CAPREIT

FINANCIAL REVIEW
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2017

CAPREIT

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November 6, 2017

Report to Unitholders

Our growth and strong operating performance continued in the third quarter of 2017, driven by accretive acquisitions, increased average monthly rents, and ongoing high occupancies. We look for this progress to continue through the balance of the year and going forward.

For the nine months ended September 30, 2017, total operating revenues increased 6.8% compared to the same period last year, driven by the contribution from acquisitions completed over the last twelve months, stable and sustainable high occupancies, and further increases in average monthly rents. A 6.3% increase in ancillary revenues, including parking, laundry and antenna income, also contributed to our strong performance. Occupancies for the stabilized residential remained strong 98.7% at quarter end, consistent with the prior year, while average monthly rents rose 3.0%. Our annualized net rental revenue run-rate, based on the average monthly rents in place and our share of residential suites and sites as at September 30, 2017, increased to $621.7 million, up 6.9% from last year.

Operating costs decreased as a percentage of revenues in the first nine months of 2017 compared to the same period last year due primarily to lower realty taxes and utility costs. Our NOI margin strengthened to 61.8% for the nine months ended September 30, 2017 compared to 61.2% last year. In addition, our property management programs continue to positively impact our performance as stabilized NOI increased by 3.6% for the nine months ended September 30, 2017, another period of strong and sustainable organic growth. Overall NOI rose 7.8% for the nine months ended September 30, 2017 to $293.0 million compared to the same period last year.

Normalized Funds from Operations (NFFO), the key measure of our performance, increased by 9.0% in the first nine months of 2017 due primarily to the contribution from acquisitions, increased occupancies and average monthly rents, and our focus on operational efficiency. Our growth was also accretive as basic NFFO per Unit rose 4.1% for the nine months ended September 30, 2017 despite the 4.7% increase in the weighted average number of Units outstanding compared to the same period last year. Our NFFO payout ratio improved to a very strong 69.7% through the first nine months of 2017 compared to 70.4% last year.

Our balance sheet and financial position remained strong at September 30, 2017 with debt service ratios well within our guidelines and conservative coverage ratios. Our weighted average mortgage interest rate declined further to 3.0%, and we continue to focus on extending our debt maturities. Importantly, we have investment properties with a fair value of $289.2 million as at September 30, 2017 that are not encumbered by mortgages, providing further flexibility and the financial resources to continue building value for our Unitholders.

We remain pleased with the continuing contribution from our 15.7% ownership interest in IRES REIT in Dublin, Ireland. Our asset and property management fees coming from IRES were $4.4 million through the first nine months of 2017, up from $3.8 million last year. In addition, year to date, we have received a total of $7.1 million in dividends from IRES.

Late in 2016 we further expanded our presence in Europe with the acquisition of a portfolio of residential properties in The Netherlands. Since then, additional property acquisitions have been made, including the purchase of 540 suites we expect to finalize in December, 2017. With the completion of this transaction, our Netherlands portfolio will grow to 2,088 residential suites well-located in key city centres in the country. We also opened our own regional office in the Netherlands, exporting our proven property management and marketing programs to these new properties. To date we have generated $5.3 million in NOI from this new portfolio in 2017, and expect this contribution to grow going forward.

In 2017 we are celebrating twenty years of growth and performance since our Initial Public Offering. We have expanded and diversified our portfolio, strengthened our balance sheet and financial position, and delivered two decades of solid, sustainable and growing earnings and cash distributions to our Unitholders with continuing conservative payout ratios. We look for this track record of success to continue for years to come.

[Signed]
Michael Stein
Chairman

CAPREIT

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

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

NOVEMBER 6, 2017

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FORWARD-LOOKING DISCLAIMER

The following Management's Discussion and Analysis ("MD&A") of Canadian Apartment Properties Real Estate Investment Trust's ("CAPREIT") results of operations and financial condition for the three and nine months ended September 30, 2017 and 2016 is dated November 6, 2017, should be read in conjunction with CAPREIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 and audited consolidated annual financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to CAPREIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital investments, financial results, taxes, plans and objectives of or involving CAPREIT. Particularly, statements regarding CAPREIT's future results, performance, achievements, prospects, costs, opportunities and financial outlook, including those relating to acquisition and capital investment strategy and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. In addition, certain specific assumptions were made in preparing forward-looking information, including: that the Canadian, Irish, and Dutch economies will generally experience growth, however, may be adversely impacted by the global economy; that inflation will remain low; that interest rates will remain low in the medium term; that Canada Mortgage and Housing Corporation ("CMHC") mortgage insurance will continue to be available and that a sufficient number of lenders will participate in the CMHC-insured mortgage program to ensure competitive rates; that the Canadian capital markets will continue to provide CAPREIT with access to equity and/or debt at reasonable rates; that vacancy rates for CAPREIT properties will be consistent with historical norms; that rental rates will grow at levels similar to the rate of inflation on renewal; that rental rates on turnovers will remain stable; that CAPREIT will effectively manage price pressures relating to its energy usage; and, with respect to CAPREIT's financial outlook regarding capital investments, assumptions respecting projected costs of construction and materials, availability of trades, the cost and availability of financing, CAPREIT's investment priorities, the properties in which investments will be made, the composition of the property portfolio and the projected return on investment in respect of specific capital investments. Although the forward-looking statements contained in this 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 or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to: reporting investment properties at fair value, real property ownership, leasehold interests, co-ownerships, investment restrictions, operating risk, energy costs and hedging, environmental matters, insurance, capital investments, indebtedness, interest rate hedging, foreign operation and currency risks, taxation, harmonization of federal goods and services tax and provincial sales tax, land transfer tax, government regulations, controls over financial accounting, legal and regulatory concerns, the nature of units of CAPREIT ("Trust Units"), preferred units, and units of CAPREIT's subsidiary, CAPREIT Limited Partnership ("Exchangeable Units") (collectively, the "Units"), unitholder liability, liquidity and price fluctuation of Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, continued growth and risks related to acquisitions. There can be no assurance 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 2016 Annual Report in the Risks and Uncertainties section. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

NON-IFRS FINANCIAL MEASURES

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, and in earnings releases and investor conference calls, as a complement to results provided in accordance with IFRS, CAPREIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("Stabilized NOI"), Net Rental Revenue Run-Rate, Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO"), and Adjusted Cash Flow from Operations ("ACFO"), and applicable per Unit amounts and payout ratios (collectively, the "Non-IFRS Measures"). Since Stabilized NOI, Net Rental Revenue Run-Rate, FFO, NFFO, and ACFO are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. CAPREIT has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. A reconciliation of these Non-IFRS measures to the comparable IFRS measures, along with further definitions and discussion, is provided in Section III under Non-IFRS Financial Measures. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or sustainability of our distributions.

OVERVIEW

CAPREIT is an unincorporated open-ended publicly-traded real estate investment trust and one of Canada's largest residential landlords, serving over 50,000 families across Canada and the Netherlands. CAPREIT owns and operates a portfolio of multi-unit residential rental properties, including apartments, townhomes and manufactured home communities, principally located in and near major urban centres across Canada. 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 May 24, 2017. As at September 30, 2017, CAPREIT owned interests in 50,058 residential units, comprised of 43,603 residential suites and 31 manufactured home communities ("MHC"), comprised of 6,455 land lease sites. As at September 30, 2017, CAPREIT had 875 employees (991 employees as at December 31, 2016).

CAPREIT's wholly owned subsidiary, IRES Fund Management Limited, entered into an external management agreement to perform property and asset management services for Irish Residential Properties REIT plc ("IRES"), an Irish residential REIT listed on the Irish Stock Exchange. As at September 30, 2017, CAPREIT manages 2,449 suites for IRES, has a 15.7% share ownership in IRES and has significant influence over IRES.

The tables below summarize property acquisitions and dispositions for the nine months ended September 30, 2017 and year ended 2016:

Acquisitions Completed During the Nine Months Ended September 30, 2017

($ Thousands)	Demographic Sector	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Interest Rate[1]	Term to Maturity (Years)[2]
February 28, 2017	Mid-tier	32	Victoria	$ 4,934	$ - [3]	- [3]	– [3]
May 3, 2017	Mid-tier	256	Montréal	24,059	- [3]	- [3]	– [3]
June 1, 2017	Mid-tier	44	Maple Ridge	11,241	3,713	1.94%	3.33
July 12, 2017	Various [4]	849	The Netherlands	257,881	- [4]	- [4]	– [4]
August 8, 2017	Mid-tier	54	The Netherlands	12,691	- [5]	- [5]	– [5]
August 18, 2017	Various [6]	77	The Netherlands	20,384	- [6]	- [6]	– [6]
Total		1,312		$ 331,190	$ 3,713		
Acquisition Financing					$ 290,529 [7]	1.73%[7]	5.8 [7]

(1) Weighted average stated interest rate on mortgage funding.
(2) Weighted average term to maturity on mortgage funding.
(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).
(4) The acquisition comprised of 849 suites (142 affordable, 606 mid-tier, and 101 luxury) and was financed by a new non-amortizing mortgage of €100,842 ($147,360) with a term to maturity of 7.5 years with an interest rate of 2.04%, a contribution from a non-controlling interest of €600 ($889), and the balance in cash from CAPREIT's Acquisition and Operating Facility.
(5) The acquisition was financed by a new non-amortizing mortgage of €5,043 ($7,474) with a term to maturity of 7.5 years with an interest rate of 1.95% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
(6) The acquisition comprised of 77 suites (28 mid-tier and 49 luxury) was financed by a new non-amortizing mortgage of €7,951 ($11,856) with a term to maturity of 7.5 years with an interest rate of 1.95% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
(7) Subsequent acquisition financing of $8,146 with a weighted average interest rate of 2.47% and a weighted average term maturity of 9.92 years relates to properties acquired in 2015.

Acquisitions Completed During the Year Ended December 31, 2016

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

(1) Weighted average stated interest rate on mortgage funding.
(2) Weighted average term to maturity on mortgage funding.
(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see Liquidity and Financial Condition section).
(4) The acquisition comprised 5 properties consisting of 850 suites (185 affordable and 665 mid-tier suites) located in Ottawa, Ontario. The acquisition was financed by the assumption of a $24,627 mortgage maturing in November 2022 with an interest rate of 3.96%, new CMHC insured 10 year mortgage financings aggregating to $106,122 with a weighted average interest rate of 2.38% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
(5) Subsequent acquisition financing of $51,918 with a weighted average interest rate of 2.25% and a weighted average term to maturity of 8.3 years relates to properties acquired in 2015.
(6) The acquisition was financed by a new non-amortizing mortgage of €40,660 ($57,261) maturing January 1, 2024 with an an interest rate of 2.05%, a contribution from a non-controlling interest of €600 ($850), and the balance in cash from CAPREIT's Acquisition and Operating Facility.

Dispositions Completed During the Nine Months Ended September 30, 2017

($ Thousands)	Demographic Sector	Suite Count	Region		Sale Price		Cash Proceeds		Mortgage Discharged
February 15, 2017	Affordable	31	Saskatoon	$	2,025	$	575	$	1,356
Total		31		$	2,025	$	575	$	1,356

Dispositions Completed During the Year Ended December 31, 2016

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

OBJECTIVES

CAPREIT's objectives are to:

- Provide Unitholders with long-term, stable and predictable monthly cash distributions;
- Grow NFFO, sustainable distributions and Unit value through the active management of its properties, accretive acquisitions and strong financial management; and

- Invest capital within the property portfolio in order to ensure life safety of residents and maximize earnings and cash flow potential.

BUSINESS STRATEGY

To meet its objectives, CAPREIT has established 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, 2016 contained in CAPREIT's 2016 Annual Report.

KEY PERFORMANCE INDICATORS

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

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

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

Net Rental Income ("NOI") – 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 strives to achieve an annual NOI margin in the range of 58% to 60% of operating revenues.

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

Payout Ratio – CAPREIT anticipates a long-term annual NFFO payout ratio of between 70% and 80%. 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 to the CAPREIT Units will depend upon numerous factors, including, but not limited to, the amount of principal repayments, tenant allowances, capital expenditures, and other factors that may be beyond the control of CAPREIT.

Portfolio Growth – Management's objective is to pursue acquisitions of between 1,500 and 2,000 suites and sites on an annual basis, subject to market conditions and available financing, which meet its strategic objectives, serve to accretively increase NFFO and continue to further diversify the portfolio by geography and by demographic sector. In addition, Management continues to prudently investigate opportunities to add new suites through the development of properties within its own portfolio and to enter into joint venture relationships with other real estate entities to potentially develop new multi-unit rental residential properties on excess land owned by CAPREIT or other vacant land.

Financing – CAPREIT takes a proactive approach with its mortgage portfolio, striving to manage interest expense volatility risk by achieving the lowest possible average interest rates while mitigating refinancing risk by prudently managing the portfolio's average term to maturity and staggering the maturity dates. For this purpose, CAPREIT strives to ensure its overall leverage ratios and interest and debt service coverage ratios are maintained at a sustainable level. In addition, CAPREIT focuses on maintaining capital adequacy by complying with investment and debt restrictions in its DOT, Large Borrower Agreement with CMHC or "LBA" and the financial covenants in its credit agreement comprised of an acquisition and operating facility, which includes Euro LIBOR and US LIBOR borrowings ("Acquisition and Operating Facility"), and a five-year non-revolving term credit facility (collectively, the "Credit Facilities"), as described under Liquidity and Financial Condition in Section IV.

PERFORMANCE MEASURES

The following table presents an overview of certain non-IFRS financial measures of CAPREIT for the periods ended September 30, 2017 and 2016. Management believes that these measures are useful in assessing CAPREIT's performance vis-à-vis its objectives, business strategy and KPIs. Effective March 2017, monthly cash distributions declared to Unitholders increased to $0.1067 per Unit ($1.28 annually) compared to $0.1042 per Unit ($1.25 annually) effective May 2016, and $0.102 per Unit ($1.22 annually) effective since May 2015.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Portfolio Performance				
Overall Portfolio Occupancy(1)			**98.3%**	98.7%
Overall Portfolio Average Monthly Rents(1)			**$ 1,029**	$ 999
Operating Revenues (000s)	**$ 161,713**	$ 151,812	**$ 474,410**	$ 444,106
NOI (000s)	**$ 102,655**	$ 96,274	**$ 292,958**	$ 271,737
NOI Margin	**63.5%**	63.4%	**61.8%**	61.2%
Operating Performance(2)				
FFO Per Unit – Basic	**$ 0.475**	$ 0.464	**$ 1.360**	$ 1.275
NFFO Per Unit – Basic	**$ 0.492**	$ 0.470	**$ 1.390**	$ 1.335
Weighted Average Number of Units - Basic (000s)	**136,295**	132,246	**135,671**	129,520
Cash Distributions Per Unit	**$ 0.320**	$ 0.313	**$ 0.955**	$ 0.925
FFO Payout Ratio(6)	**68.4%**	68.4%	**71.3%**	73.7%
NFFO Payout Ratio(6)	**66.0%**	67.5%	**69.7%**	70.4%
Liquidity and Leverage				
Total Debt to Gross Book Value(1)			**44.76%**	44.31%
Total Debt to Gross Historical Cost(1), (3)			**56.02%**	54.17%
Weighted Average Mortgage Interest Rate(1)			**3.00%**	3.25%
Weighted Average Mortgage Term (years)(1)			**5.7**	6.2
Debt Service Coverage (times)(4)			**1.64**	1.63
Interest Coverage (times)			**3.21**	3.05
Available Liquidity – Acquisition and Operating Facility (000s)(1)			**$ 58,169**	$ 278,760
Other				
Number of Suites and Sites Acquired	**980**	158	**1,312**	1,981
Number of Suites Disposed(1)	**–**	579	**31**	579
Closing Price of Trust Units			**$ 33.73**	$ 30.62
Market Capitalization (millions)(5)			**$ 4,671**	$ 4,172

(1) As at September 30.
(2) NOI, FFO and NFFO are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies (see Non-IFRS Financial Measures above).
(3) Based on the historical cost of investment properties.
(4) Based on the trailing four quarters.
(5) Defined as the closing price of the Units on the last trading date of the period times the number of Units outstanding (including all Unit-based incentive plans except UOP) (see discussion of Unitholders' Equity under the Liquidity and Financial Condition section).
(6) Payout ratio (a Non-IFRS Measure) is calculated based on distributions declared as a percentage of FFO and NFFO. See Section III for details.

PROPERTY PORTFOLIO

Types of Property Interests

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

For a comprehensive description of the different forms of property interests listed above, refer to CAPREIT's MD&A for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

Portfolio by Type of Property Interest

As at September 30,	**2017**	%	**2016**	%
Fee Simple Interests – Apartments and Townhomes	**38,737**	**77.4**	36,881	76.5
Operating Leasehold Interests	**3,815**	**7.6**	3,815	7.9
Land Leasehold Interests	**1,051**	**2.1**	1,051	2.2
Total Residential Suites	**43,603**	**87.1**	41,747	86.6
Fee Simple Interests – MHC Land Lease Sites	**6,455**	**12.9**	6,443	13.4
Total Suites and Sites	**50,058**	**100.0**	48,190	100.0

Portfolio Diversification

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

Portfolio by Demographic Sector

As at September 30,	**2017**	%	**2016**	%
Affordable	**3,615**	**7.2**	3,038	6.3
Mid-tier	**24,086**	**48.1**	23,014	47.7
Luxury	**15,902**	**31.8**	15,695	32.6
Total Residential Suites	**43,603**	**87.1**	41,747	86.6
MHC Land Lease Sites	**6,455**	**12.9**	6,443	13.4
Total Suites and Sites	**50,058**	**100.0**	48,190	100.0

Portfolio by Geography

As at September 30,	**2017**	**%**	**2016**	**%**
Residential Suites				
Ontario				
Greater Toronto Area	**15,653**	**31.3**	15,648	32.5
Ottawa	**2,377**	**4.7**	2,377	4.9
London / Kitchener / Waterloo	**2,407**	**4.8**	2,407	5.0
Other Ontario	**1,700**	**3.4**	1,698	3.5
	22,137	**44.2**	22,130	45.9
Québec				
Greater Montréal Region	**7,895**	**15.7**	7,640	15.8
Québec City	**2,734**	**5.5**	2,733	5.7
	10,629	**21.2**	10,373	21.5
British Columbia				
Greater Vancouver Region	**3,031**	**6.1**	3,031	6.3
Victoria	**1,478**	**3.0**	1,402	2.9
	4,509	**9.1**	4,433	9.2
Alberta				
Edmonton	**436**	**0.9**	436	0.9
Calgary	**1,884**	**3.7**	1,884	3.9
	2,320	**4.6**	2,320	4.8
Nova Scotia				
Halifax	**1,659**	**3.3**	1,659	3.4
Saskatchewan				
Saskatoon	**102**	**0.2**	133	0.3
Regina	**234**	**0.5**	234	0.5
	336	**0.7**	367	0.8
Prince Edward Island				
Charlottetown	**465**	**0.9**	465	1.0
Europe				
The Netherlands	**1,548**	**3.1**	-	-
Total Residential Suites	**43,603**	**87.1**	41,747	86.6
MHC Land Lease Sites				
Ontario	**2,702**	**5.4**	2,693	5.6
British Columbia	**272**	**0.5**	272	0.6
Alberta	**417**	**0.8**	415	0.9
Saskatchewan	**246**	**0.6**	246	0.5
Prince Edward Island	**504**	**1.0**	504	1.0
New Brunswick	**2,314**	**4.6**	2,313	4.8
Total MHC Land Lease Sites	**6,455**	**12.9**	6,443	13.4
Total Suites and Sites	**50,058**	**100.0**	48,190	100.0

While maintaining a strong and strategic presence in Ontario's 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 continues to target acquisitions of between 1,500 and 2,000 suites and sites on an annualized basis over the long term.

INVESTMENT PROPERTIES

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

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

For a discussion of risk factors associated with the valuation of investment properties, refer to the Risks and Uncertainties section. For a detailed description of valuation methods and key assumptions used for investment properties, see note 6 to the accompanying audited consolidated annual financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

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

As at September 30, ($ Thousands)		**2017**	2016
Balance, Beginning of the Period		**$ 7,642,017**	$ 6,863,140
Add:	Acquisitions	**331,190**	319,181
	Property Capital Investments[1]	**115,718**	124,275
	Foreign Currency Translation	**5,870**	-
	Unrealized Gain on Remeasurement at Fair Value	**287,802**	162,599
	Capitalized Leasing Costs[2]	**578**	870
Less:	Dispositions	**(1,945)**	(59,120)
	Realized Loss on Dispositions	**(80)**	(1,485)
Investment Properties at Fair Value, End of the Period		**$ 8,381,150**	$ 7,409,460

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

For the periods ended September 30, 2017 and 2016, the unrealized gain on remeasurement of investment properties is primarily the result of changes in net operating income and capitalization rates offset by certain capital investments not having an immediate effect on stabilized net operating income and thus not reflected in the fair value of the investment properties at the measurement date.

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

Investment Properties by Geography

As at,	**Dec 2016**	Change Due to Change in				**Sept 2017**	**Dec 2016**	**Sept 2017**
($ Millions)	Fair Value	Rates[1]	Stabilized NOI[2]	Forex Translation	Net Acquisitions	**Fair Value**	Rates[1]	**Rates[1]**
Greater Toronto Area	$ 3,068	$ 154	$ 66	$ -	$ -	$ **3,288**	4.30%	**4.05%**
Other Ontario	898	35	22	-	-	**955**	4.84%	**4.66%**
Québec	1,427	13	24	-	25	**1,489**	4.91%	**4.89%**
British Columbia	1,071	34	38	-	16	**1,159**	3.72%	**3.62%**
Alberta	435	-	(2)	-	-	**433**	4.67%	**4.67%**
Nova Scotia	253	-	3	-	-	**256**	5.48%	**5.47%**
Saskatchewan	43	1	-	-	(2)	**42**	5.76%	**5.68%**
Prince Edward Island	50	1	1	-	-	**52**	6.17%	**6.08%**
The Netherlands	92	-	8	6	283	**389**	4.83%	**4.37%**
MHC Land Lease Sites	305	1	4	-	-	**310**	6.23%	**6.21%**
Total	$ 7,642	$ 239	$ 164	$ 6	$ 322	$ **8,373**	4.53%	**4.21%**

(1) Weighted average capitalization rates excluding implied capitalization rates on Operating and Land Leasehold Interests. See note 6 to the accompanying unaudited condensed consolidated interim financial statements for further valuation assumption details including discount rates as at September 30, 2017 for Operating and Land Leasehold Interests.

(2) Represents stabilized net operating income.

As at September 30, 2017, a 25 basis point change in capitalization rates would have the following approximate effect on the fair value of investment properties:

As at September 30, 2017		
($ Millions)	**Change (basis points)[1]**	**Estimated (Decrease) Increase**
Weighted Average Capitalization Rate	+25	$ (472)
Weighted Average Capitalization Rate	-25	$ 465

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

SECTION II

AVERAGE MONTHLY RENTS AND OCCUPANCY

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

	Total Portfolio				Properties Owned Prior to September 30, 2016				Properties Acquired Since September 30, 2016(2)	
As at September 30,	**2017(2)**		**2016**		**2017**		**2016(1)**			
	AMR	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**
Affordable	**$ 938**	**96.8**	$ 903	97.9	**$ 927**	**97.1**	$ 905	98.0	$ 994	95.4
Mid-tier	**$ 1,088**	**98.6**	$ 1,055	98.9	**$ 1,092**	**99.3**	$ 1,055	98.9	$ 1,010	84.7
Luxury	**$ 1,227**	**98.2**	$ 1,195	98.7	**$ 1,226**	**98.3**	$ 1,195	98.7	$ 1,257	97.1
Average Residential Suites	**$ 1,127**	**98.3**	$ 1,097	98.8	**$ 1,131**	**98.7**	$ 1,098	98.8	$ 1,031	89.5
Average MHC Land Lease Sites	**$ 387**	**98.3**	$ 377	98.2	**$ 387**	**98.3**	$ 377	98.2	$ 621	100.0
Overall Portfolio Average	**$ 1,029**	**98.3**	$ 999	98.7	**$ 1,029**	**98.7**	$ 999	98.7	$ 1,031	89.5

(1) Prior period comparable AMR and occupancy have been restated for properties disposed of since September 30, 2016.

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

AMR is defined as actual residential rents, net of vacancies, divided by the total number of suites in the property and does not include revenues from parking, laundry or other sources. Overall average monthly rents for the stabilized residential suite portfolio (properties owned prior to September 30, 2016) increased in all demographic sectors to $1,131 at September 30, 2017 from $1,098 at September 30, 2016, resulting in a 3.0% increase. The increases are due primarily to a combination of ongoing successful sales and marketing strategies, above guideline rent increases, suite and building improvements, and continued strength in the residential rental sector in the majority of CAPREIT's regional markets. Occupancy for the stabilized residential suite portfolio remained stable at 98.7% as at September 30, 2017 compared to 98.8% for the same period last year. For the total residential portfolio AMR increased 2.7% at September 30, 2017 compared to the prior year, while occupancies decreased slightly to 98.3% compared to 98.8% last year due to lower occupancies at the recently-acquired properties in the Netherlands.

For the total MHC land lease portfolio, average monthly rents increased to $387 as at September 30, 2017, compared to $377 as at September 30, 2016 while occupancy remained strong at 98.3% up from 98.2% for the same period last year. Management believes MHC land lease sites provide secure and stable cash flows due to long-term tenancies, high occupancies, steady increases in average monthly rents, and significantly lower capital and maintenance costs.

