CENTURION APARTMENT

REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis and Annual Report to Unitholders

For the Twelve Months Ended

December 31, 2013

Table of Contents

Forward-Looking Statements

Caution Regarding Forward-Looking Statements

The Management's Discussion and Analysis ("MD&A") of Centurion Apartment Real Estate Investment Trust ("Centurion REIT" or the "Trust") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2013 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 and 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", or "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 market 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

Centurion Apartment 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-end 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 Centurion Apartment REIT are: (i) to provide Unitholders with stable and growing 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 Centurion Apartment REIT's assets and through the future acquisition of additional multi-unit residential properties.

Declaration of Trust

The investment policies of the Trust are outlined in the Trust's Declaration of Trust (the "DOT") dated August 31, 2009 or as it is amended and restated from time to time. The DOT can be found at:
http://www.centurionapartmentreit.com/current-offering-materials

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 a 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;

(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

(iv) the aggregate value of the investments of Centurion Apartment REIT in Debt Instruments, after giving effect to the proposed investment, will not exceed 20% of the Total Assets of Centurion Apartment REIT,

(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

(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).

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

Centurion REIT's significant accounting policies are described in Note 2 of the consolidated financial statements (see "Appendix D") for the year-ended December 31, 2013. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements, including IAS 34, Interim Financial Reporting, and IAS 1, Presentation of 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.

Non-IFRS Measures

Net Operating Income and Normalized Net Operating Income (or, in each case, substantially similar terms) are measures sometimes used by Canadian real estate investment trusts as indicators of financial performance, however they do not have standardized meanings prescribed by IFRS. 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.

Normalized Net Operating Income ("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.

Readers are cautioned that NOI and NNOI are not alternatives to measures under IFRS and should not, on their own, be construed as indicators of the Trust's performance or cash flows, measures of liquidity or as measures of actual return 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.

The Trust has four classes of units, The Class "A" Units, the Class "F" Units, the Class "M" Units (formerly the Class "B" Units) and the Exchangeable "B" LP Units. Under IFRS, the REIT has no instrument qualifying for equity classification on its Statement of Financial Position and as such, all units are classified as financial liabilities. The classification of all units as financial liabilities with 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.

Comments on the Apartment Market

2013 was a year of stability for the apartment industry. Capitalization rates were largely stable with a slight downward bias as the market was quite competitive for acquisition opportunities. Management continued to focus on sourcing deals privately and through buyers' brokerage type arrangements where the Trust is either the only participant or one of the few participants in an offer process.

As we enter into the spring 2014 market, it seems as if there will be some modest downward pressure on capitalization rates (i.e. upward pressure on prices) as quality acquisition opportunities have declined. As interest rates have declined and indications seem to be that they will stay here or move lower in the foreseeable futures, the pressure on capitalization rates to move lower seems to be increasing although management believes that any move is likely to be modest.

Outlook & Business Strategy

Management is focused on a number of key areas for 2014 that can be broken down as follows:

Growth strategy

Deploying existing available capital and growing the portfolio is a key part of Management's plan for the next year. The Trust has significant liquid resources to invest and as a result of significant demand by investors for Trust Units above immediate capital requirements, the Board of Trustees decided to limit the inflows of new capital on a temporary basis to allow Management time to deploy surplus capital. In 2013, Management executed on its mortgage investment mandate and deployed $39 million into mortgages with additional approved commitments of $9.9 million as at December 31, 2013. Of these, approximately 59.66% are mortgages that the Trust has options on to acquire with an estimated built out value of $161,326,799 on an undiluted basis. These options continue to build the Trust's potential acquisition pipeline.

Management believes that the greatest opportunity in the Canadian apartment market right now, and for the next few years, is new apartment construction. As the Trust has limits on the size of its development and mortgage pipeline, Management has recommended and the Board of Trustees has approved that the Trust seed a new fund. The Trust will contribute a portion of its mortgage portfolio and raise capital separately for these opportunities so that the Trust can maximize the number of opportunities it can participate in and potentially purchase upon completion.

Management continues to believe that purpose built student housing provides significant opportunities for the Trust. Yields are higher than standard apartments and few significant portfolios of size exist. Significant scope for new construction exists as students move from single family homes into larger service oriented investment grade residences. In 2013, the Trust purchased two student residence properties bringing the total number of student units to 1,980 on an undiluted basis in 7 properties. Capitalization rates in the student space were largely stable in 2013.The Trust is one of the largest private owners of student properties in Canada. (See "Portfolio Summary" below and the Trust's website for more details). Management continues to believe that the student housing industry is ripe for consolidation and is actively seeking acquisitions and opportunities in this space in order to build on its platform. After extensive research, Management has recently launched a dedicated student brand "The MARQ". The brand will be rolled out over the course of 2014.

Major bank based lenders continue to restrict the availability of funding to developers. Management continues to focus on securing a pipeline of future acquisitions by assisting developer partners with financing to complete properties which the Trust may ultimately buy. Further, due to the reduced availability of prime financing to developers, the Trust will continue to have opportunities to invest some of its surplus liquidity in quality mortgages while it continues to patiently search for acquisition opportunities (See "Mortgage Asset Strategy").

Revenue opportunities

Management examines revenue opportunities continuously but is currently focused on:

- Closing the Trust's gap between potential market rents and current in place rents; this includes product repositioning in localized markets where there is opportunity to deploy capital in the apartment units and realize rental lift. Management estimates that its potential gap to market rents is approximately $1,334,263.
- 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 2013, the Trust filed AGIs on two (2) properties. In total, the Trust has filed six (6) AGIs which, when phased in, may increase rents by $118,924 per annum.
- Continuing to invest capital in the portfolio strategically to create value. The Trust has budgeted approximately $19.7 million in capital improvements in 2014.
- Continuing to implement the segmentation and charging independently for previously included services to drive revenues (like parking and storage)
- Management will continue to focus on stabilization of properties in the turnaround phase to reduce the short term drag on NOI. In 2013, the Trust purchased a number of properties which required significant repositioning which dragged on NOI but have good potential to contribute to portfolio value growth over time. In 2014, Management will be looking to continue to stabilize these properties and normalize NOI.

