principal
2020	$ 209,763		4.4
2021	576,297	(1)	12.0
2022	545,996	(2)	11.4
2023	588,169	(2)	12.3
2024	385,630	(2)	8.0
2025 - 2034	2,490,747	(2)	51.9
	4,796,602		**100.0**
Deferred financing costs and fair value adjustments	(12,531)		
Total Portfolio	**$ 4,784,071**		

As at	September 30, 2020	December 31, 2019
Represented by:		
Mortgages payable - non-current [(1), (2)]	$ 4,115,556	$ 3,872,125
Mortgages payable - current	668,515	436,447
	$ 4,784,071	**$ 4,308,572**

(1) Included in mortgages payable as at September 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 September 30, 2020 are non-amortizing mortgages from ERES.

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

13. 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 Acquisition and Operating 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.

As at September 30, 2020		**Acquisition and Operating Facility**			**ERES Credit Facility**			**Consolidated Total**
Facility	$	740,000		$	78,155	(4)	$	818,155
Less: USD LIBOR borrowings		(595,021)	(2), (5)		(31,194)	(6)		(626,215)
Letters of credit		(7,223)			—			(7,223)
Available borrowing capacity	**$**	**137,756**		**$**	**46,961**		**$**	**184,717**
Weighted average interest rate including interest rate swaps		**1.08 %**	(5)		**1.09 %**	(6)		**1.08 %**

As at December 31, 2019		**Acquisition and Operating Facility**			**ERES Credit Facility**			**Consolidated Total**
Facility	$	740,000	(1)	$	72,915	(4)	$	812,915
Less: USD LIBOR borrowings		(579,821)	(2), (5)		(37,226)	(6)		(617,047)
Euro LIBOR borrowings		(6,846)	(3)		—			(6,846)
Letters of credit		(7,163)			—			(7,163)
Available borrowing capacity	**$**	**146,170**		**$**	**35,689**		**$**	**181,859**
Weighted average interest rate including interest rate swaps		**1.08 %**	(5)		**1.15 %**	(6)		**1.08 %**

(1) In addition to the above facility, there was a $200,000 bridge facility ("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 $446,076 (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) In addition to the above ERES Credit Facility, there is a $78,155 (€50,000) ERES Bridge Facility. No amounts are drawn on the ERES Bridge Facility as of September 30, 2020. The ERES Bridge Facility will expire on December 6, 2020.

(5) Excluding the impact of cross-currency interest rate swaps, the weighted average interest rate on the Acquisition and Operating Facility is 1.81% (December 31, 2019 - 3.44%). For details on the swaps, refer to note 19. The Acquisition and Operating Facility matures on June 30, 2022 and the USD LIBOR borrowings are thus classified as non-current bank indebtedness on the consolidated balance sheets as at September 30, 2020.

(6) The ERES Credit Facility bears interest at the LIBOR rate plus a margin of 1.65% per annum. Excluding the impact of cross-currency interest rate swaps swaps, the weighted average interest rate on the ERES Credit Facility is 1.79% (December 31, 2019 - 3.57%). For details on the swaps, refer to note 19. The ERES Credit Facility matures on July 8, 2021 and the USD LIBOR borrowings are thus classified as current bank indebtedness on the consolidated balance sheets as at September 30, 2020.

14. Unit-based Compensation Financial Liabilities

Units are issuable pursuant to CAPREIT’s unit-based compensation plans, namely the Employee Unit Purchase Plan ("EUPP"), the Deferred Unit Plan ("DUP") and the Restricted Unit Rights Plan ("RUR Plan"). As at September 30, 2020, the maximum number of units issuable under CAPREIT’s unit-based incentive plans (excluding ERES) is 9,500,000 units (December 31, 2019 - 9,500,000 units). The maximum number of units available for future issuance under these unit-based incentive plan agreements as at September 30, 2020 is 573,347 units (December 31, 2019 - 729,783 units).

