



EUROPEAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST
(FORMERLY, EUROPEAN COMMERCIAL REAL ESTATE INVESTMENT TRUST)

ANNUAL INFORMATION FORM

For the year ended December 31, 2018

July 29, 2019

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GLOSSARY

The following terms used in this Annual Information Form have the meanings set forth below:

“**Acquisition**” has the meaning given to that term under the heading “Overview”;

“**Acquisition Agreement**” has the meaning given to that term under the heading “Overview”;

“**Acquisition Closing Date**” means March 29, 2019;

“**Acquisition Fee**” has the meaning given to that term under the subheading “Management of the REIT – Asset Management Agreement”;

“**Acquisition Properties**” has the meaning given to that term under the heading “Overview”;

“**Additional Netherlands Properties**” has the meaning given to that term under the heading “General Development of the Business”;

“**Additional Properties**” has the meaning given to that term under the heading “General Development of the Business”;

“**Affiliate**” has the meaning set out in NI 45-106;

“**AFFO**” has the meaning given to that term under the heading “Non-IFRS Measures”;

“**Amended Maple Knoll Management Agreement**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Amended Maple Knoll Management Agreement Initial Term**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Annual Asset Management Fee**” has the meaning given to that term under the subheading “Management of the REIT – Asset Management Agreement”;

“**Annual Commercial Asset Management Fee**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Asset Management Agreement**” has the meaning given to that term under the subheading “Management of the REIT – Asset Management Agreement”;

“**Arrangement**” means the arrangement under section 182 of the OBCA involving, among other things, the transfer by shareholders of all of the issued and outstanding Shares to the REIT or ECRE LP in exchange for either Units or Class B LP Units (and related ancillary rights), all as more particularly set forth in the Arrangement Agreement;

“**Arrangement Agreement**” means the arrangement agreement dated March 24, 2017, between the REIT, the REIT GP, ECRE LP and European Commercial Real Estate Limited, pursuant to which the parties agreed to implement the Arrangement;

“**Assumed Mortgages**” has the meaning given to that term under the subheading “Indebtedness of the REIT – Mortgages”;

“**Audit Committee**” means the audit committee of the Board;

“**Board**” or “**Board of Trustees**” means the board of trustees of the REIT;

“**Brussels Offering**” has the meaning given to that term under the heading “General Development of the Business”;

“**Brussels Private Placement**” has the meaning given to that term under the heading “General Development of the Business”;

“**Brussels Property**” means the property located at the address municipally known as 1 rue Adolphe Lavallée, 1080 Brussels, Belgium;

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, on which Canadian chartered banks are generally open in the City of Toronto in the Province of Ontario for the transaction of banking business;

“**CAPREIT**” means Canadian Apartment Properties Real Estate Investment Trust and its applicable Subsidiaries;

“**CAPREIT LP**” means CAPREIT Limited Partnership;

“**Capex Fee**” has the meaning given to that term under the subheading “Management of the REIT – Asset Management Agreement”;

“**CBCA**” means the *Canada Business Corporations Act*, as it may be amended from time to time, and the regulations promulgated thereunder;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CFA**” means a “controlled foreign affiliate” as defined in the Tax Act;

“**Chair**” means the chair of the Board of Trustees of the REIT;

“**Class A GP Units**” means the non-voting class A general partner units of ERES LP;

“**Class A LP Units**” means the voting class A limited partnership units of ERES LP;

“**Class B GP Units**” means the non-voting class B general partner units of ERES LP;

“**Class B LP Units**” means the non-voting class B limited partnership units of ERES LP, which are exchangeable for Units of the REIT pursuant to the terms of the ERES LP Agreement;

“**Class B Shares**” means the class B common shares of European Commercial Real Estate Limited;

“**Client**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Commercial Properties**” means collectively, the Düsseldorf Property, the Landshut Property and the Brussels Property;

“**Common Shares**” has the meaning given to that term under the heading “General Development of Business”;

“**CPC**” has the meaning given to that term under the heading “General Development of Business”;

“**CRA**” means the Canada Revenue Agency;

“**Declaration of Trust**” means the second amended and restated declaration of trust of the REIT made as of March 29, 2019, as it may be further amended, supplemented or amended and restated from time to time;

“**Demand Registration**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Demand Registration Right**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Disclosure Policy**” means the disclosure policy of the Board;

“**Disposition Fee**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“Distribution Date” means date on which the Trustees have determined that a distribution will be made by the REIT to the Unitholders;

“DPSP” means a “deferred profit sharing plan”, as defined in the Tax Act;

“DRIP” the unitholder distribution reinvestment plan of the REIT, as amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

“Düsseldorf Property” has the meaning given to that term under the heading “General Development of Business”;

“ERES LP” means ERES Limited Partnership, a limited partnership created under the laws of the Province of Ontario (formerly, ECRE Limited Partnership (“**ECRE LP**”));

“ERES LP Agreement” means the second amended and restated limited partnership agreement of ERES LP made as of March 29, 2019, between the REIT GP and the Euro GP, as general partners, the REIT and CAPREIT LP, as limited partners, and each person who is admitted to the partnership in accordance with the terms of the agreement, as the same may be further amended and/or restated from time to time, pursuant to which the rights and obligations of the general partner and the limited partner are set out;

“ERES LP Units” means the units issued under the ERES LP Agreement;

“Eligible Unitholder” has the meaning given to that term under the subheading “Distribution Policy – Distribution Reinvestment Plan”;

“Euro GP” has the meaning given to that term under the subheading “ERES LP – The General Partners”;

“Exchange Agreement” means the exchange agreement entered into on March 29, 2019, among the REIT, ERES LP, the REIT GP and each person who from time to time becomes or is deemed to become a party thereto by reason of his, her or its registered ownership of Class B LP Units, as the same may be amended, supplemented or restated from time to time, pursuant to which holders of Class B LP Units are granted the right to require the REIT to facilitate the exchange by ERES LP of each Class B LP Unit for one Unit, subject to customary anti-dilution adjustments, as provided for in the ERES LP Agreement;

“Excluded Issuances” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“Excluded Person” means a Person (A) that is: (i) a non-resident of Canada for the purposes of the Tax Act, (ii) exempt from tax on income under the Tax Act, or (iii) a partnership other than a “Canadian partnership” as defined in the Tax Act, or (B) that would acquire Class B LP Units as a “tax shelter investment” for the purposes of the Tax Act or an interest in which is a “tax shelter investment” for the purposes of the Tax Act;

“FAPI” means “foreign accrual property income” as defined in the Tax Act;

“Financing Fee” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“FFO” has the meaning given to that term under the heading “Non-IFRS Measures”;

“Foreign Subsidiaries” means the REIT’s non-Canadian Subsidiaries;

“GLA” means gross leasable area;

“GP Units” means the Class A GP Units and the Class B GP Units;

“Gross Book Value” means, at any time, the total assets of the REIT as shown in its then most recent consolidated balance sheet;

“HKCo” means ECRE Hong Kong Limited, a wholly-owned Subsidiary of ERES LP;

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Institute of Chartered Professional Accountants in Part I of The Canadian Institute of Chartered Professional Accountants Handbook —Accounting, as amended from time to time;

“**Indebtedness**” means (without duplication) on a consolidated basis:

- (a) any obligation of the REIT for borrowed money (other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility);
- (b) any obligation of the REIT (other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions;
- (c) any obligation of the REIT issued or assumed as the deferred purchase price of property;
- (d) any lease obligation of the REIT; and
- (e) any obligation of the type referred to in subsections (a) through (d) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable, other than such an obligation in connection with a property that has been disposed of by the REIT for which the purchaser has assumed such obligation and provided the REIT with an indemnity or similar arrangement therefor;

provided that (A) for the purposes of (a) through (e), an obligation (other than convertible debentures) will constitute Indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS, (B) obligations referred to in subsections (a) through (e) exclude trade accounts payables, security deposits, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, (C) convertible debentures will constitute Indebtedness to the extent of the principal amount thereof outstanding; and (D) Units and exchangeable securities, including Class B LP Units, will not constitute Indebtedness;

“**Independent Trustee**” has the meaning given to that term under the heading “Governance of the REIT”;

“**Investor Rights Agreement**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Landshut Offering**” has the meaning given to that term under the heading “General Development of the Business”;

“**Landshut Private Placement**” has the meaning given to that term under the heading “General Development of the Business”;

“**Landshut Property**” means the property located at the address municipally known as E.ON-Allee 1-5, Kiem-Pauli-Str. 2, 82152 Landshut, Germany;

“**LRE**” means “loss restriction event” as defined in the Tax Act;

“**Manager**” has the meaning given to that term under the subheading “Management of the REIT – Asset Management Agreement”;

“**Management Fee**” has the meaning given to that term under the subheading “Management of the REIT – Asset Management Agreement”;

“**Maple Knoll**” means Maple Knoll Capital Ltd.;

“**Monthly Limit**” has the meaning given to that term under the subheading “Declaration of Trust and Description of Capital Structure —Redemption Right”;

“**NCI system**” means the non-certificated inventory system of CDS;

“**NI 45-106**” means National Instrument 45-106 - *Prospectus Exemptions*;

“**NI 52-110**” means National Instrument 52-110 - *Audit Committees*;

“**NI 58-101**” has the meaning given to that term under the heading “Governance of the REIT”;

“**NOI**” has the meaning given to that term under the heading “Non-IFRS Measures”;

“**Netherlands Properties**” means collectively, the Acquisition Properties and the Additional Netherlands Properties;

“**Netherlands Transaction Circular**” means the management information circular of the REIT dated February 22, 2019, as supplemented on March 11, 2019;

“**Nominating Unitholder**” has the meaning given to that term under the subheading “Declaration of Trust and Description of Capital Structure -Advance Notice Provisions”;

“**Non-Resident**” means a person who is a “non-resident” within the meaning of the Tax Act or a partnership other than a Canadian partnership for the purposes of the Tax Act;

“**Notice Date**” has the meaning given to that term under the subheading “Declaration of Trust and Description of Capital Structure -Advance Notice Provisions”;

“**OBCA**” means the *Business Corporations Act* (Ontario), as it may be amended from time to time, and the regulations promulgated thereunder;

“**Opportunity**” has the meaning given to that term under the subheading “Management of the REIT – Asset Management Agreement – Right of First Opportunity”;

“**Person**” includes any individual, general partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, joint stock company, association, trust, trust company, bank, pension fund, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or other organization or entity, whether or not a legal entity, however designated or constituted;

“**Piggy-Back Units**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Piggy-Back Registration**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Pipeline Agreement**” means the pipeline agreement entered into between the REIT and CAPREIT LP on the Acquisition Closing Date, pursuant to which CAPREIT LP, for a period ending on March 29, 2021, will make up to €165 million (inclusive of Pipeline Acquisition Costs (as defined in the Pipeline Agreement)) available to acquire Pipeline Properties (as defined in the Pipeline Agreement) that comply with the REIT’s investment policy and do not contravene the investment policy or constating documents of CAPREIT or CAPREIT LP which the REIT wishes to purchase but is unable to do so;

“**Plans**” means RRSPs, RRIFFs, RESPs, RDSPs, DPSPs and TFSAs, and “**Plan**” means any of them;

“**Preferred Units**” means the preferred units of the REIT that may from time to time be created and issued in one or more classes with such rights, privileges, restrictions and conditions attaching to each such class and series as the Trustees may fix, and which shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units or Special Voting Units) and the distribution of assets of the REIT or return

of capital in the event of liquidation, dissolution or winding-up of the REIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of the REIT among its Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and Special Voting Units ranking by their terms junior to such preferred units.

“**Prior Maple Knoll Management Agreement**” means the amended and restated asset management agreement dated May 3, 2017, which was amended and replaced with the Amended Maple Knoll Management Agreement, pursuant to which Maple Knoll, the former asset manager of the REIT, acts as the asset manager to the REIT in respect of the REIT’s Commercial Properties;

“**Properties**” means collectively, the Düsseldorf Property, the Landshut Property, the Brussels Property and the Netherlands Properties;

“**Property Manager**” has the meaning given to that term under the subheading “Management of the REIT – Property Management Agreements”;

“**Property Management Agreements**” has the meaning given to that term under the subheading “Management of the REIT – Property Management Agreements”;

“**QT Private Placement**” has the meaning given to that term under the heading “General Development of the Business”;

“**RDSPs**” means “registered disability savings plans”, as defined in the Tax Act;

“**REALpac**” has the meaning given to that term under the heading “Non-IFRS Measures”;

“**Redemption Date**” has the meaning given to that term under the subheading “Declaration of Trust and Description of Capital Structure - Redemption Right”;

“**Redemption Price**” has the meaning given to that term under the subheading “Declaration of Trust and Description of Capital Structure - Redemption Right”;

“**REIT**” means European Residential Real Estate Investment Trust (formerly, European Commercial Real Estate Investment Trust);

“**REIT GP**” has the meaning given to that term under the subheading “ERES LP – The General Partners”;

“**RESPs**” means “registered education savings plans”, as defined in the Tax Act;

“**Revolving Credit Facility**” means the credit agreement dated July 8, 2019 between ERES LP, as borrower, the REIT, CAPREIT Limited Partnership, ERES General Partner Corp., and Euroliving GP Inc., as guarantors, each of the financial institutions and other entities from time to time parties thereto, as lenders, and two Canadian chartered banks, as co-lead arrangers and joint bookrunners;

“**RRIFs**” means “registered retirement income funds”, as defined in the Tax Act;

“**RRSPs**” means “registered retirement savings plans”, as defined in the Tax Act;

“**Securities Laws**” means all applicable securities laws in each of the provinces and territories of Canada and the respective regulations and rules under such laws together with applicable published policy statements, notices and blanket orders of the securities regulatory authorities in each of the provinces and territories of Canada;

“**SEDAR**” means the System for Electronic Documents Analysis and Retrieval;

“**Services**” has the meaning given to that term under the subheading “Management of the REIT – Services Agreement”;

“**Services Agreement**” has the meaning given to that term under the subheading “Management of the REIT – Services Agreement”;

“**SIFT**” means a specified investment flow-through trust or partnership for the purpose of the Tax Act;

“**SIFT Rules**” means the provisions of the Tax Act that apply to a SIFT and its investors, taking into account all proposed amendments to such rules;

“**Special Voting Units**” means non-participating special voting units of the REIT and, for greater certainty, does not mean Units, and “**Special Voting Unit**” means one of them;

“**Subsidiary**” has the meaning given to that term in NI 45-106;

“**Subsidiary Notes**” mean promissory notes of a Subsidiary of the REIT having a maturity date, determined at the time of issuance, of not more than five years, bearing interest at a market rate determined by the Trustees at the time of issuance;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time, and the Income Tax Regulations (Canada), as amended from time to time, as applicable;

“**TFSA**” means a “tax-free savings account”, as defined in the Tax Act;

“**Top-Up Right**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Top-Up Securities**” has the meaning given to that term under the subheading “Management of the REIT – Amended Maple Knoll Management Agreement”;

“**Transfer Agent**” means TSX Trust Company;

“**Trustee**” means a trustee of the REIT, and “**Trustees**” means all of the trustees of the REIT;

“**TSXV**” has the meaning given to that term under the heading “General Development of Business”;

“**Underwriting Fee**” has the meaning given to that term under the heading “General Development of the Business”;

“**Unit Option**” means a non-assignable, non-transferable and exercisable for a period of up to 10 years option to acquire a Unit at an exercise price to be determined pursuant to TSXV rules and the REIT’s amended and restated unit option plan dated March 29, 2019, providing for the issuance of Unit Options;

“**Units**” means trust units of the REIT, and, for greater certainty, does not mean Special Voting Units, and a “**Unit**” means to one of them;

“**Unitholders**” means holders of Units of the REIT;

“**Voting Unitholders**” means collectively, the Unitholders and the holders of Special Voting Units;

“**Voting Units**” means collectively, the Units and the Special Voting Units; and

“**Warehoused Properties**” has the meaning given to that term under the heading “General Development of the Business”.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking information. Statements other than statements of historical fact contained in this Annual Information Form may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intent”, “estimate”, “anticipate”, “believe”, “should”, “plan”, “predict”, “potential”, “could”, “likely”,

“approximately”, “schedule”, “forecast”, “variation” or “continue”, or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the REIT’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the REIT’s plans and objectives of the REIT’s Board of Trustees, or estimates or predictions of actions of tenants, suppliers, competitors or regulatory authorities and statements regarding the REIT’s future economic performance. The REIT has based these forward-looking statements on its current expectations about future events relating to the REIT. Some of the specific forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to: (i) the intention to grow the business and operations of the REIT; (ii) the REIT’s intention to provide stable, sustainable and growing cash flows through investments in multi-residential real estate in Europe and the REIT’s other stated objectives; (iii) the REIT’s capital expenditure requirements; (iv) the intention to distribute available cash to securityholders and the amount of distributions to be paid by the REIT, including the REIT’s intentions to make monthly cash distributions to Unitholders commencing with the first monthly cash distribution in respect of July 2019; (v) the REIT’s ability to execute its business and growth strategies with CAPREIT’s assistance where applicable, including by making additional acquisitions of properties in Europe when appropriate; (vi) forecast gross income figures or data derived from the REIT’s financial forecast relating to individual properties or geography; (vii) the expected tax treatment of the REIT’s distributions to Unitholders; and (viii) the REIT’s access to available sources of debt and equity financing.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although the REIT believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this Annual Information Form as well as the following: (i) the REIT will receive financing on acceptable terms; (ii) the REIT’s future level of Indebtedness and its future growth potential will remain consistent with its current expectations; (iii) there will be no changes to tax laws adversely affecting the REIT’s financing capability, operations, activities, structure or distributions; (iv) the REIT and CAPREIT will retain and continue to attract qualified and knowledgeable personnel as the REIT expands its portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on the REIT’s operations, including its financing capability and asset value, will remain consistent with the current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting the REIT’s operations; (vii) the ability of the REIT to collect rent from its tenants; (viii) the continuing concentration of the REIT’s tenants; (ix) the fulfillment by tenants of their lease responsibilities as well as their capital expenditures and environmental remediation responsibilities; (x) the level of activity in the multi-residential and commercial real estate markets in Europe; (xi) the state of the real estate industry generally (including property ownership and tenant risks, liquidity of real estate investments, competition, government regulation, environmental matters, and fixed costs, recent market volatility and increased expenses) and the economy generally; (xii) conditions in European real estate markets, including competition for acquisitions, will be consistent with the current climate; (xiii) there will be no material change in currency exchange rates; (xiv) capital markets will provide the REIT with readily available access to equity and/or debt financing; and (xv) that CAPREIT will continue its involvement with the REIT on the basis described in this Annual Information Form.

Although management of the REIT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information in this Annual Information Form, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that the forward-looking statements and information in this Annual Information Form will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements and information. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. Except as required by applicable law, the REIT disclaims any intention or obligation to update or revise any of the forward-looking statements or forward-looking information in this Annual

Information Form, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements and information. All of the forward-looking statements made, and forward-looking information contained, in this Annual Information Form is qualified by these cautionary statements.

Additional factors are noted under “Risk Factors” in this Annual Information Form, under “Risk Factors” in the REIT’s management information circular dated April 23, 2019 and under “Financial Instruments and Risks and Uncertainties” in the management’s discussion and analysis of the REIT for the year ended December 31, 2018.

MEANING OF CERTAIN REFERENCES

Certain financial information contained in this Annual Information Form is disclosed in Euros. In this Annual Information Form, references to “\$”, “C\$” “dollars” or “Canadian dollars” are to Canadian dollars and references to “€” or “Euros” are to Euros. Amounts are stated in Canadian dollars unless otherwise indicated.

The following table sets forth, for the period indicated, the high, low, average and period-end rates of exchange for €1.00, expressed in Canadian dollars, published by the Bank of Canada:

| | <u>Year ended December 31, 2018</u> |
|--------------------------------|-------------------------------------|
| Highest rate during the period | 1.6124 |
| Lowest rate during the period | 1.4791 |
| Average rate during the period | 1.5302 |
| Rate at the end of the period | 1.5613 |

Notes:

(1) Determined by averaging the exchange rate on each Business Day during the respective period.

Unless the context otherwise requires, in this Annual Information Form, all references to (i) the “REIT” refer to European Residential Real Estate Investment Trust and its Subsidiaries, on a consolidated basis, and in the case of references to matters undertaken by a predecessor in interest to the REIT or its Subsidiaries, include each such predecessor in interest; and (ii) “CAPREIT” refer to Canadian Apartment Properties Real Estate Investment Trust and its applicable Subsidiaries, on a consolidated basis, and in the case of references to matters undertaken by a predecessor in interest to CAPREIT or its applicable Subsidiaries, include each such predecessor in interest.

NON-IFRS MEASURES

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and net operating income (“NOI”) are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of performance for real estate businesses.

The REIT believes that AFFO is an important measure of economic performance, while FFO is an important measure of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO and AFFO is net income.

“FFO” is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. “AFFO” is a supplemental measure which adjusts FFO for costs associated with capital expenditures, leasing costs, and tenant improvements. FFO and AFFO as presented are in accordance with the recommendations of the Real Property Association of Canada (“REALpac”) as published in its white paper in February 2019 with the exception of certain adjustments which are: (i) property management company net losses, (ii) interest on related party loans and (iii) general and administrative expenses related to structuring. Adjustments (i) and (ii) relate to the Acquisition, and due to the reverse acquisition accounting rules show its historic financial statements as if ERES had owned the property manager and certain CAPREIT intercompany loans. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

“NOI” is defined as property revenue, less property operating expenses. NOI is a widely used operating performance indicator in the real estate industry and is presented in the consolidated statements of income (loss) and comprehensive

income (loss) as net rental income. Management has chosen to refer to net rental income as NOI in all instances in this Annual Information Form.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities, determined in accordance with IFRS, as indicators of the REIT's performance. The REIT's method of calculating FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers. See "Non-IFRS Reconciliation" in the MD&A of the REIT for the three months and year ended December 31, 2018 for a reconciliation of FFO and AFFO to net income.

OVERVIEW

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The head and registered office address of the REIT is 11 Church Street, Suite 401, Toronto, Ontario.

On March 29, 2019, pursuant to a securities purchase agreement dated December 10, 2018 (the "**Acquisition Agreement**"), the REIT indirectly acquired a portfolio of 41 multi-residential properties from CAPREIT containing 2,091 residential suites and certain additional ancillary commercial space and parking facilities (the "**Acquisition Properties**"), located in the Netherlands (the "**Acquisition**") for an aggregate purchase price of approximately €22 million, subject to certain purchase price adjustments. The purchase price was satisfied by a combination of: (i) approximately €17 million, by the issuance of 81,641,210 Class B LP Units to CAPREIT at \$4.00 per Class B LP Unit; and (ii) the assumption of approximately €04 million (based on the Euro / Canadian dollar exchange rate of 1.502) aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties. In addition, on April 24, 2019, in connection with the Acquisition, Unitholders and holders of Class B LP Units (other than CAPREIT) of record on April 5, 2019 received a one-time special distribution of \$0.50 per Unit funded by CAPREIT.

The Acquisition marked a dynamic transformation for the REIT, providing immediate scale and shifting its strategic focus from European commercial properties to European multi-residential assets. Upon completion of the Acquisition, the REIT's total assets increased from approximately €7 million to approximately €40 million in value, consisting of the Acquisition Properties and approximately 400,000 square feet of gross leasable office area in the Commercial Properties that the REIT currently owns. Additionally, the Acquisition provided the REIT with a well-capitalized, institutional-quality majority Unitholder in CAPREIT that will support the REIT's growth initiatives and will act as the external asset and portfolio manager for the REIT and certain of its Subsidiaries.

On April 22, 2019, the REIT announced that, pursuant to the terms of the previously approved Pipeline Agreement, it had agreed to indirectly acquire from CAPREIT LP, or one or more Subsidiaries thereof, (i) 26 properties (the "**Warehoused Properties**"), representing an aggregate of 1,257 residential suites and certain additional ancillary commercial space and parking facilities, located in 24 cities and towns across the Netherlands and (ii) 21 properties (the "**Additional Properties**" and together with the Warehoused Properties, the "**Additional Netherlands Properties**") comprised of 511 residential suites in six locations in the Netherlands.

The aggregate purchase price for the Additional Netherlands Properties was approximately €30 million, subject to certain purchase price adjustments and transaction costs, which reflects an approximately 3.8% forward capitalization rate. The purchase price for the Warehoused Properties of approximately €23 million, subject to certain post-closing purchase price adjustments, was satisfied by a combination of: (i) the assumption of approximately €7 million aggregate principal amount of existing mortgage debt net of financing fees associated with the Warehoused Properties, bearing a weighted average 1.98% fixed interest rate and a weighted average 6.6 year term to maturity; and (ii) the issuance of 50,923,212 Class B LP Units at a price of \$4.00 per Class B LP Unit. The purchase price for the Additional Properties of approximately €8 million, subject to certain purchase price adjustments and transaction costs, which was an aggregate of the Pipeline Acquisition Costs (as defined in the Pipeline Agreement) related to the Additional Properties, was satisfied by a combination of (i) approximately €0 million of new mortgage debt on the Additional Properties, bearing a 0.97% fixed interest rate and a 4 year term to maturity; (ii) a €2.5 million draw on the Revolving Credit Facility; and (iii) the issuance of 8,339,260 Class B LP Units at a price of \$4.00 per Class B LP Unit. Based on an independent appraisal dated April 1, 2019, the market values of the Warehoused Properties and Additional Properties as at March 31, 2019 were approximately €236.8 million and €8.6 million, respectively.

In connection with the acquisitions of the Acquisition Properties, the REIT assumed certain mortgage debt and liabilities associated with the Acquisition Properties, that have a weighted average interest rate of 1.87% and an expected weighted average term to maturity of approximately 5.06 years as at March 31, 2019. As at July 29, 2019, the Acquisition Properties have an occupancy rate of approximately 98%.

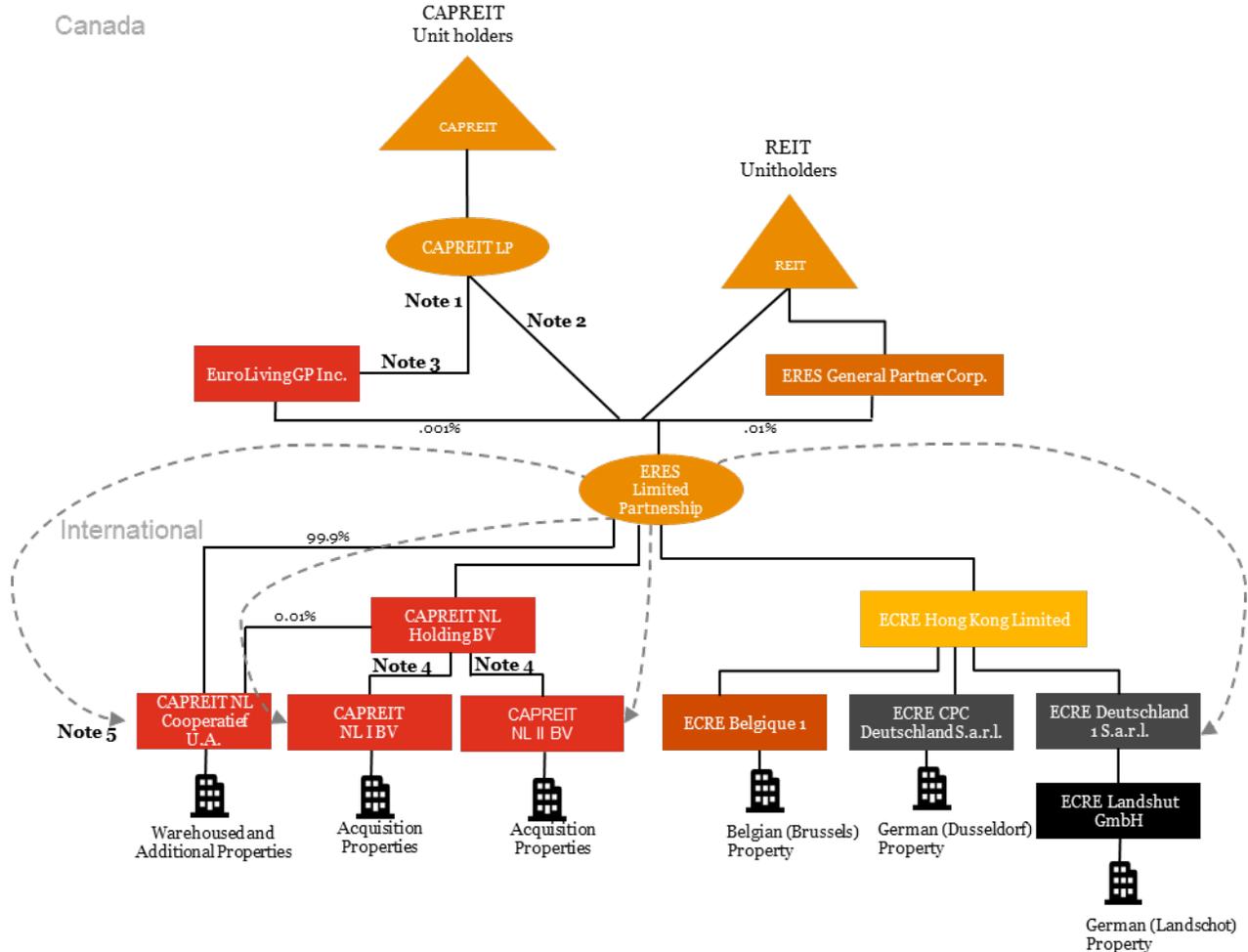
The REIT and CAPREIT completed the acquisitions of the Warehoused Properties and the Additional Properties on May 31, 2019 and June 30, 2019, respectively. Following completion of the acquisitions of the Additional Netherlands Properties, CAPREIT owns 140,903,682 Class B LP Units that, if exchanged for Units, would represent 89% of the issued and outstanding Units.

CAPREIT currently owns 57,475 residential units, comprising 45,798 residential suites and 72 manufactured home communities comprising 11,677 sites located in and near major urban centres across Canada and has an established European-based property management platform.

CAPREIT's proven multi-residential acquisition and property management expertise will enable the REIT to significantly expand its European multi-residential business, with an initial focus on the Netherlands. See "General Developments of the Business – Netherlands Acquisition".