Expense management

Management sees opportunities to reduce expenses in the following ways to drive NNOI

- The Trust's sub-metering initiatives have achieved metering of 1,949 rental Units to date with 17.5% of those Units now paying their own hydro. Upon full implementation, and after all units have turned over to tenants paying utilities, Management believes that savings of $1,331,000 may ultimately be realized of which potentially $209,000 is anticipated to occur in 2014.
- Management has implemented energy and utility management systems that ties into the Trust's existing system to improve energy management and benchmarking. Management believes that there are significant savings available over time that will create value.
- Management 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, Management continues to leverage scale in its purchasing programs

Between both revenue and expense opportunities, Management estimates and that there may be, upon full realization, approximately $3,060,355 potential to increase NNOI over time. Assuming a 6.0% capitalization rate, this would be worth $51,005,917. Readers are cautioned that these are Management estimates, which may take years to realize or may not be realized at all or only be partially realized. Further, certain capital expenditures may be required (e.g. on suite turns) to realize this potential. See the table below:

Revenue and Expense Opportunities Summary Table

ITEM	Potential NNOI Impact [1]	Value Add At 6.0% Cap Rate	Notes/Assumptions
Rental Gap to Market [2]	$1,334,263	$22,237,717	Assuming that current market rents were achieved in all units on an immediate basis
Submetering	$1,331,000	$22,183,333	Assuming $110/unit for common area and no adjustment to rent
Parking	$395,092	$6,584,867	Phased paid parking with turnover
Total Value Add	$3,060,355	$51,005,917	

[1] This is based on management's estimate of the REIT'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 (i.e. some could take many years)

[2] Part of the strategy to close this gap is with above guideline rent increases ("AGI's"). The REIT has already filed six (6) AGIs , which when phased in, may increase rents by approximately $119,000 per annum

Finance & Treasury

- With the significant decline in interest rates in the marketplace, Management continues to look to effectively roll out its mortgage portfolio using interest rate swaps to hedge some of its interest rate exposure.
- Management is exploring ways to manage its excess liquidity and leverage more opportunistically to reduce the dilution between capital raising and ultimate deployment via acquisitions
- Management is continuing to focus on minimizing the amount of short term debt maturities and to extend the duration of mortgage liabilities. 2014 debt maturities, outside of the Trust's operating lines and maturities that have already been negotiated are minimal at approximately $8.35 million.

Mortgage Asset Strategy

In 2013, Management made significant deployments in mortgages, particularly those to developers where the Trust has an option to purchase upon completion. As Management believes that new construction apartments are the most compelling opportunity for the Trust at the moment, and given that the Trust will likely hit its limit on mortgages that it can own, Management has proposed to the Board of Trustees that the Trust launch an opportunistic sub-fund to which the Trust can move its mortgage investments and which will raise outside capital to further the execution of this strategy. 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 liquidity to invest.

Please refer to Appendix B for summary information on the mortgage investment portfolio.

Portfolio Summary

Acquisitions

In 2013, the Trust has made a number of acquisitions outlined below:

Recent Acquisitions

Closing Date	City	Address	# of Units [1]	Type	Price	Interest	Notes
23-Jan-13	Toronto	5 Dufresne Court	218	Standard Apartment	$ 46,885,000	100%	[2] Portfolio 1
23-Jan-13	Mississauga	275 North Service Road	82	Standard Apartment		100%	[2] Portfolio 1
23-Jan-13	Mississauga	1175 Dundas Street West	104	Standard Apartment		100%	[2] Portfolio 1
26-Mar-13	Waterloo	167 King Street North	205	Student Residence	16,997,000	100%	
18-Jul-13	Waterloo	345 King Street North	386	Student Residence	28,250,000	100%	
23-Aug-13	Kitchener	262 - 320 Kingswood Drive	360	Standard Apartment	28,942,000	100%	[3]
12-Dec-13	Toronto	3443 Bathurst Street	23	Luxury Apartment	8,000,000	100%	
Total			1,378		$ 129,074,000		

Notes:

(1) # of Units means "Rental Units" not "Suites"

(2) Portfolio Purchase

(3) This acquisition related to a property that Centurion REIT held a 20% interest . Centurion REIT acquired the remaining 80% interest in the 360 suite apartment property held by its partner, bringing the REIT`s holding to 100% of the property as of the closing.

Please refer to Appendix A for summary information on the portfolio.

Dispositions

Management periodically reviews its holdings to determine whether it may be appropriate to trim properties from the portfolio. In 2013, it sold 387-425 East 42nd Street, 55 William Street and 624 Main Street East (80 units in total) in Ontario (See Note 4 of the audited financial statements in Appendix "D")

On April 30, 2014, the Trust sold 1459 Trafalgar Street in London, Ontario.

Management continues to review a select number of small non-core holdings for potential disposition as it seeks to tighten regional property clusters.

2013 Accounting Change

In 2013, the Trust changed the presentation format of its financial statements to a "Net Assets Attributable to Unitholders" approach which Management believes is simpler to read and understand. This change in presentation format only impacts the presentation of the statements and does not have any economic effect on the Trust or Unitholders. Included in the audited consolidated financial statements are the 2012 financial results in the new format along with a reconciliation of the two presentation methods.

2013 Operating Results

In 2013, the Trust had operating income of $18,575,205 under IFRS compared to $19,422,010 in 2012. Adjusting this by backing out capital improvements and acquisition costs which are completely written off under IFRS, total non-IFRS income in 2013 would be $43,387,089 compared to $31,844,746 in 2012. See "Fair Value Adjustments of Investment Properties" and "Operating Results Summary Table" below.

Margins expanded from 47.7% in 2012 to 51.5% in 2013 but Management believes that it is only part of the way to stabilization, both on re-positioning targets and on 2012 and 2013 acquisition properties that are currently in the process of alignment. The medium term stabilized target remains 55%+ upon completion of the process of stabilization on a same store basis (i.e. not considering future new acquisitions) and thus believe that this stabilization dilution is temporary and part of its value creation and business process. The flip side of this short term dilution is the value creation that resulted from this process even though Management believes that the Trust is only part way through the value creation process (See Fair Value Adjustments of Investment Properties below).