ERES units are issuable pursuant to ERES' unit options plan ("ERES UOP"). The maximum number of unit options that may be reserved under the ERES UOP is 10% of the outstanding ERES units (including ERES Class B limited partnership units). As at September 30, 2020, the maximum number of outstanding unit options issuable under the ERES UOP is 18,855,326 unit options (December 31, 2019 - 18,785,785 unit options).

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

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

Nine Months Ended September 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	—	14,848	87,985	102,833
Exercised or settled	—	—	(80,408)	(80,408)
Cancelled or forfeited	(56,320)	—	(2,393)	(2,393)
Distributions reinvested	—	3,340	12,125	15,465
Unit rights and unit options outstanding as at September 30, 2020	**4,199,694**	**169,184**	**559,396**	**728,580**

Nine Months Ended September 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	13,501	83,124	96,625
Exercised or settled	(13,666)	(159,080)	(100,487)	(259,567)
Cancelled or forfeited	(38,001)	(1)	(3,952)	(3,953)
Distributions reinvested	—	5,189	11,682	16,871
Unit rights and unit options outstanding as at September 30, 2019	**1,591,347**	**146,305**	**568,487**	**714,792**

[(1)] Total CAPREIT excluding ERES UOP.

The table below summarizes the change in the total unit-based compensation financial liabilities for the nine months ended September 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	September 30, 2020	December 31, 2019
Total unit-based compensation financial liabilities, beginning of the period	$ 33,049	$ 32,805
Unit-based compensation expense	1,153	14,497
ERES UOP assumed as part of the Acquisition	—	487
Settlement of unit-based compensation awards for Trust Units and ERES units	(4,057)	(14,740)
Loss on foreign currency translation	39	—
Total unit-based compensation financial liabilities, end of the period	**$ 30,184**	**$ 33,049**

Unit-based compensation financial liabilities are as follows:

As at	September 30, 2020	December 31, 2019
Non-current		
RUR	$ 12,162	$ 14,080
ERES UOP	526	311
	$ 12,688	**$ 14,391**
Current		
DUP	$ 7,858	$ 8,005
RUR	8,280	9,662
ERES UOP	1,358	991
	$ 17,496	**$ 18,658**
Total unit-based compensation financial liabilities, end of the period	**$ 30,184**	**$ 33,049**

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

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

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

15. 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 September 30, 2020 and 2019, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
DUP	$ (25)	$ 1,309	$ (147)	$ 3,174
RUR Plan	248	4,133	593	9,364
EUPP	121	93	334	254
ERES UOP	350	341	707	624
Unit-based compensation expense (recovery)	**$ 694**	**$ 5,876**	**$ 1,487**	**$ 13,416**

16. Exchangeable LP Units

On June 30, 2020, Class B limited partnership units of CAPLP ("Exchangeable LP Units") were issued in connection with 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 $29,392 as at September 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 Nine Months Ended September 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**	**—**

17. Unitholders' Equity

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

For the Nine Months Ended September 30,	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	—	13,368,750
DRIP	1,046,424	1,059,005
EUPP	40,531	30,720
DUP	—	159,080
RUR Plan	80,408	100,487
Trust Units outstanding, end of the period	**171,036,560**	**160,372,024**

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

18. Financial Instruments, Investment Properties and Risk Management

a) Fair Value of Financial Instruments

At September 30, 2020, the fair value of CAPREIT's mortgages payable is estimated to be $5,054,000 (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 September 30, 2020, the principal outstanding on CAPREIT's mortgages payable is $4,796,602 (December 31, 2019 - $4,320,169) as shown in note 12.