Organizational Structure

The following chart summarizes the current organizational structure of the REIT:



Notes:

- (1) Asset and property management services provided to the REIT and its subsidiaries by CanLiving B.V. (not shown), a Dutch entity jointly held by CAPREIT LP and CAPREIT GP.
- (2) CAPREIT LP owns Class B LP Units that are exchangeable for units of the REIT.
- (3) CAPREIT GP (not shown) is the general partner of CAPREIT LP; the Euro GP is directly held by a Stichting Administratiekantoor (not shown) formed under the laws of the Netherlands.
- (4) CAPREIT NL I B.V. and CAPREIT NL II B.V. are the indirect holders of the Acquisition Properties.
- (5) ERES LP owns interest in multiple Dutch Cooperatief entities presented as one for purposes of the above illustration.
- (6) Dotted lines represent interest-bearing loans from ERES LP.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Prior to its reorganization as a real estate investment trust, the REIT was known as European Commercial Real Estate Limited, a capital pool company (“**CPC**”), as defined in Policy 2.4 - *Capital Pool Companies* of the TSX Venture Exchange (the “**TSXV**”), the principal business of which was the identification and evaluation of assets or businesses for the purpose of completing a qualifying transaction. European Commercial Real Estate Limited was incorporated under the *Business Corporations Act* (Ontario) on July 25, 2016. On October 7, 2016, European Commercial Real Estate Limited’s common shares (the “**Common Shares**”) were listed for trading on the TSXV as a CPC. European Commercial Real Estate Limited ceased to be a CPC upon the completion of its “qualifying transaction”, as defined in Policy 2.4 - *Capital Pool Companies* of the TSXV on January 31, 2017, pursuant to which it acquired a commercial office property in Düsseldorf, Germany (the “**Düsseldorf Property**”), from an arm’s length party, for an aggregate purchase price of €1 million, subject to certain post-closing adjustments and excluding transaction costs. The acquisition was funded by an acquisition deposit provided by European Commercial Real Estate Limited upon execution of the acquisition agreement and a new €7,500,000 mortgage provided by a German bank, with the remainder of the purchase price settled in cash, including funds raised pursuant to the QT Private Placement, net of closing adjustments. The acquisition of the Düsseldorf Property was approved by the TSXV as European Commercial Real Estate Limited’s qualifying transaction and was the subject of a business acquisition report dated March 21, 2017 available under the REIT’s SEDAR profile at www.sedar.com.

Concurrently with the acquisition of the Düsseldorf Property, European Commercial Real Estate Limited issued an aggregate of 31 million Common Shares to accredited investors as well as directors and officers of European Commercial Real Estate Limited on a private placement basis at a price of \$0.10 per Common Share for total proceeds of \$3,100,000 (the “**QT Private Placement**”). The proceeds of the QT Private Placement were used to fund a portion of the purchase price for the Düsseldorf Property.

The REIT was established on February 15, 2017 by European Commercial Real Estate Limited as the REIT’s initial Unitholder. The REIT entered into the Arrangement Agreement, pursuant to which the parties agreed to implement the Arrangement, whereby, among other things, the shareholders of European Commercial Real Estate Limited would become the Unitholders of the REIT (and/or, in the case of the certain electing shareholders, holders of class B limited partnership units of ECRE LP) and would no longer own shares of European Commercial Real Estate Limited.

On May 1, 2017, holders of Common Shares voted to approve the Arrangement providing for the conversion of European Commercial Real Estate Limited into the REIT, which became effective on May 3, 2017. In accordance with the Arrangement, (i) all Common Shares were consolidated based on a ratio of one Common Share for every 31.25 Common Shares held and (ii) all outstanding class B common shares of European Commercial Real Estate Limited (the “**Class B Shares**”) were transferred to ECRE LP in exchange for Units and/or for class B limited partnership units of ECRE LP, as applicable, in each case, at an exchange ratio of one to one. Holders of class B limited partnership units of ECRE LP also received Special Voting Units of the REIT that entitled the holder to one vote at meetings of holders of Units of the REIT. The REIT became the continuing reporting issuer under Canadian securities laws and its Units remained listed on the TSXV under the symbol “ERE.UN”.

On May 3, 2017, and immediately prior to the effective date of the Arrangement, European Commercial Real Estate Limited completed a prospectus offering (the “**Landshut Offering**”) of 6 million Class B Shares at a price of \$5.00 per Class B Share. Concurrently with the Landshut Offering, European Commercial Real Estate Limited also issued, on a private placement basis, an additional 140,000 Class B Shares at a price of \$5.00 per Class B Share to certain exempt purchasers (the “**Landshut Private Placement**”). Total proceeds of the Landshut Offering were \$30,700,000.

On May 11, 2017, the REIT completed the purchase of a commercial office property in Landshut, Germany (the “**Landshut Property**”), part of the greater Munich metropolitan region, for approximately €29,409,759 from an arm’s length party, subject to certain post-closing adjustments and excluding transaction costs. The acquisition was financed by the proceeds of the Landshut Offering and the Landshut Private Placement as well as a new approximately €18 million seven-year secured mortgage from a German bank. The acquisition of the Landshut Property was the subject of a business acquisition report dated June 26, 2017 available under the REIT’s SEDAR profile at www.sedar.com.

On July 26, 2017, the REIT completed a prospectus offering (the “**Brussels Offering**”) of 7,430,500 Units at a price of \$4.50 per Unit. Concurrently with the Brussels Offering, the REIT also issued, on a private placement basis, an additional 347,500 Units at a price of \$4.50 per Unit to certain Trustees and officers of the REIT (the “**Brussels Private Placement**”), resulting in total capital raised of \$35,001,000.

On August 17, 2017, the REIT completed the purchase of a commercial office property in Brussels, Belgium (the “**Brussels Property**”) for a purchase price of €40,703,000 from an arm’s length party, subject to certain post-closing adjustments and excluding transaction costs. The acquisition was financed by the proceeds of the Brussels Offering and the Brussels Private Placement as well as a new approximately €25,500,000 seven-and-a-half-year secured mortgage from a German bank.

Netherlands Acquisition

On March 29, 2019, the REIT indirectly acquired the Acquisition Properties from CAPREIT for an aggregate purchase price of approximately €422 million, subject to certain purchase price adjustments, satisfied by a combination of: (i) the assumption of approximately €204 million (based on the Canadian / Euro dollar exchange rate of 1.502) aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties; and (ii) approximately €217 million, by the issuance of 81,641,210 Class B LP Units to CAPREIT at \$4.00 per Class B LP Unit. Additionally, pursuant to the Asset Management Agreement, the Manager assumed the role of asset manager of the REIT. The REIT also entered into new property management agreements with CAPREIT. See “Governance of the REIT”.

As part of the Acquisition, the REIT shifted its strategic focus to European multi-residential assets and changed its name to reflect this change in strategy. Additionally, upon closing of the Acquisition, the Prior Maple Knoll Management Agreement was amended and replaced with the Amended Maple Knoll Management Agreement, pursuant to which Maple Knoll, the former asset manager of the REIT, acts as the asset manager in respect of the REIT’s Commercial Properties.

The Acquisition was approved by Unitholders, among other things, at a special meeting of Unitholders on March 21, 2019.

Pipeline Acquisitions

Under the terms of the Pipeline Agreement, CAPREIT LP exercised its right to require the REIT (or an affiliate thereof) to acquire, directly or indirectly, through the purchase of a Pipeline Property, an Other Suitable Property or Pipeline SPV Shares (as each term is defined in the Pipeline Agreement) at (i) with respect to the Warehouse Properties, the Pipeline Acquisition Costs (as defined in the Pipeline Agreement) of the Warehoused Properties and (ii) with respect to the Additional Properties, the Pipeline Acquisition Costs (as defined in the Pipeline Agreement) of the Additional Properties plus an underwriting fee of 1% of the purchase price of the Additional Properties by CAPREIT LP or its Subsidiaries (the “**Underwriting Fee**”). No Underwriting Fee was paid to CAPREIT LP or its Subsidiaries in connection with the acquisition of the Warehouse Properties.

On April 22, 2019, the REIT announced that, pursuant to the terms of the previously approved Pipeline Agreement, it had agreed to acquire from CAPREIT LP, or from one or more Subsidiaries thereof, (i) the Warehoused Properties, consisting of 26 properties representing an aggregate of 1,257 residential suites and certain additional ancillary commercial space and parking facilities, located in 24 cities and towns across the Netherlands and (ii) the Additional Properties, consisting of 21 properties comprised of 511 residential suites in six locations in the Netherlands.

The REIT and CAPREIT completed the acquisitions of the Warehoused Properties and the Additional Properties on May 31, 2019 and June 30, 2019, respectively. Following completion of the acquisitions of the Additional Netherlands Properties, CAPREIT owns 140,903,682 Class B LP Units that, if exchanged for Units, would represent approximately 89% of the issued and outstanding Units.

The purchase price for the Warehoused Properties of approximately €231 million, subject to certain post-closing purchase price adjustments, was satisfied by a combination of: (i) the assumption of approximately €97 million aggregate principal amount of existing mortgage debt net of financing fees associated with the Warehoused Properties,

bearing a weighted average 1.98% fixed interest rate and a weighted average 6.6 year term to maturity; and (ii) the issuance of 50,923,212 Class B LP Units at a price of \$4.00 per Class B LP Unit.

The purchase price for the Additional Properties of approximately €98 million, subject to certain purchase price adjustments, which was an aggregate of the Pipeline Acquisition Costs (as defined in the Pipeline Agreement) related to the Additional Properties, was satisfied by a combination of (i) approximately €60 million of new mortgage debt on the Additional Properties, bearing a 0.97% fixed interest rate and a 4 year term to maturity; (ii) a €2.5 million draw on the Revolving Credit Facility; and (iii) the issuance of 8,339,260 Class B LP Units at a price of \$4.00 per Class B LP Unit.

BUSINESS OF THE REIT

Strategy

The REIT's business is primarily focused on the ownership of and investment in multi-residential real estate properties in Europe. It currently indirectly owns and operates 88 multi-residential properties and certain additional ancillary commercial space and parking facilities throughout the Netherlands, comprised of 3,859 residential suites, two commercial properties located in Germany and one commercial property located in Belgium. The REIT's strategy is focused on providing investors with an opportunity to gain direct exposure to the European multi-residential real estate sector, with a current focus on the Netherlands, while also benefiting from CAPREIT's proven investment track record and operational expertise.

Competition

In each jurisdiction in which the REIT expects to do business, there may be a significant number of other real estate companies, pension funds, insurance companies, foreign entities, private individuals and corporations and similar institutions and investors that are presently seeking, or that may seek in the future, real property investments. In particular, there may be larger and similar-sized publicly traded real estate investment trusts that will compete with the REIT for future acquisition opportunities in one or more of the real estate asset classes that the REIT invests in. Further, new real estate investment trusts entering the marketplace may be potential sources of new competition for the REIT. To the extent the REIT may have a competitive advantage in any European marketplace, it arises from the network of real estate brokers, owners and operators maintained by the REIT and its asset managers, which the REIT and its asset managers expect will result in investment opportunities being presented to the REIT and its asset managers on a regular basis. The REIT also intends to leverage and benefit from CAPREIT's experience of successfully managing properties in the Netherlands.

INDUSTRY OVERVIEW

Market Opportunity

The REIT's strategy is focused on providing investors with an opportunity to gain direct exposure to the European multi-residential real estate sector with a current focus on the Netherlands, while also benefiting from CAPREIT's proven investment track record and operational expertise. Management believes that the multi-residential sector offers superior risk-adjusted returns compared to other real estate asset classes. The REIT is the only Canadian real estate investment trust presently focused on the European multi-residential sector.

Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate and infrastructure sectors. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Management believes that the REIT will provide a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done, by investing in an entity that will pursue investment opportunities in non-Canadian residential real estate.

Management believes that certain characteristics of and trends in the European, and in particular the Netherlands', multi-residential sector suggest that this market offers an attractive investment alternative for investors. These

characteristics and trends include, but are not limited to: (i) favourable supply and demand fundamentals driven by structural supply shortages; (ii) compelling population, demographic and job growth, particularly in the major Netherlands markets where the REIT's properties are located; (iii) larger spread between capitalization rates and debt financing rates than in Canada, driven by the willingness of European banks to finance European residential investments; and (iv) a regulatory framework related to the rental market in the Netherlands that is expected to result in numerous acquisition opportunities including deregulated, or soon to be deregulated, residential units. Together, these factors suggest that multi-residential assets, and in particular those located in the REIT's key target markets of the Netherlands, Germany, France and Belgium, may experience stronger cash flow growth and property value appreciation in the near-term relative to Canadian multi-residential assets.

The REIT intends to leverage management's and CAPREIT's longstanding relationships, experience, operating platform and track record in identifying and acquiring multi-residential assets in Europe. By doing so, the REIT can create value and maximize asset performance to deliver stable, attractive returns to investors. In addition, management expects to grow rental revenues organically in the Netherlands through value-added capex and "liberalizing" residential units, and by making acquisitions that are accretive to the REIT's AFFO per Unit. Moreover, the REIT will have the sponsorship and asset management and property management expertise of CAPREIT through each of the Pipeline Agreement, the Asset Management Agreement and the Property Management Agreement to further accelerate growth.

Netherlands Economic Overview

The Netherlands is the sixth largest economic region in the Eurozone and the fifth largest exporter of goods. The country is open to trade and the global economy. In recent years, the Dutch economy has become a growth leader among other European countries. Following strong real GDP growth of 2.9% in 2017, the Dutch economy continued its expansion at a fast pace of 2.8% in 2018. The Netherlands' solid housing and labour markets are the main driving forces behind this strong growth.

Economic Indicators

| | 2017 | 2018 | 2019 |
|-------------------------------|------|------|------|
| GDP Growth (%) | 2.9 | 2.8 | 2.6 |
| Unemployment Rate (%) | 4.9 | 3.9 | 3.5 |
| Inflation (%) | 1.3 | 1.6 | 2.5 |
| Purchasing Power (%) | 0.3 | 0.4 | 1.5 |
| Budget Surplus (in % of GDP) | 1.2 | 0.9 | 1.0 |
| Government Debt (in % of GDP) | 57 | 53 | 49 |

Source: CPB Netherlands Bureau for Economic Policy Analysis.

The Netherlands is recognized globally as a fiscally stable, open and competitive market, and it is one of only 10 countries with AAA ratings from all three major credit rating agencies. Primary surpluses, together with robust economic growth and divestment of financial assets accumulated after the global financial crisis, are expected to keep the debt burden declining. In 2018, the Netherlands' debt-to-GDP ratio fell to 53% from 57% in 2017 and it is expected to further decrease to 49% in 2019, well below the 60% threshold set by the EU as an objective for its member countries.

The Netherlands possesses a high income per capita, which is relatively evenly distributed. The Dutch GDP per capita is above the EU average and was estimated at US\$52,503 in 2017 according to the World Bank. Approximately 81.5% of the Dutch labour force works in the service sector, approximately 16.4% in the industry sector and approximately 2.2% in the agricultural sector. In December 2018, the unemployment rate in the Netherlands was 3.9%, as reported by CPB Netherlands Bureau for Economic Policy Analysis.

Breakdown of Economic Activity by Sector

| | Agriculture | Industry | Services |
|---|-------------|----------|----------|
| Employment by Sector (in % of Total Employment) | 2.2 | 16.4 | 81.5 |
| Value Added (in % of GDP) | 1.9 | 17.5 | 70.4 |
| Value Added (Annual % Change) | 0.5 | 3.1 | 3.3 |

Source: World Bank.

According to the World Bank's 2017 statistics, the Netherlands is the 22nd most densely populated country or territory in the world and the most densely populated country in Europe with over 17 million people. A significant portion of the population resides in an urban area called the Randstad, which comprises of Amsterdam, Rotterdam, The Hague, Utrecht and several smaller cities. The Randstad is one of the most densely populated areas in the OECD and has developed into an advanced urban economy with many leading sectors, such as logistics, horticulture and financial services.

The Netherlands' location in central Europe facilitates access to a network of major European cities and has been a factor in strengthening the Netherlands' free trade relationships with its fellow EU members and foreign trading partners. The Netherlands is a key center within the global business network with an advanced infrastructure geared towards the transportation of goods, people and electronic data. The country's core distribution points include Rotterdam, Europe's largest port, and Amsterdam's Schiphol Airport, the fourth largest airport in Europe. Despite the Netherlands' small geographic footprint, over 170 million consumers (roughly one-third of the population of the expanded EU of 28 Member States) reside within a 300-mile radius of Rotterdam.

Multi-Residential Real Estate Market Characteristics

Multi-residential properties differ from commercial real estate investments because of the short-term nature of the leases, the larger number of individual leases and the fact that the leases are for households and not business. These characteristics are desirable to real estate investors in the following ways:

- Multi-residential leases generally have one-year terms, providing landlords with the ability to increase rents more frequently than commercial leases and offering inherently greater potential for continued revenue growth;
- Cash flow from each property is generated from a diverse group of numerous tenants, limiting the negative impact of losing any single tenant;
- Rental income is index linked, protecting property owners against inflation;
- Provides leverage to favourable demographic trends such as decreasing family sizes and population growth;
- Demand for multi-residential rental accommodation is more stable than the commercial rental marketplace, reflecting demographic trends and the need for housing, unlike its commercial counterpart which is governed to a greater extent by economic business cycles; and
- Improvement costs necessary to attract and retain tenants are generally lower and more predictable than in the case of commercial tenants.

The Netherlands' Housing Market

The housing market in the Netherlands is characterized as being landlord-friendly and consists of approximately 7.7 million homes. Approximately 57% of homes in the Netherlands are owner-occupied with the remaining 43% of the homes in the rental segment. The Netherlands' rental segment has historically been highly fragmented and non-

institutionalized as private investors comprise the majority of commercial landlords. The rental segment is further divided into regulated and unregulated segments.

The Netherlands' Multi-Residential Sector Dynamics

The Netherlands' multi-residential market has been a strong performing asset class and the REIT expects this trend to persist. Strong market fundamentals and favourable demographic trends support continued growth for the Netherlands' multi-residential industry. Among these trends are: (i) strong population and economic growth; (ii) an insufficient supply of new multi-residential housing required to meet projected demand; and (iii) consistent rental rate growth. Management expects these factors will contribute to a favourable investment landscape in the Netherlands' multi-residential market, which, in turn, will support the REIT's growth prospects.

The Netherlands' Rental Market

The Netherlands has a distinctive rental housing market as compared with other major western and central European countries. The vast majority of the housing stock in the Netherlands consists of owner-occupied homes and social homes for rent, with housing associations being the largest owners of social housing. In 2015, private rentals accounted for approximately 13.7% of the residential stock compared with social housing accounting for approximately 30.2%. By contrast, the share of the private rentals sector in France and Germany is 24% and 54%, respectively. (Source: BPD Europe).

The Netherlands' Regulated Rental Market

The regulated segment of the Dutch housing market is by far the largest part of the rental market, where private, not-for-profit enterprises called "housing associations" are the largest investors. While various housing associations expanded their activities to include investments in non-regulated rental homes and owner-occupied homes over the past decade, the federal government amended the regulation regime through which their activities outside of the regulated segment have been restricted. Following the implementation of the *2015 Housing Act*, housing associations have been restricted from investing in non-regulated rental homes and owner-occupied homes and are exclusively focused on providing housing to low income individuals. As a result, many housing associations which currently own dwellings eligible for unregulated rents (or regulated dwellings on the path to convert to unregulated) are expected to sell their dwellings to private investors in the near term. Management believes the acquisition of these properties represents a compelling investment opportunity as private ownership would permit the unregulated increase of rents.

In the Netherlands, rental properties fall under the "Housing Evaluation System", which determines whether a suite is classified as a "Liberalized Suite" (geliberaliseerde huurwoningen) or a "Regulated Suite" (sociale huurwoningen). Regulated Suites are subject to rent control, limiting the amount of rent that can be charged, as well as limiting the amount of annual rent increases. The classification of a suite as either a Regulated Suite or a Liberalized Suite is based on the "Point" System.

The Housing Evaluation System assigns "Points" to each rental suite, based on a Home Valuation System. Various factors are considered in determining the amount of "Points" allocated to each suite. The factors that are evaluated to determine the number of "Points" allocated to each suite include suite size, suite value, energy efficiency, number of bathrooms, appliances in the kitchen, renovations completed, and various other measures. Landlords can execute upgrades in a suite to increase the amount of "Points" associated with the suite.

The current (as at June 30, 2019) rental control ceiling is €15.92. If a suite is allocated 141 points (or less), then the current maximum starting rent is €15.92, as a result of which it would be considered a Regulated Suite, and would be subject to rent control. As a result, if a suite has 142 points (or more) and its commencement rent is over €21.24, such suite would be considered a "Liberalized Suite". The number of "Points" associated with a Regulated Suite would determine the maximum rent that can be charged. The maximum rent for each "Point" level is generally increased annually by CPI, which the landlord can realize through annual rent increases charged to the tenant. In suites where the rent is below the maximum rent, the landlord can increase the existing rent by up to a maximum set annually and dependent on tenant income level.

The number of “Points” assigned to a Regulated Suite can also increase while a tenant is living in the suite (for example if the landlord upgrades the tenant’s appliances), which would increase the maximum rent that can be charged for that suite. At the next annual rent increase, the maximum rent associated with the suite would increase based on the new amount of “Points” associated, and the landlord would be able to charge a larger increase (set annually) to catch up to the new maximum rent.

For example, a suite that is allocated 140 “Points” would currently be able to charge a maximum rent of €10.55 per month. This maximum rent of €10.55 per month is expected to increase by CPI next year, which can be passed to the tenant. If the suite were to have its “Points” increased to 142, then the next annual increase would include CPI plus the rent increase associated with the 2 “Point” increase, subject to the maximum annual catch up limit set annually under the regulations.

In-place regulated rental contracts cannot be converted to unregulated contracts during a tenant’s lease. Conversions from regulated to deregulated can only occur upon tenant turnover. However, by adding “Points” to a dwelling through value-add capex spending, the dwelling can become eligible for an unregulated contract upon tenant turnover.

The Netherlands’ Unregulated Rental Market

If a suite is allocated 142 “Points” (as at July 2019) or more and has a starting rent above €15.92, it would be considered a Liberalized Suite, and would not be subject to the rent control, as described above. A Liberalized Suite would have no restriction on the initial rent that can be charged, and would have no legal restriction on the amount of rent increases that can be charged. Market practice for rental contracts for Liberalized Suites is to include a rental increase limitation of CPI + X% per year.

Properties can only convert from Regulated Suites to Liberalized Suites on turnover. On turnover, the owner has the opportunity to assess the required investment of increasing the “Points” to 142 (as at July 2019) or higher, and compare the cost of the investment to the benefits described above. In some instances, there are Regulated Suites that already have more than 141 “Points” (as at July 2019) that will instantly convert to Liberalized Suites when a tenant turns over.

With CAPREIT’s proven management platform, the Regulated Suites in the Netherlands Properties are expected to be repositioned on an ongoing basis to take advantage of the market conditions and liberalization opportunities, enabling the REIT to achieve strong, long-term rental revenue growth.

THE NETHERLANDS PROPERTIES

Overview

On March 29, 2019, pursuant to the Acquisition Agreement, the REIT indirectly acquired the Acquisition Properties from CAPREIT and its Subsidiaries. The aggregate purchase price for the indirect acquisition of the Acquisition Properties was approximately €422 million, subject to certain purchase price adjustments, and was satisfied by a combination of: (i) approximately €217 million, by the issuance of 81,641,210 Class B LP Units to CAPREIT LP, a wholly-owned Subsidiary of CAPREIT, at \$4.00 per Class B LP Unit; and (ii) the assumption of approximately €204 million aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties. In connection with the Acquisition, on April 24, 2019, Unitholders and holders of Class B LP Units (other than CAPREIT) as of April 5, 2019 received a one-time special distribution of \$0.50 per Unit funded by CAPREIT. As of the date hereof, CAPREIT holds approximately 89% of all issued and outstanding Units, assuming the conversion of all the outstanding Class B LP Units.

On April 22, 2019, the REIT announced that, pursuant to the terms of the previously approved Pipeline Agreement, it had agreed to indirectly acquire the Additional Netherlands Properties from CAPREIT LP or one or more Subsidiaries thereof. The REIT and CAPREIT completed of the acquisition of the Warehoused Properties and the Additional Properties on May 31, 2019 and June 30, 2019, respectively.

The purchase price for the Warehoused Properties was approximately €31 million, subject to certain post-closing purchase price adjustments, and was satisfied by a combination of: (i) the assumption of approximately €7 million aggregate principal amount of existing mortgage debt net of financing fees associated with the Warehoused Properties, bearing a weighted average 1.98% fixed interest rate and a weighted average 6.6 year term to maturity; and (ii) the issuance of 50,923,212 Class B LP Units at a price of \$4.00 per Class B LP Unit.

The purchase price for the Additional Properties was €9 million, subject to certain post-closing purchase price adjustments and transaction costs, and was satisfied by a combination of: (i) approximately €60 million of new mortgage debt on the Additional Properties, bearing a 0.97% fixed interest rate and a 4 year term to maturity; (ii) a €2.5 million draw on the Revolving Credit Facility; and (iii) the issuance of 8,339,260 Class B LP Units at a price of \$4.00 per Class B LP Unit.

Description of the Netherlands Properties

The Netherlands Properties consist of 88 properties representing an aggregate of 3,859 residential suites and certain additional ancillary commercial space and parking facilities, located in the Netherlands. The Netherlands Properties were acquired by CAPREIT (or certain of its Subsidiaries) from various vendors unrelated to the REIT or CAPREIT, pursuant to several transactions completed from December 2016 to February 2019.