OPERATING RESULTS SUMMARY TABLE	**2013**	**2012**
PART A - AUDITED IFRS INCOME STATEMENT		
Revenue from property operations	$34,875,927	$18,909,921
Property operating costs	($16,905,049)	($9,886,378)
Net rental income	$17,970,878	$9,023,543
Other Income		
Interest income	$1,652,462	-
Other expenses		
Mortgage expenses	($8,438,165)	($4,401,216)
General and administrative expenses	($3,340,472)	($1,680,791)
Income before undernoted	$7,844,703	$2,941,536
Fair value adjustment on investment properties	$9,658,648	$16,480,474
Gain on sale of properties	$1,071,854	-
Operating income (IFRS Basis)	**$18,575,205**	**$19,422,010**
PART B - ADJUSTMENTS TO AUDITED IFRS INCOME STATEMENT [1]		
Add Back: Acquisition Costs	$3,674,556	$5,581,720
Add Back: Capital Improvements	$21,137,328	$6,841,016
Total Adjustments to IFRS Income Statement	**$24,811,884**	**$12,422,736**
Total Non-IFRS Income	**$43,387,089**	**$31,844,746**
PART C - SIMPLIFIED NON-IFRS INCOME STATEMENT COMBINING PART A & B ABOVE [1]		
Revenue from property operations	$34,875,927	$18,909,921
Property operating costs	($16,905,049)	($9,886,378)
Net rental income	$17,970,878	$9,023,543
Other Income		
Interest income	$1,652,462	-
Other expenses		
Mortgage expenses	($8,438,165)	($4,401,216)
General and administrative expenses	($3,340,472)	($1,680,791)
Income before undernoted	$7,844,703	$2,941,536
Gain on sale of properties	$1,071,854	-
Increase in property valuation	$34,470,532	$28,903,209
Total Non-IFRS Income	**$43,387,089**	**$31,844,746**

Notes:

(1) This table presents Management's non-IFRS recast of the audited income statement in Appendix D where acquisition costs and capital improvements have been removed. These tables have been included for illustrative purposes only in an effort to illustrate the impact upon IFRS earnings of these items. Readers are directed to the section "Non-IFRS Measures" above for further warnings relevant to this table.

Normalized Net Operating Income (NNOI)

In 2013, NNOI started the year at a $16,441,466 run rate and ended at a run rate of $24,410,133, an increase of 48% over the same period in 2012. The below table reflects annualized NNOI run rates at the end of each of these periods not the NNOI rate for the full period.

Normalized Net Operating Income (NNOI) Run Rates

	2011	2012	2013	2014 (1)
Same Property	$3,999,542	$7,531,522	$18,092,846	$ 24,562,343
New Acquisitions	$3,033,930	$8,909,944	$6,317,287	$ -
Total	$7,033,472	$16,441,466	$24,410,133	$ 24,562,343

(1) Estimated

Assets

Trust assets grew to $502.3 million in 2013 from $300.3 million in 2012, a growth rate of 67% as significant property acquisitions of $129,074,881 were completed in 2013 compared to $139,386,499 in 2012 and property values increased by $34,470,532 in 2013 compared to $28,903,209 in 2012 (See "Portfolio Summary" above and "Fair Value Adjustments of Investment Properties" below). While it is always difficult to predict what opportunities will present themselves over the rest of the year, Management believes that based on its current deal flow and active deals under due diligence, that it will be able to successfully and accretively deploy capital in 2014.

Fair Value of Investment Properties

	2013	2012
Balance, beginning of the year	$289,540,146	$121,250,438
Property acquisitions (1)	$129,074,881	$139,386,499
Increase (decrease) in valuation	$34,470,532	$28,903,209
Total	$453,085,559	$289,540,146

(1) At purchase price

Fair Value Adjustments of Investment Properties

Under IFRS, the properties are recorded on the balance sheet at their fair market value, unadjusted for portfolio or platform premiums. Changes in fair value flow through the statements of income and comprehensive income. In 2013, the gross value of the properties appreciated by $ 34,470,532 (see table above). By comparison the value change in 2012 was $28,903,209. Property improvements (capital investment) and acquisition costs under IFRS are not included in fair value and thus serve to reduce the net fair value gains in the year of expenditure by the amounts below. 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 don't reflect in value immediately. Acquisition costs are one-time events which under GAAP would have been capitalized and amortized over years. Under IFRS they are written off and thus in Management's opinion, distort the short term picture of ongoing profitability.

Reconciliation of Increase in Portfolio Valuation to Fair Value Adjustment [(1)]

	2013	**2012**
Change in Property Valuation	$34,470,532	$28,903,209
Less: Acquisitions Costs	($3,674,556)	($5,581,720)
Less: Capital Improvements	($21,137,328)	($6,841,015)
Fair Value Adjustment on Investment Properties	$9,658,648	$16,480,474

[(1)] This table reconciles the Gross Change in property valuation with the financial statements. Refer to Note 5 of the audited financial statements in Appendix "D"

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. While 2013 did see strong capital appreciation due to a reduction in capitalization rates, and accretive acquisitions activity, the capital investments made in 2013 and in previous years also contributed significantly to this success. Management believes that the significant investments made in 2013 will contribute to growth in property values, ceteris paribus, in 2014 and beyond. Management anticipates that it will be filing a number of additional above guideline rent increase applications in 2014 as a result of many of these capital improvements and that ultimately this will contribute further to property values. (See "Revenue and Expense Opportunities Summary Table" above for a partial list of some of these initiatives and their potential impacts).

The portfolio weighted average capitalization rate declined on a year end basis from 5.76% in 2012 to 5.53% in 2013 (see Note 5 of the audited financial statements in Appendix "D") in a year in which capitalization rates in general on apartments declined by 25 to 50 basis points. The REIT however, managed to avoid a significant reduction in its average portfolio capitalization rate in part through the new acquisitions completed in 2013 at attractive rates. Part of this can also be explained by the increased allocation to student properties which generally have higher capitalization rates.

