

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the issuer at 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, telephone (416) 861-9404, and are also available electronically at [www.sedar.com](http://www.sedar.com).

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, subject to certain exceptions, these securities may not be offered, or sold or delivered within the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom. See "Plan of Distribution".

## SHORT FORM PROSPECTUS

New Issue

December 21, 2018



### CANADIAN APARTMENT PROPERTIES REAL ESTATE INVESTMENT TRUST

**\$250,250,000**

**5,500,000 Units**

This short form prospectus qualifies the distribution of 5,500,000 units ("Units" and hereinafter when used in this prospectus, includes all units (other than Preferred Units and Special Voting Units (each as defined below)) of CAPREIT (as defined below)) of Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT") at a price of \$45.50 per Unit (the "Offering"). CAPREIT is an internally managed unincorporated open-end real estate investment trust governed by the laws of the Province of Ontario. CAPREIT's head and registered office is located at 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1. CAPREIT invests in income-producing multi-unit residential properties located principally in Canada. See "CAPREIT".

The outstanding Units of CAPREIT are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol CAR.UN. On December 11, 2018, the last trading day prior to the announcement of the terms of the Offering, the closing price of a Unit on the TSX was \$47.24. The TSX has conditionally approved the listing of the Units. Listing is subject to CAPREIT fulfilling all of the requirements of the TSX on or before March 14, 2019.

Price: \$45.50 per Unit

	Price to the Public <sup>(1)</sup>	Underwriters' Fee <sup>(2)</sup>	Proceeds to CAPREIT <sup>(3)</sup>
Per Unit.....	\$45.50	\$1.82	\$43.68
Total.....	\$250,250,000	\$10,010,000	\$240,240,000

Notes:

- (1) The price of the Units offered hereby was established solely by negotiation between CAPREIT and the Underwriters (as defined below) with reference to the market price of the Units.
- (2) CAPREIT has granted to the Underwriters an option (the "Over-Allotment Option"), exercisable in whole or in part for a period of 30 days from the closing of the Offering (the "Closing") to purchase up to an additional 825,000 Units on the same terms and conditions as set forth above. Assuming that the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and proceeds to CAPREIT from the Offering before expenses will be \$287,787,500, \$11,511,500 and \$276,276,000, respectively. This short form prospectus also qualifies the distribution of the Over-Allotment Option and the Units issuable upon the exercise of the Over-Allotment Option. See "Plan of Distribution".
- (3) Before deducting the expenses of the Offering (estimated at \$950,000) which, together with the Underwriters' fee, will be paid by CAPREIT.

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Units Held</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to an additional 825,000 Units exercisable in whole or in part	30 days from the Closing (as defined below)	\$45.50 per Unit

A return on an investment in Units of CAPREIT is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment is at risk, and the anticipated return on such an investment is based on many performance assumptions. Although CAPREIT intends to make regular distributions of its available cash to holders of Units ("Unitholders"), such distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including CAPREIT's financial performance, debt covenants and obligations, interest rates, the occupancy rates of CAPREIT's properties, working capital requirements and future capital requirements and as otherwise described in CAPREIT's continuous disclosure documents available at [www.sedar.com](http://www.sedar.com). In addition, the market value of the Units may decline if CAPREIT is unable to meet its cash distribution targets in the future, and that decline may be material. See "Risk Factors".

It is important for an investor to consider the particular risk factors that may affect the industry in which it is investing and therefore the stability of the distributions that it receives. See, for example "Real Property Ownership", "Leasehold Interests", "Investment Restrictions", "Operating Risk", "Energy Costs", "Environmental Matters", "Insurance", "Capital Investments", "General Economic Conditions and Competition for Residents", and "Competition for Real Property Investments" under "Risk Factors" contained in the AIF (as defined below). That section also describes CAPREIT's assessment of those risk factors, as well as the potential consequences to an investor if a risk described in that section should occur.

RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., Desjardins Securities Inc., Raymond James Ltd., GMP Securities L.P. and Industrial Alliance Securities Inc. (collectively, the "Underwriters"), as principals, conditionally offer the Units offered for sale by this short form prospectus, subject to prior sale, if, as and when issued, sold and delivered by CAPREIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of CAPREIT by Stikeman Elliott LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. **The Underwriters may also decrease the price at which the Units are distributed for cash from the price disclosed herein. See "Plan of Distribution".**

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by CAPREIT (portions of which may be fully or partially taxable or may be tax-deferred). The adjusted cost base of Units held by a Unitholder will be reduced by the non-taxable portion of distributions made to the Unitholder (other than the portion thereof attributable to the non-taxable portion of certain capital gains). The composition of those distributions may change over time, thus affecting the after-tax return to Unitholders.

The *Income Tax Act* (Canada) (together with the Income Tax Regulations, the "Tax Act") contains provisions providing for tax on certain income earned by a "specified investment flow-through" trust or partnership (a "SIFT"), as well as taxing the taxable distributions received by investors from such entities as taxable dividends (the "SIFT Rules"). The SIFT Rules do not apply to certain real estate investment trusts provided they qualify for the REIT Exception (as defined below). Management of CAPREIT has advised that CAPREIT is expected to qualify for the REIT Exception in 2018 and subsequent years. See "Canadian Federal Income Tax Considerations" and "Distribution Policy".

**CAPREIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.**

Scotia Capital Inc. ("Scotia Capital"), TD Securities Inc. ("TDSI") and CIBC World Markets Inc. ("CIBC"), three of the Underwriters, are each wholly-owned subsidiaries of Canadian chartered banks, which banks are the principal lenders to CAPREIT for the Acquisition and Operating Facility (as defined below). The net proceeds of the Offering will be used by CAPREIT to partially repay a portion of the indebtedness to such banks. Consequently, CAPREIT may be considered a connected issuer of Scotia Capital, TDSI and CIBC for the purposes of securities regulations in certain Canadian provinces. See "Use of Proceeds", "Plan of Distribution" and "Relationship Between CAPREIT and Certain of the Underwriters".

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. During the distribution of the Offering, the Underwriters may

effect transactions in the Units in accordance with and subject to applicable market stabilization laws. See “Plan of Distribution”. A purchaser who acquires Units forming part of the Underwriters’ over-allocation position acquires those Units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Registration of interests in and transfers of Units held through CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee will be made electronically through the non-certificated inventory (“**NCI**”) system of CDS. Units registered to CDS or its nominee will be deposited electronically with CDS on an NCI basis on the Closing. Purchasers of Units will receive only a customer confirmation from the registered dealer from or through whom a beneficial interest in the Units is purchased. The Closing is expected to occur on or about January 4, 2019, or such later date as CAPREIT and the Underwriters may agree but in any event not later than January 11, 2019.

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## ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to CAPREIT, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided CAPREIT is at all times a “mutual fund trust” or a “registered investment” for the purposes of the Tax Act or the Units are listed on a designated stock exchange (which currently includes the TSX) on the date of Closing, the Units, on the date of Closing, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), registered education savings plans (“**RESPs**”), registered disability savings plans (“**RDSPs**”), tax-free savings accounts (“**TFSA**s”) and deferred profit sharing plans (collectively, “**Plans**”).

Notwithstanding that Units may be qualified investments for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF, or the subscriber of an RESP, as the case may be, will be subject to an additional tax in respect of the Units if such Units are a “prohibited investment” for the TFSA, RRSP, RRIF, RESP or RDSP. Units will generally be a “prohibited investment” if (i) the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF, or the subscriber of an RESP, as the case may be, does not deal at arm’s length with CAPREIT for purposes of the Tax Act or (ii) the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF, or the subscriber of the RESP has a “significant interest” (within the meaning of the Tax Act) in CAPREIT. In addition, the Units will not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for a TFSA, RRSP, RRIF, RESP or RDSP. Holders of a TFSA or RDSP, annuitants of an RRIF or RRSP, and subscribers of an RESP should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

Upon a redemption of Units and as satisfaction of the Redemption Price thereof, CAPREIT may distribute Securities directly to a Unitholder subject to any applicable regulatory approvals (see “Description of Units — Right of Redemption”). Such Securities so distributed may not be qualified investments (depending on the circumstances at the time) for Plans, which would give rise to adverse consequences to the Plan or the annuitant or beneficiary thereunder if the Plan acquires such Securities. Accordingly, annuitants and beneficiaries of Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units held in a Plan.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of CAPREIT at 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1, telephone (416) 861-9404 and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents of CAPREIT, filed with the securities commissions or similar authorities in Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

1. Annual Information Form of CAPREIT for the year ended December 31, 2017, dated March 27, 2018 (the “**AIF**”);
2. Management’s Discussion and Analysis of Results of Operations and Financial Condition for the three and nine months ended September 30, 2018 (“**Quarterly MD&A**”);
3. Unaudited condensed consolidated interim financial statements of CAPREIT for the three and nine months ended September 30, 2018;
4. Management’s Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2017 (“**MD&A**”);
5. Audited consolidated financial statements of CAPREIT for the years ended December 31, 2017 and 2016, together with the auditor’s report thereon and the notes thereto;
6. Management Information Circular of CAPREIT dated April 11, 2018 (the “**MIC**”) in connection with the annual meeting of Unitholders held on June 6, 2018;
7. Material change report filed by CAPREIT on March 2, 2018 in connection with the announcement of CAPREIT’s decision to sell, on a bought-deal basis, 4,270,000 Units at \$35.15 per Unit for aggregate proceeds of \$150,090,500;

8. Material change report filed by CAPREIT on December 14, 2018 in connection with the Offering; and
9. The term sheet dated December 11, 2018, filed on SEDAR in connection with the Offering (the “**Marketing Materials**”).