The following table highlights certain information about the Netherlands Properties, including occupancy levels and average monthly rent per unit, which is set out as at March 31, 2019:

| | Rentable Suites | | | | | Year Built | Year Acquired | Occupancy Level (%) | Average Monthly Rent/Unit (€) ⁽¹⁾ |
|---|-----------------|------------|-----------|----------------|----------------------------|------------|---------------|---------------------|--|
| | Total Suites | Apartments | Townhomes | Parking Spaces | Commercial (square meters) | | | | |
| <i>Oeverpad 220-294, Amsterdam</i> | 43 | 43 | - | 38 | - | 1999 | 2017 | 93.0 | 1123 |
| <i>Oeverpad 364-438, Amsterdam</i> | 46 | 46 | - | 37 | - | 1999 | 2017 | 100 | 1152 |
| <i>Nilda Pintostraat 3-41, Isabella Richaardsstraat 16-8, Amsterdam</i> | 18 | 18 | - | - | - | 1999 | 2017 | 100 | 1063 |
| <i>Bijlmerdreef 790-934, Isabella Richaardsstraat 12-4, Amsterdam⁽²⁾</i> | 26 | 26 | - | - | 212 | 1999 | 2017 | 100 | 822 |
| <i>Bijlmerdreef 844-910, Nilda Pintostraat 1, Raden Adjend Kartinistraat 15-33, Amsterdam</i> | 37 | 37 | - | - | - | 1999 | 2017 | 97.3 | 1010 |
| <i>Efua Sutherlandstraat 6-17, Harriët Freezerstraat 18-20, Amsterdam</i> | 14 | 14 | - | - | - | 1999 | 2017 | 100 | 1005 |

| | Rentable Suites | | | | | | | | |
|--|-----------------|------------|-----------|----------------|----------------------------|------------|---------------|---------------------|--|
| | Total Suites | Apartments | Townhomes | Parking Spaces | Commercial (square meters) | Year Built | Year Acquired | Occupancy Level (%) | Average Monthly Rent/Unit (€) ⁽¹⁾ |
| <i>Efua Sutherlandstraat 19-59, Amsterdam</i> | 41 | 41 | - | - | - | 1999 | 2017 | 95.1 | 892 |
| <i>Elisabeth Samsonstraat 1-49, Harriët Freezerstraat 16, Amsterdam</i> | 26 | 26 | - | - | - | 1999 | 2017 | 92.3 | 1013 |
| <i>Faustdreef 1-179, Utrecht⁽³⁾</i> | 90 | 90 | - | - | 449 | 1967 | 2016 | 95.6 | 718 |
| <i>Faustdreef 221-489, Utrecht</i> | 135 | 135 | - | - | Antenna | 1967 | 2016 | 97.0 | 699 |
| <i>Rubicondreef 80-222, Utrecht</i> | 72 | 72 | - | - | - | 1967 | 2016 | 100 | 701 |
| <i>Tannhäuserdreef 2-416, Utrecht</i> | 168 | 168 | - | 42 | Antenna | 1965 | 2016 | 99.4 | 739 |
| <i>Auriollaan 2-112, Utrecht</i> | 70 | 70 | - | - | - | 1960 | 2017 | 100 | 892 |
| <i>Marshallaan 293-395, Utrecht</i> | 56 | 56 | - | - | - | 1960 | 2017 | 98.2 | 844 |
| <i>Marshallaan 296-398, Utrecht</i> | 56 | 56 | - | - | - | 1960 | 2017 | 96.4 | 837 |
| <i>Monnelaan 1-111, Utrecht</i> | 70 | 70 | - | - | - | 1960 | 2017 | 95.7 | 973 |
| <i>Lau Mazirellaan 33-157, The Hague</i> | 44 | 44 | - | - | - | 1996 | 2017 | 100 | 812 |
| <i>Anna Blamanplein 26-123, The Hague</i> | 98 | 98 | - | 98 | - | 1996 | 2017 | 99.0 | 701 |
| <i>Deken van den Ackerhof 61-111, Cuijk</i> | 26 | 26 | - | 12 | - | 1990 | 2016 | 100 | 955 |
| <i>Oudstraat 1-27, IJsselstein</i> | 14 | 14 | - | - | - | 2000 | 2017 | 100 | 1009 |
| <i>Pelmolenstraat 68-1-68-44, Enschede</i> | 20 | 20 | - | - | - | 1994 | 2016 | 100 | 893 |
| <i>Hortensiastraat 2-126 (Stokhorst), Enschede</i> | 57 | 57 | - | 29 | - | 1985 | 2017 | 100 | 739 |
| <i>Esmarkelaan 44-90, Enschede</i> | 23 | 23 | - | 23 | - | 1977 | 2017 | 100 | 811 |
| <i>Poldermolenplein 3-55, Poldermolen-dreef 53-123, Middenmolenplein 6-60, Gouda</i> | 84 | 84 | - | - | - | 1993 | 2017 | 100 | 736 |

| | Rentable Suites | | | | | | | | |
|--|-------------------|------------|-----------|----------------|----------------------------|------------|---------------|---------------------|--|
| | Total Suites | Apartments | Townhomes | Parking Spaces | Commercial (square meters) | Year Built | Year Acquired | Occupancy Level (%) | Average Monthly Rent/Unit (€) ⁽¹⁾ |
| <i>Bielzen 1-48, Stationsstreat 7-421, Heerenveen</i> | 60 | 60 | - | 15 | Antenna | 1985 | 2017 | 100 | 670 |
| <i>Valder 7-76, Landgraaf</i> | 46 | 32 | 14 | 48 | - | 2007 | 2017 | 93.5 | 727 |
| <i>De Putstoel 8-35, Meppel⁽⁴⁾</i> | 28 | 28 | - | - | 1,087 | 1977 | 2017 | 96.4 | 732 |
| <i>Den Heuvel 26-60, Oirschot</i> | 21 | 21 | - | 2 | - | 1986 | 2017 | 100 | 635 |
| <i>27-77 Oldenzaal, Oldenzaal</i> | 26 | 26 | - | - | - | 1985 | 2017 | 100 | 737 |
| <i>Antoni van Leeuwenhoek of 1-6, Hugo de Groot singel 3-13, Huizen</i> | 12 | 12 | - | - | - | 2006 | 2017 | 100 | 1153 |
| <i>Bram van den Berghstraat 1-61, Oss</i> | 47 | 47 | - | 26 | - | 1985 | 2017 | 97.9 | 627 |
| <i>Thomas Jeffersonlaan 289-527, Rijswijk</i> | 192 | 192 | - | 155 | - | 1969 | 2017 | 99.5 | 810 |
| <i>Willaerlaan, 3-65, Scherpenzeel</i> | 32 | 32 | - | - | - | 1984 | 2016 | 100 | 739 |
| <i>Smithlaan 1-89, Sittard</i> | 45 | 45 | - | 45 | - | 2007 | 2017 | 100 | 973 |
| <i>Hoogzoggel 64-128, Uden</i> | 31 | 31 | - | - | - | 1992 | 2017 | 96.8 | 667 |
| <i>Gulikstraat 210-308, Venlo</i> | 50 | 50 | - | 61 | - | 1995 | 2017 | 100 | 800 |
| <i>Karel van Egmondstraat 1-21, Venlo</i> | -- ⁽⁵⁾ | - | - | 21 | - | | 2017 | | |
| <i>Veldzuring 95-133, Venlo</i> | 20 | 20 | - | 22 | - | 1999 | 2017 | 100 | 855 |
| <i>Kloosterhof 2-56, Venray</i> | 56 | 56 | - | 18 | - | 1997 | 2017 | 100 | 633 |
| <i>Jerusalem 9-40, Venray</i> | 32 | 32 | - | 32 | - | 2002 | 2017 | 96.9 | 925 |
| <i>Dreiumme 2-48, Warnsveld</i> | 25 | 25 | - | - | - | 1985/1991 | 2016 | 100 | 685 |
| <i>Kraaijenkampz oom 50-72, Ellekampz oom 59-81, Kluiverkamp 2-58, Koog aan de Zaan</i> | 34 | 34 | - | - | - | 1983 | 2017 | 100 | 766 |
| <i>Havendijk 36-303, Schiedam</i> | 88 | 88 | 0 | 38 | 1 | 1963 | 2018 | 89.8% | 844 |
| <i>Storklaan 5-55, Meeslaan 4-12, Knuttelstraat 4-44, Van der Haertstraat 6-66, W.H. Van Leeuwenlaan 82-140, Delft</i> | 41 | 41 | 0 | 0 | 0 | 1963 | 2018 | 97.6% | 567 |

| | Rentable Suites | | | | | | | | |
|--|-----------------|------------|-----------|----------------|----------------------------|------------|---------------|---------------------|--|
| | Total Suites | Apartments | Townhomes | Parking Spaces | Commercial (square meters) | Year Built | Year Acquired | Occupancy Level (%) | Average Monthly Rent/Unit (€) ⁽¹⁾ |
| <i>Louis Regoutstraat 7-46, Weert</i> | 40 | 40 | 0 | 37 | 0 | 1999 | 2018 | 100.0% | 792 |
| <i>Achter de Steenen Trappen 1-46, Roermond</i> | 34 | 34 | 0 | 28 | 0 | 2009 | 2018 | 94.1% | 897 |
| <i>Keizershof 24-41, Gouden Leeuwplein 70-99, Venray</i> | 48 | 30 | 18 | 48 | 1 | 2009 | 2018 | 100.0% | 945 |
| <i>21-213 Westpoint, Tilburg</i> | 9 | 9 | 0 | 9 | 0 | 2005 | 2018 | 100.0% | 1007 |
| <i>Prins Willem Alexanderplein 11-81, Vaals</i> | 37 | 37 | 0 | 38 | 0 | 2009 | 2018 | 100.0% | 834 |
| <i>Mercuriuspad 1-44, Heerlen</i> | 46 | 46 | 0 | 46 | 0 | 2008 | 2018 | 100.0% | 824 |
| <i>Vestesingel 68-106, Eikenskamphof 1-17, Vestesingel 1-108, Kapelaanskamphof 3-7, Herten</i> | 40 | 0 | 40 | 0 | 0 | 2007 | 2018 | 95.0% | 998 |
| <i>Servaashof 3-50, Pastor Jeukenstraat 30-42, Haammaekerstraat 34-42, Burg Janssenring 59-71, Helden</i> | 40 | 0 | 40 | 0 | 0 | 1985 | 2018 | 97.5% | 699 |
| <i>Drift 20-34, Drachten</i> | 37 | 37 | 0 | 32 | 0 | 1997 | 2018 | 100.0% | 782 |
| <i>Grasland 30-72, Drachten</i> | 24 | 0 | 24 | 0 | 0 | 2003 | 2018 | 100.0% | 830 |
| <i>Hooiland 1-59, Drachten</i> | 30 | 30 | 0 | 32 | 0 | 2003 | 2018 | 100.0% | 839 |
| <i>Fuutmessen 21-63, Assen</i> | 22 | 22 | 0 | 0 | 0 | 1999 | 2018 | 95.5% | 798 |
| <i>Bodendijk 56-70, De Miggelt 3-61, Aalten</i> | 40 | 0 | 40 | 0 | 0 | 1974 | 2018 | 87.5% | 688 |
| <i>Slauerhofflaan, 2-72, Vondellaan 20-102, Hooflaan 1-47, Bilderdijklaan 1-17, Da Costalaan 1-17, Haren</i> | 120 | 120 | 0 | 121 | 0 | 1969 | 2018 | 99.2% | 618 |

| | Rentable Suites | | | | | | | | |
|---|-----------------|------------|-----------|----------------|----------------------------|------------|---------------|---------------------|--|
| | Total Suites | Apartments | Townhomes | Parking Spaces | Commercial (square meters) | Year Built | Year Acquired | Occupancy Level (%) | Average Monthly Rent/Unit (€) ⁽¹⁾ |
| <i>T Zuden 1-147, Oldenoert 68-78, Burgemeester van Waninglaan 9-23, Leek</i> | 88 | 0 | 88 | 0 | 0 | 1972 | 2018 | 95.5% | 756 |
| <i>Hofkamp 119-201, Losser</i> | 26 | 0 | 26 | 0 | 0 | 1983 | 2018 | 88.5% | 785 |
| <i>De Meent, 6-19, Schimmelpennincklaan 1-23, Zandweg 2-20, Renkum</i> | 39 | 0 | 39 | 0 | 0 | 1982 | 2018 | 100.0% | 950 |
| <i>Toe Nansumpad 2-20, Pieter Bindervoetlaan 14-56, Zuidhorn</i> | 32 | 0 | 32 | 0 | 0 | 1983 | 2018 | 96.9% | 829 |
| <i>Airbornestraat 51-136, Anne Frankstraat 1-36, Bastognestraat 21-33, Monte Cassinostraat 2-50, Pattonstraat 20-41, Doetinchem</i> | 62 | 0 | 62 | 0 | 0 | 1971 | 2018 | 98.4% | 560 |
| <i>Boogschutter 117-178, Hoorn</i> | 32 | 12 | 20 | 0 | 0 | 1976 | 2018 | 100.0% | 743 |
| <i>Kalmoessingel 20-46, Ratelaar 54-73, Wederiklaan 33-69, Wollegras 3-17, Kampen</i> | 66 | 0 | 66 | 23 | 0 | 1971 | 2018 | 98.5% | 796 |
| <i>Olympipaweg 1-83, Sommeldijk</i> | 42 | 42 | 0 | 0 | 1 | 1990 | 2018 | 100.0% | 858 |
| <i>Deken van Oppensingel 1-215, Venlo</i> | 40 | 40 | 0 | 30 | 0 | 1987 | 2018 | 100.0% | 630 |
| <i>Bachstraat 1-26, Diepenbrockstraat 1-11, Zevenaar</i> | 28 | 0 | 28 | 0 | 0 | 1988 | 2018 | 96.4% | 759 |

| | Rentable Suites | | | | | | | | |
|---|-----------------|------------|-----------|----------------|----------------------------|------------|---------------|---------------------|--|
| | Total Suites | Apartments | Townhomes | Parking Spaces | Commercial (square meters) | Year Built | Year Acquired | Occupancy Level (%) | Average Monthly Rent/Unit (€) ⁽¹⁾ |
| <i>Gounodstraat 1-20, Puccinistraat 1-25, Valeriusstraat 34-78, Van Beethovenstraat 3-21, Hallsteinstraat 55-93, Privaslaan 71-85, Zevenaars 35</i> | 106 | 0 | 106 | 27 | 0 | 1969 | 2018 | 99.1% | 691 |
| <i>Mijehof 25-369b, Mijndenhof 77b-85b, Amsterdam</i> | 50 | 50 | 0 | 0 | 0 | 1983 | 2019 | 98% | 824 |
| <i>Balmerstraat 20-43, Apeldoorn</i> | 14 | 14 | 0 | 1 | 0 | 1965 | 2019 | 100% | 688 |
| <i>Biljoenlaan 21-53, Doorwerthlaan 1-29, Kemmenadestraat 2-34, Overhagenstraat 2-34, Arnhem</i> | 66 | 66 | 0 | 16 | 0 | 1965 | 2019 | 100% | 736 |
| <i>Acaciastraat 4-12, Eikenkaan 40-76, Iepenstraat 6-10, Lindenstraat 8-10, Wilgenstraat 8-12, Borculo</i> | 17 | 17 | 0 | 0 | 0 | 1974 | 2019 | 100% | 650 |
| <i>Loenhoutstraat 2-58, Meerhoutstraat 2-73, Vlimmerenstraat 2-86, Wuustwezelstraat 53-83, Zandhovenstraat 52-82, Breda</i> | 106 | 106 | 0 | 0 | 0 | 1967 | 2019 | 98% | 720 |
| <i>St. Josephstraat 56-156, Den Bosch</i> | 18 | 0 | 18 | 12 | 0 | 1985 | 2019 | 94% | 640 |
| <i>Korte akker 19-99, Druten</i> | 18 | 18 | 0 | 0 | 0 | 1973 | 2019 | 94% | 751 |
| <i>Billitonlaan 5, Madoeralaan 30-90, Proosdijerveldweg 137-169, Wandscheerstraat 9-39, Ede</i> | 25 | 9 | 16 | 0 | 0 | 1964-1971 | 2019 | 80% | 624 |

| | Rentable Suites | | | | | | | | |
|---|-----------------|--------------|------------|----------------|----------------------------|------------|---------------|---------------------|--|
| | Total Suites | Apartments | Townhomes | Parking Spaces | Commercial (square meters) | Year Built | Year Acquired | Occupancy Level (%) | Average Monthly Rent/Unit (€) ⁽¹⁾ |
| <i>Hesselterbrink 12-592, Emmen</i> | 20 | 20 | 0 | 0 | 0 | 1976 | 2019 | 100% | 608 |
| <i>Kleiweg 82b - 82n, Gouda</i> | 11 | 0 | 11 | 6 | 2 | 1981 | 2019 | 91% | 877 |
| <i>Hoogen paet 3-17, Haalen</i> | 7 | 7 | 0 | 0 | 0 | 1986 | 2019 | 100% | 720 |
| <i>Zuid Koninginnewal 40-96, Helmond</i> | 29 | 0 | 29 | 0 | 9 | 1997 | 2019 | 100% | 691 |
| <i>Loonsevaert 4-48, Smallewaert 3-29, Kaatsheuvel</i> | 16 | 16 | 0 | 0 | 0 | 1983 | 2019 | 100% | 707 |
| <i>Begonialaan 10-20, President Kennedylaan 24-64, Oegstgeest</i> | 14 | 14 | 0 | 3 | 0 | 1965 | 2019 | 100% | 785 |
| <i>Lloydstraat 32b-172, Rotterdam</i> | 6 | 0 | 6 | 0 | 0 | 2007 | 2019 | 83% | 1039 |
| <i>Jan Sluytersweg 2-12, Jongkindstraat 10-12, Poggenbeekstraat 1-25, Van Renesseweg 11-15, Eindhoven</i> | 13 | 13 | 0 | 0 | 0 | 1964 | 2019 | 92% | 840 |
| <i>Bachlaan 6-25, Beethovenlaan 1-26, Chopinlaan 5-9, Mozartlaan 6-12, Velp</i> | 21 | 21 | 0 | 0 | 0 | 1955 | 2019 | 95% | 845 |
| <i>Limburglaan 7-11 Schuttebeemd 32-62, Weert</i> | 10 | 10 | 0 | 0 | 0 | 1961 | 2019 | 100% | 756 |
| <i>Brullenweide 172, 174, Koeweide 61-128, Begijneslag 64-132, Westervoort</i> | 50 | 50 | 0 | 0 | 0 | 1975 | 2019 | 98% | 752 |
| Total | 3,859 | 3,136 | 723 | 1,271 | 1,762 | | | 97.6% | 774 |

(1) Represents the in-place rent as at March 31, 2019 excluding service charge income.

Netherlands Properties' Descriptions

For clarity, all references to ownership percentage in the Netherlands Properties' descriptions set-out below refer to the undivided share of the ownership in the entire building that the applicable apartment rights represent (and is set out in the relevant deeds of division pursuant to which such building was split into various apartment rights). The

undivided share determines *inter alia* how the voting rights are exercised in the owner's association of the applicable building and how costs for general areas are split between the holders of the apartment rights.

Oeverpad 220-294, Amsterdam

This property consists of one building with a total of 76 suites. Pursuant to the Acquisition, the REIT acquired 43 of the property's suites, representing 57% ownership. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 1,020 square feet. The building was constructed in 1999, is located in the Stadsdeel Nieuw-West area in Amsterdam, is within walking distance to an ALDI supermarket, a recreational area and a shopping centre, and is within cycling distance to the city centre. It is also located in close proximity to public transit. It is expected that the area is due to undergo extensive redevelopment between now and 2025 to further diversify the housing stock.

This property is subject to a ground lease that expires on August 31, 2048.

Oeverpad 364-438, Amsterdam

This property consists of one building with a total of 87 suites. Pursuant to the Acquisition, the REIT acquired 46 of the property's suites, representing 53% ownership. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,020 square feet. The building was constructed in 1999, is located in the Stadsdeel Nieuw-West area in Amsterdam, is within walking distance to an ALDI supermarket, a recreational area and a shopping centre, and is within cycling distance to the city centre. It is also located in close proximity to public transit. The area is due to undergo extensive redevelopment between now and 2025 to further diversify the housing stock.

This property is subject to a ground lease that expires on August 31, 2048.

Nilda Pintostraat 3-41, Isabella Richaardsstraat 6-8, Amsterdam

This property consists of one building with a total of 18 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 1,185 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam and is within walking distance to parks and supermarkets. It is also located in close proximity to public transit. The city centre is within cycling distance.

This property is subject to a ground lease that expires on November 30, 2047.

Bijlmerdreef 790-934, Isabella Richaardsstraat 2-4 and Bijlmerdreef 844-910, Nilda Pintostraat 1, Raden Adjend Kartinistraat 15-33, Amsterdam

This property consists of two buildings with a total of 65 suites in each building. Pursuant to the Acquisition, the REIT acquired: (i) 37 of the property's suites in one building, representing 57% ownership; and (ii) 26 of the property's suites in the other building, representing 40% ownership. The suite mix for Bijlmerdreef 844-910 contains three-bedroom floorplans averaging 1,205 square feet in size, and the suite mix for Bijlmerdreef 790-932 contains two and three bedrooms averaging 970 square feet in size. The buildings were constructed in 1999, are located in the Stadsdeel Zuidoost borough of Amsterdam and are within walking distance to parks and supermarkets. It is also located in close proximity to public transit. The city centre is within cycling distance. There is office space in Bijlmerdreef 790-932.

This property is subject to a ground lease that expires on November 30, 2047.

Efua Sutherlandstraat 6-17, Harriët Freezerstraat 18-20, Amsterdam

This property consists of one building with a total of 14 suites. The suite mix is comprised of 12 three-bedroom floorplans and two one-bedroom floorplans, with the average suite size being 1,240 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam and is within walking distance to parks and supermarkets. It is also located in close proximity to public transit. The city centre is within cycling distance and the property is in close proximity to Efua Sutherlandstraat 19-59 and Elisabeth Samsonstraat 1-49.

This property is subject to a ground lease that expires on November 30, 2047.

Efua Sutherlandstraat 19-59, Amsterdam

This property consists of one building with a total of 41 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 914 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam, is within walking distance to parks and supermarkets, and is located in close proximity to public transit. The city centre is within cycling distance. The building is surrounded by park-like landscaping and is in close proximity to Efua Sutherlandstraat 6-17 and Elisabeth Samsonstraat.

This property is subject to a ground lease that expires on January 31, 2048.

Elisabeth Samsonstraat 1-49, Harriët Freezerstraat 16, Amsterdam

This property consists of one building with a total of 26 suites. The suite mix is comprised of 26 three-bedroom floorplans, with the average suite size being 1,240 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam, is within walking distance to parks and supermarkets, and is located in close proximity to public transit. The city centre is within cycling distance. This building is located opposite to Efua Sutherlandstraat.

This property is subject to a ground lease that expires on November 30, 2047.

Faustdreef 1-179 and Faustdreef 221-489, Utrecht

This property consists of two buildings with a total of 225 suites. The suite mix is comprised of one and three-bedroom suites with balconies, with the average suite size being 872 square feet. The buildings were constructed in 1967, are located in the Overvecht, are within cycling distance to the Utrecht city centre and are located within close proximity to a large shopping mall, public transit, schools and highways. There is office space in Faustdreef 1-179. There are multiple parks in the immediate vicinity.

Rubicondreef 80-222, Utrecht

This property consists of two buildings with a total of 72 suites. The suite mix is comprised of one and three-bedroom suites with balconies, with the average suite size being 840 square feet. The buildings were constructed in 1967, are located in the Overvecht, are within cycling distance to the Utrecht city centre and are located in close proximity to a large shopping mall, public transit, schools and highways. There are multiple parks in the immediate vicinity.

Tannhäuserdreef 2-416, Utrecht

This property consists of one building with a total of 168 suites. The suite mix is comprised of three-bedroom suites, with the average suite size being 850 square feet. The building was constructed in 1965, is located in the district of Overvecht, is within cycling distance to the Utrecht city centre and is located in close proximity to the train, bus, highways and schools. There is a large indoor shopping mall, grocery store and multiple parks in the immediate vicinity.

Auriollaan 2-112, Utrecht

This property consists of one building with a total of 70 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 700 square feet. The building was constructed in 1960, is located in the Kanaleneiland district of south-west Utrecht, is within cycling distance to the centre of Utrecht and a shopping centre, and is located in close proximity to several bus routes and the light rail line, which provides a quick connection to Central Station. The building was completely renovated in 2017. It is anticipated that much of the district will be refurbished or rebuilt as part of the Master Plan adopted by the Utrecht City Council (2004) and the Quality Plan (2006) for Kanaleneiland, with the aim of transforming the area back into a vibrant and attractive residential neighbourhood.

Marshallaan 293-395 and Marshallaan 296-398, Utrecht

This property consists of two buildings with a total of 112 suites. The suite mix is comprised of one and three-bedroom suites, with the average suite size being 840 square feet for three-bedroom suites and 441 square feet for one-bedroom suites. The buildings were constructed in 1960, are located in the Kanaleneiland district of south-west Utrecht, are within cycling distance to the centre of Utrecht and a shopping centre, and is located in close proximity to several bus routes and the light rail line, which provides a quick connection to Central Station. These buildings were completely renovated in 2017. It is anticipated that much of the district will be refurbished or rebuilt as part of the Master Plan adopted by the Utrecht City Council (2004) and the Quality Plan (2006) for Kanaleneiland, with the aim of transforming the area back into a vibrant and attractive residential neighbourhood.

Monnetlaan 1-111, Utrecht

This property consists of one building with a total of 70 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 700 square feet. The building was constructed in 1960, is located in the Kanaleneiland district of south-west Utrecht, is within cycling distance to the centre of Utrecht and a shopping centre, and is located in close proximity to several bus routes and the light rail line, which provides a quick connection to Central Station. The building was completely renovated in 2017. It is anticipated that much of the district will be refurbished or rebuilt as part of the Master Plan adopted by the Utrecht City Council (2004) and the Quality Plan (2006) for Kanaleneiland with the aim of transforming the area back into a vibrant and attractive residential neighbourhood.

Lau Mazirellaan 33-15, The Hague

This property consists of one building with a total of 44 suites. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,075 square feet. The building was constructed in 1996, is located close to Zuiderpark, which offers a range of sports facilities, and is within walking distance to a LIDL supermarket, the Moerwijk train station, the tram and various bus stops. The area was developed in the 1990s, after relocation of the former wholesale market.

Anna Blamanplein 26-12, The Hague

This property consists of one building with a total of 98 suites. The suite mix is comprised of one and two-bedroom suites, with the average suite size being 915 square feet. The building was constructed in 1996, is located in the residential area of Groente-en-Fruitmarkt, is within walking distance to a LIDL supermarket and is located in close proximity to the Moerwijk train station, the tram and various bus stops.

Deken van den Ackerhof 61-111, Cuijk

This property consists of one building with a total of 26 suites. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,150 square feet. The building was constructed in 1990, is located in the southeastern part of the Netherlands by the Maas River, is within walking distance to the city centre and is located in close proximity to public transit, highways, the train station and local amenities. There are separate storage areas for all residents on the ground floor.

Oudstraat 1-27, IJsselstein

This property consists of one building with a total of 14 suites. The suite mix is comprised of one and two-bedroom floorplans, with the average suite size being 1,450 square feet. The building was constructed in 2000, is located in the new district "Staatse" and is within walking distance to shopping locations. It is also located in close proximity to public transit and highways.

Pelmolenstraat 68-1-68-44, Enschede

This property consists of one building with a total of 20 suites. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,185 square feet. The building was constructed in 1994, is located in an upscale

residential neighbourhood, is within walking distance to the city centre, public transit, schools, grocery stores and shopping locations, and is located in close proximity to a train station and highways.

Hortensiastraat 2-126 (Stokhorst), Enschede

This property consists of one building with a total of 57 residential suites. Pursuant to the Acquisition, the REIT acquired all of the property's 57 residential suites, representing 100% ownership of the total property. The building was constructed in 1985 and is located on the north east side of Enschede. Building amenities include 29 parking spaces. The average monthly rent is approximately €738 and units include senior health care units.

Esmarkelaan 44-90, Enschede

This property consists of one building with a total of 23 residential suites. Pursuant to the Acquisition, the REIT acquired all of the property's 23 residential suites, representing 100% ownership in the total property. The building was constructed in 2007 and is located on the east side of Enschede. The apartments are situated upstairs from the Eschmarke shopping centre, which includes among others, an Albert Heijn, the largest supermarket chain in the Netherlands. Building amenities include 23 parking spaces. The average monthly rent of the apartments is approximately €825.

Poldermolenplein 3-55, Poldermolendreef 53-123, Middenmolenplein 6-60, Gouda

This property consists of one building with a total of 92 suites. Pursuant to the Acquisition, the REIT acquired 84 of the property's suites, representing 91% ownership. The building was constructed in 1993, is located just above the Goverwelle shopping centre (which was extensively renovated in 2017), is within walking distance to other shopping locations and parks, and is located in close proximity to the Gouda Goverwelle train station and the Middenmoleplein bus stop.

Bielzen 1-48, Stationsstreat 7-421, Heerenveen

This property consists of one building with a total of 60 suites. The suite mix is comprised of two-bedroom floorplans, with the average suite size being approximately 800 square feet. The building was constructed in 1985, is located close to the Heerenveen city centre and train station, is within walking distance to shopping locations and is located in close proximity to highways and public transit. Building amenities include 15 parking spaces.

Valder 7-76, Landgraaf

This property consists of multiple buildings with a total of 46 suites. The suite mix is comprised of 32 multi-residential dwellings and 14 single-family dwellings. The buildings were constructed in 2007, are located in the Nieuwenhagen district and are located in close proximity to public transit and major highways. Building amenities include communal bicycle storage and private parking spaces.

De Putstoel 8-35, Meppel

This property consists of one building with a total of 28 suites and eight commercial units. The suite mix is comprised of 28 suites consisting of two-bedroom floorplans. The building was constructed in 1977 and is within walking distance to two recreational areas.

Den Heuvel 26-60, Oirschot

This property consists of four complexes with a total of 21 suites. The building was constructed in 1986, is within walking distance of the city centre and shopping and recreational locations, and is located in close proximity to a bus stop, train station and highways.

27-77 Oldenzaal, Oldenzaal

This property consists of one building with a total of 26 suites. The suite mix is comprised of 26 three-bedroom suites with the average size being 91 square meters. The building was constructed in 1985 and is located within cycling distance from the city centre.

Antoni van Leeuwenhoekhof 1-6, Hugo de Grootsingel 3-13, Huizen

This property consists of one building with a total of 65 suites. Pursuant to the Acquisition, the REIT acquired 12 of the property's suites, representing 18% ownership. The building was constructed in 2006, is located in the Filosofenbuurt area, situated between the city centre and Gooimer Lake, is within walking distance to a Plus supermarket and is located in close proximity to public transit. Building amenities include an enclosed garden and on-site parking. Water sports are offered at the beach on the nearby lake.

Bram van den Berghstraat 1-61, Oss

This property consists of a complex with a total of 47 suites. The building was constructed in 1985, is located between the city centre and the NS train station, is within walking distance to shopping locations and is located in close proximity to highways and public transit. Building amenities include three garages and 26 parking spaces.

Thomas Jeffersonlaan 289-527, Rijswijk

This property consists of two buildings with a total 192 suites. The buildings were constructed in 1969, are within walking distance to a shopping centre and are located in close proximity to various bus stops and the highway. Building amenities include parking.

Willaerlaan, 3-65, Scherpenzeel

This property consists of one building with a total of 32 suites. The suite mix is comprised of brick homes consisting of one and three bedrooms, with the average size being approximately 1,075 square feet. The building was constructed in 1985, is located in the centre of town, is within walking distance to shops, markets and parks, and is located in close proximity to a highway and public transit.

Smithlaan 1-89, Sittard

This property consists of two buildings with a total of 45 suites. The buildings were constructed in 2007, are located in the northwestern part of Sittard, are located within walking distance to grocery shops and are in close proximity to a highway. Building amenities include parking spaces for each unit. These buildings are located near a park and residents have access to a nearby medical care centre.

Hoogzoggel 64-128, Uden

This property consists of one building with a total of 31 suites and one commercial space. The commercial space comprising this property was not acquired by the REIT pursuant to the Acquisition. The building was constructed in 1992, is located just south of the city centre, is within walking distance to two elementary schools and is located in close proximity to public transit and the highway to Eindhoven. Building amenities include an elevator and indoor communal bicycle storage located on the ground floor.

Gulikstraat 210-308, Venlo

This property consists of one building with a total of 50 suites. The building was constructed in 1995, is an approximate 10-minute drive away from the city centre and is within walking distance to shopping locations and nature parks. Building amenities include gated parking, with 61 spaces and green space surrounding the building.

Karel van Egmondstraat 1-21, Venlo

This property consists of one building with a total of 21 garages. The building was constructed in 1962, is located between several apartment complexes, is an approximate 10-minute drive away from the city centre and is located in close proximity to the A67 Highway.

Veldzuring 95-133, Venlo

This property consists of one building with a total of 20 suites. The suite mix is comprised of 18 multi-residential suites and two penthouses. The building was constructed in 1999, is located in the eastern part of Venlo, is an approximate 10-minute drive from the city centre, is within walking distance to a 274 hectare nature reserve and is located in close proximity to public transit. Building amenities include 22 parking spaces in a gated parking area behind the building.

Kloosterhof 2-56, Venray

This property consists of two buildings with a total of 56 suites. The building was constructed in 1997, is located just outside the city centre and is within walking distance to public transit. Building amenities include spacious balconies, a peaceful green area, 14 underground garages and four parking spaces. There are several parking spaces in close proximity to the property.

Jerusalem 9-40, Venray

This property consists of one building with a total of 94 suites. Pursuant to the Acquisition, the REIT acquired 32 of the property's residential suites, representing 34% of the residential suites of this property. The building was constructed in 2002, is located on the edge of the city centre and is within walking distance to public transit. Building amenities include underground on-site parking with 32 parking spaces. The building has an energy efficient rating with energy label A.

Dreiumme 2-48, Warnsveld

This property consists of three buildings with a total of 25 suites. The buildings were constructed in 1985, 1991 and 2009, and are located in the city centre above the main shopping centre. The buildings are within walking distance to schools and shopping locations, and are located in close proximity to highways and public transit. Building amenities include parking behind the building.