Approximately 74% of portfolio valuation growth in 2013 came from non-capitalization rate compression factors like NNOI growth and accretive purchases (See "Sources of Change in Portfolio Valuation" below). Management believes that there still remains scope for capital growth in 2014 and beyond. Further, as discussed previously, the Trust invested approximately $21.1 million in capital improvements in 2013 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

	2013	2012
Change in capitalization rates	26%	37%
Growth of NNOI	21%	37%
Acquisitions	53%	26%
Total	100%	100%

Financing Costs

Over the course of the year, the Trust has reduced its weighted average financing costs from 4.00% per annum at the end of 2012 to 3.96% per annum rate at the end of 2013 and approximately 3.95% currently. 2012 mortgage interest expenses were $4,248,726 and 2013 mortgage interest expenses were $8,008,157 (excluding amortization of financing fees) rising due to the growth in outstanding mortgages from $154,536,186 in 2012 to $212,439,344 in 2013. The Trust is working to continue to make improvements in its financing costs to reduce the overall weighted average cost of debt and believes that if rates remain stable, that there are significant savings potential in the Trust's mortgage portfolio.

Issued and Outstanding Number of Units

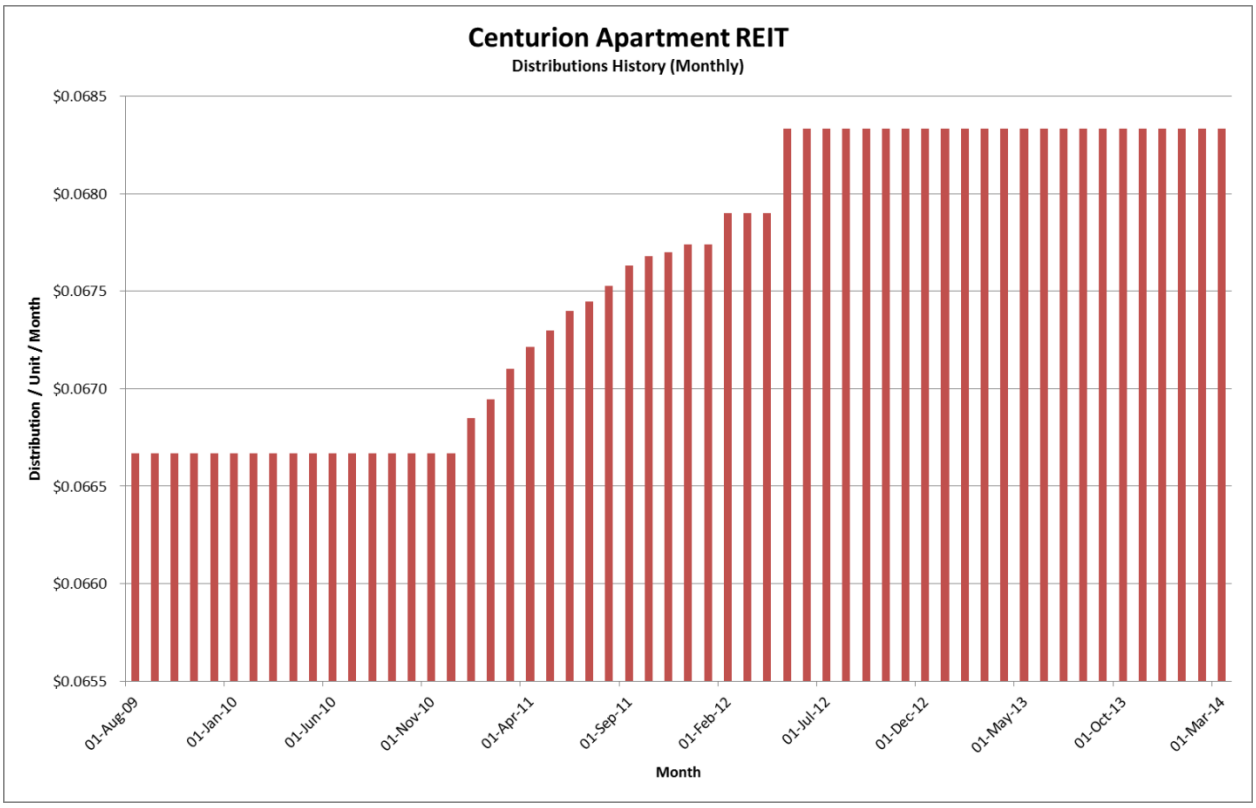
The following table depicts the number of Issued and Outstanding Number of Units at each of these periods.

Summary of Unit Holdings at December 31

	2013	2012
Class A	24,506,823	12,309,392
Class F	81,602	-
Class M	50,000	50,000
Exchangeable LP	315,076	407,013
Total	24,953,501	12,766,405

Distributions

In 2013, the move in capitalization rates and the resultant increase in property values were both modest. Distributions per unit remained at $0.8200/Unit/Annum while the unit price continued to grow albeit more modestly than in 2012 as significant capital was spent to improve the portfolio. Distribution yield is currently 7.03% based on $0.8200/Unit/Annum on an $11.66 price/Unit. Management anticipates that distributions per Unit will remain at the current level for the rest 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 history of the REIT's distributions per Unit by month.



Tax Treatment of Distributions

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

Box on T3	Description	2009	2010	2011	2012	2013
42	Return of Capital	100.00%	100.00%	100.00%	100.00%	90.25%
21	Capital Gains	-	-	-	-	9.75%