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	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs	Significant unobservable inputs	
Recurring Measurements				
Assets				
Investment properties				
Fee simple and MHC land lease sites	$ —	$ —	$ 13,913,899 (1)	$ 13,913,899
Operating leasehold interests	—	—	153,101 (1)	153,101
Land leasehold interests	—	—	188,459 (1)	188,459
Investments	37,742 (2)	—	—	37,742
Derivative financial assets	—	819 (3)	—	819
Liabilities				
Derivative financial liabilities	—	(34,685) (3)	—	(34,685)
ERES units held by non-controlling unitholders	(336,837)	—	—	(336,837)
Unit-based compensation financial liabilities	—	(30,184)	—	(30,184)
Exchangeable LP Units	—	(29,392)	—	(29,392)
Total	$ **(299,095)**	$ **(93,442)**	$ **14,255,459**	$ **13,862,922**

(1) Fair values for investment properties are calculated using either the direct income capitalization or the discounted cash flow methods, which result 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 September 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 September 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 cause volatility in earnings.

For the nine months ended September 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 September 30, 2020	September 30, 2019
Floating rate debt	+100	$ 1	$ (10)
Floating rate debt	-100	$ (1)	$ 10
Cross-currency and/or interest rate swaps [1]	+100	$ 5,947	$ 6,890
Cross-currency and/or interest rate swaps [1]	-100	$ (5,994)	$ (5,736)

[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 September 30, 2020, interest rate risk has been minimized as 99.2% (September 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 $1,157,249 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 September 30, 2020, CAPREIT had undrawn lines of credit in the amount of $137,756 (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 13 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 September 30, 2020 are as follows:

	2020 [(2)]	2021 - 2022	2023 - 2024	2025 onward
Mortgages payable	$ 209,763	$ 1,122,293	$ 973,799	$ 2,490,747
Bank indebtedness	—	626,215	—	—
Mortgage interest [(1)]	30,172	203,344	141,618	145,606
Bank indebtedness interest [(1)]	2,684	16,032	—	—
Other liabilities [(3)]	139,918	—	—	—
Derivative financial liabilities	13,832	18,556	—	2,297
ERES units held by non-controlling unitholders	—	—	—	336,837
Lease liabilities	257	2,196	1,241	34,338
Security deposits	40,784	—	—	—
Distributions payable	19,669	—	—	—
Swap premium [(4)]	45	352	331	6
	$ 457,124	**$ 1,988,988**	**$ 1,116,989**	**$ 3,009,831**

(1) Based on current in-place interest rates for the remaining term to maturity.
(2) Estimates of the amounts as at September 30, 2020.
(3) Related to accounts payable and accrued liabilities, current tax liability and mortgage interest payable.
(4) 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, the Netherlands and IRES investment is recognized in other comprehensive income (loss). 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

CAPREIT has certain derivative financial instruments in place, namely interest rate swaps, cross-currency interest rate ("CCIR") swaps, foreign exchange ("FX") swaps and forward FX contracts. These derivative contracts, for which hedge accounting is not being applied, consist of the following:

						Derivative asset (liability)		(Loss) gain on derivative financial instruments Three Months Ended September 30,		(Loss) gain on derivative financial instruments Nine Months Ended September 30,	
Type of instrument		Notional amount	Maturity date or settlement date	Credit facility rate	Swap rate	September 30, 2020	December 31, 2019	2020	2019	2020	2019
Interest Rate Swap	$	65,000	September 2019	BA +1.40%	3.60 %	$ —	$ —	$ —	$ 157	$ —	$ (1,007)
CCIR Swap (1)	$	65,000	June 2021	BA +1.40%	0.97 %	(5,054)	(395)	(1,578)	(13)	(4,659)	(13)
CCIR Swap (2)	US$	186,436	June 2019	US LIBOR +1.65%	1.20 %	—	—	—	—	—	1,038
CCIR Swap (3)	US$	186,190	June 2021	US LIBOR +1.65%	1.08 %	(7,618)	3,254	(10,714)	10,384	(10,872)	9,712
FX Swaps (4)	$	48,220	December 2019	N/A	N/A	—	—	—	2,016	—	(518)
CCIR Swap (5)	US$	177,296	November 2020	US LIBOR +1.65%	1.06 %	(13,741)	(3,141)	(10,309)	—	(10,600)	—
CCIR Swap (6)	US$	82,525	December 2021	US LIBOR +1.65%	1.05 %	(5,884)	(693)	(4,818)	—	(5,191)	—
CAPREIT Total						**$ (32,297)**	**$ (975)**	**$ (27,419)**	**$ 12,544**	**$ (31,322)**	**$ 9,212**
Interest Rate Swaps (7)	€	25,500	January 2025	EURIBOR + 1.38%	0.49 %	$ (1,478)	$ (1,543)	$ 7	$ (284)	$ 5	$ (741)
Forward FX Contracts (8)	$	139,039	December 2019	N/A	N/A	—	—	—	(1,164)	—	(1,164)
CCIR Swaps (9)	US$	23,400	October 2020	US LIBOR + 1.65%	EURIBOR + 1.62%	(91)	(593)	(89)	—	1,204	—
FX Swap (10)	US$	33,558	July 2020	N/A	0.46 %	—	—	1,701	—	3,355	—
ERES Total						**$ (1,569)**	**$ (2,136)**	**$ 1,619**	**$ (1,448)**	**$ 4,564**	**$ (1,905)**
Consolidated Total						**$ (33,866)**	**$ (3,111)**	**$ (25,800)**	**$ 11,096**	**$ (26,758)**	**$ 7,307**

