



EUROPEAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST

ANNUAL INFORMATION FORM

For the year ended December 31, 2021

March 28, 2022

TABLE OF CONTENTS

Glossary	ii
Forward-Looking Statements	1
Meaning of Certain References	2
Non-IFRS Measures	3
Overview	4
General Development of the Business	5
Business of the REIT	9
Industry Overview	10
The Residential Properties	18
The Commercial Properties	21
Indebtedness of the REIT	21
Governance of the REIT	23
Management of the REIT	31
Principal Unitholders	39
Declaration of Trust and Description of Capital Structure	399
Investment Guidelines and Operating Policies	48
ERES LP	50
Distribution Policy	55
Market for Securities	58
Risk Factors	58
Interest of Management and Others in Material Transactions	75
Legal Proceedings and Regulatory Actions	75
Material Contracts	75
Experts	76
Transfer Agent and Registrar	76
Additional Information	76

ADDENDA

APPENDIX “A” – CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

GLOSSARY

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

“**Acquisition Agreement**” means the securities purchase agreement dated December 10, 2018 between the REIT, CAPREIT and CAPREIT LP;

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

“**Additional December 2020 Acquisition Property**” means the residential property acquired by the REIT from an arm’s length third party on December 29, 2020, comprised of 98 residential suites in the Netherlands;

“**Additional September 2019 Acquisition Properties**” means the 16 residential properties acquired by the REIT from an arm’s length third party on September 30, 2019, representing an aggregate of 315 residential suites in the Netherlands;

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

“**AMR**” has the meaning given to that term under the heading “The Residential Properties”;

“**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”;

“**Annual MD&A**” means the management’s discussion and analysis of the REIT for the year ended December 31, 2021;

“**Arrangement**” means the arrangement under section 182 of the OBCA involving, among other things, the transfer by shareholders of European Commercial Real Estate Limited of all of the issued and outstanding Common Shares and Class B 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;

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

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

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

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

“**Brussels Property**” means the commercial office 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;

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

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

“**CAPREIT LP**” means CAPREIT Limited Partnership, a Subsidiary of CAPREIT;

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

“**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 Landshut Property, the Brussels Property, and the retail portion of the December 2019 Acquisition Property;

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

“**Control Person**” has the meaning given to it under applicable Securities Laws;

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

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

“**December 2019 Acquisition Property**” means the mixed residential and retail property in Amsterdam acquired by the REIT from an arm’s length party on December 16, 2019, comprising 222 residential suites and approximately 106,358 square feet (9,881 square metres) of retail GLA;

“**December 2019 Offering**” has the meaning given to that term under the heading “General Development of the Business”;

“**December 2019 Promissory Note**” means the promissory note provided by ERES LP to CAPREIT LP in the amount of €33.5 million;

“**December 2021 Acquisition Property**” means the 8 residential properties acquired by the REIT from an arm’s length third party on December 22, 2021, comprised of 137 residential suites in the Netherlands;

“**December 2021 Promissory Note**” means the promissory note provided by ERES LP to CAPREIT LP in the amount of €39.3 million;

“**Declaration of Trust**” means the fourth amended and restated declaration of trust of the REIT dated as of April 28, 2020, 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”;

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

“**Distribution Date**” means the 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**” means 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**” means the commercial office property, containing eight units, located in Düsseldorf, Germany, which the REIT sold to an arm’s length party on January 31, 2020 for gross proceeds of approximately €16.9 million;

“**ECRE LP**” means ECRE Limited Partnership, a predecessor entity to ERES LP;

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

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

“**ERES LP Agreement**” means the third amended and restated limited partnership agreement of ERES LP made as of August 14, 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;

“**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;

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

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

“**GLA**” means gross leasable area;

“**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”;

“**Initial December 2020 Acquisition Property**” means the residential property acquired by the REIT from an arm’s length third party on December 1, 2020, comprised of 84 residential suites in the Netherlands;

“**Initial September 2019 Acquisition Properties**” means the 18 residential properties acquired by the REIT from CAPREIT under the Pipeline Agreement on September 30, 2019, representing an aggregate of 942 residential suites in the Netherlands;

“**Investor Rights Agreement**” means the investor rights agreement entered into between the REIT and CAPREIT dated March 29, 2019;

“**January 2022 Acquisition Property**” means the residential property acquired by the REIT from an arm’s length third party on January 31, 2022, comprised of 45 residential suites in the Netherlands.

“**January 2022 Promissory Note**” means the promissory note provided by ERES LP to CAPREIT LP in the amount of €19.0 million;

“**June 2019 Acquisition Properties**” means the 21 residential properties acquired by the REIT from CAPREIT under the Pipeline Agreement on June 30, 2019, representing an aggregate of 511 residential suites in the Netherlands;

“**June 2021 Acquisition Properties**” means the 2 residential properties acquired by the REIT from arm’s length third parties on June 30, 2021, comprised of 137 residential suites in the Netherlands;

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

“**Liberalized Suite**” has the meaning given to that term under the subheading “Industry Overview – The Netherlands’ Rental Market – The Netherlands’ Regulated Rental Market”.

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

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

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

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

“**March 2019 Acquisition**” has the meaning given to that term under the subheading “General Development of the Business– Three Year Developments”;

“**March 2019 Acquisition Properties**” has the meaning given to that term under the subheading “General Development of the Business– Three Year Developments”;

“**May 2019 Acquisition Properties**” means the 26 residential properties acquired by the REIT from CAPREIT under the Pipeline Agreement on May 31, 2019, representing an aggregate of 1,257 residential suites in the Netherlands;

“**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”;

“**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”;

“**November 2021 Acquisition Properties**” means the 3 residential properties acquired by the REIT from arm’s length third parties on November 30, 2021, comprised of 225 residential suites in the Netherlands;

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

“**October 2019 Acquisition Properties**” means the 9 residential properties acquired by the REIT from an arm’s length party on October 31, 2019, representing an aggregate of 294 residential suites in the Netherlands;

“**October 2020 Acquisition Property**” means the 5 residential properties acquired by the REIT from an arm’s length third party on October 1, 2020, comprised of 113 residential suites in the Netherlands;

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

“**Piggy-Back Units**” 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 March 29, 2019, pursuant to which CAPREIT LP, for an initial period ending on March 29, 2021 and subsequently extended for an additional two-year period ending on March 29, 2023, 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);

“**Plans**” means RRSPs, RRIFs, RESPs, RDSPs, DPSPs and TFSA’s, and “**Plan**” means any of them;

“**Points**” has the meaning given to that term under the subheading “Industry Overview – The Netherlands’ Rental Market – The Netherlands’ Regulated Rental Market”;

“**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 Landshut Property, the Brussels Property, and the Residential Properties, which, for the purposes of this definition, includes both the residential and retail portions of the December 2019 Acquisition Property;

“Property Management Agreements” has the meaning given to that term under the subheading “Management of the REIT – Property Management Agreements”, and **“Property Management Agreement”** means any one of them;

“Property Manager” 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;

“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”;

“Regulated Suite” has the meaning given to that term under the subheading “Industry Overview – The Netherlands’ Rental Market – The Netherlands’ Regulated Rental Market”;

“REIT” means European Residential Real Estate Investment Trust;

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

“Residential Properties” means the residential properties and ancillary parking facilities owned directly or indirectly by the REIT, including the residential portion of the December 2019 Acquisition Property as well as the small portion of ancillary commercial space contained within eleven of the residential properties that are, as a whole, considered residential properties;

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

“Revolving Credit Agreement” 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, as amended on November 21, 2019, amended and restated on December 6, 2019, further amended on each of December 6, 2020, July 7, 2021, August 3, 2021, September 9, 2021 and September 29, 2021, and as further amended and restated on October 29, 2021;

“Revolving Credit Facility” means the REIT’s credit facility provided pursuant to the Revolving Credit Agreement;

“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;

“September 2019 Acquisition Properties” means, collectively, the Initial September 2019 Acquisition Properties and the Additional September 2019 Acquisition Properties;

“**September 2019 Offering**” has the meaning given to that term under the heading “General Development of the Business”;

“**September 2019 Promissory Note**” means the promissory note provided by ERES LP to CAPREIT LP in the amount of €98.5 million;

“**September 2020 Acquisition Property**” means the residential property acquired by the REIT on September 1, 2020 from an arm’s length third party, comprised of 120 residential suites in the Netherlands;

“**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;

“**TSX**” means the Toronto Stock Exchange;

“**TSXV**” means the TSX Venture Exchange;

“**Unit Option**” means a non-assignable, non-transferable option to acquire a Unit pursuant to the Unit Option Plan;

“**Unit Option Plan**” means the REIT’s amended and restated Unit option plan;

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

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

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

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

“**WOZ**” has the meaning given to that term under the subheading “Industry Overview – The Netherlands’ Rental Market – The Netherlands’ Regulated Rental Market”.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking information. Certain statements contained in, or contained in documents incorporated by reference, in this Annual Information Form constitute forward-looking information within the meaning of applicable Canadian securities laws and reflect the REIT's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. 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; (v) the REIT's ability to execute its business and growth strategies with the assistance of CAPREIT, where applicable, including 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 (including holders of Class B LP Units); (viii) the REIT's access to available sources of debt and equity financing; (ix) the REIT's intention to renovate suites over the short-term; and (x) the direct or indirect impacts of the coronavirus ("COVID-19") pandemic, including the efficacy of governmental assistance measures, anticipated impact on the ability of tenants to pay rents when due and requests for rent deferrals, the ability to revert to normalized levels of certain costs following temporary deferrals and the anticipated impact on cash management and liquidity.

The COVID-19 pandemic has given rise to exceptional uncertainty throughout the global economy, including the regions in which the REIT operates. The REIT continues to monitor this evolving situation with a focus on protecting the health and safety of employees and tenants and implementing appropriate cautionary measures to address the potential direct and indirect impacts on its business. The long-term impacts of the COVID-19 pandemic, including the extent of the impact on the REIT's business, cash flows, financial condition and results of operations, remain uncertain.

Although the REIT believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. 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 ongoing operational and strategic partnership between the REIT and CAPREIT; (v) the REIT and CAPREIT will retain and continue to attract qualified and knowledgeable personnel as the REIT expands its portfolio and business; (vi) 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; (vii) there will be no material changes to government and environmental regulations adversely affecting the REIT's operations; (viii) the ability of the REIT to collect rent from its tenants; (ix) the continuing concentration and occupancy of the REIT's tenants; (x) the fulfillment by tenants of their lease responsibilities as well as their capital expenditures and environmental remediation responsibilities; (xi) the REIT's ability to economically operate and manage its properties; (xii) the level of activity in the multi-residential and commercial real estate markets in Europe; (xiii) the state of the real estate industry generally (including property

ownership and tenant risks, liquidity of real estate investments, competition, government regulation, environmental matters, fixed costs, recent market volatility and increased expenses) and the economy generally; (xiv) conditions in the European real estate markets, including competition for acquisitions, will be consistent with the current climate; (xv) there will be no material change in currency exchange rates; (xvi) capital markets will provide the REIT with readily available access to equity and/or debt financing; (xvii) the growth of the Dutch economy, which may be adversely impacted by a contraction in the global economy and the direct and indirect impacts of the ongoing health crises related to the COVID-19 pandemic; and (xviii) the REIT’s ability to continue to enforce its leases unrestricted by additional government regulations related to the ongoing COVID-19 pandemic.

Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. The forward-looking statements made in this Annual Information Form relate only to events or information as of the date on which the statements are made in this Annual Information Form. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Annual Information Form. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect. Except as specifically required by applicable Canadian securities law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date on which the statements are made, to reflect the occurrence of unanticipated events, or to explain any material difference between subsequent actual events and such forward-looking statements and information. These forward-looking statements should not be relied upon as representing the REIT’s views as of any date subsequent to the date of this Annual Information Form. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the REIT. 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 14, 2021 and under the subheading “Risks and Uncertainties” in the Annual MD&A.

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, 2021</u>
Highest rate during the period	\$1.5641
Lowest rate during the period	\$1.4188
Average rate during the period ⁽¹⁾	\$1.4828
Rate at the end of the period	\$1.4391

Note:

(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.

References to “management” in this Annual Information Form means the persons acting in the capacities of the REIT’s Chief Executive Officer and Chief Financial Officer. Any statements in this Annual Information Form made by or on behalf of management are made in such persons’ capacities as officers of the REIT and not in their personal capacities.

Information contained in this Annual Information Form is presented as at December 31, 2021, unless otherwise indicated.

NON-IFRS MEASURES

Funds from operations (“**FFO**”), adjusted funds from operations (“**AFFO**”), FFO and AFFO per Unit amounts as well as FFO and AFFO payout ratios are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO, FFO and AFFO per Unit amounts and payout ratios are supplemental measures of performance for real estate businesses. These measures are disclosed in accordance with the Canadian Securities Administrators requirements under National Instrument 52-112, Non-GAAP and Other Financial Measures Disclosure.

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. See “Non-IFRS Financial Measures” in the Annual MD&A for a reconciliation of FFO and AFFO to net income.

“FFO” is defined by the REIT as a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. “AFFO” is defined by the REIT as 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 as published in January 2022 with the exception of certain adjustments which are: (i) acquisition research costs, (ii) general and administrative expenses related to structuring, (iii) current income tax related expenses pursuant to the March 2019 Acquisition, and (iv) mortgage refinancing costs. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries.

FFO, AFFO, FFO and AFFO per Unit amounts and payout ratios should not be construed as alternatives to net income, determined in accordance with IFRS, as indicators of the REIT’s performance. The REIT’s method of calculating FFO, AFFO, FFO and AFFO per Unit amounts and payout ratios may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers. For further information on the non-IFRS and operational key performance indicators used by the REIT and for reconciliations to the nearest IFRS measures, refer to the REIT’s Annual MD&A.