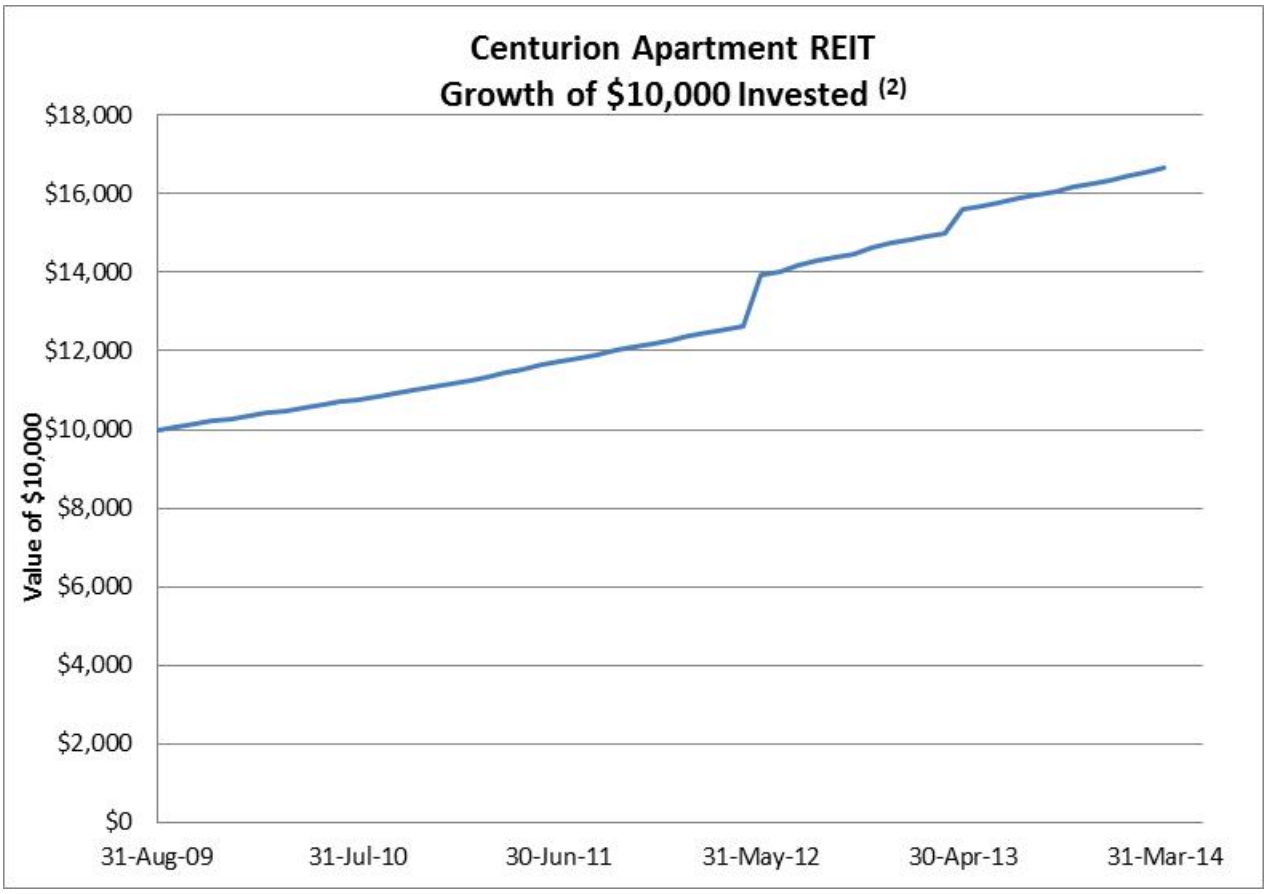
Total Returns

Including the upwards adjustment in NAV, and reinvestment of distributions, total one year returns were 10.95% in 2013. Management believes that capitalization rates have likely stabilized and that the strong rate of capital growth due to capitalization rate compression isn't what would normally be expected on a recurring basis looking forward. That said, we direct readers to the table "Sources of Change in Portfolio Valuation" above which Management believes shows that capitalization rate changes were only 26% of the change in property values with the balance comprised of growth in NNOI and accretive acquisitions.

REIT Returns (excluding history of CAPLP)

Calendar Returns (%)	2009[1]	2010	2011	2012	2013	2014 YTD
Centurion CAPLP/REIT TR(%)	2.75%	8.48%	10.21%	20.01%	10.95%	2.41%
Worst Month	0.68%	0.68%	0.71%	0.62%	0.60%	0.60%
Best Month	0.68%	0.68%	0.95%	10.15%	3.85%	0.60%

Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	Since Inception of REIT
Centurion CAPLP/REIT TR(%)	7.42%	15.07%	13.21%	12.23%	N/A	11.69%

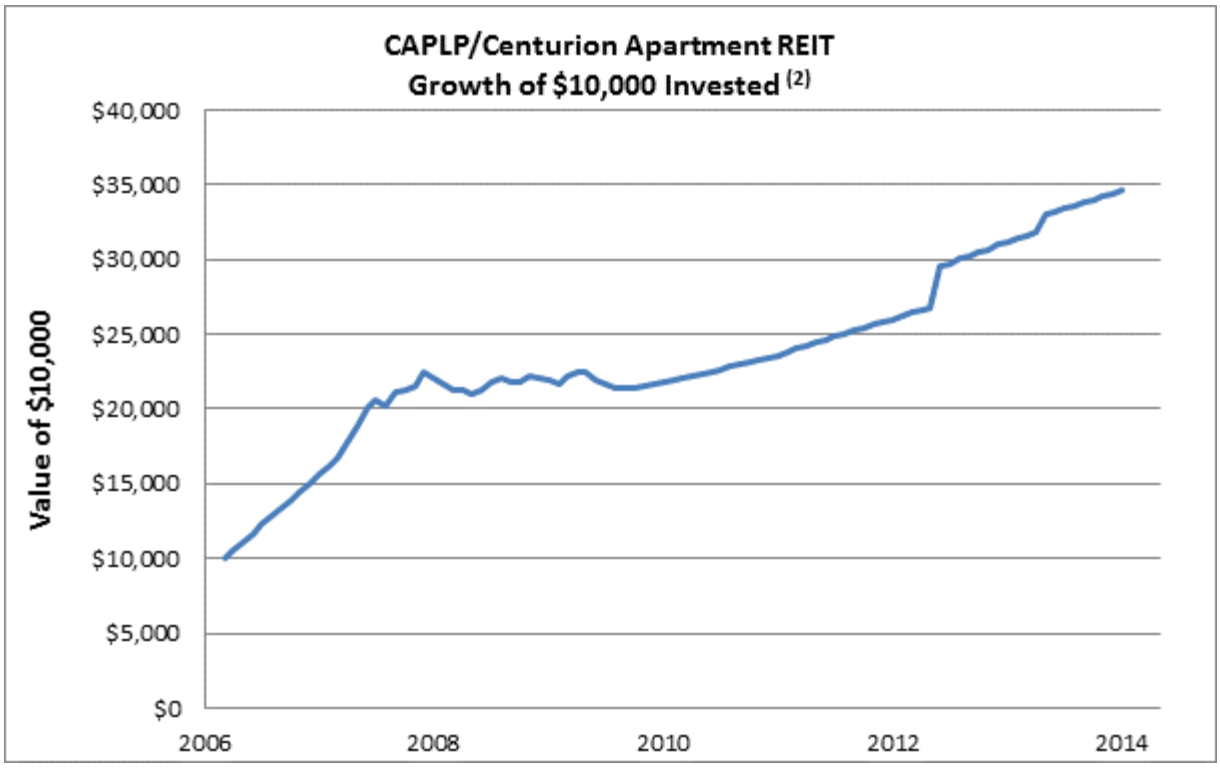


(1) For partial year from 31 Aug09 to 31 Dec09
(2) Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here: http://www.centurionapartmentreit.com/noindex/Historic-Returns