(1) This represents a CCIR swap to hedge a $65,000 loan into €44,818 effective September 2019.

(2) This represents a CCIR swap to hedge a USD $186,436 loan into €163,540 effective July 2017.

(3) This represents a CCIR swap to hedge a USD $186,190 loan into €163,540 effective June 2019.

(4) Starting 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 2019, CAPREIT exited this swap program by unwinding $48,220 on the last swap. The net income impact represents the cumulative (loss) gain on each renewal of the swaps.

(5) This represents a CCIR swap to hedge a USD $177,296 loan into €160,000 effective December 2019.

(6) This represents a CCIR swap to hedge a USD $82,525 loan into €74,000 effective December 2019.

(7) As at September 30, 2020, the interest rate swap consists of a non-current derivative asset of $819 and a non-current derivative liability of $2,297. As part of the Acquisition, CAPREIT assumed a €7,500 interest rate swap and a €25,500 interest rate swap. In January 2020, ERES settled the €7,500 interest rate swap. The rate of EURIBOR + 1.38% represents the interest rate on the remaining €25,500 swap.

(8) ERES entered into forward exchange contracts effective September 2019 to hedge the movement in the Canadian dollar and Euro exchange rates for their 2019 equity raises. In December 2019, ERES settled the last forward exchange contract of $139,039.

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

(9) Starting November 2019, ERES entered into a series of CCIR swaps to hedge USD-denominated loans into Euros. The CCIR swap in place as at September 30, 2020 consists of a loan of USD $23,400 hedged into €20,017.

(10) Starting April 2020, ERES entered into a three-month FX swap in connection to the excess proceeds from the mortgage financing drawn down during the second quarter of USD $33,558 to hedge into €31,000. The USD proceeds were simultaneously invested into a three-month USD-denominated guaranteed investment certificate, earning interest at a rate of 1.30% per annum.

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.

The total capital managed by CAPREIT is as follows:

As at	September 30, 2020	December 31, 2019
Mortgages payable	$ 4,784,071	$ 4,308,572
Bank indebtedness	626,215	623,893
Unitholders' equity	8,815,068	8,403,895
Exchangeable LP Units	29,392	—
Total capital	**$ 14,254,746**	**$ 13,336,360**

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

	Threshold	September 30, 2020	December 31, 2019
Total debt to gross book value (1)	Maximum 70.00 %	**35.99 %**	34.99 %
Tangible net worth (2)	Minimum $2,400,000	**$ 8,858,150**	$ 8,421,096
Debt service coverage ratio (times) (3), (4)	Minimum 1.20	**2.03**	1.87
Interest coverage ratio (times) (3), (5)	Minimum 1.50	**4.04**	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 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, 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 repayments and interest expense.