Kraaijenkampzoom 50-72, Ellekampzoom 59-81, Kluiverkamp 2-58, Koog aan de Zaan

This property consists of multiple buildings with a total of 52 suites. Pursuant to the Acquisition, the REIT acquired 34 of the property's 52 suites, representing 65% ownership. The suite mix consists of one and two-bedroom suites, with the average suite size being 615 and 950 square feet, respectively. The building was constructed in 1983, is located near the border of Koog aan de Zaan in the Greater Amsterdam Area and is within walking distance to public transit. There is a shopping centre nearby and the area has excellent access to highways.

Havendijk 36-303, Schiedam

Schiedam is a city and municipality of 78,000 people located in the province of South-Holland, and is part of the Rotterdam metropolitan area. There are 88 multi-residential dwellings, one retail space and 38 parking spaces that are part of the Additional Netherlands Properties in the district of Schiedam, in a complex called "Havendijk". The Havendijk property consists of two fully owned identical 11-floor apartment towers.

Storklaan 5-55, Meeslaan 4-12, Knuttelstraat 4-44, Van der Haertstraat 6-66, W.H. Van Leeuwenlaan 82-140, Delft

Delft is a city and municipality in the province of South-Holland. It is located between Rotterdam, to the southeast, and The Hague, to the northwest. In Delft, there are 41 multi-residential dwellings that are part of the Additional Netherlands Properties that are divided over nine buildings in the "Agnetapark" complex.

Louis Regoutstraat 7-46, Weert

Weert is a municipality and city situated in the southeast corner of the Netherlands, in the southern province of Limburg. There are 40 multi-residential dwellings and 37 parking spaces that are part of the Additional Netherlands Properties as part of a complex called “Parkhof”, which is close to the center of Weert. The Parkhof property consists of a four-floor, 100% owned apartment.

Achter de Steenen Trappen 1-46, Roermond

Roermond is a city, municipality and a diocese in the southeastern part of the Netherlands, in the southern province of Limburg. In Roermond, there are 34 multi-residential dwellings and 28 parking spaces that are part of the Additional Netherlands Properties as part of the “De Steenen Trappen” building complex. This complex has a private courtyard connected to the apartments.

Keizershof 24-41, Gouden Leeuwplein 70-99, Venray

Venray is a municipality and a city in Limburg. In Venray, there are 30 multi-residential dwellings, 18 single-family homes, one retail space and 48 parking spaces that are part of the Additional Netherlands Properties as part of the “De Gouden Leeuw” property.

21-213 Westpoint, Tilburg

Tilburg is a city in the southern Dutch province of North Brabant. The “Westpoint” complex, which is part of the Additional Netherlands Properties, consists of nine multi-residential dwellings with nine parking spaces. Although the complexes are divided into apartment rights, the apartments are not sold individually.

Prins Willem Alexanderplein 11-81, Vaals

Vaals is a town in the southeastern part of the Dutch province of Limburg. In the municipality of Vaals, there are four villages and nine townships. The “De Drapenier” Complex, located in the heart of the city center, is part of the Additional Netherlands Properties and consists of 37 multi-residential dwellings and 38 parking spaces.

Mercuriuspad 1-44, Heerlen

Heerlen is a city and municipality in the southeast of the Netherlands, in the southern province of Limburg. In Heerlen, the “Nassau Staete” complex is part of the Additional Netherlands Properties and consists of 46 multi-residential dwellings and 46 parking spaces.

Vestesingel 68-106, Eikenskamphof 1-17, Vestesingel 1-108, Kapelaanskamphof 3-7, Herten

Herten is a village in the southeastern region of the Netherlands. The “Oolderveste” complex in Herten is part of the Additional Netherlands Properties and consists of 40 single-family homes.

Servaashof 3-50, Pastor Jeukenstraat 30-42, Haammaeckerstraat 34-42, Burg Janssenring 59-71, Helden

Helden is a town in the northern part of Limburg, in between Roermond and Venlo. It is situated near the German border. In Helden, the “De Reit” complex, which is part of the Additional Netherlands Properties, consists of 40 single-family homes in a stable, small town. The unit types are well-suited for families and differ between corner and terraced houses.

Drift 20-34, Grasland 30-72, Hooiland 1-59, Drachten

Drachten is a town in the Dutch municipality of Smallingerland. The first of two properties in Drachten, which are part of the Additional Netherlands Properties, is called “De Drift”, and consists of 37 apartments in a five-story building. This building is 100% owned. The second property in Drachten is called “Himsterhout” and consists of 30 apartments in two identical five-floor apartment blocks, 24 single family homes, and 32 parking spaces.

Fuutmessen 21-63, Assen

Assen, the capital of the province of Drenthe, is a city and municipality in the northeastern region of the Netherlands. There is a multi-residential property located northeast of the city center of Assen, called the “Waterwinde”, which is part of the Acquisition Properties. The building consists of 22 apartments and is 100% owned.

Bodendijk 56-70, De Miggelt 3-61, Aalten

There are 40 single-family dwellings that are part of the Additional Netherlands Properties located in Aalten, Gelderland. They are within proximity to two major roads, N313 and N318, which connects the city to the rest of the province. The city’s main railway station is nearby the complex, which allows for travel to places such as Amsterdam, Utrecht, Amsterdam Airport, and some cities in Germany.

Slauerhofflaan, 2-72, Vondellaan 20-102, Hoofilaan 1-47, Bilderdijklaan 1-17, Da Costalaan 1-17, Haren

There are 120 multi-residential suites that are part of the Additional Netherlands Properties located in the residential area of Molenbuurt. The complex was constructed in 1969 and includes 121 parking spaces, which are part of the Additional Netherlands Properties. The property is within walking distance to the center of Haren.

T Zuden 1-147, Oldenoert 68-78, Burgemeester van Waninglaan 9-23, Leek

There are 88 single-family dwellings that are part of the Additional Netherlands Properties located in the city of Leek, Groningen. Traveling to Groningen is easy due to the A7 motorway being easily accessible from the property. Within the surrounding area there are various schools, shops, and sports facilities.

Hofkamp 119-201, Losser

The property in Losser consists of 26 single-family dwellings that are part of the Additional Netherlands Properties located in the district of De Hofkamp. The city centre is located a short distance from the property along with various motorways.

De Meent, 6-19, Schimmelpennincklaan 1-23, Zandweg 2-20, Renkum

The Renkum was constructed in 1982 and consists of 39 single-family dwellings that are part of the Additional Netherlands Properties located in the town of Renkum. The property is close to roadway N782 and N225 as well as the A50 motorway. Located in an area surrounded by greenery and a forest, the property is easily accessible by public transportation.

Toe Nansumpad 2-20, Pieter Bindervoetlaan 14-56, Zuidhorn

There are 32 single-family dwellings that are part of the Additional Netherlands Properties located in the city of Zuidhorn that were constructed in 1983. Located in the center of Zuidhorn, the complex can be found on the edge of the large park known as “Johan Smit Park”. The city centre, where most of Zuidhorn’s amenities are located, is within cycling distance.

Airbornestraat 51-136, Anne Frankstraat 1-36, Bastognestraat 21-33, Monte Cassinostraat 2-50, Pattonstraat 20-41, Doetinchem

There are 62 single-family dwellings that are part of the Additional Netherlands Properties located in the city of Doetinchem. The townhome complex is located near several facilities such as a shopping centre and public transit lines. The city has great infrastructure in place to reach main roads and the center of Doetinchem is about a five-minute bike ride away.

Boogschutter 117-178. Hoorn

The property in the village of Hoorn was built in 1976 and consists of 32 single-family dwellings, which are part of the Additional Netherlands Properties. The properties are located in the Grote Waal area, less than a five-minute bike ride away from the city centre of Hoorn. Amsterdam can be accessed in less than an hour via the A7 Highway.

Kalmoessingel 20-46, Ratelaar 54-73, Wederiklaan 33-69, Wollegras 3-17, Kampen

The property in Kampen is comprised of 66 townhomes with 23 parking spaces that are part of the Additional Netherlands Properties. The units are located nearby a supermarket, school, sports hall and swimming pool. The center of the old Hanseatic city is less than four minutes away by bicycle. Also, the Kampen train station is less than a 10-minute bike ride from the properties.

Olympaweg 1-83, Sommeldijk

The property in Sommelsdijk consists of 42 multi-residential dwellings and one recreational room that are part of the Additional Netherlands Properties. The complex in the town is in immediate vicinity of the local supermarket and various schools. The centre of the village is about a 5-minute bike ride away. There are ample parking facilities which immediately surround the properties.

Deken van Oppensingel 1-215, Venlo

The complex was constructed in 1987 and consists of 40 multi-residential dwellings and 30 parking spaces that are part of the Additional Netherlands Properties located in the town of Venlo. The properties are in a green area reserve just opposite to the beloved Juliana Park. Within a six-minute walk, the city centre of Venlo can be reached along with its many shops, restaurants and entertainment venues. The Venlo train station is 700 meters away.

Bachstraat 1-26, Diepenbrockstraat 1-11, Gounodstraat 1-20, Puccinistraat 1-25, Valeriusstraat 34-78, Van Beethovenstraat 3-21, Hallsteinstraat 55-93, Privaslaan 71-85, Zevenaar

There are two properties, comprising of 134 units, that are part of the Additional Netherlands Properties in Zevenaar. The properties are located close to a local supermarket and various schools. Within a 15-minute walk of the properties, the center of Zevenaar provides a diverse range of shopping, restaurants and a cinema.

Mijehof 25-369b, Mijndenhof 77b-85b, Amsterdam

There are 50 single-family dwellings located in the residential area of Amsterdam. The houses are in a child-friendly neighbourhood with limited vehicle traffic. In the immediate area there is a shopping center and many local shops.

This property is subject to a ground lease that expires on April 15, 2033.

Balmerstraat 20-43, Apeldoorn

There are 14 single-family dwellings located in the city of Apeldoorn. The homes are in a sought-after neighbourhood in the Kerschoten district. Local amenities include a nearby shopping center and primary school.

Biljoenlaan 21-53, Doorwerthlaan 1-29, Kemmenadestraat 2-34, Overhagenstraat 2-34, Arnhem

There are 66 single-family dwellings as part of a townhome complex, located in the city of Arnhem. These homes are within walking distance to the local shopping mall and are a 15 minute bike ride to the city center.

Acaciastraat 4-12, Eikenkaan 40-76, Iepenstraat 6-10, Lindenstraat 8-10, Wilgenstraat 8-12, Borculo

There are 17 single-family dwellings located in the city of Borculo. The houses are conveniently located near the city center with a wide range of stores and eateries within a 10 minute walk. The nearest train station is located in Ruurlo.

Loenhoutstraat 2-58, Meerhoutstraat 2-73, Vlimmerenstraat 2-86, Wuustwezelstraat 53-83, Zandhovenstraat 52-82, Breda

There are 106 single-family dwellings in the city of Breda in the southern part of the Netherlands, located in the province of Noord Brabant. As a fortified city, it was of high strategic military and political significance throughout its history. The complex itself is in the Wisselaar district, roughly a 10-minute bike ride from the center of Breda.

St. Josephstraat 56-156, Den Bosch

There are 18 multi-family dwellings in the city of Den Bosch. It is the capital of Noord Brabant. The city's name literally translates to "The Duke's Forest" in English. The apartment units are extremely central within the city with the local market being around the corner, along with many shops within walking distance.

Korte akker 19-99, Druten

There are 18 single-family dwellings located in the city of Druten. The houses are conveniently located near many amenities such as a shopping mall and a variety of facilities in Druten including sport, health care, education, recreation, and culture. There is a great connection from the properties to the rest of the country through the vast highway network including the A15, A50/A73 and A2.

Billitonlaan 5, Madoeralaan 30-90, Proosdijerveldweg 137-169, Wandscheerstraat 9-39, Ede

There are nine single-family dwellings and 16 multi-residential dwellings in the city of Ede. The city is very clean and green due to it being built adjacent to the national park "De Hoge Veluwe".

Hesselterbrink 12-592, Emmen

There are 20 single-family dwellings in the residential area of Bargeres, about 10 minutes away from the center of Emmen. There are supermarkets, schools, and sports facilities in the immediate vicinity. The local train station "Emmen Zuid" is about a 5-minute bike ride away.

Kleiweg 82b - 82n, Gouda

There are 11 multi-residential dwellings in the city of Gouda in the province of Zuid Holland. The city is famous for its Gouda cheese and its 15th century city hall. The complex itself is in the city center and has a fantastic view over the main street, The Kleiweg.

Hoogen paet 3-17, Haelen

There are seven single-family dwellings in the region of Haelen within the municipality of Leudal which was newly formed on January 1st, 2007 in a merger of four municipalities. The houses themselves are located in a quiet neighbourhood in the center of Haelen with easy access to a diverse range of shops and restaurants.

Zuid Koninginnewal 40-96, Helmond

There are 29 multi-residential dwellings in the city of Helmond, the fifth largest city in the province of Noord Brabant. The city is known for its history of metal and textile industries. The complex itself is in the city center, on the edge of the pedestrian area.

Loonsevaart 4-48, Smallevaart 3-29, Kaatsheuvel

There are 16 single-family dwellings in the Dutch village of Kaatsheuvel, situated along highways N261 and N628. The complex is in a quiet, residential area, with several facilities in the immediate vicinity. The well-known amusement park of Efteling and National Park De Loonse are less than five minutes away by bike.

Begonialaan 10-20, President Kennedylaan 24-64, Oegstgeest

There are 14 single-family dwellings in the town of Oegstgeest, centrally located in the Randstad area. The complex is surrounded by many amenities such as a shopping center which is 500 m away. Schiphol Airport is reachable within 35 minutes by car.

Lloydstraat 32b-172, Rotterdam

There are six multi-residential dwellings in the city of Rotterdam which is the second-largest city and municipality in the Netherlands. A major logistic and economic center, Rotterdam is Europe's largest port.

Jan Sluytersweg 2-12, Jongkindstraat 10-12, Poggenbeekstraat 1-25, Van Renesseweg 11-15, Eindhoven

There are 13 single-family dwellings in the city of Eindhoven which is the fifth largest city in the Netherlands. The metropolitan area consists of about 419,000 inhabitants with the city being known as a center of cooperation between research institutes and industry. The homes are near facilities such as a shopping center, restaurants, schools, and a park.

Bachlaan 6-25, Beethovenlaan 1-26, Chopinlaan 5-9, Mozartlaan 6-12, Velp

There are 21 single-family dwellings in the Dutch village of Velp which has a population of just over 17,000 inhabitants. It is located between Arnhem, Rozendaal, and the town of Rheden. The complex itself is in a quiet, residential node on the edge of the forest.

Limburglaan 7-11 Schuttebeemd 32-62, Weert

There are 10 single-family dwellings in the city of Weert which is situated in the southeast corner of the Netherlands in the southern province of Limburg. The town is referred to as "The Gate of Limburg" and acts as a border with the country of Belgium.

Brullenweide 172, 174, Koeweide 61-128, Begijneslag 64-132, Westervoort

There are 50 single-family dwellings in the town of Westervoort. The town has two rivers inside its borders, the Rhine and the IJssel. It serves as a commuter town closely linked to Arnhem, the capital of the province of Gelderland.

THE COMMERCIAL PROPERTIES

Overview

The REIT currently indirectly owns two commercial properties in Germany, being the Düsseldorf Property and the Landshut Property, and one commercial property in Brussels, being the Brussels Property. The Düsseldorf Property was acquired for an aggregate purchase price of €11 million, subject to customary post-closing adjustments, and comprises approximately 58,500 square feet (5,436 square meters) of GLA, of which approximately 93.3% is occupied. The Landshut Property was acquired for an aggregate purchase price of approximately €9 million, subject to customary post-closing adjustments, and comprises approximately 173,000 square feet (16,054 square meters) of GLA, of which 100% is occupied by an investment grade tenant. The Brussels Property was acquired for an aggregate purchase price of approximately €1 million, subject to customary post-closing adjustments, and comprises approximately 168,993 square feet (15,700 square meters) of GLA, of which 100% is occupied by an investment grade, governmental tenant.

The Düsseldorf Property and the Landshut Property are strategically located in or adjacent to major metropolitan areas in Germany, being Düsseldorf and Landshut (within greater metropolitan Munich), and are in close proximity to public transit or highway networks. The Brussels Property is adjacent to the Brussels downtown city center area, providing moderate visibility and access to a major street and/or metropolitan pedestrian and shopping areas, including the downtown canal.

The following chart illustrates the principal features of the Commercial Properties as at March 31, 2019:

| Property Name | Property Address | Year Built (Refurbished) ⁽¹⁾ | GLA (sq. meters) | Number of Tenants | Leased or Committed | Average Lease Term to Break | % of Base Rent ⁽²⁾ |
|--------------------------------|--|---|------------------|-------------------|---------------------|-----------------------------|-------------------------------|
| Düsseldorf Property | Bismarckstraße 101, Düsseldorf, Germany | 1969 (2001) | 5,436 | 7 | 93.3% | 5.4 years | 10% |
| Landshut Property | E.ON-Allee 1-5, Kiem-Pauli-Str. 2, 82152 Landshut, Germany | 2002-2012 | 16,054 | 1 | 100% | 6.3years | 35% |
| Brussels Property | 1 rue Adolphe Lavallée, 1080 Brussels, Belgium | 2005 | 15,700 | 1 | 100% | 5.8 years | 55% |
| Total/ Weighted Average | | N/A | 37,190 | 9 | 99.0% | 6.0 years | 100% |

Notes:

- (1) "Refurbished" means that the property was significantly renovated.
(2) "Base Rent" means income for the twelve-month period ending December 31, 2018.

Description of the Commercial Properties

Düsseldorf Property

The Düsseldorf Property is located at the address municipally known as Bismarckstraße 101, Düsseldorf, Germany. It was originally built in 1969 and subsequently refurbished in 2001. The Düsseldorf Property is constructed from a reinforced concrete core and features a granite façade. The building comprises approximately 58,500 square feet (5,436 square meters) of GLA, plus approximately 20 underground parking spaces. The Düsseldorf Property is laid out across two basement floors, a ground floor and six upper floors.

The Düsseldorf Property is currently approximately 93.3% occupied, primarily by medical tenants (including a dialysis centre and radiology practice) and a medical insurance company and its tenants have a weighted average lease term of approximately 5.4 years.

There are currently seven tenants in the Düsseldorf Property, the largest of which is MVZ DaVita Karlstraße GmbH, a Subsidiary of DaVita Inc., an international kidney care and dialysis company. MVZ DaVita Karlstraße GmbH occupies approximately 46.3% of the total GLA of the Düsseldorf Property.

Landshut Property

The Landshut Property is located at the address municipally known as E.ON-Allee 1-5, Kiem-Pauli-Str. 2, 82152 Landshut, Germany, and is situated in Schoenbrunn, part of the greater Munich metropolitan region, 60 kilometres northeast of central Munich. It is well served by a comprehensive road and public transportation network. The Landshut Property comprises two building complexes with four phases, ranging from three to four storeys, erected between 2002 and 2012. The Landshut Property is constructed from aluminum post and beam and features a glazed façade. The complex contains approximately 173,000 square feet (16,054 square meters) of GLA. The Landshut Property also has 107 internal and 118 external parking spaces.

The Landshut Property is currently 100% occupied by e.kundenservice Netz GmbH, a subsidiary of E.ON.SE, an international utility service provider, which provides for approximately 35% of the REIT's annual base rent. e.kundenservice Netz GmbH occupies 100% of the total GLA of the Landshut Property, and provides 100% of the annual base rent of the Landshut Property. There are four distinct leases with different terms in place for each of the phases of the Landshut Property. The weighted average in place annual rent for the Landshut Property is approximately €12.31 per square foot (€32.42 per square meter) not including parking, storage and investment rent, and the weighted average lease term is approximately 6.3 years as at March 31, 2019.

Brussels Property

The Brussels Property is located at the address municipally known as 1 rue Adolphe Lavallée, 1080 Brussels, Belgium. The Brussels Property comprises approximately 168,000 square feet (15,700 square metres) of GLA, of which 100% is occupied by Fédération Wallonie-Bruxelles, a government entity, which is an investment grade tenant with a credit rating of Aa3 (Stable) from Moody's. Fédération Wallonie-Bruxelles occupies approximately 100% of the total GLA of the Brussels Property, and provides approximately 100% of the annual base rent of the Brussels Property. The weighted average lease term is approximately 5.8 years as at March 31, 2019. The Brussels Property is adjacent to the Brussels downtown city centre area. The location provides moderate visibility and access to a major street and/or metropolitan pedestrian and shopping areas, including the downtown canal.

INDEBTEDNESS OF THE REIT

Overview

The REIT intends to manage its portfolio of properties using a prudent capital structure and conservative financial profile, while maintaining a conservative debt ratio and generating stable cash flows sufficient to fund its distributions. The REIT's Declaration of Trust provides that the REIT shall not incur or assume any Indebtedness if, after giving effect to the incurring of the Indebtedness, the total Indebtedness of the REIT would be more than 65% of the aggregate Gross Book Value. The REIT intends to use the current favourable debt and interest rate environment to prudently manage the overall financial leverage within a range of 50% to 60% of the REIT's Gross Book Value. This will allow the REIT to maximize its return on equity while mitigating financial risk to Unitholders, by maintaining stability in cash flows.

As at March 31, 2019, the aggregate indebtedness of the REIT was €252,686,750 (net of deferred financing costs of €696,113), representing approximately 44% of Gross Book Value. As at the date of this Annual Information Form and subsequent to the completion of the acquisitions of the Netherlands Properties, the aggregate indebtedness of the REIT is expected to be approximately €433,079,415, representing approximately 47% of Gross Book Value.

Mortgages

In connection with the Acquisition, the REIT indirectly assumed all of the existing mortgage debt and liabilities associated with the Acquisition Properties (the "Assumed Mortgages"), which have a weighted average stated interest rate of 1.87% and an expected weighted average term to maturity of approximately 5.06 years as at March 31, 2019. The following table summarizes the outstanding principal amount, interest rate and maturity date of the Assumed Mortgages indirectly assumed by the REIT as at March 31, 2019:

| | Principal Amount (€000's) | Interest Rate | Maturity Date |
|-----------------------------------|------------------------------|---------------|---------------|
| Assumed Mortgage 1 ⁽¹⁾ | 49,914 | 1.37% | December 2022 |
| Assumed Mortgage 2 ⁽¹⁾ | 40,660 | 2.05% | December 2023 |
| Assumed Mortgage 3 ⁽¹⁾ | 100,842 | 2.04% | January 2025 |
| Assumed Mortgage 4 ⁽¹⁾ | 7,951 | 1.87% | January 2025 |
| Assumed Mortgage 5 ⁽¹⁾ | 5,043 | 1.95% | January 2025 |
| Total | 204,410 | | |

Note:

(1) Mortgages assumed are secured by the Acquisition Properties.

As at the date hereof, the principal amount of the REIT's outstanding principal debt is approximately €433,079,415.

The REIT's aggregate Indebtedness includes three mortgages secured against the Commercial Properties, the first being in respect of the Düsseldorf Property, having an outstanding principal balance of €7,078,125, second being in respect of the Landshut Property, having an outstanding principal balance of €7,329,099, and third being in respect of the Brussels Property, having an outstanding principal balance of €24,468,411, each as of March 31, 2019. The mortgage in respect to the Düsseldorf Property matures on December 31, 2023 and has an interest rate at the three-month Euribor rate plus a fixed margin of 0.95% per annum. In connection with the mortgage for the Düsseldorf Property, the REIT entered into an interest rate swap bearing interest at the rate of 0.60%, which also matures December 31, 2023, resulting in a fixed all-in interest rate of 1.55% on debt associated with the Düsseldorf Property. The mortgage in respect to the Landshut Property matures on March 31, 2024 and has an interest rate of 1.88% per annum. The mortgage in respect to the Brussels Property matures on January 14, 2025 and has an interest rate of 1.38% per annum. In connection with the mortgage for the Brussels Property, the REIT entered into an interest rate swap bearing interest at the rate of 0.49%, which also matures January 14, 2025, resulting in a fixed all-in interest rate of 1.87% on debt associated with the Brussels Property.

Credit Facilities

On July 8, 2019 the REIT, through ERES LP, as borrower, entered into the Revolving Credit Facility. The Revolving Credit Facility has a maximum principal amount of €50 million and an initial term of 24 months, which may be extended by ERES LP for an additional one (1) year period upon the satisfaction of certain conditions. Draws under the Revolving Credit Facility are permitted in Canadian dollars, Euros or British pounds, at a floating interest rate based on CDOR, EURIBOR and LIBOR, respectively, and the Revolving Credit Facility is fully secured against the assets of the REIT and ERES LP (other than certain European subsidiaries and intercompany loans). The REIT intends to use the Revolving Credit Facility to by the REIT to fund acquisitions, operations and capital improvements as well as for other ongoing trust purposes. The Revolving Credit Facility is fully guaranteed by each of the REIT and CAPREIT LP and limited recourse is available against Euro GP and REIT GP. As at the date of this Annual Information Form, €22.5 million has been drawn against the Revolving Credit Facility in connection with the closing of the acquisition of the Additional Properties.

Debt Maturities

The following table sets out, as at March 31, 2019, the principal instalments and maturity balances on the REIT's Indebtedness to be paid over each of the five calendar years noted below and thereafter (assuming that such debt is not renewed at maturity and excluding any mark-to-market adjustments).

| Year Ending December 31: (in thousands) | Scheduled Principal Payments(€) | Balance Due on Maturity | Total Debt Repayments | % of Total |
|--|--|------------------------------------|----------------------------------|-----------------------|
| 2019 | 1,010 | N/A | 1,010 | 0.40% |
| 2020 | 1,224 | N/A | 1,224 | 0.48% |
| 2021 | 1,232 | N/A | 1,232 | 0.49% |
| 2022 | 1,239 | 49,914 | 51,153 | 20.24% |
| 2023 | - | 48,095 | 48,095 | 19.03% |
| Subsequent to 2023..... | - | 150,670 | 150,670 | 59.63% |
| Total..... | <u>4,705</u> | <u>248,679</u> | <u>253,384</u> | <u>100.00%</u> |
| Weighted average effective interest rate..... | | | | 1.98% |
| Weighted average term to maturity | | | | 5.1 years |

GOVERNANCE OF THE REIT

Governance

The Declaration of Trust provides that, subject to certain conditions, the Trustees have absolute and exclusive power, control and authority over the REIT's properties and assets and affairs, as if the Trustees were the sole owners of such properties and assets. The REIT's governance practices, Investment Guidelines and Operating Policies (as defined in the Declaration of Trust) are overseen by the Board consisting of a minimum of three (3) and a maximum of nine (9) Trustees, a majority of whom must be Canadian residents. The REIT must also have, at all times, a majority of Trustees who are who are "independent" (an "**Independent Trustee**") within the meaning of National Instrument 58-101 — *Disclosure of Corporate Governance Practices* ("**NI 58-101**"); provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board of Trustees, be reasonably expected to interfere with a Trustee's independent judgment. The Board is currently comprised of six (6) Trustees, Jan Arie Breure, Harold Burke, Phillip Burns, Gina Cody, Ira Gluskin and Michael Stein, all of whom except Mr. Burns are considered to be "independent" within the meaning of section 1.4 of NI 52-110 (as defined herein). The REIT has determined that Phillip Burns is not independent under these standards due to his role as an executive of the REIT.

In the future, pursuant to the Investor Rights Agreement, CAPREIT is entitled to nominate: (i) three (3) Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 20% of the Units outstanding; (ii) two (2) Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 10% of the Units outstanding and equal to or less than 20% of the Units outstanding; and (iii) one (1) Trustee, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 5% of the Units outstanding and equal to or less than 10% of the Units outstanding.

The Trustees may, between meetings of the Unitholders, appoint one or more additional Trustees provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of Unitholders (rounding to the nearest whole number). The Declaration of Trust provides that any Trustee may resign upon written notice signed by the resigning Trustee and delivered or mailed to the REIT's president or, if there is no president, the REIT's Chair, and if there is no Chair, the REIT's chief executive officer. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of Unitholders called for that purpose or by the written consent of all of the Unitholders or with cause by the resolution passed by an affirmative vote of not less than two-thirds of the remaining Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution and any Trustee so removed shall be so notified by the president or another officer of the REIT forthwith following such removal.

The exclusive standard of care required of the Trustees in exercising their powers and carrying out their functions shall be that they exercise their powers and discharge their duties hereunder as Trustees honestly, in good faith and with a view to the best interests of the REIT and the Unitholders and that in connection therewith they exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Unless otherwise required by law, no Trustee shall be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations hereunder. The Trustees in their capacity as trustees shall not be required to devote their entire time to the investments, business or affairs of the REIT. No Trustee shall be liable in carrying out such Trustee's duties under the Declaration of Trust except in cases where the Trustee fails to act honestly, in good faith and in the best interests of the REIT and the Unitholders or, in connection therewith, fails to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The duties and standard of care of the Trustees provided as aforesaid are intended to be similar to, and not to be any greater than, those imposed on a director of a corporation governed by the CBCA.

Trustees and Officers of the REIT

The following are biographies of the Trustees and officers of the REIT:

Jan Arie Breure – Trustee (Age 45) – Mr. Breure is an independent capital markets consultant. From 2007 to 2015, Mr. Breure was a Managing Director at Terra Firma Capital Partners, a London based private equity firm. From 2005 to 2007, Mr. Breure was Head of European Asset Management at Citi Group Property Investors in London. Prior to that, Mr. Breure worked in investment banking roles at Prudential Securities and Rabobank in New York. Mr. Breure has a Masters in Economic History from the Universiteit Utrecht, and a Master of Business Administration from INSEAD.