Annual information forms, material change reports (excluding confidential reports), condensed consolidated comparative interim financial statements (unaudited), comparative annual financial statements and the auditors’ report thereon and information circulars which are filed by CAPREIT with a securities commission or any similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.

## **MARKETING MATERIALS**

The Marketing Materials are not part of this short form prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this short form prospectus. Any “template version” of “marketing materials” (as such terms are defined in National Instrument 41-101 — *General Prospectus Requirements*), filed with the securities commission or similar authority in each of the provinces and territories of Canada in connection with the Offering after the date hereof but prior to the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated into this short form prospectus.

## **NON-IFRS FINANCIAL MEASURES**

Stabilized net rental income (“**Stabilized NOI**”), funds from operations (“**FFO**”), normalized funds from operations (“**NFFO**”), adjusted cash flow from operations (“**ACFO**”), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios, and adjusted cash generated from operating activities (collectively, the “**Non-IFRS Measures**”) are not measures recognized under international financial reporting standards (“**IFRS**”) and do not have standardized meanings prescribed by IFRS. Since these measures are not recognized by IFRS, they may not be comparable to similar measures reported by other issuers. These Non-IFRS Measures are presented or incorporated by reference in this short form prospectus because management of CAPREIT 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. These Non-IFRS Measures should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with IFRS as indicators of CAPREIT’s performance or sustainability of its distributions.

Stabilized NOI represents net rental income for properties owned by CAPREIT continuously for two years prior to the current annual reporting year end date. Stabilized NOI is a widely used operating performance indicator in the real estate industry, and this includes all rental revenues and other related ancillary income (including manufactured home communities (“**MHC**”) home sales) generated at the property level, less: (i) related direct costs such as utilities, realty taxes, insurance, repair and maintenance costs and on-site wages and salaries; and (ii) an appropriate allocation of overhead costs.

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. FFO is presented 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, and unrealized gains or losses on fair value through profit and loss marketable securities.

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-offs of fair

value adjustment on assumed mortgages that were refinanced early, accelerated vesting of previously granted Units under the RUR Plan (as defined below) and large acquisition research costs relating to transactions that were not completed.

ACFO is a measure of economic cash flow based on the operating cash flows generated by the business adjusted to deduct items such as interest expense, non-discretionary capital expenditures, capitalized leasing costs, tenant improvements, and amortization of other financing costs partially offset by investment income. ACFO is presented in accordance with the recommendations of REALpac, with the exception of the adjustment for investment income.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained, or contained in documents incorporated by reference, in this short form prospectus 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 short form prospectus 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, investment restrictions, operating risk, energy costs, environmental matters, catastrophic events, insurance, capital investments, indebtedness, foreign operation and currency risks, taxation including land transfer tax and foreign tax, government regulations, controls over financial accounting, legal and regulatory concerns, the nature of Units, Preferred Units and Special Voting Units (each as defined below) and Exchangeable Securities (as defined below), unitholder liability, liquidity and price fluctuation of Units, dilution, distributions, participation in CAPREIT's distribution reinvestment plan, potential conflicts of interest, dependence on key personnel, general economic conditions, competition for residents, competition for real property investments, risks related to acquisitions, development and cybersecurity. There can be no assurance that the expectations of CAPREIT's management will prove to be correct. Certain of these risks and uncertainties are more fully described herein under "Risk Factors" and in regulatory filings, including the AIF, which is incorporated by reference herein which can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com), under CAPREIT's profile, as well as under "Risks and Uncertainties" in Section VII of the MD&A for the year ended December 31, 2017, which is incorporated by reference herein, and other SEDAR filings made by CAPREIT. The information in this short form prospectus is based on information available to management as of December 21, 2018. Subject to applicable law, CAPREIT does not undertake any obligation to publicly update or revise any forward-looking information.

## CAPREIT

### General

CAPREIT is an internally managed unincorporated open-end real estate investment trust governed by an amended and restated declaration of trust dated as of May 24, 2017 (the “**Declaration of Trust**”) under the laws of the Province of Ontario. CAPREIT is a fully internalized (both asset and property management) growth-oriented investment trust owning freehold and leasehold interests in multi-unit residential properties including apartment buildings, townhouses and MHCs principally located in and near major urban centres across Canada. The objectives of CAPREIT are to (i) provide Unitholders with long-term, stable and predictable monthly cash distributions; (ii) grow NFFO, sustainable distributions and Unit value through the active management of the Properties (as defined below), accretive acquisitions, developments, intensifications and strong financial management; and (iii) invest the capital within the property portfolio in order to ensure life-safety of residents and maximize earnings and cash flow potential. The head office of CAPREIT is located at 11 Church Street, Suite 401, Toronto, Ontario M5E 1W1.

CAPREIT, as at December 21, 2018, owned or had co-ownership interests in 51,526 residential units comprised of 44,934 residential suites and 32 MHCs comprising 6,592 land lease sites, of which 24,846 suites are located in the Province of Ontario, 9,999 suites are located in the Province of Québec, 4,967 suites are located in the Province of British Columbia, 2,736 suites are located in the Province of Alberta, 1,659 suites are located in the Province of Nova Scotia, 614 suites are located in the Province of Saskatchewan and 1,041 suites are located in the Province of Prince Edward Island, 2,316 suites are located in the Province of New Brunswick and 3,348 suites are located in Netherlands (collectively, the “**Properties**”).

### Indebtedness

In accordance with the Declaration of Trust, CAPREIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of CAPREIT would be more than 70% of the gross book value (“**Gross Book Value**”) of CAPREIT’s assets (the “**Declaration of Trust Debt Limitation**”). Under the terms of CAPREIT’s large borrower agreement 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 “**CMHC Debt Limitation**”). The following table summarizes certain aspects of debt maturities of CAPREIT’s mortgage indebtedness as at September 30, 2018.

<u>Debt Maturities — Quarter Ended September 30, 2018</u>	<u>Total Mortgages<sup>(1)</sup></u>	<u>% of Total Mortgages</u>
	<i>(\$ thousands)</i>	
2018.....	48,876	1.4%
2019.....	389,027	10.9%
2020.....	336,094	9.4%
2021.....	447,953	12.6%
2022.....	499,359	14.0%
Beyond 2023 .....	<u>1,838,868</u>	<u>51.7%</u>
Sub Total .....	<u>3,560,177</u>	<u>100.0%</u>
Deferred financing costs and fair value adjustments .....	<u>(6,163)</u>	
Total .....	<u><u>3,554,014</u></u>	
Effective Weighted Average Interest Rate .....		3.08% <sup>(2)</sup>
Weighted Average Years to Maturity.....		5.22

Notes:

- (1) Total Mortgages includes regular principal repayments on all mortgages and mortgages maturing during the year.
- (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 Accumulated Other Comprehensive Loss, the effective portfolio weighted average interest rate as at September 30, 2018 would be 3.16%.

Effective November 26, 2018, CAPREIT amended its credit agreement to, among other things: (i) increase its revolving credit facility (the “**Acquisition and Operating Facility**”) by \$100.0 million from \$540.0 million to \$640.0 million, including a €200 million Euro LIBOR sub-limit; (ii) provide for a temporary, three month bridge credit facility of \$200.0 million, with draws permitted in Canadian dollars or Euro LIBOR, at an approximate floating rate of 1.65%; and (iii) amend the tangible net worth requirement to \$2.1 billion.

The Acquisition and Operating Facility is used to fund operations, acquisitions, capital improvements, letters of credit and other uses and matures on June 30, 2021 (other than the bridge credit facility, which matures on February 26, 2019) and certain other credit facilities of CAPREIT mature on June 30, 2021. As at September 30, 2018 \$416.8 million was outstanding on the Acquisition and Operating Facility, comprising of USD LIBOR borrowings of USD \$187.0 million (\$242.1 million), Euro LIBOR borrowings of €65.0 million (\$97.6 million) and bank indebtedness of \$70.8 million. In addition, at September 30, 2018, letters of credit in the amount of approximately \$6.3 million were outstanding, which reduce the maximum amount otherwise available for borrowing under the Acquisition and Operating Facility. The weighted average floating interest rate for the amounts drawn under the Acquisition and Operating Facility was 1.77% at September 30, 2018.

In June 2017, CAPREIT entered into a cross currency swap to: (i) hedge a US-based loan of USD \$186.4 million into euros of €163.5 million 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% equaling 1.20% and maturing June 2019. The US-based loan was drawn from the Acquisition and Operating facility in July 2017.

The total net proceeds of the Offering are estimated to be approximately \$239,290,000 after deducting the Underwriters' fee of \$10,010,000 and the expenses of the Offering estimated at \$950,000. If the Over-Allotment Option is exercised in full, the total net proceeds of the Offering are estimated to be approximately \$275,326,000. CAPREIT intends to use the net proceeds of the Offering to partially repay the outstanding balance on its Acquisition and Operating Facility in the amount of approximately \$239 million and the remainder, if any, for future acquisitions, capital expenditures and for general trust purposes. See "Use of Proceeds" and "Relationship between CAPREIT and Certain of the Underwriters".