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

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 1.50. As at September 30, 2020, ERES is in compliance with its debt covenants.

Due to the 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 REIT eligible for the REIT exception to the specified investment flow-through ("SIFT") rules. CAPREIT 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 Unitholders, 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 September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Income before income taxes	$ 308,644	$ 340,228	$ 458,362	$ 718,892
Income not subject to taxation [(1)]	(267,838)	(284,496)	(376,239)	(636,741)
Income before income taxes in foreign subsidiary entities	40,806	55,732	82,123	82,151
Tax calculated at the Dutch corporate tax rate of 25%	10,202	13,933	20,531	20,538
Increase (decrease) resulting from:				
Expenses not deductible for tax	—	101	—	319
Effect of different tax rates in countries in which CAPREIT operates	(144)	(251)	(327)	(370)
Adjustments to deferred taxes for the current and future years' change in tax rates	(1,320)	(2,936)	(2,549)	(3,750)
Adjustments for difference in tax rates for first €200 of income	(247)	(374)	(666)	(619)
Other adjustments	78	(586)	403	(406)
Provision for income taxes	**$ 8,569**	**$ 9,887**	**$ 17,392**	**$ 15,712**

[(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 September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Current income tax expense	$ 871	$ 429	$ 2,812	$ 17,451
Deferred income tax expense (recovery)	7,698	9,458	14,580	(1,739)
Current and deferred income tax expense (net)	**$ 8,569**	**$ 9,887**	**$ 17,392**	**$ 15,712**

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

As at	September 30, 2020	December 31, 2019
Deferred tax liability related to difference in tax and book basis of investment properties	$ (50,749)	$ (33,000)
Deferred tax assets related to loss carryforward	3,385	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 nine months ended September 30, 2019. This was paid in August 2020 as described in note 9.

As at September 30, 2020, CAPREIT has total non-capital loss carryforwards of $15,597 (December 31, 2019 - $12,459). Of these losses, $11,214 (December 31, 2019 - $8,972) are in respect of the Dutch subsidiaries and expire between 2025 and 2027. The remaining losses of $4,383 (December 31, 2019 - $3,487) 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(AOCL) AOCI balance, beginning of the period	$ 42,543	$ (5,380)	$ (19,510)	$ 28,846
Other comprehensive income (loss):				
Amortization from (AOCL) AOCI to interest and other financing costs [1]	629	1,725	1,896	3,173
Gain (loss) on foreign currency translation	28,604	(30,086)	89,390	(65,760)
Other comprehensive income (loss)	**29,233**	**(28,361)**	**91,286**	**(62,587)**
AOCI (AOCL) balance, end of the period	**$ 71,776**	**$ (33,741)**	**$ 71,776**	**$ (33,741)**

	September 30, 2020	December 31, 2019
AOCI (AOCL) comprises:		
Net cumulative loss on derivative financial instruments	$ (450)	$ (647)
Unamortized balance of loss on cash flow hedges previously settled	(51)	(61)
Net cumulative loss on forward interest rate hedge [1]	(4,315)	(6,004)
Cumulative gain (loss) on foreign currency translation	73,465	(15,925)
Reversal of cumulative foreign currency translation relating to IRES ownership dilution	3,127	3,127
AOCI (AOCL) balance, end of the period	**$ 71,776**	**$ (19,510)**

[1] The estimated amount of the amortization expected to be reclassified to net income from AOCI (AOCL) in the next 12 months is $2,237.

23. Interest and Other Financing Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest on mortgages payable [1]	$ 32,207	$ 30,244	$ 95,094	$ 88,423
Amortization of CMHC premiums and fees	959	1,061	3,124	3,087
Interest on bank indebtedness and other deferred costs [2]	1,804	3,501	6,205	7,343
Interest on Exchangeable LP Units	218	—	218	—
Interest on land and air rights lease liability	1,126	412	3,380	1,245
	$ 36,314	**$ 35,218**	**$ 108,021**	**$ 100,098**

[1] Includes amortization of deferred financing costs, fair value adjustments and other comprehensive income (loss) hedge interest for the three and nine months ended September 30, 2020 of $1,428 and $4,444 respectively (three and nine months ended September 30, 2019 - $1,265 and $3,630 respectively).