REIT Returns (including history of CAPLP)

Calendar Returns (%)	2006[1]	2007	2008	2009	2010	2011	2012	2013	2014 YTD
CAPLP	55.80%	41.92%	-0.67%	-0.78%	8.25%	10.21%	20.01%	10.95%	2.41%
Worst Month	3.71%	-1.79%	-2.07%	-2.37%	0.63%	0.71%	0.62%	0.60%	0.60%
Best Month	5.58%	6.63%	2.34%	2.57%	0.68%	0.95%	10.15%	3.85%	0.60%

Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	Since Inception of CAPLP
Centurion CAPLP/REIT TR(%)	7.42%	15.07%	13.21%	12.21%	9.61%	9.09%	9.40%	16.76%



Notes:

(1) For partial year from 7 Mar06 to 31 Dec06

(2) Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here: http://www.centurionapartmentreit.com/noindex/Historic-Returns

Mortgages, Debt and Capital Structure

The Trust is limited in its Declaration of Trust to leverage of up to 75% but targets to keep its debt ratio in the 62-67% range. This is comparable to most of it multi-residential peers and would generally be considered very conservative in the multi-residential space. The mortgage liability portfolio at year end 2013 was at a weighted average interest rate of 3.96% down from 4.00% in 2012 and 3.95% currently. Mortgage leverage is at approximately 42.29% of total assets at IFRS value at the end of 2013 down from 51.46% in 2012 (see the table "Debt to Gross Book Value" below), well below the target ratio range. REIT capital (see table "REIT Capital Structure" below) grew to $491,786,639 in 2013 from $294,442,076 in 2012, an increase of 67.02%.

The Trust's debt strategy is to ladder its mortgage maturities across a diverse array of lenders and maturity dates. The Trust is currently exploring entering into interest rate swaps to extend its effective mortgage maturity to 10 years and to reduce its interest rate exposure. The Trust's debt schedule, contained in Note 9 of the consolidated financial statements (see Appendix "D") is summarized below as are the Debt to Gross Book Value calculations and REIT Capital Structure calculations. Centurion has substantially completed the rollover of its 2014 debt maturities with most of what remains in 2014 approximately $8.35 million which remain to be completed.

Mortgages payable at December 31, 2013 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2014	$ 5,625,175	$ 9,184,933	$ 14,810,108
Year ended December 31, 2015	5,778,780	1,934,257	7,713,037
Year ended December 31, 2016	7,039,374	42,270,603	49,309,977
Year ended December 31, 2017	3,936,941	32,810,720	36,747,661
Year ended December 31, 2018	2,977,798	33,994,416	36,972,214
Thereafter	6,397,211	61,364,985	67,762,196
	$ 31,755,279	$ 181,559,914	$ 213,315,193
Less: Financing fees			(875,849)
			$ 212,439,344

Debt to Gross Book Value ("GBV") as at December 31

	2013	2012
Total Assets	$502,334,974	$300,297,019
Mortgages Payable	$212,439,344	$154,536,186
Ratio of Debt to GBV	42.29%	51.46%

REIT Capital Structure as at December 31

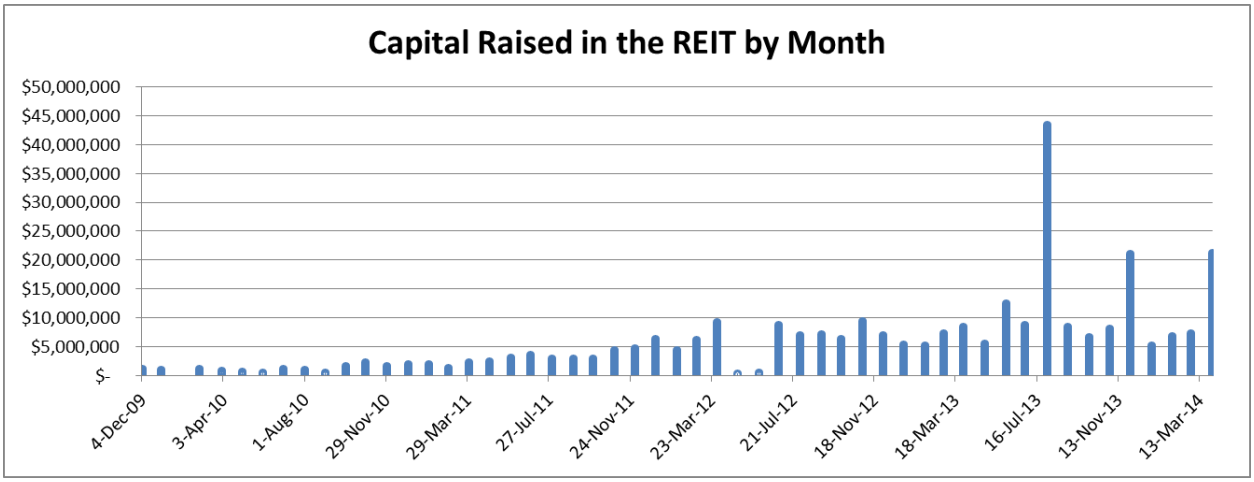
	2013	2012
Mortgages Payable	$212,439,344	$154,536,186
Net assets attributable to unitholders	$279,347,295	$139,905,890
Total	$491,786,639	$294,442,076

Operating Facilities & Liquidity Management

The Trust has working capital and operating facilities structured as first position rotating balance mortgage lines of credit for approximately $20 million which can be used for operations, capital works and acquisitions. Generally, liquidity originating from new equity issuance is directed towards these operating facilities to lessen the dilutive impact of carrying large cash balances. The Trust has diversified its sources of working capital facilities over four financial institutions and seven properties. The Trust plans to continue to expand these facilities to scale with the Trust, to provide the capability to move quickly on acquisitions and to absorb its sometimes large monthly equity inflows by varying its leverage ratio rather than holding a large dilutive cash balance. Each of these facilities are “on demand” loans which could be called by the lenders at any time and thus the Trust’s liquidity position is exposed to a sudden cancellation of these facilities. 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.