The *pro forma* debt to Gross Book Value ratio of CAPREIT (calculated in the same manner as the Declaration of Trust Debt Limitation) as at September 30, 2018, after giving effect to the Offering, the Netherlands Acquisitions, the Carrefour des Erables Disposition (as defined below), and the intended use by CAPREIT of the net proceeds of the Offering will be approximately 39.9% (39.5% if the Over-Allotment Option is exercised in full). As at December 21, 2018, the amount available to be drawn under the \$640 million revolving Acquisition and Operating Facility was approximately \$70 million. Current borrowings under the revolving Acquisition and Operating Facility are comprised of USD LIBOR Borrowings of USD \$187 million (\$250 million), Euro LIBOR Borrowings of €188.5 million (\$284 million), bank indebtedness of \$30 million and \$6.3 million of letters of credit. As CAPREIT intends to use the net proceeds of the Offering to partially repay the Acquisition and Operating Facility in the amount of approximately \$239 million, the amount available to be drawn is expected to increase to approximately \$309 million. Based on the *pro forma* availability under the Acquisition and Operating Facility of approximately \$309 million, and assuming 65% loan to value financing, CAPREIT's acquisition capacity is expected to be approximately \$880 million. See "Pro Forma Capitalization".

## RECENT DEVELOPMENTS

### Increase in Monthly Cash Distributions

On May 8, 2018, CAPREIT increased its monthly cash distributions by 3.9% to \$0.11083 per unit (\$1.33 on an annualized basis) effective for the May 2018 distribution.

### Annual General Meeting

At CAPREIT's annual meeting of unitholders held on June 6, 2018 (the "AGM"), Unitholders and holders of Special Voting Units approved, among other things, a non-binding say-on-pay advisory resolution accepting CAPREIT's approach to executive compensation, all as more particularly described in the MIC.

### Appointment of New President of CAPREIT

On November 14, 2018, CAPREIT announced the appointment of Mark Kenney as President of CAPREIT, in addition to his role of Chief Operating Officer. See "Recent Developments — Retirement of Chief Executive Officer of CAPREIT".

### Amendment of the Credit Agreement

Effective November 26, 2018, CAPREIT, through its wholly-owned subsidiary, CAPLP (as defined below), amended its credit agreement to, among other things: (i) increase its credit facilities to \$905 million in the aggregate through the addition of a \$200 million bridge credit facility and an increase in the maximum amount of its existing \$540 million revolving credit facility to \$640 million; and (ii) amend the tangible net worth requirement to \$2.1 billion. See "CAPREIT — Indebtedness".

## Mortgage Financings

Since September 30, 2018, CAPREIT has completed mortgage refinancings of approximately \$50.2 million on existing properties and completed new financings on acquisitions of approximately \$21.5 million. The refinancings of \$50.2 million are for additional top ups with a weighted average term to maturity of 5.66 years and a weighted average interest rate of 3.34%. New financings on acquisitions closed prior to September 30, 2018 of approximately \$21.5 million have a weighted average term to maturity of 10 years and a weighted average interest rate of 3.56%. The proceeds from the mortgage financings were used to repay a portion of the Acquisition and Operating Facility.

## Recent Property Acquisitions and Dispositions

Since September 30, 2018, CAPREIT directly or indirectly, through one of its subsidiaries, has completed the following acquisitions in the Netherlands totaling approximately €229.8 million, including acquisition costs (collectively, the “**Netherlands Acquisitions**”), which were funded from the Acquisition and Operating Facility (see “CAPREIT — Indebtedness”):

- On December 3, 2018, CAPREIT acquired a portfolio of six properties well-located in three urban centres in the Netherlands, consisting of 345 residential rental suites (225 single family rental homes and 120 multi-family rental suites). Total acquisition costs of approximately €56.8 million were funded from CAPREIT’s Acquisition and Operating Facility.
- On December 3, 2018, CAPREIT acquired a portfolio of thirteen properties located in twelve urban centres in the Netherlands, consisting of 536 residential rental suites (122 single family rental homes, 414 multi-family rental suites and one commercial unit). Total acquisition costs of approximately €111.1 million were funded from CAPREIT’s Acquisition and Operating Facility.
- On December 5, 2018, CAPREIT acquired a portfolio of seven properties located in five urban centres in the Netherlands, consisting of 376 residential rental suites (294 single family rental homes and 82 multi-family rental suites). Total acquisition costs of approximately €61.9 million were funded from CAPREIT’s Acquisition and Operating Facility.

In addition, on November 13, 2018 and December 5, 2018, CAPREIT acquired a portfolio of two properties located in Westminister, B.C. (the “**B.C. Acquisitions**”), consisting of 36 residential rental suites. Total acquisition costs of approximately \$9.6 million were funded from CAPREIT’s Acquisition and Operating Facility.

Since September 30, 2018, CAPREIT, directly or indirectly, through one of its subsidiaries, has completed the following dispositions totalling approximately \$60.7 million (collectively, the “**Quebec Dispositions**”):

- On October 11, 2018, CAPREIT completed the disposition of a 419 suite apartment property, Carrefour des Erables (the “**Carrefour des Erables Disposition**”), located on the south shore of Montreal, in Longueuil, Quebec for a sale price of approximately \$35.8 million. The proceeds from the sale were used to repay \$20.6 million in outstanding mortgages on the property with a maturity date of June 1, 2024 and a stated interest rate of 3.61%, with the balance used to reduce CAPREIT’s Acquisition and Operating Facility.
- On December 12, 2018, CAPREIT completed the disposition of three non-core properties located in Quebec City, for a sale price of approximately \$24.9 million. The proceeds from the sale were used to repay \$10.2 million in outstanding mortgages on the properties with a weighted average stated interest rate of 3.42%, with the balance used to reduce CAPREIT’s Acquisition and Operating Facility.

Other than the Netherlands Acquisitions, the B.C. Acquisitions, the Quebec Disposition and the ECREIT Transaction (as defined below), CAPREIT has not recently completed any acquisitions or dispositions other than as disclosed in the most recent Quarterly MD&A.

## Retirement of Chief Executive Officer of CAPREIT

On December 7, 2018, CAPREIT announced that David Ehrlich will be retiring as Chief Executive Officer of CAPREIT effective December 31, 2018. David Ehrlich will continue to serve on the CAPREIT Board of Directors.

## Announcement of European Commercial Real Estate Investment Trust Transaction

On December 11, 2018, CAPREIT and European Commercial Real Estate Investment Trust (“**ECREIT**”) announced the entering into of a definitive purchase agreement pursuant to which ECREIT will acquire a portfolio of multi-residential properties located in the Netherlands (the “**Properties**”) from CAPREIT, comprising 2,091 suites in 41 properties (the “**ECREIT Transaction**”). The purchase price for the Properties of \$634 million (the “**Purchase Price**”) will be satisfied as follows: (i) \$239 million through the issuance of 59.6 million units to CAPREIT at a price of \$4.00 per unit; (ii) \$88 million through a cash payment, or to the extent ECREIT is unable to satisfy the portion of the Purchase Price in cash, through the issuance of additional ECREIT units at a price of \$4.00 per unit to CAPREIT; and (iii) \$307 million through the assumption by ECREIT of CAPREIT’s mortgages on the Properties, subject to certain purchase price adjustments. In addition, ECREIT’s unitholders of record at a date to be determined prior to closing of the ECREIT Transaction (the “**ECREIT Closing**”) will receive a one-time special distribution of \$0.50 per unit, which will be funded by an approximately \$8 million cash payment by CAPREIT to ECREIT. Pursuant to the ECREIT Transaction, ECREIT will take steps to change its name prior to the ECREIT Closing (“**ERES**” for purposes of this prospectus). ERES will be managed by CAPREIT pursuant to long-term asset and property management agreements.

Upon the ECREIT Closing, CAPREIT will hold approximately 58% of ERES’ units in the event the \$88 million portion of the Purchase Price is satisfied through a cash payment or approximately 83% of the ERES units in the event the \$88 million portion of the Purchase Price is satisfied through the issuance of additional ERES units to CAPREIT. A special meeting of ECREIT unitholders is expected to be held in early 2019, at which ECREIT unitholders will be asked to approve the ECREIT Transaction and certain amendments to ECREIT’s declaration of trust. The ECREIT Closing is expected to occur in the first quarter of 2019. For more information, please see the corresponding press release dated December 11, 2018 and filed on SEDAR.

### Pending Property Acquisitions and Dispositions

Consistent with CAPREIT’s past practices and in the normal course of business, CAPREIT is engaged in discussions with respect to possible acquisitions of new properties and dispositions of existing properties. There can be no assurances that these acquisitions or dispositions will be completed. CAPREIT expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

### USE OF PROCEEDS

The total net proceeds of the Offering are estimated to be approximately \$239,290,000 after deducting the Underwriters’ fee of \$10,010,000 and the expenses of the Offering estimated at \$950,000. If the Over-Allotment Option is exercised in full, the total net proceeds of the Offering are estimated to be approximately \$275,326,000. CAPREIT intends to use the net proceeds of the Offering to partially repay the outstanding balance on its Acquisition and Operating Facility in the amount of approximately \$239 million, which was utilized by CAPREIT to, among other uses, partially fund previous acquisitions, and the remainder, if any, for future acquisitions, capital expenditures and for general trust purposes. See “Relationship between CAPREIT and Certain of the Underwriters”, and “CAPREIT — Indebtedness”.