[2] Includes amortization of deferred loan costs for the three and nine months ended September 30, 2020 of $289 and $1,017 respectively (three and nine months ended September 30, 2019 - $742 and $1,381 respectively) and other comprehensive income (loss) on hedge interest of $nil and $nil respectively (three and nine months ended September 30, 2019 - $1,086 and $1,253 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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Dividend and interest income	$ (400)	$ (516)	$ (2,432)	$ (1,637)
Distributions to holders of Exchangeable LP Units	218	—	218	—
Distributions to ERES non-controlling unitholders	3,191	849	9,343	1,604
Interest paid on mortgages	30,234	30,036	91,600	85,583
Interest paid on bank indebtedness	2,310	3,472	5,187	5,986
Interest paid on leases	1,126	412	3,380	1,245
Net disbursements	**$ 36,679**	**$ 34,253**	**$ 107,296**	**$ 92,781**

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Prepaid expenses	$ (1,120)	$ 926	$ (7,545)	$ (11,362)
Tenant inducements, direct leasing costs and other adjustments	(296)	135	(257)	19
Other receivables	1,875	(2,092)	(1,837)	(2,896)
Deposits	(1,030)	9	(2,924)	22
Accounts payable and other liabilities	4,520	(1,329)	4,752	(22,556)
Security deposits	(138)	1,546	928	3,361
Current tax liability	(17,498)	429	(15,957)	17,204
Net increase (decrease) in non-cash operating assets and liabilities	**$ (13,687)**	**$ (376)**	**$ (22,840)**	**$ (16,208)**

c) *Net Cash Distributions*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Distributions declared to Unitholders, ERES non-controlling unitholders and holders of Exchangeable LP Units	$ (62,417)	$ (56,132)	$ (186,086)	$ (163,261)
Add: Distributions payable to Unitholders at beginning of the period	(19,623)	(18,382)	(19,533)	(16,143)
Less: Distributions payable to Unitholders at end of the period	19,669	18,440	19,669	18,440
Less: Distributions to participants in the DRIP	17,213	17,709	49,555	49,776
Add: Distributions payable to ERES non-controlling unitholders at beginning of the period	(1,029)	(686)	(832)	—
Less: Distributions payable to ERES non-controlling unitholders at end of the period	1,067	689	1,067	689
Add: Distributions payable to holders of Exchangeable LP Units at beginning of the period	—	—	—	—
Less: Distributions payable to holders of Exchangeable LP Units at end of the period	73	—	73	—
(Loss) gain on foreign currency translation	(26)	(7)	(49)	3
Net disbursements	**$ (45,073)**	**$ (38,369)**	**$ (136,136)**	**$ (110,496)**

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

d) *Capital Investments*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Capital investments	$ (69,526)	$ (73,505)	$ (154,663)	$ (171,661)
Change in capital investments included in accounts payable and other liabilities	13,350	7,150	(41)	8,396
Net disbursements	**$ (56,176)**	**$ (66,355)**	**$ (154,704)**	**$ (163,265)**

e) *Acquisition of Investment Properties*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Acquired properties	$ (111,304)	$ (475,076)	$ (578,761)	$ (1,047,241)
Fair value adjustment of assumed debt	—	—	(463)	67
Assumed debt	—	(1)	108,744	74,345
Deposit on purchases	(4,088)	719	12,724	1,018
Change in investment properties included in accounts payable and other liabilities	4,941	—	4,941	—
Net disbursements	**$ (110,451)**	**$ (474,358)**	**$ (452,815)**	**$ (971,811)**