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

Suite Turnovers and Lease Renewals - Total Portfolio

For the Three Months Ended September 30,	**2017**			**2016**		
	Change in AMR		**% Turnovers**	**Change in AMR**		**% Turnovers**
	$	**%**	**& Renewals(1)**	**$**	**%**	**& Renewals(1)**
Suite Turnovers	**92.3**	**8.5**	**8.2**	25.8	2.4	9.4
Lease Renewals	**21.7**	**2.0**	**28.0**	20.7	2.0	27.7
Weighted Average of Turnovers and Renewals	**37.7**	**3.5**		22.0	2.1	

For the Nine Months Ended September 30,	**2017**			**2016**		
	Change in AMR		**% Turnovers**	**Change in AMR**		**% Turnovers**
	$	**%**	**& Renewals(1)**	**$**	**%**	**& Renewals(1)**
Suite Turnovers	**72.5**	**6.6**	**18.6**	7.1	0.6	21.7
Lease Renewals	**21.4**	**1.9**	**65.2**	21.4	2.0	62.3
Weighted Average of Turnovers and Renewals	**32.8**	**3.0**		17.7	1.6	

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

Overall, suite turnovers in the residential suite portfolio (excluding co-ownerships and the Netherlands properties) during the three months ended September 30, 2017 resulted in average monthly rent increasing by approximately $92 or 8.5% per suite compared to an increase of approximately $26 or 2.4% in the same period last year. For the nine months ended September 30, 2017, suite turnovers resulted in average monthly rent increasing by approximately $73 or 6.6% compared to an increase of approximately $7 or 0.6% in the same period last year. During 2016, Management made a strategic decision to reduce rents in Alberta and Saskatchewan in order to increase occupancies and reduce turnovers. Alberta has been facing pressure due to falling energy prices resulting in a weaker economy than in the rest of Canada.

Pursuant to Management's focus on increasing overall portfolio rents for the three months ended September 30, 2017 average monthly rents on lease renewals increased by approximately $22 or 2.0% per suite compared to an increase of approximately $21 or 2.0% for the same period last year. For the nine months ended September 30, 2017, average monthly rents on lease renewals increased by approximately $21 or 1.9%, compared to an increase of approximately $21 or 2.0% for the same period last year. The rate of growth in average monthly rents on lease renewals has been impacted by the strategically reduced rents in Alberta to increase occupancy and a lower rental guideline increase in Ontario, offset by a higher rental guideline increase in British Columbia for 2017 (Ontario – 1.5%, British Columbia – 3.7%), compared to the permitted guideline increases in 2016 (Ontario – 2.0%, British Columbia – 2.9%), and by increases due to above guideline increases ("AGI") achieved in Ontario. Increased portfolio diversification helped mitigate geographical risk in particular areas of Canada. Management continues to pursue applications in Ontario for AGIs where it believes increases above the annual guideline are supported by market conditions to raise average monthly rents on lease renewals (see discussion in the Future Outlook section). For 2018, the permitted guideline increase in Ontario and British Columbia has been set to 1.8% and 4.0% respectively.

Portfolio Average Monthly Rents and Occupancy by Geography

	Total Portfolio				Properties Owned Prior to September 30, 2016				Properties Acquired Since September 30, 2016	
As at September 30,	**2017**		**2016**		**2017**		**2016(1)**			
	AMR	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**
Residential Suites										
Ontario										
Greater Toronto Area	**$ 1,304**	**99.7**	$ 1,258	99.7	**$ 1,304**	**99.7**	$ 1,258	99.7	$ -	-
Ottawa	**1,214**	**99.8**	1,164	98.6	**1,214**	**99.8**	1,164	98.6	-	-
London / Kitchener / Waterloo	**939**	**98.9**	898	97.8	**939**	**98.9**	898	97.8	-	-
Other Ontario	**1,204**	**98.9**	1,163	99.3	**1,204**	**98.9**	1,163	99.3	-	-
	$ 1,247	**99.5**	$ 1,202	99.3	**$ 1,247**	**99.5**	$ 1,202	99.3	$ -	-
Québec										
Greater Montréal Region	**$ 895**	**98.0**	$ 866	98.0	**$ 889**	**97.9**	$ 866	98.0	$ 1,091	100.0
Québec City	**983**	**96.6**	972	97.3	**983**	**96.6**	972	97.3	-	-
	$ 918	**97.6**	$ 894	97.8	**$ 913**	**97.6**	$ 894	97.8	$ 1,091	100.0
British Columbia										
Greater Vancouver Region	**$ 1,213**	**99.9**	$ 1,141	100.0	**$ 1,213**	**99.9**	$ 1,141	100.0	$ -	-
Victoria	**1,116**	**99.5**	1,053	99.6	**1,114**	**99.5**	1,053	99.6	1,161	100.0
	$ 1,181	**99.8**	$ 1,113	99.9	**$ 1,181**	**99.8**	$ 1,113	99.9	$ 1,161	100.0
Alberta										
Edmonton	**$ 1,106**	**99.5**	$ 1,144	97.5	**$ 1,106**	**99.5**	$ 1,144	97.5	$ -	-
Calgary	**1,047**	**97.8**	1,072	96.5	**1,047**	**97.8**	1,072	96.5	-	-
	$ 1,058	**98.1**	$ 1,086	96.7	**$ 1,058**	**98.1**	$ 1,086	96.7	$ -	-
Nova Scotia										
Halifax	**$ 1,060**	**93.8**	$ 1,079	97.1	**$ 1,060**	**93.8**	$ 1,079	97.1	$ -	-
Saskatchewan										
Saskatoon	**$ 983**	**96.1**	$ 894	91.7	**$ 983**	**96.1**	$ 961	94.1	$ -	-
Regina	**1,023**	**95.3**	1,040	100.0	**1,023**	**95.3**	1,040	100.0	-	-
	$ 1,011	**95.5**	$ 987	97.0	**$ 1,011**	**95.5**	$ 1,016	98.2	$ -	-
Prince Edward Island										
Charlottetown	**$ 997**	**98.9**	$ 990	99.8	**$ 997**	**98.9**	$ 990	99.8	$ -	-
Europe										
The Netherlands	**$ 1,015**	**87.2**	$ -	-	**$ -**	**-**	$ -	-	$ 1,015	87.2
Total Residential Suites	**$ 1,127**	**98.3**	$ 1,097	98.8	**$ 1,131**	**98.7**	$ 1,098	98.8	$ 1,031	89.5
MHC Land Lease Sites										
Ontario	**$ 522**	**99.9**	$ 510	99.9	**$ 522**	**99.9**	$ 510	99.9	$ 621	100.0
British Columbia	**437**	**100.0**	422	100.0	**437**	**100.0**	422	100.0	-	-
Alberta	**425**	**99.5**	416	99.8	**425**	**99.5**	416	99.8	-	-
Saskatchewan	**396**	**100.0**	378	99.2	**396**	**100.0**	378	99.2	-	-
Prince Edward Island	**144**	**100.0**	141	96.2	**144**	**100.0**	141	96.2	-	-
New Brunswick	**267**	**95.5**	260	96.2	**267**	**95.5**	260	96.2	-	-
Total MHC Land Lease	**$ 387**	**98.3**	$ 377	98.2	**$ 387**	**98.3**	$ 377	98.2	$ 621	100.0
Total Suites and Sites	**$ 1,029**	**98.3**	$ 999	98.7	**$ 1,029**	**98.7**	$ 999	98.7	$ 1,031	89.5

(1) Prior period comparable AMR and occupancy have been restated for properties disposed of since September 30, 2016.

Overall average monthly rents for the stabilized residential suite portfolio as at September 30, 2017 increased by approximately 3.0% compared to the same period last year, while occupancies remained stable at 98.7%. For the total residential suite portfolio, AMR increased by approximately 2.7%, as compared to September 30, 2016, primarily due to a combination of ongoing successful sales and marketing strategies, above guideline increases, and continued strength in the residential rental sector in the majority of CAPREIT's regional markets, while occupancies decreased slightly to 98.3% due to lower occupancies at the recently-acquired Netherlands portfolio. Management believes annual occupancies can be maintained in the 97% to 98% range and the trend for gradual increases in same-property average monthly rents will continue, providing the basis for sustainable year-over-year increases in revenues.

Management also believes the defensive characteristics of its portfolio and its strategy to further diversify both geographically and by demographic sector will continue to protect Unitholders from downturns in any specific geographic region or demographic sector. This characteristic is demonstrated by CAPREIT's ability to sustainably increase same-property average monthly rents and maintain high occupancy levels.

The table below shows the new tenant inducements incurred during the periods ended September 30, 2017 and 2016 as well as the amortization of tenant inducements, loss from vacancies, and bad debt expense included in net rental revenue for the same years.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
($ Thousands)	**2017**	**%[1]**	**2016**	**%[1]**	**2017**	**%[1]**	**2016**	**%[1]**
New Tenant Inducements Incurred[2]	**$ 928**		$ 682		**$ 1,663**		$ 2,295	
Tenant Inducements Amortized	**$ 489**	**0.3**	$ 656	0.4	**$ 1,611**	**0.3**	$ 1,732	0.4
Vacancy Loss Incurred	**3,436**	**2.1**	3,149	2.1	**9,164**	**1.9**	10,293	2.3
Total Amortization and Loss	**$ 3,925**	**2.4**	$ 3,805	2.5	**$ 10,775**	**2.2**	$ 12,025	2.7
Bad Debt Expense[3]	**$ 651**	**0.4**	$ 692	0.5	**$ 1,387**	**0.3**	$ 1,780	0.4

(1) As a percentage of total operating revenues.
(2) For the three months ended, New Tenant Inducements Incurred increased mainly due to Alberta and Québec. Year to date, New Tenant Inducements Incurred decreased in all regions compared to last year, with half of the decrease attributed to Alberta.
(3) Bad Debt Expense decreased in all regions compared to last year, partly offset by increases in Nova Scotia and Netherlands.

RESULTS OF OPERATIONS

Total Operating Revenues by Geography

($ Thousands)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Residential Suites				
Ontario				
Greater Toronto Area	**$ 63,670**	$ 61,553	**$ 189,043**	$ 181,282
Ottawa	**5,976**	5,805	**17,842**	10,428
London / Kitchener / Waterloo	**6,922**	6,215	**20,529**	18,173
Other Ontario	**6,847**	6,394	**20,185**	19,107
	$ 83,415	$ 79,967	**$ 247,599**	$ 228,990
Québec				
Greater Montréal Region	**$ 23,643**	$ 23,123	**$ 69,426**	$ 70,021
Québec City	**8,869**	8,625	**26,373**	26,032
	$ 32,512	$ 31,748	**$ 95,799**	$ 96,053
British Columbia				
Greater Vancouver Region	**$ 12,028**	$ 11,160	**$ 35,152**	$ 32,926
Victoria	**5,387**	5,024	**15,873**	14,723
	$ 17,415	$ 16,184	**$ 51,025**	$ 47,649
Alberta				
Edmonton	**$ 1,682**	$ 1,701	**$ 4,986**	$ 5,148
Calgary	**7,061**	7,105	**21,203**	22,032
	$ 8,743	$ 8,806	**$ 26,189**	$ 27,180
Nova Scotia				
Halifax	**$ 5,396**	$ 5,169	**$ 16,348**	$ 15,128
Saskatchewan				
Saskatoon	**$ 291**	$ 358	**$ 928**	$ 1,080
Regina	**734**	707	**2,182**	2,133
	$ 1,025	$ 1,065	**$ 3,110**	$ 3,213
Prince Edward Island				
Charlottetown	**$ 1,405**	$ 1,380	**$ 4,203**	$ 4,043
Europe				
The Netherlands	**$ 4,035**	$ -	**$ 7,167**	$ -
Total Residential Suites	**$ 153,946**	$ 144,319	**$ 451,440**	$ 422,256
MHC Land Lease Sites				
Ontario	**$ 4,408**	$ 4,309	**$ 13,019**	$ 12,684
British Columbia	**358**	344	**1,060**	760
Alberta	**533**	514	**1,589**	1,555
Saskatchewan	**295**	280	**870**	833
Prince Edward Island	**219**	214	**653**	648
New Brunswick	**1,954**	1,832	**5,779**	5,370
Total MHC Land Lease Sites	**$ 7,767**	$ 7,493	**$ 22,970**	$ 21,850
Total Residential Suites and MHC Land Lease	**$ 161,713**	$ 151,812	**$ 474,410**	$ 444,106

Results of Operations

($ Thousands)	Three Months Ended September 30, 2017	%(1)	2016	%(1)	Nine Months Ended September 30, 2017	%(1)	2016	%(1)
Operating Revenues								
Net Rental Revenues	**$ 153,168**	**94.7**	$ 143,817	94.7	**$ 449,436**	**94.7**	$ 420,606	94.7
Other(2)	**8,545**	**5.3**	7,995	5.3	**24,974**	**5.3**	23,500	5.3
Total Operating Revenues	**161,713**	**100.0**	151,812	100.0	**$ 474,410**	**100.0**	$ 444,106	100.0
Operating Expenses								
Realty Taxes	**(17,200)**	**10.6**	(16,976)	11.2	**(49,947)**	**10.5**	(49,165)	11.1
Utilities	**(10,284)**	**6.4**	(12,361)	8.1	**(41,647)**	**8.8**	(44,747)	10.1
Other(3)	**(31,574)**	**19.5**	(26,201)	17.3	**(89,858)**	**18.9**	(78,457)	17.6
Total Operating Expenses	**$ (59,058)**	**36.5**	(55,538)	36.6	**(181,452)**	**38.2**	(172,369)	38.8
NOI	**$ 102,655**	**63.5**	$ 96,274	63.4	**$ 292,958**	**61.8**	$ 271,737	61.2

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

Operating Revenues

For the three and nine months ended September 30, 2017, total operating revenues increased by 6.5% and 6.8%, respectively, compared to the same period last year due to the contributions from acquisitions, increased same-property average monthly rents, and continuing high occupancies. As CAPREIT continues to enhance the profile of its resident base and increase the level of service to residents, it expects to realize further increases in operating revenues and ancillary revenues. For the three and nine months ended September 30, 2017, ancillary revenues, including parking, laundry and antenna income, increased 6.9% and 6.3% respectively compared to the same periods last year. Ancillary revenues represented approximately 5.3% of revenues, compared to 5.3% for the same periods last year.

Estimated Net Rental Revenue Run-Rate

As at September 30, ($ Thousands)	**2017**	**2016**
Residential Rent Roll(1),(2)	**$ 599,406**	$ 559,456
Commercial Rent Roll(1),(2)	**22,260**	22,119
Annualized Net Rental Revenue Run-Rate	**$ 621,666**	$ 581,575

(1) Based on rent roll as at September 30, net of vacancy loss, tenant inducements and bad debt for the 12 months ended on such date.
(2) Includes rent roll for all properties owned as at September 30.

The table above shows the estimated net rental revenue run-rate (net of average historical vacancy loss, tenant inducements and bad debt) based on average monthly rents in place for CAPREIT's share of residential suites and sites as at September 30, 2017 and 2016. The estimated annualized net rental revenue run-rate improved by 6.9% to $621.7 million compared to $581.6 million primarily as a result of acquisitions within the last twelve months and higher rents. Net rental revenue for the 12 months ended September 30, 2017 was $593.9 million (2016 – $551.6 million).

Operating Expenses

Overall operating expenses as a percentage of operating revenues improved for the three and nine months ended September 30, 2017, compared to the same periods last year as a result of lower realty taxes and utilities for the three and nine months ended September 30, 2017.

<u>Realty Taxes</u>
For the three and nine months ended September 30, 2017, realty taxes as a percentage of operating revenues improved to 10.6% and 10.5%, respectively, compared to 11.2% and 11.1%, for the same periods last year, due to rebates of $1.6 million in 2017.

Utilities

As a percentage of operating revenues, utility costs for the three and nine months ended September 30, 2017 decreased to 6.4% and 8.8%, respectively, compared to 8.1% and 10.1% for the same periods last year.

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.

	Three Months Ended September 30,				Nine Months Ended September 30,			
($ Thousands)	**2017**	**%(1)**	**2016**	**%(1)**	**2017**	**%(1)**	**2016**	**%(1)**
Electricity	**$ 4,044**	**2.5**	$ 5,764	3.8	**$ 16,975**	**3.6**	$ 19,826	4.5
Natural Gas	**1,418**	**0.9**	1,701	1.1	**10,680**	**2.3**	11,225	2.5
Water	**4,822**	**3.0**	4,896	3.2	**13,992**	**2.9**	13,696	3.1
Total	**$ 10,284**	**6.4**	$ 12,361	8.1	**$ 41,647**	**8.8**	$ 44,747	10.1

(1) As a percentage of total operating revenues.

For the three months ended September 30, 2017, electricity costs as a percentage of total operating revenues decreased to 2.5% compared to 3.8% for the same period last year, primarily due to reduced electricity rates and reduced consumption.

For the nine months ended September 30, 2017, electricity costs as a percentage of total operating revenues decreased to 3.6% compared to 4.5% for the same period last year primarily due to lower electricity rates, reduced consumption, and the positive impacts of energy saving initiatives and sub-metering. As at September 30, 2017, tenants who pay their hydro charges directly represent 65% of the total 16,479 recently sub-metered suites in Ontario and Alberta.

For the three months ended September 30, 2017, natural gas cost as a percentage of total operating revenues decreased to 0.9% compared to 1.1% for the same period last year due to reduced rates and consumption. For the nine months ended September 30, 2017, natural gas cost as a percentage of total operating revenues decreased to 2.3% compared to 2.5% for the same period last year as a result of lower consumption and a lower natural gas rate.

The table below provides information on CAPREIT's fixed natural gas contracts for the fiscal years remaining 2017, 2018, 2019 and 2020:

	Actual(2) 2016	**Proforma 2017**	**Estimated 2018**	**Estimated 2019**	**Estimated 2020**
Gas Commodity					
Fixed Weighted Average Cost per GJ(1)	**$ 3.61**	**$ 2.91**	**$** 2.92	**$** 2.77	**$** 2.70
Total of CAPREIT's Actual/Estimated	**66.2%**	**61.9%**	59.7%	58.0%	41.7%
Transport					
Fixed Weighted Average Cost per GJ(1)	**$ 1.59**	**$ 1.35**	**$** 1.00	**$** 0.97	**$** 0.96
Total of CAPREIT's Actual/Estimated	**55.3%**	**72.2%**	59.8%	58.1%	41.7%

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

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

Other Operating Expenses

Other operating expenses, which include repairs and maintenance ("R&M") costs, wages and benefits, insurance and advertising, increased as a percentage of operating revenues for the three and nine months ended September 30, 2017 to 19.5% and 18.9%, respectively, compared to 17.3% and 17.6% for same periods last year due primarily to higher R&M expenses.

NOI

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 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 trusts or companies.

The following table shows the NOI and the NOI margin attained for each regional market for the periods ended September 30, 2017 and 2016.

NOI by Geography

For The Three Months Ended September 30,	2017			2016			Increase (Decrease)		
($ Thousands)		NOI	NOI Margin (%)		NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites									
Ontario									
Greater Toronto Area	**$**	**41,113**	**64.6**	$	39,365	64.0	**3.4**	**1.7**	**4.4**
Ottawa		**3,542**	**59.3**		3,624	62.4	**3.0**	**11.6**	**(2.3)**
London / Kitchener / Waterloo		**4,176**	**60.3**		3,806	61.2	**11.4**	**14.0**	**9.7**
Other Ontario		**4,303**	**62.9**		3,960	61.9	**7.1**	**4.5**	**8.7**
	$	**53,134**	**63.7**	$	50,755	63.5	**4.3**	**3.7**	**4.7**
Québec									
Greater Montréal Region	**$**	**14,289**	**60.4**	$	13,746	59.4	**2.3**	**(0.3)**	**4.0**
Québec City		**5,284**	**59.6**		4,967	57.6	**2.8**	**(2.0)**	**6.4**
	$	**19,573**	**60.2**	$	18,713	58.9	**2.4**	**(0.7)**	**4.6**
British Columbia									
Greater Vancouver Region	**$**	**8,169**	**67.9**	$	7,863	70.5	**7.8**	**17.1**	**3.9**
Victoria		**3,847**	**71.4**		3,739	74.4	**7.2**	**19.8**	**2.9**
	$	**12,016**	**69.0**	$	11,602	71.7	**7.6**	**17.8**	**3.6**
Alberta									
Edmonton	**$**	**1,162**	**69.1**	$	1,189	69.9	**(1.1)**	**1.6**	**(2.3)**
Calgary		**4,246**	**60.1**		4,283	60.3	**(0.6)**	**(0.3)**	**(0.9)**
	$	**5,408**	**61.9**	$	5,472	62.1	**(0.7)**	**0.0**	**(1.2)**
Nova Scotia									
Halifax	**$**	**3,335**	**61.8**	$	3,460	66.9	**4.4**	**20.6**	**(3.6)**
Saskatchewan									
Saskatoon	**$**	**176**	**60.5**	$	185	51.7	**(18.7)**	**(33.5)**	**(4.9)**
Regina		**449**	**61.2**		442	62.5	**3.8**	**7.6**	**1.6**
	$	**625**	**61.0**	$	627	58.9	**(3.8)**	**(8.7)**	**(0.3)**
Prince Edward Island									
Charlottetown	**$**	**754**	**53.7**	$	741	53.7	**1.8**	**1.9**	**1.8**
Europe									
The Netherlands	**$**	**2,964**	**73.5**	$	-	-		**-**	**-**
Total Residential Suites	**$**	**97,809**	**63.5**	$	91,370	63.3	**6.7**	**4.1**	**8.6**
MHC Land Lease Sites									
Ontario	**$**	**2,729**	**61.9**	$	2,900	67.3	**2.3**	**19.2**	**(5.9)**
British Columbia		**286**	**79.9**		273	79.4	**4.1**	**1.4**	**4.8**
Alberta		**363**	**68.1**		352	68.5	**3.7**	**4.9**	**3.1**
Saskatchewan		**188**	**63.7**		193	68.9	**5.4**	**23.0**	**(2.6)**
Prince Edward Island		**137**	**62.6**		133	62.2	**2.3**	**1.2**	**3.0**
New Brunswick		**1,143**	**58.5**		1,053	57.5	**6.7**	**4.1**	**8.6**
Total MHC Land Lease Sites	**$**	**4,846**	**62.4**	$	4,904	65.5	**3.7**	**12.8**	**(1.2)**
Total Suites and Sites	**$**	**102,655**	**63.5**	$	96,274	63.4	**6.5**	**6.3**	**6.6**

For The Nine Months Ended September 30,	2017		2016		Increase (Decrease)		
($ Thousands)	NOI	NOI Margin (%)	NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites							
Ontario							
Greater Toronto Area	**$ 119,558**	**63.2**	$ 112,708	62.2	**4.3**	**1.3**	**6.1**
Ottawa	**10,973**	**61.5**	5,926	56.8	**71.1**	**52.6**	**85.2**
London / Kitchener / Waterloo	**12,369**	**60.3**	10,834	59.6	**13.0**	**11.2**	**14.2**
Other Ontario	**12,229**	**60.6**	11,356	59.4	**5.6**	**2.6**	**7.7**
	$ 155,129	**62.7**	$ 140,824	61.5	**8.1**	**4.9**	**10.2**
Québec							
Greater Montréal Region	**$ 39,811**	**57.3**	$ 39,860	56.9	**(0.9)**	**(1.8)**	**(0.1)**
Québec City	**14,807**	**56.1**	14,186	54.5	**1.3**	**(2.4)**	**4.4**
	$ 54,618	**57.0**	$ 54,046	56.3	**(0.3)**	**(2.0)**	**1.1**
British Columbia							
Greater Vancouver Region	**$ 23,410**	**66.6**	$ 22,738	69.1	**6.8**	**15.3**	**3.0**
Victoria	**11,161**	**70.3**	10,505	71.4	**7.8**	**11.7**	**6.2**
	$ 34,571	**67.8**	$ 33,243	69.8	**7.1**	**14.2**	**4.0**
Alberta							
Edmonton	**$ 3,291**	**66.0**	$ 3,472	67.4	**(3.2)**	**1.1**	**(5.2)**
Calgary	**12,231**	**57.7**	13,103	59.5	**(3.8)**	**0.5**	**(6.7)**
	$ 15,522	**59.3**	$ 16,575	61.0	**(3.7)**	**0.6**	**(6.4)**
Nova Scotia							
Halifax	**$ 9,782**	**59.8**	$ 9,276	61.3	**8.1**	**12.2**	**5.5**
Saskatchewan							
Saskatoon	**$ 476**	**51.3**	$ 530	49.1	**(14.1)**	**(17.8)**	**(10.2)**
Regina	**1,302**	**59.7**	1,328	62.3	**2.3**	**9.3**	**(2.0)**
	$ 1,778	**57.2**	$ 1,858	57.8	**(3.2)**	**(1.7)**	**(4.3)**
Prince Edward Island							
Charlottetown	**$ 2,039**	**48.5**	$ 2,025	50.1	**4.0**	**7.2**	**0.7**
Europe							
The Netherlands	**$ 5,262**	**73.4**	$ -	-	**-**	**-**	**-**
Total Residential Suites	**$ 278,701**	**61.7**	$ 257,847	61.1	**6.9**	**5.1**	**8.1**
MHC Land Lease Sites							
Ontario	**$ 8,389**	**64.4**	$ 8,508	67.1	**2.6**	**10.9**	**(1.4)**
British Columbia	**821**	**77.5**	584	76.8	**39.5**	**35.8**	**40.6**
Alberta	**981**	**61.7**	1,050	67.5	**2.2**	**20.4**	**(6.6)**
Saskatchewan	**554**	**63.7**	553	66.4	**4.4**	**12.9**	**0.2**
Prince Edward Island	**322**	**49.3**	280	43.2	**0.8**	**(10.1)**	**15.0**
New Brunswick	**3,190**	**55.2**	2,915	54.3	**7.6**	**5.5**	**9.4**
Total MHC Land Lease Sites	**$ 14,257**	**62.1**	$ 13,890	63.6	**5.1**	**9.5**	**2.6**
Total Suites and Sites	**$ 292,958**	**61.8**	$ 271,737	61.2	**6.8**	**5.3**	**7.8**

For the three and nine months ended September 30, 2017, NOI increased by 6.6% or $6.4 million and 7.8% or $21.2 million respectively, compared to the same periods last year, and the NOI margin increased to 63.5% and 61.8%, respectively, compared to 63.4% and 61.2% for the same periods last year. The significant improvement in the NOI contribution was primarily the result of acquisitions, and higher operating revenues in certain regions of the portfolio in the current year. CAPREIT remains focused on continuing to further improve NOI and NOI margin through a combination of accretive and value-enhancing acquisitions, successful sales and marketing strategies to further improve revenues, and investments in capital programs to further reduce costs and enhance the quality and value of its portfolio. For a comprehensive analysis of stabilized NOI growth or decline compared to the same period last year by region, refer to the Stabilized Portfolio Performance section.