Harold Burke, CPA, CA, ICD.D – Trustee (Age: 73) – Harold Burke, CPA, CA, ICD.D. Currently a consultant, Mr. Burke was previously a Senior Vice President at DREAM Asset Management Corporation (formerly Dundee Realty Corporation), an integrated real estate asset manager and developer, which he joined in July 2008. Mr. Burke also serves on the board of trustees of CAPREIT and is the chair of CAPREIT’s audit committee. Mr. Burke has more than 30 years of professional tax practice at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP, and another major Canadian accounting firm. Mr. Burke is recognized as a specialist in the area of real estate-related financial services as well as in domestic and international taxation issues. While a senior partner at PricewaterhouseCoopers LLP, Mr. Burke advised a diverse domestic and foreign clientele many of which were public, private and institutional, on a variety of matters including mergers and acquisitions, capital markets financing and investment structuring. He is a Chartered Professional Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Phillip Burns – Chief Executive Officer and Trustee (Age 50) – Mr. Burns is the Chief Executive Officer of the REIT. Mr. Burns is the founder and a director and principal of Maple Knoll Capital Ltd., a London-based principal investor and asset manager with a primary focus on core, value-add and opportunistic real estate across Europe. For more than 25 years, Mr. Burns has been involved as a principal or advisor in transactions with an aggregate value of over €20.0 billion, with more than 70% centered on real estate across multiple geographies. He also has been involved with raising in excess of €1.0 billion of equity for principal investment, including over €2.5 billion dedicated to real estate. Prior to founding Maple Knoll Capital Ltd., Mr. Burns was the Chief Executive Officer of Corestate Capital, a leading real estate investment manager covering the entire lifecycle of investment in real estate, primarily in Germany. While at Corestate, he managed a 50+ person firm across five offices in four countries, was directly responsible for the company’s strategic and business development and actively involved in transaction execution. During Mr. Burns’ leadership, the company acquired nearly €550 million of real estate and raised over €240 million of equity for principal investment. Prior to Corestate, Mr. Burns was a managing director at Terra Firma Capital Partners, a London-based private equity investment manager focused on asset-intensive businesses across Europe. Mr. Burns was actively involved in several transactions in multiple industry sectors including waste and infrastructure, real estate, credit and, in particular, German residential real estate, where he led over €7.0 billion of acquisitions through the firm’s portfolio company, Deutsche Annington. Mr. Burns was involved with raising three buy-out funds, including a fund dedicated to German residential real estate. He managed two acquisitions teams (London and Frankfurt) and ran the firm’s German office. Prior to this, Mr. Burns worked for Goldman Sachs where he focused on mortgage finance, real estate, technology and general corporate finance. He advised clients across a wide variety of strategic and financing transactions, including mergers and acquisitions and equity, debt and hybrid securities issuance. Mr. Burns also executed several mortgage finance transactions across North America as a principal lender, including single asset and portfolio loans, and subsequently managed balance sheet exposure through securitizations, syndication and whole loan sales. Mr. Burns also was a practicing corporate attorney for Skadden, Arps, Slate, Meagher & Flom where he represented clients in corporate transactions including leveraged buyouts, equity and debt financings, and trademark, copyright and computer software and technology licenses. He holds a Bachelor of Science in Aerospace Engineering from the University of Michigan and a Juris Doctor, summa cum laude, from Syracuse University. Mr. Burns currently is on the board of directors of Irish Residential Properties REIT plc, a real estate investment trust with investments in multi-residential properties in Ireland.

Dr. Gina Parvaneh Cody – Trustee (Age: 62) – Dr. Gina Parvaneh Cody holds a Masters and a Doctorate in Building Engineering from Concordia University. Dr. Cody has more than 30 years of professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm. Dr. Cody has provided professional engineering services to some of Canada’s largest REITs, financial institutions, builders and developers.

Dr. Cody also served the Professional Engineers of Ontario (PEO) for over 15 years as a member of the Discipline Committee and for over 8 years as a member and subsequently chair of the Professional Practice Committee. Dr. Cody was granted both the Certificate of Fellowship and the Award of Honor by PEO. Dr. Cody is currently a member of the Board of Governors and the Governance Committee and Chair of the Real Estate Planning Committee and Industrial Advisory Council of Concordia University. Dr. Cody is also the benefactor of the Gina Cody School of Engineering and Computer Science at Concordia University. Dr. Cody serves on the board of trustees of CAPREIT.

Ira Gluskin – Trustee (Age 76) – Mr. Gluskin is the Vice-President of Irager + Associates, a multi-family investment office, overseeing strategy and investments. Mr. Gluskin is the co-founder of Gluskin Sheff, one of Canada’s pre-eminent wealth management firms. He served as the firm’s President & Chief Investment Officer through December 31, 2009, and as a Director and the firm’s Vice-Chairman through December 18, 2013. Prior to co-founding Gluskin Sheff, Mr. Gluskin had worked in the investment industry for 20 years. Mr. Gluskin currently also serves on the Board of Directors of Tricon Capital Group. Mr. Gluskin is a well-known industry commentator and he currently is a member of the Advisory Board of Vision Capital Corporation, the University of Toronto’s Real Estate Advisory Committee, the University of Toronto’s Boundless Campaign Executive Committee, the Sinai Health System’s Board of Directors and Investment Committee, the Board of the Canadian Jewish News, The Walrus Magazine, Capitalize for Kids and the Toronto Symphony Foundation. Mr. Gluskin is also the former Chair of the University of Toronto Asset Management Corporation and the former Chair of the Investment Advisory Committee for the Jewish Foundation of Greater Toronto and is currently a member of its Investment Committee.

Michael Stein – Trustee (Age: 67) – Michael Stein is the Chair of CAPREIT. Mr. Stein has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Mr. Stein also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is a director of FirstService Corporation (TSX/NASDAQ), a director of McEwen Mining Inc. (TSX/NYSE) and Chairman of the board of directors of Cliffside Capital Ltd. (TSXV). Between 2000 and 2006, Mr. Stein was a member of the Board of Directors of Goldcorp Inc., a public natural resource company the shares of which are listed on the TSX and New York Stock Exchange. Between 1978 and 1987, Mr. Stein held progressively senior positions, ultimately holding the position of Executive Vice President responsible for operations, with The Mortgage Insurance Co. of Canada. Mr. Stein is a graduate engineer and holds a master of business administration in finance and international business from Columbia University in New York.

Scott Cryer – Chief Financial Officer and Corporate Secretary (Age 46) – Scott Cryer is the Chief Financial Officer and Corporate Secretary of the REIT. Mr. Cryer joined CAPREIT in September 2009 and is currently CAPREIT’s chief financial officer. Prior to joining CAPREIT, Mr. Cryer had an eleven year career of increasing responsibility in the Real Estate Assurance and Advisory practice of Deloitte & Touche LLP. He received his Chartered Accountant designation in 2000 and holds a Bachelor of Economics degree from the University of Western Ontario. Mr. Cryer is also a director on the board of IRES Fund Management.

Unit Ownership

To the best of the knowledge of the REIT, the following table shows the Units (on a non-diluted and fully-diluted basis) which are owned by the Trustees and officers of the REIT, as well as their principal occupation, as at the date of this Annual Information Form.

Units and Unit Options Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction are Exercised at the Date Hereof

| Name and Municipality of Residence and Position Held | Units (Non-Diluted) | Units and Unit Options (Fully- Diluted ⁽¹⁾) | Principal Occupation |
|---|------------------------|---|----------------------|
|---|------------------------|---|----------------------|

| | | | |
|---|---------|-----------|--|
| Jan Arie Breure ^{(2) (3)} Monaco Trustee | 150,400 | 161,760 | Independent capital markets consultant |
| Harold Burke ^{(2) (3) (4)} Toronto, Ontario Trustee | Nil | Nil | Consultant and former Senior Vice President of Taxation, Dream Asset Management Corporation (Formerly Dundee Realty Corporation) |
| Phillip Burns Paris, France Chief Executive Officer and Trustee | 797,961 | 1,750,761 | Chief Executive Officer of the REIT and Principal and Director of Maple Knoll |
| Gina Cody ^{(2) (3)} Toronto, Ontario Trustee | Nil | Nil | Corporate Director and former President and principal of Construction Control Inc. |
| Ira Gluskin ⁽²⁾ Toronto, Ontario Trustee | 662,350 | 662,350 | Vice-President of Irager + Associates Inc. |
| Michael Stein ⁽²⁾ Toronto, Ontario Trustee | 40,000 | 40,000 | Chairman of CAPREIT and Chairman and Chief Executive Officer of MPI Group Inc. |
| Scott Cryer Toronto, Ontario Chief Financial Officer | Nil | Nil | Chief Financial Officer of CAPREIT and the REIT and former Vice President, Financial Reporting of CAPREIT |

Notes:

- (1) Assuming the exercise of all outstanding Unit Options.
- (2) Independent Trustee.
- (3) Member of the Audit Committee of the REIT.
- (4) Chair of the Audit Committee of the REIT.

As at the date hereof, the Trustees and officers of the REIT, as a group, own or beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 2,603,511 Units, representing approximately 1.65% of the outstanding Units assuming the conversion of outstanding Class B LP Units into Units.

Trustees' and Officers' Liability Insurance and Indemnification

The REIT carries Trustees' and officers' liability insurance. Under this insurance coverage, the REIT is reimbursed for insured claims where payments have been made under indemnity provisions on behalf of the Trustees and officers contained in the Declaration of Trust, subject to a deductible for each loss, which will be paid by the REIT. Individual Trustees and officers are also reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by the REIT. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts. The REIT also obtained customary run-off insurance for a period of six years for previous trustees and officers of the REIT in connection with the closing of the Acquisition.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the REIT's knowledge, other than as described below, none of the Trustees are, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form: (i) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (ii) subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (iii) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Michael Stein served as a director of a privately held United Kingdom-registered company from February 2012 to January 2019. On March 21, 2019, the company voluntarily appointed an administrator under the United Kingdom insolvency act (Insolvency Act 1986).

Indebtedness of Trustees and Officers

None of the Trustees or officers of the REIT are indebted to the REIT.

MANAGEMENT OF THE REIT

Asset Management Agreement

The following is a summary of the material attributes and characteristics of the Asset Management Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Asset Management Agreement, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. Investors should refer to the Asset Management Agreement for a full description of the terms and conditions of such agreement.

Management Services

On March 29, 2019, CAPREIT and CAPREIT LP (the "Manager"), entered into an asset management agreement (the "Asset Management Agreement") with the REIT, whereby the Manager assumed the role of asset manager of the REIT.

Pursuant to the Asset Management Agreement, the Manager, among other things, performs the following duties for the REIT (and, if applicable, any affiliate of the REIT):

- (a) provide the services of a senior management team (including a chief executive officer and chief financial officer of the REIT) to provide advisory, consultation and investment management services and monitor the financial performance of the REIT;
- (b) advise the Trustees on strategic matters, including potential acquisitions, dispositions, financings and development;
- (c) provide guidance to property managers on operating and capital expenditures;
- (d) identify, evaluate, recommend and assist in the structuring of acquisition, disposition and other transactions;

- (e) advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors;
- (f) make recommendations with respect to the payment of distributions;
- (g) provide advice in connection with the preparation of business plans and annual budgets, implement such plans and budgets and monitor the financial performance of the REIT;
- (h) advise the REIT with respect to investor relations strategies and activities;
- (i) advise with respect to regulatory compliance requirements, risk management policies and regulatory or other litigation matters related to the REIT; and
- (j) any additional services as may from time to time be agreed to in writing by the REIT and the Manager for which the Manager will be compensated on terms to be agreed upon between the Manager and the REIT prior to the provision of such services.

Management Fees

In performing its obligations under the Asset Management Agreement, the Manager is entitled to receive the following fees from the REIT or its Subsidiaries:

- (a) a base annual asset management fee (the “**Annual Asset Management Fee**”) in the amount of 0.35% of the historical purchase price of the REIT’s properties (other than in respect of the Commercial Properties), equal to €1,476,405 for the Acquisition Properties, notwithstanding that the purchase price for the Acquisition Properties was denominated in Canadian dollars;
- (b) a capital expenditure fee (the “**Capex Fee**”) equal to 5.0% of all hard construction costs incurred on each capital project (other than in respect of the Commercial Properties) with costs in excess of €1 million, excluding work done on behalf of tenants or any maintenance expenditures;
- (c) an acquisition fee (the “**Acquisition Fee**”) in the amount of (i) 1.0% of the purchase price paid by the REIT or one or more of its Subsidiaries for the purchase of a residential or commercial real property of the REIT located in Europe, on the first €100 million of such properties acquired in each fiscal year, (ii) 0.75% of the purchase price paid by the REIT or one or more of its Subsidiaries for the purchase of such a property, on the next €100 million of such properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by the REIT or one or more of its Subsidiaries for the purchase of such a property, on properties in excess of €200 million acquired in each fiscal year. No Acquisition Fee will be paid in respect of the acquisition of the properties that may have been owned by CAPREIT on December 10, 2018; and
- (d) a financing fee (the “**Financing Fee**”) equal to 0.25% of the debt and equity of all financing or refinancing transactions completed for the REIT or any of its Subsidiaries, which is intended to cover the actual expenses incurred by the Manager in supplying services to the REIT relating to financing transactions. To the extent that the Financing Fees paid by the REIT exceed the actual amount of such expenses, the Manager will reimburse the REIT for the difference. To the extent that the Financing Fees charged by the Manager are less than the actual amount of such expenses, the REIT will pay the difference as an additional Financing Fee amount;

(the Annual Asset Management Fee, the Capex Fee, the Acquisition Fee and the Financing Fee are hereinafter together referred to as the “**Management Fees**”). Any amount payable under the Asset Management Agreement is exclusive of applicable taxes, which will, where it is chargeable, be paid in addition to the amount in question. Notwithstanding the foregoing, in the event that the Amended Maple Knoll Management Agreement is terminated, the Manager will also be entitled to the Management Fees in respect of any remaining Commercial Properties from the date of such termination.

Pursuant to the Asset Management Agreement, the Manager has the option to elect to receive all or a portion of the Management Fees payable to it in the form of Units or other equity incentive awards of the REIT, as may be available from time to time. The number of Units issued to the Manager will be calculated by dividing the fees payable to the Manager by the market value of the Units on the relevant payment date. The “market value” for this purpose will be the weighted average trading price of the Units on the principal exchange on which the Units are quoted for trading for the five trading days immediately preceding the relevant payment date.

In addition, the REIT will reimburse the Manager for all reasonable out-of-pocket costs and expenses paid by the Manager in connection with the performance of services described in the Asset Management Agreement or such other services which the Manager and the REIT agree in writing are to be provided from time to time by the Manager.

Right of First Opportunity

Pursuant to the Asset Management Agreement, the Manager shall provide the REIT with a right of first opportunity on all acquisition or investment opportunities in each multi-residential rental property located in Europe identified by the Manager or any of its affiliates that fit within the REIT’s investment policy (each, an “**Opportunity**”).

Notwithstanding the foregoing, the aforementioned right of first opportunity will not apply to: (i) any Opportunity that relates to property located in Ireland; or (ii) any interest of the Manager or any of its affiliates in any property that was previously a declined Opportunity by the REIT.

Term and Termination

The Asset Management Agreement is for a term of 10 years and is renewable for further five-year terms, unless and until the Asset Management Agreement is terminated in accordance with the provisions thereof. Subject only to the termination provisions in the Asset Management Agreement, the Manager will automatically be rehired at the expiration of each term. The Manager has the right, at any time, but upon 180 days’ notice, to terminate the Asset Management Agreement for any reason; provided, however, the Manager may not terminate the Asset Management Agreement during the initial term of the Asset Management Agreement.

The REIT has the right to terminate the Asset Management Agreement in the event of default or insolvency of the Manager (within the meaning of the Asset Management Agreement) by giving notice to the Manager, which notice shall provide the reason for termination in reasonable detail and shall be effective in accordance with the provisions of the Asset Management Agreement. The REIT may also terminate the Asset Management Agreement at the end of a term if the Non-Restricted Trustees of the REIT determine that the Manager has not been meeting its obligations under the Asset Management Agreement and such termination is approved by at least two-thirds of the votes cast by Unitholders at a meeting of Unitholders called and held for such purpose, provided that the REIT provides the Manager with at least 12 months’ prior written notice of such termination.

Amended Maple Knoll Management Agreement

The following is a summary of the material attributes and characteristics of the Amended Maple Knoll Management Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Amended Maple Knoll Management Agreement, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. Investors should refer to the Amended Maple Knoll Management Agreement for a full description of the terms and conditions of such agreement.

On March 29, 2019, the REIT amended and replaced the Prior Maple Knoll Management Agreement (the “**Amended Maple Knoll Agreement**”), pursuant to which Maple Knoll will act as the asset manager to the REIT in respect of the REIT’s Commercial Properties. For additional information about the Amended Maple Knoll Management Agreement, please see pages 58-60 of the Netherlands Transaction Circular under the heading “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Amended Maple Knoll Management Agreement”, which is specifically incorporated by reference herein and is available for review under the REIT’s profile on SEDAR at www.sedar.com.

Management Fees in respect of the Commercial Properties

In performing its obligations under the Amended Maple Knoll Management Agreement, Maple Knoll is entitled to receive the following fees from the REIT:

- (a) an annual asset management fee (the “**Annual Commercial Asset Management Fee**”) in the amount of 0.50% of the historical gross acquisition price of the Commercial Properties plus applicable tax;
- (b) a disposition fee (“**Disposition Fee**”) in the amount of 1.0% of the total gross proceeds associated with any Commercial Property disposed of by the REIT or its Subsidiaries payable on completion of each disposition plus applicable tax;
- (c) a capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project on the Commercial Properties with costs in excess of €1 million, excluding work done on behalf of tenants or any maintenance expenditures, plus applicable tax; and
- (d) a refinancing fee equal to 0.25% of the debt and equity of all refinancing transactions to a maximum of actual expenses incurred by Maple Knoll in supplying services relating to refinancing transactions plus applicable tax.

Term and Termination

The Amended Maple Knoll Management Agreement is for a term of three years (the “**Amended Maple Knoll Management Agreement Initial Term**”), unless extended by mutual agreement. The REIT has the right to terminate the Amended Maple Knoll Management Agreement upon 30 days’ written notice: (i) in the event of material default (if such default is not cured within such period); (ii) in the event of insolvency of Maple Knoll (within the meaning of the Amended Maple Knoll Management Agreement); (iii) if Maple Knoll commits an act of fraud; or (iv) in the event that Maple Knoll has failed to perform its duties under the Amended Maple Knoll Management Agreement. In addition, the Amended Maple Knoll Management Agreement may be terminated by the REIT at any time. If the REIT terminates the Amended Maple Knoll Management Agreement, other than pursuant to an Event of Default (as defined in the Amended Maple Knoll Management Agreement), the REIT shall pay (i) the Annual Commercial Asset Management Fee for the remainder of the Amended Maple Knoll Management Agreement Initial Term and (ii) in the event that the REIT sells any of the Commercial Properties following the termination of the Amended Maple Knoll Management Agreement and prior to the end of the Maple Knoll Management Agreement Initial Term, 50% of the Disposition Fee associated with the Commercial Properties sold.

Notwithstanding the foregoing, if during the Amended Maple Knoll Management Agreement Initial Term, any Commercial Property has been sold and the Disposition Fee paid, then the Annual Commercial Asset Management Fee in respect of such Commercial Property will no longer be payable.

Property Management Agreements

The following is a summary of the material attributes and characteristics of the Property Management Agreements, which were entered into by the parties on March 27, 2019. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Property Management Agreements.

Property Management Services

On March 27, 2019, CanLiving B.V. (the “**Property Manager**”), a wholly-owned Subsidiary of CAPREIT, and certain Subsidiaries of the REIT (collectively, the “**Client**”), entered into agreements (collectively, the “**Property Management Agreements**”), whereby the Property Manager acts as property manager for the Client’s multi-residential properties.

Pursuant to the Property Management Agreements, the Property Manager, among other things, performs the following duties for the Client (and, if applicable, any affiliate of the Client):

- (a) oversee, supervise and direct the day-to-day relations with respect to the properties of the Client with third parties, including tenants, suppliers, brokers, consultants, advisors, accountants, lawyers, municipal tax authorities, insurers and appraisers;
- (b) maintain copies of all invoices, bills, receipts, warranties, leases, contracts, correspondence, inventories and other records in connection with the properties of the Client and make them available for inspection;
- (c) provide management and operational services for the properties of the Client, including inspecting the properties, negotiating contracts, providing management services in connection with the facilities, arranging for such improvements and repairs as may be required, monitoring of building and refurbishment works and purchasing all materials and services, arranging for utilities and fixed price contracts in respect thereof and incurring such expenses (with certain exceptions), as it deems necessary in connection therewith;
- (d) obtain and maintain appropriate insurance policies on all properties of the Client in amounts and against such risks as would normally be carried by prudent owners of similar property portfolios;
- (e) handle all banking necessary for the due performance of accounting and administrative functions and for the receipt and disbursement of all monies of the Client pertaining to the operation of the properties of the Client;
- (f) review or cause to have reviewed property taxes and assessments for the properties of the Client and recommending payment or appeal, and, if applicable, taking steps to contest or appeal any such assessments;
- (g) supervise all leasing and operations in respect of the properties of the Client, including establishing any leasing and marketing plans;
- (h) arrange for the services of such other administrative, management and executive personnel to be provided to the Client as is reasonably necessary, including hiring, supervising and dismissing, as may be necessary from time to time all persons required for the proper operation, maintenance, administration, management and other support services for the properties of the Client, including any property managers, the controller and other oversight accounting and administrative staff; and
- (i) assist, or procure assistance for, the Client with any employment requirements, including the arrangement of insurance and other benefits as may be required from time to time.

Fees

In consideration for the services provided by the Property Manager under the Property Management Agreements, the Client pays a fee to the Property Manager representing 3.5% of effective gross revenues (i.e. revenues less vacancy, bad debt and incentives) derived from the multi-residential properties of the Client. Any amount payable under the Property Management Agreements are exclusive of applicable taxes, which will, where it is chargeable, be paid in addition to the amount in question.

Term and Termination

The Property Management Agreements have an indefinite term. The Client is able to terminate the Property Management Agreements immediately upon an event of default committed by the Property Manager.

The Client and the Property Manager are each be able to terminate the Property Management Agreements: (i) immediately, with respect to a particular property of the Client, upon the completion of a sale of or any other form of disposition of the property resulting in the Client ceasing to have an interest in it; or (ii) immediately (with no fee payable), in the event that the Asset Management Agreement is terminated.

Investor Rights Agreement

The following is a summary of the material attributes and characteristics of the Investor Rights Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Investor Rights Agreement, the form of which is attached as Exhibit I to the Acquisition Agreement that has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. Investors should refer to the form of Investor Rights Agreement for a full description of the terms and conditions of such agreement.

On March 29, 2019, the REIT and CAPREIT entered into an investor rights agreement (the “**Investor Rights Agreement**”) setting out CAPREIT’s rights as a significant Unitholder. Pursuant to the Investor Rights Agreement, CAPREIT has, among other things, rights outlined below.

Nomination Rights

- (a) Pursuant to the Investor Rights Agreement, CAPREIT has the right to nominate a number of Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) based on the proportion of outstanding Units held by CAPREIT (determined as if all Class B LP Units had been exchanged for Units), whether held directly or indirectly, at the time of nomination, as follows:
- (b) three Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 20% of the Units outstanding;
- (c) two Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 10% of the Units outstanding and equal to or less than 20% of the Units outstanding; and
- (d) one Trustee, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 5.0% of the Units outstanding and equal to or less than 10% of the Units outstanding.

In addition, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 50% of the Units outstanding, CAPREIT has the right to nominate the chair of the Board of Trustees and the majority of the members of each committee of the Board of Trustees, subject to any independence requirements.

Registration Rights

The Investor Rights Agreement provides CAPREIT with the right (the “**Demand Registration Right**”) to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, and take such other steps as may be reasonably necessary to facilitate an offering in Canada of all or any portion of the Units held by CAPREIT, provided CAPREIT, together with its permitted transferees, Affiliates and joint actors, collectively own, control or direct, directly or indirectly, in the aggregate, at least 10% of the Units (determined as if all Class B LP Units are exchanged for Units) at the time of exercise (a “**Demand Registration**”).

CAPREIT is entitled to request not more than three Demand Registrations in any 12-month period and each request for a Demand Registration must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least \$15 million. The REIT may also distribute Units in connection with a Demand Registration, provided that if the Demand Registration involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Registration should be limited for certain prescribed reasons, the Units to be included in the Demand Registration will be first allocated to CAPREIT. The Demand Registration Right is subject to various conditions and limitations, and the REIT is entitled to defer any Demand Registration in certain circumstances, where it is in the best interest of the REIT, for a period not exceeding 90 days and no more than once in any one-year period.

The expenses in respect of a Demand Registration, subject to certain exceptions, whether or not completed, will be borne by CAPREIT. If both the REIT and CAPREIT are selling Units in an offering or distribution, the expenses of

the Demand Registration will be shared by the REIT and CAPREIT on a proportionate basis, according to the number of Units being distributed by each, provided that in all cases CAPREIT shall bear the fees and expenses of its counsel.

In addition, subject to certain conditions, CAPREIT is also entitled to customary “piggy back” registration rights to require the REIT to include Units held by CAPREIT (“**Piggy-Back Units**”) in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “**Piggy-Back Registration**”), provided CAPREIT, together with its permitted transferees, Affiliates and joint actors, collectively own, control or direct, directly or indirectly, in the aggregate, at least 10% of the Units (determined as if all Class B LP Units are exchanged for Units) at the time of exercise. The REIT is required to use reasonable commercial efforts to cause to be included in the Piggy-Back Units all of the Units CAPREIT requests to be sold, provided that if the Piggy-Back Registration involves an underwriting and the lead underwriter determines that the total number of Piggy-Back Units to be included in such Piggy-Back Registration should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Registration will be first allocated to the REIT.

The expenses in respect of a Piggy-Back Registration will be borne by the REIT, except that any underwriting fee on the sale of Piggy-Back Units and the fees of CAPREIT’s external legal counsel will be borne by CAPREIT.

In connection with any Demand Registration or Piggy-Back Registration, CAPREIT will furnish to the REIT such information and execute such documents regarding the Units and the intended method of distribution thereof as the REIT may reasonably require in order to effect the requested qualification for distribution. If an underwritten public offering is contemplated, CAPREIT shall execute an underwriting agreement containing customary representations, warranties and indemnities (and contribution covenants) relating only to written information furnished by or on behalf of CAPREIT expressly for use in connection with the applicable prospectus. The REIT will indemnify CAPREIT, its Affiliates and each of their respective directors, trustees, officers and employees for any misrepresentation in a prospectus under which Units held by CAPREIT are distributed (other than in respect of any prospectus disclosure provided by CAPREIT or the underwriters). CAPREIT will indemnify the REIT and each of the REIT’s trustees, officers and employees for any misrepresentation with respect to prospectus disclosure provided by CAPREIT in respect of CAPREIT.

Pre-Emptive Rights

In the event that the REIT, ERES LP or one of their Subsidiaries decides to issue equity securities of the REIT or ERES LP or a Subsidiary or securities convertible into or exchangeable or redeemable for equity securities of the REIT or ERES LP or a Subsidiary or an option or other right to acquire such securities other than to an Affiliate thereof, CAPREIT, for so long as it (including permitted transferees) continues to own, control or direct, directly or indirectly, in the aggregate, at least 10% of the outstanding Units (determined as if all Class B LP Units have been exchanged for Units), has pre-emptive rights to purchase Units, Class B LP Units or such other securities as are being contemplated for issuance by the REIT or ERES LP or a Subsidiary to maintain its proportional ownership interest in the REIT (assuming an exchange of all Class B LP Units). Notice of exercise of such rights is to be provided in advance of the commencement of any offering of securities of the REIT or ERES LP. If CAPREIT exercises such rights, then the REIT, ERES LP or the applicable Subsidiary shall, subject to the receipt and continued effectiveness of all required approvals, issue to CAPREIT, and list on the appropriate securities exchange or quotation system, the securities purchased by CAPREIT pursuant to its pre-emptive rights.

Pursuant to the Investor Rights Agreement, the pre-emptive rights do not apply to issuances in the following circumstances (the “**Excluded Issuances**”):

- to participants in a distribution reinvestment plan or a similar plan;
- in respect of the exercise or issuance of options, warrants, rights or other securities issued under security based compensation arrangements of the REIT or its Subsidiaries;
- to Units in lieu of cash distributions;
- as full or partial consideration for the purchase of real property by the REIT or ERES LP from CAPREIT or an Affiliate thereof;

- in respect of the exercise by a holder of a conversion, exchange or other similar right pursuant to the terms of a security in respect of which CAPREIT did not exercise, failed to exercise, or waived its pre-emptive rights or in respect of which the pre-emptive right did not apply;
- pursuant to a Unitholders' rights plan of the REIT; and
- to the REIT, ERES LP or any Subsidiary or Affiliate thereof.

For so long as CAPREIT continues to own, control or direct, directly or indirectly, in the aggregate, at least 10% of the then-outstanding Units (determined as if all Class B LP Units are exchanged for Units), CAPREIT shall have a right (the "**Top-Up Right**") to subscribe for Units in respect of any Top-Up Securities that the REIT may, from time to time, issue after the date of the Investor Rights Agreement, excluding any rights offering by the REIT, and subject to any stock exchange requirements as may then be applicable. The number of Units that may be subscribed for by CAPREIT pursuant to the Top-Up Right shall be equal to the Percentage of Outstanding Units (as defined in the Investor Rights Agreement) expressed as a percentage of the Top-Up Securities. The term "**Top-Up Securities**" shall mean any Units or securities convertible into or exchangeable or redeemable for Units issued pursuant to an Excluded Issuance.

The Top-Up Right may be exercised on a semi-annual basis and will be effected through subscriptions for Units by CAPREIT for a price per Unit equal to the volume weighted average price of the Units on the TSXV or the then applicable stock exchange for the five trading days preceding the delivery of the Top-Up Right acceptance notice by CAPREIT and shall be subject to approval by the TSXV or the then applicable stock exchange.

Information and Inspection Rights

During the term of the Investor Rights Agreement, the REIT shall deliver to CAPREIT, subject to prescribed timelines set out in the Investor Rights Agreement, a copy of the REIT's financial statements after each fiscal year end; a copy of the proposed annual budget for the REIT and its Subsidiaries; a copy of any notice, letter, correspondence or other communication from a governmental entity or any litigation proceedings or filings involving the REIT or any of its Subsidiaries; any and all internal reports, consulting reports, audit reports or other reports (whether prepared internally or by third parties) related to any review, consideration or evaluation of the effectiveness of the REIT's internal compliance programs and processes and controls related thereto; any information relating to material transactions or material expenditures of the REIT; and such other financial and business information relating to the REIT as CAPREIT may reasonably request from the REIT from time to time.