f) *Operating Lease Buyout*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating lease buyout	$ —	$ —	$ (150,157)	$ —
Issuance of Exchangeable LP Units	—	—	30,746	—
Net disbursements	**$ —**	**$ —**	**$ (119,411)**	**$ —**

g) *Disposition of Investment Properties*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Proceeds	$ 30,500	$ —	$ 56,760	$ —
Closing costs	(634)	—	(1,387)	—
Working capital adjustments	(722)	—	(730)	—
Mortgages discharged	(11,165)	—	(21,331)	—
Net proceeds	**$ 17,979**	**$ —**	**$ 33,312**	**$ —**

h) *Issuance of Trust Units*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Issuance of Trust Units	$ 772	$ 4,282	$ 5,885	$ 620,094
Settlement of unit-based compensation awards for Trust Units	(79)	(3,751)	(4,057)	(13,047)
Net proceeds	**$ 693**	**$ 531**	**$ 1,828**	**$ 607,047**

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

i) Mortgage Portfolio

For the Nine Months Ended September 30,		2020		2019
Balance, beginning of the period	$	4,308,572	$	3,728,333
Add:				
New borrowings on acquisitions		300,511		326,373
Refinanced		267,208		245,183
Less:				
Mortgage principal repayments		(101,412)		(93,908)
Mortgages matured		(140,103)		(202,804)
Mortgages repaid on dispositions of investment properties		(21,331)		—
Non-cash adjustments:				
Mortgages assumed (1)		108,744		147,814
Loss (gain) on foreign currency translation		62,816		(41,605)
Net change in deferred financing costs and fair value adjustment		(934)		(1,464)
Balance, end of the period	**$**	**4,784,071**	**$**	**4,107,922**

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

j) Bank Indebtedness

For the Nine Months Ended September 30,		2020		2019
Balance, beginning of the period	$	623,893	$	567,365
Net (borrowings) repayments before foreign currency translation		(16,709)		56,276
Loss (gain) on foreign currency translation		19,031		(35,260)
Balance, end of the period	**$**	**626,215**	**$**	**588,381**

25. Revenue and Other Income

Other income

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2020		2019		2020		2019
Investment income	$	370	$	340	$	856	$	1,069
Net (loss) profit from investment in associate (1)		2,449		2,215		(338)		11,867
Asset and property management fees (2)		2,421		2,104		7,161		5,817
Other		275		312		1,575		1,264
Total	**$**	**5,515**	**$**	**4,971**	**$**	**9,254**	**$**	**20,017**

(1) CAPREIT's share of IRES' investment property fair value change, earnings and foreign exchange effects thereon. For the three and nine months ended September 30, 2020, CAPREIT's share of IRES' investment property fair value gain (loss) is $nil and $(7,690) respectively (three and nine months ended September 30, 2019 - $nil and $6,000 respectively).
(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 nine months ended September 30, 2020, miscellaneous revenues of $5,158 and $14,441 respectively were included in revenue from investment properties (three and nine months ended September 30, 2019 - $4,428 and $12,868 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

Included in other income for the three and nine months ended September 30, 2020 are asset management and property management fees of $2,421 and $7,161 respectively (three and nine months ended September 30, 2019 - $2,104 and $5,817 respectively). Expenses related to the asset and property management services are included in trust expenses. The amount receivable from IRES as at September 30, 2020 is $2,085 (December 31, 2019 - $2,730).

b) Transactions with Key Management Personnel

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Short-term employee benefits	$ 846	$ 573	$ 2,613	$ 1,798
Unit-based compensation - grant date amortization [1]	688	535	1,931	2,659
	1,534	1,108	4,544	4,457
Unit-based compensation - fair value remeasurement	(678)	2,380	(2,056)	4,753
Total	**$ 856**	**$ 3,488**	**$ 2,488**	**$ 9,210**

[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

During the three and nine months ended September 30, 2020, the Manager recorded asset management fees from ERES of $1,750 and $5,070, respectively (three and nine months ended September 30, 2019 - $996 and $1,682). In addition, the Manager earned acquisition fees for the three and nine months ended September 30, 2020 of $315 (three and nine months ended September 30, 2019 - $910).