### PRIOR SALES

During the 12 month period prior to the date of this short form prospectus, CAPREIT did not issue any Units, Unit rights or Unit options other than (i) 1,421,511 Units pursuant to the distribution reinvestment plan (the “**DRIP**”); (ii) 46,578.85 Units pursuant to the employee unit purchase plan (the “**EUPP**”); (iii) 32,272.45 Unit rights pursuant to the deferred unit plan (the “**DUP**”); (iv) 130,822.70 Unit rights pursuant to the restricted unit rights plan (the “**RUR Plan**”); (v) 64,527 Units in connection with the conversion of Unit rights previously issued pursuant to the DUP and RUR Plan; and (vi) 1,263,962 Units pursuant to the exercise of Unit options pursuant to the unit option plan (the “**Option Plan**”), the particulars of which are set forth in the following tables.

#### DRIP:

<u>Month of Issuance</u>	<u>Units Issued</u>	<u>Price per Unit</u>
December, 2017.....	117,407	\$37.27
January, 2018 .....	117,196	\$35.98
February, 2018.....	124,682	\$35.49
March, 2018.....	119,940	\$35.45

April, 2018.....	113,877	\$37.14
May, 2018 .....	106,386	\$39.61
June, 2018 .....	113,966	\$41.64
July, 2018.....	103,313	\$43.63
August, 2018 .....	114,560	\$45.23
September, 2018 .....	95,156	\$48.22
October, 2018.....	97,209	\$45.89
November, 2018 .....	97,473	\$47.30
December 1 - 20, 2018.....	100,345	\$46.18

**EUPP:**

<u>Month of Issuance</u>	<u>Units Issued</u>	<u>Price per Unit</u>
December, 2017.....	3,629.58	\$37.50
January, 2018 .....	3,777.96	\$36.44
February, 2018.....	3,819.26	\$35.68
March, 2018.....	3,980.59	\$35.47
April, 2018.....	5,433.01	\$37.56
May, 2018 .....	3,526.58	\$40.06
June, 2018 .....	3,286.33	\$42.61
July, 2018.....	3,223.44	\$43.93
August, 2018 .....	2,982.23	\$46.57
September, 2018 .....	4,010.16	\$48.57
October, 2018.....	3,019.96	\$45.82
November, 2018 .....	2,918.24	\$46.52
December 1 - 20, 2018.....	2,971.51	\$45.65

**DUP:**

<u>Month of Issuance</u>	<u>Units Issued</u>	<u>Price per Unit</u>
December, 2017.....	727.94	\$37.27
December, 2017 (awarded).....	5,089.60	\$36.84
January, 2018 .....	771.31	\$35.98
February, 2018.....	784.19	\$35.49
March, 2018.....	787.49	\$35.45
March, 2018 (awarded).....	6,227.91	\$36.13
April, 2018.....	771.81	\$37.14
May, 2018 .....	725.69	\$39.61
June, 2018 .....	719.25	\$41.64
June, 2018 (awarded).....	6,210.56	\$42.77
July, 2018.....	704.05	\$43.63
August, 2018 .....	666.41	\$45.23
September, 2018 .....	626.55	\$48.22
September, 2018 (awarded).....	5,459.94	\$48.65
October, 2018.....	673.07	\$45.89
November, 2018 .....	654.65	\$47.30
December 1 - 20, 2018.....	672.03	\$46.18

**RUR PLAN:**

<u>Month of Issuance</u>	<u>Units Issued</u>	<u>Price per Unit</u>
December, 2017.....	1,489.70	\$37.27
January, 2018 .....	1,547.50	\$35.98
February, 2018.....	1,573.38	\$35.49
February, 2018 (awarded).....	105,532.32	\$36.35
February, 2018 (awarded).....	5,613.61	\$36.35
March, 2018.....	1,756.39	\$35.45
April, 2018.....	1,676.34	\$37.14
May, 2018 .....	1,576.18	\$39.61
June, 2018 .....	1,562.16	\$41.64

July, 2018.....	1,494.87	\$43.63
August, 2018 .....	1,442.43	\$45.23
September, 2018 .....	1,356.19	\$48.22
October, 2018.....	1,428.30	\$45.89
November, 2018 .....	1,389.19	\$47.30
December 1 - 20, 2018.....	1,384.14	\$46.18

**CONVERSION OF RUR AND DUP UNITS:**

<u>Month of Issuance</u>	<u>Units Issued</u>	<u>Price per Unit</u>
February, 2018 (RUR).....	24,043	\$35.75
March, 2018 (RUR).....	28,820	\$35.43
July, 2018 (RUR).....	470	\$42.86
August, 2018 (DUP).....	5,924	\$43.75
November, 2018 (RUR).....	5,270	\$46.77

**UNIT OPTIONS (EXERCISED):**

<u>Month of Issuance</u>	<u>Units Issued</u>	<u>Price per Unit</u>
March, 2018.....	463,650	\$23.43
May, 2018 .....	800,312	\$27.84

**PRICE RANGE AND TRADING VOLUME OF UNITS**

The outstanding Units of CAPREIT are listed and posted for trading on the TSX under the symbol CAR.UN. The following table sets forth, for the periods indicated, the price ranges and trading volumes of the Units on the TSX.

	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2017</b>			
December .....	\$37.94	\$36.42	3,616,920
<b>2018</b>			
January .....	\$37.38	\$35.37	5,853,387
February.....	\$37.18	\$34.43	6,338,906
March .....	\$37.27	\$34.98	5,975,902
April .....	\$38.16	\$36.36	5,262,268
May .....	\$41.44	\$36.99	5,426,341
June .....	\$43.42	\$40.06	6,714,087
July .....	\$44.63	\$42.36	5,634,153
August .....	\$47.40	\$42.98	4,659,314
September.....	\$49.45	\$46.13	6,258,748
October .....	\$47.91	\$44.54	11,252,426
November .....	\$47.90	\$45.62	9,376,908
December 1 -20.....	\$48.65	\$44.41	7,562,179

**DISTRIBUTION RECORD**

The following chart sets out the annual distributions paid by CAPREIT since the date of its initial public offering in May 1997.

<u>Distribution Period</u>	<u>Total \$ Distributions Per Unit/Year</u>
1997 (May 21 - December) .....	0.4372
1998.....	0.8730
1999.....	0.9900
2000.....	1.0450
2001.....	1.0500
2002.....	1.0550
2003.....	1.0725
2004 - 2012 (January - July).....	1.0800

2012 (August - December) .....	1.0967
2013.....	1.1375
2014.....	1.1675
2015.....	1.2067
2016.....	1.2375
2017.....	1.2750
2018.....	1.3133

## DISTRIBUTION POLICY

The following outlines the distribution policy of CAPREIT as contained in the Declaration of Trust. The distribution policy (specifically, the requirements of the Declaration of Trust relating to distributions) may be amended only with the approval by a majority of the votes cast at a meeting of Unitholders. Subject to compliance with such distribution policy, determinations as to the amounts actually distributable are at the discretion of the trustees of CAPREIT (the “Trustees”).

### General

Distributions are determined by the Trustees. The Declaration of Trust provides that all declared distributions are due and payable on or about the 15<sup>th</sup> day of each month with the exception of the year end distribution which is payable on December 31<sup>st</sup> and due on or about January 15<sup>th</sup> of the immediately following year. Distributions may be adjusted for amounts paid in prior periods. The level of distributions paid by CAPREIT can fluctuate from year to year.

In determining the amount of monthly cash distributions, the Trustees rely upon cash flow information, including forecasts and budgets. Distributions are made in cash or Units pursuant to any DRIP or Unit purchase plans. CAPREIT’s monthly distribution for each of the three most recently completed financial years has been \$0.098 per Unit (\$1.18 annualized) for June 2014 to April 2015, \$0.102 per Unit (\$1.22 annualized) for May 2015 to April 2016, \$0.1042 per Unit (\$1.25 annualized) for May 2016 to February 2017 and \$0.1067 per Unit (\$1.28 annualized) for March 2017 to April 2018.

As announced on May 8, 2018, CAPREIT increased its monthly cash distributions by 3.9% to \$0.11083 per unit (\$1.33 on an annualized basis) effective for the May 2018 distribution, which was payable on June 15, 2018 to Unitholders of record as of May 31, 2018. In determining the amount of monthly cash flow distributions, the Trustees rely upon cash flow information, including Stabilized NOI, NFFO and management forecasts and budgets. See “Recent Developments – Increase in Monthly Cash Distributions”.

### Tax Deferral on Distributions

The cost for Canadian tax purposes of Units held by a Holder (as defined below) will generally be reduced by the non-taxable portion of distributions made to the Holder other than the non-taxable portion of certain capital gains. A Holder will generally realize a capital gain to the extent that the Holder’s tax cost of his or her Units would otherwise be a negative amount. See “Canadian Federal Income Tax Considerations”. The SIFT Rules do not change the tax treatment of distributions that are described as returns of capital. In 2017, distributions to taxable Canadian resident Holders were treated as follows for tax purposes:

Taxable to Holders as Other Income .....	15.21%
Taxable to Holders as Capital Gain Income .....	4.23%
Tax Deferral.....	<u>80.56%</u>
Total .....	<u>100.00%</u>
Total Effective Non-taxable Portion of Distributions.....	<u>82.67%</u>

### Distribution Reinvestment Plan

CAPREIT has established a DRIP. Under the DRIP, a participant may purchase additional Units with the cash distributions paid on the eligible Units which are registered in the name of the participant or held in a participant’s account maintained pursuant to the DRIP. Each participant will also have the right to receive an additional amount equal to 5% of their monthly distributions reinvested pursuant to the DRIP, which amount shall 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 of the trading price for Units of CAPREIT on the TSX for the five trading days immediately preceding the relevant distribution date. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

Full investment of participants' funds is possible under the DRIP because the DRIP permits fractional Units as well as whole Units to be purchased and held for participants. Distributions in respect of whole Units and fractional Units acquired under the DRIP will be held by the agent for the DRIP for the participants' account and automatically invested under the DRIP in additional Units. For the year ended December 31, 2017, the average participation rate in the DRIP was approximately 30.7% of Units outstanding compared to 33.2% for the year ended December 31, 2016. For the nine months ended September 30, 2018, the average participation rate in DRIP decreased to 28.6% from 31.1% for the same period last year. The DRIP participate rate is subject to factors beyond Management's control and varies amongst investors.