Capital Raising Activity

2013 equity inflows totaled $141.0 million, a very strong year. The Trust's Unit Issue Costs increased from 3.09% of proceeds in 2012 to 3.29% of proceeds in 2013, a level which Management expects to maintain a similar range in 2014. This chart shows monthly flows since the Trust's inception (but excluding CAPLP). Management believes that it has sufficient capital to execute upon its vision. As of April 30, 2014, the REIT was capped to new investment to provide management time to accretively deploy existing capital and reduce dilution to existing investors. There is currently no specified date by which the Trust expects to resume unit sales.



APPENDIX A – Summary Information About the Properties

Address	City	Province	Year Acquired	Notes
362 Shanty Bay Rd	Barrie	Ontario	2010	(R)
1459 Trafalgar St	London	Ontario	2010	(R)
60 Prince Edward St	Brighton	Ontario	2010	(R)
21/31 Jean Ave	Kitchener	Ontario	2010	(R)
122 Elizabeth St	Brighton	Ontario	2010	(R)
277 Anderson Ave	Oshawa	Ontario	2010	(R)
36 & 70 Orchard View	Oshawa	Ontario	2010	(R)
255 Dunlop St West	Barrie	Ontario	2010	(R)
356 & 360 Hoffman	Kitchener	Ontario	2010	(R)
15, 19, 25 Hugo Cres	Kitchener	Ontario	2010	(R)
167 Morgan Ave	Kitchener	Ontario	2010	(R)
118 St Josephs Drive	Hamilton	Ontario	2010	(R)
196 Churchill St S	Acton	Ontario	2010	(R)
707 & 711 Dundas St W	Whitby	Ontario	2010	(R)
165 Old Muskoka Rd	Gravenhurst	Ontario	2010	(R)
2 & 4 Yonge St	Huntsville	Ontario	2010	(R)
185, 187, 191 Lisgar Ave	Tillsonburg	Ontario	2010	(R)
262-320 Kingswood Dr	Kitchener	Ontario	2010	(R)
1,2,3,5, and 7 Biggin Court	Toronto	Ontario	2011	(A)
6 Grand Stand Place	Toronto	Ontario	2011	(A)
Auburn Student Residence	Montreal	Quebec	2011	(A)(J)
75 Ann Street	London	Ontario	2012	(A)(J)
1 Beaufort Street	London	Ontario	2012	(A)(J)
St. George Street & Ann Street	London	Ontario	2012	(A)
1631 Victoria Park Avenue	Toronto	Ontario	2012	(A)
4 & 8 Rannock St, and 880 Pharmacy Ave.	Toronto	Ontario	2012	(A)
173 King Street North	Waterloo	Ontario	2012	(A)
25 & 45 Briardale Road	Cambridge	Ontario	2012	(A)
133-143 Woodside Avenue	Cambridge	Ontario	2012	(A)
26 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
27 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
50 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
219 St. Andrews Street	Cambridge	Ontario	2012	(A)
252 & 256 St. Andrews Street	Cambridge	Ontario	2012	(A)
1594 Victoria Park Avenue	Toronto	Ontario	2013	(A)

Address	City	Province	Year Acquired	Notes
5 Dufresne Court	Toronto	Ontario	2013	(A)
275 North Service Road	Mississauga	Ontario	2013	(A)
1175 Dundas Street West	Mississauga	Ontario	2013	(A)
167 King Street North	Waterloo	Ontario	2013	(A)
345 King Street North	Waterloo	Ontario	2013	(A)
3443 Bathurst Street	Toronto	Ontario	2013	(A)

Notes:

Year Acquired means the year that the property was acquired by or rolled over into the REIT as part of the Rollover Agreement.

(R) Rolled Properties that are part of the Rollover Agreement of August 31, 2009

(J) Joint Venture Properties where Centurion Apartment REIT participates in ownership with other partners.

(A) Acquisitions that occurred after August 31, 2009 that were not part of the Rollover Agreement

Property Address	Type of Building	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Other	Total Suite Count (Undiluted)	Total Suite Count (Diluted)	Total Rental Units/Beds (Undiluted)	Total Rental Units/Beds (Diluted)
362 Shanty Bay Rd	Apartment	100%		4	11					15	15	15	15
1459 Trafalgar St	Apartment	100%		28	19					47	47	47	47
60 Prince Edward St	Apartment	100%		3	27					30	30	30	30
21/31 Jean Ave	Apartment	100%		20	12					32	32	32	32
122 Elizabeth St	Apartment	100%			26	2				28	28	28	28
277 Anderson Ave	Apartment	100%			47					47	47	47	47
36 & 70 Orchard View	Apartment	100%		5	19					24	24	24	24
255 Dunlop St West	Apartment	100%			2	26				28	28	28	28
356 & 360 Hoffman	Apartment	100%		36	60					96	96	96	96
15, 19, 25 Hugo Cres	Apartment	100%		7	46					53	53	53	53
167 Morgan Ave	Apartment	100%	2	10	20	15				47	47	47	47
118 St Josephs Drive	Apartment	100%	17	9	4					30	30	30	30
196 Churchill St S	Apartment	100%	3	7	23					33	33	33	33
707 & 711 Dundas St W	Apartment	100%			24	12				36	36	36	36
165 Old Muskoka Rd	Apartment	100%		5	33	1				39	39	39	39
2 & 4 Yonge St	Apartment	100%		6	13	6				25	25	25	25
185, 187, 191 Lisgar Ave	Apartment	100%		22	38	1				61	61	61	61
262-320 Kingswood Dr	Apartment	100%		92	268					360	360	360	360
1,2,3,5, and 7 Biggin Court	Apartment	100%	11	179	108	8				306	306	306	306
6 Grand Stand Place	Apartment	100%		21	33	6				60	60	60	60