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

During the three and nine months ended September 30, 2020, CAPREIT recorded property management fees from ERES of $954 and $2,730 respectively (three and nine months ended September 30, 2019 - $806 and $1,562 respectively).

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

Services Agreement

During the three and nine months ended September 30, 2020, the Manager recorded service fees from ERES of $138 and $470 respectively (three and nine months ended September 30, 2019 - $126 and $254 respectively).

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

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

Pipeline Agreement

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

27. Commitments

Natural Gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at September 30, 2020, in the aggregate amount of $10,280 for its natural gas and transport requirements. These commitments, which range from one to four years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

	Remaining 2020	2021	2022	2023
Gas Commodity				
Fixed weighted average cost per GJ [1]	$ 1.89	$ 1.73	$ 2.05	$ 2.23
Total of CAPREIT's estimated requirements	68.8 %	70.7 %	57.1 %	35.0 %
Transport				
Fixed weighted average cost per GJ [1]	$ 1.33	$ 1.34	$ 1.09	$ 0.91
Total of CAPREIT's estimated requirements	66.6 %	77.2 %	57.6 %	34.1 %

[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 $70,651 were outstanding as at September 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.

			For the Three Months Ended September 30, 2020
Selected income statement items	**Canada**	**Europe**	**Consolidated Financial Statements**
Revenue from investment properties	$ 193,838	$ 27,582	$ 221,420
Operating expenses	(66,321)	(6,865)	(73,186)
Net rental income	**$ 127,517**	**$ 20,717**	**$ 148,234**
Fair value adjustments of investment properties	$ 199,618	$ 33,819	$ 233,437

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

For the Three Months Ended September 30, 2019						
Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	$	180,134	$	19,283	$	199,417
Operating expenses		(62,103)		(4,470)		(66,573)
Net rental income	**$**	**118,031**	**$**	**14,813**	**$**	**132,844**
Fair value adjustments of investment properties	$	216,039	$	47,601	$	263,640

For the Nine Months Ended September 30, 2020						
Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	$	578,423	$	78,982	$	657,405
Operating expenses		(208,791)		(19,089)		(227,880)
Net rental income	**$**	**369,632**	**$**	**59,893**	**$**	**429,525**
Fair value adjustments of investment properties	$	132,715	$	64,750	$	197,465

For the Nine Months Ended September 30, 2019						
Selected income statement items		Canada		Europe		Consolidated Financial Statements
Revenue from investment properties	$	522,341	$	50,257	$	572,598
Operating expenses		(188,830)		(11,322)		(200,152)
Net rental income	**$**	**333,511**	**$**	**38,935**	**$**	**372,446**
Fair value adjustments of investment properties	$	422,036	$	51,540	$	473,576

As at September 30, 2020						
Selected balance sheet items		Canada		Europe		Consolidated Financial Statements
Investment properties	$	12,063,671	$	2,191,788	$	14,255,459
Mortgages payable		3,756,670		1,027,401		4,784,071

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 October 1, 2020, CAPREIT completed the acquisition of a portfolio of three MHCs in Wingham, Midland and Espanola, Ontario aggregating 169 MHC sites. CAPREIT paid $9,000 for the three properties, funded by cash and the assumption of approximately $3,978 in existing mortgages.

On October 1, 2020, ERES closed on its acquisition of a multi-residential portfolio of five properties located in the Netherlands, comprised of 113 residential suites. The purchase price of $40,982 (€26,250), was financed with cash on hand and a draw on the ERES Credit Facility, with ultimate funding to come from long-term mortgage financing.

On October 8, 2020, CAPREIT completed buyout of an existing operating lease for a property located near Yonge Street and Lawrence Avenue in midtown Toronto, converting the ownership to a traditional fee simple property interest. The net buyout price was approximately $7,813, funded by cash.

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STOCK EXCHANGE LISTING

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