### PRO FORMA CAPITALIZATION

Since September 30, 2018, the date of the most recently filed consolidated financial statements of CAPREIT which were filed with the securities regulatory authorities in Canada, there have been no material changes in the capitalization of CAPREIT except for the receipt of the net proceeds of the Offering by CAPREIT which it intends to use to partially repay the outstanding balance on its Acquisition and Operating Facility in the amount of approximately \$239 million and the remainder, if any, for future acquisitions, capital expenditures and for general trust purposes. See "Use of Proceeds" and "CAPREIT — Indebtedness".

The following table sets forth the capitalization of CAPREIT as at September 30, 2018, before and after giving effect to the Offering, the Netherlands Acquisitions, the B.C. Acquisitions, the Quebec Dispositions and the mortgage financings since September 30, 2018.

	<b>As at September 30, 2018</b>	<b>Pro Forma as at September 30, 2018 (after giving effect to this Offering)<sup>(1)</sup></b>	<b>Pro Forma as at September 30, 2018 (after giving effect to this Offering, the Netherlands Acquisitions, the B.C. Acquisitions, the Quebec Dispositions and the mortgage financings since September 30, 2018)<sup>(1)</sup></b>
	(\$ thousands, except Unit amounts)		
Indebtedness:			
Mortgages payable .....	\$3,554,014	\$3,554,014	\$3,594,914
Bank indebtedness <sup>(3)</sup> .....	\$410,472	\$171,182	\$423,432
Total .....	<u>\$3,964,486</u>	<u>\$3,725,196</u>	<u>\$4,018,346</u>
Unitholders' Equity .....	\$5,523,024	\$5,762,314	\$5,762,314
Number of Units and Exchangeable Securities outstanding (Authorized — unlimited) .....	144,319,376	149,819,376	149,819,376
(Units and Unit Rights regarding Incentive Plans) <sup>(2)</sup> .....	1,895,496	1,895,496	1,895,496
Total Units and Unit Rights .....	<u>146,214,872</u>	<u>151,714,872</u>	<u>151,714,872</u>

Notes:

- (1) Excluding the effect of any exercise of the Over-Allotment Option.
- (2) Excluding outstanding options.
- (3) As at December 21, 2018, approximately \$570 million was outstanding on the Acquisition and Operating Facility, without giving effect to this Offering. This balance differs from the pro forma as at September 30, 2018 due to regular capital expenditures and general trust expenses incurred subsequent to September 30, 2018. Bank indebtedness also includes a \$147 million draw on the temporary bridge credit facility, which is expected to be replaced in the near-term with mortgages on the Netherlands Acquisitions.

### Short-Term Debt

As at September 30, 2018, approximately \$19 million of CAPREIT's debt is scheduled to mature within the remainder of 2018. As at September 30, 2018, \$416.8 million was outstanding under the Acquisition and Operating Facility comprising of USD LIBOR Borrowings of USD \$187 million (\$242 million), Euro LIBOR Borrowings of €65 million (\$97.6

million) and bank indebtedness of \$70.8 million. See “CAPREIT — Indebtedness”.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the underwriting agreement (the “**Underwriting Agreement**”) dated December 14, 2018 between CAPREIT and the Underwriters, CAPREIT has agreed to issue and sell and the Underwriters have agreed to purchase, on January 4, 2019, an aggregate of 5,500,000 Units at a price of \$45.50 per Unit for a total consideration of \$250,250,000 payable in cash to CAPREIT by the Underwriters against delivery of such Units. On December 11, 2018, the last trading day prior to the announcement of the terms of the Offering, the closing price of a Unit on the TSX was \$47.24. The price of the Units offered hereby was established by negotiation between CAPREIT and the Underwriters with reference to the market price of the Units. CAPREIT has agreed to pay the Underwriters a fee of \$1.82 per Unit offered hereby for the services provided by the Underwriters in distributing such Units to the public, being an aggregate of \$10,010,000.

The obligations of the Underwriters under the Underwriting Agreement are several and each Underwriter may terminate its obligations at its discretion upon the occurrence of certain stated events, including, but not limited to, (a) any enquiry, action, suit, investigation or other proceeding whether formal or informal, which is instituted, threatened or announced or any order is made by any federal, provincial or other governmental authority in relation to CAPREIT, which in the reasonable opinion of the Underwriters or any of them, operates to prevent or restrict the distribution or trading of the Units, (b) if, prior to the time of Closing, there should occur any material change or a change in any material fact (actual, and to the knowledge of CAPREIT, anticipated, contemplated or threatened, financial or otherwise) in the financial condition, business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of CAPREIT and its subsidiaries taken as a whole, which results, or in the opinion of any of the Underwriters, might reasonably be expected to result, in the purchasers of a material number of Units exercising their right under Canadian securities laws to withdraw from their purchase of Units, or in the opinion of any of the Underwriters, might reasonably be expected to have a significant adverse effect on the market price or the value of the Units; (c) if, prior to the time of Closing, there should develop, occur or come into effect any occurrence of national or international consequence or any event, action, condition, law, governmental regulation, enquiry or other development or occurrence of any nature whatsoever which, in the reasonable opinion of any of the Underwriters, seriously adversely affects, or involves, or may seriously adversely affect, or involve, the Canadian financial markets or the business, operations or affairs of CAPREIT and its subsidiaries on a consolidated basis; or (d) if prior to the time of Closing there are announced any changes or proposed changes in the taxation legislation of Canada or of any provinces of Canada applicable to real estate investment trusts or any changes or proposed changes in the administration or application of such legislation by any relevant taxing authority which, in the opinion of any of the Underwriters, based on advice of counsel, would reasonably be expected to have a significant adverse effect on the market price or value of CAPREIT or the Units. The Underwriters, however, must take up and pay for all of the Units offered hereby if any Units are purchased under the Underwriting Agreement.

CAPREIT has granted to the Underwriters the Over-Allotment Option, which is exercisable at any time, in whole or in part, for a period of 30 days from the Closing, to purchase up to an additional 825,000 Units, being 15% of the Units sold under the Offering, on the same terms and conditions as set forth above to cover over-allotments, if any, and for market stabilization purposes. In the event that the Over-Allotment Option is exercised in full, the total price to the public, Underwriters’ fee and net proceeds to CAPREIT from this Offering before expenses will be \$287,787,500, \$11,511,500 and \$276,276,000, respectively. This short form prospectus also qualifies the distribution of the Over-Allotment Option and the Units issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters’ over-allocation position acquires those Units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The TSX has conditionally approved the listing of the Units. Listing is subject to CAPREIT fulfilling all of the requirements of the TSX on or before March 14, 2019.

The Offering is expected to close on or about January 4, 2019 or such other date as CAPREIT and the Underwriters may agree, but in any event not later than January 11, 2019.

The rights issuable under the unitholders rights plan (the “**Unitholders Rights Plan**”) respecting the Units which are issued pursuant to this short form prospectus will be issued at Closing.

CAPREIT has agreed to indemnify the Underwriters and their directors, officers, employees, partners and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or will contribute to payments the Underwriters may be required to make in respect thereof.

The Underwriters may not, throughout the period of distribution, bid for or purchase any Units. The foregoing restriction is subject to exceptions. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules (UMIR) administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Units initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the proceeds paid by the Underwriters to CAPREIT.

The Units have not been and will not be registered under the U.S. Securities Act or any state securities laws, and, subject to certain exemptions from registration, may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act). Pursuant to the terms of the Underwriting Agreement, the Underwriters may reoffer and resell the Units that they have acquired pursuant to the Underwriting Agreement to Qualified Institutional Buyers (as such term is defined in Rule 144A under the U.S. Securities Act (“**Rule 144A**”)) in the United States provided such offers and sales are made in accordance with Rule 144A. In addition, until 40 days after the commencement of the Offering, any offer or sale of Units in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act.

CAPREIT has agreed that it will not, without the prior consent of the Underwriters, offer, sell or otherwise dispose of any Units or any securities convertible into or exchangeable or exercisable for Units (other than the Units offered hereby, options to purchase Units granted pursuant to the Option Plan or Units issued pursuant to the DRIP, EUPP, long-term incentive plan (the “**LTIP**”), senior executive long-term incentive plan (the “**SELTIP**”), DUP, RUR Plan or the Unitholders Rights Plan) for a period of 90 days from the date of this short form prospectus or agree to do so or publicly announce any intention to do so.