The REIT shall also provide CAPREIT and its representatives with reasonable access upon reasonable notice during normal business hours, to the REIT's and its Subsidiaries' books and records and executive management so that CAPREIT may conduct reasonable inspections, investigations and audits relating to the information provided by the REIT pursuant to CAPREIT's information rights, as well as to the internal accounting controls and operations of the REIT and its Subsidiaries.

CAPREIT's Consent Rights

For so long as CAPREIT directly or indirectly holds 50% or more of the Units, the REIT may not undertake, without the prior written consent of CAPREIT, in CAPREIT's sole and absolute discretion: (i) any material acquisition, disposition, or development; (ii) any financings (debt or equity), re-financings or similar transactions; or (iii) any direct or indirect granting of security over any assets of the REIT or any related entity.

Services Agreement

The following is a summary of the material attributes and characteristics of the Services Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Services Agreement, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. Investors should refer to Services Agreement for a full description of the terms and conditions of such agreement.

On March 29, 2019, CAPREIT LP entered into a services agreement with, inter alia, the REIT (the “**Services Agreement**”), pursuant to which the CAPREIT LP provides the REIT and certain of its Subsidiaries with certain administrative services, including financial, information technology, internal audit and other support services as may be reasonably required from time to time (the “**Services**”). CAPREIT LP provides these Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CAPREIT LP for all reasonable costs and expenses incurred by CAPREIT LP in connection with providing the Services, plus applicable taxes. The Services Agreement will be in force as long as the Asset Management Agreement, unless otherwise terminated in accordance with its terms.

PROMOTER

Phillip Burns may be considered to be a promoter of the REIT within the two most recently completed financial years in that he took the initiative in founding the business of the REIT. Mr. Burns will not receive any compensation in his capacity as a promoter of the REIT. As at the date hereof, Mr. Burns owns 797,961 Units, representing approximately 0.50% of the issued and outstanding Units assuming the conversion of all Class B LP Units into Units, as well as 952,800 Unit Options. Mr. Burns is both a Trustee and executive officer of the REIT. Mr. Burns is also a principal of Maple Knoll.

PRINCIPAL UNITHOLDERS

As of the date of this Annual Information Form, CAPREIT holds an approximate 89% effective interest in the REIT, assuming exchange of all outstanding Class B LP Units, through the ownership of, or the control or direction over, 140,903,682 Class B LP Units.

DECLARATION OF TRUST AND DESCRIPTION OF CAPITAL STRUCTURE

General

The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario and established pursuant to the Declaration of Trust. Although the REIT qualifies as a “mutual fund trust” as defined in the Tax Act, the REIT is not a “mutual fund” as defined by applicable securities legislation.

The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are substantially similar, Unitholders do not have statutory rights of shareholders of a corporation incorporated under either the OBCA or the CBCA including, for example, “dissent rights” in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, and the right to bring “oppression” or “derivative” actions. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without notice to or approval of the Unitholders of the REIT or holders of Special Voting Units.

Units

Each Unit represents a proportionate, undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the REIT (subject to any contractual waiver of rights to such distributions), whether of net income or other amounts, and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. No Unit has any preference or priority over any other. Units are fully paid and non-assessable (other than Units issued on an installment basis) when issued and are transferable. The Units are redeemable at the holder’s option (as described below under “Redemption Right”) in accordance with the terms specified in the Declaration of Trust and the Units have no other conversion, retraction, redemption or pre-emptive rights. If as a result of any act of the Board of Trustees

under the Declaration of Trust any person becomes entitled to a fraction of a Unit, such fractional Unit will not be issued but rather rounded down to the nearest whole Unit.

The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such act or any other legislation.

Special Voting Units

None of the Special Voting Units have any economic entitlement in the REIT or in the distributions or assets of the REIT, but they entitle the holder of record thereof to a number of votes at any meeting of the Unitholders equal to the number of Units that may be obtained upon the exchange of the exchangeable security to which such Special Voting Unit is attached. Special Voting Units issued in connection with or in relation to securities exchangeable into Units, including Class B LP Units, for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units are not transferable separately from the exchangeable securities to which they are attached and will automatically be transferred upon the transfer of any such exchangeable securities. Upon the exchange or surrender of a Class B LP Unit for a Unit, the Special Voting Unit attached to such Class B LP Unit will automatically be redeemed and cancelled for no consideration without any further action of the Board of Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Allotment and Issuance of Units

The Board of Trustees may allot and issue Units at such time or times and in such manner (including, without limitation, as consideration for the acquisition of new properties or assets, pursuant to any incentive or option plan established by the REIT from time to time or any plan from time to time in effect relating to reinvestment by Unitholders of distributions of the REIT in Units or pursuant to a unitholder rights plan of the REIT) and for such consideration and to such person(s) or class of persons as the Trustees in their sole discretion shall determine. See “Distribution Policy”.

Special Voting Units may only be issued in connection with or in relation to Class B LP Units for the purpose of providing voting rights to the holders of such securities with respect to the REIT. In the event that Units are issued in whole or in part for consideration other than money, the resolution of the Board of Trustees allotting and issuing such Units shall express the fair equivalent in money of the other consideration received. The price or value of the consideration for which Units may be issued will be determined by the Board of Trustees in its sole discretion, generally in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of Units.

Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders. If the Board of Trustees determines that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the distribution payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Board of Trustees to be available for the payment of such distribution. See “Distribution Policy”.

The Declaration of Trust also provides that, immediately after a pro rata distribution of such Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. Each Unit certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Meetings of Unitholders

The Declaration of Trust provides that there will be an annual meeting of the Unitholders at such time and place as the Board of Trustees shall prescribe for the purpose of electing the Board of Trustees, appointing or removing the auditors of the REIT and transacting such other business as the Board of Trustees may determine or as may properly be brought before the meeting. The annual meeting of Unitholders shall be held after delivery to the Unitholders of the annual report which contains information similar to that required to be provided to shareholders of a public corporation governed by the CBCA and financial statements (including quarterly and annual financial statements) and

other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation and, in any event, within 180 days after the end of each fiscal year of the REIT, or such later date (not to exceed 15 months from the date of the most recently held annual meeting) as the Board of Trustees may determine is in the best interests of Unitholders, subject to the receipt of all applicable regulatory approvals. Notwithstanding the foregoing, the REIT may extend the time for calling a meeting, subject to all applicable regulatory approvals.

The Board of Trustees has the power, at any time, to call special meetings of the Unitholders at such time and place as the Board of Trustees may determine. Unitholders holding in the aggregate not less than 5.0% of the outstanding Units of the REIT may requisition the Board of Trustees in writing to call a special meeting of the Unitholders for the purposes stated in the requisition. The requisition shall state in reasonable detail the business proposed to be transacted at the meeting and shall be sent to each of the Board of Trustees at the principal office of the REIT. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to Unitholders of a corporation governed by the OBCA.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy. A quorum for any meeting of Unitholders shall be individuals present not being less than two in number and being Unitholders or representing by proxy Unitholders who hold in the aggregate not less than 10% of the total number of outstanding Units, provided that if the REIT has only one Unitholder the Unitholder present in person or by proxy constitutes a meeting and a quorum for such meeting. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called by request of Unitholders, shall be terminated and, if otherwise called, shall stand adjourned to such day being not less than seven days later and to such place in Canada and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

Holders of Special Voting Units will have an equal right to be notified of, attend and participate in meetings of Unitholders.

Each Unit entitles the holder of record thereof to one vote at all meetings of the Unitholders. Each Special Voting Unit entitles the holder of record thereof to a number of votes at all meeting of the Unitholders equal to the number of Units that may be obtained upon the exchange of the exchangeable security, including a Class B LP Unit, to which such Special Voting Unit is attached. Any action to be taken by the Unitholders shall, except as otherwise required by the Declaration of Trust or by law, be authorized when approved by a majority of the votes cast at a meeting of the Unitholders or by way of a written instrument signed by all of the Unitholders. The chair of any such meeting shall not have second or casting vote.

Advance Notice Provision

The Declaration of Trust includes certain advance notice provisions, which: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Unitholders to register an informed vote.

Only persons who are nominated in accordance with the following procedures are eligible for election as Trustees. Nominations of persons for election as a Trustee may be made at any annual meeting of Unitholders, or at any special meeting of Unitholders, if one of the purposes for which the special meeting was called was the election of Trustees: (i) by or at the direction of the Trustees, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with the Declaration of Trust; or (iii) by any person (a "**Nominating Unitholder**") who (A) at the close of business on the date of the giving of the requisite notice and on the record date for notice of such meeting is entered in the REIT's register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in the Declaration of Trust.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof to the Trustees in the manner prescribed by the

Declaration of Trust. Furthermore, if such notice is made on a day which is not a Business Day or later than 5:00 p.m. (Toronto Time) on a day which is a Business Day, then such notice shall be deemed to have been made on the subsequent day that is a Business Day. To be timely, a Nominating Unitholder's notice to the Trustees must be made: (i) in the case of an annual meeting of Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of Unitholders was made.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth: (i) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of Units in the capital of the REIT which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws; and (ii) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws.

The REIT may require any proposed nominee to furnish such other information as may reasonably be required by the REIT to determine the eligibility of such proposed nominee to serve as an Independent Trustee of the REIT, or that could be material to a reasonable Unitholder's understanding of the independence, or lack thereof, of such proposed nominee. No person shall be eligible for election as a Trustee unless nominated in accordance with the provisions of the Declaration of Trust; provided, however, that nothing in the Declaration of Trust shall be deemed to preclude discussion by a Unitholder (as distinct from the nomination of Trustees) at a meeting of Unitholders of any matter in respect of which it would have been entitled to submit to a vote pursuant to the terms and conditions contained in the Declaration of Trust. The chairperson of the applicable meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

For purposes of the foregoing, "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the REIT under its profile on SEDAR at www.sedar.com.

The Trustees may, in their sole discretion, waive any requirement respecting the nomination of Trustees.

Redemption Right

Each Unitholder is entitled to demand, at any time, the REIT to redeem from time to time all or any part of the Units registered in the name of the Unitholder at the prices determined and payable in accordance with the conditions provided for in the Declaration of Trust. To exercise a Unitholder's right to require redemption, a duly completed and properly executed notice requiring the REIT to redeem Units, in a form approved by the Trustees, together with written instructions as to the number of Units to be redeemed, shall be sent to the REIT at its head office. No form or manner of completion or execution shall be sufficient unless the same is in all respects satisfactory to the Trustees and is accompanied by any further evidence that the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Upon receipt by the REIT of the notice to redeem Units, the Unitholder shall thereafter cease to have any rights with respect to the Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions thereon which are declared payable to the Unitholders of record on a date which is subsequent to the day of receipt by the REIT of such notice. Units shall be considered to be tendered for redemption

on the date that the REIT has, to the satisfaction of the Trustees, received the notice and other required documents or evidence as aforesaid.

Upon receipt by the REIT of the notice to redeem Units, and other required documentation, if any, in accordance with the Declaration of Trust, the holder of the Units tendered for redemption shall be entitled to receive a price per Unit (the “**Redemption Price**”) equal to the lesser of:

- (a) 90% of the “market price” of the Units calculated as of the date (the “**Redemption Date**”) on which the Units were surrendered for redemption; and
- (b) 100% of the “closing market price” on the Redemption Date;

For the purposes of this calculation, “market price” of a Unit as at a specified date will be:

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;
- (b) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (c) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units 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 a closing price; and the simple average of the highest and lowest prices 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” of a Unit for the purpose of the foregoing calculations, as at any date will be:

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;
- (b) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;
- (c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or
- (d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The Redemption Price payable in respect of the Units tendered for redemption during any calendar month shall be paid by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, payable at par to, or to the order of, the Unitholder who exercised the right of redemption on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption. Payments made by the REIT of the Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former Unitholder unless such cheque is dishonoured upon presentment. Upon such

payment, the REIT shall be discharged from all liability to the former Unitholder in respect of the Units so redeemed. The preceding payment obligation shall not apply if:

- (a) the total amount payable by the REIT pursuant to the preceding paragraph in respect of such Units and all other Units tendered for redemption in the same calendar month exceeds \$50,000 (the “**Monthly Limit**”); provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month and, in the absence of such a waiver, Units tendered for redemption in any calendar month in which the total amount payable by the REIT pursuant to the Declaration of Trust exceeds the Monthly Limit will be redeemed for cash pursuant to the Redemption Price and, subject to any applicable regulatory approvals, by a distribution in specie of assets held by the REIT on a pro rata basis;
- (b) at the time the Units are tendered for redemption, the outstanding Units are not listed for trading on the TSXV or traded or quoted on any stock exchange or market which the Board of Trustees consider, in its sole discretion, provides representative fair market value prices for the Units; or
- (c) the normal trading of the outstanding Units is suspended or halted on any stock exchange on which the Units are listed for trading or, if not so listed, on any market on which the Units are quoted for trading, on the Redemption Date for such Units or for more than five trading days during the 10 trading day period commencing immediately after the Redemption Date for such Units.

If the foregoing paragraph is not applicable to Units tendered for redemption by a Unitholder pursuant to the Declaration of Trust, the Redemption Price per Unit shall be paid and satisfied as follows:

- (a) a portion of the Redemption Price per Unit equal to the Monthly Limit divided by the number of Units tendered for redemption in the month shall be paid and satisfied; and
- (b) subject to receipt of all necessary regulatory approvals (which the REIT shall use reasonable commercial efforts to obtain forthwith), the remainder of the Redemption Price per Unit shall be paid and satisfied by way of a distribution in specie to such Unitholder of Subsidiary Notes having a fair market value determined by the Trustees equal to the product of (y) the remainder of the Redemption Price per Unit of the Units tendered for redemption and (z) the number of Units tendered by such Unitholder for redemption.

In certain circumstances, the Redemption Price per Unit shall, subject to receipt of all necessary regulatory approvals (which the REIT shall use reasonable commercial efforts to obtain forthwith), be paid and satisfied by way of a distribution in specie to such Unitholder of Subsidiary Notes having a fair market value equal to the product of (A) the Redemption Price per Unit of the Units tendered for redemption; and (B) the number of Units tendered by such Unitholder for redemption. No Subsidiary Notes in integral multiples of less than \$100 will be distributed and, where Subsidiary Notes to be received by a Unitholder includes a multiple less than that number, the number of Subsidiary Notes shall be rounded to the next lowest integral multiple of \$100 and the balance shall be paid in cash. The Redemption Price payable in such circumstances in respect of Units tendered for redemption during any month shall, subject to receipt of all necessary regulatory approvals, be paid by the transfer to or to the order of the Unitholder who exercised the right of redemption, of the Subsidiary Notes, if any, and the cash payment, if any, determined in accordance with the provisions of the Declaration of Trust, on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption. Payments by the REIT are conclusively deemed to have been made upon the mailing of certificates representing the Subsidiary Notes, if any, and a cheque, if any, by registered mail in a postage prepaid envelope addressed to the former Unitholder and/or any party having a security interest and, upon such payment, the REIT shall be discharged from all liability to such former Unitholder and any party having a security interest in respect of the Units so redeemed. The REIT is entitled to all accrued interest, paid or unpaid, on the Subsidiary Notes, if any, on or before the date of distribution in specie. Where the REIT makes a distribution in specie on a redemption of Units, the Trustees may, in their sole discretion, designate and treat as having been paid to the redeeming Unitholders any amount of the capital gains or income realized by the REIT on or in connection with the distribution of such securities to the Unitholder.

All Units which are redeemed under the Declaration of Trust shall be cancelled and such Units shall no longer be outstanding and shall not be reissued.

Independent Trustee Matters

CAPREIT owns, directly or indirectly, Class B LP Units that if exchanged for Units would represent approximately 89% of the issued and outstanding Units and has entered into the following agreements with the REIT:

- (a) the Pipeline Agreement;
- (b) the Asset Management Agreement;
- (c) the Property Management Agreements;
- (d) the Investor Rights Agreement; and
- (e) the Services Agreement.

As such, CAPREIT is able to effect certain control over the REIT's operations and activities. Additionally, as a result of the activities carried on by both the REIT and CAPREIT in investing in certain European real estate, there is a potential for conflicts of interest to arise between the parties. In an effort to mitigate such potential for conflicts of interest that could adversely affect the REIT and its Unitholders, and as a matter of good governance, the Declaration of Trust provides that certain matters which have the potential to give rise to a conflict of interest between the REIT and CAPREIT and its Subsidiaries or with any related party of the REIT, must be approved by a majority of the Non-Restricted Trustees, in addition to a majority of the Trustees generally. See "Risk Factors".

The following matters concerning the REIT shall require, in addition to the approval of a majority of the Trustees, the approval of at least a majority of the Non-Restricted Trustees: (i) making any material change to the Asset Management Agreement, Pipeline Agreement, Property Management Agreements, Investor Rights Agreement or Services Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder); (ii) any proposed material agreement with CAPREIT; (iii) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, or the provision of any financing, development or leasing services in respect of a property in which CAPREIT or an affiliate (as such term is defined in the Declaration of Trust) of CAPREIT has any direct or indirect interest, whether as owner, operator, tenant or manager, in each case other than where such transaction is required to be entered into by the REIT in accordance with its obligations under the Pipeline Agreement; (iv) a material change to any agreement with CAPREIT or an affiliate (as such term is defined in the Declaration of Trust) of CAPREIT or any approval, consent, waiver or other decision of the Trustees thereunder, or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder; (v) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT or any of its Subsidiaries, or the making, directly or indirectly, of any co-investment, in each case, with CAPREIT; (vi) the refinancing, increase or renewal of any Indebtedness owed by or to CAPREIT; and (vii) decisions relating to any claims by or against one or more parties to any agreement with CAPREIT or an affiliate (as such term is defined in the Declaration of Trust) of CAPREIT; provided, however, that the foregoing shall not apply with respect to any circumstances in respect of which the only parties to the relevant transaction or agreement are: (a) the REIT and a wholly-owned Subsidiary; or (b) wholly-owned Subsidiaries of the REIT.

Purchases of Units by the REIT

The REIT is entitled to purchase for cancellation at any time the whole or from time to time any part of the outstanding Units, at a price per Unit and on a basis determined by the Trustees in compliance with all applicable Securities Laws or the rules or policies of any applicable stock exchange.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder's Units determined in accordance with the procedures set out in the Declaration of Trust.

Non-Certificated Inventory System

Generally speaking, 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 held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which the Unitholder holds such Units. A holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT's Transfer Agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS participant) may be limited due to the lack of a physical certificate. No holder of Special Voting Units is entitled to a certificate or other instrument evidencing the holder's ownership of such units.

Amendments to Declaration of Trust

Amendments by the Trustees

The Trustees may make the following amendments to the Declaration of Trust in their sole discretion and without the approval of Voting Unitholders:

- (a) amendments for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the REIT, its status as a "mutual fund trust" and a "registered investment" under the Tax Act or the distribution of Units;
- (b) amendments which, in the opinion of the Trustees, provide additional protection for Voting Unitholders;
- (c) amendments to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;
- (d) amendments which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the REIT's disclosure and the Declaration of Trust;
- (e) amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors which amendments in the opinion of the Trustees are necessary or desirable and not prejudicial to the Voting Unitholders;
- (f) amendments which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws;
- (g) amendments for any purpose which, in the opinion of the Trustees, are not prejudicial to Voting Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Voting Unitholder vote is specifically otherwise required);
- (h) (i) to create and issue one or more new classes of Preferred Units (each of which may be comprised of unlimited series) that rank in priority to the Units and Special Voting Units (in payment of distributions and in connection with any termination or winding-up of the REIT) and/or (ii) to remove the redemption right attaching to the Units and convert the REIT into a closed-end limited purpose trust;
- (i) amendments which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to issue Units for which the purchase price is payable on an instalment basis, as permitted pursuant the Declaration of Trust;

- (j) amendments to the frequency of a distribution made by the REIT or any of its Subsidiaries so long as the frequency of such distribution is either monthly or quarterly; and
- (k) as otherwise deemed by the Trustees in good faith to be necessary or desirable.

Amendments by Voting Unitholders

Subject to certain exceptions, the Declaration of Trust may be amended by the vote of a majority of the votes cast at a meeting of Voting Unitholders called for that purpose or by way of a written instrument signed by all of the Voting Unitholders. No amendments to the Declaration of Trust in respect of the following matters may be made unless the same has been duly approved by a resolution approved by at least sixty-six and two thirds percent (66⅔%) of the votes cast by Voting Unitholders present in person or by proxy at a duly constituted meeting of Voting Unitholders which has been called for that purpose or approval by way of a written instrument signed by all of the Voting Unitholders:

- (a) terminate the REIT;
- (b) amend the amendment section of the Declaration of Trust;
- (c) add, change or remove of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units, including:
 - (i) remove or change the rights to distributions;
 - (ii) add, change or remove the conversion privileges, options, voting, transfer or pre-emptive rights; or
 - (iii) reduce or remove a distribution preference or liquidation preference;
- (d) amend the duration or termination provisions of the REIT;
- (e) amend the powers, duties, obligations, liabilities or indemnification of the Trustees;
- (f) sell or transfer the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees);
- (g) combine, amalgamate or arrange of any of the REIT or its Subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees); or
- (h) any amendment to the investment guidelines, except for any amendment contemplated that, in the opinion of the Trustees, are not prejudicial to Voting Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Voting Unitholder vote is specifically otherwise required).

Pursuant to the Declaration of Trust, the REIT's operating policies may only be amended by a resolution approved by a majority of the votes cast by Voting Unitholders at a meeting called for such purpose or by way of a written instrument signed by all of the Voting Unitholders.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT may be invested only with the approval of the Trustees and only in accordance with the following restrictions:

- (a) the REIT will only invest in units, notes and securities of its Subsidiaries, amounts receivable in respect of such units, notes and securities, cash and similar deposits in a Canadian, European or Hong Kong chartered bank or trust company;

- (b) the REIT will not make, or permit any of its Subsidiaries to make, any investment that could result in: (a) the Units being disqualified for investment by Plans; (b) the REIT owning “non-portfolio property” as defined in subsection 122.1(1) of the Tax Act; or (c) the REIT ceasing to qualify as a “mutual fund trust” for purposes of the Tax Act;
- (c) the REIT will not acquire or continue to hold any property that would be “taxable Canadian property” (as such term is defined in the Tax Act if the definition were read without reference to paragraph (b) thereof) (or any such amendments to that definition);
- (d) subject to the other provisions hereof, the income-producing real property (including ownership and leasehold interests) in which the Subsidiaries of the REIT have an interest shall only be located outside of Canada;
- (e) Subsidiaries of the REIT will not invest in raw land (except for the acquisition of properties adjacent to the REIT’s existing properties for the purpose of renovation or expansion of existing assets where the total cost of all such investments does not exceed 10% of the REIT’s Gross Book Value or raw land that is ancillary to an acquisition that otherwise satisfies the REIT’s investment guidelines);
- (f) Subsidiaries of the REIT may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited) and limited liability companies;
- (g) except for temporary investments held in cash, deposits with a Canadian, European or Hong Kong chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or in money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank, a European or a Hong Kong chartered bank maturing prior to one year from the date of issue, Subsidiaries of the REIT may not hold securities or enter into derivative contracts other than (i) for hedging and other risk management purposes; or (ii) securities of a joint venture entity or a partnership, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned by the applicable Subsidiary of the REIT, or an entity owned by the applicable Subsidiary of the REIT formed and operated solely for the purpose of holding a particular real property or real properties; or (iii) securities of a public real estate entity;
- (h) Subsidiaries of the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (i) Subsidiaries of the REIT may invest in mortgages and mortgage bonds (including a participating or convertible mortgage, mezzanine financings and “vendor take-back” mortgages), if the income from such property would otherwise meet the investment restrictions of the REIT on a consolidated basis and where the aggregate amount of such investments after giving effect to the proposed investment, will not exceed 15% of the of the REIT’s Gross Book Value calculated at the time of such investment, provided that, notwithstanding the foregoing, Subsidiaries of the REIT may invest in any mortgage if such investment is specifically approved by the Trustees; and
- (j) Subsidiaries of the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT and secured by a mortgage on such property) up to 20% of the REIT’s Gross Book Value in investments or transactions which do not otherwise comply with the other provisions of these investment guidelines, so long as the investment is outside of Canada and does not contravene item (b) or item (c) above.

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement or a limited partnership, the whole subject to item (b) and item (c) above. Except as specifically set forth in the Declaration of Trust to the contrary, all of the foregoing prohibitions, limitations or

requirements for investment shall be determined as at the date of investment by the REIT, but always subject to item (b) and item (c) above.

Operating Policies

The Declaration of Trust, as amended, shall provide that operations and affairs of the REIT are to be conducted in accordance with, and the REIT will not permit its Subsidiaries to conduct its operations and affairs other than in accordance with, the following policies:

- (a) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage, and to the extent management of the REIT determines to be practicable, any written instrument which is, in the judgment of management of the REIT, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;
- (b) Subsidiaries of the REIT may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the income-producing potential of properties that are capital property of the REIT;
- (c) to the extent that a Subsidiary of the REIT acquires a freehold interest in a property, title to such real property shall be held by and registered in the name of the relevant Subsidiary of the REIT, the Trustees or in the name of a corporation or other entity majority owned, directly or indirectly, by the REIT or jointly, directly or indirectly, by the REIT with joint venturers;
- (d) the REIT will not incur or assume any Indebtedness if, after giving effect to the incurring of the indebtedness, the total Indebtedness of the REIT would be more than 65% of the aggregate Gross Book Value;
- (e) the REIT will monitor its tax status as a “mutual fund trust”;
- (f) the REIT will not directly or indirectly guarantee any Indebtedness or liabilities of any kind of any person, except Indebtedness or liabilities assumed or incurred by a person in which the REIT holds an interest, directly or indirectly, or by an entity jointly-owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties where such Indebtedness, if granted by the REIT directly, would not cause the REIT to otherwise contravene the investment guidelines set out in the Declaration of Trust. The REIT is not required but shall use its reasonable best efforts to comply with this requirement:
 - (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property;
or
 - (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;
- (g) Subsidiaries of the REIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of Subsidiaries of the REIT and the accidental loss of value of the assets of Subsidiaries of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;
- (h) other than in connection with the Acquisition and other than with respect to the acquisition of any properties that were owned by CAPREIT at the time of the closing of the Acquisition, Subsidiaries

of the REIT shall conduct or receive on terms approved by the Trustees an independent appraisal and an engineering survey with respect to the physical condition thereof (including capital replacement programs) of each property that it intends to acquire; and

- (i) other than in connection with the Acquisition and other than with respect to the acquisition of any properties that were owned by CAPREIT at the time of the closing of the Acquisition, the REIT shall obtain or review a Phase I environmental audit (or reliance letter from an environmental consultant in respect of a Phase I environmental audit) of each real property to be acquired by it, dated within eighteen months of the date of acquisition, and, if the Phase I environmental audit report recommends or recommended a Phase II environmental audit be obtained, the REIT shall obtain or review a Phase II environmental audit, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, such audit must be satisfactory to the Trustees.

For the purpose of the foregoing policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which the REIT has an interest will be deemed to be owned by the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, the investment guidelines set out under the subheading “Investment Guidelines” may be amended only with the approval of sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of the votes cast by Voting Unitholders present in person by proxy at a duly constituted meeting of Voting Unitholders which has been called for that purpose or approval by way of written instrument signed by all Voting Unitholders. The operating policies set out under the subheading “Operating Policies” may be amended only by a resolution approved by a majority of the votes cast by Voting Unitholders at a meeting called for such purpose or by way of a written instrument signed by all of the Voting Unitholders entitled to vote on such matters.

If at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline or operating policy of the REIT then in force, such investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary herein contained, any such resolution of the Trustees shall not require the prior approval of Voting Unitholders.

ERES LP

On March 29, 2019, the ERES LP Agreement was amended to (i) change the name of the limited partnership from “ECRE Limited Partnership” to “ERES Limited Partnership” to reflect the new strategic focus and name of the REIT and (ii) add EuroLiving GP Inc., a corporation existing under the laws of the Province of Ontario and a wholly-owned Subsidiary of the REIT (the “**Euro GP**”), as a second general partner.

The following is a summary of the material attributes and characteristics of ERES LP and the units issued under the ERES LP Agreement (the “**ERES LP Units**”). This summary is qualified in its entirety by reference to the provisions of the ERES LP Agreement which contains a complete statement of those attributes and characteristics.

General

ERES LP is a limited partnership existing under the laws of the Province of Ontario pursuant to the ERES LP Agreement for the purpose of, directly or indirectly through one or more persons, acquiring, holding, developing, maintaining, improving, leasing, managing or otherwise dealing with income-producing real property in Europe deemed appropriate by the Trustees of the REIT which is being utilized or intended to be utilized for one of more of the following purposes: (i) multi-residential property, (ii) commercial property, including retail, office and industrial property; and (iii) other commercial purposes determined by the REIT GP, as well as activities related or ancillary thereto.

The General Partners

The general partners of ERES LP are ERES General Partner Corp., a corporation existing under the laws of the Province of Ontario and a wholly-owned Subsidiary of the REIT (the “**REIT GP**”) and the Euro GP.

In its capacity as general partner of ERES LP, the REIT GP has exclusive authority to manage the business and affairs of ERES LP, to make all decisions regarding the business of ERES LP and to bind ERES LP in respect of any such decisions. The REIT GP is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of ERES LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The Euro GP has no duties other than to hold registered and legal title to the share(s) of CAPREIT NL Holding B.V. for and on behalf of, and for the full risk and account of, ERES LP.

The authority and power vested in the REIT GP to manage the business and affairs of ERES LP includes all authority necessary or incidental to carry out the objects, purposes and business of ERES LP, including, without limitation, the ability to engage agents (including Maple Knoll and CAPREIT) to assist the REIT GP to carry out its management obligations and administrative functions in respect of ERES LP and its business.

Capitalization

ERES LP may issue an unlimited number of Class A LP Units, Class B LP Units and an unlimited number of limited partnership units of any other class (as the same may be created and issued from time to time by the REIT GP) to any person. The ERES LP Agreement authorizes the REIT GP to cause ERES LP to issue additional limited partnership units of any class for any consideration and on any terms and conditions as are established by the REIT GP from time to time, provided that no newly created class of limited partnership units may have any preference or right in any circumstances over the Class B LP Units.

As of the date hereof, ERES LP will have outstanding Class A GP Units, all of which are held by the REIT GP, Class B GP Units, all of which are held by the Euro GP, Class A LP Units, all of which are held by the REIT, and Class B LP Units, all of which are held by CAPREIT LP. The Class A GP Units and Class B GP Units rank equally on dissolution, liquidation or winding-up of ERES LP.

Class B LP Units are exchangeable into Units in accordance with the terms of the ERES LP Agreement and the Exchange Agreement. Class A LP Units and Class B LP Units rank equally on dissolution, liquidation or winding-up of ERES LP. Except as required by law and in certain specified circumstances in which the rights of a holder of Class B LP Units are affected, holders of Class B LP Units will not be entitled to vote at any meeting of the holders of limited partnership units. Class B LP Units are, and other classes of limited partnership units that may be exchangeable for Units from time to time will generally be, non-transferable, except in connection with an exchange for Units. See “ERES LP – Class B LP Units”.

Distributions

ERES LP currently intends to make monthly cash distributions to holders of record of limited partnership units on the last Business Day of each distribution period of ERES LP. A distribution period of ERES LP will be a calendar month. In addition, the REIT will be entitled to distributions equal to the aggregate of (i) amounts sufficient to reimburse the REIT GP for expenses incurred in performing its duties and obligations under the ERES LP Agreement and (ii) to holders of each of the Class A GP Units and Class B GP Units, 0.001% of distributions made in each fiscal year up to a maximum of \$1,000 per fiscal year (in this section and below, the “**GP Preferred Distribution**”), and the holders of Class A LP Units will be entitled to distributions equal to the amount necessary to account for applicable expenses incurred by the REIT as determined by the REIT GP (in this section and below, the “**Class A Preferred Distribution**”), in each case in priority to other distributions to holders of Class A LP Units and Class B LP Units. Distributions are intended to be paid on or about the 15th day of the calendar month following the distribution period to which they relate.

Distributions or advances on the Class B LP Units are intended to be received by holders of such units at the same time as distributions on Units are received by Unitholders. ERES LP may, in addition, make any other distribution

(including a distribution in respect of Class A LP Units only for the purpose of funding expenses of the REIT) from time to time. Distributions or advances to be made to holders of Class B LP Units will be, to the greatest extent practicable, economically equivalent to the distributions made to the Unitholders.

Distributions, in respect of any distribution period, will consist of all or any part of the cash flow of ERES LP for such period, plus any additional cash on hand at the end of such distribution period (to the extent the board of directors of the REIT GP reasonably determines to include such cash in distributable cash), plus any additional amounts that the board of directors of the REIT GP approves for distribution, which amount is to be distributed by ERES LP in respect of such distribution period, as determined by, or in accordance with guidelines established from time to time by, the board of directors of the REIT GP on or before the date of payment of distributions in respect of the distribution period.

Class B LP Units

Class B LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Units. Holders of Class B LP Units are entitled to receive distributions paid by ERES LP, which distributions or advances will be equal on a per unit as-exchanged basis, to the greatest extent practicable, to the amount of distributions paid by the REIT to Unitholders. In the case of a distribution declared on the Units in property (other than (i) cash, or (ii) a distribution of Units and immediate consolidation thereafter such that the number of outstanding Units both immediately prior to and following such transaction remains the same), holders of Class B LP Units will generally be entitled to receive, subject to applicable law, distributions in such type and amount of property as is the same as, or economically equivalent to (as determined by the board of directors of the REIT GP, in good faith and in its sole discretion), the type and amount of property declared as a distribution on each Unit. Each Class B LP Unit is exchangeable for one Unit, subject to the customary anti-dilution adjustments set out in the Exchange Agreement. See “Declaration of Trust and Description of Capital Structure – Take-Over Bids”. Class B LP Units may not be transferred except in connection with an exchange for Units or those certain limited exceptions set out in the Limited Partnership Agreement governing the Class B LP Units. The Class B LP Units are not listed on the TSXV or on any other stock exchange or quotation system. Although Class B LP Units are intended, to the greatest extent practicable, to be economically equivalent to Units, the tax consequences of holding Class B LP Units may be different from the tax consequences of holding Units and such holders should consult with their tax advisors.

Exchange Rights

Pursuant to the exchange rights and the terms of the Exchange Agreement, holders of Class B LP Units will be entitled to require the REIT to facilitate the exchange by ERES LP of any or all of the Class B LP Units held by such holder for an equal number of Units, subject to the customary anti-dilution adjustments set out in the ERES LP Agreement and the Exchange Agreement. Holders of Class B LP Units may effect such exchange by presenting a certificate or certificates to the REIT GP representing the number of Class B LP Units the holder desires to exchange together with such other documents as ERES LP and the REIT may require to effect the exchange. Concurrent with the exchange of each Class B ERES LP Unit for a Unit, the related Special Voting Unit will be cancelled. The REIT will cause the aggregate number of Units for which Class B LP Units are exchanged to be delivered in accordance with the procedures set forth in the Exchange Agreement.

Distribution Rights

Distributions to be made to holders of Class B LP Units will be, to the greatest extent practicable, economically equivalent to the distributions made to the Unitholders. Without limiting the generality of the foregoing, holders of Class B LP Units will be entitled to receive, subject to applicable law, distributions:

- in the case of a cash distribution declared on the Units, an amount in cash for each Class B LP Unit corresponding to the cash distribution declared on each Unit; or
- in the case of a distribution declared on the Units in property (other than (i) cash, or (ii) a distribution of Units and immediate consolidation thereafter such that the number of outstanding Units both immediately prior to and following such transaction remains the same), in such type and amount of property as is the same as, or economically equivalent to (as determined by the board of directors of the REIT GP, in good faith and in its sole discretion), the type and amount of property declared as a distribution on each Unit.

However, there are consequences related to the ownership of Class B LP Units that differ from the consequences of owning Units. See “Risk Factors”.

Voting Rights

The holders of Class A LP Units will have the right to exercise 100% of the votes in respect of all matters to be decided by the limited partners of ERES LP, and the holders of Class B LP Units will not have the right to exercise any votes in respect of such matters except in certain limited circumstances. The REIT holds all of the Class A LP Units and CAPREIT LP holds all of the Class B LP Units. The holders of Class B LP Units are not entitled, as such, to receive notice of or to attend any meeting of limited partners of ERES LP or to vote at any such meeting. Holders of Class B LP Units each have received one Special Voting Unit for each Class B LP Unit held. Each Special Voting Unit entitles the holder to one vote at meetings of Voting Unitholders. Each Special Voting Unit is intended to be, to the greatest extent practicable, the voting equivalent of a Unit and accordingly, will entitle the holder thereof to a number of votes at any meeting of Voting Unitholders equal to the number of Units which may be obtained upon the exchange of the Class B LP Unit (or other exchangeable security) to which the Special Voting Unit relates. Special Voting Units will be evidenced only by the certificates representing the Class B LP Units to which they relate and will be non-transferable. Upon exchange of Class B LP Units for Units, the corresponding Special Voting Units will be redeemed for no consideration and cancelled.

Allocation of Net Income and Losses

Income or loss for tax purposes of ERES LP for a particular fiscal year will generally be allocated to each partner as follows:

- (a) first, to the REIT GP and the Euro GP, income in an amount equal to the GP Preferred Distribution;
- (b) second, to the holders of the Class A LP Units, income in an amount equal to the Class A Preferred Distribution; and
- (c) third, to each limited partner in an amount calculated by multiplying the remaining income (or loss) by a fraction, the numerator of which is the sum of the distributions received or receivable by the relevant holder of Class A LP Units (other than the Class A Preferred Distribution) and/or Class B LP Units, as the case may be, in such fiscal year and the denominator of which is the aggregate amount of all distributions received or receivable by all holders of Class A LP Units and Class B LP Units (other than the Class A Preferred Distribution) during such fiscal year, except that if no distributions have been received by any holder of Class A LP Units or Class B LP Units in the fiscal year then the fraction used shall be the fraction the numerator of which is the number of Class A LP Units and/or Class B LP Units held by the relevant holder at the end of the fiscal year and denominator of which is the total number of Class A LP Units and Class B LP Units at the end of the fiscal year.

Income and loss of ERES LP for accounting purposes will be allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

Limited Liability

ERES LP will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence of the REIT GP or the Euro GP in performing their duties and obligations under the ERES LP Agreement, each of the REIT GP and the Euro GP has agreed to indemnify each of the limited partners against all claims arising from assertions that its liability is not limited as intended by the ERES LP Agreement. However, since the REIT GP and the Euro GP have no significant assets or financial resources, this indemnity may have nominal value.

Transfer of Class B LP Units

The Class B LP Units are not transferable, except in connection with the exercise of the exchange rights under the Exchange Agreement, and in those certain limited exceptions set out in the ERES LP Agreement.

Excluded Persons

At no time may a holder of partnership units of ERES LP be an Excluded Person. Unitholders or other Persons that acquired Class B LP Units have covenanted, agreed and undertaken to immediately notify the REIT GP if at any time the holder of Class B LP Units has become an Excluded Person. The REIT GP will be entitled at any time to request from any holder of partnership units of ERES LP evidence that is satisfactory to the REIT GP that such holder has not become an Excluded Person. In the event that a holder of Class B LP Units has become an Excluded Person in contravention of the foregoing restrictions, the holder of the Class B LP Units shall be deemed to have ceased to be a partner of ERES LP with effect immediately before the date of contravention and to have exchanged such holder's Class B LP Units into the applicable number of Units at that time, subject to the limitations on Non-Resident ownership set out in the Declaration of Trust and the related provisions of the Exchange Agreement. Any such holder will not be entitled to any distributions from ERES LP from such time.

Meetings

The REIT may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding Class A LP Units. A quorum at a meeting of partners consists of one or more partners present in person or by proxy.

Amendment

The ERES LP Agreement may be amended with the prior consent of the holders of at least two-thirds of the ERES LP Units entitled to vote thereon at a duly constituted meeting or by a written resolution of partners holding all the ERES LP Units which would have been entitled to vote at a duly constituted meeting, except for certain amendments, which require unanimous approval of holders of ERES LP Units entitled to vote thereon, including: (i) the limited partners changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting; or (iii) changing ERES LP from a limited partnership to a general partnership.

Notwithstanding the foregoing:

- no amendment which would adversely affect the rights and obligations of the REIT GP, as general partner, may be made without its consent;
- no amendment which would adversely affect the rights and obligations of any particular partner without similarly affecting the rights and obligations of all other partners may be made without the consent of that partner; and
- the REIT GP may make amendments to the ERES LP Agreement to reflect: (i) a change in the name of ERES LP or the location of the office of ERES LP or the registered office of ERES LP; (ii) admission, substitution, withdrawal or removal of limited partners in accordance with ERES LP Agreement; (iii) a change that, as determined by the REIT GP, is reasonable and necessary or appropriate to qualify or continue the qualification of ERES LP as a limited partnership in which the limited partners have limited liability under applicable law; (iv) a change that, as determined by the REIT GP, is reasonable and necessary or appropriate to enable ERES LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (v) a change that is necessary or desirable in connection with the issuance of Preferred Units (as defined in the Declaration of Trust) by the REIT, including the issuance of a new class of units of ERES LP ranking senior to all of the issued and outstanding limited partner units of ERES LP; (vi) a change that is necessary or desirable in connection with the creation and issuance of securities or new partnership units in accordance with the ERES LP Agreement; or (vii) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the ERES LP Agreement.

Reimbursement of the General Partners

ERES LP will reimburse the REIT GP and the Euro GP, as the general partners of ERES LP, for all direct costs and expenses incurred by it in the performance of its duties on behalf of ERES LP, under the ERES LP Agreement.

DISTRIBUTION POLICY

On June 21, 2019, the REIT announced that the Trustees of the REIT had declared a quarterly cash distribution, in respect of the second quarter of 2019 of €0.02625 per Unit and Class B LP Unit, being equivalent to €0.105 per Unit annualized. The distribution was payable to holders of the Units and Class B LP Units of record on June 28, 2019, with payment on July 15, 2019.

The Euro-denominated distribution will be paid in Canadian dollars based on the exchange rate on the date of payment. Registered Unitholders will be provided with an option to elect to receive such distribution in Euros rather than Canadian dollars. If no such election is made, registered Unitholders will be paid the distribution in Canadian dollars based on the above exchange rate mechanism. Beneficial Unitholders will not have an option to elect to receive the distribution in Euros.

The distribution in respect of the second quarter of 2019 was the final quarterly distribution declared and paid by ERES. Commencing in July 2019, ERES intends make regular monthly distributions, subject to the ongoing discretion of the Board. ERES expects to target an AFFO payout ratio in the range of 80% to 90%. ERES Limited Partnership will make corresponding cash distributions to holders of Class B LP Units. On July 15, 2019, the Board declared the REIT's first monthly distribution in respect of July 2019 of €0.00875 per Unit and Class B LP Unit, being equivalent to €0.105 per Unit annualized. The distribution will be payable to Unitholders of record on July 31, 2019, with payment on August 15, 2019.

Distribution Reinvestment Plan

The REIT has adopted a distribution reinvestment plan (the “**DRIP**”), pursuant to which holders of Units or Class B LP Units (“**Eligible Unitholders**”) are entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the trading price for the Units on the relevant stock exchange or marketplace for the five trading days immediately preceding the relevant date on which a distribution is made (each, a “**Distribution Date**”). Eligible Unitholders who so elect will receive a further distribution of Units with a value equal to 5% of each distribution that was so reinvested by the Eligible Unitholder. The distribution of cash to Eligible Unitholders is not assured. The REIT may amend, suspend or terminate the DRIP at any time.

If a participant in the DRIP is not resident in Canada, participation in the DRIP is subject to applicable withholding tax and the availability of an exemption from any applicable prospectus and/or regulatory requirements (or similar requirements) under applicable Securities Laws. In those circumstances, cash that would otherwise be distributed to such participants by the REIT on any given Distribution Date is reduced by the amount of applicable withholding tax, and then applied towards the purchase of additional Units pursuant to the DRIP. No brokerage commission is payable in connection with the purchase of Units under the DRIP and all related administrative costs are borne by the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the DRIP is to be used for future property acquisitions, capital improvements, working capital and other general trust purposes.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets forth the reported high and low prices and the aggregate volume of trading of the Units on the TSXV for the periods indicated:

| Month | Price (\$) | | Total Volume |
|----------------|------------|------|--------------|
| | High | Low | |
| July 2018 | 4.07 | 3.75 | 297,730 |
| August 2018 | 4.09 | 3.78 | 226,120 |
| September 2018 | 4.11 | 4.02 | 1,390,370 |
| October 2018 | 4.07 | 3.71 | 194,060 |
| November 2018 | 3.87 | 3.41 | 274,020 |
| December 2018 | 4.25 | 3.40 | 465,310 |

| | | | |
|------------------------------|------|------|-----------|
| January 2019 | 4.29 | 3.75 | 198,754 |
| February 2019 | 4.28 | 4.11 | 237,820 |
| March 2019 | 4.50 | 4.18 | 508,540 |
| April 2019 | 4.49 | 3.98 | 2,351,300 |
| May 2019 | 4.61 | 4.32 | 1,358,320 |
| June 2019 | 4.60 | 4.35 | 461,310 |
| July 1, 2019 – July 26, 2019 | 4.56 | 4.32 | 523,220 |

Source: TSX Market Data.

Prior Sales

During the 12-month period ended July 29, 2019, the REIT issued Unit Options to acquire 408,667 Units at an exercise price of \$4.09 per Unit and Unit Options to 500,000 Units at an exercise price of \$4.00 per Unit to the Trustees, officers, non-executive management and consultants of the REIT. In addition, during such period, 98,171 Units were issued pursuant to the DRIP.

On March 29, 2019, CAPREIT acquired 81,641,210 Class B LP Units, which are exchangeable for Units pursuant to the terms of the ERES LP Agreement and the Exchange Agreement, that if exchanged for Units, would represent approximately 82.5% of the issued and outstanding Units.

On May 31, 2019, CAPREIT acquired 50,923,212 Class B LP Units, which are exchangeable for Units pursuant to the terms of the ERES LP Agreement and the Exchange Agreement, that if exchanged for Units, would represent approximately 5.5% of the issued and outstanding Units.

In April 2019, 5,333 Unit Options were exercised at a price of \$3.75 per Unit.

On June 30, 2019, CAPREIT acquired 8,339,260 Class B LP Units, which are exchangeable for Units pursuant to the terms of the ERES LP Agreement and the Exchange Agreement, that if exchanged for Units, would represent approximately 5.3% of the issued and outstanding Units.

RISK FACTORS

The following are certain factors relating to the business of the REIT, which factors investors should carefully consider when making an investment decision concerning Units. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere. These risks and uncertainties are not the only ones that the REIT will face. Additional risks and uncertainties not presently known to the REIT, or that the REIT currently deems immaterial, may also impair the operations of the REIT. If any such risks actually occur, the financial condition, liquidity and results of operations of the REIT could be materially adversely affected and the ability of the REIT to implement its growth plans could be adversely affected.

Risks Related to the Acquisition

Reliance on CAPREIT as Manager

The REIT relies on the Manager with respect to the asset management of the REIT's properties (other than the Commercial Properties), including the Netherlands Properties and any properties acquired by the REIT in the future. Consequently, the REIT's ability to achieve its investment objectives depends in large part on the Manager and its ability to advise the REIT. This means that the REIT's investments are dependent upon the Manager's business contacts, its ability to successfully hire, train, supervise and manage its personnel and external property managers and its ability to maintain its operating systems. If the REIT were to lose the services provided by the Manager or its key personnel, the REIT's investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another manager.

While the Board of Trustees will have similar oversight with respect to the services that will be provided by the Manager pursuant to the Asset Management Agreement, the services provided by the Manager will not be performed by employees of the REIT, but by the Manager directly and through entities to which it may subcontract. Further, the

foregoing arrangements will be subject to limited termination rights in favour of the REIT. As a result, the Manager, directly and through entities to which it may subcontract in accordance with the terms of the Asset Management Agreement, will have the ability to influence many matters affecting the REIT and the performance of its properties now and in the foreseeable future.

In addition, the Asset Management Agreement provides that the Manager will automatically be rehired at the expiration of each term (subject to certain termination provisions) and that the Manager has the right, at any time after the initial 10-year term upon 180 days' notice, to terminate the Asset Management Agreement for any reason. The Asset Management Agreement may also be terminated in other circumstances, such as in the event of default or insolvency of the Manager within the meaning of such agreement. Accordingly, there can be no assurance that the Manager will continue to be the REIT's asset manager. If the Manager should cease for whatever reason to be the manager, the cost of obtaining substitute services may be greater than the fees the REIT will pay the Manager under the Asset Management Agreement, and this may adversely impact the REIT's ability to meet its objectives and execute its strategy which could materially and adversely affect its cash flows, operating results and/or financial condition.

Significant Ownership by CAPREIT

CAPREIT (together with its affiliates) holds an approximate 89% effective interest in the REIT through the ownership of, or the control or direction over Class B LP Units. Following completion of the acquisition of the Additional Properties, CAPREIT holds an approximate 89% effective interest in the REIT through the ownership of, or control or direction over 140,903,682 Units and/or Class B LP Units. For so long as CAPREIT maintains an effective interest in the REIT of not less than 20%, CAPREIT will be a Control Person of the REIT.

In addition, CAPREIT entered into the following agreements with the REIT in March 2019: (i) the Pipeline Agreement, pursuant to which CAPREIT may be issued additional Units as consideration for potential future property acquisitions by the REIT; (ii) the Asset Management Agreement, pursuant to which the Manager acts as the asset manager of the REIT and may elect to receive all or a portion of the Management Fees payable to the Manager under the Asset Management Agreement in the form of Units; (iii) the Property Management Agreements, pursuant to which the Property Manager acts as the property manager for certain Subsidiaries of the REIT; (iv) the Investor Rights Agreement, pursuant to which CAPREIT shall be granted certain nomination, pre-emptive and registration rights, as well as the right to acquire additional Units by exercising its Top-Up Right; and (v) the Services Agreement, pursuant to which the Manager will provide the REIT and certain of its Subsidiaries with certain administrative services. Further, on the Acquisition Closing Date, the Declaration of Trust was amended to reflect CAPREIT's significant ownership position in and control over the REIT.

Therefore, CAPREIT will have the ability to exercise influence with respect to the affairs of the REIT, significantly affect the outcome of Unitholder votes and may have the ability to effectively prevent certain fundamental transactions. CAPREIT's future significant effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price.

Potential conflicts of interest with Trustees and executive officers of the REIT and representatives of CAPREIT

Certain of the trustees and executive officers of CAPREIT are also Trustees, directors and/or officers of the REIT, and will continue to be engaged in activities that may put them in conflict with the REIT's investment strategy. In addition, these individuals may hold equity in or positions with other companies managed by CAPREIT and, accordingly, these individuals may not devote all of their time and attention to the REIT. Consequently, these positions or equity interests could create, or appear to create, conflicts of interest with respect to matters involving the REIT or CAPREIT. Pursuant to the Declaration of Trust, all decisions to be made by the Trustees which involve the REIT are required to be made in accordance with the Trustees' duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Unitholders. In addition, the Trustees and officers of the REIT are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a material conflict of interest. However, there can be no assurance that the provisions in the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in the REIT's favour.

Additionally, CAPREIT acts as the asset and property manager for certain Subsidiaries of the REIT pursuant to the Asset Management Agreement and the Property Management Agreements. CAPREIT also provides management services to other entities. As asset and property manager for other entities and on its own behalf, CAPREIT will pursue other business opportunities, including but not limited to real estate and development business opportunities outside of the REIT. These multiple responsibilities to public companies and other businesses could create competition for the time and efforts of CAPREIT which could materially and adversely affect our cash flows, operating results and financial condition.

Assumption of Liabilities

The REIT has assumed liabilities arising out of or related to the REIT's business, operations or assets, and has agreed to indemnify CAPREIT, as the vendor of the Netherlands Properties, for, among other matters, such liabilities. The REIT may assume unknown liabilities that could be significant.

Risks Relating to Real Property Ownership

Real property ownership and tenant risks

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. The performance of the economy in areas in which properties are located affects occupancy, market rental rates, property sale prices and expenses. These factors consequently can have an impact on revenues generated from properties and their underlying values.

Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the buildings located on the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, the REIT's results from operations and ability to make distributions to Unitholders will be adversely affected.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as landlord and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to the REIT.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be derived therefrom. Reported estimated market rents can be seasonal and the significance of any variations from quarter to quarter would materially affect the REIT's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market-based rents in the short term.

Other factors may further adversely affect revenues from and values of the REIT's investment activities and owned properties. These factors include local conditions in the areas in which properties are located, the attractiveness of the properties to tenants or future purchasers, competition from other properties and the REIT's abilities to provide adequate facilities, maintenance, services and amenities. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. The REIT could sustain a loss as a result of foreclosure on a property, if a property is mortgaged to secure payment of Indebtedness and the REIT was unable to meet its payment obligations. In addition,

applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values.

Ownership of real property and exposure to ground leases

The ownership of the Properties may include, *inter alia*, freehold, ground lease, right of superficies, and/or apartment rights. Specific limitations on the use of the Properties may result from rights of third parties under private law, or from public law.

For certain Properties, the land is owned by another party (usually a municipality) and the REIT holds a ground lease. The REIT consequently is exposed to the risk of the ground leases. The conditions of each of the ground lease agreements, such as its term and the payment obligations, are a key parameter that impacts the value of the property. The ground lease agreements may contain provisions leading to the loss of the ground leased property, if the REIT is ever in material breach of the terms. Furthermore, the REIT may be subject to amendments to the terms and conditions of a ground lease agreement, for example with respect to the payment obligations to the underlying owner of the land. Unfavourable changes to the ground lease agreements, or relevant regulations, may limit the REIT's ability to sell the properties which are subject to ground leases, and may thereby decrease the value of such Properties, or require the REIT to write down the assets value as recorded on the REIT's consolidated balance sheet. Such a write down could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to its Unitholders.

Lease renewals, rental increases, lease termination rights and other lease matters

Expiries of leases for the Properties and other properties that the REIT may acquire will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations.

There can be no assurance that tenants will continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

Investment concentration

The Properties are all located in the Netherlands, Germany and Belgium. Accordingly, the REIT will be susceptible to adverse developments in the Netherlands, Germany and Belgium, changing demographics and other factors. These factors may differ from those affecting the real estate markets in other regions or countries in Europe. If real estate conditions in the Netherlands, Germany or Belgium decline relative to real estate conditions in other regions or countries in Europe, the REIT's cash flows, operating results and/or financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

The principal business of the REIT is investing in multi-residential properties in Europe. Any adverse economic or real estate developments in the areas in which the Properties are located initially and in which the REIT's real estate investments reside going forward, or in the future in any of the other markets in which the REIT operates could adversely affect the REIT's rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations.

Government regulation

The REIT is subject to laws and regulations governing the ownership and leasing of real property, employment standards, public law, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable European Union, national, federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). In addition, the political conditions in the jurisdictions in which the REIT will operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely

affect its investments. Any changes in the laws to which the REIT is or will be subject in the jurisdictions in which it operates or will operate could materially affect the rights and title to the Properties and any acquired properties. The Properties are located in the Netherlands, Germany and Belgium. Although the Dutch, German and Belgian governments are each stable and generally friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT will be subject or the effect of any such change on the REIT's investments.

Capital expenditures and other fixed costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage and leasehold payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, the REIT will be required to maintain or, in some cases, improve the Properties' condition (and the condition of other properties that the REIT may acquire) to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading the Properties and other properties that the REIT may acquire exceed estimates of the REIT, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the REIT is not permitted to raise the rents due to legal constraints, the REIT will incur additional and unexpected costs. If competing properties of a similar type are built in the area where the Properties or other properties that the REIT may acquire are located or similar properties located in the vicinity of the REIT's properties are substantially refurbished, the net operating income derived from and the value of, the REIT's properties could be reduced.

Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could adversely affect the rental income the REIT earns from its Properties. For example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts. Any such event could have a material adverse effect on the REIT's cash flows, financial condition and results of operations.

Interest rate risk

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it is able to renew its maturing debt, significantly lower loan-to-value ratios may be used. The REIT will seek to manage this risk by negotiating fixed interest rates where possible.

Environmental matters

The Properties may contain ground contamination, ground water contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain legionella, asbestos or other hazardous substances such as, but not limited to, polychlorinated biphenyl, dichlorodiphenyltrichlorethan, pentachlorophenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

The REIT bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, ground water contamination, hazardous substances, wartime relics, legionella, asbestos, or other residual pollution. The discovery of any such residual pollution or environmental risks on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any pollution and the related additional measures the REIT would have to undertake could negatively affect it and could involve considerable additional costs that the REIT may have to bear. The REIT is also exposed to the risk that recourse against the polluter or the previous owners of the Properties or any properties it acquires might not be possible, for example, because they cannot be identified, no longer exist or have become

insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics, legionella, asbestos or other residual pollution and environmental risks can negatively affect the value of a property and the ability of the REIT to lease or sell such a property.

As an owner of real estate property and its development, the REIT will be subject to various European federal, provincial, state and municipal laws relating to environmental matters which impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites the REIT currently owns or operates or sites where waste from the REIT's operations has been deposited. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the REIT. Furthermore, actions for damages or remediation measures may be brought against the REIT. If the REIT's officers or employees infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The REIT may be required to provide for additional reserves to sufficiently allocate toward its potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and its ability to make distributions on the Units.

In order to obtain financing for the purchase of a new property through traditional channels, the REIT may be requested to arrange for an environmental audit to be conducted. Although such an audit provides the REIT and its lenders with some assurance, the REIT may become subject to liability for undetected pollution or other environmental hazards on the REIT's properties against which the REIT cannot insure, or against which the REIT may elect not to insure where premium costs are disproportionate to the REIT's perception of relative risk.

The REIT has formal policies and procedures to review and monitor environmental exposure. These policies include, where the Board so determines, the requirement to conduct the local equivalent of a Phase I environmental audit before acquiring any real property or any interest therein. Where circumstances so warrant, designated substance surveys and/or local equivalent of Phase II environmental assessments are conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If appropriate, the REIT remediates such situations. The REIT is not currently aware of any environmental conditions with respect to the Properties that would involve material expenditure by the REIT.

The REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the REIT does not believe that costs relating to environmental matters will have a material adverse effect on its investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations can change and the REIT may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

Management is not aware of any material non-compliance with environmental laws with respect to the Properties. The REIT is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the Properties. However, the REIT cannot assure Unitholders that any material environmental conditions do not or will not otherwise exist with respect to the Properties, other real property which it may own in the future or developments it may finance.

Competition

The REIT competes with various owners, operators and developers in the European real estate industry, including other properties located within proximity to the Properties. Some of these parties own, or may in the future own, properties that compete directly with the Properties or other properties acquired by the REIT, and some of these parties may have greater capital resources than the REIT.

Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties owned by the REIT's competitors are better located, of higher quality or less leveraged than the properties owned by the REIT. Some of the REIT's competitors are better capitalized and stronger financially and therefore more able to withstand an economic downturn. If the REIT's competitors build or acquire new properties that compete with the Properties or the REIT's future properties, the REIT may lose potential tenants and it may be pressured to discount its rental rates below those it would otherwise charge in order to retain tenants. As a result, the

REIT's rental revenues may decrease in the future, which could impair the REIT's ability to satisfy any debt service obligations and to generate stable positive cash flow from its operations. In addition, increased competition for tenants may require the REIT to make capital improvements to facilities that it would not have otherwise made. Any unbudgeted capital improvements the REIT undertakes could materially and adversely affect the REIT's cash flow, operating results and financial condition and the ability of the REIT to make distributions on the Units.

An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. The REIT will seek to locate and complete property purchases that are accretive to AFFO per Unit. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Liquidity

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash and cash equivalents on hand or borrowing capacity to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. Furthermore, the REIT has access to the undrawn borrowing capacity on the Revolving Credit Facility.

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession, the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Uninsured losses

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but it would continue to be obligated to repay any recourse mortgage indebtedness on such properties. Furthermore, there are other risks that are not economically viable to insure at this time. Should an uninsured or under-insured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from its investments or properties, and the REIT would continue to be obliged to repay any recourse indebtedness related to such investments or properties.

Risk of natural disasters

While the REIT has insurance coverage for all of its Properties, the insurance coverage may have deductible amounts and may not cover all natural disasters which may occur to the Properties or properties acquired in the future. Floods, hurricanes, storms, earthquakes, terrorism, or other natural disasters may significantly affect the REIT's operations and Properties, and may cause the REIT to experience reduced rental revenue, incur clean-up costs or otherwise incur costs in connection with these natural disasters. These events may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to its Unitholders.

Risks Relating to the Business of the REIT and its Affiliates

General business risks

The REIT is subject to general business risks and to risks inherent in the real estate industry. The underlying value of the Properties as well as future investments or property acquisitions and the REIT's income and ability to generate stable positive returns from its operating activities will depend on the ability of the REIT to maintain revenues and to generate income in excess of operating expenses. Income and gains from the Properties and future investments and

property acquisitions may be adversely affected by changes in national or local economic conditions, changes in interest rates and in the availability, cost and terms of any mortgage or other financing, the ongoing need for capital improvements, particularly in older structures, changes in real estate assessed values and taxes payable on such values (including as a result of possible increased assessments caused by the acquisitions of the Acquisition Properties and the Additional Netherlands Properties by the REIT) and other operating expenses, changes in governmental laws, regulations, rules and fiscal policies, changes in zoning laws, parking policies, permits (including building permits), the impact of present or future environmental legislation and compliance with environmental laws, acts of God, including natural disasters (which may result in uninsured losses). Any of the foregoing events could negatively impact the value of portfolio properties of the REIT or their ability to generate positive cash flow.

When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases. Similarly, as financing becomes less available, it becomes more difficult to both acquire and to sell real property as well as to finance the investment and acquisition activities of the REIT. Finally, governments can, under eminent domain laws, expropriate or take real property for less compensation than an owner believes the property is worth. Almost all of these factors are beyond the REIT's control. Any one of, or a combination of, these factors may adversely affect the ability of the REIT to conduct its business and therefore negatively impact the financial position of the REIT.

Reliance on key personnel

The REIT depends on the services of certain key personnel, including in particular Phillip Burns, as Chief Executive Officer and certain other key executives and employees of CAPREIT, in its capacity as Manager. There can be no assurance that the REIT will be able to retain its key personnel, attract qualified executives or adequately fill new or replace existing senior management positions or vacancies created by expansion, turnover or otherwise. The loss of the services of any one or more of the REIT's key personnel or the inability to retain, attract or fill any such personnel or positions or vacancies could have an adverse effect on the REIT.

Acquisitions and integration of additional properties

The REIT intends to acquire additional properties in the future and the REIT's future growth will be dependent upon its ability to successfully acquire new properties on favorable terms. Future acquisition opportunities may not be available to the REIT on terms that meet its investment guidelines or it may be unsuccessful in capitalizing on such opportunities. In addition, for so long as CAPREIT directly or indirectly holds 50% or more of the Units, the REIT will be required to obtain the prior written consent of CAPREIT for any material acquisition or development, any financing, or any granting of security over any assets of the REIT. The REIT's ability to capitalize on such acquisition opportunities will be significantly dependent upon external sources of capital that may not be available to it on favorable terms or at all.

The REIT's ability to acquire properties on favorable terms and successfully operate them involves the following risks:

- competition from other real estate investors in acquiring desired properties that may prevent the REIT from acquiring desired properties or significantly increase the purchase price and decrease expected yields for acquired properties;
- the REIT may be unable to finance an acquisition on favorable terms or at all;
- the REIT may have to incur significant unexpected capital expenditures to improve or renovate acquired properties;
- the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into its existing operations;
- requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;

- market conditions may result in higher than expected costs and vacancy rates and lower than expected rental rates; and
- the REIT may acquire properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to it, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of its properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of its properties.

Newly developed and recently acquired properties may not perform as expected and may have characteristics or deficiencies unknown to the REIT at the time of acquisition. The REIT cannot assure security holders that it will be able to successfully integrate acquired properties without operating disruptions or unanticipated costs. As the REIT acquires additional properties, the REIT will be subject to risks associated with integrating and managing new properties, including tenant lease-up and retention and mortgage default. In addition, acquisitions may cause disruptions in the REIT's operations and divert management's attention away from day-to-day operations. Furthermore, the REIT's profitability may suffer because of acquisition-related costs or amortization costs for acquired intangible assets. The REIT's failure to successfully integrate any future properties could have an adverse effect on the REIT's operating costs and its ability to generate stable positive cash flow from its operations.

Potential undisclosed liabilities associated with acquisitions

The REIT expects to acquire properties that may be subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the REIT may fail to uncover in its due diligence. Unknown liabilities might include liabilities for claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, accrued but unpaid liabilities incurred in the ordinary course of business and cleanup and remediation of undisclosed environmental conditions. While in some instances the REIT may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the REIT may not have recourse to the vendor of the properties for any of these liabilities.

Acquisitions of properties may expose the REIT to undisclosed defects and obligations

The REIT's external growth prospects depend in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. The REIT intends to make acquisitions and dispositions of properties in accordance with the REIT's external growth strategy. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the REIT's ability to realize the REIT's anticipated growth opportunities and synergies from the REIT's newly acquired properties.

Notwithstanding pre-acquisition due diligence, it is not possible to fully understand a property before it is owned and operated for an extended period of time. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Furthermore, the REIT is not always able to obtain from the seller the records and documents that the REIT needs in order to fully verify that the buildings or suites the REIT acquires were constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been, recognized or correctly evaluated. Thus, the REIT could have overlooked or misjudged legal and/or economic liabilities. These circumstances could lead to additional costs and could have an adverse effect on the REIT's proceeds from sales and rental income of the relevant properties. In addition, after the acquisition of a property by the REIT, the market in which the acquired property is located may experience unexpected changes that adversely affect the property's value. The occupancy of properties that the REIT acquires may decline during its ownership, and rents that are in effect at the time a property is acquired may decline thereafter. For these reasons, among others, the REIT's property acquisitions may cause the REIT to experience losses. If the REIT is unable to manage the REIT's growth and integrate the REIT's acquisitions effectively, the REIT's investments, operating results and financial condition could be adversely affected.

If the legal requirements relating to existing and permitted properties and their use become more onerous, particularly with respect to construction and environmental requirements, this could materially impact the REIT's business. The REIT will continually assess the value and contribution of the REIT's properties and may dispose of properties from

time to time if determined to be in the REIT's best interests. Depending on the state of the market for these types of properties, if disposed of, the REIT may realize less than the REIT's carrying value in the REIT's financial statements.

Insurance renewals

There is a possibility that the REIT may not be able to renew its current insurance policies or obtain new insurance policies in the future for its properties once they expire. The current terms and levels of coverage may not be available to the REIT for property and casualty insurance, as well as insurance against natural disasters. In addition, the premiums that insurance companies may charge in the future may be significantly greater than they are currently. If the REIT is unable to obtain adequate insurance for its properties, the REIT could be in default under certain contractual commitments that it has made. The REIT may also be subject to a greater risk of not being covered should damages to its properties occur, therefore affecting the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to its Unitholders.

Access to capital and financing risk

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. The REIT's access to third-party financing will be subject to a number of factors, including general market conditions, the market's perception of the REIT's growth potential, the REIT's current and expected future earnings and the REIT's cash flow and cash distributions.

Global financial markets have experienced a sharp increase in volatility during recent years. Underlying market conditions may continue or become worse, and unexpected volatility and illiquidity in financial markets may inhibit the REIT's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the REIT may require in order to grow and expand its operations or upon the expiry of the term of financing, may not be available to the REIT or be available to it on favourable terms. The REIT's failure to access required capital could adversely impact its investments, cash flow, operating results or financial condition, its ability to make distributions on the Units and its ability to implement its growth strategy.

Derivatives risks

The REIT may invest in and use derivative instruments, including futures, forwards, options and swaps, to manage its utility and interest rate risks inherent in its operations. There can be no assurance that the REIT's hedging activities will be effective. Further, these activities, although intended to mitigate price volatility, expose the REIT to other risks. The REIT is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the REIT of margin deposits in the event of the bankruptcy of the dealer with whom the REIT has an open position in an option or futures or forward contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the REIT's ability to use derivative instruments to effectively hedge its utility and interest rate risks.

Internal controls

Effective internal controls are necessary for the REIT to provide reliable financial reports and to help prevent fraud. Although the REIT has undertaken a number of procedures and safeguards in order to help ensure the reliability of the REIT's financial reports, including those imposed on the REIT under Securities Laws, the REIT cannot be certain that such measures will ensure that the REIT will maintain adequate control over financial processes and reporting.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the REIT's results of operations or cause the REIT to fail to meet the REIT's reporting obligations.

IFRS reporting may result in the REIT's balance sheet and net income being subject to increased volatility as the fair value of the REIT's portfolio changes

The fair value of the REIT's properties is (or will be) dependent upon, among other things, rental income from current leases, assumptions about rental income from future leases reflecting market conditions, expected future cash outflow in respect of such leases, the demand for properties such as the Properties, and general economic conditions. A change in one or a combination of these factors, many of which are not controlled by the REIT, may have a material impact to the fair value of the REIT's properties. The REIT's chosen accounting policy under IFRS requires that real estate assets be recorded at "fair value" with changes in fair value being recorded in income in the period of change. Accordingly, the REIT's balance sheet and net income will be subject to increased volatility as the fair value of its real estate portfolio changes and these changes may be material.

Regulatory requirements may limit a future change of use for some properties

A change of use of the REIT's properties may be limited by several regulatory requirements, including monument protection regulations, urban development regulations, specific limitations for postal buildings and general planning law requirements. This may therefore inhibit the REIT's ability to re-lease vacant space to subsequent tenants, or may adversely affect the REIT's ability to sell, lease or finance the affected properties.

Litigation risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

Credit and Financing risk

Two Canadian chartered banks provide the Revolving Credit Facility to the REIT, and the REIT also intends to incur Indebtedness in the future in connection with the future investments and property acquisitions of properties and expansion of its business. The REIT's debt may harm its business and operating results by:

- requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;
- limiting the REIT's ability to borrow more money for operating or capital needs or to finance investments or acquisitions in the future; and
- making the REIT more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

A portion of the cash flow generated by the Properties will be devoted to servicing debt and there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Furthermore, given the relatively small size of the Canadian and the Netherlands marketplace, there are a limited number of lenders from which the REIT can reasonably expect to borrow. Consequently, it is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of

existing financing, or refinancing any particular property owned by the REIT or otherwise, may not be available or may not be available on favourable terms.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the REIT's cash flow will be insufficient to meet required payments of principal and interest, the REIT will also be subject to the risk that it will not be able to refinance the existing Indebtedness on its properties and that the terms of any refinancing it could obtain would not be as favourable as the terms of its existing Indebtedness. If the REIT is not successful in refinancing debt when it becomes due, it may be forced to dispose of properties on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations.

In addition, certain loan documents relating to secured debt of the REIT contain restrictions concerning and covenants and events of default relating to the REIT and the properties subject to such secured debt. Failure to comply with any such restriction or covenant, or the occurrence of any such events, could result in an event of default under the applicable loan document. Upon the occurrence of an event of default, the secured debt could be accelerated, which in turn could adversely impact the REIT's business operations, financial condition and results of operations and may decrease the amount of cash available for distribution.

Cyber security risks could result in disruptions in business operations

As the REIT continues to increase our dependence on information technologies to conduct our operations, the risks associated with cyber security also increase. The REIT relies on management information systems and computer control systems. Business disruptions, utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm our operations and materially adversely affect our operating results. Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the misuse or loss of control over computer control systems, and breaches due to employee error. Our exposure to cyber security risks includes exposure through third parties on whose systems the REIT places significant reliance for the conduct of our business. The REIT has implemented security procedures and measures in order to protect our systems and information from being vulnerable to cyberattacks. The REIT believes these measures and procedures are appropriate. To date, the REIT has not experienced any material impact from cyber security events. However, the REIT may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to our information and control systems could have severe financial and other business implications.

Risks Related to the Structure of the REIT

Reliance on external sources of capital

Since the REIT expects to make regular cash distributions as a real estate investment trust, it likely will not be able to fund all of its future capital needs, including capital for acquisitions and facility development, with income from operations. The REIT therefore will have to rely on third-party sources of capital, which may or may not be available on favourable terms, if at all. The REIT's access to third-party sources of capital depends on a number of things, including the market's perception of its growth potential and its current and potential future earnings. If the REIT is unable to obtain third-party sources of capital, it may not be able to acquire or develop facilities when strategic opportunities exist, satisfy its debt obligations or make regular distributions to Unitholders.

Restrictions on redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units will liquidate their investments. Subsidiary Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities, and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable Securities Laws. Subsidiary Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time. Regulatory approvals will be required in connection with the distribution of Subsidiary Notes in specie to Unitholders in connection with a redemption. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT 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 limitations may be waived at the discretion of the Trustees); (ii) at the time such

Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for such series of the Units; and (iii) the normal trading of the Units is not suspended or halted on any stock exchange on which such Units are listed (or, if not listed on a stock exchange, on any market on which such Units are quoted for trading) on the redemption date or for more than five trading days during the 20-day trading period commencing immediately after the redemption date.

Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or the REIT's termination

Upon a redemption of Units or termination of the REIT, the Trustees may distribute securities directly to the Unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Structural subordination of Units

In the event of a bankruptcy, liquidation or reorganization of the REIT or any of the REIT's Subsidiaries, holders of the REIT's Indebtedness and the REIT's trade creditors will generally be entitled to payment of their claims from the REIT's assets and those of the REIT's Subsidiaries before any assets are made available for distribution to the REIT or the Unitholders. The Units will be subordinated to the debt and other obligations of the REIT and the REIT's Subsidiaries. The REIT and the REIT's Subsidiaries generate all of the REIT's revenue available for distribution and hold substantially all of the REIT's operating assets.

Cash distributions are not guaranteed, are not hedged against currency exchange risk, and may fluctuate with the REIT's financial performance, changes in currency exchange and the expiration of contractual waiver of rights

The REIT's distribution policy is established in the Declaration of Trust and may only be changed in certain cases with the approval of a majority of Unitholders. However, the Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse impact on the market price of the Units.

Although the REIT intends to make cash distributions in accordance with the REIT's distribution policy, the actual cash flow available for distribution to Unitholders is dependent on the amount of cash flow paid to the REIT by the REIT's operating entities and can vary significantly from period to period for a number of reasons, including among other things: (i) the amount of net rental income derived from the REIT's properties; (ii) the amount of cash required or retained for debt service or repayment; (iii) foreign currency exchange rates and interest rates; (iv) amounts required to fund capital expenditures and working capital requirements; (v) tenant allowances; (vi) leasing commissions; (vii) Unit redemptions; (viii) foreign currency exchange rates and interest rates; (ix) the level of foreign taxes, if any, payable by a subsidiary and (x) other factors that may be beyond the REIT's control. These amounts are subject to the discretion of the Trustees, which will regularly evaluate the REIT's distribution payout with respect to anticipated cash flows, debt levels, capital expenditure plans and amounts to be retained to fund acquisitions and expenditures. In addition, the REIT's level of distributions per Unit will be affected by the number of outstanding Units and other securities that may be entitled to receive cash distributions. Distributions may be increased, reduced or suspended entirely depending on the REIT's operations and the performance of the REIT's assets. The market value of the Units may deteriorate if the REIT is unable to meet distribution expectations in the future and such determination may be material.

Unitholder liability

The Declaration of Trust provides that no holder of Units or annuitant or beneficiary of a trust governed by a Plan/or of any Plan of which a holder of Units acts as an annuitant will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of Units or annuitant for any liability whatsoever, whether constituting extra contractual or contractual liability or arising in tort, contract or otherwise, to any person in connection with the REIT's property or the REIT's affairs, including for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees or any obligation which a holder of Units or annuitant would otherwise have to indemnify a Trustee

for any personal liability incurred by the Trustee as such. Only the REIT's assets are intended to be liable and subject to levy or execution for satisfaction of such trust liability. Each holder of Units and annuitant will be entitled to be reimbursed out of the REIT's assets in respect of any payment of such trust liability made by such holder of Units or annuitant.

The Declaration of Trust further provides that the Trustees shall cause the REIT's operations to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine practicable and consistent with their fiduciary duty to act in the best interests of the holders of Units, any material risk of liability on the holders of Units for claims against the REIT, and shall, to the extent available on terms which they determine to be practicable, including the cost of premiums, cause the insurance carried by the REIT, to the extent applicable, to cover the holders of Units and annuitants as additional insured.

However, in conducting the REIT's affairs, the REIT will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs, mortgages and leases. The Trustees will use commercially reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the REIT may not be able to obtain such modification in all cases. If a claim is not satisfied by the REIT, there is a risk that a Unitholder or annuitant will be held personally liable for the performance of the obligations of the REIT where the liability is not disavowed as described above. The possibility of any personal liability attaching to Unitholders or annuitants under the laws of the Province of Ontario for contract claims where the liability is not so disavowed is remote.

Nature of investment

A holder of a Unit does not hold a share of a body corporate. Unitholders do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of holders of Units are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT or any subsidiary limited partnership equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances.

The Units will not be "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act*, nor will they be insured under the provisions of that act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Taxation of trusts

The REIT intends to qualify as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the Canadian federal income tax consequences would be materially and adversely different in certain respects.

Application of the SIFT Rules

The SIFT Rules apply to a trust that is a "SIFT trust" as defined in the Tax Act. Provided that a trust does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the investment restrictions of the REIT, the REIT will not acquire any non-portfolio property and, therefore, will not be subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies or assessing practices of the CRA will not be changed in a manner that adversely affects the REIT and Unitholders.

Loss restriction event

The Tax Act includes LRE rules that could potentially apply to the REIT. In general, the REIT will be subject to a LRE if a person (or group of persons) acquires more than 50% of the fair market value of the Units. If a LRE occurs: (i) the REIT will be deemed to have a year-end for tax purposes immediately before the LRE occurs; (ii) any net income and net realized capital gains of the REIT at such year-end will be distributed to Unitholders to the extent required for the REIT not to be liable for income taxes; and (iii) the REIT will be restricted in its ability to use tax

losses (including any unrealized capital losses) that exist at the time of the LRE. The REIT may become subject to an LRE following an exchange of the Class B LP Units for Units of the REIT.

FAPI

ERES LP will be required to compute its income for each of its fiscal periods for purposes of Part I of the Tax Act as if it were a separate taxpayer, for purposes of allocating the resulting net income to its partners. In computing its income, ERES LP will be required to include any amounts that are deemed to accrue to it in respect of “foreign accrual property income” within the meaning of the Tax Act of any of its CFAs (as computed for purposes of the Tax Act), which will include CAPREIT NL Holding B.V., HKCo and their Subsidiaries. To the extent that any CFA of ERES LP earns income that is characterized as FAPI in a particular taxation year of the CFA, the FAPI of the CFA allocable to ERES LP must be included in computing the income of ERES LP for Canadian federal income tax purposes for the fiscal year of ERES LP in which the taxation year of the CFA ends, whether or not ERES LP actually receives a distribution of any income of a CFA that is characterized as FAPI. ERES LP’s net income is then allocated to its partners, including the REIT, at the end of ERES LP’s fiscal year. As it is the Trustees’ intention to make distributions to Unitholders each year in sufficient amounts that the REIT will not be liable to pay tax under Part I of the Tax Act, if FAPI is attributable to ERES LP in a fiscal year of ERES LP in which ERES LP has not received any actual distributions in respect of such FAPI (and a portion of the FAPI is then allocated to the REIT), the Trustees may be required to make an in-kind distribution to its Unitholders in the form of additional Units to prevent the REIT from being liable to pay tax in that fiscal year, and the amount of the in-kind distribution (represented by the value of the additional Units) will be required to be included in the computation of the Unitholders’ income.

The after-tax return from an investment in Units to a Unitholder will depend on a number of factors, including whether or not any FAPI will be allocated to the Unitholder for purposes of the Tax Act.

Foreign currency

For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results using Canadian currency, including for purposes of computing FAPI earned by CFAs of the REIT. Where an amount that is relevant in computing a taxpayer’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the daily average rate of exchange quoted by the Bank of Canada or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Currency exchange rates

Substantially all of the REIT’s investments and operations will be conducted in currencies other than Canadian dollars. The REIT will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through its Subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT’s financial results and ability to pay distributions, which will be denominated and reported in Euros. The REIT does not currently intend to implement active hedging programs in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to foreign currencies. To the extent that the REIT fails to adequately manage these risks the REIT’s financial results may be negatively impacted.

Foreign subsidiaries

The REIT’s Subsidiaries are organized under the laws of the Netherlands, Germany, Luxembourg, Belgium and Hong Kong. All of the real property assets of the REIT will be located outside of Canada and certain of the REIT’s and its Subsidiaries’ trustees, directors and officers, as well as certain experts, are residents of countries other than Canada.

In addition, it may be difficult or impossible for investors to effect service within Canada upon certain of the REIT’s Subsidiaries or their respective trustees, directors, officers and experts who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Securities Laws. Enforcement in Europe by a court in original actions, or in actions to enforce judgements of Canadian courts, of, inter alia, civil liabilities predicated upon such applicable Securities Laws, may not always be possible.

Change of tax law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative policies and assessing practices and policies of the CRA, the Minister of Finance (Canada) and any foreign tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders. Changes in tax legislation, administrative practice or case law could have adverse tax consequences for the REIT, and amendments to applicable laws, orders and regulations can be issued or altered with retroactive effect. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may be changed at any time with adverse effects on the REIT's taxation. Furthermore, court decisions are often overruled by the tax authorities by way of issuing non-application decrees. As a result, significant uncertainties exist with regard to the taxation rules applicable to the REIT and the REIT's Subsidiaries. Deviating views adopted by the tax authorities or the tax courts might lead to a higher tax burden for the REIT. Additionally, if adverse changes in the tax framework should occur, or if the REIT is subject to tax audits or reassessments that result in the imposition of taxes individually or together, this could adversely impact the REIT's investments, cash flows, operating results and/or financial condition, the REIT's ability to make distributions on the Units and the REIT's ability to implement the REIT's growth strategy.

Non-residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this Annual Information Form does not describe the tax consequences under the Tax Act to Non-Residents, which may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors.

Taxation of the REIT and the REIT's Subsidiaries

Although the REIT and the REIT Subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by the REIT Subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or the REIT Subsidiaries. In addition, certain tax positions adopted by the REIT and the REIT Subsidiaries may be challenged by the CRA or a foreign taxing authority. This could materially increase the taxable income of, and taxes payable by, the REIT and the REIT Subsidiaries, and thereby increase taxable income of Unitholders and/or adversely affect the REIT's financial position and cash available for distribution to Unitholders.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the REIT Subsidiaries are able to claim deductions on account of depreciation, interest and other financing expenses relating to the REIT's properties for Canadian and/or foreign tax purposes. No assurances can be given that the CRA and/or any foreign tax authorities will agree with capital cost allowance claims or other deductions on account of depreciation by the REIT's Subsidiaries and that expenses claimed by the REIT and the REIT Subsidiaries are reasonable and deductible.

It is expected that CAPREIT and ERES LP will make a joint election such that the indirect transfer of the Acquisition Properties from CAPREIT to ERES LP will occur on a fully or partially tax-deferred basis for CAPREIT's Canadian federal income tax purposes. As a result, ERES LP will have a cost base for Canadian federal income tax purposes in the shares of CAPREIT NL Holding B.V. and any other assets acquired by ERES LP from CAPREIT that is less than the current fair market value of such assets. This may increase the Canadian taxable income of the REIT in the event of an eventual sale or reorganization of its assets, which would in turn increase the amount of taxable income from capital gains which would be allocated by the REIT to Unitholders for Canadian income tax purposes.

Foreign tax

The REIT is subject to the tax laws of, and related tax treaties in, the Netherlands, Germany, Belgium and Hong Kong. In particular, and in respect of CAPREIT NL Holding B.V., distributions made by CAPREIT NL Holding B.V. will be subject to Dutch withholding tax, which may increase the overall Taxes payable by the REIT's Subsidiaries, and

reduce the amount of cash available for distribution to the Unitholders of the REIT. For Canadian federal income tax purposes, any such Dutch withholding tax incurred by the REIT will generally be allocated to the Unitholders of the REIT, and such Unitholders may be entitled to claim a foreign tax credit in respect of such taxes.

In addition, there is a risk that the Netherlands', Germany's, Belgium's and Hong Kong's tax laws and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, the effective tax rate in the jurisdictions in which the REIT operates and the portion of distributions which would be income for Canadian income tax purposes. The REIT will proactively monitor changes to those tax laws and treaties and regularly review and assess its impact on the REIT's foreign operations and its investors.

Qualified investments

The REIT will endeavor to ensure that the Units continue to be qualified investments for Plans; however, there can be no assurance in this regard. In addition, property received on an in specie redemption of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Subsidiary Notes received by a Unitholder on the redemption of Units will not be a qualified investment for Plans.

Availability of cash flow

Distributions made to holders of Units and holders of Class B LP Units may exceed actual cash available to the REIT from time to time because of items such as principal repayments, capital expenditures, seasonal fluctuations in operating results and redemption of Units, if any. The REIT may be required to borrow funds or reduce distributions in order to accommodate such items. The REIT may temporarily fund such items, if necessary, through an operating credit facility, to the extent that it is available.

Restrictions on ownership of Units

The Declaration of Trust imposes various restrictions on Unitholders. These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units.

Joint venture investments

The REIT may, in the future, co-invest in properties through joint ventures or other joint equity structures. In any such joint venture, the REIT would not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions.

Joint venture partners may have business interests or goals that are inconsistent with the REIT's business interests or goals and may be in a position to take actions contrary to the REIT's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the REIT nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the REIT and its joint venture partners could result in litigation or arbitration that could increase the REIT's expenses and distract its officers and/or Trustees from focusing their time and effort on the REIT's business. In addition, the REIT might in certain circumstances be liable for the actions of its joint venture partners.

Risks Related to the Units

Volatile market price for the Units

It is not possible to predict the price at which Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The market price of the Units may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the REIT's results of operations; changes in estimates of the REIT's future results of operations by management or securities analysts; introduction of new products or services by the REIT or its competitors; and general industry changes.

In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many real estate issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the real estate industry may adversely affect the market price of the Units.

Market for the Units

One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount and reductions in, or suspensions of, distributions may occur that would reduce yield based on the market price of the Units. Although the REIT intends to make distributions of its available cash to Unitholders, these cash distributions are not assured. The actual amount distributed will depend on numerous factors including, but not limited to, the REIT's financial performance, debt covenants and obligations, working capital requirements and future capital requirements. The market price of the Units may deteriorate if the REIT is unable to meet its cash distribution targets in the future.

In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities, changes in the economic environment and numerous other factors beyond the control of the REIT. Securities markets have a high level of price and volume volatility, and the market price of securities of many issuers have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the REIT include macroeconomic developments in Europe and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of the securities of the REIT at any given point in time may not accurately reflect the long-term value of the REIT.

Return on investment not guaranteed

There is no guarantee that an investment in the Units will earn any positive return in the short or long term. Moreover, the interest rates being charged for debt financing and other similar financing transactions in which the REIT will be engaged reflect the general level of interest rates, and as interest rates fluctuate, the REIT's aggregate yield on investments will also be expected to change.

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Dilution

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time subject to the rules of any applicable stock exchange on which the Units are then listed. The issuance of any additional Units, including Units issued in consideration for properties acquired by the REIT or, pursuant to the exercise of Unit Options, pursuant to the Top-Up Right or in payment of Management Fees under the Asset Management Agreement, may have a dilutive effect on the interests of holders of Units.

Additional Risks Related to the REIT and its Business

Assumption of liabilities

The REIT will indirectly assume liabilities arising out of or related to the REIT's business, operations or assets, and may from time to time indemnify those persons who sell properties to the REIT for, among other matters, such liabilities. In fact, the REIT did indemnify the vendors of certain properties. Further, the REIT may assume unknown liabilities that could be significant.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No Trustee or officer of the REIT, or Unitholder that beneficially owns or controls more than 10% of the outstanding Units, or any of their respective associates or affiliates, has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the inception date of the REIT except as disclosed in this Annual Information Form.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The REIT is not, and during its most recently completed financial year was not, a party to any material legal proceedings, and none of its properties is, and during its most recently completed financial year was, the subject of any material legal proceedings. Further, the REIT is not aware of any such proceedings being contemplated.

Regulatory Actions

The REIT is not, and at any time within the three most recently completed financial years was not, subject to any penalties or sanctions imposed by a court or regulatory body, and no settlement agreement was entered into by the REIT at any time within the three most recently completed financial years.

MATERIAL CONTRACTS

Other than as set out in the REIT's disclosure record on SEDAR, the REIT has not entered into any contracts material to investors in the Units.

The following are the material contracts relating to the REIT and its Subsidiaries:

1. the Declaration of Trust;
2. the Asset Management Agreement;
3. the Amended Maple Knoll Management Agreement;
4. the Acquisition Agreement;
5. the Pipeline Agreement;
6. the Limited Partnership Agreement;
7. the Exchange Agreement;
8. the Services Agreement;
9. the Investor Rights Agreement; and
10. the Revolving Credit Facility.

Copies of these agreements are available for review at www.sedar.com.

EXPERTS

PricewaterhouseCoopers LLP are the auditors of the REIT. PricewaterhouseCoopers LLP has advised that they are independent with respect to the REIT within the meaning of the Rules of Professional Conduct of the Institute of the Chartered Professional Accountants Ontario.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the REIT for the Units is TSX Trust Company at its head office located in Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information relating to the REIT may be found on SEDAR at www.sedar.com. Additional information, including with respect to Trustees' and officers' remuneration and indebtedness, principal holders of Units of the REIT and securities authorized for issuance under equity compensation plans, as applicable, are contained in the REIT's information circular dated April 23, 2019, which was prepared in connection with the REIT's annual and special meeting of Unitholders.

Additional financial information is provided in the REIT's audited consolidated financial statements and management's discussion and analysis of the financial condition of the REIT for the year ended December 31, 2018. A copy of such documents can be found on SEDAR at www.sedar.com.