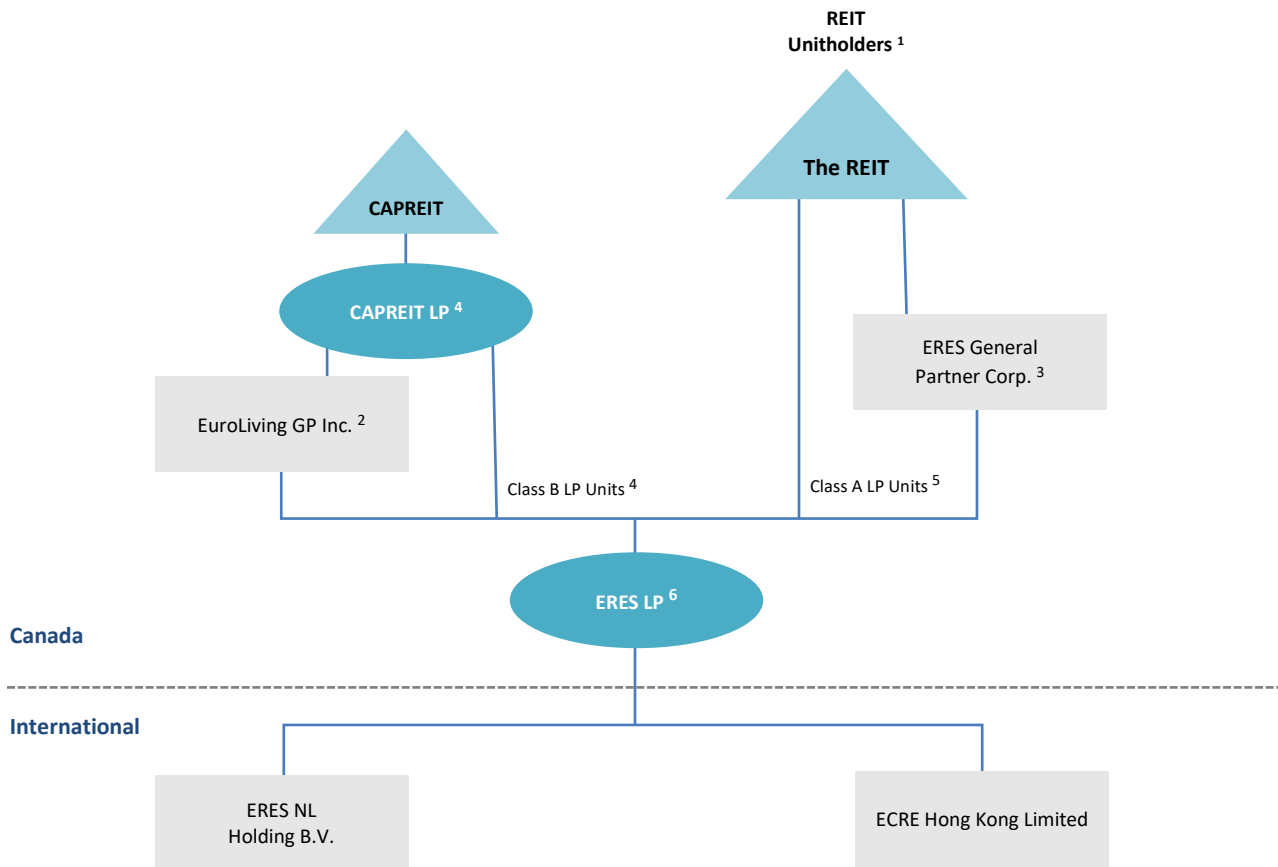
OVERVIEW

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

As at December 31, 2021, the REIT owned and operated 152 properties located in the Netherlands, comprised of 151 residential properties and one mixed residential and retail property, representing an aggregate of 6,545 residential suites, 106,358 square feet (9,881 square metres) of retail GLA and certain additional ancillary commercial space and parking facilities, along with two commercial properties located in Germany and Belgium containing an aggregate of approximately 344,553 square feet (32,010 square metres) of commercial office GLA. The REIT's strategy is focused on providing investors with an opportunity to gain indirect 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.

Organizational Structure

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



Notes:

- (1) Included among the REIT Unitholders is CAPREIT, which owns 10,197,000 Units of the REIT.
- (2) EuroLiving GP Inc. owns a nominal interest in ERES LP by way of its ownership of 1 Class B GP Unit.
- (3) ERES General Partner Corp. owns a nominal interest in ERES LP by way of its ownership of 1 Class A GP Unit.
- (4) CAPREIT LP owns all outstanding and issued Class B LP Units of ERES LP that are exchangeable for units of the REIT and are accompanied by a special voting unit of the REIT representing 61% of the total voting interest in the REIT. Including CAPREIT's REIT Units owned, its effective ownership in the REIT is approximately 66% as at December 31, 2021.
- (5) The REIT owns all outstanding and issued Class A LP Units of ERES LP.
- (6) ERES LP owns, directly and indirectly, a 100% interest in multiple Dutch and Hong Kong entities which own the Properties.

GENERAL DEVELOPMENT OF THE BUSINESS

History

Qualifying Transaction

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 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 the Düsseldorf Property from an arm’s length party, for an aggregate purchase price of €11 million, subject to certain post-closing adjustments and excluding transaction costs. 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.

Arrangement and Establishment of the REIT

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**”) and all Common 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 per Special Voting Unit 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 11, 2017, the REIT completed the purchase of a commercial office property in Landshut, Germany (the “**Landshut Property**”) for approximately €29,409,759 from an arm’s length party, subject to certain post-closing adjustments and excluding transaction costs. 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.

Three Year Developments

Strategic Shift to Multi-Residential Assets

On March 29, 2019, pursuant to the Acquisition Agreement, the REIT acquired from CAPREIT and certain of its subsidiaries, a portfolio of 2,091 residential suites and certain additional ancillary commercial space and parking

facilities (the “**March 2019 Acquisition Properties**”) located in 22 cities and towns across the Netherlands (the “**March 2019 Acquisition**”). The aggregate purchase price of the March 2019 Acquisition was approximately €422 million, subject to certain purchase price adjustments. As part of the March 2019 Acquisition, the REIT shifted its strategic focus to European multi-residential assets and changed its name to reflect this change in strategy. Upon completion of the March 2019 Acquisition, the REIT’s portfolio value increased from approximately €91 million to approximately €533 million in value, consisting of the properties acquired pursuant to the March 2019 Acquisition and approximately 403,053 square feet of GLA in commercial properties. In addition, upon closing of the March 2019 Acquisition, the REIT also entered into an asset management agreement with CAPREIT, and 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, excluding the retail portion of the December 2019 Acquisition Property, which is managed by a third party professional asset manager. See under the heading “Governance of the REIT”. The March 2019 Acquisition was approved by Voting Unitholders, among other things, at a special meeting of Voting Unitholders on March 21, 2019.

The following major business developments have occurred since the March 2019 Acquisition:

Property Acquisitions and Dispositions

Pursuant to the Pipeline Agreement, during the remainder of 2019, the REIT acquired an additional 65 properties from CAPREIT consisting of a total of 2,710 residential suites and certain ancillary commercial space and parking facilities for the aggregate purchase price of approximately €519.0 million (excluding transaction costs and fees). The acquisitions were financed by the REIT using a combination of (i) cash; (ii) the assumption of mortgage debt; (iii) loans received from CAPREIT, including in the form of the September 2019 Promissory Note, all of which were subsequently repaid; and (iv) the issuance of Class B LP Units to CAPREIT. In addition to the acquisitions from CAPREIT, the REIT acquired 26 properties consisting of a total of 831 residential suites and a parking garage from arm’s length parties for the aggregate purchase price of €233.1 million (excluding transaction costs and fees). Such acquisitions were financed with a combination of (i) cash; (ii) mortgage financing; (iii) a draw on the December 2019 Promissory Note; and (iv) draws on the Revolving Credit Facility and Bridge Facility.

On January 31, 2020, the REIT sold its Düsseldorf Property to an arm’s length purchaser for a sale price of €16.9 million. Maple Knoll received a disposition fee of 1.0% of the total gross proceeds in connection with the sale, amounting to approximately €0.2 million (excluding VAT) pursuant to the Amended Maple Knoll Management Agreement.

From the period of September 1st to December 29th, 2020, the REIT acquired 8 properties consisting of a total of 415 residential suites and a parking garage from arm’s length parties for the aggregate purchase price of €81.0 million (excluding transaction costs and fees). Such acquisitions were financed with a combination of (i) cash; (ii) mortgage financing; and (iii) draws on the Revolving Credit Facility.

On June 30, 2021, the REIT acquired the June 2021 Acquisition Properties. The combined €47.0 million purchase price (excluding transaction costs and fees) was satisfied initially by a draw on the Revolving Credit Facility. The REIT obtained mortgage financing in respect of the June 2021 Acquisition Properties on September 29, 2021, together with the refinancing of certain existing properties, in the total principal amount of approximately €91.75 million (excluding financing fees), bearing a six-year term (as at September 29, 2021) at a contractual interest rate of 1.12%, after taking into account the REIT’s interest rate swap.

On November 30, 2021, the REIT acquired the November 2021 Acquisition Properties. The combined €79.2 million purchase price (excluding transaction costs and fees) was satisfied initially by a draw on the Revolving Credit Facility. The REIT obtained mortgage financing in respect of the November 2021 Acquisition Properties in combination with the June 2021 Acquisition Properties and December 2021 Acquisition Property, together with the refinancing of certain existing properties, on December 22, 2021, as described below.

On December 22, 2021, the REIT acquired the December 2021 Acquisition Property. The €36.3 million purchase price (excluding transaction costs and fees) was satisfied with mortgage financing obtained in combination with the June 2021 Acquisition Properties and November 2021 Acquisition Properties, together with the refinancing of certain

existing properties, in the total principal amount of €156.6 million (excluding financing fees), bearing an approximately six-year term (as at December 22, 2021) at a weighted average contractual interest rate of 1.16%, after taking into account the REIT's interest rate swaps .

On January 31, 2022, the REIT acquired the January 2022 Acquisition Property. The €19.45 million purchase price (excluding transaction costs and fees) was satisfied initially with the January 2022 Promissory Note.

Offerings

On September 24, 2019, the REIT completed a prospectus offering (the “**September 2019 Offering**”) of 40,185,000 Units at a price of \$4.15 per Unit, including the issuance of 5,240,000 Units pursuant to the full exercise of the over-allotment option granted to the underwriters, resulting in net proceeds of \$158.2 million. CAPREIT purchased 4,820,000 Units as a part of the September 2019 Offering.

On December 18, 2019, the REIT completed a prospectus offering (the “**December 2019 Offering**”) of 30,915,400 Units at a price of \$4.65 per Unit, including the issuance of 4,032,400 Units pursuant to the full exercise of the over-allotment option granted to the underwriters, resulting in net proceeds of \$138.2 million. CAPREIT purchased 5,377,000 Units as a part of the December 2019 Offering.

Graduation to the TSX

On July 6, 2020, the REIT received final approval from the TSX to graduate from the TSXV. On July 7, 2020, the Units commenced trading on the TSX under the existing symbol “ERE.UN”, and were delisted from the TSXV.

Extension of Pipeline Agreement:

On March 10, 2021, the REIT extended its Pipeline Agreement with CAPREIT for an additional two-year period ending on March 20, 2023, under the same terms and conditions.

Filing of Base Shelf Prospectus

On October 8, 2021, the REIT filed with the Canadian securities regulatory authorities and thereafter obtained a receipt for a final short form base shelf prospectus (the “**Base Shelf Prospectus**”) under which it may sell up to \$1 billion of debt and equity securities during the 25 month period ending on November 12, 2023 in which the Base Shelf Prospectus remains valid. The receipt issued by securities regulatory authorities for the REIT's prior base shelf prospectus, providing for the issuance of up to \$750 million of debt and equity securities, expired on September 19, 2021.

Revolving Credit Facility

Effective July 8, 2019, ERES LP entered into the Revolving Credit Agreement that provided for the Revolving Credit Facility pursuant to which ERES LP could obtain advances in Euro, Canadian Dollars and British pounds of up to an aggregate principal amount of €50.0 million.

In November 2019, ERES LP amended the Revolving Credit Agreement to provide for the availability of advances under the Revolving Credit Facility in US Dollars.

In December 2019, ERES LP amended and restated the Revolving Credit Agreement to, among other things, provide the Bridge Facility in the aggregate principal amount of €50.0 million to finance the acquisition of properties on an interim bridge basis.

In December 2020, ERES LP amended the Revolving Credit Agreement to extend the maturity of the Bridge Facility from December 2020 to July 2021 and to amend a financial covenant relating to CAPREIT (in connection with a similar financial covenant change made under CAPREIT's credit facilities).

In July 2021, ERES LP amended the Revolving Credit Agreement to extend the maturity date for the Revolving Credit Facility and the Bridge Facility from July 2021 to August 2021.

In August 2021, ERES LP amended the Revolving Credit Agreement to extend the maturity date for the Revolving Credit Facility and the Bridge Facility from August 2021 to September 2021.

In September 2021, ERES LP amended the Revolving Credit Agreement to extend the maturity date for the Revolving Credit Facility and the Bridge Facility from September 2021 to October 2021.

Effective October 29, 2021, ERES LP amended and restated the Revolving Credit Agreement to, among other things, (i) increase the principal amount of the Revolving Credit Facility to €100.0 million, (ii) continue outstanding loans made pursuant to the maturing Bridge Facility as loans pursuant to the increased Revolving Credit Facility, (iii) extend the maturity of the Revolving Credit Facility to three years from the date of closing the amended and restated credit agreement, (iii) provide for the replacement of LIBOR as an available interest rate option for loans in British pounds with SONIA and for the replacement of LIBOR as an available interest rate option for loans in Euro with EURIBOR, (iv) change the basis for the loan pricing, and (v) change certain covenants and incorporate certain additional covenants, including certain financial covenants.

For more information on the Revolving Credit Facility, see under the subheading “Indebtedness of the REIT – Revolving Credit Facility”.

2019 Annual and Special Meeting

At the REIT’s annual and special meeting of Voting Unitholders, the Voting Unitholders, among other things, re-adopted and ratified the REIT’s Unit Option Plan and approved the issuance of up to 88,381,759 Class B LP Units of ERES LP to CAPREIT LP as consideration for the acquisitions of two residential property portfolios in the Netherlands from CAPREIT LP pursuant to the Pipeline Agreement.

2020 Annual and Special Meeting

At the REIT’s annual and special meeting of Voting Unitholders, the Voting Unitholders, among other things, re-adopted and ratified the REIT’s Unit Option Plan.

2021 Annual and Special Meeting

At the REIT’s annual and special meeting of Voting Unitholders, the Voting Unitholders, among other things, approved the Unit Option Plan which brought the REIT’s equity compensation plan into alignment with the requirements of the TSX following the REIT’s graduation from being a TSXV-listed entity to being listed on the TSX.

Promissory Notes

On September 30, 2019, ERES LP provided the September 2019 Promissory Note to CAPREIT LP in the amount of €98.5 million carrying an interest rate of 1.35% per annum with a six-month term to maturity. The September 2019 Promissory Note was provided to fund the acquisition of the Initial September 2019 Acquisition Properties and was repaid using mortgage financing received for the Initial September 2019 Acquisition Properties during the fourth quarter of 2019.

On December 16, 2019, ERES LP provided the December 2019 Promissory Note to CAPREIT LP in the amount of €33.5 million carrying an interest rate of 1.25% per annum with a six-month term to maturity. The December 2019 Promissory Note was provided to fund the acquisition of the December 2019 Acquisition Property and was repaid using funds from the December 2019 Offering and from mortgage financing secured during the first quarter of 2020.

On December 20, 2021, ERES LP provided the December 2021 Promissory Note to CAPREIT LP in the amount of €39.3 million carrying an interest rate of 1.30% per annum with a six-month term to maturity. The December 2021 Promissory Note was provided as back-up financing for the REIT’s December 2021 Acquisition Property, in the event

of any delays with receipt of mortgage financing, which ultimately funded the acquisition directly. The December 20, 2021 Promissory Note was repaid in full on December 30, 2021.

On January 26, 2022, ERES LP provided the January 2022 Promissory Note to CAPREIT LP in the amount of €19.0 million carrying an interest rate of 1.30% per annum with a six-month term to maturity. The January 2022 Promissory Note was provided to fund the acquisition of the January 2022 Acquisition Property.

Distributions

The REIT's monthly cash distribution, effective from March 2022 onward, is €0.01 per Unit or Class B LP Unit (equivalent to €0.120 per Unit annualized). Previous to that, the REIT's monthly cash distribution from March 2021 until February 2022 was €0.00917 per Unit or Class B LP Unit (equivalent to €0.110 per Unit annualized). From July 2019 until February 2021, the REIT's monthly cash distribution was €0.00875 per Unit or Class B LP Unit (equivalent to €0.105 per Unit annualized). Prior to July 2019, the REIT made distributions on a quarterly basis, with a one-time special distribution made in Q1 of 2019 of \$0.50 per Unit in connection with the March 2019 Acquisition.

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. As at December 31, 2021, the REIT owned and operated 152 properties located in the Netherlands, comprised of 151 residential properties and one mixed residential and retail property, representing an aggregate of 6,545 residential suites, 106,358 square feet (9,881 square metres) of retail GLA and certain additional ancillary commercial space and parking facilities, along with two commercial properties located in Germany and Belgium containing an aggregate of approximately 344,553 square feet (32,010 square metres) of commercial GLA. For further details on the REIT's property portfolios, please see under the headings "The Residential Properties" and "The Commercial Properties".

The REIT's overarching strategy is focused on providing investors with an opportunity to gain indirect exposure to the European multi-residential real estate sector, with a current focus on the Netherlands. More specifically, the REIT's objectives are to (i) provide Unitholders with long-term, stable and growing cash distributions, (ii) grow AFFO and Unit value through the active management of its properties, accretive acquisitions of European residential properties and strong financial management; and (iii) invest capital within the property portfolio in order to maximize earnings and cash flow potential and to ensure tenant safety and satisfaction. In order to meet those objectives, the REIT has undertaken the following strategic initiatives:

- (i) provide tenants with safe, secure and comfortable space and take a hands-on approach to managing its properties to ensure tenants' needs are met efficiently and effectively, thereby maintaining a high occupancy level;
- (ii) carefully monitor operating costs to ensure services to tenants are being delivered both efficiently and cost-effectively, whilst ensuring the needs of its tenants are met;
- (iii) make appropriate capital investments in order to maintain the productive capacity of its property portfolio, convert regulated suites into liberalized suites to maximize returns and sustain the portfolio's rental income-generating potential over its useful life;
- (iv) grow its portfolio over the long-term through accretive acquisitions of residential properties in Europe that meet its strategic criteria while capturing economies of scale and cost synergies, thereby increasing net operating income; and
- (v) take a conservative approach and strive to manage its exposure to interest rate volatility by proactively managing its mortgage debt portfolio to fix and, where possible, reduce average interest rates, effectively manage the average term to maturity, stagger maturity dates and also strive to maintain an overall conservative liquidity position.

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 seeks to leverage and benefit from CAPREIT's proven investment track record and experience of successfully acquiring and managing properties in the Netherlands.

Environmental

The REIT is exposed to potential liability in respect of environmental hazards or under various environmental laws and regulations (see under the subheading "Risk Factors – Risks Related to Real Property Ownership – Environmental matters"). Accordingly, the REIT has developed environmental policies, procedures and practices to minimize the REIT's environmental risks and liabilities, and the Board oversees the implementation and performance of such policies, procedures and practices.

Pursuant to the Declaration of Trust, it is the REIT's operating policy to obtain environmental assessments as a condition of any acquisition of real property. Where an environmental assessment results in recommendations for further investigation, the REIT's operating policy requires such additional investigations to be undertaken through an independent and experienced environmental consultant until the issue is resolved to the satisfaction of the Trustees.

The environmental assessments which the REIT has obtained to date with respect to its properties have not revealed any potential environmental liability that management believes could have a material adverse effect on the REIT.

INDUSTRY OVERVIEW

Market Opportunity

The REIT's strategy is focused on providing investors with an opportunity to gain indirect 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 provides 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 multi-residential sector, and in particular in the Netherlands, suggest that this market offers an attractive investment alternative for investors. Notwithstanding any short-term impacts due to the COVID-19 pandemic, 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) generally, a 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, which the REIT can leverage pursuant to its rent

maximization strategy of increasing rents on annual indexation, turnover and capital investment, including the conversion of regulated suites to liberalized suites. 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, the Services Agreement and the Property Management Agreement to further accelerate growth.

Netherlands Economic Overview

The Netherlands is the fifth largest economic region in the Eurozone and the third 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. The Netherlands experienced strong real GDP growth of 3.8% in 2021. The Netherlands' strong labour markets, with low unemployment and increasing immigration, were the main driving forces behind such growth.

Economic Indicators

	2019	2020	2021
GDP Growth (Contraction) (%)	2.0	(3.8)	4.8
Unemployment Rate (%)	4.4	4.9	4.2
Inflation (%)	2.7	1.1	2.8
Purchasing Power (%)	1.1	2.5	0.1
Budget Surplus (in % of GDP)	1.7	(4.2)	(4.4)
Government Debt (in % of GDP)	49	54	55

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 ten 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 sustain the decline in the debt burden.

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\$52,397 in 2020 according to the World Bank. Approximately 81.8% of the Dutch labour force works in the service sector, approximately 16.1% in the industry sector and approximately 2.1% in the agricultural sector. In December 2021, the unemployment rate in the Netherlands was 3.8%, as reported by CBS (Statistics Netherlands).

Breakdown of Economic Activity by Sector

	Agriculture	Industry	Services
Employment by Sector (in % of Total Employment)	2.1	16.1	81.8
Value Added (in % of GDP)	1.6	17.8	69.8
Value Added (Annual % Change)	0.4	(2.5)	(4.3)

Source: World Bank.

According to the World Bank's 2020 statistics, the Netherlands is the 19th most densely populated country or territory in the world and the most densely populated country in Europe with over 17 million people. Notably, population density in the Netherlands is widely spread across the country, with little unoccupied territory. Removing cities/states from the equation, which by default have higher densities, the Netherlands ranks top 10 in the world for population density. A significant portion of the population resides in an urban area called the Randstad, which consists 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 centre 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 reside within a 300-mile radius of Rotterdam.

Relating to the COVID-19 pandemic

The Netherlands is reopen with the lifting of all restrictions previously put in place in response to the COVID-19 pandemic, in addition to the cessation of various support measures expected to occur on April 1, 2022, including programs such as the Temporary Emergency Bridging Measure for Sustained Employment (*Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud* or "NOW"), the Fixed Costs Allowance (*Tegemoetkoming Vaste Lasten* or "TVL") and general deferral of tax payments. However, certain schemes for small and medium-sized enterprises ("SMEs") and self-employed workers will continue to apply after the first quarter of 2022, such as the Additional Reimbursement for Events (*Aanvullende Tegemoetkoming Evenementen* or "ATE"), the small credit guarantee for SMEs (*Kleine Kredieten Corona garantieregeling* or "KKC"), the business loan guarantee scheme (*Garantie Ondernemingsfinanciering* or "GO-C"), the SME credit guarantee scheme (*Borgstelling MKB-kredieten Corona* or "BMKB-C") and the continuation by Qredits of bridging loans for existing SMEs and self-employed workers until June 30, 2022. The government also continues to support individuals as well as companies severely impacted by the COVID-19 pandemic which resulted in accumulated debt, with a variety of favourable repayment and remediation arrangements.

In part due to the financial support provided to date by the government to employers and employees significantly impacted by the COVID-19 pandemic, the unemployment rate remains low and is projected to decrease further in 2022, and the Dutch economy has recovered with projected growth of 3.6% in 2022, according to CPB Netherlands Bureau for Economic Policy Analysis.

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:

- (i) 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 (assuming continued rental demand);
- (ii) Cash flow from each property is generated from a diverse group of numerous tenants, limiting the negative impact of losing any single tenant;
- (iii) Rental income is index linked, protecting property owners against inflation;
- (iv) Provides leverage to demographic trends such as decreasing family sizes and population growth;
- (v) 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 counterparty which is governed to a greater extent by economic business cycles; and
- (vi) Improvement costs necessary to attract and retain tenants are generally lower and more predictable than in the case of commercial tenants.

Dutch Residential Real Estate

The housing market in the Netherlands is characterized as being landlord-friendly and consists of approximately 7.9 million homes. Approximately 60% of homes in the Netherlands are owner-occupied with the remaining approximately 40% 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, subject to the short to medium term impact of the COVID-19 pandemic, the REIT expects this trend to persist. Historically strong market fundamentals and demographic trends support the potential for continued growth in the Netherlands' multi-residential industry. Among these trends are:

- (i) *Strong population and economic growth:* driven by immigration, an ageing population and a solid labour market with low unemployment. Additionally, the dispersion of population density provides for a market and industry with significant spread across the entire country.
- (ii) *An insufficient supply of new multi-residential housing required to meet projected demand:* in addition to population growth from immigration, residents are remaining longer in their homes due to the ageing population, and more divorces are also increasing demand for housing. Exacerbating this is the growing economy and the increasing cost of construction, with construction already extremely regulated, resulting in a unique imbalance between the supply of and demand for housing.
- (iii) *Consistent rental rate growth:* rental increases are supported by the strong labour market, allowing for renting on a long-term basis to be sustainable.

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 most significant owners of social housing.

The residential rental market has been regulated by the government for more than half a century through tenancy law. The government makes (minor) adjustments to the system over time in accordance with market developments and balance of supply and demand.

The Netherlands' Regulated Rental Market

In the Netherlands, rental properties are classified as a “**Liberalized Suite**” (*geliberaliseerde huurwoningen*) or a “**Regulated Suite**” (*sociale huurwoningen*) under the WWS-system (*woningwaarderingstelsel*). Regulated Suites are subject to rent control, limiting the amount of rent that can be charged and the amount of annual rent increases. While not subject to the rent control regulations applicable to Regulated Suites, recently enacted legislation has also limited the amount of annual rent increases for Liberalized Suites for an initial period of three years – see under the subheading “Industry Overview – The Netherlands' Rental Market — The Netherlands' Unregulated Rental Market”. The classification of a suite as either a Regulated Suite or a Liberalized Suite and the determination of maximum rent for Regulated Suites is based on the number of “Points” assigned to each rental suite under the WWS-system.

Self-contained units are considered a Regulated Suite if the initial rent does not exceed the rent control ceiling (as at January 1, 2022: €763.47). For each Regulated Suite, a maximum rent is assessed based on the number of Points assigned to it. The Points allocated are based on (i) the facilities of the suite, and (ii) the WOZ value of the suite (as defined below). With regard to the facilities of the suite, the factors that are evaluated include suite size, energy efficiency, number of bathrooms, appliances in the kitchen, renovations completed, and various other measures, with landlords being able to increase the amount of Points by executing upgrades to the suite. Points are also added based on the WOZ value of the property. Under the Valuation of Real Estate Act (*Wet waardering onroerende zaken*, or “**WOZ**”), municipalities valueate every property once a year in order to set the WOZ value, which serves as a taxable base for property tax, sewage levy, water system charges and landlord levy. Points to be added under this factor are calculated through a set formula based on the weighted WOZ value of the property as of January 1 of the previous calendar year. The Points assigned to a suite pursuant to WOZ value can thus be recalculated each year if the WOZ value of the suite has changed. In 2020, new legislation was proposed which would cap the Points attributed on the basis of the WOZ value at 33% of the total Points for a suite. As this proposed legislation is still in the course of the legislative process, it is not yet certain in which form implementation will occur and when such implementation may become effective, however the government has announced that it expects this legislation to enter into force effective May 1, 2022. See under the subheading “Industry Overview – The Netherlands' Rental Market – Recent Changes to Dutch Tenancy Law”.

As of July 1, 2021, 145 Points corresponds with a maximum starting rent of €766.32. As of January 1, 2022, a rental unit with 145 Points or more is considered liberalized as the rent is above the current rent control ceiling of €763.47. However, 144 Points corresponds with a maximum starting rent of €760.75, which means that a property with 144 Points or less is considered a Regulated Suite as the rent is below the then current rent control ceiling and therefore would be subject to rent control. The number of Points associated with a Regulated Suite determines the maximum rent that can be charged. The maximum rent for each Point level is typically indexed to the consumer price index (“CPI”) and is generally increased annually. In suites where the rent is below the maximum rent, allowable rent increases are subject to an annual cap, and are dependent on tenant income level.

The number of Points assigned to a Regulated Suite can also increase annually while a tenant is living in the suite (for example, if the landlord upgrades the suite's appliances), which would increase the maximum rent that can be charged for that suite. During a lease, a tenant of a Regulated Suite can also demand a decrease of rent if the amount of rent is at that time higher than the applicable maximum rent. Any such decrease will not be applied retroactively unless it is requested during the first 6 months of the lease.

Residential rent may only be indexed once every twelve months and typically occurs as of July 1 of each year. For Regulated Suites, rent indexation cannot lead to an increase in rent beyond the maximum rent level allowed for a suite based on the WWS-system. The Minister for Housing annually determines the maximum percentage rent increase for Regulated Suites. Over previous years, this has led to a maximum rent indexation equal to inflation plus 2.5% for tenants with lower incomes and indexation equal to inflation plus 4.0% for tenants with higher incomes. However, effective for the period from July 1, 2021 up to and including June 30, 2022, indexation of all Regulated Suites has been set at 0%, regardless of household income. This means that rent levels for Regulated Suites cannot be indexed during that period (nor can income-related rent indexations be applied). Only upon turnover in certain circumstances,

such as when the prior rent was lower than the maximum rent level allowed for a suite based on the WWS-system, or when a Regulated Suite is improved and such improvement results in more WWS-points, is it possible to apply a rent increase.

On January 1, 2022, the Dutch government adopted legislation to allow for higher indexations for “middle high” and “high” income households that are currently living in a Regulated Suite, to encourage these households to move to a Liberalized Suite in order for the Regulated Suite to become available to tenants with lower incomes. This option can be utilized instead of the regular indexation system (see under the subheading “Industry Overview – The Netherlands’ Rental Market – Recent Changes to Dutch Tenancy Law”). Accordingly, effective for the period from July 1, 2022 up to and including June 30, 2023, and subject to the rent not exceeding the maximum amount of rent according to the Housing Evaluation System, maximum rent indexation of Regulated Suites has been set at the Dutch government’s determined inflation of 2.3%, except for the following categories: (i) for all Regulated Suites with a monthly rent of less than €300, the maximum rent indexation is capped at €25 (regardless of household income); (ii) for “middle high” household incomes, the maximum rent indexation is capped at €50; and (iii) for “high” household incomes, the maximum rent indexation is capped at €100.

A Regulated Suite can only be converted to a Liberalized Suite upon tenant turnover, and no such conversion can occur during a tenant’s lease. However, conversion to a Liberalized Suite is permitted upon tenant turnover if Points are added to a dwelling through value-add capex spending.

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. Various housing associations had expanded their activities over the last decade to include investments in liberalized rental homes and owner-occupied homes. However, following the implementation of the *2015 Housing Act*, housing associations have been restricted from investing in liberalized rental homes and owner-occupied homes and had until recently been exclusively focused on providing housing to low income individuals. As a result, many housing associations which currently own dwellings eligible for liberalized rents (or regulated dwellings on the path to convert to liberalized) have sold their dwellings to private investors. Additionally, due to the shortage in middle priced rental homes, the national government has granted the housing associations more powers to invest in middle priced rental homes.

Management believes the acquisition of regulated properties eligible for liberalized rents represents a compelling investment opportunity as private ownership would permit the dwellings to become liberalized upon tenant turnover, provided that the Points attributable to such dwellings exceed the rent control ceiling. Through the process described in detail above, if such suites are leased out for an initial rent above the rent control ceiling, they will be considered liberalized and the amount of rent that can be charged is not capped under current tenancy law, subject to recently enacted limitations on the amount of annual rent increases for Liberalized Suites for an initial period of three years. In addition, certain suites sold by housing associations are subject to additional restrictions that apply for several years following their sale, including, for example, restrictions on maximum amount of rent to which these units can be indexed.

The Netherlands’ Unregulated Rental Market

As at January 2022, if a suite is allocated 145 Points or more (corresponding with a maximum starting rent of €766.32 and above), it would be considered a Liberalized Suite if the initial rent is above the current rent control ceiling of €763.47. As such, it is not subject to the rent control described above applicable specifically to Regulated Suites. A Liberalized Suite has no restriction based on Dutch tenancy law on the initial rent that can be charged, and there is currently no legislative proposal by the national government to enact any such restrictions. The new government formed in January 2022 has indicated in its coalition agreement that it intends to introduce rent regulation for the ‘mid-market’ rental sector that would impact suites with an initial rent above the rental control ceiling but below approximately €1,000 per month. However, as the coalition agreement remains high level, it is uncertain as to the specific measures that may be implemented, including the timing of any such implementation. While certain potential measures may positively impact the REIT, others could adversely impact the REIT if implemented.

Historically, there has also been no legal restriction on the amount of rent increases that can be charged for Liberalized Suites, and market practice for rental contracts for Liberalized Suites has been to include a maximum rental increase of CPI + X% per year, with “X” being determined by the landlord and tenant at the time the rental contract is executed.

However, the government recently enacted a rental cap on annual indexation for Liberalized Suites which limits indexation to CPI + 1.0%, effective from May 1, 2021, for an initial period of three years. Based on the Dutch government's determined inflation of 2.3%, effective for the period from January 1, 2022 to January 1, 2023, this results in a maximum indexation of 3.3%. However, as described above, rent increases that can be realized on turnover remain unregulated, as there is no maximum limit on the amount of initial rent that can be charged for Liberalized Suites based on national law (except for local measures described below – see under the subheading “Industry Overview – The Netherlands’ Rental Market – Other Regulations Influencing the Residential Rental Market”).

Upon tenant turnover, the owner has the opportunity to convert a Regulated Suite into a Liberalized Suite through upgrades to the suite. In some instances, there are Regulated Suites that already have more than 145 Points as at January 1, 2022 that will instantly convert to Liberalized Suites when a tenant turns over, provided that the initial rent for the new tenant is set above the rent control ceiling.

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

Recent Changes to Dutch Tenancy Law

In areas where housing is scarce, such as in the Randstad area, rising WOZ values have become an increasingly significant factor inflating the number of Points assigned to suites, resulting in more suites in those areas are becoming Liberalized Suites upon tenant turnover. In reaction to this trend and with the aim to preserve more Regulated Suites, in 2020 the government proposed a legislative change to cap the number of Points that can be added on the basis of the WOZ value at 33% of the total number of Points assigned to a suite. This cap would not apply to Regulated Suites of which the total amount of Points (including all of the Points awarded on the basis of the WOZ value of that unit) are below 142 Points or to new developed properties completed between 2018 and 2022 which are smaller than 40 square metres and located in Amsterdam or Utrecht. As this proposed legislation has not yet been enacted, it is not yet certain how and when it will be implemented, however the government has announced that it expects this legislation to be in force in the second quarter of 2022.

Further, the government has recently adopted legislation to allow for higher indexations for “middle high” and “high” income households that are currently living in Regulated Suites. The legislation provides landlords with the option to apply a higher indexation amount for “middle high” and “high” income households to encourage these households to move to a Liberalized Suite in order for the Regulated Suite to become available for tenants with lower incomes. This option can be utilized instead of the regular indexation system as set out above under the subheading Industry Overview– The Netherlands’ Rental Market– The Netherlands’ Regulated Rental Market and in practice results in higher indexations for households with “middle high” and “high” incomes. The designations and indexation for “middle high” and “high” income are as follows (for 2022 indexation, subject to the rent not exceeding the maximum based on its Points), which will apply beginning July 1, 2022:

“Middle high” household income:

- one person households with income between €47,948-€56,527 and multiple person households with income between €55,486-€75,369;
- indexation (once a year) allowing a maximum of €50 of the monthly rent, until the maximum rent under the WWS system for the Suite has been reached; thereafter, regular indexations would occur based on maximum percentages and income categories as set by the government.

“High” household income:

- one person households with income exceeding €56,527 and multiple person households with income exceeding €75,369;
- indexation (once a year) allowing a maximum of €100 of the monthly rent, up to the maximum rent under the WWS system for the suite.

Further to the above, as of July 1, 2022, it will be possible to annually increase the rent for self-contained Regulated Suites with a monthly rent of less than €300 by a maximum of €25, regardless of household income and subject to the rent not exceeding the maximum based on its Points.

As of January 1, 2022, pursuant to new legislation, municipalities are entitled to introduce local measures in areas where affordable and middle priced owner-occupied housing is scarce (each, a “scarcity area”) in order to prevent “buy-to-let” (the practice of purchasing a home solely for the purpose of renting it out). This means that affordable and middle priced houses (homes with a WOZ value under the threshold as stipulated in the housing regulation of the relevant municipality) in certain designated areas may, after a transfer of ownership, not be leased out for 4 years. However, these measures do not apply to houses that had been leased out for longer than six months prior to the transfer date. These measures aim to prevent buy-to-let and have been designed to prevent homeowners from leasing out a house shortly before the transfer date to avoid these measures. In principle, these regulations would not affect a leased out rental portfolio in a scarcity area to which buy-to-let prohibitions apply, assuming that there are no vacant suites or suites that had been leased out for less than 6 months after a vacancy. Currently, debate is ongoing with respect to the scope of these regulations and the possible effects on future residential real estate transactions by institutional investors. As such, adoption and application of the “buy-to-let” ban by municipalities remains uncertain. Currently, no municipalities have enacted such measures, but several of the major Dutch municipalities (including Amsterdam) have announced an intention to do so. While subject to the enactment of actual measures by the relevant municipalities, if any, the REIT does not anticipate any impact on its existing portfolio. Enacted measures would be taken into account with respect to future acquisitions, along with structuring or other alternatives available to address any potential impact.

Other Regulations Influencing the Residential Rental Market

Apart from Dutch tenancy law, which is codified in the Dutch Civil Code and applies nationwide, there are local regulatory factors that could influence the amount of rent that a landlord may charge. For example, a municipality may designate specific uses for property by imposing sales conditions or ground lease conditions when it sells land or issues new rights of ground lease, including potentially a requirement that a certain percentage be used for social housing or mid-market housing. Local government may also impose restrictions on usage through the public law zoning plan and/or through public law building permits. Such measures qualify as obligations of purchasers of land, owners of rights of ground leases or developers towards the municipality, and apply only to new sales, new issuances of ground lease or new developments.

Mid-Market Housing

An important recent market development is the shortage of mid-market housing rental stock, which is considered housing with a monthly rent between approx. €750 and €1,000, thus qualify as Liberalized Suites. Although municipalities may regulate the mid-market sector, it is currently not possible for the national government or for the municipalities to cap rents for Liberalized Suites. In 2019, the national government considered granting municipalities the power to cap initial rents for new leases applying to existing properties in designated areas, referring to the potential measure as the “emergency button for mid-market rent” (noodknop middenhuur). The “emergency button” would have the effect that capping initial rent at 6% of the WOZ value for suite deemed to be suited for the mid-market sector (possibly to be determined on the basis of a WOZ value of maximum €300,000). However, the government has not moved forward with implementing the “emergency button.” Due to a poor initial reaction to the proposed measure by investors and municipalities, the current national government decided not to investigate other options to increase the mid-market housing stock. However, as set out above, the government has recently enacted legislation to cap indexation of rent for Liberalized Suites. Another potential alternative includes proposed legislation that would cap Points attributed to a suite on the basis of the WOZ value, also as set out above. The national government has also negotiated with municipalities to incentivize new developments as an alternative strategy.

As stated above, the new government formed in January 2022 has indicated in its coalition agreement that, among other things, it intends to introduce rent regulation for the mid-market rental sector (impacting certain Liberalized Suites). However, as the coalition agreement remains high level, it is uncertain as to the specific measures that may be implemented, including the timing of any such implementation. While certain potential measures may positively impact the REIT, others could adversely impact the REIT if implemented.

THE RESIDENTIAL PROPERTIES

Overview

The Residential Properties consist of 152 properties located in the Netherlands, comprised of 151 residential properties and one mixed residential and retail property, representing an aggregate of 6,545 residential suites and certain additional ancillary commercial space and parking facilities. The Residential Properties were acquired by the REIT either from third-party arm’s length vendors or from CAPREIT. The properties which were acquired by CAPREIT and sold to the REIT were from various vendors unrelated to the REIT or CAPREIT, pursuant to several transactions completed from December 2016 to September 2019. As at December 31, 2021, the REIT retains majority or full control of approximately 87% of the Residential Properties.

The assets of the REIT represent a well-balanced portfolio of residential real estate, both from the standpoint of geographic diversification and mix of asset type, which consist of mid-sized suburban and urban apartment buildings, and regional, mid-sized community and neighbourhood residential centres located in urban markets. Approximately 59% of the REIT’s current portfolio consists of properties with more than 50 suites, while 35% of the portfolio is comprised of single-family homes. In addition to the portfolio diversification across urban and suburban markets as well as the balance between multi-family rental properties and single-family homes, the REIT’s Residential Properties strike a strategic mix between Regulated Suites and Liberalized Suites.

The table below summarizes the Residential Properties by region:

Region in the Netherlands	Number of buildings ⁽¹⁾	Number of residential suites	Liberalized Suites as a % of total ⁽²⁾	Single-family homes as a % of total ⁽³⁾	Fair value (€ millions) ⁽⁴⁾
North	18	721	66.0%	47.4%	174,590
East	40	1,560	53.8%	66.8%	355,130
South	43	1,478	56.7%	36.0%	366,690
Randstad	51	2,786	66.4%	12.8%	859,740
Total	152	6,545	61.2%	34.7%	1,756,150

Notes:

- (1) Includes one mixed residential and retail property which is also referenced under the subheading “The Commercial Properties”.
- (2) For a discussion of Regulated Suites versus Liberalized Suites in the Netherlands, please see under the subheading “Industry Overview – The Netherlands’ Rental Market”. Numbers are rounded to the nearest tenth of a percentage.
- (3) Within the residential asset class in the Netherlands, the REIT makes reference to two asset types. Multi-family homes represent self-contained apartments collectively forming a building or complex. Single-family homes are individual residences built in a continuous block, commonly referred to as ‘row houses’ in the Netherlands.
- (4) Fair values for the REIT’s current Dutch properties held are as reported as at December 31, 2021. Numbers are rounded to the nearest million.

The REIT has a substantial presence in high growth urban markets, with over 40% of the Residential Properties located in the urban conurbation of the Randstad, including approximately 24% directly located in the cities of Amsterdam, Rotterdam, The Hague and Utrecht, as shown in the table below. The remainder of the portfolio is situated in smaller urban areas throughout the country.

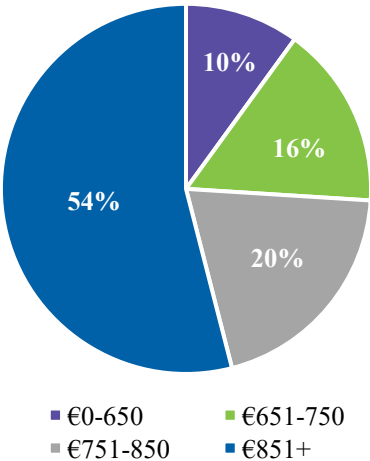
	Metropolitan area population (€ Millions)	Number of residential suites	% of total residential suites
Amsterdam	2.7	556	8%
Rotterdam	1.7	153	2%
The Hague	1.1	166	3%
Utrecht	0.9	737	11%
Other Randstad ⁽¹⁾	-	1,174	18%
Total		2,786	43%

Note:

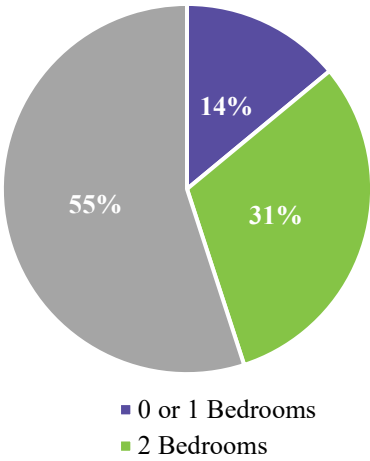
(1) The Randstad is a conurbation in the Netherlands consisting of the four largest Dutch cities (Amsterdam, Rotterdam, The Hague and Utrecht) and the surrounding areas. It contains the largest European seaport in Rotterdam and one of the largest European airports near Amsterdam.

The REIT’s portfolio is also well-diversified by number of bedrooms, ensuring demand is met for smaller suites as well as for families. In addition, approximately half of the portfolio was constructed since 1980, providing an average age of under 40 years, which results in lower ongoing repair and maintenance costs, and drives higher asset values, as shown in the charts below:

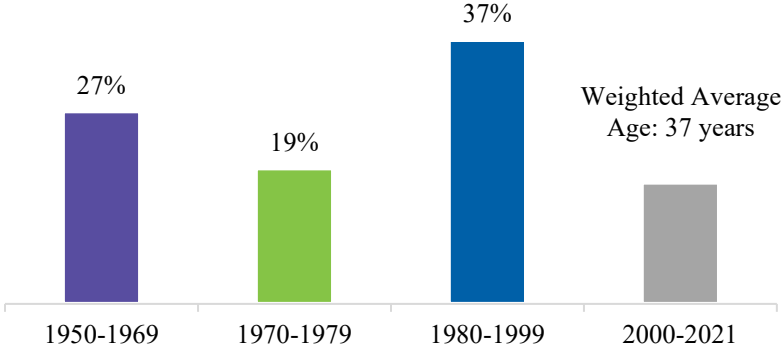
Units by Average Monthly Rent⁽¹⁾



Units by Number of Bedrooms



Units by Year of Construction



Note:

(1) Represents Occupied AMR (as defined below) for existing portfolio as at December 31, 2021, excluding service charge income.

Portfolio Average Monthly Rents and Occupancy

Net Average Monthly Rent (“AMR”) is defined as actual monthly residential rents including service charge income, excluding vacant units, divided by the total number of suites, and does not include revenue from parking, laundry or other sources.

Occupied AMR is defined as actual monthly residential rents including service charge income, net of vacancies, divided by the total number of occupied suites, and does not include revenues from parking, laundry or other sources.

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

As at December 31,	Suite Count		Net AMR/ABR			Occupied AMR/ABR			Occupancy %	
	2021	2020	2021 €	2020 €	AMR % Change	2021 €	2020 €	AMR % Change	2021	2020
North	721	680	853	825	3.4	876	836	4.8	97.4	98.7
East	1,560	1,451	819	781	4.9	828	793	4.4	99.0	98.3
South	1,478	1,422	876	856	2.3	891	869	2.5	98.2	98.5
Randstad	2,786	2,494	1,035	971	6.6	1,046	988	5.9	98.9	98.2
Total Residential Properties	6,545	6,047	927	882	5.1	941	896	5.0	98.6	98.3
Total Residential Properties excluding service charge income			883	839	5.2	895	853	4.9		

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

As at December 31,	Suite Count ¹	Net AMR/ABR			Occupied AMR/ABR			Occupancy %	
		2021 €	2020 €	AMR % Change	2021 €	2020 €	AMR % Change	2021	2020
North	679	838	826	1.5	862	836	3.1	97.2	98.8
East	1,451	805	781	3.1	813	793	2.5	99.0	98.3
South	1,422	879	856	2.7	895	869	3.0	98.2	98.5
Randstad	2,494	1,027	971	5.8	1,036	988	4.9	99.1	98.2
Total Residential Properties	6,046	918	882	4.1	930	896	3.8	98.7	98.3
Total Residential Properties excluding service charge income		875	839	4.3	887	853	4.0		

Note:

(1) Excludes 13 residential properties (499 suites) acquired and one suite disposed of in 2021.

THE COMMERCIAL PROPERTIES

Overview

As at December 31, 2021, the REIT owned one commercial office property in Germany (the Landshut Property), one commercial office property in Brussels (the Brussels Property), and one mixed residential and retail property in the Netherlands (the December 2019 Acquisition Property).

Property Name

Property Name	GLA (sq. metres)	Number of Tenants	Leased or Committed	Average Lease Term to Break	Net Average In-Place Base Rent ⁽¹⁾
Landshut Property	16,178	2	100%	4.6 years	€135
Brussels Property	15,832	1	100%	3.0 years	€241
December 2019 Acquisition Property	9,881	28	100%	7.0 years	€188
Total/ Weighted Average	47,891	31	100%	4.6 years	€188

Notes:

(1) "Net Average In-Place Base Rent" is defined as annual actual commercial rents, net of vacancies, divided by the total gross leasable square footage, and excludes property tax recoveries and operating cost recoveries.

INDEBTEDNESS OF THE REIT

Overview

The REIT manages 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 prudently manage the overall financial leverage within a range of 45% to 50% of the REIT's Gross Book Value. This allows the REIT to maximize its return on equity while mitigating financial risk to Unitholders and maintain stability in cash flows.

As at December 31, 2021, the aggregate indebtedness of the REIT was €883.7 million (net of deferred financing costs of €2.7 million on mortgages payable, but excluding fair value adjustments of €1.6 million on mortgages payable and deferred loan costs of €0.4 million on the REIT's Revolving Credit Facility draw), representing approximately 46.8% of Gross Book Value.

Mortgages

As at December 31, 2021, mortgages payable bear interest at a weighted average effective rate of 1.52%. The majority of the REIT's mortgages are non-amortizing, and mature between 2022 and 2027. As at December 31, 2021, 100% of the REIT's mortgages payable are financed with terms that result in fixed interest payments, after taking into consideration the effect of the interest rate swaps.

The REIT has four interest rate swaps, including the following:

- i) €156.6 million across three interest rate swaps associated with the REIT's mortgages which closed on September 29, 2021 and December 22, 2021, which expire on October 1, 2027 and fix the variable three-month EURIBOR rate resulting in a fixed mortgage effective interest rate of 1.16% (excluding financing costs) over the term of the mortgages.
- ii) €25.5 million interest rate swap associated with the mortgage on the Brussels Property, which expires in January 14, 2025 and fixes the variable three-month EURIBOR rate resulting in a fixed mortgage effective interest rate of 1.87%. It also contains an interest rate floor agreement stipulating that any variable rate associated with the swap agreement or mortgage payable will not be below 0%.

Investment properties at a fair value of €1.86 billion have been pledged as security as at December 31, 2021.

The following table summarizes future mortgage principal repayments as at December 31, 2021.

As at December 31, 2021	Principal Amount	% of Total Principal
2022	€ 52,104	6.4 %
2023	62,198	7.6 %
2024	80,869	9.9 %
2025	227,301	27.9 %
2026	192,184	23.6 %
2027 and subsequent	200,850	24.6 %
	815,506	100.0 %
Fair value adjustment	1,608	
Deferred financing costs	(2,692)	
Total Portfolio	€ 814,422	
As at	December 31, 2021	
Represented by:		
Mortgages Payable - non-current	€ 762,318	
Mortgages Payable - current	52,104	
	€ 814,422	

Revolving Credit Facility

ERES LP, as borrower, is party to the Revolving Credit Facility, which has a maximum principal amount of €100.0 million (prior to the amendment and renewal of the Revolving Credit Agreement on October 29, 2021 which effected the increase of the Revolving Credit Facility in conjunction with the maturity of the Bridge Facility noted below, the maximum principal amount of the Revolving Credit Facility was €50.0 million). The Revolving Credit Facility is effective for a period ending on October 29, 2024, which may be extended by ERES LP for additional one-year periods, available annually, upon the satisfaction of certain conditions. Draws under the Revolving Credit Facility are permitted in Canadian dollars, US Dollars, Euros or British pounds, at a floating interest rate based on CDOR, LIBOR, EURIBOR and SONIA, respectively, and the Revolving Credit Facility is fully secured with a fixed charge against the assets of the REIT and ERES LP (other than equity interests in certain European subsidiaries and intercompany loans). The REIT uses the Revolving Credit Facility from time to time 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 December 31, 2021, approximately €70.9 million is drawn against the Revolving Credit Facility.

Bridge Facility

On December 6, 2019, ERES LP entered into a bridge facility (the “**Bridge Facility**”) provided by two Canadian chartered banks pursuant to the terms of the Revolving Credit Agreement as then in effect. The Bridge Facility consisted of a revolving term loan in the principal amount of €50.0 million and carried a variable interest rate, with an initial one-year term with an option to extend. The Bridge Facility matured on October 29, 2021 and the loans then

outstanding under the Bridge Facility were continued as revolving loans under the Revolving Credit Facility in connection with the amendment and renewal of the Revolving Credit Agreement noted above.

Debt Maturities

The following table sets out 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).

Year Ending December 31: (in thousands)	Scheduled Principal Payments (€)	Balance Due on Maturity (€)	Total Debt Repayments (€)	% of Total
2022.....	2,190	49,914	52,104	6.4
2023.....	2,198	60,000	62,198	7.6
2024.....	1,776	79,093	80,869	9.9
2025.....	285	227,016	227,301	27.9
2026.....	-	192,184	192,184	23.6
2027.....	-	200,850	200,850	24.6
Total	6,449	809,057	815,506	100.0
Fair value adjustment			1,608	
Deferred financing costs			(2,692)	
Total			814,422	
Weighted average mortgage effective interest rate.....				1.52%
Weighted average mortgage term to maturity				3.93 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. The REIT has determined that Mr. Burns is not independent under these standards due to his role as an executive of the REIT.

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 (determined as if all Class B LP Units are exchanged for Units); (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 (determined as if all Class B LP Units are exchanged for Units); 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 (determined as if all Class B LP Units are exchanged for Units).

The Trustees may, between meetings of the Voting 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 Voting 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 Voting Unitholders called for that purpose or by the written consent of all of the Voting 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 Voting 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 Voting 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: 48) – 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: 75) – Currently a consultant, Mr. Burke was previously a Senior Vice President of Taxation of Dream Asset Management Corporation, a real estate asset manager and developer, which he joined in July 2008. Mr. Burke has more than 30 years of professional practice in the tax area, at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP, and another major Canadian accounting firm. Mr. Burke is a trustee and Chair of the audit committee of CAPREIT (TSX: CAR.UN). 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: 53) – 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% centred on real estate across multiple geographies. He also has been involved with raising in excess of €11.0 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 was actively involved in transaction execution. During Mr. Burns' leadership, the company acquired nearly €650 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 Cody – Trustee (Age: 65) – Dr. 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 is a trustee of CAPREIT. Dr. Cody retired in 2016 as the Executive Chair of CCI Group Inc., a Toronto based national engineering company. Prior to her retirement, Dr. Cody 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 as well as the Governance Committee and Chair of the Real Estate Planning Committee and Industrial Advisory Council of Concordia University. Dr. Cody is also a recipient of the Award of Merit by the Canadian Standard Association. Dr. Cody was awarded the Order of Montreal in 2019 and became a Fellow of the Canadian Academy of Engineers. In 2020, she was named one of the Top 25 Women of Influence and in December 2020, Dr. Cody was named to the Order of Canada. Dr. Cody is also the benefactor of the Gina Cody School of Engineering and Computer Science at Concordia University. In 2021, Gina Cody was appointed Honorary Lieutenant-Colonel -34 Combat Engineer Regiment, Canadian Armed Forces.

Ira Gluskin – Trustee (Age: 79) – 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 + Associates, 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-Chair through December 18, 2013. Prior to co-founding Gluskin Sheff + Associates, Mr. Gluskin had worked in the investment industry for 20 years. Mr. Gluskin currently also serves on the Board of Directors of Tricon Residential. Mr. Gluskin is a well-known industry commentator and he currently is a member of the Advisory Board of Vision Capital Corporation and the University of Toronto's Real Estate Advisory Committee. He is also on 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 National Theatre School of Canada. Mr. Gluskin is also the former member of the Advisory Board of Ewing Morris & Co. Investment Partners Ltd., 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. Mr. Gluskin received a Bachelor of Commerce degree from the University of Toronto. In 2019, he received an Honorary Doctorate of Laws degree from Wilfried Laurier University.

Michael Stein – Trustee (Age: 71) – Mr. Stein has been Chair 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 Chair and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is the Chair of the board of trustees of CAPREIT (TSX: CAR.UN), Chair of Propel Holdings Inc. (TSX: PRL), a director of FirstService Corporation (TSX/NASDAQ: FSV), a director of McEwan Mining Inc. (TSX/NYSE: MUX) and Chair of the board of directors of Cliffside Capital Ltd. (TSX-V: CEP). 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.

Stephen Co – Chief Financial Officer (Age: 35) – Mr. Co has been with CAPREIT since 2011 and prior to his appointment as Chief Financial Officer of the REIT, held the position of Vice President, Finance. Mr. Co currently serves as Vice President, Accounting of CAPREIT and has been appointed Interim Chief Financial Officer of CAPREIT effective April 1, 2022. Previously, he worked at PricewaterhouseCoopers LLP in the assurance practice, servicing clients in the real estate sector. He holds a Bachelor of Business Administration degree from the University of Toronto, holds a Chartered Professional Accountant designation and is also a CFA Charterholder.

Audit Committee

The Audit Committee must consist of at least three trustees, all of whom must be independent and financially literate, as those terms are defined NI 52-110, subject to any applicable exceptions in NI 52-110. Pursuant to its charter, a copy of which is attached hereto as Appendix "A", the Audit Committee assists the trustees in fulfilling responsibilities to the unitholders of the REIT, the securities regulatory authorities and stock exchanges, the investment community and others by: reviewing the REIT's annual and interim financial statements, related management discussion and analysis, and where applicable, other financial information disclosed by the REIT to any governmental body or the public, prior to Board's approval; overseeing the review of interim financial statements and/or related management discussion and analysis by the REIT's external auditor; recommending the appointment and compensation of the REIT's external auditor, overseeing the external auditor's qualifications and independence, and providing an open avenue of communication among the external auditor, financial and senior management and the Board; directly overseeing the work of the external auditor on the audit of annual financial statements; and monitoring the REIT's financial reporting process and internal controls and compliance with legal and regulatory requirements related thereto.

As at the date of this Annual Information Form, the Audit Committee consists of the following members: Harold Burke, Gina Cody and Jan Arie Breure. Mr. Burke serves as Chair of the Audit Committee. All members of the Audit Committee are independent and financially literate, as those terms are defined in NI 52-110. The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its annual and quarterly consolidated financial statements.

Name of Audit Committee Member	Relevant Education and Experience
Harold Burke	<ul style="list-style-type: none"> • Consultant and former Senior Vice President of Taxation, Dream Asset Management Corporation, an integrated real estate asset manager and developer • More than 30 years professional practice in the tax area at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP and another major Canadian accounting firm • Chartered Professional Accountant • Holds the Institute of Corporate Directors, Institute-Certified Designation, ICD.D
Gina Cody	<ul style="list-style-type: none"> • Holds a Masters and a Doctorate in Building Engineering from Concordia University • More than 30 years professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm
Jan Arie Breure	<ul style="list-style-type: none"> • Independent capital markets consultant • Former Managing Director at Terra Firma Capital Partners, a London based private equity firm • Former Head of European Asset Management at Citi Group Property Investors in London • Holds a Masters in Economic History from the Universiteit Utrecht and a Masters of Business Administration from INSEAD

External Auditor Fees

The following chart summarizes the fees for services provided by the auditors to the REIT billed during the fiscal years 2021 and 2020.

Nature of Fees	2021	2020
Audit fees:		
Includes the aggregate professional fees for the audit of the annual consolidated financial statements, review of quarterly financial statements and aggregate fees for the provision of assistance with regulatory filings.	\$913,524	\$940,934
Audit-related fees:		
Includes fees for services related to consultations regarding financial reporting and accounting standards not classified as audit, prospectuses filed during respective years, assistance with compliance requirements not included under “audit fees” and other advisory services.	\$111,350	\$72,348
Tax Fees		
Tax-related fees – Tax compliance:		
Includes fees for tax compliance, including the review of tax provisions and tax returns.	\$365,126	\$185,630
Tax-related fees – Tax consulting:		
Includes fees for tax advisory services, including tax planning and other structuring matters.	\$77,656	\$157,403
Total	\$1,467,656	\$1,356,315

Further to the Charter of the Audit Committee, the Audit Committee has adopted specific policies and procedures for the engagement of non-audit services provided by its external auditor. The Audit Committee must pre-approve all engagements (and fees related thereto) for non-audit services. In connection with this requirement, the Audit Committee has adopted an internal policy allowing the REIT to engage external auditors to provide non-audit services, as follows:

- (i) To pre-approve fees in connection with the approval of the annual audit plan and budget, and from time to time as presented to the Audit Committee, for recurring non-audit services to be delivered by the external auditor.
- (ii) To pre-approve non-audit services to be delivered by the external auditor on an ad hoc basis, as may be recommended by, and engaged with the approval of, the Chief Executive Officer and/or the Chief Financial Officer, provided that such non-audit services do not exceed, in the aggregate, €50,000 (or the CAD equivalent) on an annual basis, or such other amount as may be approved from time to time by the Audit Committee.
- (iii) To authorize the Chair of the Audit Committee to pre-approve, on behalf of the Audit Committee, non-audit services delivered by the external auditor, provided that (a) the estimated fees per engagement for such non-audit services do not exceed \$100,000; and (b) such non-audit services so approved are presented to the Audit Committee at its first scheduled meeting following such pre-approval.
- (iv) Any fees for proposed non-audit services exceeding the amounts set forth herein, including any increases in fees for previously pre-approved services, will require specific pre-approval by the Audit Committee in accordance with National Instrument 52-110 – *Audit Committees*.