Registration of interests in and transfers of Units held through CDS or its nominee will be made electronically through the NCI system of CDS. Units registered to CDS or its nominee will be deposited electronically with CDS on an NCI basis on the Closing. Purchasers of Units will receive only a customer confirmation from the registered dealer from or through whom a beneficial interest in the Units is purchased.

## **RELATIONSHIP BETWEEN CAPREIT AND CERTAIN OF THE UNDERWRITERS**

Scotia Capital, TDSI and CIBC, three of the Underwriters, are wholly-owned subsidiaries of Canadian chartered banks, which banks are the principal lenders to CAPREIT and provide the Acquisition and Operating Facility. As at September 30, 2018, CAPREIT was indebted to Scotia Capital, TDSI and CIBC under the Acquisition and Operating Facility in an amount of \$416.8 million comprising of Euro LIBOR borrowings of €65 million (\$97.5 million) and USD LIBOR borrowings of USD \$187 million (\$242 million) and bank indebtedness of \$70.8 million. CAPREIT intends to use the net proceeds of the Offering to partially repay the Acquisition and Operating Facility in the amount of approximately \$239 million. Consequently, in connection with the Offering, CAPREIT may be considered a connected issuer of Scotia Capital, TDSI and CIBC for purposes of the securities regulations of certain Canadian provinces and territories. The decision of Scotia Capital, TDSI and CIBC to act as Underwriters was made independently of such banks and such banks have had no influence as to the determination of the terms of distribution. Scotia Capital, TDSI and CIBC will not receive any benefit in connection with the Offering other than a portion of the Underwriters’ fee payable by CAPREIT. See “Use of Proceeds”. CAPREIT is currently in compliance in all material respects with the terms of the Acquisition and Operating Facility. The Acquisition and Operating Facility is currently secured by fixed and floating charges on CAPREIT’s freehold properties and floating charges on CAPREIT’s leased and co-owned properties. Any material changes to CAPREIT’s financial position or to the value of the security since the execution of the agreements governing the Acquisition and Operating Facility disclosed in this short form prospectus, in the documents incorporated by reference herein, or in the documents filed on SEDAR at [www.sedar.com](http://www.sedar.com) (or otherwise made publicly available) since CAPREIT’s inception have occurred in the ordinary course of CAPREIT’s operations.

## DESCRIPTION OF UNITS

### General

The following is a summary of the material attributes and characteristics of the Units.

### Units, Preferred Units and Special Voting Units

The beneficial interests in CAPREIT are divided into three classes of trust units, described and designated as Units, preferred units (“**Preferred Units**”) and special voting units (“**Special Voting Units**”). The aggregate number of Units and Special Voting Units which CAPREIT may issue is unlimited. The number of Preferred Units which CAPREIT may issue is limited to 25,840,600.

As at September 30, 2018, there were 146,214,872 Units issued and outstanding, including 50,000 Exchangeable Securities and 1,895,496 Units issued or issuable pursuant to CAPREIT’s unit incentive plans, which consist of the LTIP, SELTIP, DUP and RUR Plan. In addition, no Units are issuable under the Unit Option Plan. As of September 30, 2018, CAPREIT Limited Partnership (“**CAPLP**”) had 50,000 Class B Units issued and outstanding, which are exchangeable into 50,000 Units on a one-for-one basis pursuant to the terms of an exchange agreement dated July 9, 2007 among CAPREIT, CAPREIT GP Inc. and CAPLP. As at September 30, 2018, there were 50,000 Special Voting Units issued and outstanding. See “Pro Forma Capitalization”.

Units represent a Unitholder’s proportionate undivided beneficial interest in CAPREIT. No 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, subject to the rights of holders of Preferred Units, 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 after satisfaction of the rights of holders of the Preferred Units. 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.

The Preferred Units may from time to time be issued in one or more series, and the Trustees may fix from time to time before such issue the number of Preferred Units which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Units and the currency thereof, including, without limiting the generality of the foregoing, any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of CAPREIT, and any sinking fund or other provisions.

The Preferred Units of each series shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units) and the distribution of assets of CAPREIT or return of capital in the event of liquidation, dissolution or winding-up of CAPREIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of CAPREIT among its Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and the Special Voting Units. As of the date of this prospectus, there are no issued or outstanding Preferred Units.

Holders of Special Voting Units are not entitled to any share of or interest in the distributions or net assets of CAPREIT. Special Voting Units may be issued in series and may only be issued in connection with or in relation to Exchangeable Securities (as defined in the Declaration of Trust) and shall be automatically cancelled on the issuance of Units on exercise, conversion or cancellation of the Exchangeable Securities. Subject to the restrictions set forth in the Declaration of Trust, each holder of Special Voting Units is entitled to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities to which such Special Voting Units relate are, directly or indirectly, exchangeable or convertible. Holders of Special Voting Units are not entitled to any distributions of any nature whatsoever from CAPREIT nor do they have any legal or beneficial interests in any assets of CAPREIT on termination or winding-up of CAPREIT.

To the knowledge of the Trustees and officers of CAPREIT, as at December 21, 2018, no person or company beneficially owned, or controlled or directed, directly or indirectly, Units, Preferred Units or Special Voting Units carrying more than 10% of the voting rights attached to any class of voting securities of CAPREIT.

## **Rights of Unitholders**

The rights of the Unitholders as investors in CAPREIT and the attributes of the Units are governed by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the *Canada Business Corporations Act* (the “CBCA”), significant differences do exist.

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of CAPREIT, although no statutory provisions historically confirmed the limited liability status of Unitholders in a manner comparable to shareholders of a CBCA corporation. Certain provincial legislatures have passed legislation that provides for statutory limited liability for unitholders of public income trusts, including CAPREIT, governed as a contractual matter by the laws of their jurisdictions. Certain of these statutes have not yet been judicially considered and it is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and auditors. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Unitholders and Trustees, the quorum for and procedures at such meetings and the right of investors to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by CAPREIT. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or the equivalent or listed on the TSX (for example, approval requirements relating to related party or other transactions that are subject to Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Declaration of Trust includes provisions concerning Trustee independence, the composition of the board committees including the audit committee and conflicts of interest, which are based on provisions of the CBCA and are supplemented by applicable securities laws.

The Declaration of Trust contains provisions entitling a Unitholder that is entitled to vote at a meeting the ability, upon compliance with the requirements set out in the Declaration of Trust, to dissent to certain matters resolved by CAPREIT. In particular, the dissent rights may apply in circumstances where (i) CAPREIT resolves to sell, lease or exchange all or substantially all of its property and assets, (ii) CAPREIT resolves to carry out a going-private transaction, or (iii) CAPREIT resolves to make certain specified amendments to the Declaration of Trust. The Declaration of Trust sets forth the procedures and requirements in respect of any such application, as well as sets forth the remedies that a court may include in any order. The CBCA permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of Unitholders to commence or participate in legal proceedings with respect to CAPREIT.

## **Purchases of Units**

CAPREIT may from time to time purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof. A Unitholder will not have the right at any time to require CAPREIT to purchase such Unitholder’s Units.

## **Right of Redemption**

Units are redeemable at any time on demand by the holders thereof upon delivery to CAPREIT of the certificate or certificates representing such Units or written instructions as to the number of Units to be redeemed, accompanied by a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by CAPREIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the “**Redemption Price**”) equal to the lesser of (i) 90% of the “market price” of the Units on the principal market on which the Units are quoted for trading during the ten (10) trading day period ending on the date on which the Units are surrendered to CAPREIT for redemption; and (ii) the “closing market price” of the Units on the principal market on which the Units are quoted for trading on the date that the Units are surrendered to CAPREIT for redemption.

“Market price” will be an amount equal to the simple average of the closing price of the Units for each of the ten

(10) trading days on the principal market on which the Units are quoted for trading and on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Units traded on a particular day, the market price shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five (5) of the ten (10) trading days, the “market price” shall be the weighted average of the following prices established for each of the ten trading days: the average last bid and last ask prices for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides for a closing price; and the weighted average of the highest and lowest price of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day. The “closing market price” on a particular day shall be an amount equal to the closing price of the Units if there was a trade on that day and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on that day; and the weighted average of the last bid and last ask prices of the Units if there was no trading on that day.

The aggregate cash Redemption Price payable by CAPREIT in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that (i) the total amount payable by CAPREIT in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that such limitation may be waived at the discretion of the Trustees; (ii) at the time such Units are tendered for redemption the outstanding Units of CAPREIT shall be listed for trading on a stock exchange or traded or quoted on any other market which the Trustees considers, in their sole discretion, provides representative fair market value prices for the Units; or (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which CAPREIT Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five (5) trading days during the ten (10) day trading period commencing immediately after the date on which the Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for such Units shall be satisfied by the distribution *in specie* of certain securities held by CAPREIT, as determined by the Trustees and, subject to any applicable regulatory approvals. No fractional securities owned by CAPREIT (the “**Securities**”) will be distributed and where a number of Securities to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. CAPREIT shall be entitled to all income paid or accrued and unpaid on the Securities on or before the date of the distribution *in specie*. The holders of Securities will be subject to the provisions of all material agreements that relate to such Securities. The redemption rights of the Preferred Units will be established when the Preferred Units are issued.