STABILIZED PORTFOLIO PERFORMANCE

For The Three Months Ended September 30,	2017			2016		Increase (Decrease)		
($ Thousands)		NOI	NOI Margin (%)		NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Residential Suites									
Ontario									
Greater Toronto Area	$	40,729	64.5	$	39,041	64.0	3.5	1.9	4.3
Ottawa		1,173	50.1		1,172	50.7	1.2	2.4	0.1
London / Kitchener / Waterloo		2,979	61.6		2,956	63.8	4.5	10.9	0.8
Other Ontario		4,303	62.9		3,960	61.9	7.1	4.5	8.7
	$	49,184	63.8	$	47,129	63.4	3.8	2.7	4.4
Québec									
Greater Montréal Region	$	13,962	60.9	$	13,273	59.7	3.1	0.1	5.2
Québec City		5,284	59.6		4,967	57.6	2.8	(2.0)	6.4
	$	19,246	60.5	$	18,240	59.1	3.1	(0.5)	5.5
British Columbia									
Greater Vancouver Region	$	8,032	67.8	$	7,863	70.5	6.2	15.8	2.2
Victoria		3,763	71.7		3,717	74.6	5.4	17.5	1.2
	$	11,795	69.0	$	11,580	71.8	5.9	16.3	1.9
Alberta									
Edmonton	$	1,162	69.1	$	1,189	69.9	(1.1)	1.6	(2.3)
Calgary		4,246	60.1		4,283	60.3	(0.6)	(0.3)	(0.9)
	$	5,408	61.9	$	5,472	62.1	(0.7)	0.0	(1.2)
Nova Scotia									
Halifax	$	3,109	61.5	$	3,416	66.8	(1.1)	14.8	(9.0)
Saskatchewan									
Saskatoon	$	176	60.5	$	168	56.0	(3.0)	(12.9)	4.8
Regina		449	61.2		442	62.5	3.8	7.6	1.6
	$	625	61.0	$	610	60.6	1.8	0.8	2.5
Prince Edward Island									
Charlottetown	$	738	53.8	$	729	54.1	1.9	2.6	1.2
Total Residential Suites	$	90,105	63.4	$	87,176	63.3	3.4	3.3	3.4
MHC Land Lease Sites									
Ontario	$	2,729	61.9	$	2,900	67.3	2.3	19.2	(5.9)
British Columbia		139	79.0		128	76.2	4.8	(7.5)	8.6
Alberta		363	68.1		352	68.5	3.7	4.9	3.1
Saskatchewan		188	63.7		193	68.9	5.4	23.0	(2.6)
Prince Edward Island		137	62.6		133	62.2	2.3	1.2	3.0
New Brunswick		1,143	58.5		1,053	57.5	6.7	4.1	8.6
Total MHC Land Lease Sites	$	4,699	62.0	$	4,759	65.0	3.7	12.8	(1.3)
Total Suites and Sites	$	94,804	63.3	$	91,935	63.4	3.4	3.8	3.1
Stabilized Suites and Sites		45,046			45,046				

For The Nine Months Ended September 30,	**2017**		**2016**		**Increase (Decrease)**		
($ Thousands)	**Stablized NOI**	**NOI Margin (%)**	**Stabilized NOI**	**NOI Margin (%)**	**Revenue Change (%)**	**Expense Change (%)**	**NOI Change (%)**
Residential Suites							
Ontario							
Greater Toronto Area	**$ 118,498**	**63.3**	$ 112,157	62.2	**3.9**	**0.9**	**5.7**
Ottawa	**3,562**	**50.8**	3,473	50.1	**1.1**	**(0.4)**	**2.6**
London / Kitchener / Waterloo	**8,799**	**61.3**	8,511	61.7	**4.0**	**5.0**	**3.4**
Other Ontario	**12,229**	**60.6**	11,356	59.4	**5.6**	**2.6**	**7.7**
	$ 143,088	**62.5**	$ 135,497	61.5	**3.9**	**1.3**	**5.6**
Québec							
Greater Montréal Region	**$ 39,323**	**57.6**	$ 38,023	57.1	**2.6**	**1.4**	**3.4**
Québec City	**14,807**	**56.1**	14,186	54.5	**1.3**	**(2.4)**	**4.4**
	$ 54,130	**57.2**	$ 52,209	56.4	**2.2**	**0.3**	**3.7**
British Columbia							
Greater Vancouver Region	**$ 23,226**	**66.5**	$ 22,738	69.1	**6.0**	**14.7**	**2.2**
Victoria	**10,934**	**70.5**	10,477	71.4	**5.8**	**9.2**	**4.4**
	$ 34,160	**67.7**	$ 33,215	69.8	**6.0**	**13.1**	**2.9**
Alberta							
Edmonton	**$ 3,291**	**66.0**	$ 3,472	67.4	**(3.2)**	**1.1**	**(5.2)**
Calgary	**12,231**	**57.7**	13,103	59.5	**(3.8)**	**0.5**	**(6.7)**
	$ 15,522	**59.3**	$ 16,575	61.0	**(3.7)**	**0.6**	**(6.4)**
Nova Scotia							
Halifax	**$ 9,148**	**59.7**	$ 9,231	61.3	**1.7**	**5.8**	**(0.9)**
Saskatchewan							
Saskatoon	**$ 464**	**51.9**	$ 491	54.4	**(0.9)**	**4.6**	**(5.5)**
Regina	**1,302**	**59.7**	1,328	62.3	**2.3**	**9.3**	**(2.0)**
	$ 1,766	**57.4**	$ 1,819	59.9	**1.4**	**7.7**	**(2.9)**
Prince Edward Island							
Charlottetown	**$ 2,000**	**48.7**	$ 2,000	50.2	**3.1**	**6.3**	**-**
Total Residential Suites	**$ 259,814**	**61.5**	$ 250,546	61.2	**3.2**	**2.3**	**3.7**
MHC Land Lease Sites							
Ontario	**$ 8,389**	**64.4**	$ 8,508	67.1	**2.6**	**10.9**	**(1.4)**
British Columbia	**389**	**74.8**	364	74.9	**7.0**	**7.4**	**6.9**
Alberta	**981**	**61.7**	1,050	67.5	**2.2**	**20.4**	**(6.6)**
Saskatchewan	**554**	**63.7**	553	66.4	**4.4**	**12.9**	**0.2**
Prince Edward Island	**322**	**49.3**	280	43.2	**0.8**	**(10.1)**	**15.0**
New Brunswick	**3,190**	**55.2**	2,915	54.3	**7.6**	**5.5**	**9.4**
Total MHC Land Lease Sites	**$ 13,825**	**61.6**	$ 13,670	63.4	**4.0**	**8.8**	**1.1**
Total Suites and Sites	**$ 273,639**	**61.5**	$ 264,216	61.3	**3.2**	**2.6**	**3.6**
Stabilized Suites and Sites	**45,046**		45,046				

Stabilized properties for the nine months ended September 30, 2017 are defined as all properties owned by CAPREIT continuously since December 31, 2015, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during 2017 and 2016. As at September 30, 2017, stabilized suites and sites represent 92.1% of CAPREIT's total portfolio.

For the three and nine months ended September 30, 2017 operating revenues increased by 3.4% and 3.2%, respectively, while operating expenses increased by 3.8% and increased by 2.6%, respectively, over the same period last year. As a result, stabilized NOI increased by 3.1% and 3.6%, and the NOI margin remained strong at 63.3% and 61.5% compared to 63.4% and 61.3%, respectively, for the three and nine months ended September 30, 2017.

For the three and nine months ended September 30, 2017, the NOI margin for properties acquired since December 31, 2015, was 65.9% and 65.6%, respectively.

Ontario:

NOI for the stabilized Ontario portfolio for the three months ended September 30, 2017 increased by 4.4% compared to the same period last year primarily due to higher rental revenues, and lower vacancies, bad debt, utility costs and realty taxes partially offset by higher R&M costs and insurance. The NOI margin increased to 63.8% compared to 63.4% for the same period last year. NOI for the nine months ended September 30, 2017 increased by 5.6% compared to the same period last year, and the NOI margin increased to 62.5% from 61.5% for the same period last year due to higher rental revenues and lower vacancies, realty taxes and utility costs partially offset by higher R&M costs. Management believes the Ontario portfolio will remain strong and generate steady returns in the medium term.

Québec:

NOI for the stabilized Québec portfolio for the three months ended September 30, 2017 increased by 5.5% compared to the same period last year while the NOI margin increased to 60.5% compared to 59.1% due to higher rental revenues and lower wages partially offset by higher R&M costs. NOI for the nine months ended September 30, 2017 increased by 3.7% and the NOI margin increased to 57.2% from 56.4% for the same period last year due to higher rental revenues and lower wage and utility costs partially offset by higher R&M costs. Management believes the Québec rental market will remain stable and generate steady to improving returns in the medium term.

British Columbia:

NOI for the stabilized British Columbia portfolio for the three months ended September 30, 2017 increased by 1.9% compared to the same period last year primarily due to higher rental revenues partially offset by higher wages and R&M costs. NOI for the nine months ended September 30, 2017 increased by 2.9% compared to the same period last year primarily due to higher rental and parking revenues partially offset by higher R&M costs, administrative costs, and wages. For three and nine months ended September 30, 2017, NOI margins decreased to 69.0% and 67.7% from 71.8% and 69.8%, respectively, compared to the same period last year. Management believes the British Columbia portfolio will continue to generate steady returns in the medium term.

Alberta:

NOI for the stabilized Alberta portfolio for the three months ended September 30, 2017 decreased by 1.2% compared to the same period last year primarily due to lower rental revenues resulting from Management's decision o strategically reduce rents to maximize occupancies and higher R&M costs partially offset by lower vacancies and realty taxes. NOI for the nine months ended September 30, 2017 decreased by 6.4% compared to the same period last year primarily due to lower operating revenues and higher R&M costs partially offset by lower vacancies, utility costs and realty taxes. For the three and nine months ended September 30, 2017, the NOI margin decreased to 61.9% and 59.3% from 62.1% and 61.0%, respectively, compared to the same period last year. Alberta represents only 6.1% and 6.0% of CAPREIT's total NOI for the three and nine months ended September 30, 2017, respectively. Management believes the Alberta portfolio will stabilize in the medium term.

Nova Scotia:

NOI for the stabilized Nova Scotia portfolio for the three months ended September 30, 2017 decreased by 9.0% compared to the same period last year primarily due to higher R&M costs partially offset by higher rental revenues and lower realty taxes and wages. NOI for the nine months ended September 30, 2017 decreased by 0.9% compared to the same period last year primarily due to higher R&M costs partially offset by higher rental revenues, lower vacancies, utility costs, and wages. For the three and nine months ended September 30, 2017, the NOI margin decreased to 61.5% and decreased to 59.7% compared to 66.8% and 61.3%, respectively, compared to the same period last year. Management believes its presence in downtown Halifax locations will serve to maintain or increase occupancy levels and average monthly rents in the medium term.

MHC Land Lease Sites:

NOI for the stabilized MHC land lease sites portfolio for the three months ended September 30, 2017 decreased by 1.3% compared to the same period last year primarily due to higher R&M costs partially offset by higher rental revenues. NOI for the nine months ended September 30, 2017 increased by 1.1% compared to the same period last year primarily due to higher rental revenues and lower utility costs partially offset by higher R&M costs, realty taxes, insurance and wage costs. For the three and nine months ended September 30, 2017 the NOI margin decreased to 62.0% and 61.6% from 65.0% and 63.4%, respectively, compared to the same period last year. Management believes its MHC land lease portfolio will continue to provide accretive growth in the long term.

The following table reconciles stabilized NOI and NOI from net acquisitions to total NOI for the same period last year and nine months ended September 30, 2017.

($ Thousands)	Three Months Ended September 30, 2017	NOI Margin (%)	2016	NOI Margin (%)	Nine Months Ended September 30, 2017	NOI Margin (%)	2016	NOI Margin (%)
Stabilized NOI	**$ 94,804**	**63.3**	$ 91,935	63.4	**$ 273,639**	**61.5**	$ 264,216	61.3
Net Acquisitions NOI[1]	**7,851**	**65.9**	4,339	63.2	**19,319**	**65.6**	7,521	58.7
Total NOI	**$ 102,655**	**63.5**	$ 96,274	63.4	**$ 292,958**	**61.8**	$ 271,737	61.2

(1) Represents the NOI of acquisitions or dispositions completed during 2017 and 2016.

NET INCOME AND OTHER COMPREHENSIVE INCOME

($ Thousands)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
NOI	**$ 102,655**	$ 96,274	**$ 292,958**	$ 271,737
(Less) Plus:				
Trust Expenses	**(8,001)**	(6,301)	**(22,125)**	(23,246)
Unrealized Gain on Remeasurement of Investment Properties	**153,598**	67,130	**287,802**	161,967
Realized Loss on Disposition of Investment Properties	**-**	(1,485)	**(80)**	(1,485)
Remeasurement of Exchangeable Units	**(21)**	409	**(383)**	(610)
Unit-based Compensation (Expenses) Recoveries	**(4,501)**	5,417	**(15,110)**	(15,073)
Interest on Mortgages Payable and Other Financing Costs	**(29,290)**	(28,868)	**(87,375)**	(83,701)
Interest on Bank Indebtedness	**(1,019)**	(1,074)	**(2,554)**	(3,932)
Interest on Exchangeable Units	**(42)**	(51)	**(144)**	(149)
Other Income	**3,325**	2,908	**14,012**	11,873
Amortization	**(1,170)**	(725)	**(3,159)**	(2,645)
Unrealized and Realized Loss on Derivative Financial Instruments	**(8,794)**	(464)	**(8,880)**	(1,315)
Gain (Loss) on Foreign Currency Translation	**9,160**	(2,507)	**5,009**	1,721
Net Income	**$ 215,900**	$ 130,663	**$ 459,971**	$ 315,142
Other Comprehensive Income, Including Items That May Be Reclassified Subsequently to Net Income				
Amortization of Losses from AOCL to Interest and Other Financing Costs	**$ 746**	$ 777	**$ 2,290**	$ 2,330
Change in Fair Value of Derivative Financial Instruments	**1,197**	895	**1,827**	159
Change in Fair Value of Investments	**978**	(1,304)	**2,717**	3,435
Foreign Currency Translation	**(15)**	3,152	**5,447**	(2,142)
Other Comprehensive Income	**2,906**	3,520	**12,281**	3,782
Comprehensive Income	**$ 218,806**	$ 134,183	**$ 472,252**	$ 318,924

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 increased for the three months ended September 30, 2017, to $8.0 million from $6.3 million for the same period last year primarily due to higher information technology, legal, and general and administrative expenses. Trust expenses decreased for the nine months ended September 30, 2017 to $22.1 million from

$23.2 million for the same period last year primarily due to $5.5 million expensed in 2016 related to transactions that were not completed partially offset by one-time legal and consulting expenses of $0.8 million, an increase to salaries, information technology, consulting, legal, and general and administrative expenses in 2017.

Unrealized Gain on Remeasurement of Investment Properties

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

Remeasurement of Exchangeable Units

CAPREIT accounts for its Exchangeable Units as a financial liability, remeasures such liability at each reporting period, and includes this remeasurement in the consolidated statement of income. For the three and nine months ended September 30, 2017, there was a remeasurement expense of $21 thousand and a gain of $0.4 million, respectively, compared to a remeasurement expense of $0.4 million and $0.6 million for the same periods last year mainly due to the change in market price of the underlying CAPREIT Trust Units. A description of the key components of the remeasurement of Exchangeable Units is included in note 11 of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

Unit-based Compensation (Expenses) Recoveries

Unit-based compensation benefits are provided to officers, trustees and certain employees and are intended to facilitate long-term ownership of Trust Units and to provide additional incentives by increasing the participants' interest, as owners, in CAPREIT. Unit-based compensation expenses include costs attributable to these incentive plans, namely the Restricted Unit Rights Plan ("RUR Plan"), Unit Option Plan ("UOP"), Deferred Unit Plan ("DUP"), Long-Term Incentive Plan ("LTIP") and Senior Executive Long-Term Incentive Plan ("SELTIP") (see notes 11 and 12 in CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report).

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

In order to aid comparability with CAPREIT's peers, the Unit-based compensation expenses have 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.

As at September 30, 2017, the maximum number of Units issuable under all of CAPREIT's Unit-based incentive plans is 9,500,000 Units (December 31, 2016 – 9,500,000). The maximum number of Units available for future issuance under all Unit incentive plans as at September 30, 2017 is 1,099,913 Units (December 31, 2016 – 1,346,980 Units).

A description of the key components of the market-based rates and assumptions used to determine the fair values of the awards is included in notes 11 and 12 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

CAPREIT's Unit-based compensation expense for the three months ended September 30, 2017 increased to $4.5 million, compared to a recovery of $5.4 million in the prior year primarily due to a higher increase in the market price of the underlying CAPREIT Trust Units in the third quarter of 2017. CAPREIT's Unit-based compensation expense for the nine months ended September 30, 2017 remained stable at $15.1 million compared to $15.1 million for the same period last year primarily due to the $1.6 million of accelerated vesting of previously-granted RUR units offset by a smaller increase of the market price of the underlying CAPREIT Trust Units in 2017 compared to prior year. The table below demonstrates the impact of each component of CAPREIT's plans on the total compensation expense.

	Three Months Ended September 30,				Nine Months Ended September 30,			
($ Thousands)		2017		2016		2017		2016
Remeasurement of Unit-based Compensation Liabilities	**$**	**1,396**	$	(6,933)	**$**	**9,196**	$	11,080
Amortization of Fair Value on Grant Date of Unit-based Compensation		**3,105**		1,516		**5,914**		3,993
Total	**$**	**4,501**	$	(5,417)	**$**	**15,110**	$	15,073

Interest on Mortgages Payable and Other Financing Costs

Interest on mortgages, which includes the amortization of certain financing costs, increased for the nine months ended September 30, 2017, to $87.4 million from $83.7 million for the same period last year, due to increased mortgage top-ups in 2016 and 2017. As a percentage of operating revenues, mortgage interest expense represented 18.1% and 18.4% for the three and nine months ended September 30, 2017, respectively, compared to 19.0% and 18.8% for the same periods last year. Additional information on the interest on mortgages payable and other financing costs is included in note 15 to the accompanying unaudited condensed consolidated interim financial statements and the Liquidity and Financial Condition section of this report.

Interest on Bank Indebtedness

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

Other Income

Other income primarily consists of dividends received from investments (see note 7 to the accompanying unaudited condensed consolidated interim financial statements), income from investment in associate, gains realized on the sale of investments, and asset management and property management fees.

	Three Months Ended September 30,				Nine Months Ended September 30,			
($ Thousands)		2017		2016		2017		2016
Recurring								
Investment Income	**$**	**326**	$	326	**$**	**978**	$	978
Net Profit from Equity Accounted Investment(1)		**1,425**		1,252		**8,565**		6,916
Asset and Property Management Fees		**1,545**		1,327		**4,428**		3,843
Non Recurring		**29**		3		**41**		136
Total	**$**	**3,325**	$	2,908	**$**	**14,012**	$	11,873

(1) Includes unrealized gain on remeasurement of IRES investment properties of $5,009 and $1,721 for the nine months ended September 30, 2017 and September 30, 2016 respectively.

Effective April 11, 2014, CAPREIT entered into an external management agreement, as amended from time to time, to perform asset management and property management services for IRES which owns properties in Dublin, Ireland. Asset management and property management fees included in Other Income for the three and nine months ended September 30, 2017 are $1.5 million and $4.4 million, respectively, compared to $1.3 million and $3.8 million in the prior year. Expenses related to the asset management and property management services are included in Trust expenses for the three and nine months ended September 30, 2017.

Amortization

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

Unrealized and Realized Loss on Derivative Financial Instruments

i) *Interest rate contracts for which hedge accounting is being applied:* As at September 30, 2017, CAPREIT has an interest rate swap agreement:

   a. $65 million interest rate swap agreement fixing the interest rate at 3.60%, which matures in September 2022. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a ten-year term. The related floating rate credit facility is for a five-year term. The credit facility was amended effective June 30, 2016 and expires on June 30, 2021. On expiry of the term it is expected to be refinanced to match the term of the interest rate swap. At each reporting date, the hedging derivative will be marked-to-market with the ineffective portion recognized in net income (unrealized gain of $123 thousand for the nine months ended September 30, 2017), recorded under (loss) gain on derivative financial instruments on the consolidated statements of income and comprehensive income for the nine months ended September 30, 2017.

ii) *Interest rate contracts for which hedge accounting is not being applied:* CAPREIT entered into a cross currency swap to (i) hedge a US-based loan of USD $186,436 into euros of €163,540 effective July 2017 and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equalling 1.20% and maturing June 2019. The US-based loan was drawn from the Acquisition and Operating Facility in July 2017. The loss on the hedge has been recorded under loss on derivative financial instruments on the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2017 of $9.0 million and $9.4 million, respectively, and the cumulative mark-to-market loss of $9.4 million is in other non-current liabilities as at September 30, 2017.

iii) *Interest rate contracts for which hedge accounting was not being applied:* The €40 million interest rate swap agreement effective April 21, 2014, fixed the interest rate at 2.87% (assuming a constant margin of 1.65% per annum), which matures in August 2018. The €40,000 interest rate swap agreement was settled in July 2017. This agreement effectively converted borrowings on a EURIBOR-based floating rate credit facility to a fixed rate facility for a five-year term. At each reporting date, the hedging derivative was marked-to-market in net income ($0.2 million unrealized gain for the nine months ended September 30, 2017).

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

Gain (Loss) on Foreign Currency Translation

For the three and nine months ended September 30, 2017, CAPREIT recognized a gain on foreign exchange of $9.2 million and $5.0 million, respectively, compared to a loss of $2.5 million and a gain of $1.7 million in prior periods. The gain or loss on foreign currency translation recognized in the consolidated statement of income primarily represents the foreign exchange translation on the US LIBOR and euro LIBOR borrowings for the investment in Ireland and the Netherlands. The combination of cross-currency swap (as indicated above) with the US LIBOR borrowing economically represents a fixed euro-based borrowing where the mark-to-market on the cross-currency swap is recorded under loss on derivative financial instruments on the Consolidated Statements Of Income and Comprehensive Income. CAPREIT does not apply hedge accounting for its investment in Ireland and the Netherlands against the US LIBOR and euro LIBOR borrowings and cross-currency swap related to it therefore the accounting results may differ from the naturally offsetting asset and liability exposures to foreign exchange. The foreign exchange gain or loss on the investment in Ireland and the Netherlands relating to these borrowings is recorded in other comprehensive income.

CAPREIT's Netherlands subsidiary owns and operates properties in The Netherlands, a foreign jurisdiction. It is exposed to foreign currency fluctuations arising between the functional currency of the foreign operation (the euro) and the functional currency of CAPREIT (the Canadian dollar). As such, CAPREIT entered into a hedge effective at the date of The Netherlands acquisition (December 23, 2016). CAPREIT hedged the net investment in The Netherlands foreign operations with €22.5 million euro-denominated debt on CAPREIT's consolidated balance sheets. Any foreign currency gains/losses arising from the euro-denominated debt will be offset by the foreign currency gain/loss arising from the investment in The Netherlands foreign operations. The effective portion of foreign exchange gains and losses on the €22.5 million euro-denominated debt was recognized in other comprehensive income ("OCI") and the ineffective portion was recognized in net income. The hedge became ineffective July 2017 when the euro LIBOR borrowing was repaid.