Property Address	Type of Building	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Other	Total Suite Count (Undiluted)	Total Suite Count (Diluted)	Total Rental Units/Beds (Undiluted)	Total Rental Units/Beds (Diluted)
Auburn Student Residence	Student Housing	25%				10	40	50		100	25	440	110
75 Ann Street	Student Housing	75%			2	45	90			137	103	499	374
1 Beaufort Street	Student Housing	75%						27		27	20	135	101
St. George Street & Ann Street	Student Housing	100%					24			24	24	96	96
1631 Victoria Park Avenue	Apartment	100%	4	19	12					35	35	35	35
4 & 8 Rannock St, and 880 Pharmacy Ave.	Apartment	100%		33	51					84	84	84	84
173 King Street North	Student Housing	100%		1	1		54			56	56	219	219
25 & 45 Briardale Road	Apartment	100%		14	76					90	90	90	90
133-143 Woodside Avenue	Apartment	100%		125	206	2				333	333	333	333
26 Thorncliffe Park Drive	Apartment	100%		35	25	1				61	61	61	61
27 Thorncliffe Park Drive	Apartment	100%	2	45	39					86	86	86	86
50 Thorncliffe Park Drive	Apartment	100%	1	10	34	12				57	57	57	57
219 St. Andrews Street	Apartment	100%	3	13	12					28	28	28	28
252 & 256 St. Andrews Street	Apartment	100%		3	129					132	132	132	132
1594 Victoria Park Avenue	Apartment	100%	1	13	14					28	28	28	28
5 Dufresne Court	Apartment	100%		108	82	28				218	218	218	218
275 North Service Road	Apartment	100%		34	41	7				82	82	82	82
1175 Dundas Street West	Apartment	100%	1	53	50					104	104	104	104
167 King Street North	Student Housing	100%						41		41	41	205	205
345 King Street North	Student Housing	100%				28	28	38		94	94	386	386
3443 Bathurst Street	Apartment	100%		4	13	6				23	23	23	23
Total			**45**	**936**	**1601**	**216**	**236**	**156**	**0**	**3190**	**3074**	**4691**	**4203**

Notes:

"**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

"**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.

"**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

"**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 room mates sharing the apartment, and wasn't 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).

Property Summary By City

City	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Acton	1	33	1%	33	1%	33	1%	33	1%
Barrie	2	43	1%	43	1%	43	1%	43	1%
Brighton	2	58	2%	58	2%	58	1%	58	1%
Cambridge	4	583	18%	583	19%	583	12%	583	14%
Gravenhurst	1	39	1%	39	1%	39	1%	39	1%
Hamilton	1	30	1%	30	1%	30	1%	30	1%
Huntsville	1	25	1%	25	1%	25	1%	25	1%
Kitchener	5	588	18%	588	19%	588	12%	588	14%
London	4	235	7%	194	6%	777	16%	619	15%
Mississauga	2	186	6%	186	6%	186	4%	186	4%
Montreal	1	100	3%	25	1%	440	9%	110	3%
Oshawa	2	71	2%	71	2%	71	1%	71	2%
Tillsonburg	1	61	2%	61	2%	61	1%	61	1%
Toronto	10	958	30%	958	31%	958	20%	958	23%
Waterloo	3	191	6%	191	6%	810	17%	810	19%
Whitby	1	36	1%	36	1%	36	1%	36	1%
16 Cities	**41 Buildings**	**3237 Suites**	**100%**	**3121 Suites**	**100%**	**4738 Rental Units**	**100%**	**4250 Rental Units**	**100%**

Property Summary By Region

Region	Number of Buildings	Undiluted # of Suites	Undiluted % of Suite	Diluted # of Suites	Diluted % of Suite	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Central ON	4	107	3%	107	3%	107	2%	107	3%
Eastern ON	2	58	2%	58	2%	58	1%	58	1%
Greater Toronto Area	16	1284	40%	1284	41%	1284	27%	1284	30%
Kitchener Waterloo Cambridge	12	1362	42%	1362	44%	1981	42%	1981	47%
London Area	5	296	9%	255	8%	838	18%	680	16%
Montreal	1	100	3%	25	1%	440	9%	110	3%
South Western ON	1	30	1%	30	1%	30	1%	30	1%
Total	**41**	**3237**	**100%**	**3121**	**100%**	**4738**	**100%**	**4250**	**100%**

Property Summary By Province

Province	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Ontario	40	3137	97%	3096	99%	4298	91%	4140	97%
Quebec	1	100	3%	25	1%	440	9%	110	3%
Total	**41**	**3237**	**100%**	**3121**	**100%**	**4738**	**100%**	**4250**	**100%**

Summary By Market Type

Market	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Rental Units	Rental % of RU's	Rental Units	Rental % of RU's
Primary	17	1384	43%	1309	42%	1724	36%	1394	33%
Secondary	19	1669	52%	1628	52%	2830	60%	2672	63%
Tertiary	5	184	6%	184	6%	184	4%	184	4%
	41	**3237**	**100%**	**3121**	**100%**	**4738**	**100%**	**4250**	**100%**

Rent Controlled vs Non Rent Controlled[1] Properties

	# of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Rent Controlled	35	2891	89%	2816	90%	3394	72%	3064	72%
Non Rent Controlled[1]	6	346	11%	305	10%	1344	28%	1186	28%
Total	**41**	**3237**	**100%**	**3121**	**100%**	**4738**	**100%**	**4250**	**100%**

Property Summary By Asset Type

Property Type	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Apartment	34	2758	85%	2758	88%	2758	58%	2758	65%
Student Housing	7	479	15%	363	12%	1980	42%	1492	35%
Total	**41**	**3237**	**100%**	**3121**	**100%**	**4738**	**100%**	**4250**	**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	25	440	110
London	Student Housing	3	188	147	730	572
Waterloo	Student Housing	3	191	191	810	810
Total		**7**	**479**	**363**	**1980**	**1492**

Average Rents (Undiluted Basis)

	Total Rental Units	Revenue/Unit /Month
Apartment	2,758	$914
Student Residence	1,980	$641
Total	**4,738**	**$800**

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, 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, 11 two bdrm)
	**Milligan Park Apartments** Location: Barrie, Ontario Address: 255 Dunlop Street West (map) Type of Building: Townhouses (2 two bdrm, 26 three bdrm) Number of Suites: 28
	**Brookside Apartments** Location: Brighton, Ontario Address: 60 Prince Edward Street (map) Type of Building: Walk-up apartments Number of Suites: 30 (3 one bdrm, 27 two bdrm)

	**MacIntosh Court Apartments** Location: Brighton, