CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

2018 Annual Report | Management's Discussion and Analysis

For the twelve months ended December 31, 2018

PROFILE

Centurion Apartment Real Estate Investment Trust ("REIT" or the "Trust") is an income-producing, diversified real estate investment trust investing in multi-residential apartments, student housing, and mortgage investments in Canada and the United States.

2018 HIGHLIGHTS

- 2018 was the REIT's most successful year since inception
- Consolidated assets increased 37.1% to over $1.8 billion
- Net Income and Comprehensive Income increased 33.4% to $194.4 million from $145.7 million
- Increased Net Operating Income ("NOI") margin to 67.11% from 64.69%
- Same property NOI up by 12.1%
- Class A compounded return 23.44%
- Class F compounded return 24.39%

OBJECTIVES

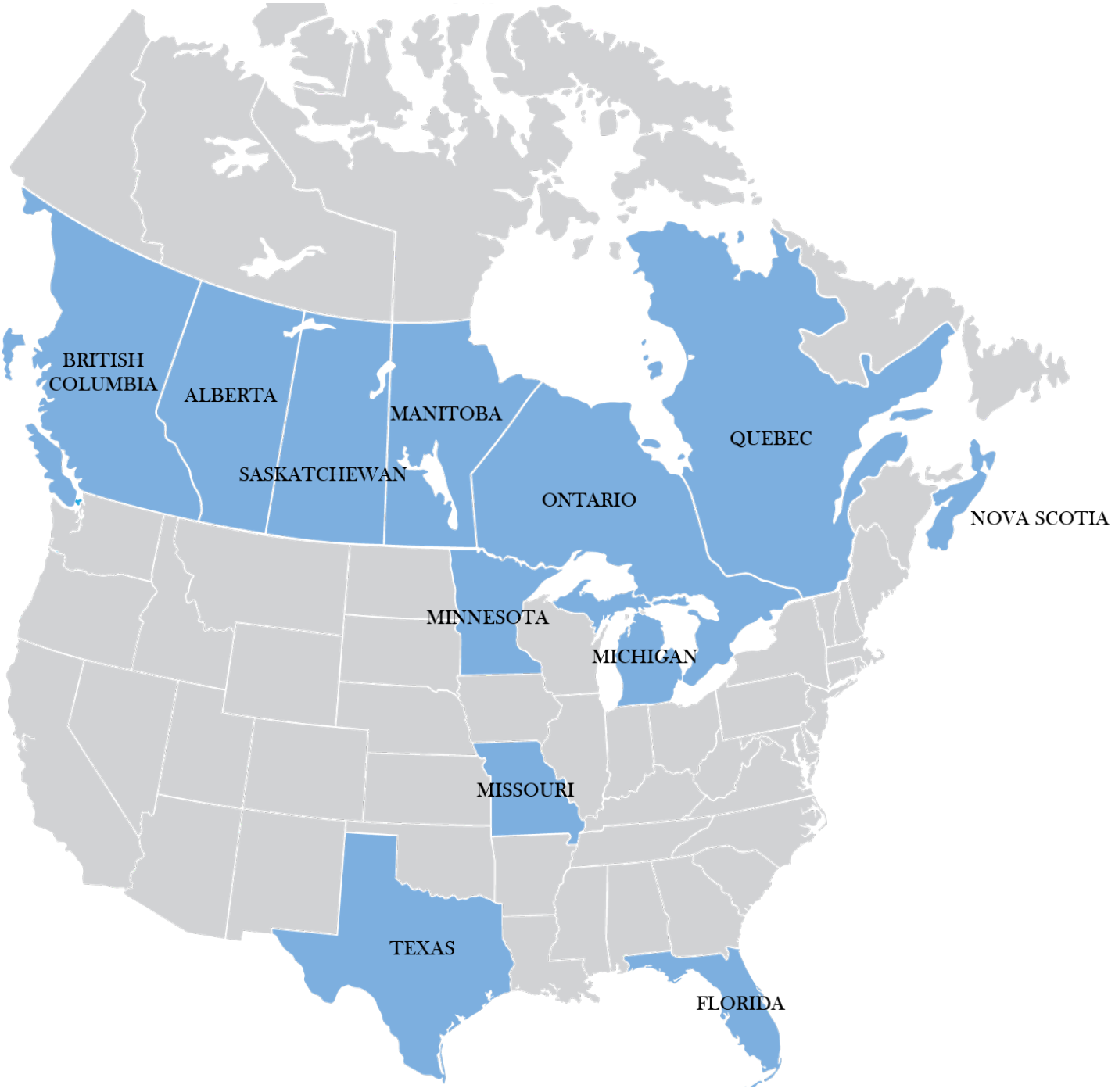
- To provide investors with cash distributions, payable monthly; tax deferred, where reasonably possible, with the opportunity for long-term growth and a focus on preservation of capital
- To maintain and grow a diversified investment portfolio of income-producing multi-unit residential apartments and student housing properties in Canada and the U.S.
- To maximize unit value through the active management of the portfolio
- To leverage the strategic relationships within Centurion Asset Management Inc.'s network to increase investment opportunities and manage risk

FINANCIAL HIGHLIGHTS

PORTFOLIO PERFORMANCE *(expressed in thousands of Canadian dollars)*	NOTES	2018	2017
Overall Portfolio Occupancy		98.6%	98.7%
Operating Revenues		$68,223	$62,862
NOI		$45,782	$40,666
NOI Margin		67.11%	64.69%
OPERATING PERFORMANCE			
Net Income and Comprehensive Income per Unit	1	$3.21	$2.93
Funds From Operations per Unit	2	$0.89	$1.02
Normalized Funds From Operations per Unit	2	$1.14	$1.24
Potential Funds From Operations per Unit	2	$1.19	$1.31
Weighted Average Number of Units (Adjusted)		60,493,943	49,794,831
Distributions per Class "A" Unit		$0.82	$0.82
Distributions per Class "F" Unit		$0.93	$0.93
Total Annual Return – Class A		23.44%	17.30%
Total Annual Return – Class F		24.39%	18.31%
LIQUIDITY AND LEVERAGE			
Total Debt to Gross Book Value		29.31%	35.71%
Net Debt to Adjusted Gross Book Value	3	12.70%	15.61%
Weighted Average Mortgage Liability Interest Rate		3.27%	3.07%
Weighted Average Mortgage Liability Term (years)		5.3 years	4.7 years
Weighted Average Mortgage Investment Interest Rate		9.22%	10.01%
Weighted Average Mortgage Investment Term (years)		0.77 years	1.05 years
Gross Interest Expense Coverage Ratio (times)	4	2.91	2.60
Available Liquidity – Acquisition and Operating Facility		$77,000	$94,357
OTHER			
Number of Rental Units Acquired		494	208
Number of Rental Units		6,823	6,329
New Mortgage Investments Made		$212,364	$167,842
Repayments of Mortgage Investments		$88,110	$71,958
Closing Price of Trust Units		$16.149	$13.849
Total Assets		$1,803,623	$1,315,405
Market Capitalization		$1,089,643	$733,116

NOTES
1 Net Income and Comprehensive Income less Minority Interest
2 Refer to page 20 for definitions and page 48 for calculations
3 Calculated by taking (Mortgage Liabilities less Mortgage Assets) and divided by (Gross Book Value less Mortgage Investments)
4 Calculated by taking NOI plus Interest Income divided by Finance Costs

PORTFOLIO DIVERSIFICATION



INCLUDES PROPERTIES AND MORTGAGE INVESTMENTS

PROPERTY DIVERSIFICATION

19 CITIES | 56 PROPERTIES | 6,823 UNITS*

APARTMENTS

CITIES	PROPERTIES | SUITES
ALBERTA	
Edmonton	1 | 126
ONTARIO	
Acton	1 | 33
Barrie	2 | 43
Brighton	2 | 59
Cambridge	5 | 679
Gravenhurst	1 | 39
Guelph	1 | 66
Huntsville	1 | 25
Kitchener	8 | 742
Mississauga	3 | 269
Oshawa	2 | 71
Toronto	12 | 1,156
Whitby	1 | 36
NOVA SCOTIA	
Dartmouth	1 | 114
SASKATCHEWAN	
Regina	4 | 395
TEXAS	
Waller	1 | 224
TOTAL RENTAL UNITS	**4,077**

*Owned properties only

STUDENT HOUSING

CITIES	PROPERTIES | SUITES
ONTARIO	
The MARQ London	4 | 950
The MARQ Waterloo	5 | 1,356
QUEBEC	
La MARQ Montreal	1 | 440
TOTAL RENTAL UNITS	**2,746**

EXECUTIVE MANAGEMENT AND BOARD OF TRUSTEES

GREGORY ROMUNDT
President and CEO

Trustee

ROSS AMOS
Chairman

Independent Trustee

ROBERT ORR
Chief Financial Officer and
Chief Compliance Officer

Trustee

MARTIN BERNHOLTZ
Independent Trustee

LUCIAN IONESCU
Executive Vice President,
Residential Operations

JOHN MILLS
Independent Trustee

LETTER FROM THE PRESIDENT

I am pleased to report that 2018 saw a continuation of the exceptional performance we experienced in 2017.

In 2018, the REIT acquired or has agreed to acquire eight properties. Of these, five closed in 2018 and three are anticipated to close in 2019:

• An 80-unit newly built apartment building in Kitchener, Ontario that was an intensification of an existing property at Kingswood Drive. The site now has 440 suites after the completion of this new addition. The property leased in record time of about two months. With these additional units, our portfolio in Kitchener is now 742 suites.

• An 85% interest in a 224-unit rental apartment building in Waller, Texas. It was built in 2017 and is the first acquisition of a stabilized property in the U.S.

• 100% interest in three newer vintage properties in Regina, Saskatchewan with a total of 187 units. Centurion already had a 60% interest in another newly built property, which we purchased from Centurion Real Estate Opportunities Trust ("REOT") in 2017, bringing our total holdings to 395 units on an undiluted basis and 312 on a diluted basis in this market. These properties were purchased from one of the partners in our REOT pipeline.

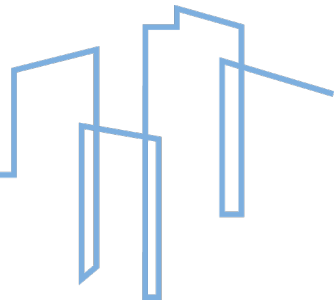
• A 45% interest in a newly built 176-suite apartment property and a 50% interest in a newly built 416 suite apartment property in Winnipeg, Manitoba. These properties originated from our REOT program and our partners are remaining as co-investors with us. Closing is anticipated in the next few months.

• A 50% interest in a newly built 134-suite apartment property in Victoria, British Columbia. This property originated from our REOT program and our partners are remaining as co-investors with us. Closing is anticipated in the next few months.

In total, we are set to acquire a total of 1,217 suites on an undiluted basis and 812 suites on a diluted basis, which means that the last few quarters and the upcoming quarter combined will be the most active acquisition period we've had in years. All of the product is new or close to new and most of it came from our joint venture program in REOT. As such, we are very pleased that this program is producing the acquisition pipeline that we had hoped for, which was one of the main purposes of the program. We have numerous other properties in the development pipeline that we hope will complete in 2019 and beyond. Notably, we purchased no value-add type, older apartment properties in 2018, consistent with 2017, as we saw little reasonable value compared to our view of the opportunities available in new product and also our lending and joint venture portfolio.

The REIT and REOT continued to deploy into U.S. development properties and we now have developments in progress in Minneapolis, Dallas, Kansas City, and Tampa. The rental market in 2018 was extremely tight and rents have been rising quickly in our core market of Ontario. In Toronto, our market rents rose 18.5%. While it is true that we could have bought renovation properties and likely made our targeted returns based on what is happening with rents, we chose not to do so as it is inconsistent with our perception of risk and reward. We have always wanted to buy properties with a reasonable "going in" rate of return, and looked at rental upside as a way to drive total return. We have not wanted to buy poor "going in" returns, on the hope of improving them to get them to our target returns, as we perceive this as a much riskier strategy as you are relying on runaway rents and assuming that the politicians will remain passive to this. As the Ontario government showed with their re-introduction of rent controls in 2017, we cannot always assume that governments will not respond to political pressure to "do something" no matter how ill advised that something could be. While Doug Ford, the Premier of Ontario, reversed course and removed rent controls from newly built apartments, the damage to the market is already done as policy volatility was highlighted as a core risk to building 100-year assets when governments can change every four years. While we continue to build new apartments, most of them are outside Ontario or are in sub-markets outside of Toronto, given the poor economics of building in Toronto.

LETTER FROM THE PRESIDENT



We made continued but significant progress with the portfolio. Rents on turnover continue to rise strongly. The offset to this is that resident turnover has declined substantially as due to there being few alternative accommodations available and the higher prices they would have to pay if they did. Last year's rent gap of 10.4% has expanded to 13.7%. The gap-to-market is the amount of increase in rents that we would get, compared to the contract rates already in place, if all the rents were at the current market rent. In most years, the gap has been 3-4% of rents, meaning that our 13.7% gap is 3-4 times as large as the historical norm. This means that we forecast that we could get about another $11.8 million in rent based on today's market demand and rental rates, and we believe rental rates, due to extremely tight vacancy conditions, likely have room to rise. At an assumed capitalization rate of 4.5%, we believe that this could yield another $257.5 million in value creation on the portfolio, which is a very significant tailwind for future performance.

Same property Net Operating Income increased by 12.1%. Stabilized properties are 90.0% of the portfolio, with unstabilized units at 3.0% and repositioning at 7.0%. According to some forecasts, 2019 rents in Toronto are expected to rise about 11% given the severe shortage of units for rent and, in our opinion, this seems reasonable. As I have stated for a while, rental rates have gone up less than home prices for over 30 years and thus have a lot of room to move ahead in the next few years relative to house and condo prices. I do believe we have already seen the turning point and that rents will go up faster than home prices for the next few years, likely in the medium term.

Portfolio occupancy exceeded 98.6% at the end of 2018, which reflects strong demand, low market vacancy rates, an increased tendency for residents to "stay put", and also excellent execution by our operating teams. We were able to push operating margins further, increasing them to about 67.1% up from 64.7% in 2017. We anticipate that we will add another 1.9% in 2019 and are targeting 69.0% for the full year 2019, all other things being equal. All told, 2018 was even stronger than 2017, which at the time was our best year ever. The REIT, on a consolidated basis, earned $194.4 million, up from $145.7 million. REIT consolidated assets ended the year at $1.8 billion.

A Look Forward to 2019

We continue to believe that there will be limited opportunities to buy value-add properties in Canada due to tight market conditions similar to how the market has been the last few years. Our main focus is on new properties in Canada and the U.S., as well as debt investments and development opportunities where we find the risk/reward to be in our favour relative to buying older apartments requiring repositioning at today's prices.

We think that strong rental demand and rising rents will give the REIT an opportunity to increase both Net Operating Income and our margins, as we have consistently been able to do over time. Further, this strong rental growth may increase the potential for more development deals.

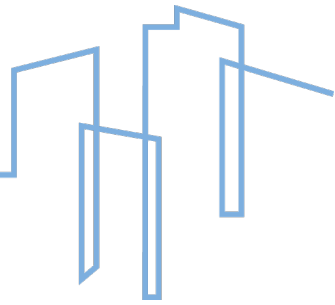
We believe that the financial markets will continue to be volatile in 2019, possibly much more so than the last quarter of 2018. I have significant concerns about Canada's direction, which I continue to be vocal about. Our inability to build pipelines to export our largest source of national wealth is doing serious harm. Capital is leaving Canada and less money is coming to Canada to invest as we are not seen as a good place to invest currently. I have concerns about the U.S. in that the Democrat-controlled house will likely focus more on disrupting Trump than passing sound policy, leading to significant economic uncertainty which could in itself significantly slow the economy. The government shutdown, now at a record length is just one more representation of the risks that politics could have on the economy. China also seems to be slowing significantly and there has been a rapid buildup of debt, which could be a danger to China's financial stability. Given that its economy was a significant contributor to global growth, likely means that 2019 will be a slow year for the global economy with the potential for negative shocks, mostly due to political concerns. That said, given that 2019 is year 11 of a 5-year business cycle, a slowdown is long past due and is largely anticipated by the market at this point.

LETTER FROM THE PRESIDENT

I believe that our portfolios are well-positioned going into 2019. Leverage is exceptionally low in the REIT at 29.3%. With vacancy rates so low and a generally slowing economy, we expect rental demand to be robust with strong growth in rents. We have excellent tailwinds behind us on the property portfolio. The lending portfolio is also performing exceptionally well with plenty of runway to grow the portfolio. There is an excellent pipeline of U.S. investment opportunities, which we are examining. Liquidity positions are very good and we believe we will be able to use that to seize the opportunities we expect to see in 2019.

GREG ROMUNDT
President, CEO, and Trustee

2018: MANAGEMENT'S DISCUSSION AND ANALYSIS



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Forward-Looking Statements

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis ("MD&A") of Centurion Apartment Real Estate Investment Trust ("Centurion", "Centurion REIT", "Centurion Apartment REIT", the "Trust" or the "REIT") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with the material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2018, along with Centurion REIT's other documents available on the Trust's website. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations, including but not limited to financial performance, equity or debt offerings, new markets for growth, financial position, comparable multi-residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Centurion REIT to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the market for Centurion REIT's trust Units, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by Centurion REIT, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Centurion REIT's trust Units, lack of availability of growth opportunities, diversification, potential unitholders' liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the unit price of Centurion REIT's trust Units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in Appendix C "Risks and Uncertainties" and in other sections of the MD&A.

In addition, certain material assumptions are applied by the Trust in making forward-looking statements including, without limitation, factors and assumptions regarding;

- Overall national economic activity
- Regional economic factors, such as employment rates
- Inflationary/deflationary factors
- Long, medium, and short-term interest rates
- Legislated requirements
- Availability of financing
- Vacancy rates

Although the forward-looking information contained herein is based upon what Management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Centurion REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, however, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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. Centurion REIT does not intend to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Certain statements included herein may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

The REIT is a private real estate investment trust focused on apartment buildings, student housing, and mortgage investments in Canada. It is organized as an unincorporated open-ended investment trust created by a declaration of trust made as of August 31, 2009, and as amended and restated, (the "Declaration of Trust") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See "Declaration of Trust" and "Description of Units".

The objectives of the REIT are: (i) to provide Unitholders with stable cash distributions, payable monthly and, to the extent reasonably possible, tax deferred, from investments in a diversified portfolio of income-producing multi-unit residential properties located in Canada; and (ii) to maximize REIT Unit value through the ongoing management of the REIT's assets and through the future acquisition of additional multi-unit residential properties.

DECLARATION OF TRUST

The policies of the Trust are outlined in the updated Declaration of Trust (the "DOT") dated September 19, 2017, or as it is amended and restated from time to time. The DOT can be found at:

https://www.centurion.ca/investment-solutions/centurion-apartment-reit

The investment guidelines and operating policies set out in the DOT are as follows:

INVESTMENT GUIDELINES

The Declaration of Trust provides for certain guidelines on investments which may be made by Centurion Apartment REIT. Notwithstanding anything contained herein to the contrary, the assets of Centurion Apartment REIT may be invested only in accordance with the following investment guidelines:

(a) Centurion Apartment REIT shall focus its activities primarily on the acquisition, holding, maintaining, improving, leasing or managing of multi-unit residential revenue producing properties and ancillary real estate ventures ("Focus Activities") in Canada;

(b) notwithstanding anything herein contained to the contrary, no investment shall be made that would result in:

  (i) Trust Units of Centurion Apartment REIT being disqualified for any class of Deferred Income Plan; or
  (ii) Centurion Apartment REIT ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;

(c) no single asset (except as provided for in the Declaration of Trust) shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset) will exceed 15% of Gross Book Value, provided that where such asset is the securities of or an interest in an entity, the foregoing tests shall be applied individually to each asset of such entity;

(d) investments may be made in a joint venture arrangement only if:

  (i) the arrangement is in connection with a Focus Activity;
  (ii) the arrangement is with others ("joint venturers") either directly or through the ownership of securities of or an interest in an entity ("joint venture entity");
  (iii) the interest in the joint venture entity is an interest of not less than 10% and is not subject to any restriction on transfer other than a right of first refusal or right of first offer, if any, in favour of the joint venturers;
  (iv) Centurion Apartment REIT or an entity controlled by it has a right of first offer or a right of first refusal to buy the interests of the joint venturers in the joint venture entity;
  (v) Centurion Apartment REIT has the ability to provide input in the management decisions of the joint venture entity; and
  (vi) without limitation, any joint venture arrangement with a Related Party for the purposes of the related party provisions of the Declaration of Trust have been entered into in accordance with such provisions;

(e) unless otherwise permitted in this section and except for temporary investments held in cash, deposits with a Canadian or U.S. 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 maturing prior to one year from the date of issue, Centurion Apartment REIT, directly or indirectly, may not hold securities other than (i) currency, commodity or interest rate futures contracts for hedging purposes to the extent that such hedging activity complies with the Canadian Securities Administrator's National Instrument 81-102 or any successor instrument or rule; (ii) securities of a joint venture entity, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned, directly or indirectly, by Centurion Apartment REIT, or an entity wholly-owned, directly or indirectly, by Centurion Apartment REIT formed and operated solely for the purpose of holding a particular real property or real properties; and (iii) securities of another issuer provided either (A) such securities derive their value, directly or indirectly, principally from real property, or (B) the principal business of the issuer of the securities is the owning or operating directly or indirectly, of real property, and provided in either case the entity whose securities are being acquired are engaged in a Focus Activity;

(f) no investment will be made, directly or indirectly, in operating businesses unless such investment is incidental to the transaction:

  (i) where revenue will be derived, directly or indirectly, principally from a Focus Activity; or
  (ii) which principally involves the ownership, maintenance, improvement, leasing, or management, directly or indirectly, of real property

INVESTMENT GUIDELINES

(g) notwithstanding any other provisions of this section, the securities of a reporting issuer in Canada may be acquired provided that:

(i) the activities of the issuer are focused on Focus Activities; and
(ii) in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding equity securities of the securities issuer, the investment or acquisition is of strategic interest to Centurion Apartment REIT as determined by the Trustees in their discretion;

(h) no investments will be made 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) investments may be made in a mortgage, mortgage bonds, notes (except as provided for in the Declaration of Trust) or debentures ("Debt Instruments") (including participating or convertible) only if:

(i) the real property which is security thereof is real property
(ii) the security, therefore, includes a mortgage registered on title to the real property which is security thereof;
(iii) the amount of the investment (not including any mortgage insurance fees incurred in connection therewith) does not exceed 85% of the market value of the real property which is the security thereof; and

(j) notwithstanding subsection (i), Centurion Apartment REIT may also invest in mortgages where:
(i) the mortgage is a "vendor take-back" mortgage granted to Centurion Apartment REIT in connection with the sale by it of existing real property and as a means of financing the purchaser's acquisition of such property from Centurion Apartment REIT;
(ii) the mortgage is interest bearing;
(iii) the mortgage is registered on title to the real property which is security thereof;
(iv) the mortgage has a maturity not exceeding five years;
(v) the amount of the mortgage loan is not in excess of 85% of the selling price of the property securing the mortgage; and
(vi) the aggregate value of these mortgages (including mortgages and mortgage bonds in which Centurion Apartment REIT is permitted to invest by virtue of this section), after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of Centurion Apartment REIT calculated at the time of such investment;

(k) notwithstanding subsection (i) and (j), Centurion Apartment REIT may invest in mortgages of related entities that do not deal at arm's length to Centurion Apartment REIT provided that:

(i) the purpose of the mortgage is to finance the redevelopment of a property that when complete, would be within the Investment Restrictions of Centurion Apartment REIT;
(ii) Centurion Apartment REIT has a right of first refusal to purchase the property at less than or equal to its fair market value as determined by an independent third-party appraiser;
(iii) the mortgage bears interest at a commercial rate of interest;
(iv) the amount of the mortgage loan is not in excess of 90% of the selling price of the property securing the mortgage;
(v) the mortgage has a maturity not exceeding five years;
(vi) the mortgage is approved by the Trustees; and
(vii) the aggregate value of these mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of Centurion Apartment REIT calculated at the time of such investment;

(l) no investment shall be made in raw land (except for the acquisition of properties adjacent to Existing Properties of Centurion Apartment REIT for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 5% of Gross Book Value); and notwithstanding any other provisions hereof, investments may be made which do not comply with the provisions of this section provided (i) the aggregate cost thereof (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 in connection with the acquisition and secured by a mortgage on such property) does not exceed 15% of the Adjusted Unitholders' Equity of Centurion Apartment REIT and (ii) the making of such investment would not contravene subsection (b).

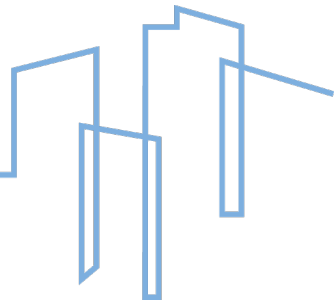
INVESTMENT GUIDELINES

Oxford at The Ranch, 31200 FM 2920 Road, Waller, Texas, U.S.A.

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 Trust will be deemed to be those of the Trust on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement or a limited partnership. Except as specifically set forth to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the Trust.

For greater certainty, the investment guidelines are intended to set out generally the parameters under which subsidiaries in which the Trust is permitted to invest will be empowered under their constating documents to re-invest. References to the Trust shall be read as applying to such subsidiary where the actual activity that is the subject of the policy is carried out by such subsidiary. Further, any determinations in respect of the investment restrictions that are determinations reserved to the Trustees, where the actual activity is carried on by a subsidiary, will be made by the trustees or directors of the relevant subsidiary. Nothing in the investment guidelines empowers or entitles the Trust or the Trustees to carry on business or to otherwise undertake any activity that would violate the mutual fund trust status of the Trust.

OPERATING POLICIES



The operations and affairs of Centurion Apartment REIT shall be conducted in accordance with the following operating policies:

a. Centurion Apartment 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 Centurion Apartment REIT;

b. title to each real property shall be held by and registered in the name of the Trustees or, to the extent permitted by applicable law in the name of Centurion Apartment REIT or in the name of a corporation or other entity owned, directly or indirectly, by Centurion Apartment REIT or jointly-owned, directly or indirectly, by Centurion Apartment REIT, with joint venturers or a corporation which is a nominee of Centurion Apartment REIT which holds as its only property registered title to such real property pursuant to a nominee agreement with Centurion Apartment REIT;

c. no indebtedness shall be incurred or assumed if, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness as a percentage of Gross Book Value would be more than 75% for indebtedness, including amounts drawn under an acquisition facility;

d. except for any indebtedness existing at Closing, no new indebtedness (otherwise than by the assumption of existing indebtedness) will be incurred or renewed or refinanced or secured by a mortgage on any of the real property of the Trust unless, at the date of the proposed incurring of the indebtedness, the aggregate of (i) the amount of all indebtedness secured by such real property, and (ii) the amount of additional indebtedness proposed to be incurred, does not exceed 75% of the market value of such real property, on or after that date which is 12 months from the acquisition date thereof, in either case not including mortgage insurance fees incurred in connection with the incurrence or assumption of such indebtedness, which amount shall be added to the amount of the permitted indebtedness;

e. except for guarantees existing on the date of this Trust Indenture, the Trust shall not, directly, or indirectly, guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness, liabilities or other obligations of (i) any subsidiary of the Trust or other entity wholly-owned by the Trust, or (ii) other entity jointly owned by the Trust with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, liabilities or other obligation, if granted, incurred or assumed by the Trust directly, would not cause the Trust to otherwise contravene the restrictions set out in Section 4.1 of the Declaration of Trust and, where such indebtedness, liabilities or other obligation is granted, incurred or assumed by a joint venture entity, subject to a joint venturer being required to give up its interest in a property owned by the joint venture entity as a result of another joint venturer's failure to honor its proportionate share of the obligations relating to such property, and, except with the prior approval of the Trustees and subject always to (b) under Section 4.1, the liability of the Trust is limited strictly to the proportion of the indebtedness, liabilities or other obligation equal to the Trust's proportionate ownership interest in the joint venture entity, or (iii) with the prior approval of the Trustees and subject always to (b) under Section 4.1, the indebtedness, liabilities or other obligations of joint venturers in circumstances where any such guarantee may also be given in respect of the associated joint venture entity. In addition, the Trust will not directly or indirectly guarantee any indebtedness, liabilities or other obligations of any Person if doing so would contravene (b) under Section 4.1;

f. except for the Contributed Assets acquired pursuant to the Rollover Agreement, an engineering survey or physical review by an experienced third-party consultant will be obtained for each real property intended to be acquired with respect to the physical condition thereof;

g. at all times insurance coverage will be obtained and maintained in respect of potential liabilities of the Trust and the accidental loss of value of the assets of the Trust from risks, in amounts and with such insurers, in each case as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;

h. except for the Contributed Assets acquired pursuant to the Rollover Agreement, a Phase I environmental audit shall be conducted for each real property to be acquired and, if the Phase I environmental audit report recommends that further environmental audits be conducted, such further environmental audits shall be conducted, in each case by an independent and experienced environmental consultant;

i. at least 8.5% of gross consolidated annual rental revenues generated from properties where the associated mortgage financing is insured by the Canadian Mortgage and Housing Corporation ("insured properties") as determined pursuant to IFRS shall be expended annually on sustaining capital expenditures, repairs, and maintenance, all determined on a portfolio basis for all insured properties. For this purpose, capital expenditures and repairs and maintenance include all onsite labour costs and other expenses and items associated with such capital expenditures, repairs, and maintenance; and

j. the Trust may engage asset managers under terms and conditions acceptable to the Trustees. As at the date hereof, the Trust has engaged Centurion Asset Management Inc. ("CAMI") by the terms of the Trust Asset Management Agreement. This agreement shall remain in full force and effect until terminated by the Trustees or CAMI in accordance with its terms.

For the purposes of the foregoing investment guidelines and operating policies, the assets, indebtedness, liabilities, and transactions of a corporation, partnership or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate, consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement. In addition, the term "indebtedness" means (without duplication):

i. any obligation of the Trust for borrowed money;
ii. any obligation of the Trust incurred in connection with the acquisition of property, assets, or business other than the amount of future income tax liability arising out of indirect acquisitions;
iii. any obligation of the Trust issued or assumed as the deferred purchase price of property;
iv. any capital lease obligation of the Trust; and
v. any obligation of the type referred to in clauses i through iv of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable; provided that (A) for the purposes of (i) through (iv), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with generally accepted accounting principles; (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business.

ACCOUNTING POLICIES

The REIT's significant accounting policies are described in Note 3 of the consolidated financial statements (see "Appendix D") for the year-ended December 31, 2018. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements.

In applying these policies, in certain cases it is necessary to use estimates, which Management determines using information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS. Significant estimates are made with respect to the fair values of investment properties and the fair values of financial instruments.

Madison Manor at 1291 McEachern Drive, Regina, Saskatchewan

NON-IFRS MEASURES

Centurion Apartment REIT prepares unaudited consolidated interim financial statements and audited consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to the financial results provided in accordance with IFRS, Centurion Apartment REIT also discloses and discusses certain financial measures not recognized by IFRS including Net Operating Income ("NOI"), Normalized Net Operating Income ("NNOI"), Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO") and Potential Funds From Operations ("PFFO").

These metrics (or, in each case, substantially similar terms) are measures used by Canadian real estate investment trusts as indicators of financial performance, however they do not have standardized meanings prescribed by and these measures may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to similarly-termed measures reported by other such issuers.

Net Operating Income ("NOI") is a key measure of operating performance used in the real estate industry and includes all rental revenues generated at the property level, less related direct costs such as utilities, realty taxes, insurance and on-site maintenance wages and salaries. As one of the factors that may be considered relevant by readers, Management believes that NOI is a useful supplemental measure that may assist prospective investors in assessing the Trust.

NNOI is a key measure of potential operating performance used in the real estate industry and differs from NOI mainly in that certain long-term stabilizing assumptions are made in the calculation of NNOI. Such assumptions may reflect a stabilized (normalized) view of key inputs in the calculation of NNOI such as forward-looking rents, vacancy ratios, property taxes, wages, repairs and maintenance and other costs. NNOI is often used by property appraisers in valuing a property. NNOI's have been used, among other things for evaluating potential property acquisitions, to determine fair values of the investment properties held by the Trust, and to estimate the capacity to make and the level of distributions. Management believes that given the rapid rate of growth of the portfolio and that new acquisitions often require stabilization and repositioning periods and that many in the real estate industry use NNOI when purchasing or selling a property, that NNOI is a useful tool in evaluating the portfolio.

FFO is a financial measure used by some REITs to define their operating performance to provide an idea of the REIT's cash performance, which is a better indicator of a REIT's performance than earnings which includes large non-cash items. As a rapidly growing REIT with a number of properties that are currently unstabilized or in a period of repositioning, Management does not look at FFO to be a very useful indicator of stabilized cash flow or earnings but calculates and presents FFO as an input into the calculation of the measures such as NFFO and PFFO which it believes are more useful.

NFFO is a financial measure that adjusts Funds From Operations for non-recurring items. Some of these items Management considers to be capital in nature but for accounting purposes are expensed under IFRS (e.g. portfolio stabilization costs). Adjustments may include things such as portfolio stabilization costs (e.g. extra vacancy costs, rental promotions costs and non-normalized collections and evictions costs) that are not expected to be ongoing once stabilization is achieved, adjustments for the difference between underwritten Internal Rates of Return on participating mortgage type investments and minimum coupon rates on those investments to show the impact of timing differences on earnings related to these investments, leakage costs on excess capital (for undeployed capital) that has dragged on current period earnings but that is non-recurring and new recurring measures such as internalization of the asset and property management teams and their influence on earnings capacity. Management looks at NFFO as a better measure of the REIT's current cash generating capacity than FFO as it takes a stabilized view of the portfolio and adjusts for items that are not expected to influence earnings capacity over the medium to long-term. It excludes identified opportunities and costs that Management has identified and believes may be realized over time.

PFFO is a financial measure that adjusts the NFFO to include items that are reasonably anticipated to impact cash flows in future periods assuming the full implementation of Management identified revenue and expense opportunities and the incorporation of market rates on rents and debt costs. Other measures of cash flow do not account for the potentially positive or negative impact of rolling over rents or mortgage liabilities at current market rates that can significantly skew FFO and NFFO and thus their usefulness in assessing the long-term cash generating capacity of the REIT.

NON-IFRS MEASURES

Sky Pointe Estates at 5960 Little Pine Loop, Regina, Saskatchewan

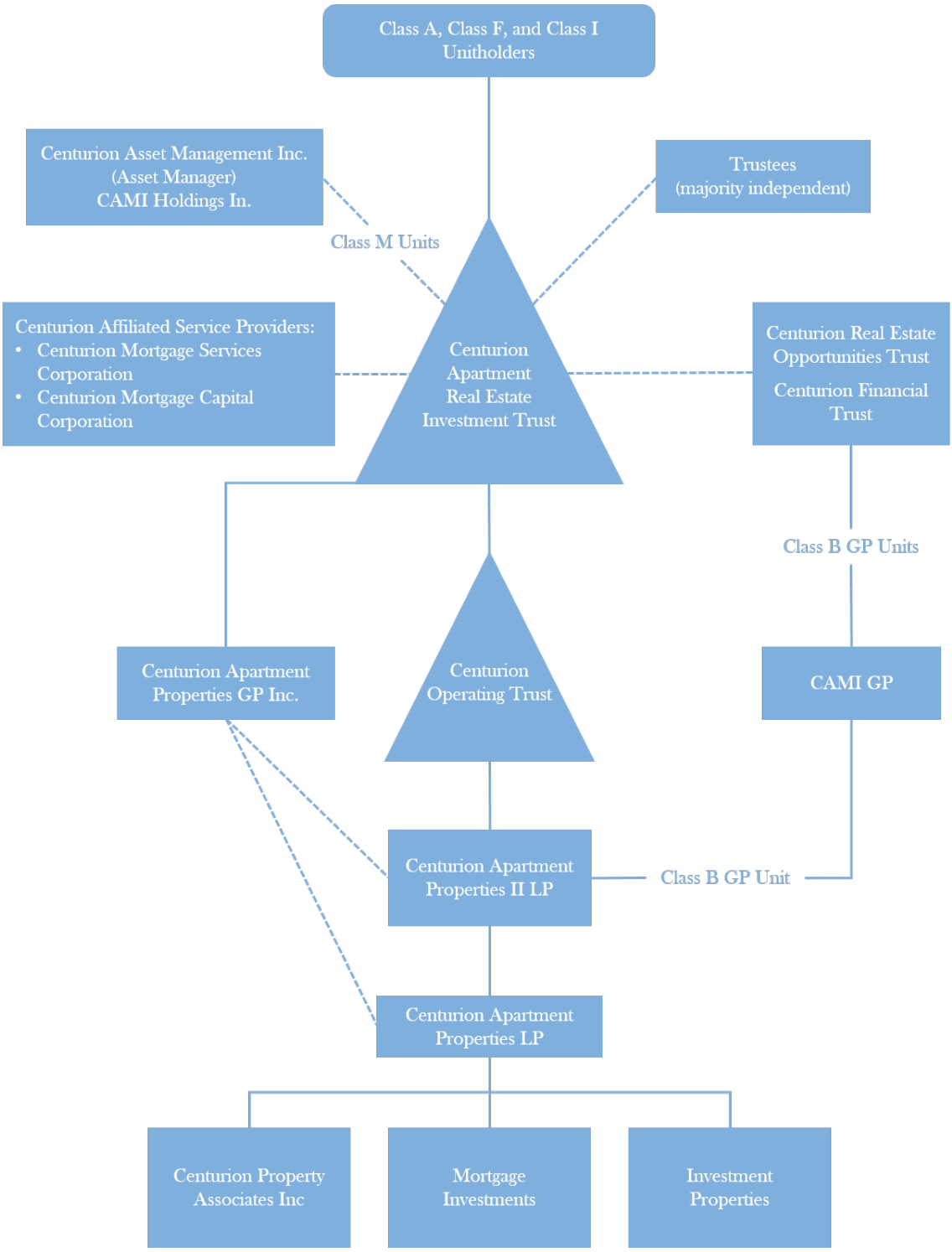
For example, if market interest rates for mortgage liabilities are substantially above today's in place rates, ceteris paribus, PFFO would show that future cash flows would be expected to decline as these mortgages rolled over to market rates compared to NFFO. The inverse would also be true where if market mortgage interest rates were substantially below in place mortgage interest rates, cash flow over time would be expected to increase relative to NFFO. PFFO does not incorporate inflation assumptions on rental rates or expenses as this measure is not meant to capture future inflation because it is not known in advance. It also does not incorporate the impact of the REIT's capital improvement program on market rental rates or from changes in the REIT's leverage strategy other than disclosed line items. The market rental rate assumed is current market rental rates. To the extent that the REIT may be successful in deploying capital investments that move up market rental rates in future periods, this is not factored into PFFO as the new market rental rates have not been established yet. PFFO is Managements preferred indicator of the REIT's long-term cash flow generating capacity because it incorporates more updated information available to Management and is forward-looking rather than rearward looking like FFO and NFFO.

Readers are cautioned that these metrics and calculations are not alternatives to measures under IFRS and should not, on their own, be construed as indicators of the Trust's performance, cash flows, measures of liquidity or as measures of actual returns on Units of the Trust. These non-IFRS measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust. In addition, these measures may be calculated differently by other similar organizations and may not be comparable.

The Trust currently has six classes of units, the Class "A" Units, Class "F" Units, Class "I" Units, Class "M" Units (formerly Class "B" Units), Class "R" units, and Exchangeable "B" and "C" LP Units. Under IFRS, the REIT has no instrument qualifying for equity classification on its Consolidated Statement of Financial Position and as such, all units are classified as financial liabilities. The classification of all units as financial liabilities with the presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

CENTURION APARTMENT REIT
ORGANIZATIONAL STRUCTURE

The organizational structure as at December 31, 2018 is as follows:



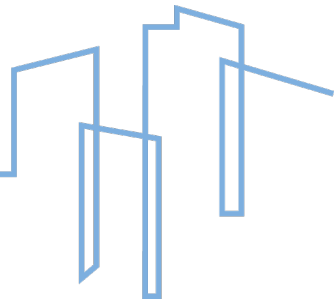
COMMENTS ON THE APARTMENT MARKET

2018 was an exceptional year for the apartment industry. Trading volumes were again very high as investor appetite for apartment product remained voracious. Capitalization rates declined and the market was very aggressive in paying premium prices to buy properties. Competition was intense and reasonably priced opportunities were few. Despite this, the REIT managed to get a number of properties closed or under contract for purchase from its development pipeline. All of the REIT's purchases in the past two years came either directly or indirectly from the REIT's lending and development platform through REOT.

In Toronto, vacancy rates are about 1% and rents continue to rise very quickly. For example, in our Toronto apartment portfolio, market rents (on turnover) have increased by 18.51% year over year, on top of the 20.14% seen in 2017. This is not just a Toronto phenomenon as limited availability and cost of living considerations are driving up rents across Ontario and more broadly, nationally as well (but not to the same extent).

Affordability and regulatory issues have further tightened the rental market as people cannot afford to move into ownership and thus, are staying in rentals longer. Resident turnover rates in our Toronto portfolio have dropped below 10% (from 25-30% during normal market conditions). Residents just cannot afford to move as prices for comparable rentals are much higher than in place rents. The positive tailwinds for the apartment industry today are the best in recent memory with continued strong demand for rentals, excellent rental rate growth, and very little new supply on the horizon to meet this demand.

OUTLOOK AND BUSINESS STRATEGY



The Trust is focused on a number of key areas for 2019 that can be broken down as follows:

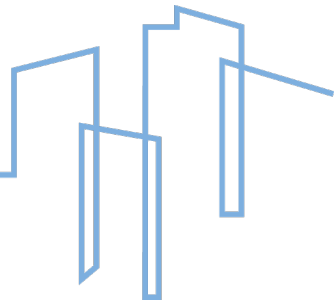
The Trust has traditionally pursued both internal and external growth; internal growth by investing in the portfolio and external growth through acquisitions and the development pipeline through REOT. Management believes that internal growth is still possible as there are still significant market rent gaps and efficiencies to extract from the portfolio. In fact, our market rent gap (meaning the difference between what we could achieve renting our units compared to what the current residents are paying) is the largest it has ever been at 13.7%, up from 10.4% in 2018, which is about four times what it has traditionally been between 0.9% to 3.3%. In dollar terms, the market rent gap is approximately $11.8 million which is worth about $257.5 million in potential market value at todays capitalization rates. Market rents are still rising extremely quickly in Ontario. External growth continues to be challenging in the current environment. Competition for quality properties is intense and, in most markets, the Trust is still priced out in buying older product for repositioning. The Trust has maintained purchase discipline and not purchased anything in the open market at prices that it sees as too high and providing few opportunities for low risk returns. The Trust did have numerous properties complete construction which will soon move from the REOT to the Trust. Management believes that the value of new product is very compelling on a risk reward basis and remains focused on these types of purchase opportunities. The Trust purchased or has agreed to purchase the following properties:

Property	Size	Price *(expressed in thousands Of Canadian dollars)*	Ownership Share	Anticipated Closing
5960 Little Pine Loop, Regina, SK	75 Units	$11,936	100%	November 2018 (Closed)
1291 North McEachern Drive, Regina, SK	64 Units	$11,518	100%	November 2018 (Closed)
1251 North McEachern Drive, Regina, SK	48 Units	$9,296	100%	November 2018 (Closed)
1200 FM 2920 Road, Waller, Texas, U.S.	224 Units	$27,500 USD	85%	November 2018 (Closed)
2035 Timothy Road, Athens, Georgia, U.S.	204 Units	$26,300 USD	75%	April 2019
1488 Cook Street, Victoria, BC	134 Units	$66,000	50%	April 2019
701-721 Sterling Lyon Parkway, Winnipeg, MB	416 Units	$93,400	50%	May 2019
345-375 Bridge Lake Drive, Winnipeg, MB	176 Units	$37,000	45%	June 2019
Canadian Student Housing	480 Units	$59,010	100%	June 2021
TOTAL	**1,821 Units**	**$361,554**		

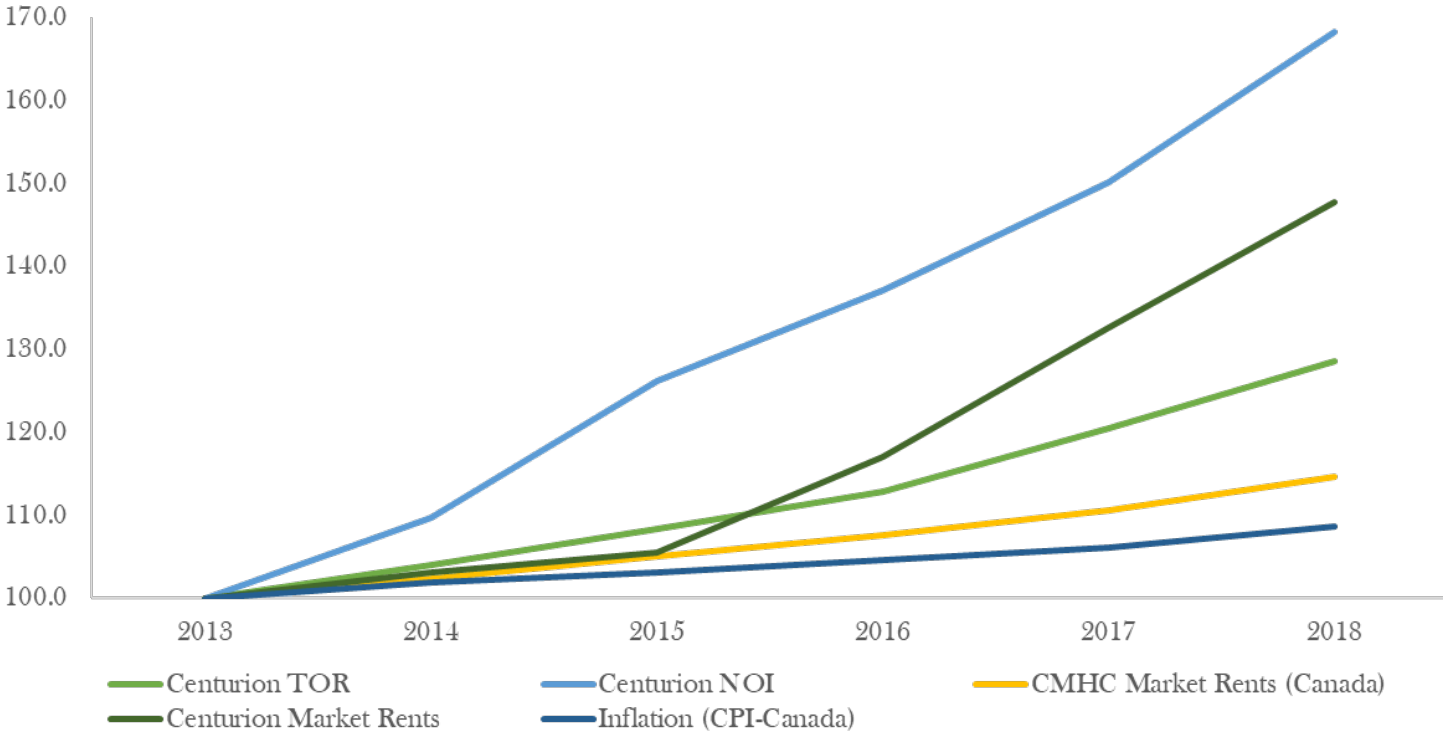
All but the Athens, Georgia property are newly constructed.

Management continues to believe that investing in new apartments, debt and development opportunities and U.S. apartments provide the best risk-adjusted returns in the market today. The Trust has bought and/or agreed to buy two U.S. apartment communities with U.S. based partners. One is in Waller, Texas (outside Houston) and there is another set to close in Athens, Georgia in 2019. The Trust also made other investments in U.S. developments and brought its total U.S. portfolio to four properties in Florida, Minnesota, Missouri and Texas. Total Undiluted unit count on these four properties are 1107 units, and the diluted unit count stands at approximately 360 units. The Trust plans to continue to expand its U.S. activities opportunistically and in a measured way in 2019.

OUTLOOK AND BUSINESS STRATEGY

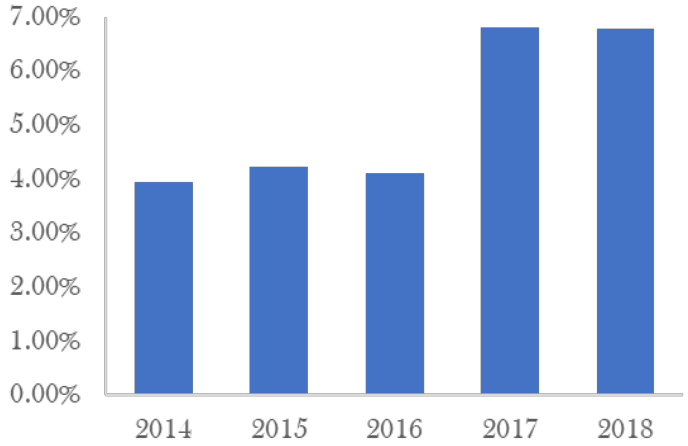


Centurion Performance vs. Inflation and Market Rents*



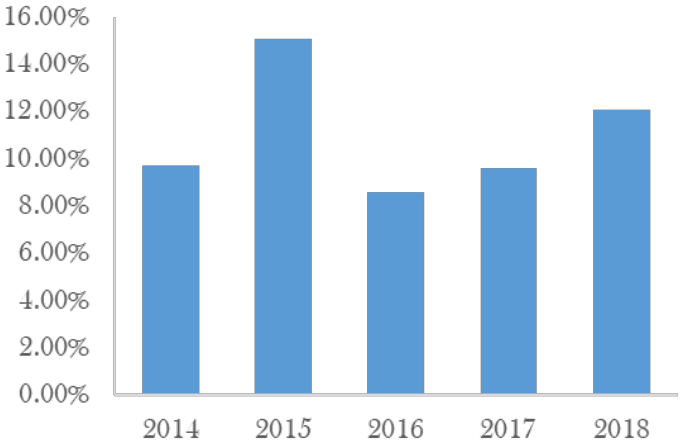
**The REIT has grown its Same Store NOI, Total Operating Revenues and Market rents significantly faster than market averages and inflation benchmarks.*

Total Operating Revenues Growth Rate*



*Total Operating Revenues has grown on average by 5.18% per annum.

Same Store NOI Growth Rate*

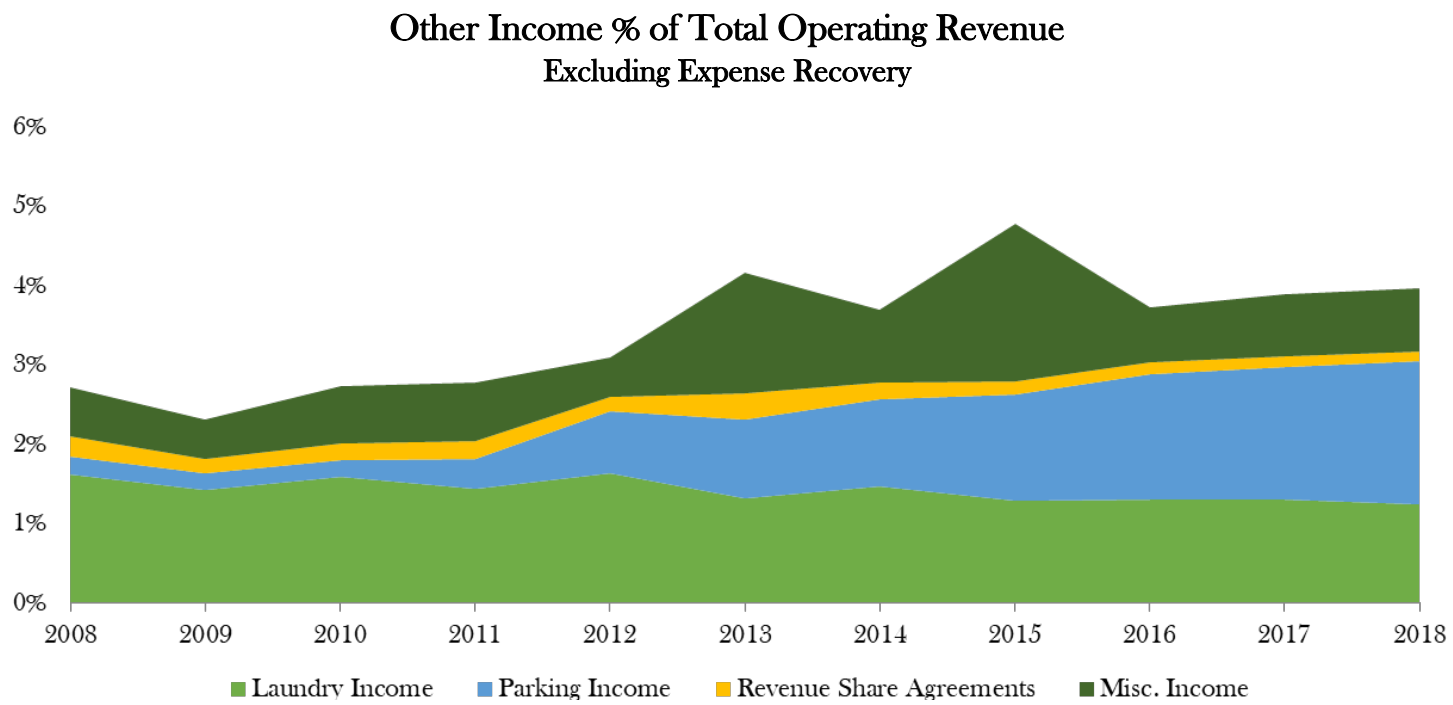


*Same Store NOI has grown at an average of 10.97% per annum.

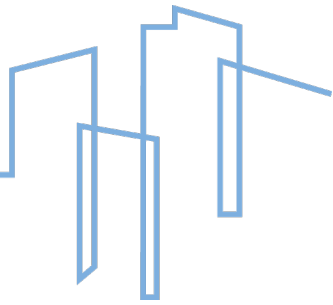
REVENUE OPPORTUNITIES

The Trust continually examines revenue opportunities but is currently focused on:

- Closing its gap between potential market rents and current in place rents; this includes product repositioning in localized markets where there is an opportunity to deploy capital in the apartment units and realize rental lift. Management estimates that its potential gap to market rents is approximately $11.8 million as it has moved to capitalize on its significant capital investments in the portfolio, significant stabilization of the properties therein, and significant market demand. Given the severe shortage of housing in some of the markets in which the Trust operates, Management believes there may be outsized opportunities for growth as Management pushes for rent increases.
- Filing above guideline rent increases (AGIs) wherever possible for the extensive capital works that have recently completed or will soon be completing (see Appendix C – Government Regulation). In 2018, the Trust filed eleven AGIs. In 2019, two AGIs have already been filed to date and we expect that an additional ten will be filed in the year.
- Continuing to strategically invest capital in the portfolio to create value. The Trust has budgeted approximately $20.6 million in capital improvements in 2019.
- Continuing to implement the segmentation and charging independently for previously included services to drive revenues (e.g. parking and storage).
- Management will continue to focus on stabilization of properties in the turnaround phase to reduce the short-term drag on NOI. The Trust continues to stabilize its portfolio of recent acquisitions which will result in positive contributions to NOI in 2019.



EXPENSE MANAGEMENT



On-going Expense Management

Management continually reviews the REIT's operations for opportunities to reduce expenses. The following initiatives have been undertaken and are underway to increase income:

- The Trust's sub-metering initiatives continue to gain traction.
- The Trust will actively renegotiate its mortgage portfolio to take advantage of this current low-interest rate environment.
- The Trust has implemented energy and utility management systems that tie into its existing systems to improve energy management and benchmarking. The Trust believes that there are significant savings available over time that will create value.
- The Trust continues to look for opportunities to rationalize property labour expense and improve service levels by leveraging resource allocations where properties are in close proximity and introducing new processes and technology to improve efficiency.
- With the portfolio's increasing size, the Trust continues to leverage scale in its purchasing programs.

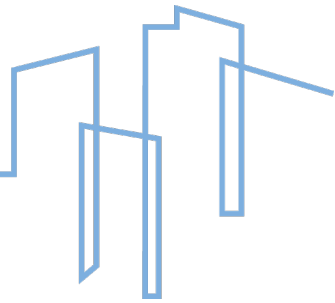
Between both revenue and expense opportunities, the Trust estimates and that there may be, upon full realization, approximately $13.1 million potential to increase income over time. Readers are cautioned that these are Management estimates, and the degree to which they may be realized as well as the time horizon remains uncertain.

Further, certain capital expenditures may be required (e.g. on suite turns) to realize this potential. The following table outlines the impact of the opportunities mentioned above:

Revenue and Expense Summary Table	Potential Impact on Income[1] *(expressed in thousands of Canadian dollars)*
Rental Gap to Market	$11,829
Roll down of mortgage portfolio to market rate	$219
Sub-metering Savings	$628
Parking Income	$460
Total Value Add	**$13,136**

[1] *This is based on Management's estimate of the Trust's opportunity set at the date of this report. There can be no assurance that these estimates will be realized. All of these estimates assume 100% realization as if they all happened immediately; ignoring how long it may take to realize them (e.g. some could take many years).*

FINANCE AND TREASURY



With the current low-interest rate environment, the Trust continues to focus on minimizing the amount of short-term debt maturities and extend the duration of mortgage liabilities.

Credit Facilities

The Trust has two credit facilities which can be used for operations, capital works, and acquisitions. These facilities provide the Trust with significantly more financing flexibility. The total amount of the REIT's credit facilities was $95.8 million as at December 31, 2018. Generally, liquidity originating from new equity issuance is directed towards these operating facilities to lessen the dilutive impact of carrying large cash balances. Of the $95.8 million in facilities, $60.0 million is committed and $35.8 million is on demand. Management believes that it can mitigate some of this risk by diversifying across lenders, properties, renewal dates, by generally using first position mortgages, and keeping overall leverage on the specific properties and of the entire Trust within its target range.

As at December 31, 2018, the Trust had $65.9 million available in undrawn credit facilities.

In March 2019, the Trust increased its total committed credit facility from $95.8 million to $155.0 million with the potential for an additional $25.0 million.

Financing Costs

The Trust continually works on improving its financing costs to reduce the overall weighted-average cost of debt and believes that if rates remain stable, that there is significant savings potential in the Trust's mortgage portfolio.

Over the course of the year, the Trust's weighted-average financing cost was 3.27% which was up slightly from 3.07% at the end of 2017. The table below shows the weighted-average interest rate of our mortgage portfolio.

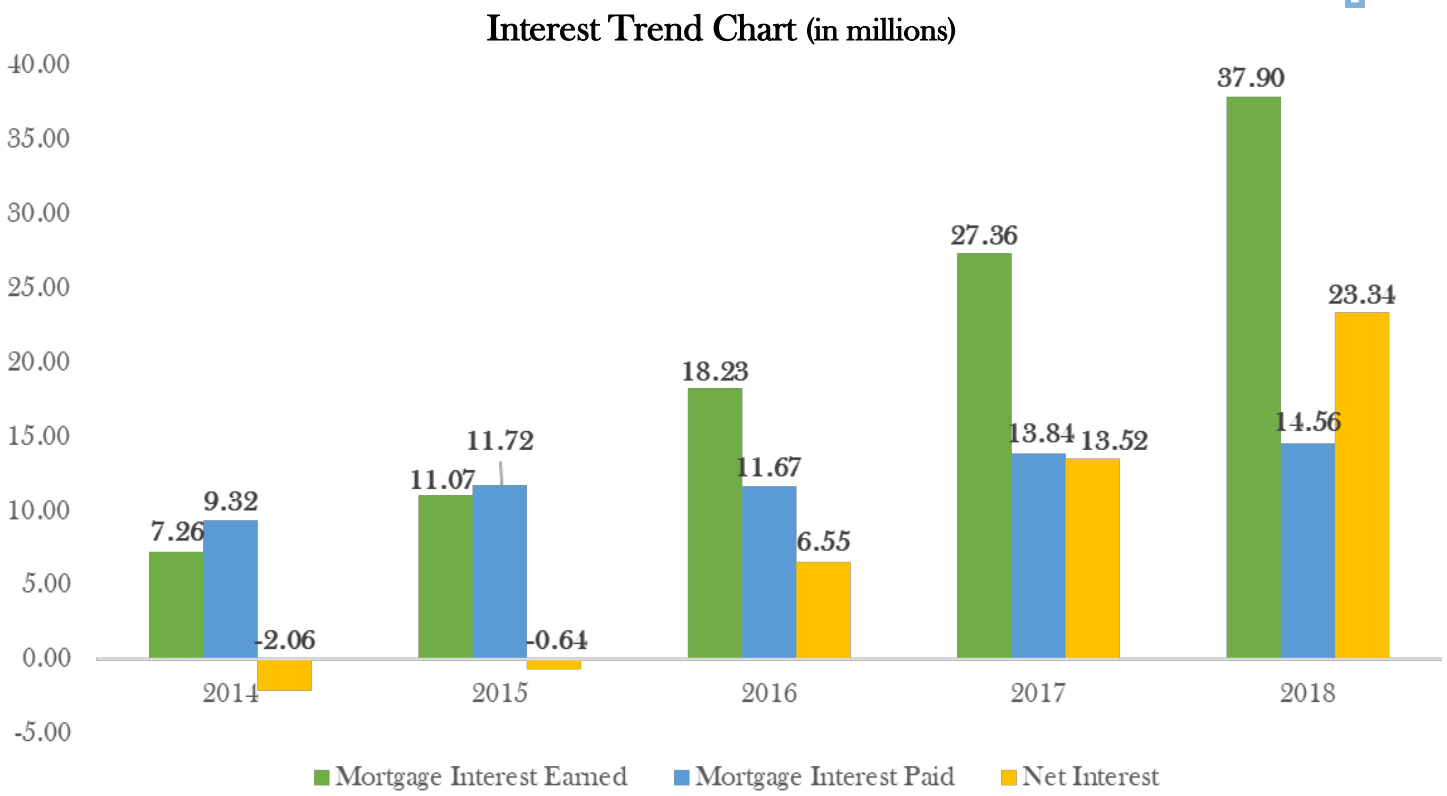
2018 and 2017 mortgage and credit facilities interest expenses were $15.7 million and $13.8 million (excluding amortization of financing fees), respectively. Outstanding mortgages payable and credit facilities increased to $526.4 million from $469.4 million in 2017.

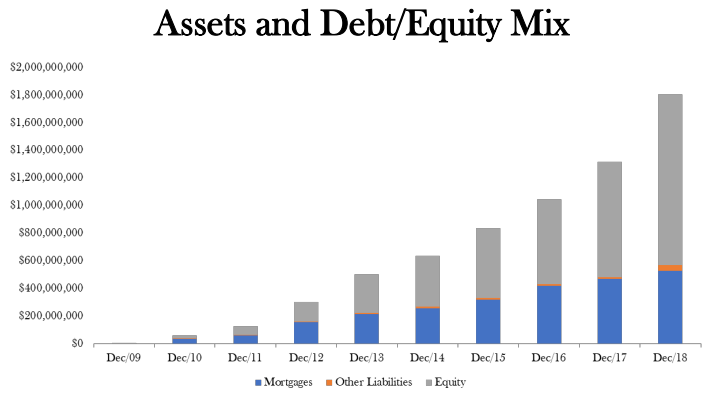
The Trust earned interest income of $37.9 million in 2018. This resulted in a 2018 Net Interest Income of $22.2 million. The Trust expects that it will continue to be a net interest earner and not a net payer of interest. As such, Management believes that a further key benefit of its mortgage investment strategy will be a significant reduction in its overall exposure to interest rate risk.

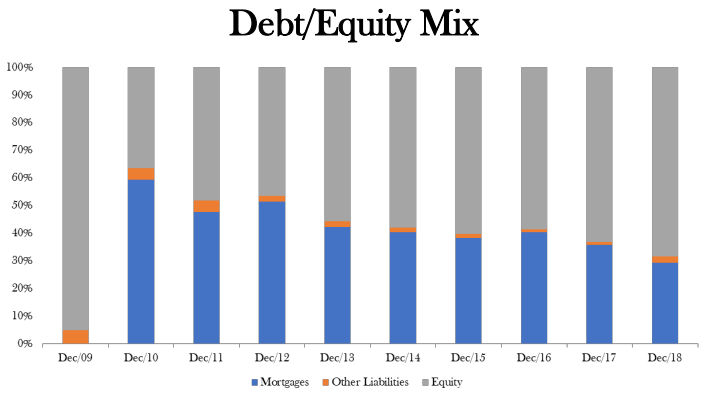
Mortgage Interest Earned vs. Mortgage Interest Paid
(expressed in thousands of Canadian dollars)

	2018	2017
Mortgage investment interest income	$37,901	$27,359
Mortgage payable interest expense	($15,743)	($13,842)
Net interest income (expense)	$22,158	$13,517

FINANCE AND TREASURY







FINANCIAL STATEMENT OVERVIEW

Under the accounting principles of consolidation, all entities that are controlled by the Trust must be consolidated with the results of the Trust. The Trust owns 63.81% of REOT as at December 31, 2018 and has been deemed to have control over the entity and as such all assets, liabilities, income, and expenses of REOT have been included in the consolidated financial statements of the Trust. The reconciliation of which balances are directly attributable to each entity is as follows:

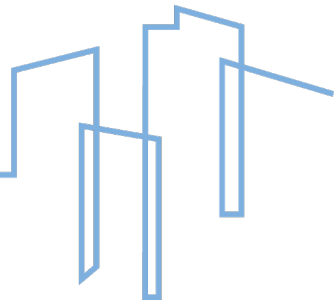
CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

STATEMENT OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

	REIT	REOT	Elimination Entry	Consolidation
Assets				
Cash	$12,577	$23,729	-	$36,306
Restricted cash	$7,178	$422	-	$7,600
Receivable and other assets	$10,223	$3,360	-	$13,583
Investment properties held for sale	$9,790			$9,790
Investment properties	$1,109,421	-	-	$1,109,421
Investment in REOT	$327,172	-	($327,172)	-
Mortgage investments	$46,517	$295,196	-	$341,713
Participating loan interests	$25,320	$111,803	-	$137,123
Equity accounted investments	$25,082	$106,005	-	$131,087
Foreclosed property	-	$17,000	-	$17,000
Total Assets	**$1,573,280**	**$557,515**	**($327,172)**	**$1,803,623**
Liabilities				
Unit subscriptions in trust	$7,178	$422	-	$7,600
Accounts payable and other liabilities	$15,036	$925	-	$15,961
Syndicated mortgage investment liabilities	-	$18,092	-	$18,092
Mortgages payable and credit facilities	$513,389	$13,000	-	$526,389
Total Liabilities excluding net assets attributable to Unitholders	**$535,603**	**$32,439**	**-**	**$568,042**
Net assets attributable to Unitholders	**$1,037,677**	**$525,076**	**($327,172)**	**$1,235,581**

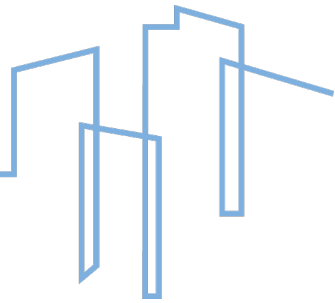
FINANCIAL STATEMENT OVERVIEW



CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME
(expressed in thousands of Canadian dollars)

For the year ended	REIT	REOT	Elimination Entry	Consolidation
Revenue from investment properties	$68,223	-	-	$68,223
Property operating costs	($22,441)	-	-	($22,441)
Net rental income	**$45,782**	**-**	**-**	**$45,782**
Fair value gains on investment properties	$127,474	-	-	$127,474
Interest income	$4,081	$33,820	-	$37,901
Interest on syndicated mortgage liabilities	-	($287)	-	($287)
Fair value gains on participating loan interests	$728	$4,215	-	$4,943
Impairment on foreclosed property	-	($2,053)	-	($2,053)
Income on equity accounted investments	$1,098	$9,585	-	$10,683
Other income	$206	$162	-	$368
Fair value gains on investment in REOT	$5,325	-	($5,325)	-
Distribution income	$25,717	-	($25,717)	-
General and administrative expenses	($11,430)	($3,577)	-	($15,007)
Recovery of (allowance for) expected credit losses	$230	$828	-	$1,057
Operating Income	**$199,210**	**$42,693**	**($31,042)**	**$210,861**
Finance costs	($15,418)	($1,208)	-	($16,626)
Currency translation gains (losses)	($80)	$255	-	$175
Net Income and Comprehensive Income	**$183,712**	**$41,740**	**($31,042)**	**$194,410**

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES



Investment properties are recorded on the balance sheet at fair value, unadjusted for portfolio or platform premiums. Changes in fair value flow through the statements of income and comprehensive income. In 2018, the gross value of the properties appreciated by $157.6 million; an increase of 53.7% compared to 2017.