SECTION III

NON-IFRS FINANCIAL MEASURES

PER UNIT CALCULATIONS

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

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

	Weighted Average Number of Units				*Outstanding Number of Units*
	Three Months Ended September 30,		**Nine Months Ended September 30,**		**As at September 30,**
(Thousands)	**2017**	**2016**	**2017**	**2016**	**2017**
Trust Units	**135,910**	131,822	**135,249**	129,102	**136,195**
Exchangeable Units(1)	**131**	161	**151**	161	**131**
Units under the DUP(2)	**254**	263	**271**	257	**253**
Basic Number of Units	**136,295**	132,246	**135,671**	129,520	**136,579**
Plus:					
Dilutive Units under the LTIP(2), (3)	**357**	427	**409**	435	**470**
Dilutive Units under the SELTIP(2), (3)	**347**	320	**342**	310	**555**
Unit Rights under the RUR Plan(2)	**863**	717	**830**	696	**867**
Dilutive Unexercised Options under the UOP(2), (4)	**269**	281	**287**	247	**-** (5)
Diluted Weighted Average Number of Units	**138,131**	133,991	**137,539**	131,208	**138,471**

(1) See note 11 to the accompanying unaudited condensed consolidated interim financial statements for details of Exchangeable Units.

(2) See notes 11 and 12 to the audited consolidated annual financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report for details of CAPREIT's Unit-based compensation plans.

(3) Calculated using the treasury method after taking into account the respective subscriptions receivable (see note 12 to the accompanying unaudited condensed consolidated interim financial statements).

(4) Calculated using the treasury method after taking into account the exercise prices.

(5) There are 1,263,962 unexercised options outstanding under the UOP.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ Thousands)	**2017**	**2016**	**2017**	**2016**
Distributions Declared on Trust Units	**$ 43,509**	$ 41,259	**$ 129,232**	$ 119,537
Distributions Declared on Exchangeable Units	**42**	51	**144**	149
Distributions Declared on Awards Outstanding Under[1] Unit-based Compensation Plans	**710**	677	**2,148**	2,051
Total Distributions Declared	**44,261**	41,987	**131,524**	121,737
Less:				
Distributions on Trust Units Reinvested	**(12,169)**	(13,274)	**(38,789)**	(38,460)
Distributions on Unit Awards Reinvested[1]	**(710)**	(677)	**(2,148)**	(2,051)
Net Distributions Paid	**$ 31,382**	$ 28,036	**$ 90,587**	$ 81,226
Percentage of Distributions Reinvested	**29.1%**	33.2%	**31.1%**	33.3%

(1) Comprises: (i) non-cash distributions related to the DUP and the RUR plan, and (ii) retained distributions on LTIP and SELTIP Units (see notes 11 and 12 to CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report for a discussion of these plans).

Under CAPREIT's DRIP, a participant may purchase additional Units with the cash distributions paid on the eligible Units, registered in the participant's name or held in a participant's account maintained pursuant to the DRIP. Each participant has the right to receive an additional amount equal to 5% of their monthly distributions reinvested pursuant to the DRIP, which will automatically be paid on each distribution date in the form of additional Units. The price at which Units will be purchased with cash distributions will be the weighted average trading price for CAPREIT's Trust Units on the Toronto Stock Exchange ("TSX") for the five trading days immediately preceding the relevant distribution date. Reinvestments pursuant to the DRIP will increase the total number of Units outstanding overtime, which may result in upward pressure on the total amount of net distributions paid if those participants do not elect to join the DRIP or choose cash distributions.

The average participation rate in the DRIP and other plans under which distributions are reinvested for the three and nine months ended September 30, 2017 decreased to 29.1% and 31.1%, respectively, from 33.2% and 33.3% for the same periods last year. The DRIP participation rate is subject to factors beyond Management's control and varies between investors.

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 the adjustment for amortization of certain other assets. It may not, however, be comparable to similar measures presented by other real estate trusts or companies in similar or different industries. Management considers FFO to be an important measure of CAPREIT's operating performance.

Payout ratios compare total distributions declared and net distributions paid to these non-IFRS financial measures.

A reconciliation of net income to FFO is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ Thousands, except per Unit amounts)	**2017**	2016	**2017**	2016
Net Income	**$ 215,900**	$ 130,663	**$ 459,971**	$ 315,142
Adjustments				
Unrealized Gain on Remeasurement of Investment Properties	**(153,598)**	(67,130)	**(287,802)**	(161,967)
Realized Loss on Disposition of Investment Properties	**-**	1,485	**80**	1,485
Remeasurement of Exchangeable Units	**21**	(409)	**383**	610
Remeasurement of Unit-based Compensation Liabilities	**1,396**	(6,933)	**9,196**	11,080
Interest on Exchangeable Units	**42**	52	**144**	150
Corporate Income Taxes	**161**	-	**138**	-
(Gain) Loss on Foreign Currency Translation	**(9,160)**	2,507	**(5,009)**	(1,721)
FFO Adjustment for Income from Equity Accounted Investments[(1)]	**-**	-	**(4,561)**	(3,595)
Unrealized and Realized Loss on Derivative Financial Instruments	**8,794**	464	**8,880**	1,315
Net Income Attributable from Non-Controlling Interest	**(67)**	-	**(120)**	-
Net FFO Impact Attributable from Non-Controlling Interest	**26**	-	**64**	-
Amortization of Property, Plant and Equipment	**1,170**	725	**3,159**	2,645
FFO	**$ 64,685**	$ 61,424	**$ 184,523**	$ 165,144
FFO Per Unit – Basic	**$ 0.475**	$ 0.464	**$ 1.360**	$ 1.275
FFO Per Unit – Diluted	**$ 0.468**	$ 0.458	**$ 1.342**	$ 1.259
Total Distributions Declared	**$ 44,261**	$ 41,987	**$ 131,524**	$ 121,737
FFO Payout Ratio	**68.4%**	68.4%	**71.3%**	73.7%
Net Distributions Paid	**$ 31,382**	$ 28,036	**$ 90,587**	$ 81,226
Excess FFO over Net Distributions Paid	**$ 33,303**	$ 33,388	**$ 93,936**	$ 83,918
FFO Effective Payout Ratio	**48.5%**	45.6%	**49.1%**	49.2%

(1) Included in Other Income in the consolidated statements of income and comprehensive income.

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 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 section "Property Capital Investments." See the discussions under the Net Income section in this MD&A 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, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
FFO	**$ 64,685**	$ 61,424	**$ 184,523**	$ 165,144
Adjustments:				
Amortization of losses from AOCL to interest and other financing costs	**747**	777	**2,290**	2,330
Net Mortgage Prepayment Cost	**-**	-	**164**	-
Acquisition Research Costs[1]	**-**	-	**-**	5,474
Other Employee Costs[2]	**1,604**	-	**1,604**	-
NFFO	**$ 67,036**	$ 62,201	**$ 188,581**	$ 172,948
NFFO per Unit – Basic	**$ 0.492**	$ 0.470	**$ 1.390**	$ 1.335
NFFO per Unit – Diluted	**$ 0.485**	$ 0.464	**$ 1.371**	$ 1.318
Total Distributions Declared	**$ 44,261**	$ 41,987	**$ 131,524**	$ 121,737
NFFO Payout Ratio	**66.0%**	67.5%	**69.7%**	70.4%
Net Distributions Paid	**$ 31,382**	$ 28,036	**$ 90,587**	$ 81,226
Excess NFFO over Net Distributions Paid	**$ 35,654**	$ 34,165	**$ 97,994**	$ 91,722
Effective NFFO Payout Ratio	**46.8%**	45.1%	**48.0%**	47.0%

(1) Expenses included in trust expenses relates to transactions that were not completed.
(2) Expenses included in Unit-based compensation expenses relates to accelerated vesting of previously-granted RUR Units.

NFFO for the three and nine months ended September 30, 2017 increased by 7.8% and 9.0%, respectively, compared to the same period last year primarily due to the contribution from acquisitions, and higher NOI for properties owned prior to September 30, 2016.

For the nine months ended September 30, 2017, basic NFFO per Unit increased by 4.1% compared to the same period last year despite an approximate 4.7% increase in the weighted average number of Units outstanding resulting from the August 2016 equity offerings (see liquidity and Capital Resources section for further details) offset by strong organic NOI growth and contributions from acquisitions. For the three months ended September 30, 2017, basic NFFO per Unit increased by 4.7% compared to the same period last year despite an approximate 3.1% increase in the weighted average number of Units outstanding due to the equity offering completed in August 2016. Management expects per Unit FFO and NFFO and related payout ratios to strengthen further in the medium term as a result of NOI contributions from recent acquisitions.

Comparing distributions declared to NFFO, the NFFO payout ratio for the three months ended September 30, 2017 improved to 66.0% compared to 67.5% for the same period last year. For the nine months ended September 30, 2017, NFFO payout ratio improved to 69.7% compared to 70.4% for the same period last year. The effective NFFO payout ratio, which compares NFFO to net distributions paid, for the three and nine months ended September 30, 2017, was 46.8% and 48.0%, respectively, compared to 45.1% and 47.0% for the same period last year.

Adjusted Cash Flows From Operations and Distributions Declared

As a measure of economic cash flows, CAPREIT calculates Adjusted Cash Flows from Operations ("ACFO") using guidelines from the recently published whitepaper by REALpac, "White Paper on Adjusted Cashflow From Operations (ACFO) for IFRS" dated February, 2017. As a result, CAPREIT no longer presents adjusted FFO, which was a previously presented Non-IFRS measure. CAPREIT's method of calculating adjusted FFO may have differed from that of other real estate entities and, accordingly, may not have been comparable to such amounts reported by other issuers in prior quarters. Management did not rely on adjusted FFO to operate the business of CAPREIT, plan CAPREIT's capital spending or determine CAPREIT's distributions, or the sustainability of such distributions.

There may be periods where actual distributions declared may exceed ACFO due to weaker performance in certain periods from seasonal fluctuations or from year to year based on the timing of property capital investments and impact of acquisitions. These fluctuations are funded, if necessary, with our 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, a capital expenditure reserve (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 the adjustment for investment income. It may not, however, be comparable to similar measures presented by other real estate trusts or companies in similar or different industries.

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

	Three Months Ended September 30		Nine Months Ended September 30		Annual
($ Thousands, except per Unit amounts)	**2017**	**2016**	**2017**	**2016**	**2016(5)**
Cash Generated From Operating Activities	**$ 105,467**	$ 98,450	**$ 250,422**	$ 246,146	$ 357,360
Adjustments(1)					
Interest expense included in cash flow from financing activities	**(27,508)**	(27,839)	**(82,707)**	(81,689)	(109,097)
Non-Discretionary Property Capital Investments(2)	**(14,337)**	(14,808)	**(42,413)**	(43,783)	(58,501)
Capitalized Leasing Costs(3)	**(1,072)**	(1,135)	**(1,918)**	(2,871)	(3,679)
Tenant improvements	**(8)**	(106)	**(85)**	(388)	(559)
Amortization of Other Financing Costs(4)	**(1,439)**	(1,246)	**(4,167)**	(3,435)	(4,674)
Non-controlling Interest	**(40)**	-	**(55)**	-	(1)
Investment income	**2,793**	329	**8,094**	4,192	4,519
ACFO	**$ 63,856**	$ 53,645	**$ 127,171**	$ 118,172	$ 185,368
Total Distributions Declared	**$ 44,261**	$ 41,987	**$ 131,524**	$ 121,737	$ 164,413
Excess (Deficit) ACFO Over Distributions Declared	**$ 19,595**	$ 11,658	**$ (4,353)**	$ (3,565)	$ 20,955
ACFO Payout Ratio	**69.3%**	78.3%	**103.4%**	103.0%	88.7%

(1) Changes in working capital has not been adjusted in the ACFO calculation on the basis that changes in prepaids, receivables, deposits, accounts payables and other liabilities, security deposits, and other non-cash operating assets and liabilities are considered normal course of operating the company. In the first two quarters of 2017, changes in non-cash operating assets and liabilities were adjusted in the calculation of ACFO. Accordingly, the comparative periods have been adjusted to conform to this method of calculation.

(2) Based on the forecasted 2017 and actual 2016 Non-Discretionary Property Capital Investments per suite and site multiplied by the weighted average number of residential suites and sites during the period. The Non-Discretionary Property Capital Investment per suite and site for 2017 and 2016 on an annual basis is $1,177 and $1,251, respectively applied equally throughout the year. The weighted average number of residential suites and sites for nine months ended September 30, 2017 and 2016 is 48,048, and 46,664, respectively.

(3) Comprises tenant inducements and direct leasing costs.

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

(5) Amounts presented for the three and nine months ended September 30, 2016 and year ended December 31, 2016, have been

presented in accordance with the calculation of ACFO described above and are not comparable to other measures such as adjusted FFO presented in prior periods.

A higher payout ratio for the nine months ended September 30, 2016, compared to the year ended December 31, 2016, corresponds with the seasonality of CAPREIT's business. CAPREIT's first quarter typically has the highest payout ratio due to lower operating margins attributable to higher utility costs in the winter months.

For the three months ended September 30, 2017, ACFO exceeded distributions declared by $19.6 million compared to $11.7 million for the same period last year. For the nine months ended September 30, 2017, CAPREIT's distributions declared exceeded ACFO by $4.4 million compared to $3.6 million for the same period last year. The shortfall in the current and prior year primarily relates to seasonal effects of higher utilities on NOI for the first quarter of the year, timing of prepayments on realty taxes and insurance premiums, and the short and long term fluctuations of 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 judgement 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. As a result, Management does not differentiate between maintenance and value-enhancing, and has instead determined 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 judgement, 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 reduction 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 fire safety. Management uses its professional judgement to include other capital expenditures categories that could impact the safety of residents. These Non-discretionary Property Capital Investments are in addition to regular R&M costs, which have historically averaged in the range of $800 to $850 per residential suite annually 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 reduction in costs over the long-term. Included in discretionary capital expenditures are items such as: suite improvements, common area, energy-saving initiatives, equipment, boilers, elevators, and appliances.

The following table reconciles the forecasted 2017 and actual 2016 and 2015 Non-Discretionary Property Capital Investments per suite and site:

($ Thousands, except per Unit amounts)	**2017 Forecast**	**2016**	**2015**
Non-Discretionary Property Capital Investments (1)	**$ 56,800**	$ 58,501	$ 57,307
Discretionary Property Capital Investments (1)(2)	**122,800**	133,295	103,743
Total Property Capital Investments (2)	**$ 179,600**	$ 191,796	$ 161,050
Non-Discretionary Property Capital Investments	**$ 56,800**	$ 58,501	$ 57,307
Weighted Average Number of Suite and Sites	**48,266**	46,780	41,990
Non-Discretionary Property Capital Investments per Suite and Site	**$ 1,177**	$ 1,251	$ 1,365

(1) See Property Capital Investments section for further details.
(2) Excludes property capital investments relating to development and intensification.

To compute Non-discretionary Property Capital Investments under ACFO, Non-discretionary Property Capital Investments per suite and site is multiplied by that period's weighted average number of suites and sites. Non-discretionary Property Capital Investments reflects forecasted or actual investments incurred and is applied equally throughout the year.

The 2017 Forecasted Non-discretionary Property Capital Investments has increased compared to the amount reported in the prior quarter, mainly due to recent acquisitions below replacement cost, however requiring building improvements, and certain accelerated capital expenditure initiatives.

CAPREIT's capital investments programs are affected by seasonal cycles therefore actual and forecasted capital investments may differ during the applicable periods. As such, the 2017 Non-Discretionary Property Capital Investments per suite and site is subject to change based on revisions to the 2017 forecast in subsequent quarters.

As indicated 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.

	Three Months Ended September 30		Nine Months Ended September 30	
($ Thousands, except per Unit amounts)	**2017**	**2016**	**2017**	**2016**
Cash Generated From Operating Activities	**$ 105,467**	$ 98,450	**$ 250,422**	$ 246,146
Adjustments				
Interest expense included in cash flow from financing activities	**(27,508)**	(27,839)	**(82,707)**	(81,689)
Adjusted Cash Generated from Operating Activities	**$ 77,959**	$ 70,611	**$ 167,715**	$ 164,457
Total Distributions Declared	**$ 44,261**	$ 41,987	**$ 131,524**	$ 121,737
Excess (Deficit)	**$ 33,698**	$ 28,624	**$ 36,191**	$ 42,720

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.

	Three Months Ended September 30		Nine Months Ended September 30	
($ Thousands, except per Unit amounts)	**2017**	**2016**	**2017**	**2016**
Net Income	**$ 215,900**	$ 130,663	**$ 459,971**	$ 315,142
Adjusted Cash Generated from Operating Activities	**$ 77,959**	$ 70,611	**$ 167,715**	$ 164,457
Total Distributions Declared	**$ 44,261**	$ 41,987	**$ 131,524**	$ 121,737
Net Distributions Paid	**$ 31,382**	$ 28,036	**$ 90,587**	$ 81,226
Excess of Net Income over (under) Total Distributions Declared	**$ 171,639**	$ 88,676	**$ 328,447**	$ 193,405
Excess of Net Income over (under) Net Distributions Paid	**$ 184,518**	$ 102,627	**$ 369,384**	$ 233,916
Excess of Adjusted Cash Generated from Operating Activites over (under) Total Distributions Declared	**$ 33,698**	$ 28,624	**$ 36,191**	$ 42,720
Excess of Adjusted Cash Generated from Operating Activites over (under) Net Distributions Declared	**$ 46,577**	$ 42,575	**$ 77,128**	$ 83,231

CAPREIT does not use net income as a basis for distributions as it includes fair value changes on investment properties, remeasurement of Unit-based compensation liabilities, and fair value change on 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 allowances, and capital expenditure requirements.

For the three months ended September 30, 2017, Adjusted Cash Generated from Operating Activties exceeded distributions declared by $33.7 million compared to $28.6 million for the same period last year. For the nine months ended September 30, 2017, CAPREIT's Adjusted Cash Generated from Operating Activities exceeded distributions declared by $36.2 million compared to $42.7 million for the same period last year. As per OSC Staff Notice 51-724, distributions in excess of Adjusted Cash Generated from Operating Activities 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 ensures there is adequate overall liquidity through: (i) ACFO; (ii) mortgage debt secured by its investment properties; (iii) secured short-term debt financing with three Canadian chartered banks; and (iv) equity financing to fund repairs and maintenance expenditures and property capital investment commitments and distributions to Unitholders and to provide for future growth in the business primarily through acquisitions.

SECTION IV

PROPERTY CAPITAL INVESTMENTS

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

An important component of CAPREIT's property capital investment strategy is to acquire properties at costs significantly below current replacement costs and improve their operating performance by investing annually in order to sustain and grow the portfolio's future rental income-generating potential over its useful life.

To achieve its property capital investment objectives, taking into account CAPREIT's acquisition history, recent soft economic conditions and the availability of competitive pricing from construction trades at the time, in 2009, CAPREIT formulated and embarked on a multi-year capital investment plan that accelerates spending on planned building improvement programs, including upgrading parking garages, balconies and other structural improvements. These investments are closely connected to CAPREIT's property acquisitions, many of which were anticipated at the time of such acquisitions and were included in the acquisition analysis, to ensure such transactions are accretive. Management believes these investments will increase the productive capacity, the useful economic life and the operating capabilities of CAPREIT's properties and enhance their future cash flow generating potential. Management also believes these building improvement programs, combined with existing suite improvement, common area and environment-friendly and energy-saving initiatives, will enable CAPREIT to reposition its portfolio and maintain high occupancy levels throughout any unfavourable economic conditions. These investments are expected to continue to increase average monthly rents while improving life safety and resident satisfaction. Management believes strategic investments will position the portfolio for improved operating performance over the long term.

For the nine months ended September 30, 2017, CAPREIT made property capital investments (excluding head office assets) of $117.1 million, compared to $124.3 million for same period last year. Overall property capital investments were comparable to the prior year with stabilized properties lower at $74.8 million compared to $79.6 million in the prior year, offset by higher investments in acquisitions completed over the past 5 years. Energy-saving initiatives and suite and common area improvement costs generally tend to increase NOI more quickly compared to other capital investment categories.

CAPREIT continues to invest in environment-friendly and energy-saving initiatives, including high-efficiency boilers, energy-efficient lighting systems and water saving programs, which have permitted CAPREIT to mitigate potential increases in utility and R&M costs and have improved overall portfolio NOI significantly, as discussed in the Results of Operations section.

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

Property Capital Investments by Category

Nine Months Ended September 30, 2017 ($ Thousands)	**Stabilized(1)(3)**	**Net Acquisitions(2)**	**Total**	**%**	**2017 Forecast Total Portfolio**
Non-discretionary Property Capital Investments:					
Building Improvements	**12,484**	**12,938**	**25,422**	**21.7**	**52,100**
MHC Land Lease Sites	**1,305**	**621**	**1,926**	**1.7**	**3,200**
Fire Safety	**221**	**161**	**382**	**0.3**	**1,500**
	14,010	**13,720**	**27,730**	**23.7**	**56,800**
Discretionary Property Capital Investments:					
Suite Improvements	**26,967**	**12,945**	**39,912**	**34.1**	**50,200**
Common Area	**15,522**	**3,815**	**19,337**	**16.5**	**29,700**
Energy-saving Initiatives	**1,800**	**566**	**2,366**	**2.0**	**3,900**
Equipment	**6,795**	**2,126**	**8,921**	**7.7**	**13,800**
Boilers and Elevators	**6,830**	**3,716**	**10,546**	**9.0**	**20,500**
Appliances	**2,869**	**1,012**	**3,881**	**3.3**	**4,700**
	60,783	**24,180**	**84,963**	**72.6**	**122,800**
	74,793	**37,900**	**112,693**	**96.3**	**179,600**
Development:					
Intensification	**708**	**2,317**	**3,025**	**2.6**	**8,100**
Development	**-**	**1,343**	**1,343**	**1.1**	**2,500**
	708	**3,660**	**4,368**	**3.7**	**10,600**
Total	**75,501**	**41,560**	**117,061**	**100.0**	**190,200**

Nine Months Ended September 30, 2016 ($ Thousands)	**Stabilized(1)(3)**	**Net Acquisitions(2)**	**Total**	**%**	**2016 Actual Total Portfolio**
Non-discretionary Property Capital Investments:					
Building Improvements	18,097	12,636	30,733	24.7	57,100
MHC Land Lease Sites	256	253	509	0.4	570
Fire Safety	405	223	628	0.5	831
	18,758	13,112	31,870	25.6	58,501
Discretionary Property Capital Investments:					
Suite Improvements	27,986	12,291	40,277	32.4	55,051
Common Area	14,447	8,519	22,966	18.5	35,671
Energy-saving Initiatives	1,294	1,152	2,446	2.0	3,518
Equipment	5,428	3,896	9,324	7.5	14,747
Boilers and Elevators	8,177	3,688	11,865	9.6	18,804
Appliances	2,621	1,488	4,109	3.3	5,504
	59,953	31,034	90,987	73.3	133,295
	78,711	44,146	122,857	98.9	191,796
Development:					
Intensification	862	557	1,419	1.1	3,946
Total	79,573	44,703	124,276	100.0	195,742

(1) Properties owned as of December 31, 2012, excluding disposed properties.
(2) Includes properties acquired and disposed of since December 31, 2012.
(3) Comprises 35,040 residential suites and sites as at December 31, 2012.

CAPREIT's capital investments programs are affected by seasonal cycles therefore actual and forecasted capital investments may differ during the applicable periods. As such, the 2017 Forecast for capital investments is subject to change based on the revisions made to the capital property investments in subsequent quarters. The 2017 Forecast increased for Non-discretionary Property Capital Investments, while Discretionary Property Capital Investments and Development decreased slightly in the current quarter compared to the amount reported in the prior quarter. The Non-discretionary Property Capital Investment Forecast increase is due to acquisitions requiring additional capital investment and the change in timing and scope of existing capital investment projects. While the Development Forecast is lower primarily due to Management revised expectation of processing time for development applications. The regulatory and application processing is subject to factors beyond Management's control and varies between projects.

The significant portfolio growth generated since 2011 has led CAPREIT to adjust its multi-year capital investment programs, as acquisitions are expected to have major capital expenditures within the first five years of the purchase. Based on a revised multi-year property capital investment plan, Management expects CAPREIT to complete property capital investments (excluding development and intensification) of approximately $175 million to $185 million during 2017, including approximately $70 million targeted at acquisitions completed since January 1, 2013, and approximately $17 million for high-efficiency boilers and other energy-saving initiatives.

Set out in the next table is Management's current estimate, established through consultation with an independent engineering firm, of CAPREIT's investments in building improvements for 2017 through 2020 for properties owned as of December 31, 2016.

Future Investments in Building Improvements

	Stabilized(1)			Acquisitions(2)		
($ Thousands)	Estimated Range			Estimated Range		
2017	$ 23,000	-	$ 27,000	$ 23,500	-	$ 27,500
2018	$ 22,000	-	$ 26,000	$ 10,200	-	$ 14,200
2019	$ 16,000	-	$ 20,000	$ 8,200	-	$ 12,200
2020	$ 6,000	-	$ 10,000	$ 2,100	-	$ 6,100

(1) Properties owned as of December 31, 2012, excluding disposed properties.
(2) Includes properties acquired since December 31, 2012.

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

CAPITAL STRUCTURE

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

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

In addition, CAPREIT must comply with all investment and debt restrictions and financial covenants under the agreement with CMHC. Refer to the Liquidity and Financial Condition section of this report for further details.

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

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

As at ($ Thousands)		September 30, 2017	December 31, 2016
Mortgages Payable		**$ 3,767,137**	$ 3,492,923
Bank Indebtedness		**142,365**	26,408
Unit-based Compensation Liabilities		**65,567**	60,278
Exchangeable Units		**4,407**	5,061
Unitholders' Equity		**4,560,676**	4,158,932
Total Capital		**$ 8,540,152**	$ 7,743,602
	Threshold		
Total Debt to Gross Book Value(1)	Maximum 70.00%	**44.76%**	44.31%
Total Debt to Gross Historical Cost(3)		**56.02%**	54.36%
Tangible Net Worth(4)	Minimum $1,500,000	**$ 4,630,650**	$ 4,224,271

For the four quarters ended		September 30, 2017	December 31, 2016
Debt Service Coverage Ratio (times)(2), (5)	Minimum 1.20	**1.64**	1.63
Interest Coverage Ratio (times)(2), (6)	Minimum 1.50	**3.21**	3.09

(1) CAPREIT's DOT limits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's financial statements, determined on a fair value basis for investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees, and deferred loan costs. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments. Under the terms of CAPREIT's LBA with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of gross book value, determined on a fair value basis, of total assets or (ii) 70% of gross book value, determined on a historical basis, of total assets and may only be increased above such limits with CMHC's consent.

(2) Based on the trailing four quarters.

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

(4) As per the Credit Facilities agreement, the tangible net worth is generally represented by Unitholders' Equity and Unit-based rights and compensation liabilities or assets, including Exchangeable Units are added back.

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

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

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

Management ensures there is adequate overall liquidity to fund repairs and maintenance expenditures and property capital investment commitments and distributions to Unitholders and to provide for future growth in the business. CAPREIT finances these commitments through: (i) ACFO; (ii) mortgage debt secured by its investment properties; (iii) secured short-term debt financing with three Canadian chartered banks; and (iv) equity and funds reinvested from is 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 to fund the current level of distributions. Management expects the combination of the current level of funds reinvested from its DRIP, ACFO in excess of distributions declared, mortgage top-ups and the available borrowing capacity of the Credit Facilities to be sufficient to fund its ongoing property capital investments.

ii) Management believes CAPREIT is well-positioned to meet its mortgage renewals and refinancing goals for 2017 due to the continuing availability of CMHC-insured financing. Management does not anticipate any material difficulties in completing the renewal of mortgages maturing during 2017 of approximately $3.2 million, which have an effective interest rate of approximately 3.16%, and refinancing approximately $28.7 million of principal repayments through 2017 with new mortgages.

iii) Investment properties with a fair value of $8.1 billion have been pledged as security as at September 30, 2017. In addition, CAPREIT has investment properties with a fair value of approximately $289.2 million as at September 30, 2017 that are not encumbered by mortgages and secure only the Acquisition and Operating Facility. CAPREIT intends to maintain unencumbered investment properties with an aggregate fair value in the range of $150 million to $180 million over the long term.

iv) Effective June 30, 2017, CAPREIT amended its credit agreement to, among other things: (i) allow for US base rate and US LIBOR advances and (ii) amend the "conversion date", for when the revolving facility converts to a two-year non-revolving term facility, to June 30, 2018.

v) Effective June 30, 2016, CAPREIT amended and restated its credit agreement to, among other things: (i) increase its credit facilities to $505.0 million in the aggregate; (ii) increase the maximum amount of its existing $340.0 million revolving credit facility to $440.0 million (the "Acquisition and Operating Facility"); (iii) add an additional lender in the syndicate thereto; (iv) amend the tangible net worth requirement to $1,500,000; and (v) extend the maturity date of the existing $65.0 million non-revolving term credit facility to June 30, 2021.

vi) In respect to the Acquisition and Operating Facility, the aggregate amount of euro LIBOR borrowings at any time shall not exceed €150.0 million while the Canadian dollar equivalent of the aggregate principal amount of all advances (including the euro LIBOR and US LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed $440.0 million.

vii) CAPREIT has a $65.0 million credit facility on two of the MHC land lease sites bearing interest at the bankers' acceptance rate plus 1.4% per annum. This credit facility is a non-revolving term credit facility, and any principal amount repaid under this facility may not be reborrowed maturing June 30, 2021. There is an interest rate swap agreement on this facility, fixing the bankers' acceptance rate to 2.20%, maturing in September 2022. The swap agreement fixes the all-in rate of the loan at 3.60% for a five-year term.

viii) As at September 30, 2017, CAPREIT has US LIBOR borrowings of USD $186,436 that bears US LIBORO rate plus a margin of 1.65% per annum (included in mortgages payable). CAPREIT has euro LIBOR borrowings of €20,000 included in bank indebtedness that bears interest at the euro LIBOR rate plus a margin of 1.65% per annum. The margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year. The Acquisition and Operating Facility matures on June 30, 2020.

ix) On July 11, 2016, CAPREIT announced it had agreed to sell, subject to regulatory approval, 4,660,000 Units for $32.20 per Unit for aggregate gross proceeds of $150.1 million on a bought-deal basis with an over-allotment option. The transaction closed on August 3, 2016 and under the over-allotment option, 466,000 additional Units were also issued on August 3, 2016 for gross proceeds of $15.0 million. CAPREIT used the net proceeds of the offering to repay a portion of its borrowings under its Acquisition and Operating Facility.

In order to maintain and enhance its CMHC-insured financing program, and consistent with CMHC's risk management practices involving large borrowers, CAPREIT has entered into an agreement with CMHC (the "Large Borrower Agreement" or "LBA"). Other than improving the efficiency and consistency of such processes, the LBA has not materially affected the manner in which CAPREIT conducts its business or its approach to mortgage financing. The LBA provides for, among other things:

i) Enhanced disclosure to CMHC;

ii) Certain financial covenants and commitments and limitations on indebtedness, none of which are inconsistent with CAPREIT's current requirements under its DOT and existing credit and mortgage facilities;

iii) The posting of a revolving letter of credit with respect to certain capital expenditures on a portfolio basis, rather than an individual property basis; and

iv) Cross-collateralization of mortgage loans for certain CMHC-insured mortgage lenders.

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

The working capital deficiency, as presented on CAPREIT's consolidated balance sheets as at September 30, 2017, which includes non-cash Unit-based compensation liabilities, is managed through the available liquidity under the Credit Facilities as well as the ongoing refinancing of mortgages payable.

The table below summarizes CAPREIT's bank indebtedness position as at September 30, 2017 and December 31, 2016:

As at September 30, 2017

($ Thousands)		**Acquisition and Operating Facility**
Facility	$	440,000
Less: US LIBOR Borrowings[1]		(233,376)
Euro LIBOR Borrowings		(29,484)
Bank Indebtedness		(112,881)
Letters of Credit		(6,090)
Available Borrowing Capacity	$	58,169
Weighted Average Floating Interest Rate		2.75%

As at December 31, 2016

($ Thousands)		**Acquisition and Operating Facility**
Facility	$	440,000
Less: Euro LIBOR Borrowings[1]		(131,630)
Bank Indebtedness		(26,408)
Letters of Credit		(6,040)
Available Borrowing Capacity	$	275,922
Weighted Average Floating Interest Rate		2.55%

(1) Included in mortgages payable.

CAPREIT's key liquidity metrics are summarized as follows:

As at September 30,	2017	2016
Mortgage Debt to Gross Book Value	**43.13%**	43.51%
Total Debt to Gross Book Value	**44.76%**	44.31%
Total Debt to Gross Historical Cost(1)	**56.02%**	54.17%
Total Debt to Total Capitalization(4)	**45.38%**	45.05%
Debt Service Coverage Ratio (times)(2)	**1.64**	1.63
Interest Coverage Ratio (times)(2)	**3.21**	3.05
Weighted Average Mortgage Interest Rate(3)	**3.00%**	3.25%
Weighted Average Mortgage Term to Maturity (years)	**5.73**	6.20

(1) Based on the historical cost of investment properties.
(2) Based on the trailing four quarters ended September 30, 2017.
(3) Weighted average mortgage interest rate includes deferred financing costs and fair value adjustments on an effective interest rate basis. Including the amortization of the realized component of the loss on settlement of $32.5 million included in AOCL, the effective portfolio weighted average interest rate at September 30, 2017 would be 3.09% (September 30, 2016 - 3.37%).
(4) Based on the market capitalization as defined in the Peformance Measures table of the MD&A, plus total debt.

As at September 30, 2017, the overall leverage represented by the ratio of total debt to gross book value was 44.76% compared to 44.31% for the same period last year. As at September 30, 2017, CAPREIT's total debt was 45.38% of total market capitalization compared to 45.05% for same period last year.

The effective portfolio weighted average interest rate has declined from 3.25% as at September 30, 2016 to 3.00% as at September 30, 2017, which Management expects could result in continued interest rate savings in future years. Management believes that as CAPREIT's refinancing plan continues to be realized, there may be scope to further reduce the effective portfolio weighted average interest rate based on foreseeable market conditions. Management is also focused on ensuring the portfolio weighted average term to maturity remains above the five-year range or longer and expects to gradually extend the term, while continuing to balance the maturity profile.

Mortgages Payable

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

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

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

As at September 30,	2017	2016
Percentage of CMHC-Insured Mortgages(1)	**97.0%**	96.5%
Percentage of Fixed-Rate Mortgages	**100.0%**	99.0%

(1) Excludes the mortgages on the MHC land lease sites, the US LIBOR borrowings, and European financings.

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

As at September 30, ($ Thousands)		**2017**	**2016**
Balance, Beginning of the Period		**$ 3,492,923**	$ 3,097,773
Add:	New Borrowings on Acquisitions	**290,529**	198,622
	Assumed	**3,713**	25,356
	Refinanced	**340,477**	249,709
	Foreign Currency Translation	**(469)**	(1,829)
Less:	Mortgage Repayments	**(90,817)**	(75,572)
	Mortgages Matured	**(266,575)**	(111,587)
	Mortgages Repaid on Dispositions of Investment Properties	**(1,356)**	(26,407)
	Change in Deferred Financing Costs, Fair Value Adjustments, Net	**(1,288)**	(999)
Balance, End of the Period		**$ 3,767,137**	**$ 3,355,066**

The following table presents refinancings, weighted average interests rates obtained, and mortgage top-ups closed or committed up to November 6, 2017, as well as those expected for the remainder of 2017.

($ Thousands)	Original Mortgage Amount	Original(1) Stated Interest Rate	New Mortgage Amount	New(1),(2) Stated Interest Rate	Weighted Average Term on New Mortgages (Yrs)	Top-Up Financing Amount
First Quarter	$ 24,021	4.55%	$ 45,280	2.97%	9.9	$ 21,259
Second Quarter	79,484	4.59%	139,005	2.60%	8.7	59,521
Third Quarter(3), (4)	163,070	2.53%	156,192	1.38%	3.0	(6,878)
Acquisitions(4)	-	-	290,529	1.73%	5.8	290,529
Total and Weighted Average	$ 266,575	3.33%	$ 631,006	1.92%	6.1	$ 364,431
Subsequent to September 30, 2017:						
Committed or Completed	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Expected for the Remainder of 2017	3,244	3.64%	14,100	-	-	10,856
Grand Total and Weighted Average	$ 269,819	3.33%	$ 645,106	1.92%	-	$ 375,287

(1) Weighted average.
(2) Excludes CMHC, other financing costs, and hedge impact.
(3) A negative top-up represents a greater number of mortgages discharged compared to mortgages refinanced.
(4) Includes the settlement of Euro LIBOR borrowings and subsequent financing of US LIBOR borrowings of $129.3 million included in the third quarter and $112.7 million in acquisitions (excluding foreign currency adjustments).

For purposes of estimating top-up financing potential, the following table provides annualized NOI for those properties with mortgages maturing over the next five years and beyond. A property's full NOI is included in the first year in which a mortgage matures. The balance of mortgages remaining on the same property but maturing in other years is also shown. Management expects to raise between $185 million and $225 million in total mortgage renewals and refinancings for 2017 excluding financings on acquisitions and financing on US LIBOR borrowings.

As at September 30, 2017

($ Thousands)

Year of Maturity		Mortgage Maturities (1)		Mortgages on the Same Properties Maturing in Other (1)		Total Mortgages		NOI of Properties (2),(3)
2017	$	3,244	$	-	$	3,244	$	295
2018		114,789		17,290		132,079		18,644
2019		273,324		56,001		329,325		47,005
2020		459,569		50,205		509,774		32,546
2021		349,066		(32,852)		316,214		47,702
2022 Onward		1,835,470		(90,644)		1,744,826		222,655
Total	$	3,035,462	$	-	$	3,035,462	$	368,847

(1) Mortgage balance due upon maturity.
(2) NOI for the twelve months ended September 30, 2017
(3) Projected NOI included for acquisitions since September 30, 2016.

The breakdown of future principal repayments, including mortgage maturities, and effective weighted average interest rates as at September 30, 2017 is as follows:

$ Thousands period		Principal Repayments		Mortgage Maturities		Mortgage Balance	% of Total Mortgage Balance	Interest Rate (%)(1),(2)
2017	$	28,654	$	3,244	$	31,898	0.8	3.16
2018		115,400		114,789		230,189	6.1	3.08
2019		111,953		273,324		385,277	10.2	3.40
2020		106,014		459,569		565,583 (3)	15.0	1.98
2021		94,874		349,066		443,940 (4)	11.7	3.83
2022		85,057		340,030		425,087	11.3	3.10
2023		66,909		309,727		376,636	10.0	3.07
2024		52,940		397,950		450,890	11.9	3.20
2025		43,824		321,159		364,983	9.7	2.75
2026		22,555		298,212		320,767	8.5	2.74
2027-2030		11,665		168,392		180,057	4.8	3.26
Total	**$**	**739,845**	**$**	**3,035,462**	**$**	**3,775,307**	**100.0**	**2.99** (2)
Deferred Financing Costs, Fair Value Adjustments, Net						(8,170)		
Total					**$**	**3,767,137**		

(1) Effective weighted average interest rates for maturing mortgages only.
(2) Effective weighted average interest rate includes deferred financing costs and fair value adjustments but excludes CMHC premiums. Including the amortization of the realized component of the loss on settlement of $32.5 million included in AOCL, the effective portfolio weighted average interest rate as at September 30, 2017 would be 3.09% (September 30, 2016-3.37%)
(3) Included in mortgages payable is a USD $186.4 ($233.4) million non-amortizing US LIBOR borrowing.
(4) Included in mortgages payable is a $65.0 million non-amortizing credit facility on two of the MHC land lease sites.

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

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

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

Unitholders' Equity only represents the issued and outstanding Trust Units, and excludes the Exchangeable Units and any Units issued in connection with Unit-based incentive plans. For the purposes of the discussion below, Exchangeable Units and

Units issued in connection with Unit-based incentive plans are treated as equity as they have claims similar or identical to those of the Trust Units.

Equity offerings and over-allotments for the periods ending September 30, 2017 and September 30, 2016:

($ Thousands, except per Unit amounts) **Period**	**Price** **Per Unit**	**Gross** **Proceeds**	**Transaction** **Costs**	**Net** **Proceeds**	**Units** **Issued**
August 2016					
Bought-deal	$ 32.20	$ 150,052	$ 6,902	$ 143,150	4,660,000
Over-allotment	$ 32.20	15,005	600	14,405	466,000
Total		$ 165,057	$ 7,502	$ 157,555	5,126,000

As at September 30, 2017	
Market Capitalization ($ thousands)	**$ 4,670,630**
Number of Units Outstanding	**138,471,083**
LTIP and SELTIP Units	**1,025,398**
Deferred Units	**252,819**
RUR Plan Units	**866,861**
Exchangeable Units	**130,655**
Number of Unit Options Outstanding and Exercisable	**1,263,962**
Ownership by Trustees, Officers and Senior Managers	**3.2%**

Normal Course Issuer Bid

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

The table below summarizes the NCIB programs in place since January 1, 2016. No Trust Units were acquired and cancelled under these NCIB programs.

Period Covered Under the NCIB	**Approval Limit**
July 28, 2015 to July 27, 2016	11,493,069

SECTION V

SELECTED CONSOLIDATED QUARTERLY INFORMATION

		Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
Overall Portfolio AMR		$ 1,029	$ 1,015	$ 1,007	$ 1,003	$ 999	$ 980	$ 971	$ 963
Operating Revenues (000s)(1)		$ 161,713	$ 157,087	$ 155,610	$ 152,725	$ 151,812	$ 146,656	$ 145,638	$ 142,776
NOI (000s)(1),(2)		$ 102,655	$ 98,705	$ 91,598	$ 95,210	$ 96,274	$ 91,083	$ 84,380	$ 86,427
NOI Margin(1)		63.5%	62.8%	58.9%	62.3%	63.4%	62.1%	57.9%	60.5%
Net Income (Loss) (000s)		$ 215,900	$ 102,902	$ 141,169	$ 124,271	$ 130,663	$ 98,381	$ 86,098	$ 137,375
FFO (000s)(1),(2)		$ 64,685	$ 62,836	$ 57,002	$ 58,085	$ 61,424	$ 57,670	$ 46,050	$ 51,640
NFFO (000s)(1),(2)		$ 67,036	$ 63,608	$ 57,937	$ 58,860	$ 62,201	$ 58,452	$ 52,295	$ 52,813
Total Debt to Gross Book Value		44.76%	44.00%	43.99%	44.31%	44.31%	47.02%	45.80%	45.71%
FFO per Unit(1)	- Basic	$ 0.475	$ 0.463	$ 0.422	$ 0.432	$ 0.464	$ 0.449	$ 0.360	$ 0.408
NFFO per Unit(1)	- Basic	$ 0.492	$ 0.469	$ 0.429	$ 0.437	$ 0.470	$ 0.455	$ 0.409	$ 0.417
Weighted Average	- Basic	136,295	135,629	135,076	134,585	132,246	128,469	127,816	126,515
Number of Units (000s)	- Diluted	138,131	137,554	136,918	136,275	133,991	130,209	129,393	128,056

(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.

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 ACFO 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 distributions and the distribution rate by, among other considerations, its assessment of ACFO (a non-IFRS measure). As per OSC Staff Notice 51-724, distributions in excess of Adjusted Cash Generated from Operating Activities represent 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. As such, CAPREIT believes the cash distributions are not an economic return of capital, but a distribution of annualized Adjusted Cash Generated from Operating Activities.

Management ensures there is adequate overall liquidity by maintaining sufficient available Credit Facilities to fund repairs and maintenance expenditures and property capital investment commitments and distributions to Unitholders and to provide for future growth in the business. CAPREIT finances these commitments through: (i) ACFO; (ii) mortgage debt secured by its investment properties; (iii) secured short-term debt financing with three Canadian chartered banks; and (iv) equity financing.

SECTION VI

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Changes in Accounting Policies and New Accounting Standards

As of November 6, 2017, there have been no new or amended IFRS issued by the International Accounting Standards Board since the last update provided by CAPREIT in CAPREIT's 2016 Annual Report for the year ended December 31, 2016 that have a material impact on CAPREIT's fiscal years beginning after December 31, 2016. For a detailed description of CAPREIT's accounting policies, refer to CAPREIT's 2016 Annual Report.

CAPREIT has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provision.

- CAPREIT has assessed the amendment clarifying (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of the accounting for deferred tax assets under IAS 12 and determined that the adoption of this standard did not result in any change in the presentation and disclosure of CAPREIT's financial statements.

- CAPREIT has assessed the requirements for disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes under IAS 7 and has determined that the adoption of this standard did not result in any current changes.

CAPREIT has assessed the following upcoming new IFRS accounting standards and the associated impacts on the financial statements.

- IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework (5-step model) of addressing whether, how much, and when to recognize revenue. The new standard replaces existing revenue recognition guidance, including IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate and SIC 31 – Revenue - Barter Transactions Involving Advertising Services. IFRS 15 is effective for periods on and after January 1, 2018. Based on preliminary review, the area that has the greatest potential for impact as a result of this new standard are CAPREIT's external management fees and ancillary revenues. CAPREIT is currently continuing to conduct an in-depth assessment of the magnitude of the impact as a result of this standard.

- IFRS 9 "Financial Instruments" includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The new standard replaces the existing standard, IAS 39 Financial Instruments. IFRS 9 is effective for periods on and after January 1, 2018. Based on preliminary review, the area that has the greatest potential for impact as a result of this new standard is CAPREIT's investment and the treatment for the modification of debt. CAPREIT is currently continuing to conduct an in-depth assessment of IFRS 9.

- IFRS 16 "Leases" increases the transparency of lease obligations reported on an entity's financial statements. The new standard replaces the existing standard, IAS 17 Leases. IFRS 16 is effective for periods on and after January 1, 2019. From preliminary assessment this standard is expected to have a material impact on CAPREIT's financial statements, more specifically CAPREIT's land leasehold interests. As a result, it is expected that CAPREIT would likely need to record an asset and a corresponding liability to account for these leasehold interests on a retroactive or modified retroactive basis. CAPREIT continues to examine the full extent of the impact of this new standard.

Critical Accounting Estimates, Assumptions, and Judgements

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

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

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

Valuation of Investment Properties

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

Valuation of Unit-based Compensation Liabilities

The basis of valuation for CAPREIT's Unit-based compensation liabilities, such as market assumptions, estimates and valuation methodology, is set out in note 11 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

Valuation of Derivative Financial Instruments

The fair value of a derivative financial instrument is based on assumptions of future events and involves significant estimates. The basis of valuation for CAPREIT's derivatives is set out in note 15 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

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

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 judgement 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 exerted over IRES by its independent Board of Directors. Management will reassess this conclusion should its ownership interest or terms of the asset management agreement change.

Interest Classification in the Cash Flows

IFRS permits the classification of interest paid as operating cash flows because they enter into the determination of profit or loss, or alternatively as financing cash flows because they are costs of obtaining financial resources. CAPREIT has applied its judgement and concluded that debt financing, which is used to provide leveraged returns to its unitholders, is an integral part of its capital structure and not directly associated with its principal revenue-producing activities. Therefore interest paid is classified as a financing activity in CAPREIT's consolidated statements of cash flows.

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 Chairman and the Chief Financial Officer have satisfied themselves that as at September 30, 2017, the design of disclosure controls and procedures and the design of internal controls over financial reporting continue to be appropriate.

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

CAPREIT did not make any other changes to the design of internal controls over financial reporting in the nine months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

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

SECTION VII

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and the activities of CAPREIT, which investors should carefully consider before investing in Units. Risks and uncertainties are disclosed in CAPREIT's MD&A for the year ended December 31, 2016 in the Risks and Uncertainties section contained in CAPREIT's 2016 Annual Report and in CAPREIT's latest Annual Information Form.

RELATED PARTY TRANSACTIONS

As at September 30, 2017, CAPREIT has a 15.7% share ownership in IRES and has determined that it has significant influence over IRES. The share ownership interest is held through a wholly-owned subsidiary of CAPREIT, Irish Residential Properties Fund. For a more detailed description, see note 7 to the accompanying unaudited condensed consolidated interim financial statements.

CAPREIT's wholly-owned subsidiary, IRES Fund Management Limited ("IRES FM"), is an alternative investment fund manager under the European Union (Alternative Investment Fund Managers) Regulation, 2013 (the "AIFM Regulations") for IRES. The investment management agreement between IRES FM and IRES stipulates that IRES pays 3.0% per annum of its gross rental income as property management fees and 0.5% per annum of its net asset value as asset management fees to IRES FM. The investment management agreement governs the provision of portfolio management, risk management and other related services to IRES by IRES FM. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the investment management agreement, and thereafter shall continue in force for consecutive five-year periods.

Included in other income is $1.5 million and $4.4 million, respectively, for the three and nine months ended September 30, 2017, from asset management and property management fees. Expenses related to the asset and property management services are included in trust expenses for the year ended September 30, 2017.

Effective until October 31, 2017, David Ehrlich was the CEO and a director of the IRES board. He is also a trustee of CAPREIT. As of January 1, 2017, Mr. Ehrlich is employed by CAPREIT in connection with the services provided by CAPREIT and its Irish subsidiary, IRES Fund Management Limited, to IRES REIT. As a result of his employment with CAPREIT, as of January 1, 2017, Mr. Ehrlich is no longer eligible to participate in the DUP, but is eligible to participate in the RUR Plan. Effective November 1, 2017, CAPREIT announced that David Ehrlich has been appointed President and Chief Executive Officer.

CAPREIT had the following transactions with key management personnel, former President and CEO, and trustees. The loans outstanding to key management personnel, former President and CEO, and trustees for indebtedness relating to the SELTIP and LTIP at September 30, 2017 were $6.9 million and $3.8 million, respectively (December 31, 2016 - $7.2 million and $6.0 million, respectively). These amounts are taken into consideration when calculating the fair value of the Unit-based compensation financial liabilities. Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR Plan and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are entitled to termination benefits that provides for payments of up to 36 months of benefits (based on base salary, bonus and other benefits) depending on cause.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ Thousands)	**2017**	2016	**2017**	2016
Short-term employee benefits	**$ 971**	$ 854	**$ 2,700**	$ 2,554
Unit-based compensation - grant date amortization	**924**	999	**2,694**	2,506
	1,895	1,853	**5,394**	5,060
Unit-based compensation - fair value remeasurement	**1,283**	(6,444)	**8,566**	10,730
Other benefits (1)	**1,604**	-	**1,604**	-
Total	**$ 4,782**	$ (4,591)	**$ 15,564**	$ 15,790

(1) Represents the accelerated vesting of previously-granted RUR Units relating to the former President and CEO.