The external auditor is also required to provide the Audit Committee with annual and quarterly reports. The Audit Committee will review the fees and scope of the non-audit services so as to avoid any question as to the compatibility of such services with the external auditor's independence.

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.

Units and Unit Options Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction are Exercised at December 31, 2021

Name and Municipality of Residence and Position Held	Year first elected / appointed as Trustee ⁽¹⁾	Units (Non-Diluted)	Units and Unit Options (Fully-Diluted ⁽²⁾)	Principal Occupation
Jan Arie Breure ⁽³⁾⁽⁴⁾ Monaco Trustee	2017	150,400	241,760	Independent capital markets consultant
Harold Burke ⁽³⁾⁽⁴⁾⁽⁵⁾ Toronto, Ontario Trustee	2019	2,500	82,500	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	2017	868,288	4,021,088	Chief Executive Officer of the REIT and Principal and Director of Maple Knoll
Gina Cody ⁽³⁾⁽⁴⁾ Toronto, Ontario Trustee	2019	162,000	242,000	Corporate Director
Ira Gluskin ⁽³⁾ Toronto, Ontario Trustee	2017	872,350	952,350	Vice-President of Irager + Associates Inc.
Michael Stein ⁽³⁾⁽⁶⁾ Toronto, Ontario Trustee	2019	120,000	200,000	Chair of CAPREIT and Chair and Chief Executive Officer of MPI Group Inc.
Stephen Co Toronto, Ontario Chief Financial Officer	N/A	42,419	122,419	Chief Financial Officer of the REIT and Vice President, Accounting of CAPREIT

Notes:

- (1) Each Trustee of the REIT holds office until the next annual meeting of Unitholders or until his or her successor is elected or appointed unless his or her office is earlier vacated in accordance with the Declaration of Trust.
- (2) Assuming the exercise of all outstanding Unit Options.
- (3) Independent Trustee.
- (4) Member of the Audit Committee of the REIT.
- (5) Chair of the Audit Committee of the REIT.
- (6) Chair of the Board of Trustees.

As at December 31, 2021, 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 2,216,368 Units, representing approximately 1% 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 March 2019 Acquisition.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders or Bankruptcies

To the best of the REIT's knowledge, no Trustee or executive officer of the REIT, nor any personal holding company of any such person, is, as at the date of this Annual Information Form or within the 10 years before the date of this Annual Information Form has been, a director, trustee, chief executive officer or chief financial officer of any company (including the REIT) that, (i) while that person was acting in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) after that person ceased to act in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, and which resulted from an event that occurred while the person was acting in that capacity.

To the best of the REIT's knowledge, other than as described below, no Trustee or executive officer of the REIT or a Voting Unitholder holding a sufficient number of Units, Special Voting Units or Class B LP Units of the REIT to affect materially the control the REIT, nor any personal holding company of any such person, (i) is as of the date of this Annual Information Form or has been within 10 years before the date of this Annual Information Form, a director, trustee or executive officer of a company (including the REIT) that while that person was acting in such 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; or (ii) has within the 10 years before the date of this Annual Information Form become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, trustee or officer.

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).

Penalties or Sanctions

To the best of the REIT's knowledge, no Trustee or executive officer of the REIT or a Voting Unitholder holding a sufficient number of Units, Special Voting Units or Class B LP Units of the REIT to affect materially the control the REIT, nor any personal holding company of any such person, has (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or entered into a settlement agreement with a Canadian securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

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 (collectively, 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. The Asset Management Agreement was amended and restated on March 26, 2020 to allow Asset Management Fees (as defined in the Asset Management Agreement) to be allocated among the Manager and its Subsidiaries, and to allow such Asset Management Fees to be charged directly to the REIT, ERES LP and their Subsidiaries.

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);
- (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 (as defined in the Asset Management Agreement) 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 (as defined in 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 (as defined in the Asset Management Agreement) 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 Voting Unitholders at a meeting of Voting 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.

Management Services

On March 29, 2019, the REIT amended and replaced the Prior Maple Knoll Management Agreement (the “**Amended Maple Knoll Management Agreement**”), pursuant to which Maple Knoll will act as the asset manager to the REIT in respect of the REIT's Commercial Properties and perform, among other things, the following services for the REIT (and, if applicable, any Affiliate of the REIT), in respect of the Commercial Properties, excluding (for the purposes of the Amended Maple Knoll Management Agreement) the December 2019 Acquisition Property, which is managed by a third party professional asset manager: (i) providing advisory, consultation and investment management services and monitoring the financial performance of the Commercial Properties; (ii) advising the Board on strategic matters, including potential dispositions, financings, development and redevelopment of the Commercial Properties; (iii) providing guidance to property managers on operating and capital expenditures; (iv) identifying, evaluating, recommending, negotiating and assisting in the structuring of dispositions and other transactions in respect of the Commercial Properties; (v) advising and assisting with borrowings, including assisting in dealings with banks and other lenders; (vi) assisting with the maintenance of the books and financial records of the Commercial Properties; (vii) supervising and coordinating all leasing services (including research to find potential tenants, contacting potential tenants, coordination of potential third-party brokers, negotiations with tenants and support in finalization of the leasing agreements) in respect of the Commercial Properties; (viii) overseeing third party property management services performed on the Commercial Properties; and (ix) providing construction management services; supervising property expansions, capital projects for the REIT's Commercial Properties. Maple Knoll and its affiliates are also able to provide services to other clients.

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 an initial term of three years from March 29, 2019, extended by mutual agreement for an additional three years, until March 28, 2025 (“**Amended Maple Knoll Management Agreement Extended Term**”). 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 Extended 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 Extended Term, 50% of the Disposition Fee associated with the Commercial Properties sold.

Notwithstanding the foregoing, if during the Amended Maple Knoll Management Agreement Extended 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. 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

Since March 27, 2019, European Residential Management B.V., formerly named CanLiving B.V. (the “**Property Manager**”), a wholly-owned Subsidiary of CAPREIT, and certain Subsidiaries of the REIT which own the Residential Properties (collectively, the “**Client**”) have entered into agreements (collectively, the “**Property Management Agreements**”) whereby the Property Manager acts as property manager for the Client’s respective 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 each Property Management Agreement immediately upon an event of default committed by the Property Manager in respect of that Property Management Agreement.

The Client and the Property Manager are each able to terminate a Property Management Agreement: (i) immediately, with respect to the particular portfolio of properties subject to that Property Management Agreement, upon the completion of a sale of or any other form of disposition of all or part of such portfolio of properties resulting in the Client ceasing to have an interest in all or any part of that portfolio of properties; 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 the Investor Rights Agreement setting out CAPREIT's rights as a significant Voting Unitholder. Pursuant to the Investor Rights Agreement, CAPREIT has, among other things, the rights outlined below.

Nomination Rights

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 Voting 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:

- (a) three Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 20% of the Units outstanding;
- (b) 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
- (c) one 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.

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 TSX 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 TSX 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 and Class B LP 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 for as long as the Asset Management Agreement, unless otherwise terminated in accordance with its terms.

PRINCIPAL UNITHOLDERS

To the knowledge of the Trustees and officers of the REIT, the only person or company which, as at the date of this Annual Information Form, beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to any outstanding class of voting securities of the REIT is CAPREIT. CAPREIT holds an approximate 66% effective interest in the REIT as at December 31, 2021, assuming exchange of all outstanding Class B LP Units, through the ownership of, or the control or direction over, 10,197,000 Units and 142,040,821 Class B LP Units.

DECLARATION OF TRUST AND DESCRIPTION OF CAPITAL STRUCTURE

General

The REIT is an unincorporated open-ended mutual fund 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 Voting Unitholders of the REIT.

Units

Each Unit represents a proportionate, undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of Voting 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 Voting 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 under the heading “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 under the heading “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 Voting Unitholders

The Declaration of Trust provides that there will be an annual meeting of the Voting 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 Voting Unitholders shall be held after delivery to the Voting 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 Voting 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 Voting 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 Voting Unitholders at such time and place as the Board of Trustees may determine. Voting Unitholders holding in the aggregate not less than 5.0% of the outstanding Voting Units of the REIT may requisition the Board of Trustees in writing to call a special meeting of the Voting 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 Trustees at the principal office of the REIT. Voting Unitholders have the right to obtain a list of Voting Unitholders to the same extent and upon the same conditions as those which apply to Voting Unitholders of a corporation governed by the OBCA.

Voting Unitholders may attend and vote at all meetings of Voting Unitholders either in person or by proxy. A quorum for any meeting of Voting Unitholders shall be individuals present not being less than two in number and being Voting Unitholders or representing by proxy Voting Unitholders who hold in the aggregate not less than 10% of the total number of outstanding Voting Units, provided that if the REIT has only one Voting Unitholder the Voting 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 Voting 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 Voting 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.

Each Unit entitles the holder of record thereof to one vote at all meetings of the Voting Unitholders. Each Special Voting Unit entitles the holder of record thereof to a number of votes at all meeting of the Voting 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 Voting 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 Voting Unitholders or by way of a written instrument signed by all of the Voting Unitholders. The chair of any such meeting shall not have second or casting vote.

Advance Notice Provisions

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 Voting Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Voting 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 Voting Unitholders, or at any special meeting of Voting 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 Voting Unitholders pursuant to a requisition of the Voting 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 Voting Unitholders, not less than 30 days prior to the date of the annual meeting of Voting Unitholders; provided, however, that in the event that the annual meeting of Voting 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 Voting 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 Voting 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 Voting 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 Voting 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 Voting Unitholder (as distinct from the nomination of Trustees) at a meeting of Voting 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 TSX 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, Units and Class B LP Units that if exchanged for Units would together represent approximately 66% 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 Voting 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 under the heading "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 Voting Units, at a price per Voting 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 Voting Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Voting Units (other than Voting 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 Voting Units held by Voting Unitholders who do not accept the offer either, at the election of each Voting Unitholder, on the terms offered by the offeror or at the fair value of such Voting Unitholder's Voting 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 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;
- (e) amendments which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws;
- (f) 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);

- (g) 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;
- (h) amendments which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to issue Voting Units for which the purchase price is payable on an instalment basis, as permitted pursuant the Declaration of Trust;
- (i) 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
- (j) 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).

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, Voting Unitholders, annuitants under a plan of which a Voting 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 March 2019 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 March 2019 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 March 2019 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 March 2019 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 enacts 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 August 14, 2019, the ERES LP Agreement was amended and restated to change the period in which ERES LP declares and pays cash distributions to its limited partners and general partners, respectively, from quarterly to monthly.

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 EuroLiving GP Inc., a corporation existing under the laws of the Province of Ontario (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 ERES NL Holding B.V., formerly known as 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 December 31, 2021, ERES LP has outstanding: one Class A GP Unit, which is held by the REIT GP; one Class B GP Unit, which is held by the Euro GP; 89,286,831 Class A LP Units, all of which are held by the REIT; and 142,040,821 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 under the subheading “ERES LP – Class B LP Units”.

Distributions

ERES LP makes 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 make distributions (i) to holders of each of the Class A GP Units and Class B GP Units, equal

to 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**”), (ii) to the holders of Class A LP Units, 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**”); and (iii) subject to certain conditions, to holders of Class A LP Units and Class B LP Units upon a distribution by the REIT to holders of Units, in an amount as required to ensure the holders of Class B LP Units receive an amount equal to the distribution that such holders of Class B LP Units would have received if they were holding the number of Units for which the Class B LP Units are exchanged (pursuant to the ERES LP Agreement and the Exchange Agreement) instead of Class B LP Units. 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 are intended to be paid on or about the 15th day of the calendar month following the distribution period to which they relate.

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 under the subheading “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 TSX 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 under the heading “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. Voting 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 holding Class A LP Units present in person or by proxy.

Amendment

The ERES LP Agreement may only be amended in writing by the REIT GP and only 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 at least two-thirds of 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 limited partner without similarly affecting the rights and obligations of all other limited partners may be made without the consent of that limited 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

Subject to the ongoing discretion of the Board, the distribution policy of the REIT is to make regular monthly distributions, targeting an AFFO payout ratio in the range of 80% to 90%. Distributions are determined by the Board. All declared distributions are due and payable on or about the 15th day of each month with the exception of the year end distribution which is payable on December 31st and due on January 15th of the immediately following year. Any distribution shall be made to Unitholders proportionately (subject to a contractual waiver of rights to such distributions). ERES LP will make corresponding cash distributions to holders of Class B LP Units.

Distributions are made in cash or Units pursuant to any distribution reinvestment plan or Unit purchase plan. If a cash distribution is chosen, registered Unitholders are provided with an option to elect to receive such distributions 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 exchange rate on the date of payment. Beneficial Unitholders will not have an option to elect to receive the distribution in Euros.

Prior to July 2019, the REIT made distributions on a quarterly basis. The following table sets out the distributions declared by the REIT to holders of Units and Class B LP Units with respect to the periods indicated:

Quarterly Period	Distribution per Unit or Class B LP Unit
Q3 2017	\$0.14389
Q4 2017	\$0.0875
Q1 2018	\$0.0875
Q2 2018	\$0.0875
Q3 2018	\$0.0875
Q4 2018	\$0.0875
Q1 2019 ⁽¹⁾	\$0.50
Q2 2019	€0.02625

Note:

- (1) The REIT declared a one-time special distribution in Q1 of 2019 of \$0.50 per Unit in connection with the completion of the March 2019 Acquisition.

The following table sets out the distributions declared by the REIT to holders of Units and Class B LP Units with respect to the periods indicated, since the commencement of the monthly distribution policy in July 2019:

Month	Distribution per Unit or Class B LP Unit
July 2019	€0.00875
August 2019	€0.00875
September 2019	€0.00875
October 2019	€0.00875
November 2019	€0.00875
December 2019	€0.00875
January 2020	€0.00875
February 2020	€0.00875
March 2020	€0.00875
April 2020	€0.00875
May 2020	€0.00875
June 2020	€0.00875
July 2020	€0.00875
August 2020	€0.00875
September 2020	€0.00875
October 2020	€0.00875
November 2020	€0.00875
December 2020	€0.00875
January 2021	€0.00875
February 2021	€0.00875
March 2021	€0.00917
April 2021	€0.00917
May 2021	€0.00917
June 2021	€0.00917
July 2021	€0.00917
August 2021	€0.00917
September 2021	€0.00917
October 2021	€0.00917
November 2021	€0.00917
December 2021	€0.00917

Distribution Reinvestment Plan

The REIT has adopted a 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. For the year ended December 31, 2021, the average participation rate in the DRIP was approximately 6.5% of Units outstanding, compared to 2.2% for the year ended December 31, 2020.

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.

During the financial year ended December 31, 2021, 575,474 Units were issued to Unitholders pursuant to the DRIP in the following manner:

Date	Price per Unit	Units Issued
January 15, 2021	\$4.0110	30,718
February 16, 2021	\$4.2219	37,914
March 15, 2021	\$4.0705	38,708
April 15, 2021	\$4.1154	43,216
May 17, 2021	\$3.9621	91,780
June 15, 2021	\$4.0339	49,771
July 15, 2021	\$4.3438	46,634
August 16, 2021	\$4.4309	45,560
September 15, 2021	\$4.4170	46,839
October 15, 2021	\$4.1961	47,884
November 15, 2021	\$4.3210	47,046
December 15, 2021	\$4.1355	49,404

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 TSX, as applicable, for the periods indicated:

Month	Price (\$)		Total Volume
	High	Low	
January 2021	\$4.57	\$4.13	2,377,577
February 2021	\$4.59	\$4.21	1,420,630
March 2021	\$4.40	\$4.20	1,838,923
April 2021	\$4.38	\$4.24	1,620,022
May 2021	\$4.33	\$4.09	2,140,144
June 2021	\$4.35	\$4.19	2,049,993
July 2021	\$4.63	\$4.33	1,331,523
August 2021	\$4.79	\$4.44	1,118,759
September 2021	\$4.82	\$4.33	1,517,464
October 2021	\$4.52	\$4.34	5,019,939
November 2021	\$4.66	\$4.28	10,454,056
December 2021	\$4.54	\$4.17	5,037,040

Source: TSX Market Data.

As at December 31, 2021, 89,286,831 Units were issued and outstanding.

Prior Sales

Unit Options

During the financial year ended December 31, 2021, 530,000 Unit Options were granted and 30,000 Unit Options were forfeited. No Unit Options were exercised during the financial year ended December 31, 2021.

As at December 31, 2021, 4,699,694 Unit Options were outstanding.

Class B LP Units

During the financial year ended December 31, 2021, no Class B LP Units were issued.

As at December 31, 2021, 142,040,821 Class B LP Units were issued and outstanding.

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 Real Property Ownership

Operating risk

The REIT is subject to general business risks and to risks inherent in the multi-residential rental property industry and

in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economic rents (including anticipated increases in rent), controlling bad debt exposure, rent control regulations, increases in labour costs and other operating costs, including the cost of energy and other utilities, possible future changes in labour relations, competition from other landlords or the oversupply of rental accommodations, the imposition of increased taxes or new taxes and capital investment requirements.

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, and 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 and the impact of the COVID-19 pandemic and other public health crises in the countries and regions where the REIT's Properties are located), local conditions (such as an oversupply of accommodation or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. These factors impact occupancy, market rental rates, property sale prices and expenses, and consequently have an impact on revenues generated from properties and their underlying values.

Residential tenant leases are also relatively short, exposing the REIT to market rental-rate volatility. 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. Moreover, there is no assurance that occupancy levels achieved to date at the properties will continue to be achieved and/or that occupancy levels expected in the future will be achieved.

For certain properties, the land is owned by another party (usually a municipality) and the REIT holds a ground lease. The REIT is consequently exposed to the risk of ground leases and costs associated with renewing the ground leases in the future. Unfavourable changes to the ground lease agreements, or relevant regulations, may limit the REIT's ability to sell properties which are subject to ground leases, and may thereby decrease the value of such properties.

Investment concentration

The REIT's portfolio is currently weighted with 95.8% of the overall portfolio (by value) in the Netherlands. Accordingly, the REIT is susceptible to adverse developments in the Netherlands, 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 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 businesses 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, privacy, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable European Union, national, federal, provincial, 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). Further, it is possible that changes to government regulations in response to the coronavirus (COVID-19) pandemic may adversely affect the REIT's ability to enforce its lease obligations, including but not limited to, the collection of rental payments from its tenants. In addition, the political conditions in the jurisdictions in which the REIT operates 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 properties. The REIT's portfolio is currently weighted with 95.8% of the overall portfolio (by value) in the Netherlands. Although the Dutch government is 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 is subject or the effect of any such change on the REIT's investments.

Rental regulation in the Netherlands

The residential rental market in the Netherlands has been regulated by the government for more than half a century through tenancy law. The Dutch government makes minor adjustments to the system from time to time in accordance with market developments and balance of supply and demand.

Apart from Dutch tenancy law, which is codified in the Dutch Civil Code and applies nationwide, there are local regulatory factors that could influence the amount of rent that a landlord may charge. For example, a municipality may designate specific uses for property by imposing sales conditions or ground lease conditions when it sells land or issues new rights of ground lease. Local government may also impose restrictions on usage through the public law zoning plan, through public law building permits and/or through anterior agreements with (for example) project developers regarding the development of certain plots. Such measures currently apply only to new sales, new issuances of ground lease or new developments.

However, existing market dynamics in the Netherlands include the shortage of affordable Regulated and mid-market housing. As a result, the Dutch government is investigating options to increase the affordable mid-market housing stock.

To this end, changes which have been recently implemented include the following:

- Within the existing regulatory regime, indexation for all Regulated Suites has been set at 0%, effective from July 1, 2021 up to and including June 30, 2022. Effective from July 1, 2022, up to and including June 30, 2023, indexation for all Regulated Suites has been set at the Dutch government's determined inflation of 2.3%, except for the following categories: (i) for all Regulated Suites with a monthly rent of less than €300, the maximum rent indexation is capped at €25 (regardless of household income); (ii) for "middle high" household incomes, the maximum rent indexation is capped at €50; and (iii) for "high" household incomes, the maximum rent indexation is capped at €100. Indexation for Regulated Suites can only be applied if permitted under the lease agreement, and the rent may not exceed the maximum rent based on the Points attributable to the Suite.
- For Liberalized Suites (thus including mid-market housing), indexation has been capped at CPI + 1.0%, effective from July 1, 2021, for an initial period of three years. Based on the Dutch government's determined inflation of 2.3%, effective for the period from January 1, 2022 to January 1, 2023, this results in a maximum indexation for all Liberalized Suites of 3.3%. Indexation for Liberalized Suites can only be applied if permitted under the lease agreement.

Although there is no currently proposed legislation that provides for the Dutch national government or municipalities to cap the initial rent that can be charged for Liberalized Suites, the new government formed in January 2022 has indicated in its coalition agreement that, among other things, it intends to introduce rent regulation for the mid-market rental sector (impacting certain Liberalized Suites) and abolish the landlord levy tax (impacting certain Regulated Suites). However, as the coalition agreement remains high level, it is uncertain as to the specific measures that may be implemented, including the timing of any such implementation. While certain potential measures may positively impact the REIT, others could adversely impact the REIT's business, financial condition and results of operations, if implemented.

For more information on Dutch rental regulation risk, see under the subheading "Industry Overview – The Netherlands' Rental Market". Specifically, for information with respect to the measures implemented by the Dutch government and local governments to combat the further spread of the COVID-19 pandemic and to help individuals and businesses affected by the crisis, see "Industry Overview – The Netherlands' Rental Market – Other Regulations Influencing the Residential Rental Market".

Capital expenditures and other fixed costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage and leasehold payments, capital expenditures, 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. These 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 a property's condition 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 materials 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 a property 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 rents due to legal constraints, the REIT will incur additional and unexpected costs. 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.

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.

Liquidity

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 to make distributions.

Environmental matters

Environmental and ecological legislation and policies have become increasingly important, and generally more restrictive, in recent years. Under various laws, the REIT could be liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially result in regulatory enforcement proceedings and/or private claims against the owner.

The REIT 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, there can be no assurance 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.

Environmental laws and regulations can change rapidly and the REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the REIT's business, financial condition or results of operation.

Catastrophic Events

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 or international conflict which may occur to the properties or to properties acquired in the future. Global events beyond the REIT's control, including terrorism, war, economic sanction, floods, hurricanes, storms, earthquakes or other natural disasters may cause threats to the safety of the REIT's tenants and 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. Further, such catastrophic events, or the fear thereof, could have a negative impact on local and global trade and supply chains, employee safety, inflation, commodity prices and the mobility of people, and as a result, 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.

Climate change

Climate change presents a multi-faceted risk for the REIT, considering its investment in and management of real estate assets. Increases in the frequency and magnitude of climate related risks such as floods, fires and windstorms can lead to increased capital expenditure, repairs and maintenance and interruptions to the operation. Ongoing operating costs such as energy costs can potentially be impacted by more extreme weather, and anticipation of more frequent and severe weather events may have an adverse effect on insurance premiums. Asset values in areas that are more prone to weather related events may be subject to adverse effects on valuations.

In addition, transitioning to a low carbon economy will drive extensive regulatory, market, and technology changes to address mitigation and adaptation requirements related to climate change. How the REIT meets these challenges will also impact its reputation. Regulatory changes may include those related to carbon pricing, a shift to low emission energy sources, the adoption of energy efficiency measures and technology, and changes to building codes to allow for climate resiliency and mitigation. Market changes may include adjustments in the goods and services purchased by the REIT as well as shifts in the preferences of occupants. Technology is moving towards more climate-friendly options including renewable energy, battery storage and energy efficiency equipment. The REIT's reputation is important to all stakeholders and will include considerations of the company's demonstrated understanding of climate-related financial risk and its plan to manage (mitigate or adapt to) these risks.

Lenders, investors, tenants, credit rating agencies and regulators are increasingly viewing climate change as an important issue that requires greater consideration. A perceived lack of investment strategy, and operational management plan concerning climate change may have an adverse effect on the REIT's ability to raise funds via debt and/or equity, as well as related investment returns and sentiment.

The REIT is evaluating the potential impact of climate change related considerations with a view to developing a climate risk and resiliency strategy in order to address any material risks. In the event that material risks are identified, such strategy will support investment and development decisions. Additionally, the REIT maintains an insurance program that considers the impact of weather-related events by providing coverage for property damage and business interruption.

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, nuclear accident or climate-related events) 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 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.

Risks Related to the Business of the REIT and its Affiliates

General economic conditions

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 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 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, the spread of the coronavirus (COVID-19) pandemic along with the measures implemented by governments to contain it, and acts of God, including natural disasters (which may result in uninsured losses). The current deterioration in general economic conditions, including the rise in unemployment rates, inflation and any additional increases in interest rates, may adversely affect consumer spending and debt levels, and as a result, the REIT's financial performance. If, as a result of the foregoing, a significant number of residents are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms, cash available for distribution may be adversely affected. In addition, there is no guarantee that rental rates on renewals of existing rental agreements with residents will grow at levels similar to potentially increasing rates of inflation. Any of the foregoing events could negatively impact the value of portfolio properties of the REIT or their ability to generate positive cash flows.

The global economy may face increasing uncertainty due to trade protectionism, disputes, international conflict and other political events around the world, which could potentially impact international and domestic supply chains and lead to broader impacts on the Dutch and global economy at large. This could have an impact on employment in the markets in which the REIT operates and in turn have an adverse effect on the REIT. In addition, the REIT's operating costs could increase due to inflationary pressures or other input cost escalations. The REIT's inability to control for these costs and inputs could have an adverse effect on the REIT's operating results and cash flows.

COVID-19 and other public health crises

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

The current public Health Crisis with respect to the COVID-19 pandemic has resulted in a general economic slowdown and extreme volatility in financial markets. In addition to impacting the REIT's Unit price, this may create difficulty in raising capital in debt and equity markets, which could in turn adversely impact the REIT's strategy. While various governments and central banks have announced or implemented a range of measures targeted to alleviate these impacts and encourage economic growth, the impact of these measures remains uncertain, particularly in the short term.

As of December 31, 2021, the REIT's rate of residential rent collection has remained consistent with its historical average, although this may not be indicative of the REIT's rate of rent collection in the future given the ongoing uncertainty related to the COVID-19 pandemic, including uncertainty surrounding governmental measures taken to mitigate the economic impacts. In addition, while the REIT has not received any indication of financial difficulties due to the COVID-19 pandemic with respect to its Commercial Properties, there can be no assurance that the tenants of such properties will not experience a financial disruption caused by the ongoing COVID-19 pandemic that will affect their ability to pay rents as they come due.

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. As a result, the REIT may lose potential tenants and may be

pressured to discount its rental rates below those it would otherwise charge in order to retain tenants, and the REIT's rental revenues may decrease in the future, which could impair the REIT's ability to satisfy any debt service obligations and generate stable positive cash flows 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 flows, 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 FFO and 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.

Acquisition 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 favourable 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 (determined as if all Class B LP Units are exchanged for 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 favourable terms, or at all.

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 Unitholders that it will be able to successfully integrate acquired properties without operating disruptions or unanticipated costs. As the REIT acquires additional properties, it 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 its operating costs and its ability to generate stable positive cash flows from its operations.

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. 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, and may not be able to recover any or all of the funds required to satisfy such liabilities.

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 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.

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 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.

In addition, certain loan documents relating to secured debt of the REIT contain restrictions concerning covenants and events of default requiring the repayment of the secured debt to be accelerated, 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.

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, staggering the maturity dates of its mortgage portfolio over a number of years and from time to time by entering into certain derivative instruments to manage interest rate risks inherent in its operations. However, 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, including credit risk that its counterparty may be unable to meet its obligations, risk of loss by the REIT in the event of bankruptcy of the dealer, changes in underlying assumptions and the use of alternative valuation methods affecting the reported fair value of the contracts and the risk that the REIT will be unable to close out a position due to exchange imposed daily trading limits.

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.

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. If the REIT or the REIT's auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the REIT's consolidated financial statements and adversely affect the trading price of the REIT Units.

Investment Restrictions

The REIT has been structured and operates in adherence to the investment guidelines and operating policies set out in its Declaration of Trust and as applicable under tax laws relating to real estate investment trusts (also see "Risks Related to the Structure of the REIT"). In addition, pursuant to the Declaration of Trust, the REIT's overall leverage is limited to 65% of Gross Book Value. Fluctuations in the capitalization rates of the REIT's properties could impact these fair values and the REIT's debt covenant compliance.

Related to reporting investment property at fair value

The REIT holds investment property to earn rental income, for capital appreciation or both. All investment property is measured using the fair value model, whereby changes in fair value are recognized for each reporting period in the consolidated statements of net income (loss) and comprehensive income (loss). The REIT values each investment property based on the most probable price for which such property could be sold in an open, competitive market as of a specified date. Such valuation takes into account all requisite conditions to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and the assumption that such price is not affected by undue stimulus. Each investment property has been valued on a highest and best use basis.

Market assumptions applied for valuation purposes do not necessarily reflect the REIT's specific history or experience and the conditions for realizing the fair values through a sale may change or may not be realized. Downturns in the real estate market could negatively affect the REIT's operating revenues and cash flows; such a downturn could also significantly impact the fair values of the REIT's investment properties, as well as certain of its financial ratios and covenants.

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 and general economic conditions. A change in one or more of these factors, many of which are not controlled by the REIT, may have a material impact on the fair value of the REIT's properties. 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.

Related to reporting Class B LP Units at fair value

The Class B LP Units are recorded as a liability on the REIT's balance sheet. The REIT's chosen accounting policy under IFRS requires that Class B LP Units be measured at "fair value" with changes in fair value recorded in net income in the period of the change. IFRS reporting may therefore result in the REIT's balance sheet and net income being subject to increased volatility as the fair value of the Class B LP Units changes. The fair value of the Class B LP Units is dependent upon, among other things, the market value of the REIT's Units, and therefore the fair value of the Class B LP Units equals the price of the REIT's Units quoted on the TSX. Accordingly, the REIT's balance sheet and net income will be subject to increased volatility as the fair value of its Class B LP Units changes, and these changes may be material.

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.

Privacy and cybersecurity risks

The REIT may be vulnerable to privacy and cyber security incidents given its reliance on processing personal and business confidential information using information technology systems. Given the increased work from home policies as a result of the COVID-19 pandemic, the REIT's reliance on using information technology systems is further elevated during this time period. Third party vendors, such as cloud host providers and software and application providers and consultants, may also expose the REIT to cyber security or privacy incidents.

As technology continues to become more sophisticated and complex, governments are responding with stricter legislation, requiring higher levels of data protection. In Canada, the REIT is subject to federal and provincial privacy, anti-spam, and data protection laws. In Europe, the REIT and its affiliates are required to comply with the EU General Data Protection Regulation ("GDPR"). Under GDPR, the REIT and its affiliates are classified as either data

processors, sub-processors, or controllers, based on their function with regards to processing of EU personal data. Controllers and (sub)processors may share liability, to varying degrees, in the event of a breach. Non-compliance with either of the Canadian or European laws would also expose the REIT and/or its affiliates to the risks above.

A cyber security and/or privacy incident can lead to: (a) unauthorized access to or disclosure of business confidential and personal information belonging to the REIT and its tenants and vendors, (b) identity theft, fraudulent activities and direct losses to stakeholders, including tenants, (c) destruction or corruption of data affecting timeliness or accuracy of financial reporting, (d) lost revenues, (e) disruption to operations, including delays in processing rental applications and rent payments, (f) time and attention required by management to investigate and respond to a cyber security incident, (g) remediation costs, including to restore or recover lost data, (h) litigation, fines and liabilities, including third party liabilities, for failure to comply with applicable privacy and data protection laws or contractual obligations, (i) regulatory investigations, (j) increased insurance premiums and (k) reputational damage to 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.

Human Resource Shortages

Through CAPREIT in its capacity as asset manager as well as European Residential Management B.V. in its capacity as property manager, the REIT relies on qualified staff to manage its buildings, service tenants, and provide back-office support. A shortage of available, qualified employees may impact the REIT's service delivery and the overall tenant experience.

Risks Related to the REIT's Relationship with CAPREIT

Reliance on CAPREIT and its Subsidiaries as Manager and as Property Manager

The REIT relies on the Manager in connection with the Asset Management Agreement and the Property Manager in connection with the Property Management Agreements, as such agreements relate to the REIT's Residential Properties, along with 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 and on the Property Manager and its ability to effectively service the Residential Properties. This means that the REIT's investments are, in part, dependent upon the Manager's and Property Manager's business contacts, its ability to successfully hire, train, supervise and manage its personnel and external service providers and its ability to maintain its operating systems. If the REIT were to lose the services provided by the Manager, the Property 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 other managers.

While the Board of Trustees have similar oversight with respect to the services that will be provided by the Manager pursuant to the Asset Management Agreement and by the Property Manager pursuant to the Property Management Agreements, the services provided by the Manager and the Property Manager will not be performed by employees of the REIT, but by either the Manager or the Property Manager, directly and through entities to which they may subcontract. Further, the foregoing arrangements will be subject to limited termination rights in favour of the REIT. As a result, the Manager and the Property Manager, directly and through entities to which they may subcontract in accordance with the terms of the Asset Management Agreement or the Property Management Agreements, 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 ten 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 asset manager, the cost of obtaining substitute services may be greater than the fees the REIT pays 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. See "Management of the REIT – Asset Management Agreement".

Under the Property Management Agreements, both the REIT and the Property Managers have the right, amongst other rights, to terminate the agreement immediately in the event that the Asset Management Agreement is terminated. See "Management of the REIT – The Property Management Agreements".

Significant ownership by CAPREIT

CAPREIT holds an approximate 66% effective interest in the REIT as at December 31, 2021, assuming exchange of all Class B LP Units, through the ownership of, or the control or direction over, 10,197,000 Units and 142,040,821 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.

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, as was subsequently amended and restated on March 26, 2020, pursuant to which the Manager acts as the asset manager of the REIT and may elect for it, or its subsidiaries, to receive all or a portion of the Management Fees payable to it 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 of the Residential Properties; (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. In addition, CAPREIT LP and ERES LP were party to the September 2019 Promissory Note, December 2019 Promissory Note, December 2021 Promissory Note and January 2022 Promissory Note, pursuant to which ERES LP obtained debt financing from CAPREIT LP. The September 2019 Promissory Note, December 2019 Promissory Note and December 2021 Promissory Note have been fully paid off. Further, CAPREIT's significant ownership position in and control over the REIT is reflected in the REIT's Declaration of Trust.

Therefore, CAPREIT has the ability to exercise influence with respect to the affairs of the REIT, can significantly affect the outcome of Voting Unitholder votes and has the ability to effectively prevent certain fundamental transactions. CAPREIT's current and 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 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 entities 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 Voting 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 the REIT and certain Subsidiaries of the REIT who own the Residential Properties pursuant to the Asset Management Agreement and the Property Management Agreements. Up until January 31, 2022, CAPREIT and its former Irish subsidiary also provided management services to Irish Residential Properties REIT plc and was subject to a non-competition covenant in the Republic of Ireland. CAPREIT also owns and manages its own multi-residential properties in Canada, and may pursue other business opportunities, including but not limited to real estate investment, management and development 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 the REIT's 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 certain of the Residential Properties, for, among other matters, such liabilities in respect of those properties. The REIT may assume unknown liabilities that could be significant.

Risks Related to the Structure of the REIT

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 set 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.

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.

Certain provincial legislatures have passed legislation that provides for statutory limited liability for unitholders of public income trusts that are governed as a contractual matter by the laws of their jurisdictions. Certain of these statutes have not yet been judicially considered and it is possible that reliance on such statutes by a Unitholder or annuitant could be successfully challenged on jurisdictional or other grounds.

Restrictions on redemptions of REIT Units

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.

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. Similarly, 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 REIT 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.

Class B LP Units - limited liability

Holders of Class B LP Units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of the applicable limited partnership. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Class B LP Units may be liable beyond their contribution of capital and share of undistributed net income of the applicable limited partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the applicable general partner and the net assets of the applicable limited partnership. Holders of Class B LP Units remain liable to return to the applicable limited partnership such part of any amount distributed to them as may be necessary to restore the capital of the applicable limited partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the applicable limited partnership is reduced and the applicable limited partnership is unable to pay its debts as they come due.

Canadian taxation of trusts

The REIT intends to qualify as a "unit trust" and a "mutual fund trust" at all times 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 hold "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 ERES NL Holding B.V., formerly known as 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 subject to Canadian income tax 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 a CFA 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. This may result in gains or losses for the taxpayer 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, but does assess its foreign currency exposure on a regular basis and may, from time to time, enter into derivative financial instruments to hedge its exposure to unfavourable foreign exchange movement. Furthermore, for capital funds raised in Canada from the sale of securities in Canadian dollars which would be invested in Subsidiaries in currencies other than Canadian dollars, the REIT intends to hedge the conversion in order to reduce foreign currency risk. 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 are 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 tax authorities or 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 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 tax authorities or 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 or its affiliates are 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, value added tax 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.

Foreign tax

Currently, more than 95.8% of the portfolio (by value) consists of properties located in the Netherlands, with the remaining properties located in Germany and Belgium. Accordingly, the REIT is subject to the tax laws of, and related tax treaties between Canada and the Netherlands, as well as tax laws in Germany and Belgium. Distributions from directly held subsidiaries resident in the Netherlands and indirectly held subsidiaries resident in Germany and Belgium may be subject to withholding tax in the respective local jurisdiction, which may increase the overall taxes payable (directly or indirectly) by the REIT, and reduce the amount of cash available for distribution to the Unitholders of the REIT. HKCo is considered a Dutch tax resident as majority of its directors are Dutch residents, its board meetings take place in the Netherlands, and management and control reside in the Netherlands; therefore, HKCo is subject to Dutch tax laws and related tax treaties. HKCo also received the confirmation of its tax residency from the Dutch tax authorities. However, there is a possibility that divergent interpretations of eligibility of benefits under relevant tax treaties by tax authorities or tax courts might lead to higher tax burden for the REIT. For Canadian federal income tax purposes, withholding tax incurred by the REIT on distributions from directly held foreign subsidiaries may 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, or deducted in computing income allocated to the Unitholders.

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 flows

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.

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 may 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 may not 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 in particular 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 make any fixed distributions of income to Unitholders. As such, 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 reduce yield and 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.

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 reduce distributions in order to accommodate such items.

DRIP Participation

Participation by Unitholders in the REIT's DRIP is determined by factors such as the REIT's overall performance and also by many factors outside the control of management such as, but not limited to, market trends and, general economic conditions. Declining DRIP participation may adversely affect funds available for distribution to Unitholders, to make interest and principal payments or to make property capital investments. Additionally, such effects may adversely affect Unit prices.

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 Class B LP Units issued in consideration for properties acquired by the REIT, including those REIT Units or Class B LP Units issued pursuant to the Unit Issuance Resolution or, pursuant to the exercise of Unit Options, pursuant to the terms of the Investor Rights Agreement or in payment of Management Fees under the Asset Management Agreement, may have a dilutive effect on the interests of holders of Units.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No Trustee or officer of the REIT, or Voting 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 Agreement.

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 Voting 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 14, 2021, which was prepared in connection with the REIT's annual and special meeting of Voting Unitholders.

Additional financial information is provided in the REIT's audited consolidated financial statements and the Annual MD&A. A copy of such documents can be found on SEDAR at www.sedar.com.

APPENDIX “A”

EUROPEAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST (the “REIT”)

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

I. PURPOSE

The Audit Committee is a committee of the board of trustees (the “**Board**”) of the REIT. The function of the Audit Committee is to assist the Board in fulfilling its responsibilities to the unitholders of the REIT, the securities regulatory authorities and stock exchanges, the investment community and others by:

- (a) reviewing the annual and interim (quarterly) financial statements, related management discussion and analysis (“**MD&A**”) and, where applicable, other financial information disclosed by the REIT to any governmental body or the public, prior to its approval by the Board;
- (b) overseeing the review of interim (quarterly) financial statements and/or MD&A by the REIT’s external auditor;
- (c) recommending the appointment and compensation of the REIT’s external auditor, overseeing the external auditor’s qualifications and independence and providing an open avenue of communication among the external auditor, financial and senior management and the Board;
- (d) directly overseeing the work of the external auditor on the audit of annual financial statements; and
- (e) monitoring the REIT’s financial reporting process and internal controls and compliance with legal and regulatory requirements related thereto.

The Audit Committee should primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct audits or reviews, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles (“**GAAP**”), to conduct investigations, or to assure compliance with laws and regulations or the REIT’s internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

II. COMPOSITION

1. The Audit Committee shall have a minimum of three members.
2. Every Audit Committee member must be a trustee of the REIT. The Audit Committee shall be comprised of such trustees as are determined by the Board, each of whom shall be independent within the meaning of National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”) of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.
3. All members of the Audit Committee must have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices and otherwise be financially literate within the meaning of NI 52-110 (or exempt therefrom). Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the REIT or an outside consultant.
4. The members of the Audit Committee shall be elected by the Board on an annual basis or until their

successors shall be duly appointed. Audit Committee members shall hold office until the next annual meeting of unitholders subsequent to their appointment.

5. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.
6. The Secretary of the Audit Committee will be appointed by the Chair.
7. Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Audit Committee on ceasing to be a trustee of the REIT. The Board may fill vacancies on the Audit Committee by election from among the trustees on the Board. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains.

III. DUTIES AND RESPONSIBILITIES

1. The Audit Committee shall review and recommend to the Board for approval:
 - (a) the REIT's annual and interim financial statements, including any certification, report, opinion or review rendered by the external auditor, the related MD&A and press release;
 - (b) other financial information provided to any governmental body, stock exchange or the public as they see fit; and
 - (c) any other matter not mentioned herein but otherwise required pursuant to applicable laws, including, without limitation, NI 52-110.
2. The Audit Committee, in fulfilling its mandate, will:
 - (a) satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws, as applicable;
 - (b) review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable);
 - (c) ensure that adequate procedures are in place for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements and periodically assess the adequacy of those procedures;
 - (d) recommend to the Board the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor;
 - (e) review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant;
 - (f) review the annual audit plans of the internal and external auditors of the REIT;
 - (g) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the REIT;
 - (h) monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion or disagreements between management and the external auditor;

- (i) periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper;
 - (j) arrange for the external auditor to be available to the Audit Committee and the full Board as needed. Ensure that the auditors communicate directly with the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the unitholders to whom the auditors are ultimately responsible;
 - (k) review with management and the external auditor the REIT's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results;
 - (l) review with management their approach to controlling and securing REIT assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements;
 - (m) review and approve the REIT's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the REIT;
 - (n) establish procedures for the receipt, retention and treatment of complaints received by the REIT regarding accounting, internal controls, or auditing matters and the confidential, anonymous submission by the REIT's employees of concerns regarding questionable accounting or auditing matters; and
 - (o) perform such other duties as required by the REIT's declaration of trust or other constating documents and applicable securities legislation and policies, including, without limitation, NI 52-110.
3. The Audit Committee may engage independent counsel and other advisors as it determines necessary to carry out its duties, and may set and pay the compensation of such counsel and advisors. The Audit Committee may communicate directly with the REIT's internal and external counsel and advisors.

IV. MEETING PROCEDURES

1. The Audit Committee shall meet at such times and places as the Audit Committee may determine, but no less than four times per year. The Audit Committee should meet within forty-five (45) days (sixty (60) days in the event the REIT is a "venture issuer" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*)) following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and shall meet within ninety (90) days (one hundred and twenty (120) days in the event the REIT is a "venture issuer") following the end of the financial year end to review and discuss the audited financial results for the preceding year and the related MD&A as well as any accompanying press release, or in both cases, by such earlier times as may be required in order to comply with applicable law or any stock exchange regulation.
2. Members of the Audit Committee shall be provided with reasonable notice of the time and place of meetings, which shall be not less than twenty-four (24) hours. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer or the Chief Financial Officer shall be entitled to request that any member of the Audit Committee call a meeting.
3. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all REIT information and any other information deemed appropriate by them, and shall

be permitted to discuss such information and any other matters relating to the financial position of the REIT with senior employees, officers and the external auditor of the REIT, and others as they consider appropriate. The external auditor may, at its option, attend meetings of the Audit Committee.

4. In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the REIT's interim financial statements.
5. Meetings of the Audit Committee may be conducted with members in attendance in person, by telephone or by video conference facilities.
6. Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.
7. A resolution in writing signed by all the members of the Audit Committee is valid as if it had been passed at a meeting of the Audit Committee.
8. The Audit Committee shall ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the REIT.

Reviewed and Approved by the Audit Committee on March 30, 2021.