A table that reconciles the increase in property values versus the Fair Value Adjustment in the financial statements is presented below. In Management's opinion, capital investments provide the opportunity for benefits which include future value growth that in many cases do not reflect in value immediately.

Fair Value of Investment Properties
(expressed in thousands of Canadian dollars)

	2018	2017
Balance, beginning of the year	$896,712	$768,794
Property acquisitions [1]	$64,861	$25,380
Increase in valuation	$157,638	$102,538
Investment properties held for sale	($9,790)	-
Total	**$1,109,421**	**$896,712**

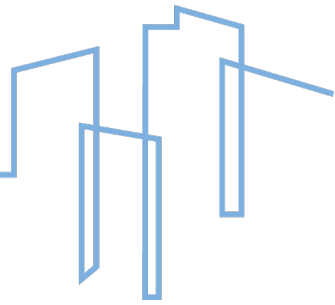
[1] *At purchase price*

Reconciliation of Increase in Portfolio Valuation to Fair Value Adjustment [1]
(expressed in thousands of Canadian dollars)

	2018	2017
Change in property valuation	$157,638	$102,538
Less: Acquisitions cost	($1,546)	($1,352)
Less: Property improvements	($28,618)	($22,425)
Fair Value Adjustment on Investment Properties	**$127,474**	**$78,761**

[1] *This table reconciles the Gross Change in property valuation with the financial statements. Refer to Note 4 of the audited financial statements in Appendix "D"*

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES



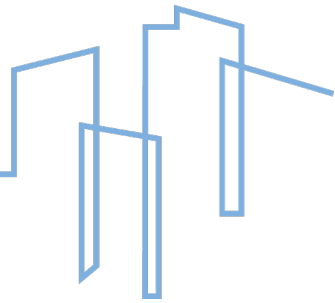
Some examples of capital investment would include, but are not limited to, common area renovations that increase the appeal and marketability of the property, energy retrofits, building envelope improvements and improvements to apartment fixtures and finishes that produce a higher rental rate in the competitive market. Management continues to believe that the significant investments made between 2014 and 2016 will continue to contribute to growth in property values in 2019 and beyond. Management anticipates that it will be filing a number of additional above-guideline rent increase applications in 2019 as a result of many of these capital improvements and that ultimately this will contribute further to property values. (See "Revenue and Expense Summary Table" for a partial list of some of these initiatives and their potential impacts).

The portfolio weighted-average capitalization rate declined again in 2018 from 4.80% to 4.55% (see Note 4 of the consolidated audited financial statements in Appendix "D").

Management believes that there still remains scope for capital growth in 2019 and beyond. Further, as discussed previously, the Trust invested approximately $28.7 million in capital improvements in 2018 and it is Management's opinion that not all of the benefits of these improvements are reflected in current values.

Sources of Change in Portfolio Valuation		
	2018	2017
Change in capitalization rates	40%	57%
Growth of NNOI	58%	43%
Acquisitions	2%	-
Total	**100%**	**100%**

MORTGAGES, DEBT, AND CAPITAL STRUCTURE



The Trust is limited in its Declaration of Trust to a leverage ratio of up to 75% but targets to keep its debt ratio in the 62-67% range on the property portfolio. This range is comparable to most of its multi-residential peers and would generally be considered very conservative in the multi-residential space. The mortgage liability portfolio at year-end was at a weighted-average interest rate of 3.27%. Leverage is at approximately 29.31% of total assets at the end of 2018, down from 35.71% in 2017 (see the table "Ratio of Debt to Gross Book Value" below). The Trust's leverage is well below the target ratio range.

The weighted-average term-to-maturity was 5.3 years as at December 31, 2018 and 4.7 years as at December 31, 2017. REIT capital (see table "REIT Capital Structure" below) was $1.8 billion in 2018.

The Trust's debt strategy is to ladder its mortgage maturities across a diverse array of lenders and maturity dates. The Trust's debt schedule, contained in Note 11 of the consolidated financial statements (see Appendix "D") is summarized below.

Ratio of Debt to GBV
(expressed in thousands of Canadian dollars)

	2018	2017
Total unrestricted assets	$1,796,023	$1,314,555
Mortgages payable	$526,389	$469,433
Ratio of Debt to GBV	**29.31%**	**35.71%**

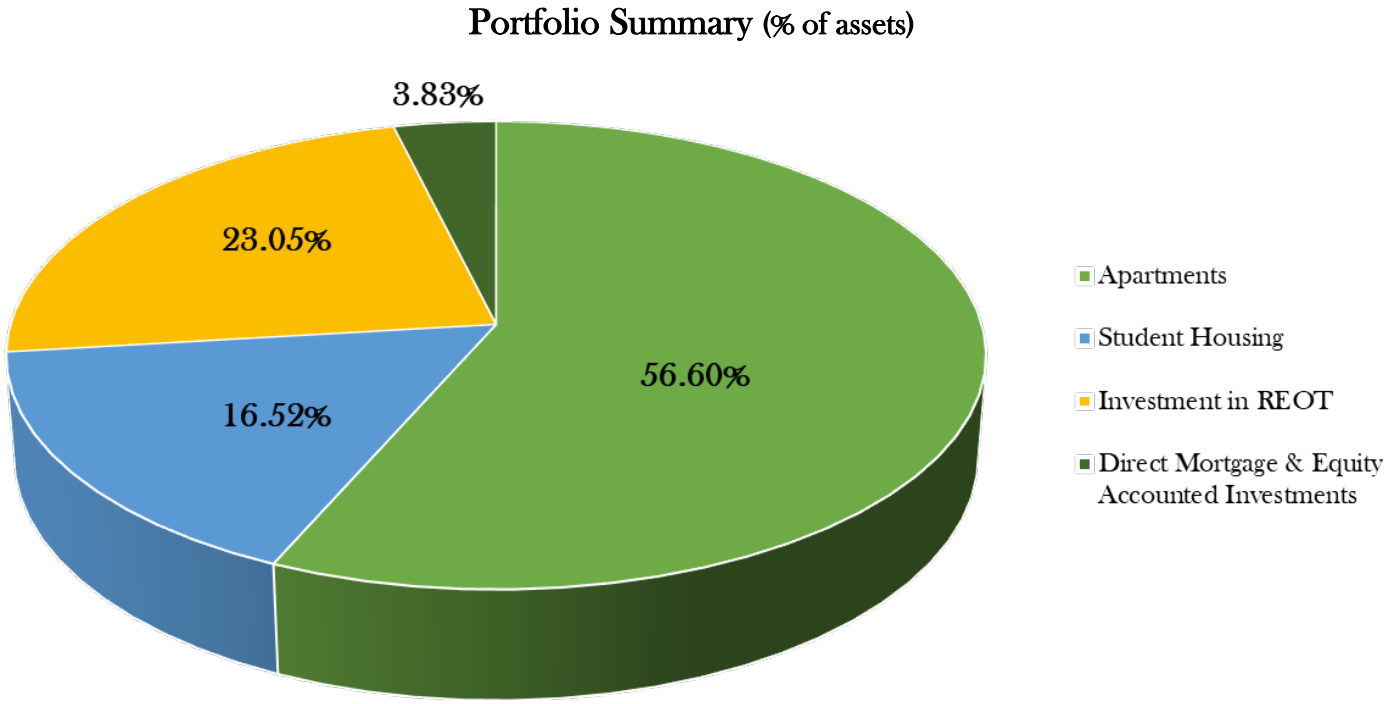
REIT Capital Structure as at December 31
(expressed in thousands of Canadian dollars)

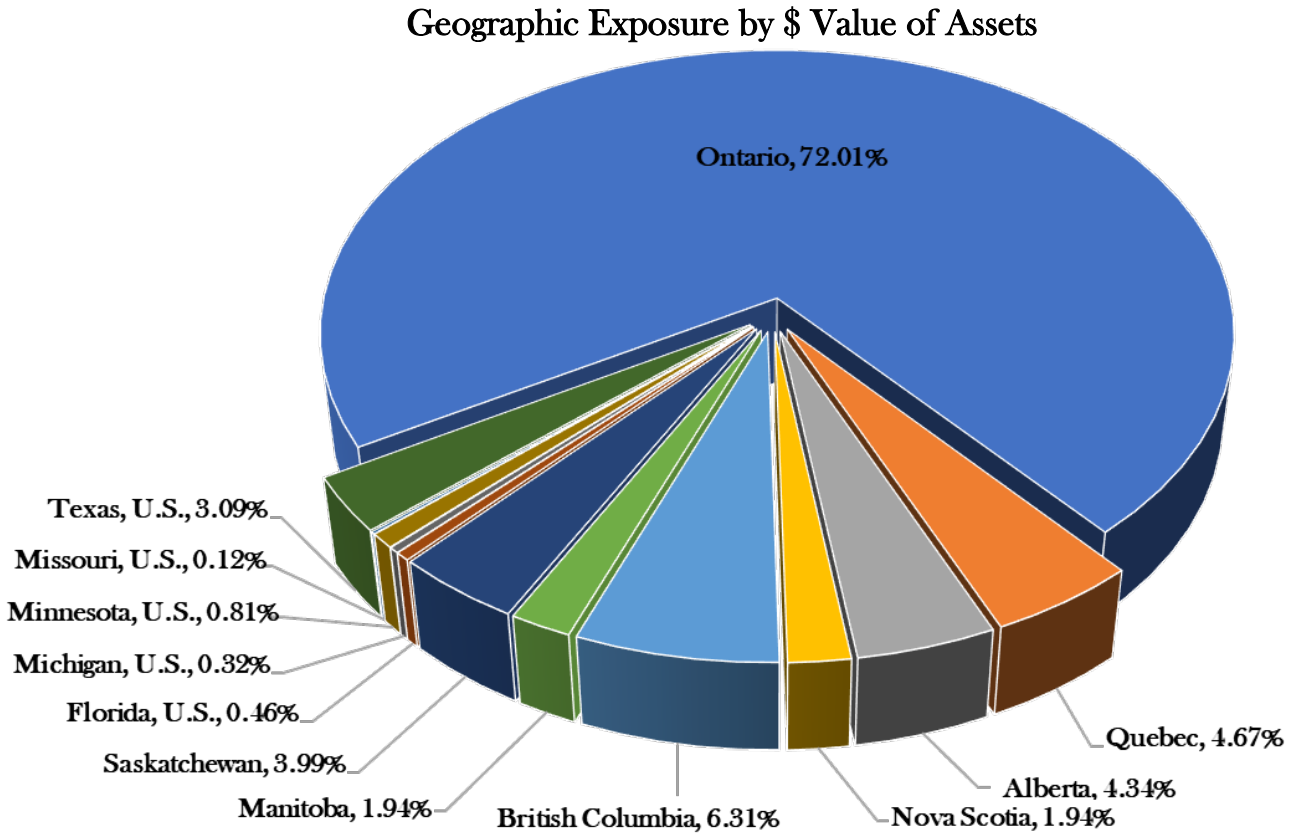
	2018	2017
Mortgages payable	$526,389	$469,433
Net assets attributable to unitholders	$1,235,581	$832,389
Total	**$1,761,970**	**$1,301,822**

Mortgages payable at December 31, 2018 are due as follows:

(expressed in thousands of Canadian dollars)	Principal Repayments	Balance Due at Maturity	Total
Year ended December 31, 2019	$31,237	$36,276	$67,513
Year ended December 31, 2020	$12,101	$35,436	$47,537
Year ended December 31, 2021	$9,318	$72,542	$81,860
Year ended December 31, 2022	$8,104	$36,247	$44,351
Year ended December 31, 2023	$10,249	$5,887	$16,136
Thereafter	$16,557	$256,183	$272,740
	$87,566	**$442,571**	**$530,137**
Less: Unamortized portion of financing fees			($3,748)
			$526,389

PORTFOLIO SUMMARY



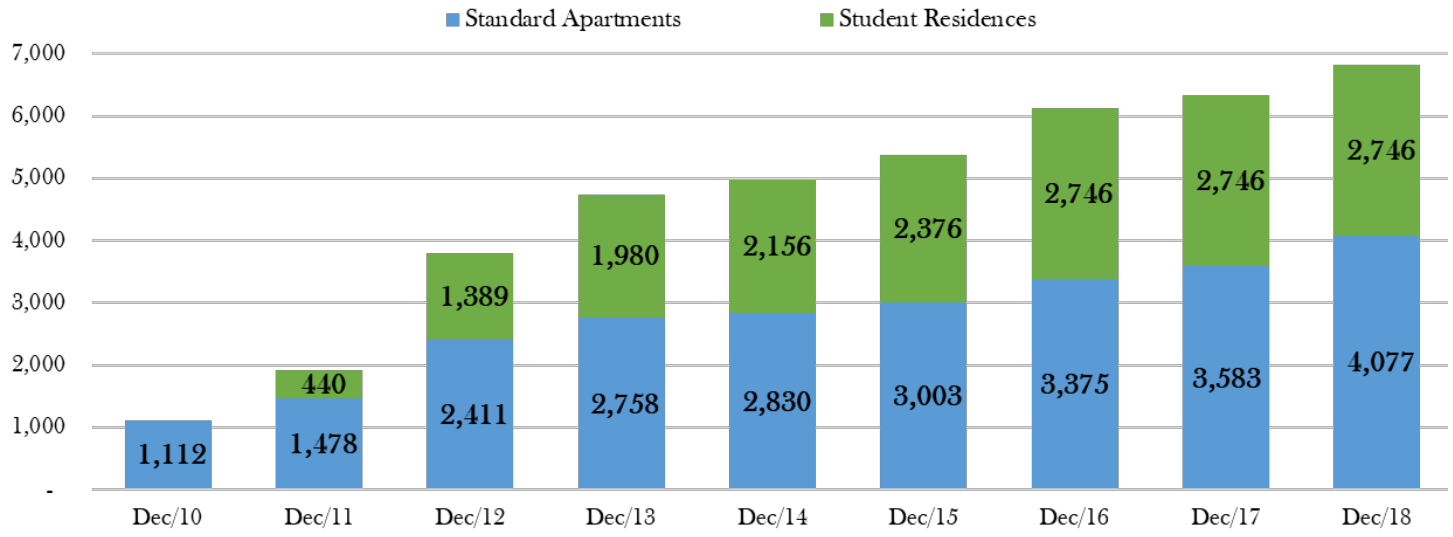


PROPERTY METRICS

BY PERCENTAGE PORTFOLIO (% OF $ VALUE OF ASSETS) AS AT DECEMBER 31, 2018				
Province	**Property Holdings**	**Percentage Weight of REOT Portfolio**	**Direct Mortgage and Equity Accounted Investments**	**Total**
Ontario	58.96%	10.86%	2.19%	72.01%
Quebec	4.67%	-	-	4.67%
Alberta	1.85%	1.77%	0.72%	4.33%
Nova Scotia	1.76%	0.18%	-	1.94%
British Columbia	-	6.31%	-	6.31%
Manitoba	-	1.94%	-	1.94%
Saskatchewan	3.78%	0.21%	-	3.99%
Florida, U.S.	-	0.46%	-	0.46%
Michigan, U.S.	-	0.32%	-	0.32%
Minnesota, U.S.	-	-	0.81%	0.81%
Missouri, U.S.	-	-	0.12%	0.12%
Texas, U.S.	2.10%	0.99%	-	3.09%
Total	73.12%	23.04%	3.84%	100.00%

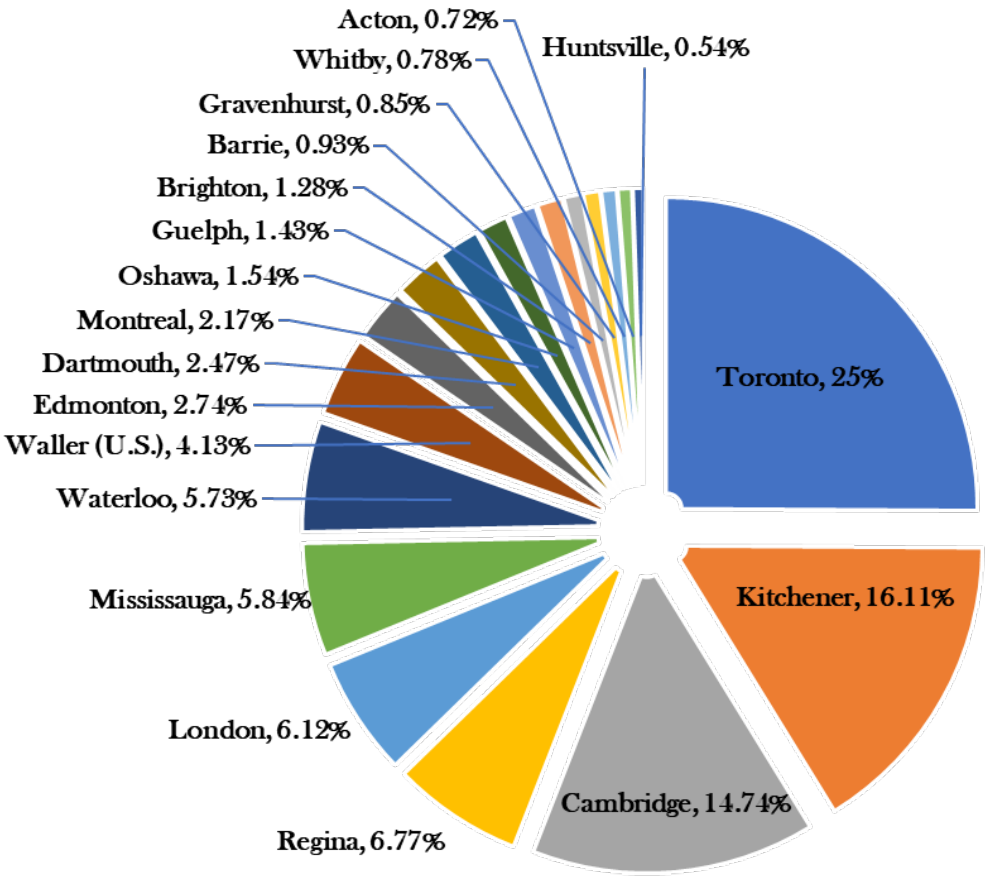
As at December 31, 2018, the Trust owned 56 properties. The charts below provide additional details of the property portfolio.

Number of Rental Units (undiluted)

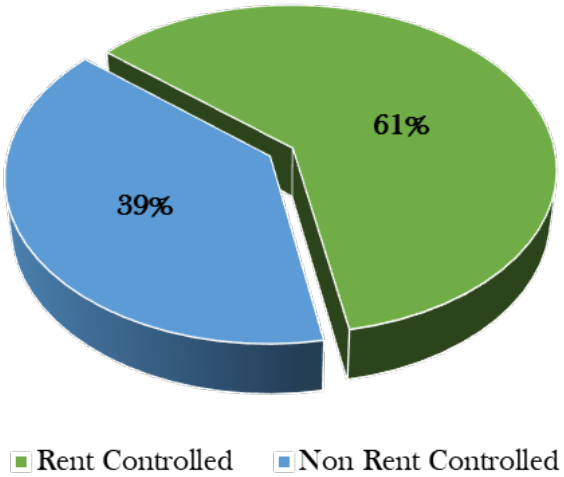


OTHER PROPERTY METRICS

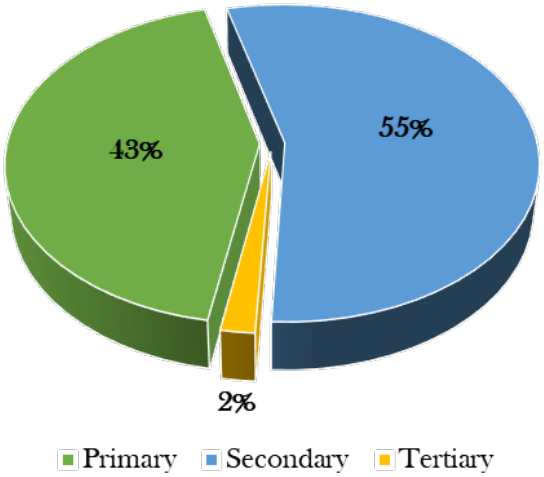
Percentage of Suites by City (diluted)



Property Summary by Rent Control Status
(by rent unit count – diluted)



Property Summary by Market Size Type
(by rent unit count – diluted)



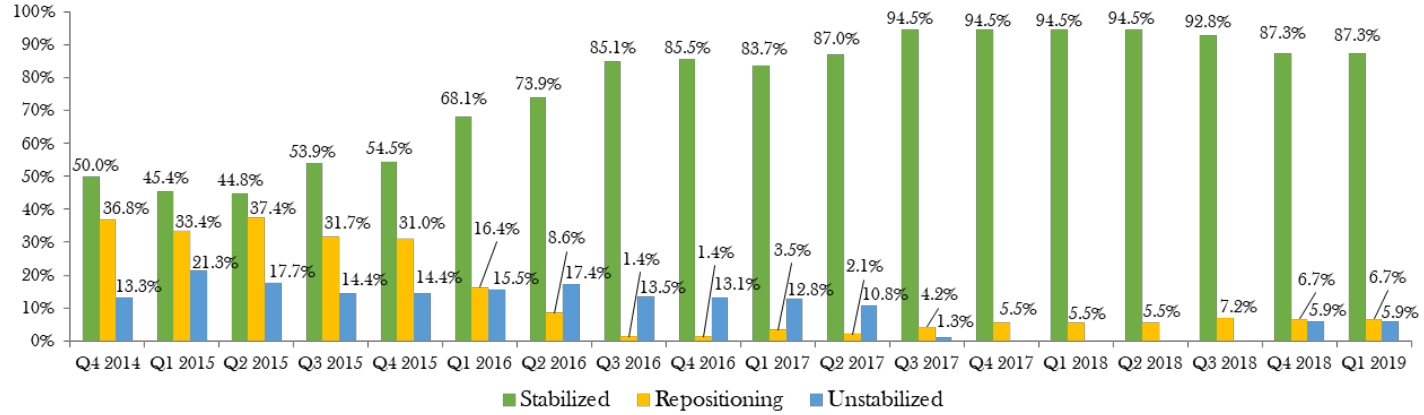
PROPERTY STABILIZATION AND REPOSITIONING PROGRESS

The following charts breakdown the Trust's portfolio into three categories as at March 31, 2019:

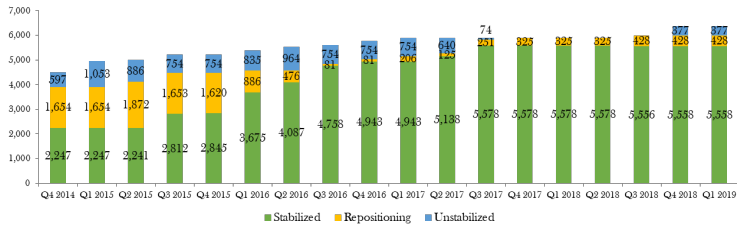
(1) Stabilized **(2) Unstabilized** **(3) Repositioning**

There has been significant improvement in stabilizing the Trust's properties over the years.

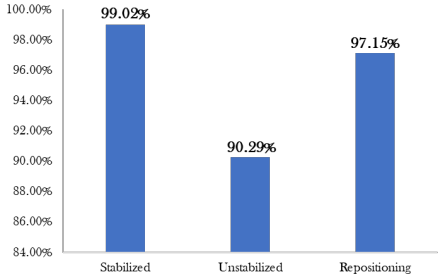
Portfolio Stabilization by Percentage (weighted)



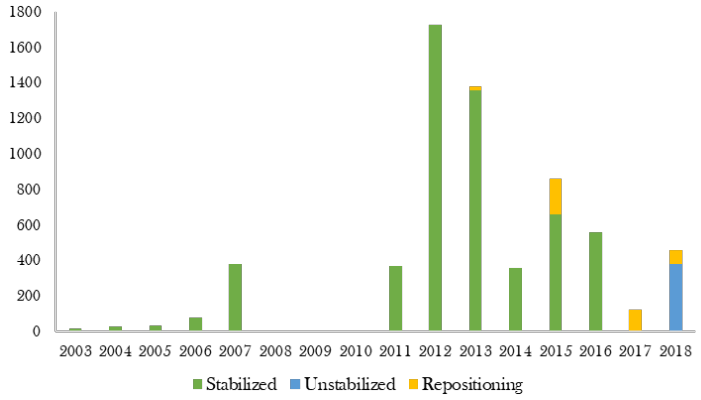
Portfolio Stabilization by Units



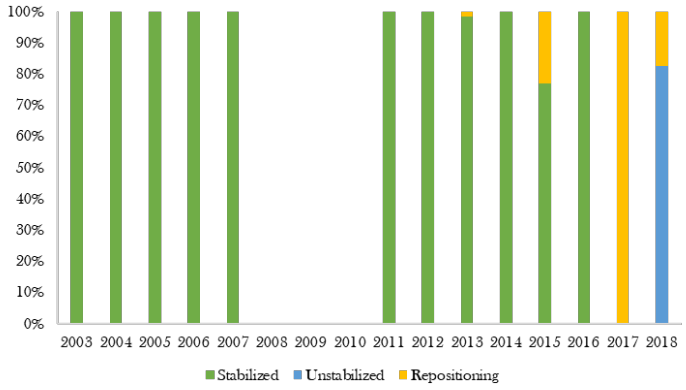
Summary of Property Occupancy by Stabilization Status



Stabilization by Year of Acquisition (rental units)



Stabilization by Year of Acquisition (percentage)



PROPERTY STABILIZATION AND REPOSITIONING PROGRESS

2018 Renewal and Turnover Analysis

By Stabilization - Apartments			
Status	Market Rent Increase	Renewals	New Tenants (including unit transfers)
Stabilized	14.70%	3.24%	28.26%
Repositioning	3.36%	1.21%	2.23%
Unstabilized	-	-	-

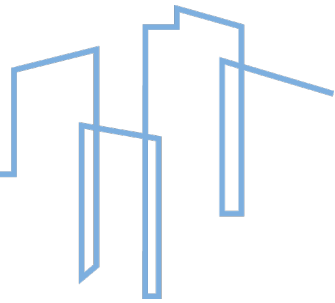
By Stabilization - Students			
Status	Market Rent Increase	Renewals	New Tenants (including unit transfers)
Stabilized	5.39%	3.82%	4.92%
Repositioning	-	-	-
Unstabilized	-	-	-

Acquisitions

In 2018, the Trust made the following acquisitions:

Closing Date	City	Address	# of Rental Units	Type	Price *(expressed in thousands of Canadian dollars)*	Interest
21-Nov-18	Regina, Saskatchewan	5960 Little Pine Loop	75	Standard Apartment	$11,936	100%
21-Nov-18	Regina, Saskatchewan	1291 North McEachern Drive	64	Standard Apartment	$11,518	100%
21-Nov-18	Regina, Saskatchewan	1251 North McEachern Drive	48	Standard Apartment	$9,296	100%
30-Nov-18	Waller, Texas, U.S.	31200 FM 2920 Road	224	Standard Apartment	$27,500 USD	85%
TOTAL			**411**		**$70,266**	

MORTGAGE INVESTMENT STRATEGY



Since the beginning of 2013, the Asset Manager had been building a financing business for Centurion Apartment REIT and in May of 2013 began its first capital deployments. As the financing business grew, the Asset Manager believed that the potential scale of these opportunities, particularly in the development of new apartments and student housing which the REIT could buy upon completion, would ultimately require a larger capital allocation than could be supported on the REIT`s balance sheet alone. Further, the Asset Manager was seeing a regular flow of other real estate debt and equity investment opportunities that fell outside of the acquisition pipeline goals of the REIT by virtue of its' activities in the market that it had to forego. As such, the Asset Manager believed that there was sufficient scope to create a fund to focus on these and other similar opportunities. To maximize the number of opportunities upon which it could execute and potentially secure purchase options, the Board of Trustees of the REIT decided to set up a new fund, Centurion REOT, to which it contributed the majority of the REIT's debt and equity financing portfolio of $58.93 million in return for Class R equity units in REOT in September 2014.

The REIT and REOT are strategic partners in providing developers an end-to-end solution for debt and equity financing and ultimately a potential exit in a sale of the stabilized development to the REIT. In the opinion of the Asset Manager, this end-to-end solution has been seen by developers as an attractive option and has garnered considerable interest. The strategic partnership between the REIT and the REOT is intended primarily to have the following benefits:

For Developers and other clients:

- an end-to-end solution to finance, develop, manage, and sell their properties

For Centurion Apartment REIT:

- the continuing opportunity to participate in the income and growth on its pro-rata holdings in the portfolio it had built and contributed to REOT
- the opportunity to use its own operating facilities to fund higher yielding investments on a short-term basis via the Warehousing Agreement for short-term income
- the opportunity to build a larger pipeline of potential acquisitions than it could on its own.

For Centurion Real Estate Opportunities Trust:

- a significant starting portfolio with a track record that would allow REOT to get to scale faster than if it started from scratch
- the opportunity to invest for income and growth on new opportunities originating from relationships developed by the REIT
- via a Warehousing Agreement with the REIT, the ability to move quickly to commit to investment opportunities to build its portfolio.

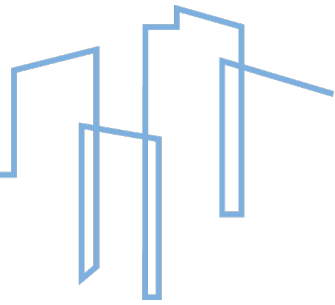
As such, the REIT will invest in the strategic relationship with REOT by maintaining an investment in REOT and in providing a warehouse facility to REOT to assist REOT in growing its portfolio and thus ultimately, the number of options to purchase properties which the REIT may have interest in.

This will permit the Trust to participate in more opportunities without necessarily increasing the amount of capital dedicated to the strategy and potentially increase the acquisition pipeline further. Management continues to believe that:

1) due to excess competition, it is prudent to maintain our acquisition discipline in not overpaying and wait for the right opportunities which may take time; and
2) banks continue to restrict lending to the development community, particularly condos and to the medium and smaller builders which will increase interest rates on mezzanine financing and increase the number of attractive mortgage investment opportunities; and
3) with the reduction in capitalization rates, new construction apartment buildings are becoming feasible to build; and
4) with the Trust focusing on student housing, which is almost all new or recent construction, and where the opportunity is to expand is to find new attractive sites which need to be built; and
5) the Trust has the liquidity to invest.

Since REOT's launch it has continued to grow its net assets from an initial $58.93 million to $525.08 million. The portfolio is diversified with 95 funded investments of which 34% are designated as "participating" – meaning that REOT has equity type risk positions in these projects so there is the potential for upside beyond the return from the

MORTGAGE INVESTMENT STRATEGY



mortgage investment side of the projects.

As the REIT owns 63.81% of REOT as at December 31, 2018, consolidation principles apply. On a consolidated basis, the weighted effective interest rate is 9.22% and the weighted-average contractual term-to-maturity is 0.77 years. The weighted-average loan-to-value is 67.49%. Portfolio turnover was healthy with $118.8 million in pay-downs and $288.7 million in funding. As at December 31, 2018, a recovery of expected losses of $1.1 million has been recognized.

On an unconsolidated basis, approximately 9.6% of the direct mortgage and equity accounted investments are held directly by the REIT with the remainder held directly by REOT (some investments are syndicated between both funds).

It is anticipated that the return on the participating investments on a consolidated basis will be approximately 29.42%. This represents the IRR of deal underwriting over the life of the specific investments. The IRR's on participating investments are estimated and may not be realized and are not guaranteed. The return is not expected to occur linearly and may change materially. The IRR has been estimated over the investments life and may not be realized in 2018.

Effective January 1, 2018, the Trust adopted IFRS 9 Financial Instruments ("IFRS 9"), which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). Under IFRS 9, the standard mortgage components previously separated from their participating loan interest counterparts were combined into single investments and remeasured at fair value. The adoption of IFRS 9 had no effect on the measurement of the Trust's total assets or total liabilities; however, the Trust was required to reclassify $105.7 million from standard mortgages to participating loan interests.

REOT utilizes a strategy that is focused on a very specific niche and builds on its relationship with the REIT as a potential end buyer of a completed apartment and student properties. REOT's ability to attract joint venture/developers to its project development program by being able to offer an end-to-end solution to its partners (debt, equity, property management/lease up, and potential end buyer) continues to gain traction in the market. As such, REOT has a very robust pipeline of opportunities into 2019.

The REIT's strategy is to increase the number of opportunities to purchase newly built properties upon completion by bringing in additional third-party capital through investment in REOT. The REIT has purchased four properties under this strategy. As at December 31, 2018, the REIT has purchase options on a number of apartment and student properties currently in various stages of development and construction with a potential market value of $1.5 billion on an undiluted basis.

The REIT may not exercise its options to purchase all of the properties on which it holds options, however these options provide a strong pipeline of potential acquisition opportunities for the REIT. Management considers this to be very important for the REIT's future growth.

With lending at higher rates, comes higher risk. The Trust's underwriting and due diligence processes attempts to protect the Trust from unnecessary risk; however, defaults and other events can occur from time to time.

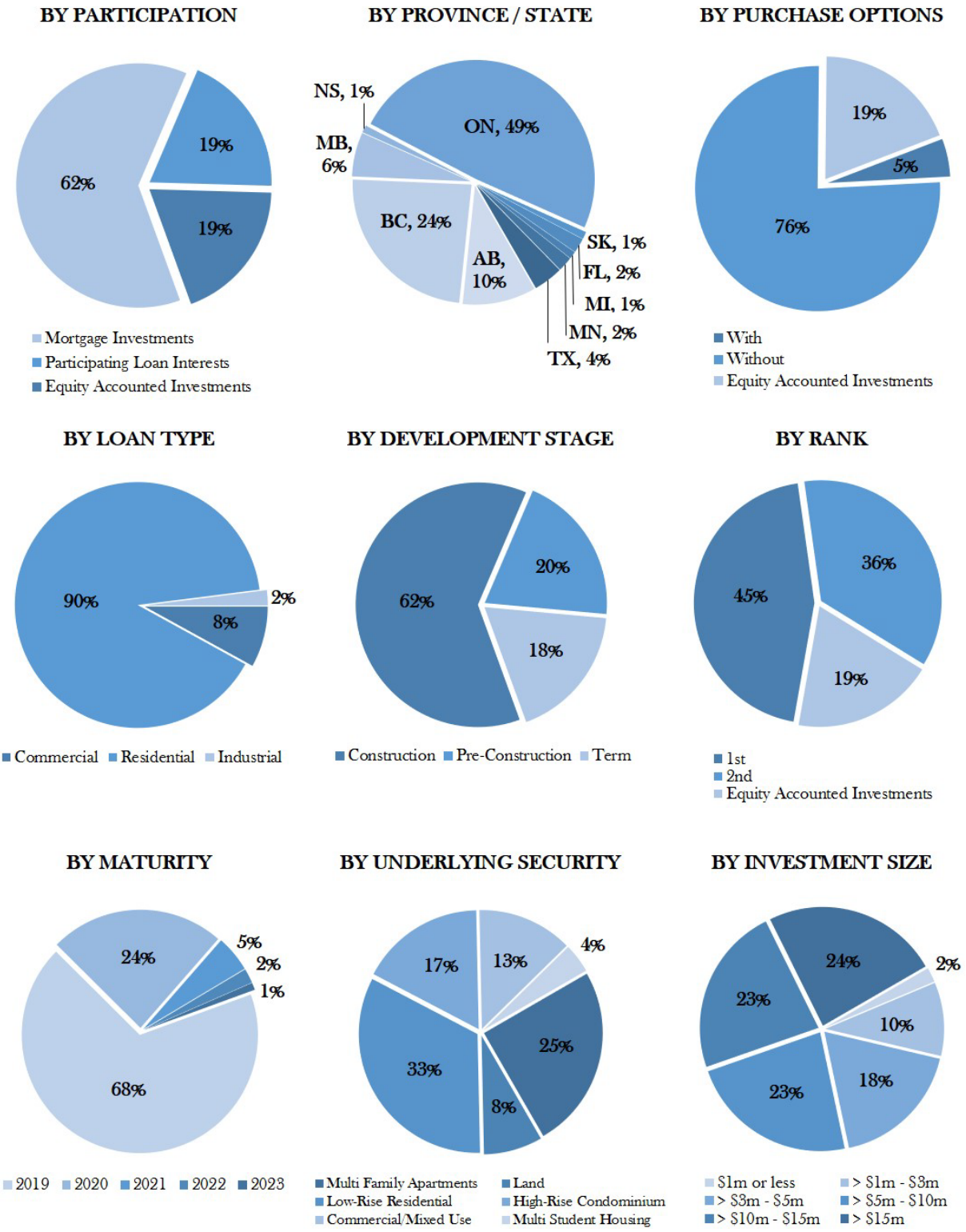
During the year, REOT foreclosed on a multi-residential partially built property after the borrower defaulted in 2017. Through legal proceedings, REOT pursued multiple leads that had expressed interest in purchasing the property. REOT was unable to reach an agreement for the proposed sale so it completed the foreclosure in December 2018. REOT has partnered with a builder who will complete construction of the building. It wrote down $2.1 million on the foreclosure but anticipates a full recovery once the building is completed and sold. It is anticipated that the REIT will ultimately be the buyer of the property once completed given its size, quality and location.

During the year, REOT entered into two syndicated mortgage transactions. Under IFRS, syndicated mortgages are recorded as liabilities when in fact they are not liabilities of the Trust. We intend to increase our syndicated mortgage business in 2019 with the hiring of an individual to grow this business line.

The following charts provide additional information relating to the direct mortgage and equity accounted investments in REOT. See page 35 and 36 for the summary of what is directly attributable to each entity.

Appendix B provides detailed information of the mortgage investments as at December 31, 2018.

MORTGAGE INVESTMENT STRATEGY



Please refer to Appendix B for Summary Information on the Mortgage Investment Portfolio.

2018 OPERATING RESULTS

2018 was the best year in the history of the REIT. The Trust had Net Income and Comprehensive Income of $194.4 million up 33.4% from $145.7 million in 2017. Same Property Total Operating Revenues ("PTOR") increased 6.8% to $65.9 million compared to $61.7 million in 2017. Operating expense ratios were tightly controlled and declined in 2018. As such, Total NOI was up 12.1% to $44.2 million on a same property basis and the NOI Margin increased to 67.06% from 63.90% in 2017. There was very strong performance from the REIT's investments in REOT and its own mortgage portfolio.

Portfolio stabilization was at 87.3% at year-end and Occupancy was at 98.6% for 2018. Portfolio stabilization declined from 94.5% in 2017 primarily through the acquisition of new properties that are not yet stabilized in 2018. With lower vacancy in its portfolio and tight rental markets in general in Ontario, this should give the REIT the opportunity to drive rents in 2019.

Management believes that it has made significant strides towards the stabilization of the portfolio both on repositioning and on previous acquisition properties that are currently in the process of being stabilized. The medium-term stabilized target is now 67% to 69% given where visibility into rents and continued savings on the expense side.

Madison Ridge at 1251 McEachern Drive, Regina, Saskatchewan

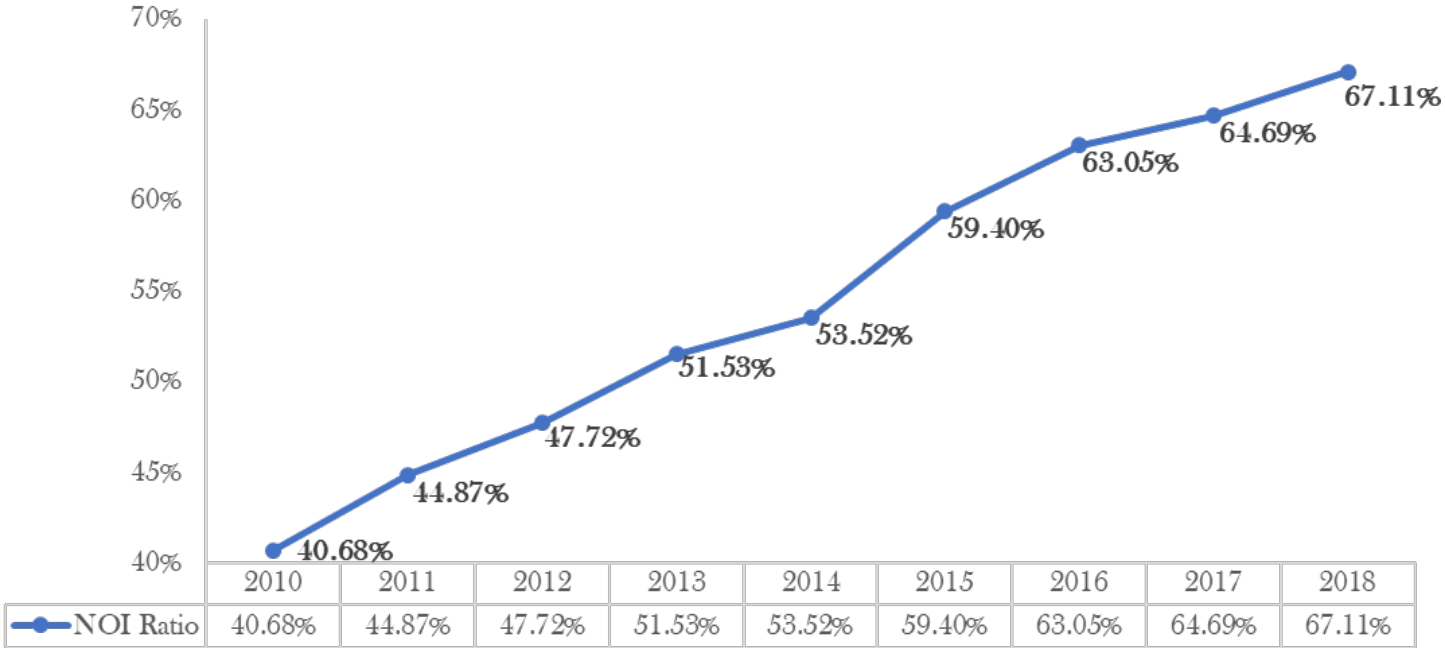
OPERATING INCOME GROWTH

In 2018, NNOI increased to $51.6 million from $42.7 million in 2017, an increase of 20.9%. The below table reflects annualized NNOI at the end of each of these periods and not the NNOI for the full period.

NNOI Run Rates *(expressed in thousands of Canadian dollars)*								
	2011	2012	2013	2014	2015	2016	2017	2018
Same Property	$4,000	$7,532	$18,093	$24,834	$31,218	$35,254	$41,333	$46,648
New Acquisitions	$3,034	$8,910	$6,317	$2,813	$3,302	$3,953	$1,344	$4,939
TOTAL	$7,034	$16,442	$24,410	$27,647	$34,520	$39,207	$42,677	$51,587

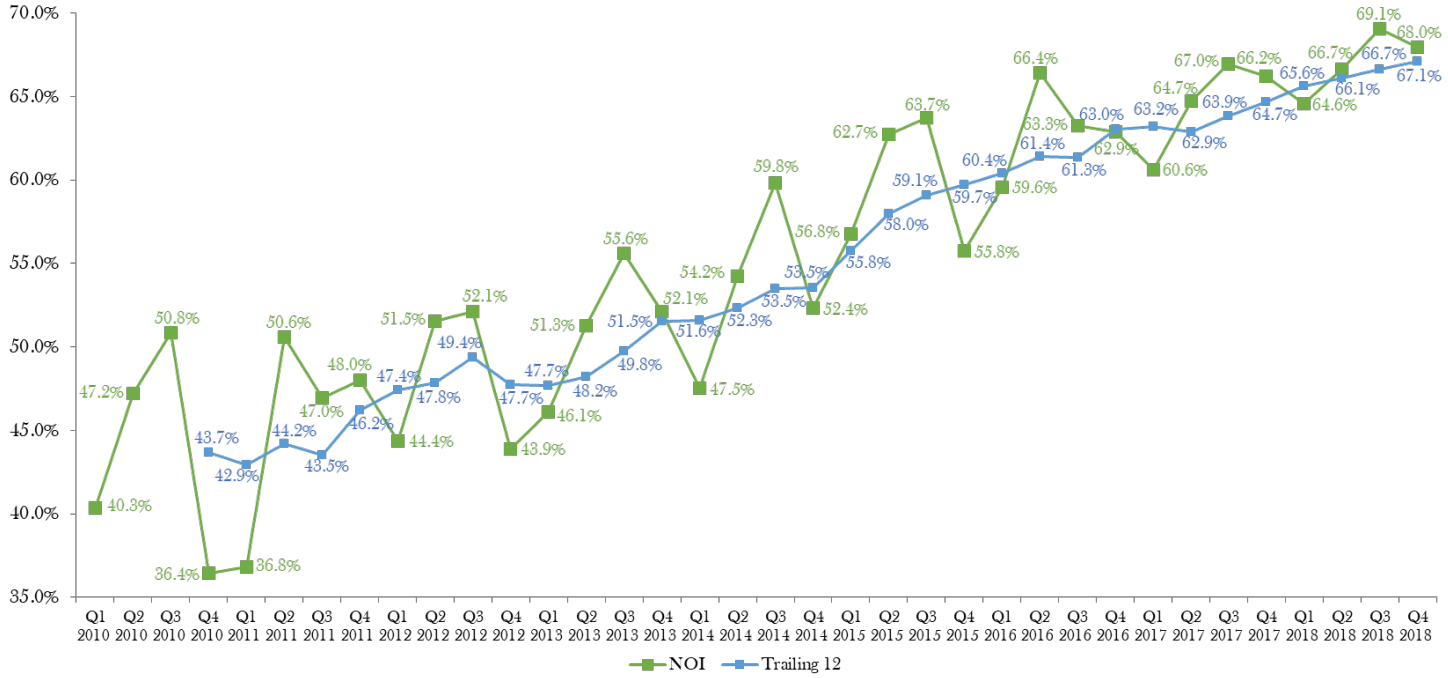
NOI ratios have continued to increase over time. Management is targeting an NOI Ratio of between 67% - 69% in 2019.

Annual NOI Ratio Growth

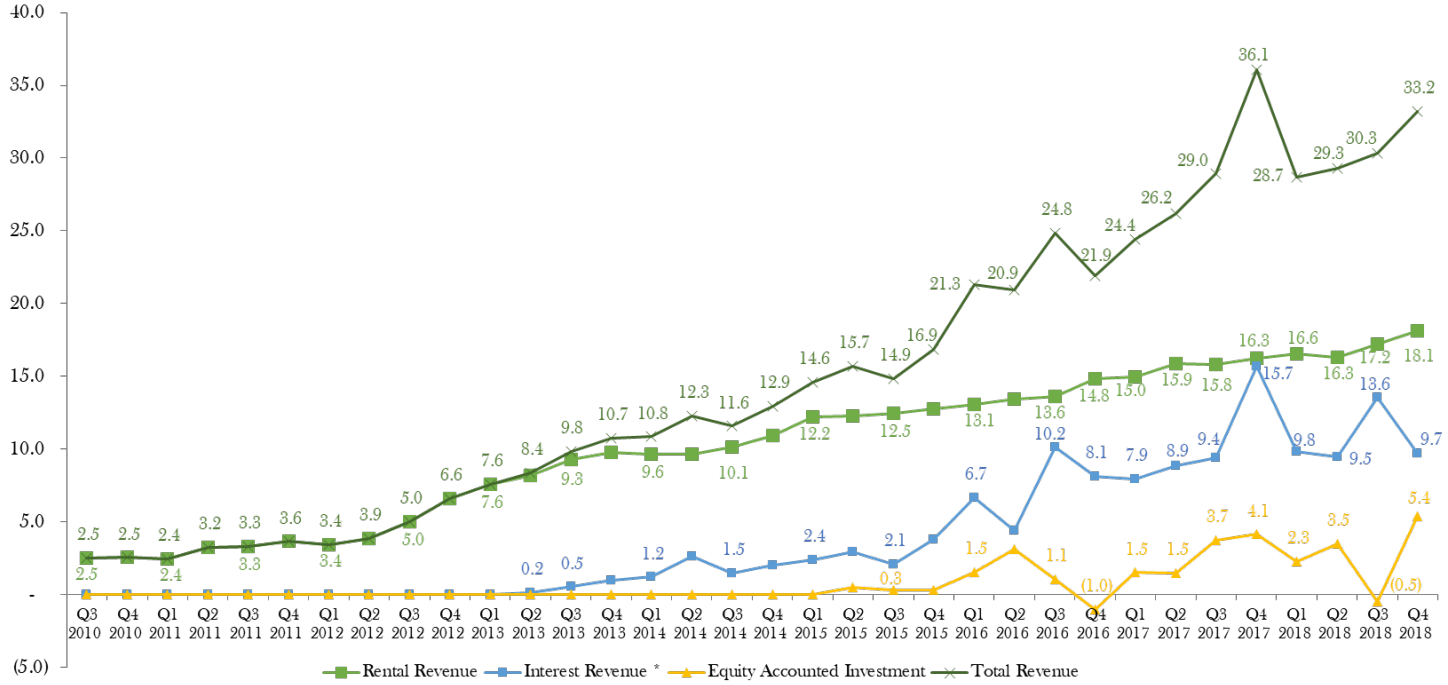


NOI AND REVENUE GROWTH

Quarterly NOI Growth Trend



Quarterly Revenue Growth
(in millions)



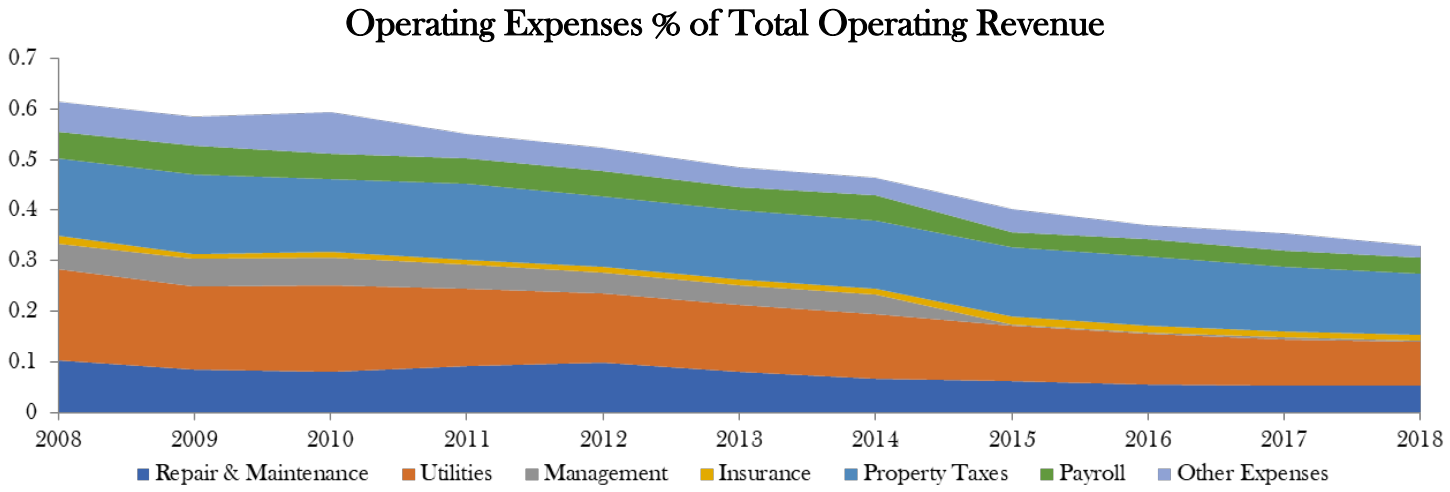
SAME STORE ANALYSIS[1]

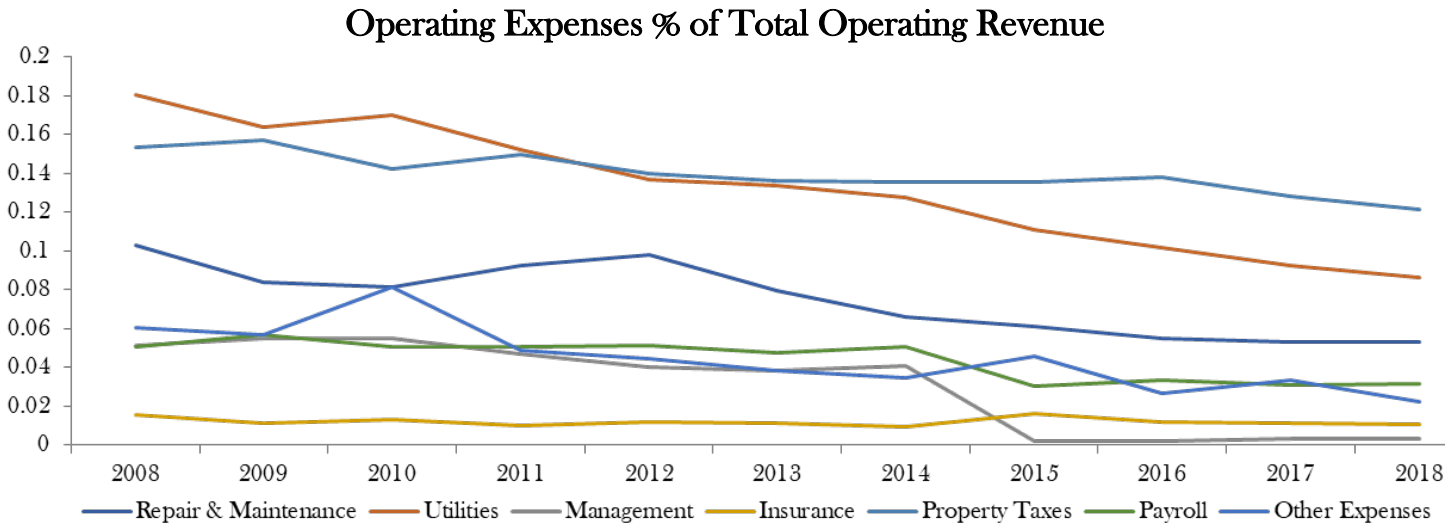
Asset Type	Stable (expressed in thousands of Canadian dollars)			Repositioning (expressed in thousands of Canadian dollars)		
Year	Q4 2017	Q4 2018	Change	Q4 2017	Q4 2018	Change
Income						
Total Operating Revenue	$58,712	$62,708	6.81%	$2,959	$3,142	6.19%
Total NOI	$37,864	$42,258	11.61%	$1,544	$1,900	23.05%
NOI Ratio	64.49%	67.39%	2.90%	52.20%	60.49%	8.29%
Average Rent/unit as per Dec 31st Rent Roll	$883	$943	6.80%	$1,190	$1,259	5.87%
Expense Ratio (%)						
Taxes	13.57%	12.49%	-1.09%	13.87%	13.96%	0.09%
R&M	5.09%	5.08%	0.00%	8.31%	7.84%	-0.47%
Wages	3.06%	2.98%	-0.08%	4.41%	5.02%	0.61%
Insurance	1.14%	1.07%	-0.06%	1.05%	0.94%	0.11%
Utilities	9.46%	8.75%	-0.71%	7.96%	7.23%	-0.72%
G&A	3.19%	2.24%	-0.96%	12.19%	4.51%	-7.68%
Expense Dollars ($)						
Taxes	($7,969)	($7,831)	($139)	($410)	($439)	$28
R&M	($2,987)	($3,188)	$201	($246)	($246)	-
Wages	($1,794)	($1,867)	$73	($131)	($158)	$27
Insurance	($668)	($673)	$5	($31)	($30)	($1)
Utilities	($5,556)	($5,489)	($67)	($235)	($227)	($8)
G&A	($1,873)	($1,402)	($472)	($361)	($142)	($219)

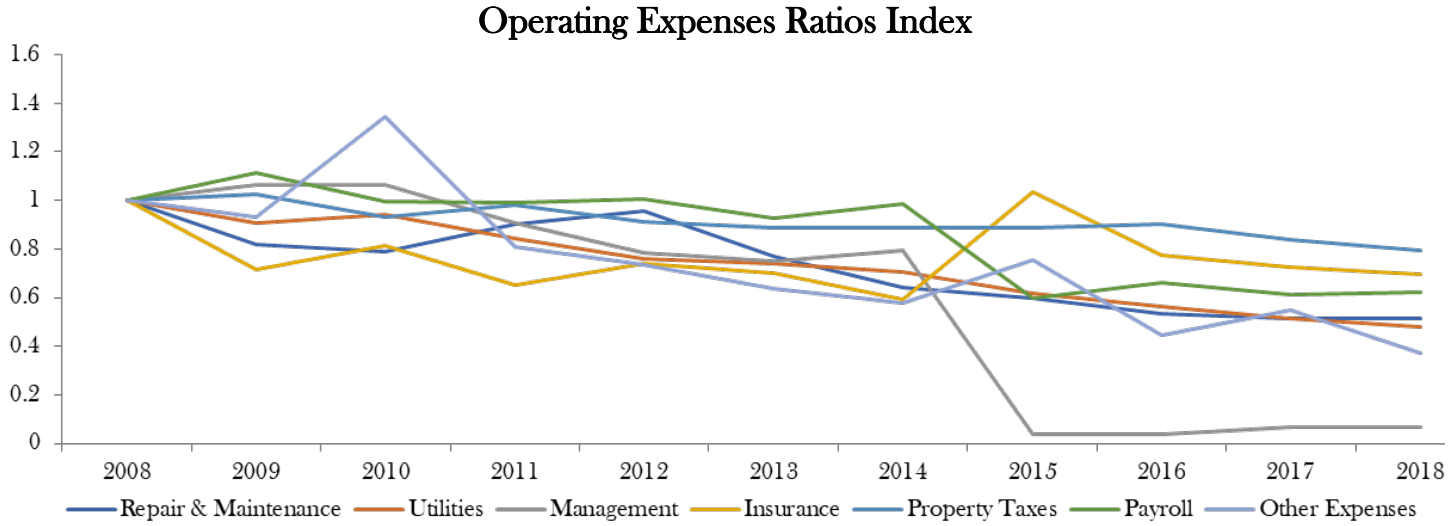
Asset Type	Unstabilized			Total – Same Store (expressed in thousands of Canadian dollars)		
Year	Q4 2017	Q4 2018	Change	Q4 2017	Q4 2018	Change
Income						
Total Operating Revenue	-	-	-	$61,671	$65,850	6.78%
Total NOI	-	-	-	$39,408	$44,159	12.05%
NOI Ratio	-	-	-	63.90%	67.06%	3.16%
Average Rent/unit as per Dec 31st Rent Roll	-	-	-	$894	$955	6.80%
Expense Ratio (%)						
Taxes	-	-	-	13.59%	12.56%	-1.03%
R&M	-	-	-	5.24%	5.22%	-0.03%
Wages	-	-	-	3.12%	3.07%	-0.05%
Insurance	-	-	-	1.13%	1.07%	-0.07%
Utilities	-	-	-	9.39%	8.68%	-0.71%
G&A	-	-	-	3.62%	2.34%	-1.28%
Expense Dollars ($)						
Taxes	-	-	-	($8,380)	($8,269)	($111)
R&M	-	-	-	($3,233)	($3,434)	$201
Wages	-	-	-	($1,925)	($2,025)	$100
Insurance	-	-	-	($699)	($703)	$4
Utilities	-	-	-	($5,792)	($5,717)	($75)
G&A	-	-	-	($2,234)	($1,543)	($691)

[1] *Same store analysis includes the results for all properties that were owned throughout the period from December 31, 2016 to December 31, 2017 and the results for the same properties for the period from December 31, 2017 to December 31, 2018.*

OPERATING EXPENSES







"FFO", "NFFO", AND "PFFO"

Funds From Operations, Normalized Funds From Operations, and Potential Funds From Operations

(expressed in thousands of Canadian dollars)	2018	2017
FFO (Funds From Operations)		
Net Income and Comprehensive Income	$194,410	$145,709
Less: FV gains on investment properties	($125,421)	($78,761)
Less: Minority Interest [1]	($15,225)	($18,409)
Plus: Provision/(recovery) on mortgage investments	($1,057)	$892
Plus: Amortizations	$1,035	$1,096
Plus: Capital raising costs expensed through G&A	$163	$306
FFO	**$53,905**	**$50,833**
NFFO (Normalized Funds From Operations)		
FFO	$53,905	$50,833
Plus: Vacancy and portfolio stabilization costs [2]	$2,546	$1,850
Plus: Unlevered cash [3]	$682	$1,478
Plus: Gap to market rents	$11,829	$7,706
NFFO	**$68,962**	**$61,866**
PFFO (Potential Funds From Operations)		
NFFO	$68,962	$61,866
Plus: Sub-metering	$628	$914
Plus: Parking implementation	$460	$306
Plus: Roll-down or mortgage portfolio to market rate 5-year mortgages	$219	$1,104
Plus: Deployment of undrawn credit facility [4]	$1,557	$1,000
PFFO	**$71,826**	**$65,190**
Average number of outstanding units	60,493,943	49,794,831
Per Unit Statistics (Per Adjusted Number of Outstanding Units)		
Net Income and Comprehensive Income	$3.21	$2.93
FFO	$0.89	$1.02
NFFO	$1.14	$1.24
PFFO	$1.19	$1.31

Notes:

[1] *Represents the Non-Controlling Interest*

[2] *Normalized vacancy, credit and leasing costs associated with repositioning and stabilizing the portfolio to normal operations*

[3] *Represents the average cash balance deployed at 10.0% net return*

[4] *The REIT is currently underleveraged.*

"FFO", "NFFO", AND "PFFO"

Funds From Operations, Normalized Funds From Operations, and Potential Funds From Operations

On a comparison basis, the 2018 Net Income and Comprehensive Income per Unit rose to $3.21 from $2.93 in 2017. Strong gains in property values contributed significantly to these record results. However, Funds From Operations (FFO, NFFO, PFFO) per Unit metrics were slightly lower than in 2017. The decrease is explained by several factors:

- The REIT raises capital on an anticipatory basis, raising ahead of capital commitments, meaning there is some short-term dilution between the raising of funds and their deployment. The size of the capital raise in 2018, at $243.3 million, net of redemptions, represented the largest in the REIT's history and gives an indication of the scale of the short-term effect on these metrics while capital is being deployed. Often, capital is raised in anticipation of a closing that may be delayed or even cancelled for various reasons. Given the acquisition and investment pipeline that seems to lie ahead, it is likely that we will be accumulating anticipatory capital in 2019 as well.
- Significant investments in equity and participating development projects funded by capital raised in 2018 are not yet positively impacting FFO, since these development projects are dilutive in their startup phase until project milestones are achieved.
- During 2018, the REIT completed the foreclosure process on a loan previously in default. The REIT assumed title, discontinued interest accruals and began committing capital to continue development activities and prepare the project for either operations or external sale.
- The strong pace of maturation on participating investments contributed significantly to the 2017 FFO, however, this pace slowed in 2018. This is a natural consequence of the imperfect timing of returns from these types of long-term investments.
- The REIT purchased some properties that required repositioning, which has decreased the proportion of the portfolio that is stabilized (although the total number of stabilized units didn't decrease). These unstabilized properties will be slightly dilutive until they are aligned to our operating standards.
- Management increased working capital reserves effectively increasing capital but not generating additional returns contributing to FFO. The liquidity floor increased from $25 million to $50 million, along with the liquidity target from $50 million to $100 million to provide additional financial flexibility, which further buffers against uncertainty of capital flows in and out and to scale with the size of the portfolio. Management views that increasing liquidity reserves is the prudential course of action at this time.

Same Store Net Operating Income was 12.1% percent higher than in 2017 which was the strongest year since 2015 which included the impact of internalization of the property and asset management platform. Excluding the impact of internalization, SSNOI growth in 2018 was the strongest the REIT has ever generated. As such, management views the first five factors as temporary dilution that will resolve over time and that they are not reflective of the positive performance of the portfolio which generated record total net income in 2018, exceeding 2017 by 33.4%.

UNITS AND DISTRIBUTIONS

Issued and Outstanding Number of Units

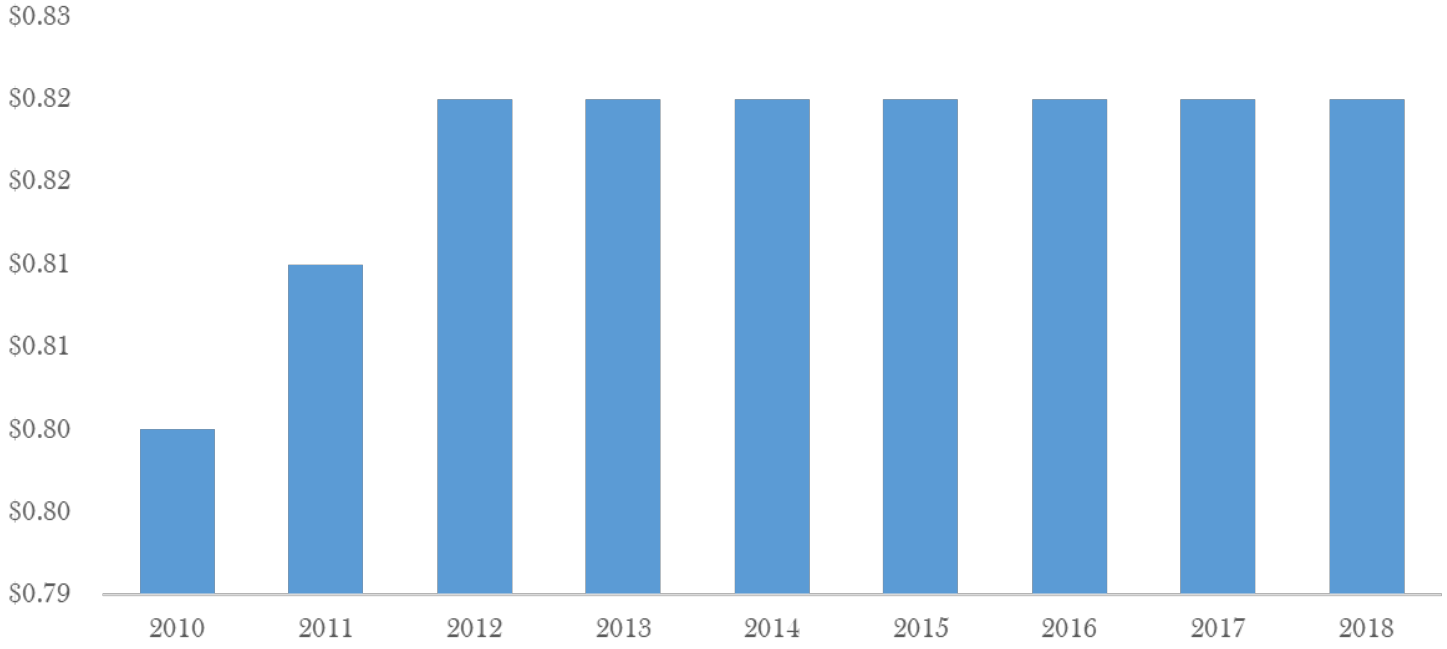
The following table depicts the number of Issued and Outstanding Units at each of these periods.

Summary of Unit Holdings at December 31, 2018		
	2018	2017
Class A	50,481,635	44,078,599
Class F	15,871,275	8,638,456
Class I	643,444	78,802
Class M	50,000	50,000
Exchangeable LP	478,009	131,000
Total	**67,524,363**	**52,976,857**

In 2018, annual distributions per Unit remained at $0.82 for the Class A Units and $0.93 for the Class F Units while the Unit price continued to increase in 2018. Distribution yield is currently 5.31% based on an annual distribution of $0.82 per Unit on $16.15 per Unit for Class A Units and 6.04% based on an annual distribution of $0.93 per Unit on $16.15/Unit for Class F Units.

Management anticipates that distributions per Unit will remain at the current level for the remainder of the year while it focuses on the stabilizing and repositioning in-process properties and realizing some of the potential in the portfolio. The chart below shows the annual distribution since the REIT's inception.

Annual Cash Distribution per Unit of Class A Since Inception



TAX TREATMENT OF DISTRIBUTIONS

The chart below shows the history of the tax treatment of the REIT's distributions by year.

T3 Box	Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
42	Return of capital	100.00%	100.00%	100.00%	100.00%	90.25%	83.70%	83.31%	84.43%	67.90%	66.60%
21	Capital gains	-	-	-	-	9.75%	1.87%	1.15%	-	6.20%	-
26	Other income	-	-	-	-	-	14.43%	15.54%	15.57%	25.90%	32.55%
25	Foreign Non-Business Income	-	-	-	-	-	-	-	-	-	0.85%

In 2018, Other Income remained within the same range as in the prior year as a portion of total returns at 32.55%. This was driven by the interest income earned by the REIT on its mortgage investment and development portfolio. Given the strategic importance of continuing to build a future pipeline for accretive growth, Management expects that this income will remain the same or increase as the REIT continues to deploy capital into similar opportunities until these turn into actual property acquisitions upon project stabilization. Once these opportunities become property rather than mortgage investments, we expect that the proportion of returns for tax purposes classified as Other Income will decline.

CAPITAL RAISING ACTIVITY

The REIT raised $278.6 million in 2018. As of April 2019, the REIT has raised approximately $94 million in new capital.

The REIT continually looks for additional capital sources and structures, such as debt offerings, which would be accretive to the unitholders.

USE OF PROCEEDS

Form 45-106 is a required regulatory form which provides details of the use of proceeds as at the financial year-end. The date of the report is March 7, 2019, which is the date of the auditor's report on the consolidated financial statements for the Trust for the most recently completed financial year December 31, 2018.

NOTICE OF USE OF PROCEEDS
CENTURION APARTMENT REAL ESTATE INVESTMENTS TRUST ($'000)

Fort the financial year ended December 31, 2018

Report date March 7, 2019 [1]

		2018
(A)	Closing unused proceeds balance from the last [2] Notice in Form 45-106F16 filed, if any	-
(B)	Proceeds raised in the most recent completed financial year	$278,553
(C)	Total opening proceeds	$278,553

1. PROCEEDS USED DURING THE MOST RECENT COMPLETED FINANCIAL YEAR

	Proceeds used to pay the following: [2]	
	Unit issue costs	$7,143
	Mortgage investments issued, net	$104,877
	Equity investments	$57,567
	Participating loan investments funded, net	($8,339)
	Redemptions of units	$35,193
	Investment in property acquisitions, net	$24,864
	Capital improvements	$28,618
	Change in working capital	$28,630
(D)	Total used proceeds	$278,553
(E)	Closing unused proceeds	-

NOTES

[1] The regulation states that the date must be no earlier than the date of the auditor's report.

[2] The Consolidated Statement of Cash Flows included in the audited consolidated financial statements provides additional information.

TOTAL RETURNS

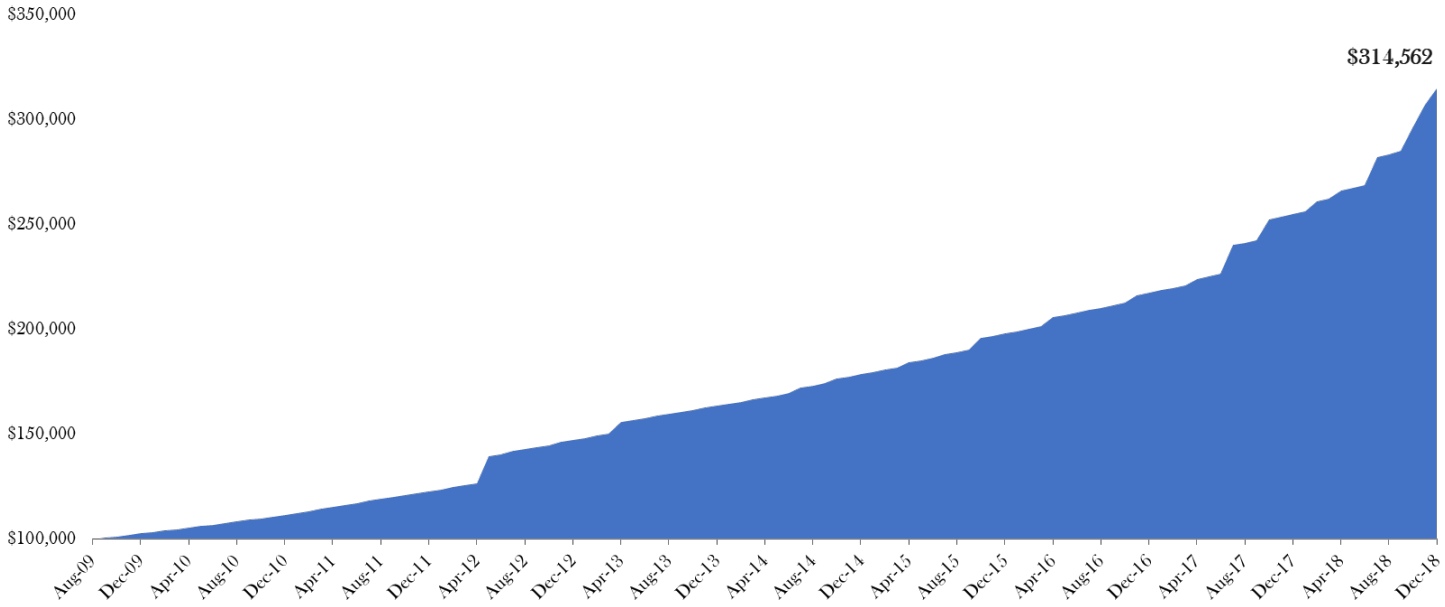
Including the upwards adjustment in Net Asset Value ("NAV"), and the reinvestment of distributions, total one-year returns were 23.44% for Class A units and 24.39% for Class F units in 2018. Management believes that capitalization rates are stable with a downward bias and that future returns will be driven by the continued execution of the strategies outlined previously in repositioning the portfolio, our development pipeline, reducing interest costs and realization of the benefits of the capital investments that have been made in the portfolio.

REIT Returns for Class A Units (excluding history of CAPLP)

Calendar Returns	2009 [1]	2010	2011	2012	2013	2014	2015	2016	2017	2018
Centurion CAPLP/REIT TR	2.75%	8.48%	10.21%	20.01%	11.95%	9.21%	10.20%	9.80%	17.24%	23.44%

Compound Returns (%)	1-Year	2-year	3-Year	4-Year	5-Year	Since Inception of REIT
Centurion CAPLP/REIT TR	23.44%	20.30%	16.69%	15.03%	13.84%	12.94%

Centurion Apartment REIT Growth of $100,000 Invested [2,3]



Notes:

[1] For partial year from 31 Aug 09 to 31 Dec 09

[2] Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here: www.centurion.ca/noindex/Historic-Returns

[3] Class "A" Units

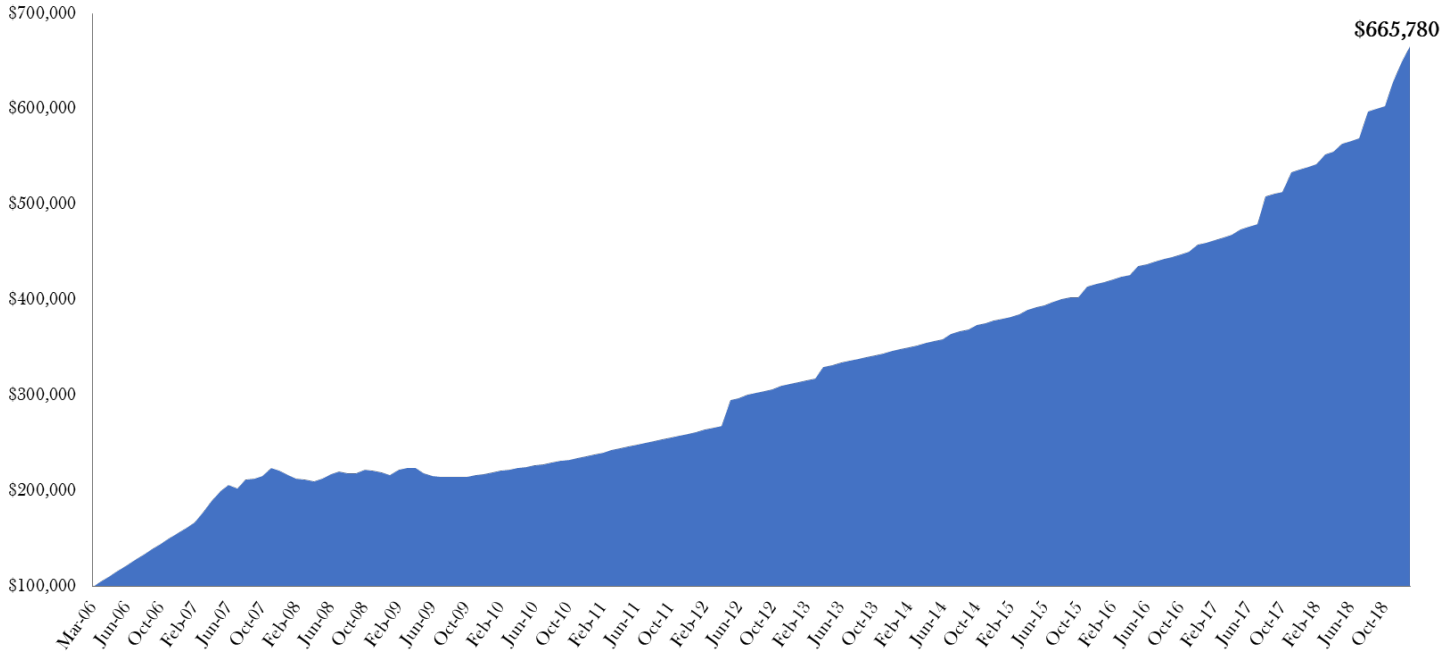
TOTAL RETURNS

REIT Returns for Class A Units (including history of CAPLP)

Calendar Returns	2006 [1]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CAPLP	55.80%	41.92%	(0.67%)	(0.78%)	8.25%	10.21%	20.01%	10.95%	9.21%	10.20%	9.80%	17.24%	23.44%

Compound Returns	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year	Since Inception
Centurion CAPLP/REIT TR	23.44%	20.30%	16.69%	15.03%	13.84%	13.35%	14.27%	13.71%	13.13%	11.90%	15.81%

CAPLP Growth of $100,000 Invested [2, 3]



Notes:
[1] For partial year from Mar 06 to 31 Dec 06
[2] Refer to detailed Disclaimer on Sheet labeled "Disclaimer".
[3] Class "A" Units

APPENDIX A

Summary Information About The Properties

Property Address	Type of Building [1]	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Total Suite Count (undiluted) [2,4]	Total Suite Count (diluted) [2,5]	Total Rental Units (undiluted) [3,4]	Total Rental Units (diluted) [3,5]
262-320 Kingswood Dr	Apt	100%		122	318				440	440	440	440
15, 19, and 25 Hugo Cres	Apt	100%		7	46				53	53	53	53
196 Churchill St S	Apt	100%	3	7	23				33	33	33	33
21 and 31 Jean Ave	Apt	100%		20	12				32	32	32	32
1631 Victoria Park Ave	Apt	100%	4	19	12				35	35	35	35
4 and 8 Rannock St, and 880 Pharmacy Ave	Apt	100%		34	51				85	85	85	85
60 Prince Edward St	Apt	100%		3	27				30	30	30	30
707 and 711 Dundas St W	Apt	100%			24	12			36	36	36	36
165 Old Muskoka Rd	Apt	100%	1	4	33	1			39	39	39	39
2 and 4 Yonge St	Apt	100%		6	13	6			25	25	25	25
167 Morgan Ave	Apt	100%	2	10	20	15			47	47	47	47
362 Shanty Bay Rd	Apt	100%		4	11				15	15	15	15
275 North Service Rd	Apt	100%		35	41	7			83	83	83	83
356 and 360 Hoffman	Apt	100%		36	60				96	96	96	96
173 King St N	SH	100%		1	1		54		56	56	219	219
133-143 Woodside Ave	Apt	100%		125	206	2			333	333	333	333
St. George St and Ann St	SH	100%					24		24	24	96	96
25 and 45 Briardale Rd	Apt	100%		14	76				90	90	90	90
1,2,3,5, and 7 Biggin Crt	Apt	100%	11	179	108	10			308	308	308	308
Auburn Student Residence	SH	100%				10	40	50	100	100	440	440
6 Grandstand Place	Apt	100%		21	33	6			60	60	60	60
219 St. Andrews St	Apt	100%	3	13	12				28	28	28	28
252 and 256 St. Andrews St	Apt	100%		3	129				132	132	132	132
1175 Dundas St W	Apt	100%	1	53	50				104	104	104	104
277 Anderson Ave	Apt	100%			47				47	47	47	47
122 Elizabeth St	Apt	100%	1		26	2			29	29	29	29
36 and 70 Orchard View	Apt	100%		6	18				24	24	24	24
255 Dunlop St West	Apt	100%			2	26			28	28	28	28
26 Thorncliffe Park Drive	Apt	100%		35	25	2			62	62	62	62
27 Thorncliffe Park Drive	Apt	100%	2	45	39				86	86	86	86
50 Thorncliffe Park Drive	Apt	100%	1	10	34	12			57	57	57	57
1594 Victoria Park Ave	Apt	100%	1	13	14				28	28	28	28
5 Dufresne Crt	Apt	100%		108	82	28			218	218	218	218
1 Beaufort St	SH	75%						27	27	20	135	101
75 Ann St	SH	75%			2	45	90		137	103	499	374

APPENDIX A

Summary Information About The Properties

Property Address	Type of Building [1]	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Total Suite Count (undiluted) [2,4]	Total Suite Count (diluted) [2,5]	Total Rental Units (undiluted) [3,4]	Total Rental Units (diluted) [3,5]
167 King St N	SH	100%						41	41	41	205	205
345 King St N	SH	100%				28	28	38	94	94	386	386
3443 Bathurst St	Apt	100%		4	13	6			23	23	23	23
4 Antrim Cres	Apt	100%		41	24				65	65	65	65
168 King St N	SH	100%		1				35	36	36	176	176
58 Holtwood Crt	Apt	100%		9	99	6			114	114	114	114
3707-3711 Whitelaw Lane NW	Apt	100%		3	123				126	126	126	126
45-56 College Street, Kitchener	Apt	100%	8	26	12				46	46	46	46
64-66 Weber, 58-60 Weber, 96 Young	Apt	100%	3	24		1			28	28	28	28
205 Oxford St	SH	100%		50	85				135	135	220	220
11 Wendy Crt	Apt	100%		5	91				96	96	96	96
285 North Service Rd	Apt	100%		35	47				82	82	82	82
1731-1735-1739 Victoria Park Ave	Apt	100%	15	78	36				129	129	129	129
5 Schroder Cres	Apt	100%		7	50	9			66	66	66	66
1 Columbia St W	SH	50%						74	74	37	370	185
5501- 5549- 5601- 5649 Prefontaine Ave	Apt	60%		64	144				208	125	208	125
5960 Little Pine Loop (Sky Pointe)[6]	Apt	100%		41	34				75	75	75	75
1291 North McEachern Drive (Madison Manor)[6]	Apt	100%		16	48				64	64	64	64
1251 North McEachern Drive (Madison Ridge)[6]	Apt	100%			8	40			48	48	48	48
31200 FM 2920 Road[6]	Apt	85%		140	60	24			224	190	224	190
Total			**56**	**1,477**	**2,469**	**298**	**236**	**265**	**4,801**	**4,606**	**6,823**	**6,363**

Notes:

1 "Apt" is short for Apartment and "SH" is short for Student Housing.

2 "Suites" means a rental suite, irrespective of the number of bedrooms or rental units in that suite. E.g., a 3-bedroom apartment that rents as a whole would be considered a single suite.

3 "Rental Units/Beds" adjusts for the number of student tenants renting individual units inside a suite. For example, a 5-bedroom student unit, would show as 1 suite, but 5 rental units as there may be 5 separate leases, each pertaining to a bed. This distinction only applies to properties classified as Student Residences. Thus, an apartment that had a 2-bedroom suite that had roommates sharing the apartment and was not classified as a "student residence" would be 1 Suite and 1 Rental Unit only. We make no distinction in "Rental Units" between individual leases on bedrooms and multi-tenant leases with all residents in the suite on a single lease (the two forms of lease in the student rental business).

4 "Undiluted" means that the number doesn't factor in any portion of the building that may be owned by partners. E.g., a 100-suite building owned 50/50 with a partner would show above as 100 suites on an undiluted basis and 50 suites on a diluted basis.

5 "Diluted" means that portions of the property owned by partners has been subtracted from the total. E.g., a 100-suite building owned with a partner would show above as 50 diluted suites.

6 2018 Acquisitions

APPENDIX A

Summary Information About The Properties

Property Summary by City									
City	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of Total RU's	Diluted Rental Units	Diluted Rental Units % of Total RU's
Acton	1	33	1%	33	1%	33	0%	33	1%
Barrie	2	43	1%	43	1%	43	1%	43	1%
Brighton	2	59	1%	59	1%	59	1%	59	1%
Cambridge	5	679	14%	679	15%	679	10%	679	11%
Dartmouth	1	114	2%	114	2%	114	2%	114	2%
Edmonton	1	126	3%	126	3%	126	2%	126	2%
Gravenhurst	1	39	1%	39	1%	39	1%	39	1%
Guelph	1	66	1%	66	1%	66	1%	66	1%
Huntsville	1	25	1%	25	1%	25	0%	25	0%
Kitchener	8	742	15%	742	16%	742	11%	742	12%
London	4	323	7%	282	6%	950	14%	791.5	12%
Mississauga	3	269	6%	269	6%	269	4%	269	4%
Montreal	1	100	2%	100	2%	440	6%	440	7%
Oshawa	2	71	1%	71	2%	71	1%	71	1%
Regina	4	395	8%	312	7%	395	6%	312	5%
Toronto	12	1,156	24%	1,156	25%	1,156	17%	1,156	18%
Waterloo	5	301	6%	264	6%	1,356	20%	1,171	18%
Whitby	1	36	1%	36	1%	36	1%	36	1%
Waller (U.S.)	1	224	5%	190	4%	224	3%	190	3%
19 Cities	**56**	**4,801**	**100%**	**4,606**	**100%**	**6,823**	**100%**	**6,363**	**100%**

Property Summary by Region									
Region	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of Total RU's	Diluted Rental Units	Diluted Rental Units % of Total RU's
Central Ontario	4	107	2%	107	2%	107	2%	107	2%
Eastern Ontario	2	59	1%	59	1%	59	1%	59	1%
Greater Toronto Area	19	1,565	33%	1,565	34%	1,565	23%	1,565	25%
Montreal	1	100	2%	100	2%	440	6%	440	7%
Kitchener-Waterloo-Cambridge	19	1,788	37%	1,751	38%	2,843	42%	2,658	42%
London Area	4	323	7%	282	6%	950	14%	792	12%
Halifax Regional Municipality	1	114	2%	114	2%	114	2%	114	2%
Greater Edmonton Area	1	126	3%	126	3%	126	2%	126	2%
Greater Regina Area	4	395	8%	312	7%	395	6%	312	5%
Texas (U.S.)	1	224	5%	190	4%	224	3%	190	3%
Total	**56**	**4,801**	**100%**	**4,606**	**100%**	**6,823**	**100%**	**6,363**	**100%**

APPENDIX A

Summary Information About The Properties

Property Summary by Province									
Province	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of Total RU's	Diluted Rental Units	Diluted Rental Units % of Total RU's
Ontario	48	3,842	80%	3,764	82%	5,524	81%	5,181	81%
Nova Scotia	1	114	2%	114	2%	114	2%	114	2%
Alberta	1	126	3%	126	3%	126	2%	126	2%
Saskatchewan	4	395	8%	312	7%	395	6%	312	5%
Quebec	1	100	2%	100	2%	440	6%	440	7%
Texas (U.S.)	1	224	5%	190	4%	224	3%	190	3%
Total	**56**	**4,801**	**100%**	**4,606**	**100%**	**6,823**	**100%**	**6,363**	**100%**

Rent Controlled vs Non-Rent Controlled[1] Properties									
	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of Total RU's	Diluted Rental Units	Diluted Rental Units % of Total RU's
Rent Controlled	41	3,453	72%	3,453	75%	3,878	57%	3,878	61%
Non-Rent Controlled	15	1,348	28%	1,153	25%	2,945	43%	2,485	39%
Total	**56**	**4,801**	**100%**	**4,606**	**100%**	**6,823**	**100%**	**6,363**	**100%**

Summary Asset by Type									
Property Type	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of Total RU's	Diluted Rental Units	Diluted Rental Units % of Total RU's
Apartment	46	4,077	85%	3,960	86%	4,077	60%	3,960	62%
Student Housing	10	724	15%	646	14%	2,746	40%	2,403	38%
Total	**56**	**4,801**	**100%**	**4,606**	**100%**	**6,823**	**100%**	**6,363**	**100%**

Student Housing by City						
City	Type of Building	# of Complexes	# of Suites (Undiluted)	# of Suites (Diluted)	# of Beds (Undiluted)	# of Beds (Diluted)
Montreal	Student Housing	1	100	100	440	440
London	Student Housing	4	323	282	950	792
Waterloo	Student Housing	5	301	264	1,356	1,171
Total		**10**	**724**	**646**	**2,746**	**2,403**

Average Rents (undiluted basis)		
	Total Rental Units	Revenue/Unit /Month
Apartment	4,077	$1,179.76
Student Housing	724	$675.95
Total	**4,801**	**$1,855.71**

Notes Pertaining to the Tables in this Appendix:

[1] *For the purposes of this table, "Rent Controlled", means that the rent is controlled by regulation, but excludes purpose-built student properties which, although they may have formal rent controls in some cases, because of the nature of assured student turnover upon graduation, the property may be considered "Non-Rent Controlled"*

LIST OF PROPERTIES

Apartments

Churchill Court Apartments
Location: Acton, Ontario
Address: 196 Churchill Road South (map)
Type of Building: Walk-up apartments
Number of Suites: 33
(3 bachelor, 7 one-bdrm, and 23 two-bdrm)

Kempenfelt Village
Location: Barrie, Ontario
Address: 362 Shanty Bay Road (map)
Type of Building: Townhouses
Number of Suites: 15
(4 one-bdrm and 11 two-bdrm)

Milligan Park Apartments
Location: Barrie, Ontario
Address: 255 Dunlop Street West (map)
Type of Building: Townhouses
Number of Suites: 28
(2 two-bdrm and 26 three-bdrm)

Brookside Apartments
Location: Brighton, Ontario
Address: 60 Prince Edward Street (map)
Type of Building: Walk-up apartments
Number of Suites: 30
(3 one-bdrm and 27 two-bdrm)

MacIntosh Court Apartments
Location: Brighton, Ontario
Address: 122 Elizabeth Street (map)
Type of Building: Walk-up apartments
Number of Suites: 29
(1 bachelor, 26 two-bdrm, and 2 three-bdrm)

LIST OF PROPERTIES

Apartments

25 & 45 Brierdale Road
Location: Cambridge, Ontario
Address: 25 & 45 Brierdale Road
Type of Building: Two 3-Storey Walk-up apartments
Number of Suites: 90
(14 one-bdrm, and 76 two-bdrm)

133-143 Woodside Avenue
Location: Cambridge, Ontario
Address: 133,135,137,141,142, & 143 Woodside Avenue
Type of building: Five 3-Storey walk-up apartments
Number of suites: 333
(125 one-bdrm, 206 two-bdrm, and 2 three-bdrm)

219 St. Andrews Street
Location: Cambridge, Ontario
Address: 219 St. Andrews Street
Type of building: Walk-up apartments
Number of suites: 28
(3 bachelor, 13 one-bdrm, and 12 two-bdrm)

252 & 256 St. Andrews Street
Location: Cambridge, Ontario
Address: 252 & 256 St. Andrews Street
Type of building: Walk-up apartments
Number of suites: 132
(3 one-bdrm and 129 two-bdrm)

11 Wendy Court
Location: Cambridge, Ontario
Address: 11 Wendy Court
Type of Building: Walk-up apartments
Number of Suites: 96
(5 one-bdrm and 91 two-bdrm)

LIST OF PROPERTIES

Apartments

Cherokee Court Apartments
Location: Gravenhurst, Ontario
Address: 165 Old Muskoka Road
Type of Building: Apartments (elevator)
Number of Suites: 39
(1 bachelor, 4 one-bdrm, 33 two-bdrm, and 1 three-bdrm)

Atwood Suites
Location: Guelph, Ontario
Address: 5 Schroder Crescent
Type of Building: Apartments (elevator)
Number of Suites: 66
(7 one-bdrm, 50 two-bdrm, and 9 three-bdrm)

Hunters Bay Apartments
Location: Huntsville, Ontario
Address: 2 & 4 Yonge Street
Type of Building: Walk-up apartments
Number of Suites: 25
(6 bachelor, 13 one-bdrm, and 6 two-bdrm)

Fairway Apartments
Location: Kitchener, Ontario
Address: 21 & 31 Jean Ave
Type of Building: Walk-up apartments
Number of Suites: 32
(20 one-bdrm and 12 two-bdrm)

Hoffman Apartments
Location: Kitchener, Ontario
Address: 356 & 360 Hoffman Street
Type of Building: Walk-up apartments
Number of Suites: 96
(36 one-bdrm and 60 two-bdrm)

LIST OF PROPERTIES

Apartments

Hugo Apartments
Location: Kitchener, Ontario
Address: 15,19, & 25 Hugo Crescent
Type of Building: Walk-up apartments
Number of Suites: 53
(7 one-bdrm and 46 two-bdrm)

Morgan Apartments
Location: Kitchener, Ontario
Address: 167 Morgan Avenue
Type of Building: Apartments (elevator)
Number of Suites: 47
(2 bachelor, 10 one-bdrm, 20 two-bdrm, and 15 three-bdrm)

Kingswood Estates
Location: Kitchener, Ontario
Address: 262, 266, 270, 274, 278, 282, 286, 310, & 320 Kingswood Drive
Type of Building: Walk-up apartments
Number of Suites: 440
(122 one-bdrm and 318 two-bdrm)

Royal and Wales Apartments
Location: Kitchener, Ontario
Address: 56 College St
Type of building: Apartment
Number of suites: 46
(6 bachelor, 28 one-bdrm, and 12 two-bdrm)

Weber
Location: Kitchener, Ontario
Address: 64 Weber St West
Type of building: Apartment
Number of suites: 28
(3 bachelor, 5 Jr one-bdrm, 19 one-bdrm, and 1 three-bdrm)

LIST OF PROPERTIES

Apartments

1175 Dundas Street West (Westdale Apartments)

Location: Mississauga, Ontario
Address: 1175 Dundas Street West
Type of building: Apartment (elevator)
Number of suites: 104
(1 bachelor, 53 one-bdrm, and 50 two-bdrm)

275 North Service Road (North Apartments)

Location: Mississauga, Ontario
Address: 275 North Service Road
Type of building: Apartment (elevator)
Number of suites: 82
(34 one-bdrm, 41 two-bdrm, and 7 three-bdrm)

285 North Service Road

Location: Mississauga, Ontario
Address: 285 North Service Road
Type of building: Apartment (elevator)
Number of suites: 81
(34 one-bdrm and 47 two-bdrm)

Park Place Apartments

Location: Oshawa, Ontario
Address: 277 Anderson Avenue
Type of Building: Apartments (elevator)
Number of Suites: 47
(47 two-bdrm)

Orchard View Apartments and Mansion

Location: Oshawa, Ontario
Address: 36 and 70 Orchardview Blvd
Type of Building: Walk-up apartments
Number of Suites: 24
(5 one-bdrm and 19 two-bdrm)

LIST OF PROPERTIES

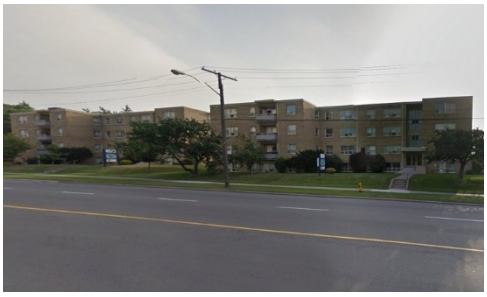
Apartments

Biggin Court
Location: Toronto, Ontario
Address: 1, 2, 3, 5, and 7 Biggin Court
Type of Building: Apartments (elevator)
Number of Suites: 308
(11 bachelor, 9 jr one-bdrm, 170 one-bdrm, 108 two-bdrm, and 10 three-bdrm)

Grandstand Place
Location: Toronto, Ontario
Address: 6 Grandstand Place
Type of Building: Apartments (elevator)
Number of Suites: 60
(21 one-bdrm, 33 two-bdrm, and 6 three-bdrm)

1631 Victoria Park Avenue
Location: Toronto, Ontario
Address: 1631 Victoria Park Avenue
Type of Building: Walk-up apartments
Number of Suites: 35
(4 bachelor, 19 one-bdrm, and 12 two-bdrm)

1594 Victoria Park Avenue
Location: Toronto, Ontario
Address: 1594 Victoria Park Avenue
Type of Building: Apartments (elevator)
Number of Suites: 28
(1 bachelor, 13 one-bdrm, and 14 two-bdrm)



1731 - 1739 Victoria Park Avenue
Location: Toronto, Ontario
Address: 1731, 1735, & 1739 Victoria Park Avenue
Type of Building: Walk-up apartments
Number of Suites: 129
(15 Bach, 78 one-bdrm, and 36 two-bdrm)

LIST OF PROPERTIES

Apartments

4 & 8 Rannock Avenue and 880 Pharmacy Ave

Location: Toronto, Ontario
Address: 4 & 8 Rannock Avenue and 880 Pharmacy Avenue
Type of Building: Walk-up apartments
Number of Suites: 85
(34 one-bdrm, and 51 two-bdrm)

26 Thorncliffe Park Drive

Location: Toronto, Ontario
Address: 26 Thorncliffe Park Drive
Type of Building: Apartments (elevator)
Number of Suites: 61
(35 one-bdrm, 25 two-bdrm, and 1 three-bdrm)

27 Thorncliffe Park Drive

Location: Toronto, Ontario
Address: 27 Thorncliffe Park Drive
Type of building: Apartments (elevator)
Number of suites: 86
(2 bachelor, 45 one-bdrm, and 39 two-bdrm)

50 Thorncliffe Park Drive

Location: Toronto, Ontario
Address: 50 Thorncliffe Park Drive
Type of building: Apartments (elevator)
Number of suites: 57
(1 bachelor, 10 one-bdrm, 34 two-bdrm, and 12 three-bdrm)

5 Dufresne Court

Location: Toronto, Ontario
Address: 5 Dufresne Court
Type of building: Apartments (elevator)
Number of suites: 218
(27 jr one-bdrm, 54 one-bdrm, 27 large one-bdrm, 82 two-bdrm, and 28 three-bdrm)

LIST OF PROPERTIES

Apartments

Antrim Apartments
Location: Toronto, Ontario
Address: 4 Antrim Crescent
Type of Building: Apartments (elevator)
Number of Suites: 65 suites
(41 one-bdrm, 24 two-bdrm, and 6 three-bdrm) plus 1 commercial unit

Deloraine Luxury Apartments
Location: Toronto, Ontario
Address: 3443 Bathurst Street
Type of Building: Luxury Apartments (elevator)
Number of Suites: 23
(4 one-bdrm, 13 two-bdrm, and 6 three-bdrm)

Dundas Court
Location: Whitby, Ontario
Address: 707 & 711 Dundas Street West
Type of Building: Townhouses
Number of Suites: 36
(24 two-bdrm and 12 three-bdrm)

The Huntington
Location: Dartmouth, Nova Scotia
Address: 58 Holtwood Court
Type of Building: Luxury Apartments (elevator)
Number of Suites: 114
(9 one-bdrm, 99 two-bdrm, and 6 three-bdrm)

Windermere Village
Location: Edmonton, Alberta
Address: 3707-3711 Whitelaw Lane NW
Type of Building: Luxury Apartments (elevator)
Number of Suites: 126
(3 one-bdrm and 123 two-bdrm)

LIST OF PROPERTIES

Apartments

Harbour View Estates
Location: Regina, Saskatchewan
Address: 5501-5549-5601-5649 Prefontaine Avenue
Type of Building: Apartments (elevator)
Number of Suites: 208 suites
(64 one-bdrm and 144 two-bdrm)
*Centurion owns 60% of this property in joint venture with other investors.

Sky Pointe Estates
Location: Regina, Saskatchewan
Address: 5960 Little Pine Loop
Type of Building: Apartments (elevator)
Number of Suites: 75 suites
(41 one-bdrm and 34 two-bdrm)

Madison Ridge
Location: Regina, Saskatchewan
Address: 1251 North McEachern Drive
Type of Building: Apartments (elevator)
Number of Suites: 48 suites
(8 two-bdrm and 40 three-bdrm)

Madison Manor
Location: Regina, Saskatchewan
Address: 1291 North McEachern Drive
Type of Building: Apartments (elevator)
Number of Suites: 64 suites
(16 one-bdrm and 48 two-bdrm)

Oxford at The Ranch
Location: Waller, Texas, U.S.
Address: 31200 FM 2920 Road
Type of Building: Apartments
Number of Suites: 224 suites (elevator)
(140 one-bdrm, 60 two-bdrm, and 24 three-bdrm)
*Centurion owns 85% of this property in joint venture with other investors.

LIST OF PROPERTIES

Student Residences

LA MARQ au 515
Location: Montréal (Québec)
Address: 1430 rue City Councillors (map)
Type of Building: Student Residence (elevator)
Number of Suites: 100 suites
(comprising 440 rental beds; 10 three-bdrm, 40 four-bdrm, and 50 five-bdrm)

75 Ann Street*
Location: London (Ontario)
Address: 75 Ann Street (map)
Type of Building: Student Residence (elevator)
Number of Suites: 137
(comprising 499 rental beds)
*Centurion owns 75% of this property in joint venture with other investors.

1 Beaufort Street*
Location: London (Ontario)
Address: 1 Beaufort Street (map)
Type of Building: Student Residence
Number of Suites: 6 block townhouse complex; 27 suites
(comprising 135 rental beds; 27 five-bdrms)
*Centurion owns 75% of this property in joint venture with other investors.

St George Street
Location: London (Ontario)
Address: 83 St. George Street (13 townhouses), 87, 89, 91, 93, 95, 97, & 99 St. George Street, 149, 151, 163, & 165 Ann Street (map)
Type of Building: Student Residence
Number of Suites: 24 townhouses
(comprising 96 rental beds; 24 four-bdrms)

205 Oxford Centre Apartments
Location: London (Ontario)
Address: 205 Oxford Street East (map)
Type of Building: Student Residence (elevator)
Number of Suites: 135 suites
(comprising 220 rental beds; 50 one-bdrm and 85 two-bdrm)

LIST OF PROPERTIES

Student Residences

University View
Location: Waterloo, Ontario
Address: 173 King Street North (map)
Type of Building: Student residence (elevator)
Number of Suites: 56 Suites
(comprising of 219 rental beds; 1 one-bdrm, 1 two-bdrm, and 54 four-bdrm)

167 King Street North
Location: Waterloo, Ontario
Address: 167 King Street North (map)
Type of Building: Student residence (elevator)
Number of Suites: 41 Suites
(comprising of 205 rental beds; 41 five-bdrm)

168 King Street North
Location: Waterloo, Ontario
Address: 168 King Street North (map)
Type of Building: Student residence (elevator)
Number of Suites: 36 Suites
(comprising of 176 rental beds; 1 one-bdrm and 35 five-bdrm)

345 King Street North
Location: Waterloo, Ontario
Address: 345 King Street North (map)
Type of Building: Student residence (elevator)
Number of Suites: 94 Suites
(comprising of 386 rental beds; 38 five-bdrm, 28 four-bdrm, and 28 three-bdrm)

Columbia Street West
Location: Waterloo (Ontario)
Address: 1 Columbia Street West (map)
Type of Building: Student Residence (elevator)
Number of Suites: 74
(comprising 370 rental beds)
*Centurion owns 50% of this property in joint venture with other investors.

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REIT (December 31, 2018)

The following charts provide additional information relating to the mortgage investments and equity accounted investments in the REIT.

REIT Consolidated								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded					Committed		
	$	#	% ($)	Wt.-Avg. Rate		$	#	% ($)
By Participation								
Mortgage Investments	$ 342,839	66	62%	9.22%		$ 501,613	70	67%
Participating Loan Interests	$ 106,385	28	19%	10.30%		$ 124,302	28	16%
Equity Accounted Investments	$ 107,816	13	19%	0.00%		$ 130,852	13	17%
Total	**$ 557,040**	**107**	**100%**	**9.48%**		**$ 756,767**	**111**	**100%**
By Rank								
1st	$ 250,703	42	45%	8.90%		$ 351,109	45	47%
2nd	$ 198,521	52	36%	10.21%		$ 274,806	53	36%
Equity Accounted Investments	$ 107,816	13	19%	0.00%		$ 130,852	13	17%
Total	**$ 557,040**	**107**	**100%**	**9.48%**		**$ 756,767**	**111**	**100%**
By Loan Type								
Commercial	$ 45,759	12	8%	8.43%		$ 58,592	12	8%
Residential	$ 495,149	90	90%	9.51%		$ 657,845	92	87%
Industrial	$ 13,829	3	2%	11.05%		$ 25,829	4	3%
Term	$ 2,302	2	0%	12.01%		$ 14,500	3	2%
Total	**$ 557,040**	**107**	**100%**	**9.48%**		**$ 756,767**	**111**	**100%**
By Province/State								
Canada								
AB	$ 53,539	16	10%	10.94%		$ 63,786	16	8%
BC	$ 132,771	15	24%	9.28%		$ 156,521	15	21%
MB	$ 31,133	6	6%	9.42%		$ 42,351	6	6%
NS	$ 4,235	1	1%	10.00%		$ 4,235	1	1%
ON	$ 277,827	62	49%	9.36%		$ 381,624	66	49%
SK	$ 3,711	1	1%	0.00%		$ 4,106	1	1%
Subtotal (A)	**$ 503,216**	**101**	**91%**	**9.47%**		**$ 652,623**	**105**	**86%**
United States								
FL	$ 11,117	2	2%	10.00%		$ 46,588	2	6%
MI	$ 7,652	1	1%	10.00%		$ 10,299	1	1%
MN	$ 11,575	1	2%	0.00%		$ 11,575	1	2%
MO	$ 1,441	1	0%	0.00%		$ 13,642	1	2%
TX	$ 22,039	1	4%	0.00%		$ 22,039	1	3%
Subtotal (B)	**$ 53,824**	**6**	**9%**	**10.00%**		**$ 104,144**	**6**	**14%**
Grand Total (A + B)	**$ 557,040**	**107**	**100%**	**9.48%**		**$ 756,767**	**111**	**100%**

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REIT (December 31, 2018)

REIT Consolidated								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	$	#	% ($)	Wt.-Avg. Rate	$	#	% ($)	
By City								
Greater Toronto Area								
Ajax	$ 12,398	2	2.23%	9.68%	$ 20,997	2	2.77%	
Burlington	$ -	0	0.00%	0.00%	$ 12,000	1	1.59%	
Caledon East	$ 582	1	0.10%	10.00%	$ 582	1	0.08%	
Clarington	$ 4,430	1	0.80%	10.00%	$ 9,312	2	1.23%	
Markham	$ 26,200	1	4.70%	9.25%	$ 27,000	1	3.57%	
Mississauga	$ 11,073	1	1.99%	8.00%	$ 11,073	1	1.46%	
Newcastle	$ 4,260	2	0.76%	14.46%	$ 6,363	2	0.84%	
Oakville	$ 3,852	1	0.69%	9.25%	$ 4,500	2	0.59%	
Pickering	$ 9,669	2	1.74%	8.16%	$ 14,882	2	1.97%	
Richmond Hill	$ 2,144	2	0.38%	17.18%	$ 3,500	2	0.46%	
Scarborough	$ 16,052	3	2.88%	8.73%	$ 34,868	3	4.61%	
Toronto	$ 51,268	10	9.20%	9.59%	$ 53,777	10	7.11%	
Vaughan	$ 20,136	1	3.61%	7.25%	$ 20,136	1	2.66%	
Subtotal (A)	**$ 162,066**	**27**	**29.09%**	**9.17%**	**$ 218,990**	**30**	**28.94%**	
Greater Vancouver Area								
Coquitlam	$ 5,042	1	0.91%	10.00%	$ 5,042	1	0.67%	
Delta	$ 1,678	1	0.30%	12.95%	$ 10,000	1	1.32%	
Port Moody	$ 2,304	1	0.41%	8.50%	$ 2,500	1	0.33%	
Surrey	$ 44,534	2	7.99%	8.86%	$ 44,975	2	5.94%	
Subtotal (B)	**$ 53,558**	**5**	**9.61%**	**9.08%**	**$ 62,517**	**5**	**8.26%**	
Vancouver Island								
Duncan	$ 3,229	1	0.58%	8.45%	$ 6,392	1	0.84%	
Sooke	$ 11,797	1	2.12%	9.50%	$ 13,000	1	1.72%	
Victoria	$ 37,494	6	6.73%	10.02%	$ 42,097	6	5.56%	
Subtotal (C)	**$ 52,519**	**8**	**9.43%**	**9.80%**	**$ 61,490**	**8**	**8.13%**	
Guelph-Waterloo Area								
Guelph	$ 12,919	8	2.32%	10.00%	$ 21,640	9	2.86%	
Kitchener	$ 5,033	1	0.90%	8.00%	$ 5,033	1	0.67%	
Waterloo	$ 43,353	9	7.78%	10.00%	$ 49,795	9	6.58%	
Subtotal (D)	**$ 61,305**	**18**	**11.01%**	**9.84%**	**$ 76,467**	**19**	**10.10%**	

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REIT (December 31, 2018)

REIT Consolidated								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	$	#	% ($)	Wt.-Avg. Rate	$	#	% ($)	
By City (continued)								
Other Canadian Cities								
Abbotsford	$ 22,993	1	4.13%	8.25%	$ 28,549	1	3.77%	
Barrie	$ 624	1	0.11%	9.50%	$ 3,000	1	0.40%	
Brantford	$ 15,369	3	2.76%	9.72%	$ 16,380	3	2.16%	
Calgary	$ 20,773	4	3.73%	10.00%	$ 21,526	4	2.84%	
Cochrane	$ 7,433	1	1.33%	0.00%	$ 9,730	1	1.29%	
Collingwood	$ 413	1	0.07%	9.25%	$ 418	1	0.06%	
Dartmouth	$ 4,235	1	0.76%	10.00%	$ 4,235	1	0.56%	
Edmonton	$ 20,582	7	3.69%	11.54%	$ 21,872	7	2.89%	
Elk Point	$ 857	1	0.15%	10.00%	$ 857	1	0.11%	
Grimsby	$ 5,712	2	1.03%	8.81%	$ 6,941	2	0.92%	
Hamilton	$ 17,924	3	3.22%	9.48%	$ 34,099	3	4.51%	
Kingston	$ 3,581	1	0.64%	8.50%	$ 3,581	1	0.47%	
London	$ -	0	0.00%	0.00%	$ -	0	0.00%	
Minett	$ 6,475	3	1.16%	8.50%	$ 10,396	3	1.37%	
Okotoks	$ 730	1	0.13%	15.00%	$ 6,600	1	0.87%	
Orillia	$ 1,226	1	0.22%	10.07%	$ 7,287	1	0.96%	
Peterborough	$ 1,318	1	0.24%	10.00%	$ 2,250	1	0.30%	
Regina	$ 3,711	1	0.67%	0.00%	$ 4,106	1	0.54%	
Squamish	$ 3,700	1	0.66%	11.00%	$ 3,966	1	0.52%	
St. Albert	$ 1,149	1	0.21%	9.00%	$ 1,185	1	0.16%	
Stony Plain	$ 2,016	1	0.36%	9.50%	$ 2,016	1	0.27%	
Timmins	$ 1,815	1	0.33%	10.00%	$ 1,815	1	0.24%	
Winnipeg	$ 31,133	6	5.59%	9.42%	$ 42,351	6	5.60%	
Subtotal (E)	**$ 173,769**	**43**	**31.19%**	**9.66%**	**$ 233,159**	**43**	**30.81%**	
United States								
Detroit	$ 7,652	1	1.37%	10.00%	$ 10,299	1	1.36%	
Estero	$ 10,277	1	1.85%	0.00%	$ 13,552	1	1.79%	
Irving	$ 22,039	1	3.96%	0.00%	$ 22,039	1	2.91%	
Kansas City	$ 1,441	1	0.26%	0.00%	$ 13,642	1	1.80%	
Minneapolis	$ 11,575	1	2.08%	0.00%	$ 11,575	1	1.53%	
Tampa	$ 840	1	0.15%	10.00%	$ 33,037	1	4.37%	
Subtotal (F)	**$ 53,824**	**6**	**9.66%**	**10.00%**	**$ 104,144**	**6**	**13.76%**	
Grand Total (SUM A to F)	**$ 557,040**	**107**	**100.00%**	**9.48%**	**$ 756,767**	**111**	**100.00%**	

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REIT (December 31, 2018)

REIT Consolidated								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	$	#	% ($)	Wt.-Avg. Rate	$	#	% ($)	
By Purchase Options								
With	$ 28,537	10	5%	10.00%	$ 33,419	11	4%	
Without	$ 420,688	84	76%	9.44%	$ 592,496	87	79%	
Equity Accounted Investments	$ 107,816	13	19%	0.00%	$ 130,852	13	17%	
Total	**$ 557,040**	**107**	**100%**	**9.48%**	**$ 756,767**	**111**	**100%**	
By Development Stage								
Construction	$ 341,273	71	62%	9.94%	$ 509,123	72	67%	
Pre-Construction	$ 114,127	13	20%	8.73%	$ 129,907	15	17%	
Term	$ 101,640	23	18%	9.23%	$ 117,736	24	16%	
Total	**$ 557,040**	**107**	**100%**	**9.48%**	**$ 756,767**	**111**	**100%**	
By Underlying Security								
Multi Family Apartments	$ 140,116	24	25%	10.56%	$ 201,538	25	27%	
Land	$ 46,595	4	8%	8.12%	$ 48,536	5	6%	
Low-Rise Residential	$ 183,069	39	33%	9.43%	$ 254,934	40	34%	
High-Rise Condominium	$ 92,927	18	17%	9.43%	$ 123,169	18	16%	
Commercial/Mixed Use	$ 70,405	19	13%	9.38%	$ 104,102	20	14%	
Multi Student Housing	$ 23,928	3	4%	10.00%	$ 24,489	3	3%	
Total	**$ 557,040**	**107**	**100%**	**9.48%**	**$ 756,767**	**111**	**100%**	
By Investment Size								
$1m or less	$ 13,296	21	2%	11.11%	$ 87,682	25	12%	
> $1m - $3m	$ 54,357	25	10%	10.31%	$ 91,347	25	12%	
> $3m - $5m	$ 99,109	25	18%	9.70%	$ 120,215	25	16%	
> $5m - $10m	$ 128,231	19	23%	9.78%	$ 145,940	19	19%	
> $10m - $15m	$ 126,144	11	23%	9.42%	$ 168,883	11	22%	
> $15m	$ 135,903	6	24%	8.54%	$ 142,699	6	19%	
Total	**$ 557,040**	**107**	**100%**	**9.48%**	**$ 756,767**	**111**	**100%**	

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REIT (December 31, 2018)

REIT Consolidated								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	$	#	% ($)	Wt.-Avg. Rate	$	#	% ($)	
By Maturity (excl. Equity & FV Adj.)								
2019	$ 311,232	57	68%	9.41%	$ 369,410	58	58%	
2020	$ 106,754	29	24%	9.74%	$ 169,786	31	27%	
2021	$ 20,731	5	5%	8.90%	$ 41,366	6	7%	
2022	$ 7,652	1	2%	10.00%	$ 10,299	1	2%	
2023	$ 2,855	2	1%	9.65%	$ 35,053	2	6%	
Total	**$ 449,224**	**94**	**100%**	**9.48%**	**$ 625,915**	**98**	**100%**	
By Interest/Pref Rate (excl. Equity & FV Adj.)								
8% or less	$ 58,718	8	13%	7.71%	$ 58,718	8	9%	
> 8.0% - 8.5%	$ 68,324	13	15%	8.37%	$ 102,776	13	16%	
> 8.5% - 9.0%	$ 69,966	7	16%	8.91%	$ 101,382	8	16%	
> 9.0% - 9.5%	$ 63,092	8	14%	9.33%	$ 85,423	10	14%	
> 9.5% - 10.0%	$ 134,857	38	30%	10.00%	$ 196,863	39	31%	
> 10.0% - 10.5%	$ 9,874	2	2%	10.45%	$ 15,935	2	3%	
> 10.5% - 11.0%	$ 4,273	2	1%	11.00%	$ 6,641	2	1%	
> 11.0% - 11.5%	$ 8,163	2	2%	11.27%	$ 9,700	2	2%	
> 11.5% - 12.0%	$ 14,586	3	3%	11.89%	$ 14,935	3	2%	
> 12.5% - 13.0%	$ 3,530	2	1%	12.98%	$ 11,852	2	2%	
> 13.5% - 14.0%	$ 1,471	1	0%	13.60%	$ 1,471	1	0%	
> 14.5% - 15.0%	$ 10,095	5	2%	15.00%	$ 16,585	5	3%	
> 15.0%	$ 2,276	3	1%	17.34%	$ 3,632	3	1%	
Total	**$ 449,224**	**94**	**100%**	**9.48%**	**$ 625,915**	**98**	**100%**	
By Committed LTV - Mortgage Investments								
50% or less	$ 51,772	9	15%	8.66%	$ 62,479	11	12%	
> 50% - 60%	$ 28,316	3	8%	8.68%	$ 47,091	4	9%	
> 60% - 70%	$ 108,083	21	32%	9.27%	$ 148,249	21	30%	
> 70% - 80%	$ 127,467	25	37%	9.24%	$ 206,731	25	42%	
> 80% - 90%	$ 27,201	8	8%	10.55%	$ 37,063	9	7%	
Total	**$ 342,839**	**66**	**100%**	**9.22%**	**$ 501,613**	**70**	**100%**	
Estimated Built Out Value of Purchase Options	Undiluted				Diluted			
Mortgage Investments	$ 70,000	1	5%		$ 52,500	1	6%	
Participating Loan Interests	$ 448,045	9	31%		$ 394,688	9	44%	
Equity Accounted Investments	$ 938,472	13	64%		$ 458,717	13	51%	
Total	**$ 1,456,517**	**23**	**100%**		**$ 905,904**	**23**	**100%**	

APPENDIX C

Risks and Uncertainties

There are certain risk factors inherent in an investment in the REIT Units and in the activities of Centurion Apartment REIT, including the following, which Subscribers should carefully consider before subscribing for the REIT Units.

REAL PROPERTY OWNERSHIP

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for multi- unit residential premises, competition from other available residential premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Centurion Apartment REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property 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 Centurion Apartment REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Centurion Apartment REIT was required to liquidate its real property investments, the proceeds to Centurion Apartment REIT might be significantly less than the aggregate value of its properties on a going-concern basis.

Centurion Apartment REIT will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

FUTURE PROPERTY ACQUISITIONS

While Centurion Apartment REIT may enter into non-binding letters of intent with respect to properties under review, there can be no assurance that such properties will be acquired. Accordingly, there can be no assurance that Centurion Apartment REIT will be able to acquire Properties at the rates of return that the Asset Manager is targeting. No forecast has been made for the acquisition of properties under review.

REVENUE PRODUCING PROPERTIES

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Centurion Apartment REIT than the existing lease. Unlike commercial leases which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants.

NO GUARANTEES OR INSURANCE ON MORTGAGE INVESTMENTS

A Mortgage borrower's obligations to the Centurion Apartment REIT or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the National Housing Act (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the Mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be available or sufficient to make Centurion Apartment REIT whole if and when resort is to be had thereto.

RISKS RELATED TO MORTGAGE EXTENSIONS AND MORTGAGE DEFAULTS

The Asset Manager may from time to time deem it appropriate to extend or renew the term of a Mortgage past its maturity, or to accrue the interest on a Mortgage, in order to provide the borrower with increased repayment flexibility. The Asset Manager generally will do so if it believes that there is a very low risk to Centurion Apartment REIT of not being repaid the full principal and interest owing on the Mortgage. In these circumstances, however, Centurion Apartment REIT is subject to the risk that the principal and/or accrued interest of such Mortgage may not be repaid in a timely manner or at all, which could impact the cash flows of Centurion Apartment REIT during and after the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that Centurion Apartment REIT may not recover all or substantially all of the principal and interest owed to it in respect of such Mortgage.

APPENDIX C

Risks and Uncertainties

When a Mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Mortgage Servicer has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage. Exercising Mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of Centurion Apartment REIT during the period of enforcement. In addition, as a result of potential declines in Real Property values, the priority ranking of the Mortgage and other factors, there is no assurance that Centurion Apartment REIT will be able to recover all or substantially all of the outstanding principal and interest owed to it in respect of such Mortgages by the Mortgage Service Provider's exercise of Mortgage enforcement remedies for the benefit of Centurion Apartment REIT. Should Centurion Apartment REIT be unable to recover all or substantially all of the principal and interest owed to it in respect of such Mortgage loans, the assets of Centurion Apartment REIT would be reduced, and the returns, financial condition, and results of operations of Centurion Apartment REIT could be adversely impacted.

FORECLOSURE OR POWER OF SALE AND RELATED COSTS ON MORTGAGE INVESTMENTS

One or more borrowers could fail to make payments according to the terms of their loan, and Centurion Apartment REIT could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of Centurion Apartment REIT`s assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of Centurion Apartments REIT`s rights as mortgagee. Legal fees and expenses and other costs incurred by Centurion Apartment REIT in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by Centurion Apartment REIT.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, Mortgage payments to prior charge holders, insurance costs and related charges must be made through the period of ownership of real property regardless of whether Mortgage payments are being made. Centurion Apartment REIT may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

LITIGATION RISKS

Centurion Apartment REIT may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation involving a borrower in respect of a Mortgage, Centurion Apartment REIT may not be receiving payments of interest on a Mortgage that is the subject of litigation, thereby impacting cash flows. The unfavourable resolution of any legal proceedings could have an adverse effect on the Centurion Apartment REIT and its financial position and results of operations that could be material.

COMPETITION FOR REAL PROPERTY INVESTMENTS

Centurion Apartment REIT competes for suitable real property investments with individuals, corporations, and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by Centurion Apartment REIT. A number of these investors may have greater financial resources than those of Centurion Apartment REIT or operate without the investment or operating guidelines of Centurion Apartment REIT or according to more flexible conditions. 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/or reducing the yield on them.

COMPETITION FOR TENANTS

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Centurion Apartment REIT in seeking tenants. The

existence of competing developers, managers and owners for Centurion Apartment REIT's tenants could have an adverse effect on Centurion Apartment REIT's ability to lease suites in its properties and on the rents charged.

INTEREST RATES

It is anticipated that the market price for the REIT Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the REIT Units. A decrease in interest rates may encourage tenants to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting Centurion Apartment REIT's business and profitability.

DEBT FINANCING

Centurion Apartment REIT is subject to the risks associated with debt financing, including the risk that Centurion Apartment REIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of Centurion's Acquisition and Operating Facilities are at floating interest rates, and accordingly, changes in short-term borrowing will affect Centurion Apartment REIT's costs of borrowing.

GENERAL ECONOMIC CONDITIONS

Centurion Apartment REIT is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The competition for tenants also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners for Centurion Apartment REIT's tenants could have an adverse effect on Centurion Apartment REIT's ability to lease suites in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and re-lease suites, all of which could adversely affect Centurion Apartment REIT's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which Centurion Apartment REIT operates or may operate could have an adverse effect on Centurion Apartment REIT.

GENERAL UNINSURED LOSSES

Centurion Apartment REIT carries comprehensive general liability, fire, flood, extended coverage, rental loss and pollution 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 wars) which are either uninsurable or not insurable on an economically viable basis. Centurion Apartment REIT has insurance for earthquake risks, subject to certain policy limits, deductibles, and self- insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, Centurion Apartment REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Centurion Apartment REIT would continue to be obligated to repay any recourse mortgage indebtedness on such Properties.

AVAILABILITY OF CASH FOR DISTRIBUTIONS

Distributable income is calculated before deducting items such as principal repayments and capital expenditures and, accordingly, may exceed actual cash available to Centurion Apartment REIT from time to time. Centurion Apartment REIT may be required to use part of its debt capacity or raise additional equity in order to accommodate such items, and there can be no assurance that funds from such sources will be available on favourable terms or at all. In such circumstances, distributions may be reduced or suspended, which may therefore also have an adverse impact on the market price of the REIT Units. Accordingly, cash distributions are not guaranteed and cannot be assured. Further, Distributable Income can exceed net income and have the result of an erosion of Adjusted Unitholder's Equity. See "Distribution Policy".

Distributable Income is calculated in accordance with Centurion Apartment REIT's Declaration of Trust. Distributable Income is not a measure recognized under Canadian generally accepted accounting principles and does not have a standardized meaning prescribed by GAAP. Distributable income is presented herein because management of Centurion Apartment REIT believes this

non-GAAP measure is a relevant measure of the ability of Centurion Apartment REIT to earn and distribute cash returns to REIT Unitholders. Distributable Income as computed by Centurion Apartment REIT may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to distributable income as reported by such organizations. Distributable income is calculated by reference to the net income of Centurion Apartment REIT on a consolidated basis, as determined in accordance with GAAP, subject to certain adjustments as set out in the constating documents of Centurion Apartment REIT.

GOVERNMENT REGULATION

Centurion Apartment REIT currently has interests in properties located in the provinces of Ontario and Quebec. The nature of apartment construction and operation is such that refurbishment and structural repairs are required periodically, in addition to regular ongoing maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continually evolving and changes thereto may give rise to ongoing financial and other obligations of Centurion Apartment REIT, the costs of which may not be fully recoverable from tenants. See below for further restrictions in the respective jurisdictions:

ONTARIO

The Government of Ontario drafted and finalized new residential tenancy legislation, The Residential Tenancies Act, 2006 (the "RTA"), which it characterized as "effective tenant protection." The RTA received Royal Assent June 22, 2006, and is now law, replacing the Tenant Protection Act, 1997 (Ontario) (the "TPA"). The RTA provides restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. The rent increase guideline is calculated under the RTA, and is based on the Ontario Consumer Price Index, which is calculated monthly by Statistics Canada. On June 13, 2012, the Government of Ontario passed legislation to amend the RTA, to ensure that the Rent Increase Guideline is capped at 2.5%. There is no prescribed guideline applicable to residential complexes constructed on or after November 1st of 1991, so Landlords can increase the rent on these complexes without limitation on the amount. The guideline increase for 2015 is 1.6%; the 2015 guideline increase has been calculated by averaging the percentage increase in the Ontario Consumer Price Index during the previous 12 months, from June 2013 to May 2014. Since the average CPI was 1.6%, the guideline is 1.6%. By comparison, the guideline increase for 2014 was 0.8%. In order to increase rents above the maximum guideline increase of 1.6% per annum for 2015, a landlord must make an application based on an extraordinary increase in the cost for municipal or utility levies and charges and/or capital expenditures incurred with respect to a residential complex or suite therein. As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The RTA also permits tenants to bring proceedings to reduce rent due to reductions or discontinuances in services or facilities or due to a reduction in the applicable municipal taxes. The RTA provides tenants of residential rental properties with a high level of security of tenure and prescribes certain procedures, including mandatory notice periods, which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the Ontario Rental Housing Tribunal, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

QUEBEC

The Government of Québec relies upon the Civil Code of Québec, C.C.Q. ("C.C.Q.") and the Act Respecting the Régie du logement, R.S.Q. c. R-8.1 (the "Act") in administering landlord tenant concerns through the Régie du logement (the Régie). Similar to Ontario, there are restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. If the method to fix the rent of the Régie is applied, the guideline increase for the period starting after April 1st, 2014 but before April 2nd, 2015 ranges between 0.6% and 1.1% depending on the type of heating employed. By comparison, the range for the previous period was between 0.9% and 1.7%. A landlord, who undertakes major repairs or renovations, may make changes to the conditions of a lease, including an increase in the rental rate above the guideline that is based upon a prescribed calculation to justify the increase. Should the tenant, within

his or her right, refuse modifications and the new rental rate, the landlord may apply to the Régie (within 1 month of refusal, otherwise the lease is renewed under previous conditions) (1947 C.C.Q.). As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. In Québec, the cornerstone principle is the tenant's right to maintain occupancy (1936 C.C.Q.), and barring notice from either party to the contrary, automatic renewal for fixed term leases (maximum 12 months) (1941 C.C.Q.). Further, the landlord must provide notice to any new lessee, presenting the lowest rent paid in the preceding 12 months (1896 C.C.Q.); should the tenant dispute the new rental rate, they may make application to the Régie to set the rent.

ENVIRONMENTAL MATTERS

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive. Under various laws, Centurion Apartment REIT could become 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 also result in claims against the owner by private plaintiffs. Where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary.

UNITHOLDER LIABILITY

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a REIT Unitholder could be held personally liable for obligations of Centurion Apartment REIT (to the extent that claims are not satisfied by Centurion Apartment REIT) in respect of contracts which Centurion Apartment REIT enters into and for certain liabilities arising other than out of contracts including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Centurion Apartment REIT's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Centurion Apartment REIT contain an express disavowal of liability against Unitholders.

In December 2004, a new statute, the Trust Beneficiaries' Liability Act (Ontario), was enacted to create a statutory limitation on the liability of Unitholders of trusts such as Centurion Apartment REIT. The legislation provides that a Unitholder, such as a REIT Unitholder, will not, as a beneficiary, be liable for any act, default, obligation, or liability of the Trust or any of its Trustees after the legislation comes into force. However, this legislation does not address potential liabilities arising before the date the legislation came into force. In addition, this legislation has not been judicially considered and it is possible that reliance on the legislation by a REIT Unitholder could be successfully challenged on jurisdictional or other grounds.

DEPENDENCE ON KEY PERSONNEL

The management of Centurion Apartment REIT depends on the services of certain key personnel. The termination of employment by the Asset Manager or the Property Manager of any of these key personnel could have a materially adverse effect on Centurion Apartment REIT.

FAILURE OR UNAVAILABILITY OF COMPUTER AND DATA PROCESSING SYSTEMS AND SOFTWARE

The Asset Manager is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could interrupt operations or materially impact the Asset Manager's ability to collect revenues and make payments on behalf of Centurion Apartment REIT and to manage risks. If sustained or repeated, a system failure or loss of data could negatively and materially adversely affect the ability of the Asset Manager to discharge its duties to Centurion Apartment REIT and the impact on Centurion Apartment REIT may be material.

POTENTIAL CONFLICTS OF INTEREST

Centurion Apartment REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Centurion Apartment REIT, senior officers of the Asset Manager, the Property Manager, the Mortgage

APPENDIX C

Risks and Uncertainties

Manager and the Mortgage Servicer are engaged in a wide range of real estate and other business activities. Centurion Apartment REIT may become involved in transactions which conflict with the interests of the foregoing.

The Trustees may from time to time deal with persons, firms, institutions, or corporations with which Centurion Apartment REIT may be dealing, or which may be seeking investments similar to those desired by Centurion Apartment REIT. The interests of these persons could conflict with those of Centurion Apartment REIT. In addition, from time to time, these persons may be competing with Centurion Apartment REIT for available investment opportunities.

The Asset Manager, the Property Manager, the Mortgage Manager, and the Mortgage Servicer are not owned by Centurion Apartment REIT but are related by common management and personnel to Centurion Apartment REIT. This could create conflicts of interest between the Asset Manager, Property Manager, the Mortgage Manager and the Mortgage Servicer and Centurion Apartment REIT.

Centurion Apartment REIT is a connected issuer, and may be considered to be a related issuer, of Centurion Asset Management Inc. (the "Asset Manager"), its asset manager and an exempt market dealer, investment fund manager and restricted portfolio manager in certain jurisdictions, in connection with the distribution of the REIT's securities hereunder, which may result in potential conflicts of interest. Centurion Apartment REIT is a connected issuer of the Asset Manager due to the factors described in the Offering Memorandum under "Relationship between Centurion Apartment REIT, The Asset Manager and Affiliates of The Asset Manager" as a result of the fact that the President of Centurion Apartment REIT and the Asset Manager are the same and Mr. Gregory Romundt and his family beneficially own all of the shares of the Asset Manager, the Property Manager, the Mortgage Manager and the Mortgage Servicer. Centurion Apartment REIT may be considered to be a related issuer of the Asset Manager by virtue of the Asset Manager's right to appoint a prescribed number of nominees to the board of trustees of Centurion Apartment REIT. See "Trustees" and "Relationship Between Centurion Apartment REIT, The Asset Manager and Affiliates of The Asset Manager" in the Offering Memorandum.

The Centurion Apartment REIT Declaration of Trust contains "conflict of interest" provisions requiring Trustees to disclose material interests in Material Contracts and transactions and to refrain from voting thereon.

TAX RELATED RISKS

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Centurion Apartment REIT or the Unitholders.

If Centurion Apartment REIT fails or ceases to qualify as a mutual fund trust for the purposes of the Tax Act, the tax consequences described under "Canadian Federal Income Tax Considerations" and "Eligibility for Investment" would in some respects be materially and adversely different. In addition, REIT Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their REIT Units.

If investments in Centurion Apartment REIT become publicly listed or traded, there can be no assurances that Centurion Apartment REIT will not be subject to the SIFT Rules, as described under "Canadian Federal Income Tax Considerations – SIFT Rules", at that time. Centurion Apartment REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Centurion Apartment REIT.

CRITICAL ESTIMATES, ASSUMPTIONS, AND JUDGMENTS

The preparation of financial statements as per IFRS requires management to make judgments, assumptions and estimates that affect the reported amounts in the consolidated financial statements. Actual results could differ from these estimates. Financial statement carrying values, in addition to other factors (See "Valuation Policy"), serve as the basis for the calculation of the Fair Market Value of REIT Units. If such carrying values should prove to be incorrect, the Fair Market Value of the REIT Units could be different. To the extent that the carrying values or critical estimates, assumptions and judgments are inaccurate, and given that property portfolio values, which comprise the vast majority of the REITs assets, are calculated quarterly on a lagging basis, the Posted Price per REIT Unit in any given month may be understated or

overstated as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units will be paid an amount less than it would otherwise be paid if the critical estimates, assumptions, and judgments were different and that the calculation of property values wasn't calculated on a quarterly basis and thus potentially lagging the market. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual Fair Market Value is lower than the calculated Fair Market Value. In addition, there is a risk than an investment in the REIT by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the Posted Price of the REIT Units is higher than the actual Fair Market Value of the REIT Units. Further, there is a risk that a new Unitholder (or an existing Unitholder than makes an additional investment) could pay more than it might otherwise if the actual Fair Market Value of the REIT Units is lower than the Posted Price. Centurion Apartment REIT does not intend to adjust the Fair Market Value of the REIT retroactively.

As set forth in the definitions of "Fair Market Value" in the Offering Memorandum, the value of the REIT Units is determined by the Trustees, in their sole discretion, using reasonable methods of determining fair market value. Fair Market Value may or may not be equal to the net asset value of the Units. The description of the methodology of investment property valuations and the calculation of Fair Market Value and Post Prices of REIT Units reflects the methodology used by the Trustees as at the date hereof in calculating Fair Market Value. The Trustees may, in their discretion, adopt alternative methodologies to calculate investment property values and Fair Market Value from time to time, without notice to, or approval by, REIT Unitholders.

DILUTION

The number of REIT Units Centurion Apartment REIT is authorized to issue is unlimited. The Centurion Apartment REIT Trustees have the discretion to issue additional REIT Units in other circumstances, pursuant to Centurion Apartment REIT's various incentive plans. Any issuance of additional REIT Units may have a dilutive effect on the holders of REIT Units.

RESTRICTIONS ON POTENTIAL GROWTH AND RELIANCE ON CREDIT FACILITIES

The payout by Centurion Apartment REIT of a substantial part of its operating cash flow could adversely affect Centurion Apartment REIT's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, Centurion Apartment REIT could be materially and adversely affected.

POTENTIAL INABILITY TO FUND INVESTMENTS

Centurion Apartment REIT may commit to making future investments in anticipation of repayment of principal outstanding and/or the payment of interest under existing Mortgage investments and/or in reliance on its credit facilities. In the event that such repayments of principal or payments of interest are not made, or where credit facilities aren't available, Centurion Apartment REIT may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

LIQUIDITY OF REIT UNITS AND REDEMPTION RISK

The REIT Units are not listed on an exchange. There is currently no secondary market through which the REIT Units may be sold, there can be no assurance that any such market will develop and the REIT has no current plans to develop such a market. Accordingly, the sole method of liquidation of an investment in REIT Units is by way of a redemption of the REIT Units. Aggregate redemptions are limited to $50,000 per month unless approved by the Board of Trustees. Accordingly, in the event that the REIT experiences a large number of redemptions, the REIT may not be able to satisfy all of the redemption requests. Depending upon the Purchase Option selected and the amount of time the REIT Units have been held, there may be a Deferred Sales Charge or Short-Term Trading Fee associated with an early redemption (see "Redemption of REIT Units").

NATURE OF REIT UNITS

The REIT Units are not the same as shares of a corporation. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

APPENDIX D

Audited Consolidated Financial Statements

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
Consolidated Financial Statements
For the year ended December 31, 2018

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KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Centurion Apartment Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Centurion Apartment Real Estate Investment Trust (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of net income and comprehensive income for the year then ended
- the consolidated statement of changes in net assets attributable to unitholders for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- Management's Discussion and Analysis issued to Unitholders.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Management's Discussion and Analysis is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 7, 2019

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

As at	Note		December 31, 2018		December 31, 2017
Assets					
Cash		$	**36,306**	$	3,964
Restricted cash	10		**7,600**		850
Receivable and other assets	9		**13,583**		14,001
Investment properties held for sale	4		**9,790**		-
Investment properties	4		**1,109,421**		896,712
Mortgage investments	6		**341,713**		313,059
Participating loan interests	8		**137,123**		25,794
Equity accounted investments	5		**131,087**		61,025
Foreclosed property	7		**17,000**		-
Total Assets		$	**1,803,623**	$	1,315,405
Liabilities					
Unit subscriptions in trust	10		**7,600**		850
Accounts payable and other liabilities	12	$	**15,961**	$	12,734
Syndicated mortgage investment liabilities	6		**18,092**		-
Mortgages payable and credit facilities	11		**526,389**		469,432
Total Liabilities excluding net assets attributable to Unitholders			**568,042**		483,016
Net assets attributable to Unitholders		$	**1,235,581**	$	832,389
Represented by:					
Net assets attributable to unitholders of the Trust		$	**1,034,355**	$	700,253
Net assets attributable to non-controlling interest		$	**201,226**	$	132,136

Commitments and contingencies (Notes 6, 8, 13, 17 and 18)
Subsequent events (Note 25)

See accompanying notes to the consolidated financial statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

For the year ended	Note		**December 31, 2018**		December 31, 2017
Revenue from investment properties	14	**$**	**68,223**	$	62,863
Property operating costs			**(22,441)**		(22,197)
Net rental income			**45,782**		40,666
Fair value gains on investment properties	4		**127,474**		78,761
Interest income	6		**37,901**		27,359
Interest on syndicated mortgage liabilities	6		**(287)**		-
Fair value gains on participating loan interests	8		**4,943**		14,527
Impairment on foreclosed property	7		**(2,053)**		-
Income on equity accounted investments	5		**10,683**		10,852
Other income			**368**		467
General and administrative expenses	16		**(15,007)**		(11,218)
Recovery of (Allowance for) for expected credit losses	6		**1,057**		(892)
Income from operations			**210,861**		160,522
Finance costs	15		**(16,626)**		(14,719)
Currency translation adjustment			**175**		(94)
Net Income and Comprehensive Income		**$**	**194,410**	$	145,709
Attributable to:					
Unitholders of the Trust		**$**	**179,185**	$	127,300
Non-controlling interest		**$**	**15,225**	$	18,409

See accompanying notes to the consolidated financial statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

For the year ended December 31, 2018	Net assets attributable to Unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the period	**$ 700,253**	**$ 132,136**	**$ 832,389**
Net Income and Comprehensive Income	**179,185**	**15,225**	**194,410**
Redeemable unit transactions			
Proceeds from Units issued (net of issuance costs)	208,787	62,623	271,410
Reinvestments of distributions by Unitholders	26,443	6,333	32,776
Redemption of Units	(27,755)	(7,438)	(35,193)
Distributions to Unitholders	(52,558)	(7,653)	(60,211)
Net increase from Unit transactions	**154,917**	**53,865**	**208,782**
Net increase in net assets attributable to Unitholders	**334,102**	**69,090**	**403,192**
Net assets attributable to Unitholders at end of the period	**$ 1,034,355**	**$ 201,226**	**$ 1,235,581**

For the year ended December 31, 2017	Net assets attributable to Unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the period	$ 511,064	$ 100,485	$ 611,549
Net Income and Comprehensive Income	127,300	18,409	145,709
Redeemable unit transactions			
Proceeds from Units issued (net of issuance costs)	111,219	25,113	136,332
Reinvestments of distributions by Unitholders	22,573	2,743	25,316
Redemption of Units	(26,927)	(2,455)	(29,382)
Distributions to Unitholders	(44,976)	(12,159)	(57,135)
Net increase from Unit transactions	61,889	13,242	75,131
Net increase in net assets attributable to Unitholders	189,189	31,651	220,840
Net assets attributable to Unitholders at end of the period	$ 700,253	$ 132,136	$ 832,389

See accompanying notes to the consolidated financial statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

For the year ended December 31,	Note	2018	2017
Operating activities			
Net income		**$ 194,410**	$ 145,709
Interest income		**(37,901)**	(27,359)
Interest received on mortgage investments		**22,673**	12,191
(Recovery of) Allowance for expected credit losses	6	**(1,057)**	892
Fair value gains on investment properties	4	**(127,474)**	(78,761)
Non-cash portion of income from equity accounted investments	5	**(10,683)**	(10,852)
Fair value gains on participating loan interests	8	**(4,943)**	(14,527)
Impairment on foreclosed property	7	**2,053**	-
Finance costs	15	**16,626**	14,719
Amortization of property and equipment	16	**150**	219
Currency translation adjustment		**(175)**	94
Changes in non-cash operating account balances		**1,197**	839
Net cash from operating activities		**54,876**	43,164
Financing activities			
Proceeds from Units issued		**278,553**	142,603
Unit issue costs		**(7,143)**	(6,271)
Cash distributions to Unitholders		**(27,435)**	(30,132)
Redemption of Units		**(35,193)**	(29,382)
Capitalized financing fees		**(1,635)**	(1,718)
Mortgage advances and refinancing	23	**126,827**	72,082
Mortgage repayments	23	**(73,351)**	(46,557)
Credit Facility advances (repayments)		**(37,090)**	24,080
Finance costs paid		**(15,806)**	(14,581)
Net cash from financing activities		**207,727**	110,124
Investing activities			
Investment property acquisitions	4	**(23,318)**	(16,261)
Investment property acquisition costs	4	**(1,546)**	(1,352)
Investment property improvements	4	**(28,618)**	(22,425)
Acquisition of property and equipment		**-**	(126)
Participating loan interests funded	8	**(17,589)**	-
Participating loan interests repaid	8	**25,928**	-
Equity accounted investment	5	**(57,567)**	(14,330)
Mortgage investments principal repaid, net of syndication		**67,439**	58,756
Mortgage investments principal funded, net of syndication		**(194,990)**	(154,639)
Net cash used in investing activities		**(230,261)**	(150,377)
Net (decrease) increase in cash		**32,342**	2,911
Cash, beginning of period		**3,964**	1,053
Cash, end of period		**$ 36,306**	$ 3,964

See accompanying notes to the consolidated financial statements.

1. Trust Information

Centurion Apartment Real Estate Investment Trust ("REIT" or the "Trust") is an unincorporated, open-ended real estate private investment trust which was created pursuant to a Declaration of Trust initially dated August 31, 2009, as further amended from time to time and most recently amended on September 19, 2017 ("Declaration of Trust") and is governed by the laws of the Province of Ontario. The registered office of the Trust is located at 25 Sheppard Avenue West, Suite 710, Toronto, Ontario, M2N 6S6.

The Trust invests primarily in multi-suite residential properties, student residence properties, mortgages and other real estate investments in Canada.

2. Basis of Presentation

a) Statement of Compliance

These consolidated financial statements for the year ended December 31, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These are the first set of the Trust's financial statements where changes to significant accounting policies as described in Note 3 for *IFRS 9 - Financial Instruments* and *IFRS 15 – Revenue from Contracts with Customers* have been applied.

These consolidated financial statements have been approved for issue by the Board of Trustees on March 7, 2019.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for real estate held in equity accounted investments, one investment in a joint arrangement elected to be accounted for as a portfolio investment, participating loan interests, and foreign currency forward contracts which have been measured at fair value through profit or loss ("FVTPL") as determined at each reporting date.

c) Principles of Consolidation

The consolidated financial statements reflect the operations of the Trust, its wholly-owned subsidiaries and its proportionate share of joint arrangements which are classified as joint operations. Entities subject to joint arrangements characterized as joint ventures are accounted for using the equity method. Centurion Real Estate Opportunities Trust ("REOT") is a subsidiary of the Trust as it has been determined that the Trust has control. The Trust owns 63.81% (December 31, 2017 – 61.84%) of the units of REOT.

2. Basis of Presentation (continued)

c) Principles of Consolidation (continued)

The summarized financial information of REOT is as follows:

As at		December 31, 2018		December 31, 2017
Total assets	**$**	**557,515**	$	373,665
Total liabilities	**$**	**32,439**	$	27,439
Net assets attributable to Unitholders	**$**	**525,076**	$	346,226

For the year ended		December 31, 2018		December 31, 2017[1]
Net interest income	**$**	**33,695**	$	24,541
Fair value and equity income		**11,747**		23,780
Expenses		**(3,702)**		(4,094)
Net Income and Comprehensive Income	**$**	**41,740**	$	44,227

[1] Presented under IAS 39

The financial statements of the subsidiaries included in the consolidated financial statements are from the date that control commences until the date that control ceases.

The accounting policies of the subsidiaries are consistent with the accounting policies of the Trust and their financial statements have been prepared for the same reporting period as the Trust. All intercompany transactions and balances have been eliminated upon consolidation.

d) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency unless otherwise stated.

e) Statement of Financial Position Classification Change

During the year ended December 31, 2018, the Trust changed its presentation of the consolidated statement of financial position from classified to non-classified with comparative figures adjusted, as management believes providing this information is relevant due to the short-term nature of the investments.

2. Basis of Presentation (continued)

f) Critical Accounting Estimates, Assumptions and Judgments

The preparation of the consolidated financial statements requires management to make estimates, assumptions, and judgments that affect accounting policies and the reported amounts of assets, liabilities at the date of the consolidated financial statements, and income and expenses during the reporting period.

Management relies on external information and observable conditions where possible, supplemented by internal analysis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

Estimates, assumptions, and judgments have been applied in a manner consistent with prior year and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments. While management makes its best estimates and assumptions, actual results could differ from these and other estimates.

The significant estimates, assumptions, and judgments used in the preparation of the consolidated financial statements are as follows:

Measurement of Fair Value

Fair value measurements are recognized in financial and non-financial assets and liabilities categorized using a fair value hierarchy that reflects the significance of inputs used in determining their fair values:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. The information about assumptions made in the fair value is included in the following notes:

Note 4: Real Estate held within Investment properties

Note 5: Equity accounted investments

Note 7: Foreclosed property

Note 8: Participating loan interests

Note 20: Fair value measurement disclosures

2. Basis of Presentation (continued)

Measurement of Expected Credit Loss ("ECL")

The ECL model requires evaluation and recognition of an allowance for expected credit losses over the next 12 months for investments without evidence of change to credit risk and an allowance of lifetime losses on investments that have experienced a significant increase in credit risk since origination.

Management assesses financial assets for objective evidence of significant changes in credit risk at each reporting period by specifically considering, but not limited to, the following:

- Payment default by a borrower is not cured within a reasonable period
- Whether the security of the mortgage is significantly negatively impacted by recent events
- Financial difficulty experienced by a borrower
- Changes in assumptions about local economic and other real estate market conditions in the geographic area in which a borrower's project is located
- Management's judgment as to whether current economic and credit conditions are such that potential losses at the reporting date are likely to be higher or lower than the amounts suggested by historic experience

The calculation of expected credit losses requires significant judgment to determine the variables that are relevant for each mortgage investment and probability weights that should be applied. Management exercises expert credit judgment in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already incorporated in the quantitative modeling process. Changes in these inputs, assumptions, models and judgments directly impact the measurement of ECLs.

Business Combinations

The Trust excised judgment in determining whether the acquisition of a property should be accounted for an asset purchase or business combination. This assessment impacts the treatment of transaction costs (including commissions, land transfer tax, appraisals, and legal fees associated with an acquisition), allocation of acquisition costs and whether or not goodwill is recognized. A business generally consists of inputs, processes applied to these inputs and resulting outputs that are, or will be, used to generate revenues. In absence of such criteria, a group of assets is deemed to have been acquired. The Trust generally accounts for its investment property acquisitions as asset acquisitions.

2. Basis of Presentation (continued)

Classification of Co-Investments

The Trust makes judgments as to whether its co-investments provide it with joint control, significant influence or no influence. The Trust has determined that it has joint control in all of its co-ownerships and therefore has accounted for its investment in these co-ownerships as joint operations and has used the share of net assets, liabilities, revenues and expenses method to account for these arrangements

3. Significant Accounting Policies

a) Investment Properties

The Trust accounts for its investment properties using the fair value model in accordance with *IAS 40 - Investment Properties* ("IAS 40"). Investment property is defined as property held to earn rentals or for capital appreciation or both. Investment properties are initially recorded at cost, including related transaction costs if the transaction is deemed to be an asset acquisition. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date.

Any changes in the fair value are included in operating income in the consolidated statement of comprehensive income. Fair value is supported by independent external valuations or detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

b) Financial Instruments

Recognition and measurement

Financial instruments are classified as one of the following: (i) FVTPL, (ii) fair value through other comprehensive income ("FVOCI") or iii) amortized cost or iv) other liabilities. The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trusts designation of such instruments. The Trust has no financial instruments classified as FVOCI.

Interest income from financial assets, not classified as FVTPL, is determined using the effective interest rate method.

3. Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Trust derecognizes a financial liability when the obligation under the liability is discharged, canceled or expires.

c) Joint Arrangements

The Trust enters into joint arrangements through joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint arrangements that involve the establishment of a separate entity in which each party to the venture has rights to the net assets of the arrangement are referred to as joint ventures.

The Trust accounts for its interest in joint ventures using the equity method. The Trust's investment in joint ventures are initially accounted for at cost, and the carrying amount is increased or decreased to recognize the Trust's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition. If an arrangement is considered a joint operation, the Trust will recognize its proportionate share of assets, liabilities, income, and expenses on a line-by-line basis.

The Trust elects to measure one investment in the associates and joint ventures at fair value through profit and loss.

d) Mortgage Investments

Mortgage investments are classified and measured at amortized cost using the effective interest method, less any impairment losses. Mortgage investments are assessed at each reporting date to determine whether there is objective evidence of significant changes in credit risk.

3. Significant Accounting Policies (continued)

d) Mortgage Investments (continued)

A mortgage investment's credit risk increases when objective evidence indicates that factors have occurred after the initial recognition of an investment and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. The Trust's internal credit risk rating process involves judgment and combines multiple factors to arrive at a specific score to assess each mortgage investment the probability of default. These factors include the loan to value ratio, borrower's net worth and ability to service debt, project location, experience with the borrower and credit score. Significant changes in the internal credit risk rating have resulted in reclassifications of mortgage investments into Stage 2 and Stage 3.

Allowance for ECL on Mortgage Investments

The Trust maintains an allowance in order to cover impairment in the existing portfolio for loans that have not yet been individually identified as impaired. Under the IFRS 9, the ECL methodology, an allowance is recorded for ECL on financial assets according to the following stages:

Stage 1	When mortgage investments are recognized they are classified into Stage 1. The Trust recognizes an allowance based on 12 months ECL, which represent lifetime ECLs related to default events that are expected to occur within 12 months after the reporting date. Stage 1 mortgage investments also include investments where the credit risk has subsequently improved such that the increase in credit risk since initial recognition is no longer significant and the mortgage investments have been reclassified from Stage 2.
Stage 2	When a mortgage investment has shown a significant increase in credit risk since origination, the Trust reclassifies the mortgage investment to Stage 2 and an allowance is recognized at an amount equal to ECL over the remaining life. Stage 2 mortgage investments also include investments where the credit risk has improved and the mortgage has been reclassified from Stage 3.
Stage 3	The Trust classifies mortgage investments to Stage 3 when payment defaults by the borrower are not cured within a reasonable period. In certain other cases, where qualitative thresholds indicate unlikeliness to pay as a result of a credit event, the Trust carefully considers whether the event should result in an assessment at Stage 2 or Stage 3 for ECL calculations. Allowances required for impaired loans are recorded for individually identified impaired investments to reduce their carrying value to the expected recoverable amount. The Trust reviews investments on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded.

3. Significant Accounting Policies (continued)

d) Mortgage Investments (continued)

An impairment loss is calculated as the difference between the carrying amount of the mortgage investment and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the consolidated statement of net income and comprehensive income and are reflected in the provision for mortgage losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of net income and comprehensive income.

e) Property, Plant, and Equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation and mainly comprise head office and regional offices leasehold improvements, corporate and information technology systems. These items are amortized on a straight-line basis over their estimated useful lives ranging from three to five years, or, in the case of leasehold improvements, are amortized over the shorter of the lease term and their estimated useful lives.

f) Participating Loan Interests

The Trust enters into debt investments that comprise of a combination of contractual interest and enhanced returns such as profit participation. Participating loan interests are measured at FVTPL due to the characteristics of the instrument not being solely for the payment of principal and interest. The Trust recognizes interest income on participating loan interests based on the contractual terms of the agreement and is included as part of interest income on the consolidated statement on net income and comprehensive income. At the end of each reporting period, the Trust determines the fair value of the entire instrument with the corresponding gain or loss recorded as fair value gain/loss in the consolidated statement of net income and comprehensive income. Any interest income arising from the contractual portion of the mortgage investment and/or the participating loan interest are recorded as interest income and any remaining non-contractual gains or losses are recognized through FVTPL.

g) Foreclosed Property

When REIT obtains the legal title of the underlying security of a default mortgage investment, the carrying value of the mortgage investment, which comprises principal, accrued interest, the related provision for mortgage investment loss and costs incurred, if any, are reclassified to foreclosed properties at fair value. At each reporting date, foreclosed properties are measured at fair value, with changes in fair value included in the consolidated statement of net income and comprehensive income in the period they arise.

3. Significant Accounting Policies (continued)

g) Foreclosed Property (continued)

REIT uses management's best estimate to determine the fair value of the foreclosed properties; which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions, costs consultants to estimate completion costs on development or construction projects, or retaining professional appraisers to provide independent valuations.

Contractual interest on the mortgage investment is discontinued from the date of transfer from the mortgage investments to foreclosed properties. Any net income or loss generated from foreclosed properties is recorded as net operating gain (loss) from foreclosed properties and recorded separately from fair value adjustments on foreclosed properties.

h) Foreign Currency Forward Contracts

The Trust may enter into foreign currency forward contracts to economically hedge the foreign currency risk exposure of its mortgage and other investments that are denominated in foreign currencies. The value of foreign currency forward contracts entered into by the Trust is recorded as the difference between the value of the contract on the reporting period and the value on the date the contract originated. Any resulting gain or loss is recognized in the statement of net income and comprehensive income unless the foreign currency contract is effective as a hedging instrument and designated as such under IFRS. The Trust has elected to not account for the foreign currency contracts as an accounting hedge.

i) Revenue Recognition

Revenue from investment properties includes rents from tenants under leases and ancillary income (such as utilities, parking and laundry) paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the REIT expects to be entitled in exchange for those goods or services. The REIT has not transferred substantially all of the risks and benefits of ownership of its income producing properties and, therefore, accounts for leases with its tenants as operating leases.

Rental income is accounted for on a straight-line basis over the lease terms. Ancillary income is considered non-lease components and are within the scope of IFRS 15 – Revenue from Contracts with Customers. The performance obligation for property management and ancillary services is satisfied over time.

3. Significant Accounting Policies (continued)

j) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

The amount of a provision is based on management's best estimate of the expenditure that is required to settle the obligation at the end of the reporting year. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense

k) Borrowing Costs and Interest on Mortgages Payable

Mortgage expenses include mortgage interest, which is expensed at the effective interest rate and transaction costs incurred in connection with the revolving credit facilities which are amortized.

l) Employee Benefits

Short-term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities are recognized for the amounts expected to be paid within 12 months as the Trust has an obligation to pay this amount as a result of a past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefits are recorded in Accounts payable and accrued liabilities.
The Trust maintains a deferred trust unit plan for some of its employees. This plan is considered cash settled and the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the vesting period of the units issued. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in the consolidated statement of financial position.

m) Distribution Reinvestment and Unit Purchase Plan ("DRIP")

The Trust has instituted a Dividend Reinvestment Plan ("DRIP") in accordance with Article 5.8 of the Declaration of Trust which provides that the Trustees may in their sole discretion establish a distribution reinvestment plan at any time providing for the voluntary reinvestment of distributions by some or all the Trust Unitholders as the Trustees determine. Currently Unitholders receive a 2% discount on Units purchased through DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

3. Significant Accounting Policies (continued)

n) Net Assets Attributable to Unitholders

In accordance with *IAS 32 - Financial Instruments: Presentation* ("IAS 32"), puttable instruments are generally classified as financial liabilities. The Trust's units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 that could result in a classification as equity; however, the Trust's units do not meet these exception requirements. Therefore, the Trust has no instrument that qualifies for equity classification on its Statement of Financial Position pursuant to IFRS. The classification of all units as financial liabilities with the presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

The Trust's units are carried on the Statement of Financial Position at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting year, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders are limited to the net assets of the Trust.

o) Income Taxes

The Trust qualifies as a Mutual Fund Trust for Canadian income tax purposes. In accordance with the terms of the Declaration of Trust, the Trust intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Income Tax Act (Canada). The Trust is eligible to claim a tax deduction for distributions paid and, intends to continue to meet the requirements under the Income Tax Act (Canada). Accordingly, no provision for income taxes payable has been made. Income tax obligations relating to distributions of the Trust are the obligations of the Unitholders.

p) Changes in Accounting Policies

The Trust has adopted *IFRS 9 – Financial Instruments* and *IFRS 15 – Revenue from Contracts with Customers* effective January 1, 2018, without restatement of comparative periods.

Financial Instruments ("IFRS 9")

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Trust's accounting policies related to financial liabilities and financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

3. Significant Accounting Policies (continued)

p) Changes in Accounting Policies (continued)

The implementation of IFRS 9 has been reflected in the classification and measurement of financial assets and financial liabilities. The Trust adopted IFRS 9 beginning January 1, 2018, using transitional provisions allowing the Trust to not restate comparative periods, which reflect IAS 39.

The modification in classifications have been outlined below:

Financial Instrument	Classification under IAS 39	Classification under IFRS 9	Original Carrying amount under IAS 39	Reclassification	New carrying amount under IFRS 9
Cash & restricted cash	Loans and Receivables	Amortized cost	4,814	-	4,814
Receivables and other assets	Loans and Receivables	Amortized cost	14,001	-	14,001
Mortgage investments	Loans and Receivables	Amortized cost	313,059	(105,700)	207,359
Participating loan interests	FVTPL	FVTPL	25,794	105,700	131,494
Credit facility	Other Liabilities	Other Liabilities	27,730	-	27,730
Accounts payable and accrued liabilities	Other Liabilities	Other Liabilities	12,733	-	12,733
Unit subscriptions in trust	Other Liabilities	Other Liabilities	850	-	850

Upon the adoption of IFRS 9, the Trust identified $105,700 of mortgage investments that include a profit participation feature, which does not meet the solely payments of principal and interest (SPPI) criterion. This balance has been reclassified to participating loan interests and measured at FVTPL. IFRS 9 uses an expected credit loss (ECL) model to determine impairment. The impairment requirements in IFRS 9 apply to financial assets that are measured at amortized cost or FVOCI, and off balance-sheet lending commitments such as loan commitments and letters of credit (which are collectively referred to in this note as financial assets). The ECL model is forward looking and results in a provision for mortgage losses being recorded on all financial assets regardless of whether there has been a loss event.

Each financial asset measured at amortized cost is evaluated for expected credit losses at each reporting period, or more frequently if circumstances indicate the existence of objective evidence of significant changes in credit risk. Significant credit risk is assessed based on the criteria described in “Measurement of Expected Credit Losses” (Note 2).

On January 1, 2018, upon adoption of IFRS 9 there was no material impact to the provision for expected credit losses.

3. Significant Accounting Policies (continued)

p) Changes in Accounting Policies (continued)

Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018, the Trust has applied IFRS 15. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized, replacing reporting standards commonly used in the industry, such as *IAS 18 – Revenue*, *IAS 11 – Construction Contracts*, and *IFRIC 15 – Agreements for the Construction of Real Estate*.

In adopting IFRS 15, each revenue stream was assessed, and both the recognition of revenue and the measurement of revenue remained the same under IFRS 15, resulting in no impact to the consolidated statements of financial position and the consolidated statements of comprehensive income.

q) Future Accounting Policy Changes

Leases ("IFRS 16")

IFRS 16 Leases is effective for reporting periods beginning on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. The single lessee accounting model requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value and to disclose the depreciation of lease assets separately from interest on lease liabilities in the income statement. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Trust is currently in the process of evaluating the impact of IFRS 16 on its consolidated financial statements.

4. Investment Properties

Investment properties are measured at fair value as at the consolidated statement of financial position dates. Any changes in the fair value are included in the consolidated statement of net income and comprehensive income. Fair value is supported by independent external valuations or detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise the capitalized net operating income method and include estimating, among other things (all considered Level 3 inputs), future stabilized net operating income, capitalization rates, discount rates and other future cash flows applicable to investment properties. Fair values for investment properties are classified as Level 3 in the fair value hierarchy.

4. Investment Properties (continued)

The Trust investment properties consist of the following:

		December 31, 2018		December 31, 2017
Balance, beginning of period	**$**	**896,712**	$	768,794
Property acquisitions		**64,861**		25,380
Increase in property valuation		**157,638**		102,538
Transfer of Investment properties held for sale		**(9,790)**		-
Balance, end of period	**$**	**1,109,421**	$	896,712

		December 31, 2018		December 31, 2017
Increase in property valuation	**$**	**157,638**	$	102,538
Less: Acquisition costs		**(1,546)**		(1,352)
Less: Property improvements		**(28,618)**		(22,425)
Fair Value Adjustment on Investment Properties	**$**	**127,474**	$	78,761

The following valuation techniques were considered in determining the fair value:

1. Consideration of recent prices of similar properties within similar market areas;
2. The direct capitalization method, which is based on the conversion of current and future normalized earnings potential directly into an expression of market value. The Normalized Net Operating Income ("NNOI") for the year is divided by an overall capitalization rate (inverse of an earnings multiplier) to arrive at the estimate of fair value.

As each reporting date, the Trust assembles the property specific data used in the valuation model based on the process set forth in the valuation framework, reviews the valuation framework to determine whether any changes or updates are required, inputs the capitalization rates, set-offs and normalization assumptions provided by the valuators, and delivers the completed valuation framework to the external appraisers for review. The external appraisers determine the capitalization rates that should be used in valuing the properties, provide charts of comparable sales and supporting relevant market information, determining the appropriate industry standard set off amounts and normalization assumptions used in the calculation of NOI; and supplying a fair value report for the Trust to reflect in the consolidated financial statements.

Capitalization Rate Sensitivity Analysis

The Trust conducted a valuation on an individual property basis, with no portfolio effect considered, to determine the fair value of its investment properties. Capitalization rates used to generate fair values for the investment properties varied from 3.50% to 6.00% at December 31, 2018 (December 31, 2017: 3.75% to 6.25%) and the weighted average was 4.55% for the total portfolio (December 31, 2017: 4.80%).

4. Investment Properties (continued)

The table below presents the sensitivity of the fair valuation of investment properties to the changes in capitalization rate (inclusive of investment property held for sale).

Capitalization rate sensitivity increase (decrease)	Weighted average capitalization rate	Fair value of proportionate investment property	Fair value variance	% change
(0.75%)	3.80%	$ 1,328,614	$ 219,193	19.8%
(0.50%)	4.05%	$ 1,246,520	$ 137,099	12.4%
(0.25%)	4.30%	$ 1,173,982	$ 64,561	5.8%
December 31, 2018	4.55%	$ 1,109,421	$ -	-
0.25%	4.80%	$ 1,051,591	$ (57,830)	(5.2%)
0.50%	5.05%	$ 999,491	$ (109,930)	(9.9%)
0.75%	5.30%	$ 952,310	$ (157,111)	(14.2%)

Acquisitions

During the year ended December 31, 2018, the Trust completed the following investment property acquisitions.

Acquisition Date	Rental Units	% Holding	Total Purchase Price	Mortgage Funding	Mortgage Interest Rate	Mortgage Maturity Date
November 21, 2018	75	100%	$ **11,927**	$ **6,597**	4.35%	February 1, 2028
November 21, 2018	64	100%	**11,503**	**5,149**	2.57%	January 1, 2019
November 21, 2018	48	100%	**9,291**	**7,380**	2.95%	January 5, 2021
November 30, 2018	224	85%	**32,140**	**22,417**	4.99%	November 30, 2030
			$ 64,861	**$ 41,543**		

During the year ended December 31, 2017, the Trust completed the following investment property asset acquisition, which contributed to the operating results effective from the acquisition date.

Acquisition Date	Rental Units	% Holding	Total Purchase Price	Mortgage Funding	Mortgage Interest Rate	Mortgage Maturity Date
March 1, 2017	208	60%	$ **25,380**	$ **14,824**	3.95%	June 22, 2017

Dispositions

During the year ended December 31, 2018 and 2017, the Trust did not complete any investment property dispositions.

4. Investment Properties (continued)

Investment Properties Held for Sale

Investment properties are reclassified to assets held for sale when the criteria set out in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, are met. The conditions of held for sale is met : (a) if management is committed to a plan to achieve the sale, (b) the asset is available for immediate sale (c) there is an active program to find a buyer, (d) the asset is being actively marketed at a reasonable price, (e) the sale is anticipated to be completed within one year from the date of classification, and (f) it is unlikely there will be changes to the plan.

The Trust is currently actively trying to sell two investment properties located in Kitchener, Ontario comprising of a 74 unit multiple-residential portfolio. The sale of these investment properties is in line with the Trust's long-term investment strategy. The investment properties were reported at fair value therefore there is no financial impact due to the change in classification.

Investment in Joint Arrangements

Included within investment properties are the following joint operations, which are co-ownership arrangements:

	December 31, 2018	December 31, 2017
75 Ann & 1 Beaufort Co-ownership	**75%**	**75%**
1 Columbia	**50%**	**50%**
Harbourview Estates LP	**60%**	**60%**
Oxford on the Ranch	**85%**	**-**

The Trust's share of assets, liabilities, revenues, expenses and net income and cash flows from investments in joint operations that are reflected in the consolidated financial statements are as follows:

For the period ended		**December 31, 2018**		December 31, 2017
Non-current assets	**$**	**111,032**	$	71,484
Current assets		**(17,515)**		(6,656)
Total assets		**93,517**		64,828
Non-current liabilities		**77,060**		52,060
Current liabilities		**1,296**		1,508
Total liabilities		**78,356**		53,568
Revenues	**$**	**6,306**	$	5,443
Expenses		**(4,193)**		(3,650)
Fair value adjustment on investment properties		**432**		(590)
Net income	**$**	**2,545**	$	1,203

5. Equity Accounted Investments

Investment properties held within equity accounted investments are measured at fair value as at the consolidated statement of financial position dates. Any changes in the fair value are included in the consolidated statement of comprehensive income. Fair value is supported by independent external valuations or detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise the capitalized net operating income method and include estimating, among other things, future stabilized net operating income, capitalization rates, discount rates and other future cash flows applicable to investment properties. Fair values for investment properties are classified as Level 3 in the fair value hierarchy.

The carrying value of equity accounted investments consists of the following:

Entity	Ownership	December 31, 2017	Net Contributions/ (Distributions)	Income and Fair Value adjustment	Currency Translation Adjustment	Disposition	December 31, 2018
The Residences of Seasons LP	50%	$ 19,309	$ -	$ 245	$ -	$ -	$ 19,554
ME Living Phase LP [1]	50%	14,092	(91)	1,743	-	-	15,744
Bridgewater Trails Apartments LP	45%	5,704	508	1,942	-	-	8,154
No. 21 Apartments LP	50%	3,704	7	1,329	-	-	5,040
Harbour View Estates LP	50%	-	-	160	-	(160)	-
BW2 Apartments LP	45%	4,457	6	1,871	-	-	6,334
4Square LP	70%	5,009	5,961	(17)	-	-	10,953
MINN CBD Holding LLC	47%	-	11,017	761	558	-	12,336
Trillium Mountain Ridge Inc	50%	8,750	(2,069)	679	-	-	7,360
CCA Crossroad Kansas City LLC	62%	-	1,400	353	40	-	1,793
Sage Apartments LP	40%	-	7,107	-	-	-	7,107
Acron CMCC Lake Carolyn Holding LLC	48%	-	20,939	1,617	1,100	-	23,656
9 Dawes LP	21%	-	2,778	-	-	-	2,778
Lee-Tamiami LLC	75%	-	10,004	-	274	-	10,278
		$ 61,025	**$ 57,567**	**$ 10,683**	**$ 1,972**	**$ (160)**	**$ 131,087**

(1) The Trust has elected to measure investments in associates and joint ventures at FVTPL.

Entity	Ownership	December 31, 2016	Net Contributions/ (Distributions)	Income and Fair Value adjustment	Currency Translation Adjustment	Disposition	December 31, 2017
The Residences of Seasons LP	50%	$ 11,383	$ 1,252	6,674	$ -	$ -	$ 19,309
ME Living Phase LP	50%	11,923	-	2,169	-	-	14,092
Trillium Mountain Ridge Inc	50%	-	8,827	(77)	-	-	8,750
Bridgewater Trails Apartments LP	45%	3,738	-	1,966	-	-	5,704
BW2 Apartments LP	45%	-	4,122	335	-	-	4,457
The Apex at Acre 21 Apartments LP	50%	-	3,704	-	-	-	3,704
4Square LP	83%	-	5,040	(31)	-	-	5,009
Harbour View Estates LP	50%	9,168	134	(183)	-	(9,119)	-
		$ 36,213	**$ 23,079**	**$ 10,852**	**$ -**	**$ (9,119)**	**$ 61,025**

[1] The Trust has elected to measure investments in associates and joint ventures at FVTPL.

5. Equity Accounted Investments (continued)

The Trust's portion of income and fair value adjustments for the year ended December 31, 2018 was $10,683 (December 31, 2017: $10,852), which includes a currency translation adjustment of $1,972.

As at December 31, 2018, the Trust has additional commitments for equity accounted investments of $23,000 (December 31, 2017: $8,400).

The following is the summarized financial information of the above investments:

For the year ended December 31, 2018	The Residences of Seasons LP	ME Living Phase LP [1]	Acron CMCC Lake Carolyn Holding LLC	Other	Total
Non-current assets	$ 46,821	$ 71,555	$ 49,802	$ 100,063	**$ 268,241**
Current assets	45,669	2,563	-	70,338	**118,570**
Total assets	92,490	74,118	49,802	170,401	**386,811**
Non-current liabilities	(53,065)	(42,787)	-	(58,404)	**(154,256)**
Current liabilities	(1,029)	(16,489)	-	(8,041)	**(25,559)**
Total liabilities	(54,094)	(59,276)	-	(66,445)	**(179,815)**
Total revenue	4,151	-	-	2,123	**6,274**
Total expenses	(3,033)	-	-	(1,940)	**(4,973)**
Total fair value gains	489	3,486	5,720	15,044	**24,739**
Net income	$ 1,607	$ 3,486	$ 5,720	$ 15,227	**$ 26,040**

[1] Certain equity accounted investments include economic interests above their ownership interests.

For the year ended December 31, 2017	The Residences of Seasons LP	ME Living Phase LP [1]	Acron CMCC Lake Carolyn Holding LLC	Other	Total
Non-current assets	$ 81,473	$ 42,818	$ -	$ 55,396	**$ 179,687**
Current assets	5,669	2,653	-	8,058	**$ 16,380**
Total assets	87,142	45,471	-	63,454	**196,067**
		-			
Non-current liabilities	(44,472)	(30,658)	-	(19,041)	**$ (94,171)**
Current liabilities	(4,555)	(3,474)	-	(5,736)	**$ (13,765)**
Total liabilities	(49,027)	(34,132)	-	(24,777)	**(107,936)**
Total revenue	398	-	-	221	**$ 619**
Total expenses	(422)	-	-	(419)	**$ (841)**
Total fair value gains	13,371	4,339	-	5,112	**$ 22,822**
Net income	$ 13,347	$ 4,339	$ -	$ 4,914	**$ 22,600**

[1] Certain equity accounted investments include economic interests above their ownership interests.

5. Equity Accounted Investments (continued)

There were no dispositions of equity accounted investments during the year ended December 31, 2018. During the year ended December 31, 2017, the Trust completed the disposition of an equity accounted investment in Harbour View Estates LP, detailed as follows:

Disposition Date	% of Holding	Disposition Proceeds	Original Purchase Price	Prior Years Cumulative Fair Value Gains	Loss Recognized in 2017
March 3, 2017	60%	$ 9,119	$ 5,760	$ 3,408	$ (50)

6. Mortgage Investments

Mortgages investments represent amounts under loan arrangements. The weighted average effective interest rate is 9.22% (December 31, 2017: 10.01%) and the estimated weighted average term of maturity is 0.77 years (December 31, 2017: 1.05 years). Interest income for the year ended December 31, 2018 was $37,901 (December 31, 2017: $27,359).

For the year ended	Note	December 31, 2018	December 31, 2017 [1]
Interest income from mortgage investments		**$ 26,874**	$ 27,359
Interest income from participating loan interests	7	**11,027**	-
Total interest income		**$ 37,901**	$ 27,359

[1] Presented under IAS 39

6. Mortgage Investments (continued)

As at December 31, 2018, mortgage investments and syndicated mortgage investment liabilities are as follows:

As at December 31, 2018	Gross Mortgage Investments	Syndicated Mortgage Investments	Net Mortgage Investments
Non-current mortgage investments	$ 97,379	$ (6,027)	$ 91,352
Allowance for ECL	(1,163)	-	(1,163)
Total non-current mortgage investments	96,216	(6,027)	90,189
Current mortgage investments	245,416	(12,065)	233,351
Mortgage interest receivable	81	-	81
Total current mortgage investments	245,497	(12,065)	233,432
Total mortgage investments	$ 341,713	$ (18,092)	$ 323,621

As at December 31, 2017	Gross Mortgage Investments	Syndicated Mortgage Investments	Net Mortgage Investments
Non-current mortgage investments	$ 149,749	$ -	$ 149,749
Provision for impairment	(2,220)	-	(2,220)
Total non-current mortgage investments	147,529	-	147,529
Current mortgage investments	163,954	-	163,954
Mortgage interest receivable	1,576	-	1,576
Total current mortgage investments	165,530	-	165,530
Total mortgage investments	$ 313,059	$ -	$ 313,059

As at December 31, 2018, the Trust holds mortgage investments which contain participation agreements with third-party lenders, whereby the Trust retains residual interests subordinate to the interests syndicated to these third-party lenders. All interest and fee income earned by the Trust recognized is included in the consolidated statement of net income and comprehensive income. Interest paid to syndicate participants for the year ended December 31, 2018 was $287 (December 31, 2017: $nil).

As at December 31, 2018, the Trust has additional mortgage investment commitments of approximately $158,800 (December 31, 2017: $116,000).

6. Mortgage Investments (continued)

Future repayments for gross mortgage investments excluding the allowance for ECL are as follows:

As at		December 31, 2018
December 31, 2019	$	245,496
December 31, 2020		78,338
December 31, 2021		8,498
December 31, 2022		7,652
December 31, 2023		2,892
Total repayments	**$**	**342,876**

As at December 31, 2018, mortgage investments including the allowance for ECL is allocated between the ECL stages as follows:

As at December 31, 2018		Stage 1		Stage 2		Stage 3		Total
Gross mortgage investments	$	305,979	$	33,280	$	3,617	$	342,876
Syndicated mortgage investments		(12,065)		(6,027)		-		(18,092)
Net mortgage investments		293,914		27,253		3,617		324,784
Allowance for ECL		(475)		(608)		(80)		(1,163)
Net mortgage investments, net	**$**	**293,439**	**$**	**26,645**	**$**	**3,537**	**$**	**323,621**

The changes in the allowance for ECL during the year ended December 31, 2018 are as follows:

For the year ended December 31, 2018		Stage 1		Stage 2		Stage 3		Total
Allowance for ECL, beginning of the period[1]	$	2,220	$	-	$	-	$	2,220
Adjusted to IFRS 9		(1,771)		1,771		-		-
Provision for ECL related to:								
Funding		301		236		-		537
Repayment		(60)		(5)		-		(65)
Remeasurement		-		(1,609)		80		(1,529)
Transfers to/(from)		(215)		215		-		-
Allowance for ECL, end of the period	**$**	**475**	**$**	**608**	**$**	**80**	**$**	**1,163**

[1] Presented under IAS 39

During the year ended December 31, 2018, the Trust recognized a recovery of its provision for ECL of $1,057 (December 31, 2017: ($892)).

6. Mortgage Investments (continued)

The nature of the underlying assets for the Trust's mortgage investments as at December 31, 2018, is as follows:

	December 31, 2018	December 31, 2017
Low-Rise Residential	**42%**	43%
Multi Family Apartments	**6%**	21%
High-Rise Condominium	**19%**	12%
Commercial/Mixed Use	**19%**	13%
Land	**13%**	7%
Multi Student Housing	**1%**	4%
	100%	100%

For the year ended December 31, 2018, the Trust's prior year comparative segregation of the nature of the underlying assets was revised to better reflect management's view of the relevance of the above sub-categories to the mortgage investments to which they relate. As at December 31, 2018, the Trust has 71% interest (December 31, 2017: 40%) in first mortgages and a 29% interest (December 31, 2017: 60%) in second mortgages.

7. Foreclosed Property

When the Trust receives title to real estate properties from foreclosure activities management will engage resources for short-term construction or redevelopment activity to support the best future disposition value. As at December 31, 2018, there is one foreclosed property (December 31, 2017: nil), which is recorded at a fair value of $17,000 (December 31, 2017: $nil). The fair value has been categorized as a level 3 fair value, based on a direct comparison approach.

The changes in the foreclosed properties held for sale during the year ended December 31, 2018 and December 31, 2017 are as follows:

For the year ended	December 31, 2018	December 31, 2017
Balance beginning of year	**$ -**	$ -
Foreclosed property reclassified from mortgage investments	**18,998**	-
Fair value loss	**(2,053)**	-
Capital improvements	**55**	-
Balance, end of year	**$ 17,000**	$ -

8. Participating Loan Interests

In the year ended December 31, 2018, interest income was $11,027 (December 31, 2017: $nil) and fair value gains recognized was $4,943 (December 31, 2017: $14,527). The fair value of the underlying real estate assets was determined using a detailed valuation framework, and the techniques considered in this framework are as follows:

The following valuation techniques were considered in determining the fair value:

1. Consideration of recent prices of similar properties within similar market areas;
2. The direct capitalized method, which is based on the conversion of future normalized earnings directly into an expression of market value.

As a result, the fair value of participating loan interests is based on Level 3 of the fair value hierarchy.

	December 31, 2018	December 31, 2017
Balance, beginning of year(1)	**$ 25,794**	$ 11,267
Transfers from Mortgage investments due to IFRS 9 Transition	**105,700**	-
Adjusted balance under IFRS 9, beginning of period	**131,494**	11,267
Advances	**17,589**	-
Interest income	**11,027**	-
Fair value gains	**4,943**	14,527
Repayment of interest	**(2,002)**	
Repayment of principal	**(25,928)**	-
Balance, end of period	**$ 137,123**	$ 25,794

As at December 31, 2018, the Trust has additional contractual commitments of approximately $17,900 for participating loan interests (December 31, 2017: $ nil).

9. Receivable and other assets

Receivable and other assets consist of the following:

		December 31, 2018		December 31, 2017
Net rent receivables	**$**	**383**	$	227
Prepaid CMHC premiums, net		**5,078**		3,953
Other current assets		**4,973**		2,263
Amount due from mortgage servicer		**-**		6,764
Property and Equipment		**358**		317
Prepaid expenses		**476**		477
Foreign currency forward contracts		**2,315**		-
	$	**13,583**	$	14,001

Net rent receivables consist of the following:

		December 31, 2018		December 31, 2017
Rent receivables	**$**	**510**	$	308
Less: Allowance for expected credit loss		**(127)**		(81)
Net rent receivables	**$**	**383**	$	227

The following is an aging analysis of receivables:

		December 31, 2018		December 31, 2017
Current	**$**	**361**	$	178
31-60 days		**50**		62
61-90 days		**30**		23
Over 90 days		**69**		45
Allowance for expected credit loss		**(127)**		(81)
	$	**383**	$	227

Prepaid CMHC premiums, net represents CMHC premiums on mortgages payable net of accumulated amortization of $456 (December 31, 2017: $274).

The Trust entered into foreign currency forward derivatives during the year to reduce currency risk at the maturity of a long-term US currency dominated mortgage investment.

10. Restricted Cash / Unit Subscriptions in Trust

At December 31, 2018, restricted cash consists of cash not available for current use in the amount of $7,600 (December 31, 2017: $850). This restricted cash represents Unitholder subscriptions held in trust until the trade settlement date. These amounts will be returned to investors if the proposed unitholder subscriptions do not successfully proceed. All restricted cash as at December 31, 2018, is short term.

11. Mortgages Payable and Credit Facilities

Mortgages payable and credit facilities consist of the following:

		December 31, 2018		December 31, 2017
Current	**$**	**67,513**	$	128,054
Non-current		**458,876**		341,378
	$	**526,389**	$	469,432

Mortgages payable and credit facilities are secured by respective investment properties and are summarized as follows:

		December 31, 2018		December 31, 2017
First mortgages on investment properties, bearing interest between 1.33% and 5.37% (December 31, 2017: 1.33% and 5.37%), with a weighted average interest rate of 3.19% (December 31, 2017: 3.04%), and a weighted average maturity of 3.3 years (December 31, 2017 : 4.4 years), secured by related investment properties	**$**	**436,835**	$	362,698
Second mortgages on investment properties, bearing interest between 3.18% and 3.30% (December 31, 2017: 3.18% and 3.30%), with a weighted average interest rate of 3.18% (December 31, 2017: 3.18%) and a weighted average maturity of 5.8 years (December 31, 2017: 6.8 years), secured by related investment properties		**874**		1,007
Line of Credit facilities, bearing interest between 4.20% and 4.40% (December 31, 2017: 4.20% and 4.40%), with a weighted average interest rate of 4.20% (December 31, 2017: 4.30%) secured by assets of REIT and/or its subsidiaries		**18,641**		55,731
REIT proportion of mortgages held through joint arrangement, bearing interest between 2.81% and 4.99% (December 31, 2017: 2.81% and 4.20%), with a weighted average interest rate of 3.70% (December 31, 2017: 3.13%) and a weighted average maturity of 6.6 years (December 31, 2017: 5.8 years), secured by related investment properties in the joint venture		**73,787**		52,772
	$	**530,137**	$	472,208
Marked to market adjustment		**-**		220
Less: Unamortized portion of financing fees		**(3,748)**		(2,996)
	$	**526,389**	$	469,432

Substantially all of the Trust's assets have been pledged as security under the related mortgages and other security agreements. Overall, the weighted average mortgage interest rate at December 31, 2018 was 3.27% (December 31, 2017: 3.07%).

11. Mortgages Payable and Credit Facilities (continued)

Mortgages payable at December 31, 2018 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2019	$ 31,237	$ 36,276	$ 67,513
Year ended December 31, 2020	12,101	35,436	47,537
Year ended December 31, 2021	9,318	72,542	81,860
Year ended December 31, 2022	8,104	36,247	44,351
Year ended December 31, 2023	10,249	5,887	16,136
Thereafter	16,557	256,183	272,740
	$ 87,566	$ 442,571	$ 530,137
Less: Unamortized portion of financing fees			(3,748)
			$ 526,389

12. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consists of the following:

	December 31, 2018	December 31, 2017
Accrued expenses	**$ 7,342**	$ 6,076
Prepaid rent	**1,468**	533
Tenant Deposits	**5,018**	4,466
Accounts payable	**1,693**	1,352
Deferred trust units	**440**	307
	$ 15,961	$ 12,734

13. Classification of Units

In accordance with the Declaration of Trust ("DOT"), the Trust may issue an unlimited number of units of various classes, with each unit representing an equal undivided interest in any distributions from the Trust, and in the net assets in the event of termination or wind-up of the Trust.

Authorized

i. **Unlimited number of Class A Trust Units**
   Class A Trust Units are participating, with one vote per unit, no par value.

ii. **Unlimited number of Class F Trust Units**
   Class F Trust Units are participating, with one vote per unit, no par value.

13. Classification of Units (continued)

iii. Unlimited number of Class I Trust Units

Class I Trust Units are participating, with one vote per unit, no par value.

iv. Unlimited number of Class M Trust Units

Class M Trust Units are participating, reserved for Centurion Asset Management Inc. and represent a beneficial interest set as the ratio of the number of investor units, such that the amount of Class M Units will equal the number of investor units divided by 0.95 less the number of investor units. Apart from certain voting restrictions, Class M unitholders are entitled to vote to that percentage of all Unitholder votes equal to the Class M unit percentage interest. At any time, the holder of a Class M unit may convert into either Class A and or Class R units.

v. Unlimited number of Special Voting Units of the Trust and Exchangeable LP Units

Special Voting Units are non-participating, with one vote per share, issued on a one-for-one basis to holders of Exchangeable Securities of the original CAP LP II Partnership (the "Partnership") which rolled into the Trust. The Exchangeable Securities of the Partnership are participating along with the Class A, F, I and M Trust Units, non-voting and exchangeable by the holder into an equivalent number of Class A Trust Units.

Each Unitholder shall be entitled to require the Trust to redeem Class A, F, I, M or Exchangeable LP units on the "Redemption Date" of any month on demand. Unitholders whose units are redeemed will be entitled to receive a redemption price per unit ("Redemption Price") determined by a market formula at fair value and the redemption price will be satisfied by way of cash payment. The Trust units tendered for redemption in any calendar month in which the total amount payable by the Trust exceeds $50,000 (the "Monthly Limit"), may be redeemed for cash by a distribution in specie of debt securities on a pro-rata basis.

13. Classification of Units (continued)

Issued (in units)

	December 31, 2018	December 31, 2017
Class A Trust Units		
Units as at January 1,	**44,079**	38,160
New units issued	**6,856**	6,262
Distribution reinvestment plan	**1,370**	1,414
Redemption of units	**(1,868)**	(1,742)
Transfers	**46**	(16)
	50,483	44,078
Class F Trust Units		
Units as at January 1,	**8,638**	5,816
New units issued	**6,905**	2,756
Distribution reinvestment plan	**476**	343
Redemption of units	**(337)**	(294)
Transfers	**189**	17
	15,871	8,638
Exchangeable LP units		
Units as at January 1,	**131**	137
New units issued	**344**	-
Distribution reinvestment plan	**3**	3
Redemption of units	**-**	(9)
	478	131
Class M Trust Units	**50**	50
Class I Trust Units		
Units as at January 1,	**79**	-
New units issued	**565**	79
	644	79

14. Revenue Recognition

Revenue from investment properties is comprised of the following:

		December 31, 2018		December 31, 2017
Rental Income	**$**	**65,167**	$	60,134
Ancillary Income		**2,706**		2,443
Expense Recoveries		**350**		286
	$	**68,223**	$	62,863

15. Finance Costs

		December 31, 2018		December 31, 2017
Interest on mortgages payable and credit facilities	**$**	**15,743**	$	13,842
Amortization of financing fees		**700**		712
Amortization on CMHC Insurance		**183**		165
	$	**16,626**	$	14,719

16. General and Administrative Expenses

		December 31, 2018		December 31, 2017
Salaries and wages	**$**	**9,178**	$	6,500
Communications & IT		**1,147**		1,078
Office expenses		**1,782**		1,447
Fund administration costs		**617**		609
Professional fees		**1,202**		689
Advertising		**931**		676
Amortization of property and equipment		**150**		219
	$	**15,007**	$	11,218

17. Commitments

The Trust is committed to asset management services under an asset management agreement with Centurion Asset Management Inc., a company controlled by the President and Trustee, for a ten-year term ending December 31, 2024, with a renewal term for an additional ten years unless terminated by either of the parties. Under the agreement, the Trust is required to pay an acquisition fee equal of 1.0% of the gross purchase price of each investment property acquired.

18. Contingencies

The Trust is involved in certain litigation arising out of ordinary course of investing in loans. Although such matters cannot be predicted with certainty, management believes the claims are without merit and does not consider the Trust's exposure to such litigation to have a material impact on the consolidated financial statements.

19. Related Party Transactions

Related parties of the Trust hold the 50,000 Class M Trust units of REIT and REOT. The distributions for the year ended December 31, 2018, for these units were $3,075 ($2,494 for the year ended December 31, 2017).

REIT reimbursed Centurion Asset Management GP Inc. ("CAMGPI") for $5,266 ($2,924 for the year ended December 31, 2017) of payroll expenses and $273 ($149 for the year ended December 31, 2017) of administrative expenses for the year ended December 31, 2018.

During the year, REIT was charged acquisition fees under agreement described in Note 17 of $693 (2017: nil). These transactions are incurred in the normal course of business and are measured at the amounts agreed to by the related parties.

Key management consists of the Board of Trustees and the executive management team of the Trust. Compensation paid to non-executive Trustees during the year was $246 (December 31, 2017: $222). Compensation paid to the executive management of the Trust during the year was $794 (December 31, 2017: $463).

20. Fair Value Measurement

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair values of the Trust's assets and liabilities were determined as follows:

- The carrying amounts of cash, restricted cash, unit subscriptions in trust, accounts receivables, accounts payable and other liabilities, other assets and tenant deposits approximate their fair values based on the short-term maturities of these financial instruments.
- Management determines fair value based on its assessment of the current lending market for mortgage investment assets and syndicated mortgage investment liabilities of same or similar terms since there are no quoted prices in an active market for these investments. The fair value of the mortgage investments as at December 31, 2018, is $341,713 (December 31, 2017: $313,059), based on rates received on a similar investment.

20. Fair Value Measurement (continued)

- Fair values of mortgages payable are estimated by discounting the future cash flows associated with the debt at market interest rates. The fair value at December 31, 2018, is $512,647 (December 31, 2017: $463,716).
- Management determines the fair value of participating loan interests, as detailed in Note 8, using either the direct capitalization approach or the direct comparison approach.
- The fair value of the foreign currency futures contracts was determined using Level 2 inputs which include spot and futures foreign exchange rates.

The table below analyzes assets and liabilities carried at fair value in the consolidated statement of financial position, by the levels in the fair value hierarchy, which are defined as follows:

December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment properties	**$ -**	**$ -**	**$ 1,109,421**	**$ 1,109,421**
Participating loan interests	**-**	**-**	**137,123**	**137,123**
Foreclosed properties	**-**	**-**	**17,000**	**17,000**
Futures currency contracts	**-**	**2,315**	**-**	**2,315**
Measured at fair value through profit and loss	**$ -**	**$ 2,315**	**$ 1,263,544**	**$ 1,265,859**

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$ -	$ -	$ 896,712	$ 896,712
Participating loan interests[1]	-	-	25,794	25,794
Futures currency contracts	-	(49)	-	(49)
Measured at fair value through profit and loss	$ -	$ (49)	$ 922,506	$ 922,457

[1] Presented under IAS 39

21. Capital Management

The Trust defines capital as net assets attributable to Unitholders, debt (including mortgages), and lines of credit. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable Unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new investment properties and fund real estate or mortgage investments as identified.

Various debt and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for Unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion.

21. Capital Management (continued)

Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios.

The carrying value of the units is impacted by earnings and Unitholder distributions. The Trust endeavors to make annual distributions. Amounts retained in excess of the distributions are used to fund new investments and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of distributable income and distributable income per unit.

The Trust's credit facilities (see Note 11) require compliance with certain financial covenants, throughout the year. The Trust was in compliance with all covenants in both DOT and all existing debt facilities.

The Declaration of Trust provides for a maximum total indebtedness level of up to 75% of Gross Book Value (GBV). GBV means the book value of the assets. Indebtedness includes obligations incurred in connection with acquisitions. The following table highlights the Trust's existing leverage ratio in accordance with the Declaration of Trust:

	December 31, 2018	December 31, 2017
Total unrestricted assets	**$ 1,796,023**	$ 1,314,555
Mortgages payable and credit facilities	**526,389**	469,432
Ratio of Debt to GBV	**29.31%**	35.71%

The following schedule details the components of the Trust's capital structure:

	December 31, 2018	December 31, 2017
Mortgages payable and credit facilities	**$ 526,389**	$ 469,432
Net assets attributable to Unitholders	**1,235,581**	832,389
Total Capital Structure	**$ 1,761,970**	$ 1,301,821

22. Financial Instruments

a) Risk Management

The main risks that arise from the Trust's financial instruments are liquidity, interest and credit risk. The Trust's approach to managing these risks is summarized below.

Management's risk management policies are typically performed as a part of the overall management of the Trust's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identifying risks and variations from expectations. As a part of the overall operation of the Trust, management considers the avoidance of undue concentrations of risk.

These risks include, and the actions taken to manage them, are as follows:

i) Liquidity Risk

Liquidity risk is the risk that the Trust may not be able to meet its financial obligations as they fall due. The Trust's principal liquidity needs arise from working capital, debt servicing and repayment obligations, planned funding of maintenance, mortgage funding commitments, leasing costs and distributions to Unitholders, and possible property acquisition funding requirements. The Trust manages its liquidity risk by ensuring its projected financial obligations can be met through its cash flow from operations, credit facility, new capital issuances and projected repayments under the existing mortgage investment portfolio.

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the Trust. Management's strategy is to mitigate the Trust's exposure to excessive amounts of debt maturing in any one year. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of debt refinancing.

Management prepares cash forecasts and budgets on an ongoing basis to manage liquidity risks, ensure efficient use of resources and monitor the ongoing timing of liquidity events.

22. Financial Instruments (continued)

The success of new capital issuances is subject to the capital markets being receptive to a unit issue with financial terms favorable to the Trust. At December 31, 2018, the Trust had cash of $36,306 (December 31, 2017: $3,964) and credit facilities as follows:

	December 31, 2018	December 31, 2017
Credit facilities agreed	**$95,750**	**$95,750**
Available for use	**$95,750**	**$94,357**
Available as undrawn	**$65,906**	**$38,626**

As at December 31, 2018, the Trust has contractual obligations totaling $246,800 (December 31, 2017: $260,500) due in less than one year, which include all liabilities noted within the statement of financial position and the unfunded mortgage commitment (Note 6). For purposes of contractual obligations, no interest on the credit facility has been included as it is not practical to forecast the outstanding balance on the credit facility.

ii) Interest Rate Risk

The Trust's objective of managing interest rate risk is to minimize the volatility of earnings. Management establishes floor rates for all variable rate mortgage investments to limit their exposure to interest rate risk. Management monitors the Trust's variable rate credit on an ongoing basis and assesses the impact of any changes in these credit rates on earnings, management routinely assesses the suitability of the Trust's current credit facilities and terms. As at December 31, 2018, the Trust had mortgage investments of $92,997 and a credit facility with a balance of $9,571 that bore interest at variables rates.

The Trust is subject to the risks associated with mortgage financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages and credit facilities will not be able to be refinanced on terms similar to those of the existing indebtedness.

		-1%		1%	
		-1%		+1%	
	Carrying Amount	Income	Equity	Income	Equity
Financial assets					
Variable rate mortgage investments due to mature in a year	$ 92,997	$ (930)	$ (930)	$ 930	$ 930
Financial liabilities					
Variable rate debt due to mature in a year	$ 18,641	$ 186	$ 186	$ (186)	$ (186)

22. Financial Instruments (continued)

iii) Interest Rate Risk

Tenant credit risk arises from the possibility that tenants and mortgage borrowers may default on their rent and mortgage obligations respectively to the Trust. The risk of credit loss is mitigated by leasing and credit policies. The Trust monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts which are doubtful of being collected. All residential accounts receivable balances written off are recognized in the consolidated statement of comprehensive income and subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

Investment credit risk is the possibility that a borrower under one of the mortgages comprising the investment portfolio, may be unable to honor their debt commitment as a result of a negative change in the borrower's financial position or market conditions that could result in a loss to the Trust.
Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Corporation's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans or loan losses in the event the real estate security has to be realized upon the lender. The Trust's maximum exposure to credit risk is represented by the mortgage investment.

iv) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is exposed to currency risk from a mortgage investment that is denominated in US Dollars ("USD"). The Trust uses foreign currency futures contracts to economically hedge the variability of future earnings and cash flows caused by movements in foreign exchange rates. Under the terms of the foreign currency futures contracts, the Trust buys or sells a currency against another currency at a set price on a future date.

As at December 31, 2018, the Trust has a portion of its assets denominated in USD and has entered into futures contracts to sell USD and reduce its exposure to foreign currency risk. As at December 31, 2018, the Trust has USD futures contracts with an aggregate notional value of $54,646 USD (December 31, 2017: $5,022 USD) at a futures contract rate of $0.75 and a maturity of March 2019.

22. Financial Instruments (continued)

The following schedule outlines the Trust's net exposure to USD:

For the year ended	December 31, 2018	December 31, 2017
Cash	**$ 14,700**	$ -
Mortgage investments	**6,224**	5,077
Equity accounted investments	**35,232**	-
Total assets held in USD	**56,156**	5,077
USD futures contracts (notional value)	**(54,646)**	(5,022)
Net exposure	**$ 1,510**	$ 55

23. Supplement Cash Flow Information

The following table summarizes the movement in mortgages payable and credit facilities during the year:

	December 31, 2018	December 31, 2017
Long-Term Debt		
Balance, beginning of year	$ 413,069	$ 389,262
New or Refinanced	126,827	72,082
Mortgage repayments	(73,351)	(46,557)
Capitalized Financing Fees	(1,635)	(1,718)
Total financing cash flow activities	464,910	413,069
Assumed mortgages upon acquisition	41,543	-
Amortization of financing fees	700	712
Other	595	(80)
	42,838	632
Credit Facilities		
Balance, beginning of year	$ 55,731	$ 31,651
Credit Facility advances/(repayments)	(37,090)	24,080
Net, Credit Facilities	18,641	55,731
Balance, end of year	$ 526,389	$ 469,432

24. Segmented Information

Management of the Trust monitors and operates its rental real estate properties and its mortgage investment operations separately. The Trust applies accounting policies consistently to both segments. The results for these segments are as follows:

For the year ended December 31, 2018		**Investment properties**		**Mortgage investments and Participating equity**		**Total**
Revenue / Interest income on mortgage investments	$	68,223	$	37,901	**$**	**106,124**
Interest paid on syndicated mortgage investments		-		(287)		**(287)**
Operating costs		(22,441)		-		**(22,441)**
		45,782		37,614		**83,396**
Fair value gains on investment properties		127,474		-		**127,474**
Fair value gains on participating loan interests		-		4,943		**4,943**
Writedown on foreclosed properties		-		(2,053)		**(2,053)**
Income from equity accounted investments		-		10,683		**10,683**
Other income		206		162		**368**
General and administrative expenses		(11,430)		(3,577)		**(15,007)**
Recovery of mortgage investment loss		-		1,057		**1,057**
Income from operations	**$**	**162,032**	**$**	**48,829**	**$**	**210,861**

For the year ended December 31, 2017		Investment properties		Mortgage investments and Participating equity		Total
Revenue / Interest income on mortgage investments	$	62,863	$	27,359	$	90,222
Operating costs		(22,197)		-		(22,197)
		40,666		27,359		68,025
Fair value gains on investment properties		78,761		-		78,761
Fair value gains on participating loan interests		-		14,527		14,527
Income from equity accounted investments		-		10,852		10,852
Other income		467		-		467
General and administrative expenses		(8,500)		(2,718)		(11,218)
Provision for mortgage investment loss		-		(892)		(892)
Income from operations	$	111,394	$	49,128	$	160,522

25. Subsequent Events

Subsequent to the reporting date the Trust completed the following transactions:

a) Cash distributions declared and paid totaled approximately $6,300.
b) The warehouse facilities owing to REIT were reduced by $29,600.

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For the twelve months ended December 31, 2018