### **Non-Residency Restrictions**

At no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units, on a basic or fully-diluted basis (and for greater certainty, including Units into which Exchangeable Securities may be converted or exchanged) and the Trustees shall inform the transfer agent and registrar of this restriction. The transfer agent and registrar, at the request of CAPREIT, shall require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the transfer agent and registrar becomes aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of more than 49% of the Units are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar will advise the Trustees and, upon receiving direction from the Trustees, may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident and does not hold such Units for the benefit of non-residents. If, notwithstanding the foregoing, the transfer agent and registrar determines that more than 49% of the Units are held by non-residents, the transfer agent and registrar upon receiving direction and a suitable indemnity from the Trustees, may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the transfer agent and registrar may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale the affected Unitholders shall cease to be holders of Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such Units.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to CAPREIT, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters (collectively, “**Counsel**”), the following is a summary of the principal Canadian federal income tax considerations generally applicable to prospective purchasers who acquire as beneficial owners Units pursuant to this prospectus and who, for the purposes of the Tax Act, and at all relevant times, are, or are deemed to be, resident in Canada, deal at arm’s length with, and are not affiliated with CAPREIT and will hold their Units as capital property (“**Holder**s”).

Generally, the Units will be considered to be capital property to a Holder provided that the Holder does not acquire or hold the Units in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make the irrevocable election under subsection 39(4) of the Tax Act to have all such Units, and all other “Canadian securities” (as defined in the Tax Act) owned by them in the taxation year of the election or any subsequent taxation year deemed to be capital property. Such Holders are urged to consult their own tax advisors regarding whether such election is available and advisable having regard to their own particular circumstances.

This summary does not apply to a Holder: (i) that is a “financial institution” (for purposes of the mark-to-market rules); (ii) that is a “specified financial institution”; (iii) an interest in which is a “tax shelter investment”; (iv) who reports its “Canadian tax results” in a currency other than the Canadian currency (as each term is defined in the Tax Act); or (v) who enters into, with respect to their units, a “derivative forward agreement” as such term is defined in the Tax Act. Any such Holders should consult their own tax advisors with respect to an investment in Units. Further, this summary does not address the tax consequences to Holders who borrow funds in connection with the acquisition of Units.

This summary is of a general nature only and is based upon (i) the facts set out in this short form prospectus and an officer’s certificate provided to Counsel by CAPREIT, (ii) the current provisions of the Tax Act, (iii) Counsel’s understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the “**CRA**”), and (iv) the specific proposals to amend the Tax Act announced by or on behalf of the Minister of Finance (Canada) (the “**Minister**”) prior to the date hereof (the “**Tax Proposals**”). This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law or the CRA’s administrative practices and assessing policies, whether by legislative, regulatory, administrative or judicial action, nor does it take into account provincial, territorial or foreign tax considerations.

This summary assumes that the Tax Proposals will be enacted as proposed, but no assurance can be given that this will be the case. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of CAPREIT or the tax consequences of investing in Units.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Holder’s particular circumstances. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any prospective Holder. Accordingly, prospective Holders should consult with their tax advisors for advice with respect to the tax consequence to them having regard to their own particular circumstances.

### **Qualification as a Mutual Fund Trust**

CAPREIT has advised Counsel that it is, at the date hereof, and expects to continue at all times to be, a “mutual fund trust” under the provisions of the Tax Act. This summary assumes that CAPREIT does and will continue to qualify at all times as a “mutual fund trust” under the provisions of the Tax Act. To qualify as a mutual fund trust, CAPREIT must be a “unit trust” as defined by the Tax Act, must not be established or maintained primarily for the benefit of non-residents, and must restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or real right in an immovable), and (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property or of any immovable or real right in immovables) that is capital property of CAPREIT, or (iii) any combination of the activities described in (i) and (ii), and CAPREIT must comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units.

In the event that CAPREIT were not to qualify as a mutual fund trust at any particular time, the Canadian federal income tax considerations described below would, in some respects, be materially different.

### **SIFT Rules**

The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. These rules apply only to “SIFT trusts”, “SIFT partnerships” (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust’s “non-portfolio earnings” are not deductible in computing the SIFT trust’s net income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, non-portfolio properties. The SIFT trust is itself liable to pay an income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as “eligible dividends” for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation’s “general rate income pool” or “low rate income pool”, as the case may be (each as defined in the Tax Act).

A trust resident in Canada will generally be a SIFT trust for purposes of the Tax Act if investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more “non-portfolio properties” (as defined in the Tax Act). Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections to Canada. However, a trust will not be considered a SIFT trust for a taxation year if it qualifies as a “real estate investment trust” (as defined in the Tax Act) for the year (the “**REIT Exception**”) (discussed below).

Distributions that are paid as returns of capital will generally not attract the tax under the SIFT Rules.

### **REIT Exception**

Trusts that satisfy the REIT Exception are excluded from the definition of SIFT trusts and are therefore not subject to the SIFT Rules. Generally, to qualify for the REIT Exception for a particular taxation year:

- (i) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are “qualified REIT properties” held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (ii) not less than 90% of the trust’s “gross REIT revenue” for the taxation year must be derived from one or more of the following: “rent from real or immovable properties”, interest, dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions of “eligible resale properties”;
- (iii) not less than 75% of the trust’s gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- (iv) at no time in the taxation year can the total fair market value of, stated generally, properties comprised of real or immovable properties that are capital properties, eligible resale properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers’ acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the “equity value” of the trust at that time; and
- (v) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Under the SIFT Rules, “qualified REIT property” of a trust at any time means, generally, a property held by the trust that is at that time: (i) a real or immovable property that is capital property, an eligible resale property, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers’ acceptances and debts issued or guaranteed by governments in Canada; (ii) a security of an entity all or substantially all of the gross REIT revenue of which is from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or interest; (iii) a security of an entity if the entity holds no property other than (A) legal title to real or immovable properties of the trust or of another entity all of the securities of which are held by the

trust and (B) property described in (iv) below; or (iv) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property, other than an equity of an entity, a mortgage, hypothecary claim, mezzanine loan or similar obligation.

The “equity value” of a SIFT trust at any time means the fair market value of all of the income or capital interests in the trust at that time.

“Real or immovable property” includes a security of an entity that is a trust that satisfies or of an entity that would, assuming it were a trust, satisfy the first four criteria required to qualify for the REIT Exception, or an interest in certain real property; but excludes any depreciable property, other than a depreciable property included (otherwise than by an election) in CCA Class 1, 3 or 31 of the Income Tax Regulations, a property ancillary to the ownership or utilization of such depreciable property, or a lease in, or leasehold interest in respect of, land or such depreciable property.

“Eligible resale property” of an entity is real or immovable property (that is not capital property) of the entity that is contiguous to a particular real or immovable property that is capital property or eligible resale property of the entity or an affiliated entity, the holding of which is ancillary to the holding of the particular property.

“Rent from real or immovable properties” includes rent or similar payments for the use of, or right to use, real or immovable properties and payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith; but does not include any other payments for services supplied or rendered, fees for managing or operating such properties, payments for the occupation of, use of, or right to use, a hotel room or similar lodging, or rent based on profits.

There are also deeming provisions for determining a trust’s “gross REIT revenue” for purposes of the two revenue tests described in paragraphs (ii) and (iii), above, which generally provide that where a “parent trust” has a 10% or more interest in another entity or is affiliated with the other entity, then revenues received or receivable by the parent trust in respect of a security of that other entity maintain their source characterization in determining the source of revenues of the parent trust (the REIT) (excluding generally a management subsidiary’s revenue from maintaining, leasing, improving or managing real property of the parent or an entity in which the parent holds a share or interest). Accordingly, income from rent from real or immovable properties and capital gains earned by another entity, such as a subsidiary trust, and distributed to a parent trust will generally be treated as rent from real or immovable properties and capital gains, respectively, in the hands of the parent trust for purposes of determining the parent trust’s “gross REIT revenue”.

In addition, income resulting from certain hedge activities by the REIT will be deemed to have the same character as gross REIT revenue in respect of the property.

Management of CAPREIT has advised Counsel that CAPREIT expects to qualify for the REIT Exception for its current taxation year and each subsequent taxation year. However, the determination as to whether CAPREIT qualifies for the REIT Exception in a particular taxation year can only be made with certainty at the end of that taxation year.

Application of the SIFT Rules may, depending on the nature of distributions from CAPREIT (including the portion of its distributions that is income and the portion of its distributions that is a return of capital) have a material adverse effect on the after-tax returns of certain investors. In the event that the SIFT Rules apply to CAPREIT, they may adversely affect the marketability of the Units and the level of cash distributions made by CAPREIT.

The balance of this summary assumes that CAPREIT will qualify for the REIT Exception and therefore will not be subject to the SIFT Rules.

### **Taxation of CAPREIT**

Subject to the SIFT Rules discussed above, CAPREIT will generally be subject to tax under Part I of the Tax Act in respect of its taxable income, including net realized taxable capital gains in each taxation year computed in accordance with the detailed provisions of the Tax Act, and will generally be entitled to a deduction to the extent such taxable income and net realized taxable capital gains are paid or payable or deemed to be paid or payable in such year to Unitholders. An amount will not be considered to be payable to a Unitholder in a taxation year unless it is paid to the Unitholder in the year by CAPREIT or the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income, CAPREIT may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. CAPREIT may also deduct from its income for the year a portion of the

reasonable expenses incurred by CAPREIT to issue Units pursuant to this Offering. The portion of such issue expenses deductible by CAPREIT in a taxation year is 20% of such issue expenses, pro-rated where CAPREIT's taxation year is less than 365 days to the extent that such issue expenses were not deductible in a preceding year.

Management of CAPREIT has advised Counsel that CAPREIT, subject to trustee approval, intends to distribute to Unitholders in a taxation year such amounts in respect of CAPREIT's income and net realized taxable capital gains that are sufficient to ensure that CAPREIT will not be subject to tax pursuant to Part I of the Tax Act in respect of the year. Management of CAPREIT has also advised Counsel that CAPREIT intends to deduct for tax purposes such income (including net realized taxable capital gains) as is paid or payable to Unitholders for the year, and consequently CAPREIT will generally not be liable for income tax under Part I of the Tax Act in any year.

Losses incurred by CAPREIT cannot be allocated to Unitholders but may be deducted by CAPREIT in future years in accordance with the Tax Act.

CAPREIT's income for purposes of the Tax Act will include any "foreign accrual property income" ("FAPI") realized by a "controlled foreign affiliate" (a "CFA") of CAPREIT. For purposes of the Tax Act, Management has advised Counsel that it intends to treat each of CAPREIT's foreign subsidiaries (collectively, the "CAPREIT Subsidiaries") as CFAs of CAPREIT for purposes of the Tax Act. It is expected that at least a portion of the income earned by the CAPREIT Subsidiaries will be FAPI. Any FAPI earned by a CAPREIT Subsidiary must be included in computing CAPREIT's income for the taxation year of CAPREIT in which the taxation year of the CAPREIT Subsidiary ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act, whether or not CAPREIT actually receives a distribution of FAPI in the taxation year. The adjusted cost base to CAPREIT of its shares of the CAPREIT Subsidiary would be increased by the net amount so included in the income of CAPREIT. At such time as CAPREIT receives a dividend of amounts that were previously included in its income as FAPI, that dividend generally would effectively not be taxable to CAPREIT and there would be a corresponding reduction in the adjusted cost base to CAPREIT of its shares of the CAPREIT Subsidiary. Dividends received by CAPREIT in a taxation year, other than those in respect of amounts already included in its income as FAPI, would be included in computing the income of CAPREIT, and would not reduce the adjusted cost base of its shares of the CAPREIT Subsidiaries.

### **Taxation of CAPLP**

CAPLP is not subject to tax under the Tax Act. Each partner of CAPLP is required to include in computing the partner's income for a particular taxation year the partner's share of the income or, subject to the potential application of the "at-risk" rules, loss of CAPLP for its year ending in, or coincidentally with, the partner's taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of CAPLP will be computed for each year as if CAPLP were a separate person resident in Canada. In computing the income or loss of CAPLP, deductions may be claimed in respect of available capital cost allowances, reasonable administrative costs, interest and other expenses incurred by CAPLP for the purpose of earning income, subject to the relevant provisions of the Tax Act.

The income or loss of CAPLP for a year will be allocated to the partners of CAPLP, including CAPREIT, on the basis of their respective share of that income or loss as provided in the limited partnership agreement for CAPLP, subject to the detailed rules in the Tax Act in that regard.

Generally, distributions to partners in excess of the income of CAPLP for a year will result in a reduction of the adjusted cost base of each partner's units of CAPLP by the amount of such excess allocable to the partner. If, as a result, the adjusted cost base to CAPREIT of its units of CAPLP would otherwise be a negative amount, CAPREIT will be deemed to realize a capital gain equal to such negative amount, and CAPREIT's adjusted cost base of its units of CAPLP will then be reset to nil.

### **Taxation of Holders**

Subject to the SIFT Rules discussed above, a Holder is required to include in computing income for tax purposes in each taxation year the portion of the amount of net income, including net taxable capital gains, of CAPREIT, determined for the purposes of the Tax Act, that is paid or payable (whether or not those amounts are reinvested in Units of CAPREIT pursuant to the DRIP) to such Holder in the year.

The Declaration of Trust provides that income and net taxable capital gains for purposes of the Tax Act will be allocated to Holders in the same proportion as distributions received by Holders, subject to the discretion of the Trustees to adopt an allocation method which the Trustees consider to be more reasonable in the circumstances.

The Declaration of Trust generally requires CAPREIT to claim the maximum amount of capital cost allowance available to it in computing its income for tax purposes, unless the Trustees determine otherwise. Based on the distribution policy, the amount distributed to Holders in a year may exceed the income of CAPREIT for tax purposes for that year. Distributions in excess of CAPREIT's taxable income in a year computed in accordance with the detailed provisions of the Tax Act (including the 5% additional distribution of Units acquired pursuant to the DRIP) will not be included in computing the income of the Holders for tax purposes. However, a Holder is required to reduce the adjusted cost base of its Units by the portion of any amount paid or payable to such Holder by CAPREIT (other than the non-taxable portion of certain capital gains) that was not included in computing the Holder's income and will realize a capital gain to the extent the adjusted cost base of the Holder's Units would otherwise be a negative amount.

Management of CAPREIT has advised Counsel that CAPREIT will designate, to the extent permitted by the Tax Act, the portion of the taxable income distributed to Holders as may reasonably be considered to consist of net taxable capital gains, taxable dividends received from taxable Canadian corporations and foreign source income of CAPREIT. Provided that appropriate designations are made by CAPREIT, such portion of (i) the net realized taxable capital gains of CAPREIT and (ii) the foreign source income of CAPREIT and foreign taxes eligible for the foreign tax credit, as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act.

A Holder will generally realize a capital gain (or a capital loss) on the disposition or deemed disposition of a Unit to the extent that the proceeds of disposition of the Unit exceed (or are less than) the aggregate of the adjusted cost base to the Holder of the Unit immediately before the disposition and any reasonable costs of the disposition. For the purpose of determining the adjusted cost base to a Holder of a Unit, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all Units held by the Holder as capital property immediately before that time. The cost of Units acquired by reinvestment of distributions pursuant to the DRIP will be the amount of such reinvestment, which cost will similarly be averaged with the adjusted cost base of all Units held by the Holder as capital property immediately before that time when determining the adjusted cost base to a Holder of a Unit. There will be no net increase or decrease in the adjusted cost base of all of the Holder's Units as a result of the receipt of bonus Units under the DRIP. However, the receipt of bonus Units will result in a per Unit reduction of the adjusted cost base of Units to the Holder.

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Holder will be included in the Holder's income for the taxation year of disposition. One-half of any capital loss so realized (an "allowable capital loss") must generally be deducted against taxable capital gains of the Holder for the year of disposition. Any excess of allowable capital losses over taxable capital gains of the Holder for the year of disposition may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years to the extent and in the circumstances prescribed in the Tax Act.

## **RISK FACTORS**

There are certain risks inherent in an investment in the Units as set out under "Eligibility for Investment" and "Canadian Federal Income Tax Considerations", as well as certain other legal matters and in the activities of CAPREIT which investors should carefully consider before investing in the Units. Reference is made to the section titled "Risk Factors" beginning at page 31 of the AIF and the section entitled "Risks and Uncertainties" in the MD&A, which are incorporated herein by reference, for a discussion of the risks inherent in an investment of the Units provided that, to the extent of any inconsistency between statements made in those documents and statements made in this prospectus, this prospectus shall govern.

## **LEGAL MATTERS AND INTEREST OF EXPERTS**

Legal matters in connection with the Offering of the Units under "Eligibility for Investment" and "Canadian Federal Income Tax Considerations" as well as certain other legal matters relating to the issue and sale of the Units will be passed upon on behalf of CAPREIT by Stikeman Elliott LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As at the date of this short form prospectus, the partners and associates of Stikeman Elliott LLP, as a group, and the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Units.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of CAPREIT, PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, are located at 18 York Street, Toronto, Ontario M5J 0B2.

The registrar and transfer agent for the Units is Computershare Trust Company of Canada at its principal office in Toronto.

## **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

**CERTIFICATE OF CAPREIT**

Dated: December 21, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**CANADIAN APARTMENT PROPERTIES REAL  
ESTATE INVESTMENT TRUST**

(Signed) MARK KENNEY  
President and Chief Operating Officer

(Signed) SCOTT CRYER  
Chief Financial Officer

On behalf of the Trustees

(Signed) MICHAEL STEIN  
Trustee

(Signed) HAROLD BURKE  
Trustee

## CERTIFICATE OF UNDERWRITERS

Dated: December 21, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

RBC DOMINION SECURITIES INC.

By: (Signed) Carolyn A. Blair  
Managing Director

CIBC WORLD MARKETS INC.

By: (Signed) Chris Bell  
Managing Director

SCOTIA CAPITAL INC.

By: (Signed) Bryce Stewart  
Managing Director

TD SECURITIES INC.

By: (Signed) Armen Farian  
Managing Director, Head of  
Real Estate Group

BMO NESBITT BURNS INC.

By: (Signed) David Goldstein  
Director

NATIONAL BANK FINANCIAL INC.

By: (Signed) Andrew Wallace  
Managing Director &  
Group Head, Real Estate

CANACCORD GENUITY CORP.

By: (Signed) Dan Sheremeto  
Managing Director

DESJARDINS SECURITIES INC.

By: (Signed) Mark Edwards  
Managing Director

RAYMOND JAMES LTD.

By: (Signed) Lucas Atkins  
Managing Director

GMP SECURITIES L.P.

By: (Signed) Paul Bissett  
Director, Investment  
Banking

INDUSTRIAL ALLIANCE SECURITIES INC.

By: (Signed) Dennis Kunde  
Managing Director, Investment  
Banking