CAPREIT leases office space from a company in which a former officer had an 18% beneficial interest. The rent paid for the office space (which is based on fair market rents at the date the lease was entered into) for the nine months ended September 30, 2017 was $0.8 million (2016 - $0.7 million) excluding property operating costs, and has been expensed as trust expenses. In 2017, the above lease was amended and extended to October 2022 with a new minimum annual rental payment of $611 from November 2017 to October 2022.

COMMITMENTS AND CONTINGENCIES

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

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

SECTION VIII

SUBSEQUENT EVENTS

On October 12, 2017, CAPREIT completed the disposition of a mid-tier property consisting of 50 apartment suites located in Coquitlam, British Columbia for a sale price of approximately $19.8 million. The mortgage of approximately $3.6 million with a maturity date of December 1, 2022 and a stated interest rate of 2.81% was discharged as part of the disposition.

On October 24, 2017 CAPREIT announced that it had waived conditions and entered into a binding agreement to acquire a portfolio of 11 properties with a total of 540 residential suites well located in the Netherlands. Occupancy in the portfolio to be acquired stands at approximately 98%. The purchase price of approximately €82.6 million is expected to be financed with new mortgage financing of approximately €50 million with a term of approximately five years bearing an interest rate of approximately 1.4% (excluding financing costs), the balance with a Euro-based loan under CAPREIT's credit facility. Closing of the transaction is expected to occur on or about December 1, 2017. With the completion of this acquisition CAPREIT's Netherlands portfolio will grow to 2,088 residential suites well-located in key city centres in the country.

On November 1, 2017, CAPREIT announced that David Ehrlich has been appointed President and Chief Executive Officer. The appointment follows the loss of the CAPREIT's founder and CEO, Thomas Schwartz, who passed away on August 15, 2017. In conjunction with assuming this role, Mr. Ehrlich will step down as CEO of Irish Residential Properties REIT Plc (IRES) but will remain on the board of IRES as the nominee of its asset manager, a CAPREIT company.

FUTURE OUTLOOK

Management believes the multi-unit residential rental business will continue to improve in the majority of the markets in which CAPREIT operates. As a result, Management expects to generate modest annual increases in same-property average monthly rents while stabilizing average occupancies in the range of 97% to 98% on an annual basis. Management also anticipates operating revenues will benefit from programs over the long term to enhance ancillary revenues from parking, commercial leases, laundry, cable, telecommunications and other income sources. In addition, numerous successful cost management initiatives have proven effective, which should lead to stable NOI over this period.

CAPREIT believes the strong defensive characteristics of its property portfolio, due to diversification by both geography and demographic sector, will serve to mitigate the negative impact of any future unfavourable economic conditions that certain regions may experience. CAPREIT intends to continue to seek opportunities to further diversify its property portfolio. While CAPREIT's strategy is to remain principally focused on its core Canadian markets, CAPREIT continues to consider select opportunities in other geographic markets.

On April 20, 2017, the Ontario government announced it will be introducing a bill in the legislature, if passed, would change the *Residential Tenancies Act*, *2006*. The proposed changes include extending rent control to units built after 1991 which were previously exempt. The change will mean annual rent increases for all tenants will be in accordance with the annual guideline increase established by the Landlord and Tenant Board ("the Board") with the exception of any rents above the approved annual guideline increase approved by the Board (as described below). As of September 30, 2017 only 3.7% of CAPREIT's total Ontario portfolio consisted of properties built after 1991. Additionally, as a resident-focused landlord, CAPREIT has consistently adhered to the government mandated rent guideline increase in the Province of Ontario for all of its Ontario properties, including those constructed after 1991.

Another proposed change is new incentives to developers for the construction of affordable rental housing. The key incentive will be an up-front provincial rebate of development cost charges. The government intends to free up more provincial land for building affordable housing, both for sale and for rental.

Effective May 15, 2017, CMHC introduced enhancements to its multi-unit mortgage loan insurance which are:

- Extending its affordable housing flexibilities to existing rental properties, including Social Housing projects with up to 5 years remaining in the operating agreement, to support the preservation of existing affordable housing. Previously, affordable housing flexibilities were only available for new rental properties.

- Expanding its definition of affordability to recognize federal, provincial, territorial or municipal housing objectives. The new affordability criteria also aligns with other CMHC initiatives and is intended to incent housing developers into the affordable rental housing market.
- Introducing greater underwriting flexibilities to better support key multi-unit market segments that address the rental housing needs of Canadians including standard apartments, student housing, single room occupancy (SRO) projects, retirement homes, and supportive housing projects. Greater underwriting flexibility is provided surrounding non-residential space, furnished suites and bulk leases, amortization periods, off-campus student housing, second mortgages, non-recourse lending and personal guarantee requirements.
- Introducing a revised premium schedule aligned with CMHC's continued participation in market segments that address the rental needs of Canadians, and is reflective of the risks associated with those segments. The revised premium schedule also supports the expansion and preservation of affordable housing units. Premium surcharges will no longer be collected for construction advances, release of rental achievement holdback, student housing or retirement homes.

CAPREIT is currently assessing the impact of the above proposed changes and continues to monitor any new future developments.

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

First, Management maintains a focus on maximizing occupancy and average monthly rents in accordance with local conditions in each of its markets. Since its inception in May 1997, CAPREIT's hands-on management style, focus on resident communications and capital investment programs aimed at increasing the long-term value of its properties have contributed to a strong track record of stable portfolio occupancy and average monthly rents.

A significant component of CAPREIT's ability to manage annual rental increases is determined by the annual guideline increases established by certain provincial governments, currently in Ontario and British Columbia, under rent control legislation that CAPREIT must adhere to in setting annual rental rates for renewing tenants. In the Province of Ontario and British Columbia, the guideline increase for 2017 was set at 1.5% and 3.7%, respectively. In 2016, the rent guideline increase has been set at 2.0% in Ontario and in British Columbia has been set at 2.9%. An amendment to the *Residential Tenancies Act, 2006,* enacted on June 19, 2012, set Ontario's annual rent increase guideline to not more than 2.5% beginning in 2013. The Ontario rent control legislation provides that landlords may apply to the Landlord and Tenant Board (the "Board") to raise rents by more than the approved AGI. The Board can allow such an AGI for: (i) eligible capital expenditures; (ii) unusually high increases in property taxes and/or utility costs; and (iii) increases in eligible security costs. The maximum AGI permitted in connection with eligible capital expenditures is three percent per year to a maximum of nine percent over a three-year period. These same limitations do not apply to AGI applications related to unusually high increases in property taxes and/or utilities, or increases in eligible security costs.

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

The following table summarizes the status of cumulative AGI applications filed as at September 30, 2017 and December 31, 2016 for the last 3 years:

	September 30, 2017	**December 31, 2016**
Number of Suites and Sites Filed	**14,212**	10,371
Applications Settled:		
Number of Applications	**57**	66
Term Weighted Average Total Increase(1)	**3.03%**	4.00%
Weighted Average Term (years)(1), (2)	**1.62**	1.86
Applications Outstanding:		
Number of Applications	**37**	10
Term Weighted Average Total Increase(1)	**3.88%**	2.56%
Weighted Average Term (years)(1), (2)	**1.65**	1.26

(1) Weighted by number of impacted suites filed.

(2) Represents the number of years over which the AGI application is expected to apply.

Second, Management continues to focus on reducing its operating costs as a percentage of total revenues. CAPREIT invests in various environment-friendly and energy-saving initiatives, including energy-efficient boilers and lighting systems, and is evaluating all energy-purchasing programs to reduce or stabilize overall net energy costs.

Third, Management continues to direct its efforts on its building infrastructure improvement programs to upgrade properties across the portfolio and to reposition the portfolio by completing value-enhancing capital investments. These investments are expected to enhance the life safety of residents, improve the portfolio's long-term cash flow generating potential and increase its useful life over the long term.

Fourth, CAPREIT continues to prudently focus on accretive acquisitions that meet its strategic criteria and enhance CAPREIT's geographic diversification. From time to time, CAPREIT may also identify certain non-core assets for sale that do not conform to its current portfolio composition or operating strategies, or where Management believes their value has been maximized. Management believes the realization and reinvestment of capital are fundamental components of its growth strategy and demonstrate the success of its investment programs. In addition, Management has recently entered into and continues to prudently investigate the opportunity to enter into joint venture relationships with other real estate entities to potentially develop new multi-unit rental residential properties on excess land owned by CAPREIT or other vacant land.

Fifth, CAPREIT will continue to effectively 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 a refinancing risk in any single year. Management believes that as a result of the continuing availability of financing insured by CMHC that is at lower cost than is currently available under conventional mortgages, CAPREIT is well positioned to meet its financing and refinancing objectives at reasonable costs over the medium term.

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

CAPREIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

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CONSOLIDATED BALANCE SHEETS

(CA$ Thousands)

As at	Note	September 30, 2017	December 31, 2016
Non-Current Assets			
Investment properties	6	**$ 8,381,150**	$ 7,642,017
Other non-current assets	7	**232,747**	222,072
		8,613,897	7,864,089
Current Assets			
Other current assets	7	**38,934**	28,905
Cash and cash equivalents		**25,762**	-
		64,696	28,905
		$ 8,678,593	$ 7,892,994
Non-Current Liabilities			
Mortgages payable	9	**$ 3,544,748**	$ 3,265,469
Bank indebtedness	10	**142,365**	26,408
Unit-based compensation financial liabilities	11, 12	**16,968**	12,717
Other non-current liabilities	8	**9,888**	4,126
		3,713,969	3,308,720
Current Liabilities			
Mortgages payable	9	**222,389**	227,454
Unit-based compensation financial liabilities	11, 12	**48,599**	47,561
Accounts payable and accrued liabilities		**72,893**	92,704
Other current liabilities	8	**9,224**	8,464
Security deposits		**31,799**	29,975
Exchangeable Units	11	**4,407**	5,061
Distributions payable		**14,637**	14,123
		403,948	425,342
		$ 4,117,917	$ 3,734,062
Unitholders' Equity			
Unit Capital		**$ 2,498,837**	$ 2,441,002
Accumulated other comprehensive loss ("AOCL")	19	**(305)**	(12,586)
Retained earnings		**2,060,352**	1,729,733
		$ 4,558,884	$ 4,158,149
Non-controlling interest		**1,792**	783
		4,560,676	4,158,932
		$ 8,678,593	$ 7,892,994

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(CA$ Thousands)

	Note	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating Revenues					
Revenue from investment properties		**$ 161,713**	$ 151,812	**$ 474,410**	$ 444,106
Operating Expenses					
Realty taxes		**(17,200)**	(16,976)	**(49,947)**	(49,165)
Property operating costs		**(41,858)**	(38,562)	**(131,505)**	(123,204)
		(59,058)	(55,538)	**(181,452)**	(172,369)
Net Rental Income		**102,655**	96,274	**292,958**	271,737
Trust expenses		**(8,001)**	(6,301)	**(22,125)**	(23,246)
Unit-based compensation (expenses) recoveries	12	**(4,501)**	5,417	**(15,110)**	(15,073)
Fair value adjustments of investment properties	6	**153,598**	67,130	**287,802**	161,967
Realized loss on disposition of investment properties	5	**-**	(1,485)	**(80)**	(1,485)
Amortization of property, plant and equipment		**(1,170)**	(725)	**(3,159)**	(2,645)
Fair value adjustments of Exchangeable Units	11	**(21)**	409	**(383)**	(610)
Loss on derivative financial instruments	16	**(8,794)**	(464)	**(8,880)**	(1,315)
Interest and other financing costs	20	**(30,351)**	(29,993)	**(90,073)**	(87,782)
Foreign currency translation		**9,160**	(2,507)	**5,009**	1,721
Other income		**3,325**	2,908	**14,012**	11,873
Net Income		**215,900**	130,663	**459,971**	315,142
Other Comprehensive Income, Including Items That May Be Reclassified Subsequently to Net Income					
Amortization of losses from AOCL to interest and other financing costs	19	**$ 746**	$ 777	**$ 2,290**	$ 2,330
Change in fair value of derivative financial instruments	16, 19	**1,197**	895	**1,827**	159
Change in fair value of investments	19	**978**	(1,304)	**2,717**	3,435
Foreign currency translation		**(15)**	3,152	**5,447**	(2,142)
Other Comprehensive Income		**$ 2,906**	$ 3,520	**$ 12,281**	$ 3,782
Comprehensive Income		**$ 218,806**	$ 134,183	**$ 472,252**	$ 318,924
Total Net Income Attributable to:					
Unitholders of the Trust		**$ 215,833**	$ 130,663	**$ 459,851**	$ 315,142
Shareholders of Subsidiaries		**67**	-	**120**	-
Net Income		**$ 215,900**	$ 130,663	**$ 459,971**	$ 315,142
Comprehensive Income Attributable to:					
Unitholders of the Trust		**$ 218,739**	$ 134,183	**$ 472,132**	$ 318,924
Shareholders of Subsidiaries		**67**	–	**120**	-
Comprehensive Income		**$ 218,806**	$ 134,183	**$ 472,252**	$ 318,924

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(CA$ Thousands)

	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
Unitholders' Equity, January 1, 2017		**$ 2,441,002 $**	**1,729,733 $**	**(12,586)$**	**783 $**	**4,158,932**
Unit Capital					-	
New Units Issued	13	1,037	-	-	-	1,037
Distribution Reinvestment Plan	13	39,445	-	-	-	39,445
Unit Option Plan	12,13	7,599	-	-		7,599
Deferred Unit Plan	12,13	2,051	-	-	-	2,051
RUR Plan	12,13	1,166	-	-	-	1,166
Long-Term Incentive Plan	12,13	5,401	-	-	-	5,401
Employee Unit Purchase Plan	12	1,136	-	-	-	1,136
		57,835	-	-	-	57,835
Contribution from Non-controlling Interests		-	-	-	889	889
Retained Earnings and Other Comprehensive Income						
Net income		-	459,851	-	120	459,971
Other comprehensive income		-	-	12,281	-	12,281
		-	459,851	12,281	120	472,252
Distributions on Trust Units						
Distributions declared and paid	14	-	(114,595)	-	-	(114,595)
Distributions payable	14	-	(14,637)	-	-	(14,637)
		-	(129,232)	-	-	(129,232)
Unitholders' Equity, September 30, 2017		**$ 2,498,837 $**	**2,060,352 $**	**(305)$**	**1,792 $**	**4,560,676**

	Note	Unit Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
Unitholders' Equity, January 1, 2016		**$ 2,222,747 $**	**1,451,736 $**	**(14,530)$**	**- $**	**3,659,953**
Unit Capital						
New Units issued	13	157,523	-	-	-	157,523
Distribution Reinvestment Plan	13	37,780	-	-	-	37,780
Deferred Unit Plan	12,13	110	-	-	-	110
RUR Plan	12,13	732	-	-	-	732
Long-Term Incentive Plan	12,13	7,547	-	-	-	7,547
Employee Unit Purchase Plan	12	935	-	-	-	935
		204,627	-	-	-	204,627
Retained Earnings and Other Comprehensive Income						
Net income		-	315,142	-	-	315,142
Other comprehensive income		-	-	3,782	-	3,782
		-	315,142	3,782	-	318,924
Distributions on Trust Units						
Distributions declared and paid	14	-	(105,464)	-	-	(105,464)
Distributions payable	14	-	(14,073)	-	-	(14,073)
		-	(119,537)	-	-	(119,537)
Unitholders' Equity, September 30, 2016		**$ 2,427,374 $**	**1,647,341 $**	**(10,748)$**	**- $**	**4,063,967**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CA$ Thousands)

	Note	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash Provided By (Used In):					
Operating Activities					
Net income		**$ 215,900**	$ 130,663	**$ 459,971**	$ 315,142
Items related to operating activities not affecting cash:					
Fair value adjustment - investment properties		**(153,598)**	(67,130)	**(287,802)**	(161,967)
Fair value adjustments - Exchangeable Units		**21**	(409)	**383**	610
Loss on disposition of investment properties	5	**-**	1,485	**80**	1,485
Loss on derivative financial instruments	16	**8,794**	464	**8,880**	1,315
Amortization	7, 19, 20	**3,356**	2,748	**9,616**	8,410
Unit-based compensation expenses (recoveries)		**4,501**	(5,417)	**15,110**	15,073
Straight-line rent adjustment		**(20)**	21	**(220)**	28
Net profit from equity accounted investments		**(1,424)**	(1,252)	**(8,564)**	(6,916)
Foreign currency translation		**(9,160)**	2,507	**(5,009)**	(1,721)
		68,370	63,680	**192,445**	171,459
Net income items related to financing and investing activities	21	**24,715**	27,510	**74,613**	77,497
Changes in non-cash operating assets and liabilities	21	**12,382**	7,260	**(16,636)**	(2,810)
Cash Provided by Operating Activities		**105,467**	98,450	**250,422**	246,146
Investing Activities					
Acquisition of investment properties	21	**(264,668)**	(36,669)	**(331,758)**	(288,154)
Capital investments	21	**(45,441)**	(56,044)	**(119,467)**	(133,328)
Disposition of investment properties	21	**-**	31,648	**575**	31,648
Change in restricted cash		**8**	117	**(39)**	(1,007)
Investment income received		**2,793**	329	**8,094**	4,192
Cash Used in Investing Activities		**(307,308)**	(60,619)	**(442,595)**	(386,649)
Financing Activities					
Mortgage financings		**435,576**	66,949	**631,006**	448,331
Mortgage principal repayments		**(28,313)**	(26,104)	**(90,817)**	(75,572)
Mortgages repaid on maturity		**(163,070)**	(27,944)	**(266,575)**	(111,587)
Financing costs		**(970)**	(705)	**(2,475)**	(3,564)
CMHC premiums on mortgages payable		**(964)**	(418)	**(4,902)**	(9,584)
Interest paid	21	**(27,508)**	(27,839)	**(82,707)**	(81,689)
Bank indebtedness		**41,443**	(152,067)	**115,957**	(106,616)
Proceeds on issuance of Units	21	**2,172**	157,710	**7,721**	161,541
Net cash distributions to Unitholders	21	**(30,763)**	(27,413)	**(89,273)**	(80,757)
Cash Provided (Used in) by Financing Activities		**227,603**	(37,831)	**217,935**	140,503
Changes in Cash and Cash Equivalents During the Period		**25,762**	-	**25,762**	-
Cash and Cash Equivalents, Beginning of the Period		**-**	-	**-**	-
Cash and Cash Equivalents, End of the Period		**$ 25,762**	$ -	**$ 25,762**	$ -

See accompanying notes to consolidated financial statements.

1. Organization of the Trust

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

CAPREIT converted from a closed-end real estate investment trust to an open-ended mutual fund trust on January 8, 2008, and is governed under the laws of the Province of Ontario by a Declaration of Trust ("DOT") dated February 3, 1997, as most recently amended and restated on May 24, 2017. CAPREIT commenced active operations on February 4, 1997 when it acquired an initial portfolio of properties and became a reporting issuer on May 21, 1997, pursuant to an initial public offering prospectus dated May 12, 1997.

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

CAPREIT's wholly-owned subsidiary, IRES Fund Management Limited, entered into an external investment management agreement to perform property and asset management services for Irish Residential Properties REIT plc ("IRES"), an Irish residential REIT listed on the Irish Stock Exchange. As at September 30, 2017, CAPREIT holds 65.5 million ordinary shares representing 15.7% of the issued share capital of IRES.

In addition, CAPREIT holds its Netherland properties through a Netherlands partnership with a partner who holds a nominal interest in such partnership.

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 6, 2017, 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 have been presented in Canadian dollars, which is also CAPREIT's functional currency. CAPREIT's results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in utility costs and other factors. CAPREIT has historically experienced higher utility expenses in the first and last quarters as a result of the winter months, which create variations in the quarterly results.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of CAPREIT's audited consolidated annual financial statements for the year ended December 31, 2016.

CAPREIT has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provision.

- CAPREIT has assessed the amendment clarifying (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of the accounting for deferred tax assets under IAS 12 and determined that the adoption of this standard did not result in any change in the presentation and disclosure of CAPREIT's financial statements.

- CAPREIT has assessed the requirements for disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes under IAS 7 and has determined that the adoption of this standard did not result in any current changes.

CAPREIT has assessed the new or amended IFRS issued by the International Accounting Standards Board ("IASB") and are expected to apply to CAPREIT for annual reporting periods beginning after December 31, 2017:

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

- IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework (5-step model) of addressing whether, how much, and when to recognize revenue. The new standard replaces existing revenue recognition guidance, including IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate and SIC 31 – Revenue - Barter Transactions Involving Advertising Services. IFRS 15 is effective for periods on and after January 1, 2018. Based on preliminary review, the area that has the greatest potential for impact as a result of this new standard are CAPREIT's external management fees and ancillary revenues. CAPREIT is currently continuing to conduct an in-depth assessment of the magnitude of the impact as a result of this standard.

IFRS 9, Financial Instruments ("IFRS 9")

- IFRS 9 "Financial Instruments" includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The new standard replaces the existing standard, IAS 39 Financial Instruments. IFRS 9 is effective for periods on and after January 1, 2018. Based on preliminary review, the area that has the greatest potential for impact as a result of this new standard is CAPREIT's investment and the treatment for the modification of debt. CAPREIT is currently continuing to conduct an in-depth assessment of IFRS 9.

IFRS 16, Leases ("IFRS 16")

- IFRS 16 "Leases" increases the transparency of lease obligations reported on an entity's financial statements. The new standard replaces the existing standard, IAS 17 Leases. IFRS 16 is effective for periods on and after January 1, 2019. From preliminary assessment this standard is expected to have a material impact on CAPREIT's financial statements, more specifically CAPREIT's land leasehold interests. As a result, it is expected that CAPREIT would likely need to record an asset and a corresponding liability to account for these leasehold interests on a retroactive or modified retroactive basis. CAPREIT continues to examine the full extent of the impact of this new standard.

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 judgement in applying CAPREIT's accounting policies. The critical accounting estimates and judgements have been set out in detail in note 3 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2016.

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

i) Valuation of investment properties

ii) Valuation of financial instruments

iii) Unit-based compensation

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

v) Classification of interest paid on consolidated statements of cash flows

(CA $ Thousands, except Unit and per Unit amounts)

4. Recent Investment Property Acquisitions

CAPREIT completed the following investment property acquisitions since January 1, 2016, which have contributed to the operating results effective from their respective acquisition dates:

For the Nine Months Ended September 30, 2017

	Suite or Site Count	Region(s)	Total Acquisition Costs	Assumed Mortgage Funding	Interest Rate(1)	Term to Maturity (Years)(2)
February 28, 2017	32	Victoria	$ 4,934	$ - (3)	- (3)	– (3)
May 3, 2017	256	Montréal	24,059	- (3)	-(3)	– (3)
June 1, 2017	44	Maple Ridge	11,241	3,713	1.94%	3.33
July 12, 2017	849	The Netherlands	257,881	- (4)	- (4)	– (4)
August 8, 2017	54	The Netherlands	12,691	- (5)	- (5)	– (5)
August 18, 2017	77	The Netherlands	20,384	- (6)	- (6)	– (6)
	1,312		$ 331,190	$ 3,713		

(1) Weighted average stated interest rate on mortgage funding.
(2) Weighted average term to maturity on mortgage funding.
(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see note 10).
(4) The acquisition comprised of 849 suites (142 affordable, 606 mid-tier, and 101 luxury) and was financed by a new non-amortizing mortgage of €100,842 ($147,360) with a term to maturity of 7.5 years with an interest rate of 2.04%, a contribution from a non-controlling interest of €600 ($889), and the balance in cash from CAPREIT's Acquisition and Operating Facility.
(5) The acquisition was financed by a new non-amortizing mortgage of €5,043 ($7,474) with a term to maturity of 7.5 years with an interest rate of 1.95% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
(6) The acquisition comprised of 77 suites (28 mid-tier and 49 luxury) was financed by a new non-amortizing mortgage of €7,951 ($11,856) with a term to maturity of 7.5 years with an interest rate of 1.95% and the balance in cash from CAPREIT's Acquisition and Operating Facility.

For the Year Ended December 31, 2016

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

(1) Weighted average stated interest rate on mortgage funding.
(2) Weighted average term to maturity on mortgage funding.
(3) The acquisition was funded from CAPREIT's Acquisition and Operating Facility (see note 10).
(4) The acquisition comprised 5 properties consisting of 850 suites (185 affordable and 665 mid-tier suites) located in Ottawa, Ontario. The acquisition was financed by the assumption of a $24,627 mortgage maturing in November 2022 an interest rate of 3.96%, new CMHC insured 10 year mortgage financings aggregating to $106,122 with a weighted average interest rate of 2.38% and the balance in cash from CAPREIT's Acquisition and Operating Facility.
(5) The acquisition was financed by a new non-amortizing mortgage of €40,660 ($57,261) maturing January 1, 2024 with an interest rate of 2.05%, a contribution from a non-controlling interest of €600 ($850), and the balance in euro cash CAPREIT's Acquisition and Operating Facility presented in mortgage payable.

(CA $ Thousands, except Unit and per Unit amounts)

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

5. Dispositions

The tables below summarize the dispositions completed since January 1, 2016. These dispositions do not meet the definition of discontinued operations under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Dispositions Completed During the Nine Months Ended September 30, 2017

Disposition Date	Suite Count	Region		Sale Price		Cash Proceeds		Mortgage Discharged
February 15, 2017	31	Saskatoon	$	2,025	$	575	$	1,356
	31		$	2,025	$	575	$	1,356

Dispositions Completed During the Year Ended December 31, 2016

Disposition Date	Suite Count	Regions		Sale Price		Cash Proceeds		Mortgage Discharged
July 27, 2016	145	Montréal	$	24,849	$	12,480	$	12,085
August 22, 2016	22	Montréal		2,340		2,282		-
September 28, 2016	412	Montréal		31,350		16,559		14,322
	579		$	58,539	$	31,321	$	26,407

For the nine months ended September 30, 2017 and 2016, a loss of $80 and $1,485, respectively, was recognized in connection with the property dispositions. The loss represents the difference between the net proceeds after transaction costs from the disposition compared to the fair value of the respective properties at the date of disposition.

6. Investment Properties

Valuation basis

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

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

Investment properties have been valued using the same valuation methods and key assumptions as those described in note 6 of CAPREIT's audited consolidated financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report.

(CA $ Thousands, except Unit and per Unit amounts)

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, 2017 and December 31, 2016:

As at September 30, 2017

Type of Interest	Fair Value	WA NOI / Cash Flow(1)	Rate Type	Max	Min	Weighted Average
Fee Simple Interests – Apartments and Townhomes	$ 7,245,540	2,721	Capitalization rate	7.93%	2.85%	4.38%
MHC Land Lease Sites	310,850	2,569	Capitalization rate	7.00%	4.26%	6.21%
Operating Leasehold Interests(2), (3), (4)	638,500	3,437	Discount rate(5)	6.25%	5.50%	5.70%
Land Leasehold Interests(2)	186,260	3,909	Discount rate	6.50%	6.50%	6.50%
Total Investment Properties	**$ 8,381,150**					

As at December 31, 2016

Type of Interest	Fair Value	WA NOI / Cash Flow(1)	Rate Type	Max	Min	Weighted Average
Fee Simple Interests – Apartments and Townhomes	$ 6,524,337	2,411	Capitalization rate	7.93%	2.90%	4.54%
MHC Land Lease Sites	305,250	2,538	Capitalization rate	7.00%	4.26%	6.23%
Operating Leasehold Interests(2), (3), (4)	627,740	3,361	Discount rate(5)	6.25%	5.50%	5.70%
Land Leasehold Interests(2)	184,690	3,812	Discount rate	6.50%	6.50%	6.50%
Total Investment Properties	$ 7,642,017					

(1) Weighted average ("WA") net operating income ("NOI") or cash flow by property fair value.
(2) The fair values of Operating Leasehold Interests subject to a contractual air rights lease and Land Leasehold Interests subject to land leases reflect the estimated 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 $149,140 as at September 30, 2017 and December 31, 2016.
(4) The weighted average remaining lease term on Operating Leasehold Interests is 16.0 years as at September 30, 2017 (December 31, 2016 – 16.8 years).
(5) Represents the discount rate used to determine the fair value for Operating Leasehold Interests using the Discounted Cash Flow ("DCF") method. A weighted average stabilized net operating income growth of 2.5% has been assumed as at September 30, 2017 and December 31, 2016.

Reconciliation of carrying amounts of investment properties by type

For the Nine Months Ended September 30, 2017		Fee Simple and MHC Land Lease Sites	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance at the beginning of the period	**$**	6,829,587 $	627,740 $	184,690 $	7,642,017
Additions:					
Acquisitions		331,190	-	-	331,190
Property capital investments		103,797	8,958	2,963	115,718
Capitalized leasing costs(1)		(105)	243	440	578
Foreign currency translation		5,870	-	-	5,870
Dispositions		(1,945)	-	-	(1,945)
Realized loss on disposition of investment properties		(80)	-	-	(80)
Unrealized fair value adjustments		288,076	1,559	(1,833)	287,802
Balance of Investment Properties at end of period	**$**	**7,556,390 $**	**638,500 $**	**186,260 $**	**8,381,150**

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

(CA $ Thousands, except Unit and per Unit amounts)

For the Nine Months Ended September 30, 2016		Fee Simple and MHC Land	Operating Leasehold Interests	Land Leasehold Interests	Total
Balance at the beginning of the period	**$**	6,069,250 $	598,690 $	195,200 $	6,863,140
Additions:					
Acquisitions		319,181	-	-	319,181
Property capital investments		108,259	11,087	4,929	124,275
Capitalized leasing costs(1)		684	29	157	870
Dispositions		(59,120)	-	-	(59,120)
Realized loss on dispositions of investment properties		(1,485)	-	-	(1,485)
Unrealized fair value adjustments		176,161	(516)	(13,046)	162,599
Balance of Investment Properties at end of period	**$**	**6,612,930 $**	**609,290 $**	**187,240 $**	**7,409,460**

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

7. Other Assets

As at		September 30, 2017		December 31, 2016
Other Non-Current Assets				
Property, plant and equipment(1)	**$**	**38,002**	$	34,526
Accumulated amortization of property, plant and equipment		**(24,522)**		(21,365)
Net property, plant and equipment		**13,480**		13,161
Prepaid CMHC premiums, net(2)		**76,208**		74,174
Deferred loan costs, net(3)		**1,188**		1,345
Investment		**28,676**		25,958
Investment in associates(4)		**113,195**		107,434
Total	**$**	**232,747**	$	222,072
Other Current Assets				
Prepaid expenses	**$**	**13,744**	$	5,559
Other receivables		**8,452**		13,137
Restricted cash		**7,014**		6,975
Deposits		**9,724**		3,234
Total	**$**	**38,934**	$	28,905

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

(2) Represents prepaid CMHC premiums on mortgages payable net of accumulated amortization of $23,082 (December 31, 2016 - $20,250).

(3) Represents deferred loan costs related to the revolving credit facilities net of accumulated amortization of $9,044 (December 31, 2016 - $8,486).

(4) 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 judgement when considering the extent of its ownership interest in IRES, the level of its involvement, responsibilities and remuneration as IRES's investment manager and the control exerted over IRES by its independent Board of Directors. As at September 30, 2017, CAPREIT concluded that it continues to exert significant influence over IRES. CAPREIT will continue to reassess this conclusion should its ownership interest or terms of the asset management agreement change. Refer to note 22 for further details. The table below discloses CAPREIT's ownership in IRES and IRES's share price:

As at	September 30,	December 31, 2016
IRES Investment		
Share ownership (%)	**15.7%**	15.7%
Number of IRES shares	**65,500,000**	65,500,000
IRES share price (€)	**1.48**	1.17

(CA $ Thousands, except Unit and per Unit amounts)

8. Other Liabilities

As at	Note	September 30, 2017	December 31, 2016
Other Non-Current Liabilities			
Hedge liability	16	**$ 9,888**	$ 4,126
Total		**$ 9,888**	$ 4,126
Other Current Liabilities			
Mortgage interest payable		**$ 9,224**	$ 8,464
Total		**$ 9,224**	$ 8,464

9. Mortgages Payable

As at September 30, 2017, mortgages payable bear interest at a weighted average effective rate of 3.09% (December 31, 2016 – 3.30%), and mature between 2017 and 2030. The effective interest rate as at September 30, 2017 includes 0.09% (December 31, 2016 – 0.10%) for the amortization of the realized component of the loss on settlement of derivative financial instruments of $32,494 included in AOCL. Approximately 100.0% of CAPREIT's mortgages payable are financed at fixed interest rates as at September 30, 2017. Investment properties at fair value of $8,091,990 have been pledged as security as at September 30, 2017. CAPREIT has investment properties with a fair value of $289,160 as at September 30, 2017 that are not encumbered by mortgages and secure only the Acquisition and Operating Facility. As at September 30, 2017, unamortized deferred financing costs of $11,971 and fair value adjustments of ($3,801) are netted against mortgages payable.

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

As at September 30, 2017	Principal Amount	% of Total Principal
2017	$ 31,898	0.8
2018	230,189	6.1
2019	385,277	10.2
2020	565,583 (1)	15.0
2021	443,940 (2)	11.7
Subsequent to 2021	2,118,420	56.2
	3,775,307	100.0
Deferred financing costs and fair value adjustments	(8,170)	
Total Portfolio	$ 3,767,137	

As at	September 30, 2017	December 31, 2016
Represented by:		
Mortgages Payable - non-current(1), (2)	$ **3,544,748**	$ 3,265,469
Mortgages Payable - current	**222,389**	227,454
	$ **3,767,137**	$ 3,492,923

(1) Included in mortgages payable as at September 30, 2017 is a USD $186,436 ($233,376) non-amortizing US LIBOR note 10 for further details.

(2) Included in mortgages payable as at September 30, 2017 is a $65,000 non-amortizing credit facility on two of the MHC lease sites.

(CA $ Thousands, except Unit and per Unit amounts)

10. Bank Indebtedness

Effective June 30, 2017, CAPREIT amended its credit agreement to, among other things: (i) allow for US base rate and US LIBOR advances and (ii) amend the "conversion date", for when the revolving facility converts to a two-year non-revolving term facility, to June 30, 2018.

Effective June 30, 2016, CAPREIT amended its credit agreement to, among other things: (i) increase its credit facilities to $505,000 in the aggregate; (ii) increase the maximum amount of its existing $340,000 revolving credit facility to $440,000 (the "Acquisition and Operating Facility"); (iii) add an additional lender in the syndicate thereto; (iv) amend the tangible net worth requirement to $1,500,000; and (v) extend the maturity date of the existing $65,000 five-year non-revolving term credit facility to June 30, 2021. In respect to the Acquisition and Operating Facility, effective, December 19, 2016, the aggregate amount of euro LIBOR borrowings at any time shall not exceed €150,000 while the Canadian dollar equivalent of the aggregate principal amount of all advances (including the euro LIBOR and US LIBOR borrowings) under the Acquisition and Operating Facility shall not exceed $440,000.

CAPREIT's Credit Facilities include the $440,000 Acquisition and Operating Facility, and the existing $65,000 five-year non-revolving term credit facility (collectively, the "Credit Facilities"). The $65,000 five-year non-revolving term credit facility bears interest at the bankers' acceptance rate plus 1.4% per annum (included in mortgages payable). As at September 30, 2017, CAPREIT has US LIBOR borrowings of USD $186,436 that bears US LIBOR rate plus a margin of 1.65% per annum (included in mortgages payable). CAPREIT has euro LIBOR borrowings of €20,000 included in bank indebtedness that bears interest at the euro LIBOR rate plus a margin of 1.65% per annum. The margins are renegotiated annually. The interest rate on the Acquisition and Operating Facility is determined by interest rates on prime advances and bankers' acceptances utilized during the year. The Acquisition and Operating Facility matures June 30, 2020. The Credit Facilities are subject to compliance with the various provisions of the Credit Facilities in order to fund operations, acquisitions, capital improvements, letters of credit and other uses.

As at September 30, 2017			**Acquisition and Operating Facility**
Facility		$	440,000
Less:	USD LIBOR Borrowings(1)		(233,376)
	Euro LIBOR Borrowings		(29,484)
	Bank Indebtedness		(112,881)
	Letters of Credit		(6,090)
Available Borrowing Capacity		$	58,169
Weighted Average Floating Interest Rate			2.75%

As at December 31, 2016			**Acquisition and Operating Facility**
Facility		$	440,000
Less:	Euro LIBOR Borrowings(1)		(131,630)
	Bank Indebtedness		(26,408)
	Letters of Credit		(6,040)
Available Borrowing Capacity		$	275,922
Weighted Average Floating Interest Rate			2.55%

(1) Included in mortgages payable. Refer to note 9 for further details.

11. Unit-based Compensation Financial Liabilities and Exchangeable Units

Units are issuable pursuant to CAPREIT's Unit-based compensation plans, namely, the Unit Option Plan ("UOP"), the Employee Unit Purchase Plan ("EUPP"), the Deferred Unit Plan ("DUP") and the Restricted Unit Rights Plan ("RUR Plan") Plan (each of which is more fully described in note 12). As at September 30, 2017, the maximum number of Units issuable under all of CAPREIT's Unit-based incentive plans is 9,500,000 Units (December 31, 2016 – 9,500,000). The maximum number of Units available for future issuance under all Unit incentive plans as at September 30, 2017 is 1,099,913 Units (December 31, 2016 – 1,346,980 Units).

(CA $ Thousands, except Unit and per Unit amounts)

On April 4, 2014, the Long-term Incentive Plan ("LTIP"), the Senior Executive Long-term Incentive Plan ("SELTIP"), and the Unit Purchase Plan ("UPP") were terminated by the trustees of CAPREIT, although awards previously granted under the LTIP and SELTIP remain outstanding under the original terms of such plans.

The Units, Unit Rights and Unit Options issued or outstanding under CAPREIT's incentive plans and Exchangeable Units as at September 30, 2017 and 2016 are as follows:

Nine Months Ended September 30, 2017	**UOP**	**DUP**	**RUR**	**SELTIP/**	**Exch.**	**Total**
(Number of Units)				**LTIP**(1)	**Units**(2)	
Units, Unit Rights and Unit Options outstanding						
as at January 1, 2017	1,488,212	285,876	718,398	1,185,398	161,311	3,839,195
Issued, cancelled or granted during the period:						
Issued or granted	–	19,697	161,369	–	–	181,066
Exercised or settled	(224,250)	(60,708)	(36,601)	(160,000)	(30,656)	(512,215)
Distributions reinvested	–	7,954	23,695	–	–	31,649
Units, Unit Rights and Unit Options outstanding						
as at September 30, 2017	**1,263,962**	**252,819**	**866,861**	**1,025,398**	**130,655**	**3,539,695**

Nine Months Ended September 30, 2016	**UOP**	**DUP**	**RUR**	**SELTIP/**	**Exch.**	**Total**
(Number of Units)				**LTIP**(1)	**Units**(2)	
Units, Unit Rights and Unit Options outstanding						
as at January 1, 2016	1,334,432	248,076	586,313	1,445,398	161,311	3,775,530
Issued, cancelled or granted during the period:						
Issued or granted	153,780	26,008	131,772	–	–	311,560
Exercised or settled	–	(7,500)	(28,364)	(260,000)	–	(295,864)
Distributions reinvested	–	7,922	21,174	–	–	29,096
Units, Unit Rights and Unit Options outstanding						
as at September 30, 2016	1,488,212	274,506	710,895	1,185,398	161,311	3,820,322

(1) The distributions payable on SELTIP and LTIP Units do not increase the number of Units outstanding on these plans but are incorporated into the fair value of the plans.

(2) The outstanding 130,655 Exchangeable Units are entitled to distributions equivalent to distributions on Trust Units, must be exchanged solely for Trust Units on a one-for-one basis, and are exchangeable at any time at the option of the holder. An equivalent number of Special Voting Units were issued at the same time as the Exchangeable Units. The holders of these Units have no entitlement to any share of or interest in the distributions or net assets of CAPREIT. Through Special Voting Units, holders of Exchangeable Units are entitled to an equivalent number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Exchangeable Units held. The carrying value of these Units is measured at an amortized cost of $4,407 as at September 30, 2017 (December 31, 2016 - $5,061), which approximates the closing price of the Trust Units.

The table below summarizes the change in the total Unit-based compensation financial liabilities for the nine months ended September 30, 2017 and year ended December 31, 2016, including the settlement of such liabilities through the issuance of Trust Units.

(CA $ Thousands, except Unit and per Unit amounts)

As at		September 30, 2017		December 31, 2016
Total Unit-based compensation financial liabilities, beginning of the period	**$**	**60,278**	$	46,163
Unit-based compensation expenses		**14,921**		19,679
Settlement of Unit-based compensation awards for Trust Units		**(9,632)**		(5,564)
Total Unit-based compensation financial liabilities, end of the period	**$**	**65,567**	$	60,278

The Unit-based compensation financial liabilities comprise:

As at		September 30, 2017		December 31, 2016
Current				
LTIP	**$**	**12,243**	$	13,757
SELTIP		**12,700**		11,192
DUP		**8,522**		8,968
RUR		**6,980**		5,391
UOP		**8,154**		8,253
		48,599		47,561
Non-Current				
RUR		**16,968**		12,717
Total Unit-based compensation financial liabilities, end of the period	**$**	**65,567**	$	60,278

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

As at September 30, 2017, 3.2% (September 30, 2016 – 3.2%) of all Trust Units outstanding were held by trustees, officers and other senior management of CAPREIT.

Normal course issuer bid ("NCIB")

The table below summarizes the NCIB programs in place since January 1, 2016. No Trust Units were acquired and cancelled under these NCIB programs.

Period Covered under the NCIB	Approval Limit
July 28, 2015 to July 27, 2016	11,493,069

12. Unit-based Compensation Expenses (Recoveries)

These costs represent Unit-based compensation expenses, which include fair value remeasurement at each reporting date recognized over the respective vesting periods for each plan for the periods ended September 30, 2017 and 2016, as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2017		2016		2017		2016
UOP	**$**	**391**	$	(2,117)	**$**	**2,948**	$	2,430
LTIP		**240**		(1,486)		**1,849**		3,306
SELTIP		**219**		(1,295)		**1,508**		2,199
DUP		**343**		(321)		**1,609**		1,981
RUR Plan		**3,246**		(250)		**7,007**		5,001
EUPP		**62**		52		**189**		156
Unit-based Compensation Expenses (Recoveries)	**$**	**4,501**	$	(5,417)	**$**	**15,110**	$	15,073

This Unit-based compensation note disclosure should be read in conjunction with CAPREIT's note 12 to the audited consolidated financial statements for the year ended December 31, 2016 contained in CAPREIT's 2016 Annual Report, which provides a detailed description for each of the Unit-based compensation plans.

(CA $ Thousands, except Unit and per Unit amounts)

a) UOP

On August 3, 2016, the former President and CEO was granted 153,780 options at an exercise price of $32.40 with an expiration date of August 3, 2026 with an intrinsic value of $4.07 per option at the date of grant. The vesting of the options granted in 2016 is subject to satisfaction of performance criteria over the annual reporting period before they may be exercisable. As at December 31, 2016, the options granted in 2016 have vested.

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

As at	September 30, 2017	December 31, 2016
Number of Units	**1,263,962**	1,488,212
Weighted average issue price	**$ 26.22**	$ 25.33
Weighted average risk free rate (%)	**1.9**	1.4
Weighted average distribution yield (%)	**3.8**	4.0
Weighted average expected years	**6.7**	7.0
Weighted average volatility (%)	**17.5**	19.4
Weighted average Unit option value	**$ 6.45**	$ 5.55

b) LTIP and SELTIP

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

LTIP

As at	September 30, 2017	December 31, 2016
Number of Units	**470,683**	630,683
Weighted average loan rate (%)	**4.55**	4.62
Weighted average issue price	**$ 14.32**	$ 15.15
Weighted average loan balance per Unit - current	**$ 7.73**	$ 9.57
Weighted average loan balance per Unit - at maturity	**$ 6.70**	$ 8.13
Weighted average risk-free rate (%)	**1.5**	0.8
Weighted average distribution yield (%)	**3.8**	4.0
Weighted average expected years	**1.1**	1.6
Weighted average volatility (%)	**13.6**	19.1
Weighted average Unit value	**$ 26.01**	$ 21.81

SELTIP

As at	September 30, 2017	December 31, 2016
Number of Units	**554,715**	554,715
Weighted average loan rate (%)	**4.96**	4.96
Weighted average issue price	**$ 17.84**	$ 17.84
Weighted average loan balance per Unit - current	**$ 12.25**	$ 12.74
Weighted average loan balance per Unit - at maturity(1)	**$ 1.42**	$ 1.80
Weighted average risk-free rate (%)	**2.1**	1.7
Weighted average distribution yield (%)	**3.8**	4.0
Weighted average expected years	**18.6**	19.3
Weighted average volatility (%)	**21.9**	23.7
Weighted average Unit value	**$ 22.89**	$ 20.18

(CA $ Thousands, except Unit and per Unit amounts)

(1) Balance at maturity is based on the assumption SELTIP will be held till the end of the 30 year term.

c) DUP

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

	September 30, 2017			September 30, 2016		
	Weighted Avg Issue Price	Fair Value per Unit	Number of Units	Weighted Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the period	$ 23.85	$ 31.37	285,876	$ 21.87	$ 26.84	248,076
Granted during the period	33.54	-	19,697	30.80	–	26,008
Additional Unit distributions	32.96	-	7,954	30.07	–	7,922
Settled during the period	25.03	-	(60,708)	21.24	–	(7,500)
Outstanding, end of the period	$ 23.98	$ 33.73	252,819	$ 23.55	$ 30.62	274,506

d) RUR Plan

The fair value of RURs represents the closing price of the Units on the TSX on the last trading day on which the Units traded prior to the reporting date, representing the fair value of the redemption price.
The details of the RURs granted under the RUR Plan (including the Distribution RURs) are as follows:

	September 30, 2017			September 30, 2016		
	Weighted Avg Issue Price	Fair Value per Unit	Number of Units	Weighted Avg Issue Price	Fair Value per Unit	Number of Units
Outstanding, beginning of the period	$ 24.25	$ 31.37	718,398	$ 22.78	$ 26.84	586,313
Granted during the period	32.02	-	161,369	28.64	-	131,772
Additional Unit distributions	32.92	-	23,695	30.03	-	21,174
Settled or cancelled during the period	21.27	-	(36,601)	20.14	-	(28,364)
Outstanding, end of the period	$ 26.06	$ 33.73	866,861	$ 24.19	$ 30.62	710,895

e) EUPP

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

13. Unitholders' Equity

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. The authorized capital of CAPREIT consists of an unlimited number of Units, an unlimited number of Special Voting Units and 25,840,600 Preferred Units. As at September 30, 2017, no Preferred Units were issued and outstanding. Trust Units represent a Unitholder's proportionate undivided beneficial interest in CAPREIT. No Trust Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of CAPREIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by CAPREIT and, in the event of termination of CAPREIT, in the net assets of CAPREIT remaining after satisfaction of all liabilities. Units will be issued in registered form and are transferable. Issued and outstanding Units may be subdivided or consolidated from time to time by the trustees without Unitholder approval. No certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

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

(CA $ Thousands, except Unit and per Unit amounts)

The number of issued and outstanding Trust Units (excluding Units, Unit Rights and Unit Options issued or outstanding under CAPREIT's incentive plans) is as follows:

For the Nine Months Ended September 30,	**Ref**	**2017**	**2016**
Units outstanding, beginning of the period		**134,388,458**	127,139,897
Issued or granted during the period in connection with the following:			
New Units issued	(a)	**-**	5,126,000
Exchangeable Units	(b)	**30,656**	-
Distribution Reinvestment Plan ("DRIP")	(c)	**1,260,327**	1,323,386
EUPP	(d)	**34,352**	31,169
DUP	(e)	**60,708**	3,529
RUR Plan	(f)	**36,599**	23,810
UOP	(g)	**224,250**	-
LTIP	(h)	**160,000**	260,000
Units outstanding, end of the period		**136,195,350**	133,907,791

a) New Units Issued in 2016

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
August 2016 (the "August 2016 Equity Offering")					
Bought-Deal (August 3, 2016)	$ 32.20	$ 150,052	$ 6,902	$ 143,150	$ 4,660,000
Over-allotment (August 3, 2016)	$ 32.20	15,005	600	14,405	466,000
Total		$ 165,057	$ 7,502	$ 157,555	$ 5,126,000

b) Exchangeable Units

During the first nine months of 2017, pursuant to the terms of the Exchangeable Units, 30,656 Exchangeable Units were exchanged for 30,656 Trust Units.

c) Distribution Reinvestment Plan ("DRIP")

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

d) Employee Unit Purchase Plan ("EUPP")

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

(CA $ Thousands, except Unit and per Unit amounts)

e) Deferred Unit Plan ("DUP")

During the first nine months of 2017, in accordance with the DUP, two former trustees exercised 60,708 Deferred Units and were settled for an equivalent number of Trust Units. During the first nine months of 2016, in accordance with the DUP, one trustee exercised 7,500 Deferred Units, out of which 3,529 DUP Units were settled for an equivalent number of Trust Units, and the remaining DUP Units were cancelled in consideration for withholding taxes owed on the Trust Units issued.

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

During the first nine months of 2017, 36,601 RUR Units were settled, out of which 36,599 RUR Units were settled for an equivalent number of Trust Units and the remaining RUR Units were settled in cash. During the first nine months of 2016, 28,364 RUR Units were settled, out of which 23,810 RUR Units were settled for an equivalent number of Trust Units, and the remaining RUR Units were cancelled in consideration of withholding taxes owed on the Trust Units issued.

g) Unit Option Plan ("UOP Plan")

During the first nine months of 2017, 224,250 options were exercised and an equivalent number of Trust Units were issued.

h) Long-Term Incentive Plan ("LTIP")

During the first nine months of 2017 and 2016, 160,000 Units and 260,000 Units, respectively, previously issued were settled.

14. Distributions on Trust Units

CAPREIT paid distributions to its Unitholders in accordance with its DOT. Distributions declared by its Board of Trustees were paid monthly, on or about the 15th day of each month. Effective March 2017, monthly cash distributions declared to Unitholders increased to $0.1067 ($1.28 annually) compared to $0.1042 ($1.25 annually) since June 2016 and $0.1017 ($1.22 annually) since May 2015.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
Distributions declared on Trust Units	**$ 43,509**	$ 41,259	**$ 129,232**	$ 119,537
Distributions per Unit	**$ 0.320**	$ 0.313	**$ 0.955**	$ 0.925

15. Financial Instruments, Investment Properties and Risk Management

a) Fair value of financial instruments

At September 30, 2017, the fair value of CAPREIT's mortgages payable is estimated to be $4,123,000 (December 31, 2016 - $3,569,000) due to changes in interest rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of CAPREIT's mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions.

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

(CA $ Thousands, except Unit and per Unit amounts)

	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable	Level 3 Significant unobservable	Total
Recurring Measurements				
Assets				
Investment properties				
Fee simple and MHC land lease sites	$ -	$ -	$ 7,556,390 (1)	$ 7,556,390
Operating leasehold interests	-	-	638,500 (1)	638,500
Land leasehold interests	-	-	186,260 (1)	186,260
Investments	28,676 (2)	-	–	28,676
Liabilities				
Derivative financial instruments - interest	-	(449) (3)	-	(449)
Derivative financial instruments - cross currency swap	-	(9,439) (3)	-	(9,439)
Total	$ 28,676	$ (9,888)	$ 8,381,150	$ 8,399,938

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

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

(3) The valuation of the interest rate swap and cross-currency swap instruments are 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 current value adjustment to reflect the credit risk of the counterparty and if the total mark-to-market value is negative CAPREIT will consider a current 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 itself. As at September 30, 2017, 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.

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 as favourable as those of the existing indebtedness. In addition, interest on CAPREIT's bank indebtedness is subject to floating interest rates. CAPREIT is also subject to the risks associated with changes in interest rates or different financing terms from the hedging derivative assumptions, which may result in the hedging relationship being ineffective, causing volatility in earnings.

(CA $ Thousands, except Unit and per Unit amounts)

For the nine months ended September 30, 2017 and 2016, a 100 basis point change in interest rates would have the following effect:

	Change in interest rates (basis points)	Increase (decrease) in net income		Increase (decrease) in OCI	
		2017	**2016**	**2017**	**2016**
Floating rate debt	+100	**$ (591)**	$ (1,240)	**$ -**	$ -
Floating rate debt	–100	**$ 591**	$ 1,240	**$ -**	$ -
Interest rate swap agreements	+100	**$ -**	$ -	**$ 3,020**	$ 3,814
Interest rate swap agreements	–100	**$ -**	$ -	**$ (3,174)**	$ (4,032)
Euro interest rate swap agreements	+100	**$ -**	$ 1,150	**$ -**	$ -
Euro interest rate swap agreements	–100	**$ -**	$ (1,116)	**$ -**	$ -
Cross currency swap(1)	+100	**$ 4,249**	$ -	**$ -**	$ -
Cross currency swap(1)	–100	**$ (4,327)**	$ -	**$ -**	$ -

(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 earnings. As at September 30, 2017, interest rate risk has been minimized as approximately 100.0% (September 30, 2016 – 99.0%) of the mortgages payable are financed at fixed interest rates, with maturities staggered over a number of years.

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 97.0% of CAPREIT's mortgages are CMHC-insured (excluding $526,125 of mortgages on the MHC), 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 35 years. To mitigate the risk associated with the refinancing of maturing debt, CAPREIT staggers the maturity dates of its mortgage portfolio over a number of years.

In addition, CAPREIT manages its overall liquidity risk by maintaining sufficient available credit facilities 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, 2017, CAPREIT had undrawn lines of credit in the amount of $58,169 (December 31, 2016 - $275,922).

(CA $ Thousands, except Unit and per Unit amounts)

The contractual maturities and repayment obligations of CAPREIT's financial liabilities as at September 30, 2017 are as follows:

		2017		2018-2019		2020-2021		2022 onward
Mortgages payable	$	31,898	$	615,466	$	1,009,523	$	2,118,420
Bank indebtedness		-		-		142,365		-
Mortgage interest(1)		27,316		200,472		148,318		157,566
Bank indebtedness interest(1)		998		7,819		1,952		-
Other liabilities		82,117		9,439		449		-
Security deposits		31,799		-		-		-
Exchangeable Units		4,407		-		-		-
Distributions payable		14,637		-		-		-
	$	193,172	$	833,196	$	1,302,607	$	2,275,986

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

Credit risk

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

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

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

CAPREIT monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. All residential accounts receivable balances exceeding 30 days are written off to bad debt expense and recognized in the consolidated statements of income and comprehensive income. Subsequent recoveries of amounts previously written off are credited in the consolidated statements of income and comprehensive income. Accordingly, no allowance for doubtful accounts is established. 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 Dublin, Ireland, investment in IRES, and CAPREIT's subsidiaries in The Netherlands 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 gain or loss on foreign currency translation relating to CAPREIT's subsidiaries in Dublin, Ireland, and the Netherlands and IRES investment is recognized in other comprehensive income. 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 statement of income.

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

a) Contracts for which hedge accounting is no longer effective

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

(CA $ Thousands, except Unit and per Unit amounts)

CAPREIT settled these Interest Rate Forward Contracts in 2009. The associated cumulative unamortized loss of $9,908 included in AOCL at September 30, 2008 is being amortized to mortgage interest expense over the original terms of the hedged contracts. For the three and nine months ended September 30, 2017, $168 and $556, respectively, (September 30, 2016 - $197 and $587) was amortized from AOCL to mortgage interest expense.

(ii) CAPREIT's Netherlands subsidiary owns and operates properties in The Netherlands, a foreign jurisdiction. It is exposed to foreign currency fluctuations arising between the functional currency of the foreign operation (the euro) and the functional currency of CAPREIT (the Canadian dollar). As such, CAPREIT entered into a hedge effective at the date of The Netherlands acquisition (December 23, 2016). CAPREIT hedged the net investment in The Netherlands foreign operations with €22,500 euro-denominated debt on CAPREIT's consolidated balance sheet. Any foreign currency gains/losses arising from the euro-denominated debt will be offset by the foreign currency gain/loss arising from the investment in The Netherlands foreign operations. The effective portion of foreign exchange gains and losses on the €22,500 euro-denominated debt was recognized in OCI. The hedge became ineffective July 2017 when the euro-denominated debt was repaid.

b) Contracts for which hedge accounting is being applied

(i) As at September 30, 2017, CAPREIT has a $65,000 interest rate swap agreement fixing the bankers' acceptance rate at 2.20%, which matures in September 2022, for which hedge accounting is being applied. The agreement effectively converts borrowings on a bankers' acceptance-based floating rate credit facility to a fixed rate facility for a 10-year term (see note 9 for further details). The related floating rate credit facility is for a five-year non-revolving term with an effective interest rate of 3.60%, and any principal that is repaid may not be reborrowed. The credit facility was amended effective June 30, 2016 and expires on June 30, 2021. On expiry of the term, it is expected to be refinanced to match the term of the interest rate swap. The ineffective gain component of the hedge of $208 and $332, respectively, for the three and nine months ended September 30, 2017 has been recorded under (loss) gain on derivative financial instruments on the consolidated statements of income and comprehensive income, and the cumulative mark-to-market loss of $449 is in other non-current liabilities as at September 30, 2017.

The interest rate swap agreement has been summarized as follows:

As at	**September 30, 2017**	**December 31, 2016**
Hedge liability, beginning of the period	**$ (2,608)**	$ (3,527)
Change in intrinsic value	**2,159**	919
Hedge liability, end of the period	**$ (449)**	$ (2,608)
Hedge liability in AOCL, beginning of the period	**$ (1,883)**	$ (3,527)
Change in intrinsic value in OCI	**1,827**	1,644
Hedge liability in AOCL, end of the period	**$ (56)**	$ (1,883)

(ii) In June 2011, CAPREIT entered into a hedging program, which effectively hedged interest rates on approximately $312,000 of mortgages maturing between September 2011 and June 2013. The maturing mortgages have been refinanced for 10-year terms and as a result bear interest rates between a floor rate of 3.00% and a ceiling rate of 3.62%, before the credit spread. The change in the intrinsic value of the forward interest rate hedge has been included in OCI (see note 19). The hedging program matured in June 2013, for which hedge accounting was being applied. The ineffective portion and the difference between the settled amount and the mark-to-market has been recognized in net income. All contracts have been settled.

(CA $ Thousands, except Unit and per Unit amounts)

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

As at	September 30, 2017	December 31, 2016
Hedge liability in AOCL, beginning of the period	**$ (12,833)**	$ (15,121)
Amortization from AOCL to interest and other financing costs	**1,716**	2,288
Hedge liability in AOCL, end of the period	**$ (11,117)**	$ (12,833)

c) Contracts for which hedge accounting is not being applied

(iii) CAPREIT had a €40,000 interest rate swap agreement fixing the EURIBOR rate at 1.22%, which matures in August 2018, for which hedge accounting is not being applied. The €40,000 interest rate swap agreement was settled in July 2017. The agreement effectively converted borrowings on a EURIBOR-based floating rate credit facility to a fixed rate facility for a five-year term. The mark-to-market gain for the nine months ended September 30, 2017 of $227 has been recorded in net income.

(iv) In June 2017, CAPREIT entered into a cross currency swap to (i) hedge a US-based loan of USD $186,436 into euros of €163,540 effective July 2017 and (ii) convert the variable interest rate on the US-based loan of LIBOR plus 1.65% to a fixed interest rate of EURIBOR plus 1.65% equalling 1.20% and maturing June 2019. The US-based loan was drawn from the Acquisition and Operating facility in July 2017. The loss on the hedge has been recorded under loss on derivative financial instruments on the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2017 of $9,002 and $9,439, respectively, and the cumulative mark-to-market loss of $9,439 is in other non-current liabilities as at September 30, 2017.

17. Capital Management

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

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

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

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

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

(CA $ Thousands, except Unit and per Unit amounts)

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

As at	Threshold	September 30, 2017	December 31, 2016
Mortgages Payable		**$ 3,767,137**	$ 3,492,923
Bank Indebtedness		**142,365**	26,408
Unit-based Compensation Liabilities		**65,567**	60,278
Exchangeable Units		**4,407**	5,061
Unitholders' Equity		**4,560,676**	4,158,932
Total Capital		**$ 8,540,152**	$ 7,743,602
Total Debt to Gross Book Value(1)	Maximum 70.00%	**44.76%**	44.31%
Tangible Net Worth(3)	Minimum $1,500,000	**$ 4,630,650**	$ 4,224,271
Debt Service Coverage Ratio (times)(2),(4)	Minimum 1.20	**1.64**	1.63
Interest Coverage Ratio (times)(2),(5)	Minimum 1.50	**3.21**	3.09

(1) CAPREIT's DOT limits the maximum amount of total debt to 70% of the gross book value ("GBV") of CAPREIT's total assets. GBV is defined as the gross book value of CAPREIT's assets as per CAPREIT's financial statements, determined on a fair value basis for investment properties, plus accumulated amortization on property, plant and equipment, CMHC fees, and deferred loan costs. In addition, the DOT provides for investment restrictions on type and maximum limits on single property investments.
Under the terms of CAPREIT's LBA with CMHC, total indebtedness of CAPREIT is limited to the greater of (i) 60% of gross book value, determined on a fair value basis, of total assets or (ii) 70% of gross book value, determined on a historical basis, of total assets and may only be increased above such limits with CMHC's consent.
(2) Based on the trailing four quarters.
(3) 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 Units added back.
(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 divided by the sum of principal and interest payments.
(5) As per the Credit Facilities agreement and DOT, the interest coverage ratio is defined as EBITDA less taxes paid divided interest payments.

18. Deferred Income Taxes

Trusts that satisfy the REIT Exception are excluded from the SIFT definition and therefore will not be subject to taxation under the SIFT Rules. For a more detailed explanation of the SIFT definition and SIFT Rules, refer to note 18 to the consolidated annual financial statements contained in CAPREIT's 2016 Annual Report. In 2010, CAPREIT qualified for the REIT Exception and continues to meet the REIT Exception as at September 30, 2017 and is therefore not subject to taxation. CAPREIT expects to continue to meet the REIT Exception through the remainder of 2017.

CAPREIT has foreign subsidiaries in a number of countries with varying statutory rates of taxation. Judgement 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 on occasion where activities relating to the foreign subsidiaries are considered to be taxable in those countries.

(CA $ Thousands, except Unit and per Unit amounts)

19. Accumulated Other Comprehensive Loss

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
AOCL balance, beginning of period	**$ (3,211)**	$ (14,268)	**$ (12,586)**	$ (14,530)
Other comprehensive income:				
Amortization from AOCL to interest and other financing costs(1), (2)	**746**	$ 777	**2,290**	2,330
Change in fair value of derivative financial instruments (note 16(b))	**1,197**	$ 895	**1,827**	159
Change in fair value of investments	**978**	$ (1,304)	**2,717**	3,435
Foreign currency translation	**(15)**	$ 3,152	**5,447**	(2,142)
Other comprehensive income	**2,906**	**3,520**	**12,281**	3,782
AOCL balance, end of period	**$ (305)**	**$ (10,748)**	**$ (305)**	$ (10,748)

	September 30, 2017	December 31, 2016
AOCL comprises:		
Loss on derivative financial instruments		
Cumulative realized loss(1)	**$ (9,908)**	$ (9,908)
Accumulated amortization to interest and other financing costs	**8,476**	7,920
Unamortized balance of loss on cash flow hedges previously settled	**(112)**	(130)
Loss on interest rate swap agreements	**(56)**	(1,883)
Loss on forward interest rate hedge(2)	**(22,884)**	(22,884)
Accumulated amortization to interest and other financing costs	**11,767**	10,051
Change in fair value of investments	**9,450**	6,733
Cumulative gain (loss) on foreign currency translation	**2,666**	(2,781)
Reversal of cumulative foreign currency translation relating to IRES ownership dilution	**3,127**	3,127
Cumulative realized gain on sale of investments	**(2,831)**	(2,831)
AOCL balance, end of the period	**$ (305)**	$ (12,586)

(1) The cumulative realized loss on derivative financial instruments aggregating to $9,908 will be amortized to net income as mortgage interest expense over periods ending December 2017 to September 2022, being the original terms of the hedged contracts. The estimated amount of the amortization that is expected to be reclassified to net income from AOCL in the next 12 months is $446.

(2) The realized loss component of the $22,884 OCI loss on forward interest rate hedges is $22,585, which will be amortized to net income as mortgage interest expense over the original 10-year term of the hedged contracts. The estimated amount of the amortization expected to be reclassified to net income from AOCL in the next 12 months is $2,278.

20. Interest and Other Financing Costs

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Interest on mortgages payable(1)	**$ 28,323**	$ 27,965	**$ 84,534**	$ 81,109
Amortization of CMHC premiums and fees	**967**	903	**2,841**	2,592
Interest on bank indebtedness and other deferred costs(2)	**1,019**	1,074	**2,554**	3,932
Interest on Exchangeable Units	**42**	51	**144**	149
	$ 30,351	$ 29,993	**$ 90,073**	$ 87,782

(1) For three and nine months ended September 30, 2017, includes amortization of deferred financing costs, fair value adjustments and amortization of amounts from OCI totalling $1,022 and $3,058, respectively (September 30, 2016 - $943 and $2,689).

(2) For three and nine months ended September 30, 2017, includes amortization of deferred financing costs of $197 and $558, respectively (September 30, 2016 - $177 and $484).

(CA $ Thousands, except Unit and per Unit amounts)

21. Supplemental Cash Flow Information

a) Net income items related to investing and financing activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Dividend and Interest Income	**$ 2,793**	$ 329	**$ 8,094**	$ 4,192
Interest paid on Exchangeable Units	**(42)**	(51)	**(144)**	(149)
Interest paid on mortgages payable	**(26,631)**	(26,880)	**(80,553)**	(78,104)
Interest paid on bank indebtedness	**(835)**	(908)	**(2,010)**	(3,436)
Net disbursement	**$ (24,715)**	$ (27,510)	**$ (74,613)**	$ (77,497)

b) Changes in non-cash operating assets and liabilities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Prepaid expenses	**$ 3,997**	$ 2,824	**$ (8,185)**	$ (6,888)
Tenant inducements, direct leasing costs, and other adjustments	**(2,174)**	(106)	**(6,228)**	(1,480)
Other receivables	**9,675**	(392)	**4,679**	4,304
Deposits	**(557)**	(127)	**(1,311)**	(218)
Accounts payable and other liabilities	**217**	4,903	**(7,423)**	(666)
Security deposits	**1,224**	158	**1,832**	2,138
Net disbursement (recoveries)	**$ 12,382**	$ 7,260	**$ (16,636)**	$ (2,810)

c) Net cash distributions to Unitholders

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Distributions declared to Unitholders	**$ (43,509)**	$ (41,259)	**$ (129,232)**	$ (119,537)
Add: Distributions payable at beginning of period	**(14,591)**	(13,489)	**(14,123)**	(13,073)
Less: Distributions payable at end of period	**14,637**	14,073	**14,637**	14,073
Less: Distributions to participants in the DRIP	**12,700**	13,262	**39,445**	37,780
Net disbursement	**$ (30,763)**	$ (27,413)	**$ (89,273)**	$ (80,757)

d) Capital investments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Capital investments	**$ (43,964)**	$ (54,183)	**$ (119,194)**	$ (130,591)
Change in capital investments included in accounts payable and other liabilities	**(1,477)**	(1,861)	**(273)**	(2,737)
Net disbursement	**$ (45,441)**	$ (56,044)	**$ (119,467)**	$ (133,328)

(CA $ Thousands, except Unit and per Unit amounts)

e) Acquisition of investment properties

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Acquired properties	**$ (290,956)**	$ (40,444)	**$ (331,190)**	$ (319,181)
Fair value adjustment of assumed debt	**-**	(543)	**9**	773
Assumed debt	**-**	-	**3,713**	25,356
Deposit on purchases	**25,399**	4,318	**(5,179)**	4,898
Contributions from non-controlling interest	**889**	-	**889**	-
Net disbursement	**$ (264,668)**	$ (36,669)	**$ (331,758)**	$ (288,154)

f) Disposition of investment properties

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Proceeds	**$ -**	$ 60,606	**$ 2,025**	$ 60,606
Closing costs	**-**	(2,551)	**(94)**	(2,551)
Mortgages assumed by purchasers and discharged	**-**	(26,407)	**(1,356)**	(26,407)
Net proceeds	**$ -**	$ 31,648	**$ 575**	$ 31,648

g) Issuance of Trust Units

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Issuance of Trust Units	**$ 5,647**	$ 159,467	**$ 18,390**	$ 166,847
Conversion of Exchangeable Units to Trust Units	**-**	–	**(1,037)**	–
Settlement of Unit-based Compensation Awards for Trust Units	**(3,475)**	(1,757)	**(9,632)**	(5,306)
Net proceeds	**$ 2,172**	$ 157,710	**$ 7,721**	$ 161,541

22. Related Party Transactions

a) As at September 30, 2017, CAPREIT has a 15.7% share ownership in IRES and has determined that it has significant influence over IRES. The share ownership is held through a wholly-owned subsidiary of CAPREIT, Irish Residential Properties Fund. See note 5 for a more detailed description.

CAPREIT's wholly-owned subsidiary, IRES Fund Management Limited ("IRES FM"), is an alternative investment fund manager under the European Union (Alternative Investment Fund Managers) Regulation, 2013 (the "AIFM Regulations") for IRES. The investment management agreement between IRES FM and IRES stipulates that IRES pays 3.0% per annum of its gross rental income as property management fees and 0.5% per annum of its net asset value as asset management fees to IRES FM. The investment management agreement governs the provision of portfolio management, risk management and other related services to IRES by IRES FM. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the investment management agreement, and thereafter shall continue in force for consecutive five-year periods.

Included in other income for the three and nine months ended September 30, 2017 is $4,428 (2016 – $3,843) from asset management and property management fees. Expenses related to the asset and property management services are included in trust expenses for the three and nine months ended September 30, 2017. The amount receivable from IRES as at September 30, 2017 is $1,965 (December 31, 2016 - $8,024).

Effective until October 31, 2017, David Ehrlich was the CEO and a director of the IRES board. He is also a trustee of CAPREIT. As of January 1, 2017, Mr. Ehrlich is employed by CAPREIT in connection with the services provided by CAPREIT and its Irish subsidiary, IRES Fund Management Limited, to IRES REIT. As a result of his employment with CAPREIT, as of January 1, 2017, Mr. Ehrlich is no longer eligible to participate in the DUP, but is eligible to participate in the RUR Plan. Effective November 1, 2017, CAPREIT announced that David Ehrlich has been appointed President and Chief Executive Officer. Officers and key management of CAPREIT were granted options of IRES relating to the initial and secondary equity offerings.

b) CAPREIT had the following transactions with key management personnel, former President and CEO, and trustees. The loans outstanding to key management personnel, former President and CEO, and trustees for indebtedness relating to the SELTIP and LTIP as at September 30, 2017 were $6,914 and $3,775, respectively (December 31, 2016 - $7,180 and $5,953, respectively). These amounts are taken into consideration when calculating the fair value of the Unit-based compensation financial liabilities. Key management personnel are eligible to participate in the EUPP. In addition, certain key management personnel also participate in the RUR, and trustees currently participate in the DUP. Pursuant to employee contracts, key management personnel are entitled to termination benefits that provides for payments of up to 36 months of benefits (based on base salary, bonus and other benefits) depending on cause.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ Thousands)	**2017**	2016	**2017**	2016
Short-term employee benefits	**$ 971**	$ 854	**$ 2,700**	$ 2,554
Unit-based compensation - grant date amortization	**924**	999	**2,694**	2,506
	1,895	1,853	**5,394**	5,060
Unit-based compensation - fair value remeasurement	**1,283**	(6,444)	**8,566**	10,730
Other benefits [1]	**1,604**	-	**1,604**	-
Total	**$ 4,782**	$ (4,591)	**$ 15,564**	$ 15,790

(1) Represents the accelerated vesting of previously-granted RUR Units relating to the former President and CEO.

c) CAPREIT has a lease for office space with a company in which a former officer has an 18% beneficial interest. The rent paid for the office space for the nine months ended September 30, 2017 and 2016 was $801 and $723, respectively, excluding property operating costs, and has been expensed as trust expenses. In 2017, the above lease was amended and extended to October 2022 with a new minimum annual rental payment of $611 from November 2017 to October 2022. Minimum rental payments for these years are as follows:

	Remaining 2017	2018	2019-2022
Minimum rent	$ 144	$ 611	$ 2,342

(CA $ Thousands, except Unit and per Unit amounts)

23. Commitments

Natural gas

Through the combination of fixed and variable price contracts, CAPREIT is committed as at September 30, 2017, in the aggregate amount of $12,838 for its natural gas and transport requirements. These commitments, which range from one to three years, fix the price of natural gas and transport for a portion of CAPREIT's requirements as summarized below.

	Remaining 2017	2018	2019	2020
Gas Commodity				
Fixed Weighted Average Cost per GJ(1)	**$ 2.94**	$ 2.92	$ 2.77	$ 2.70
Total of CAPREIT's Estimated Requirements	**47.9%**	59.7%	58.0%	41.7%
Transport				
Fixed Weighted Average Cost per GJ(1)	**$ 1.16**	$ 1.00	$ 0.97	$ 0.96
Total of CAPREIT's Estimated Requirements	**51.6%**	59.8%	58.1%	41.7%

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

Land Leasehold Interests

Four of the investment properties have ground leases with various expiry dates (subject to revisions at periodic intervals) between March 31, 2045 and March 31, 2070. One land lease matures in 2045, two mature in 2068 and another matures in 2070. Generally, each lease provides for annual rent and additional rent calculated from the results of property operations.

Annual lease payments under these four leasehold interests are included in property operating costs. For additional details of minimum annual rent under these leases, see note 25 to the annual consolidated financial statements contained in CAPREIT's 2016 Annual Report.

Property capital investments

Commitments primarily related to capital investments in investment properties of $40,767 were outstanding as at September 30, 2017 (December 31, 2016 - $36,484).

24. Contingencies

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

25. Subsequent Events

On October 12, 2017, CAPREIT completed the disposition of a mid-tier property consisting of 50 apartment suites located in Coquitlam, British Columbia for a sale price of approximately $19,800. The mortgage of approximately $3,595 with a maturity date of December 1, 2022 and a stated interest rate of 2.81% was discharged as part of the disposition.

On October 24, 2017 CAPREIT announced that it had waived conditions and entered into a binding agreement to acquire a portfolio of 11 properties with a total of 540 residential suites well located in the Netherlands. Occupancy in the portfolio to be acquired stands at approximately 98%. The purchase price of approximately €82,600 is expected to be financed with new mortgage financing of approximately €50,000 with a term of approximately five years bearing an interest rate of approximately 1.4% (excluding financing costs), the balance with a Euro-based loan under CAPREIT's credit facility. Closing of the transaction is expected to occur on or about December 1, 2017. With the completion of this acquisition CAPREIT's Netherlands portfolio will grow to 2,088 residential suites well-located in key city centres in the country.

On November 1, 2017, CAPREIT announced that David Ehrlich has been appointed President and Chief Executive Officer. The appointment follows the loss of the CAPREIT's founder and CEO, Thomas Schwartz, who passed away on August 15, 2017. In conjunction with assuming this role, Mr. Ehrlich will step down as CEO of Irish Residential Properties REIT Plc (IRES) but will remain on the board of IRES as the nominee of its asset manager, a CAPREIT company.

Unitholder Information

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David Ehrlich
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Roberto Israel
Chief Information Officer

Jodi Lieberman
Chief Human Resources Officer

Corinne Pruzanski
General Counsel and Corporate Secretary

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STOCK EXCHANGE LISTING

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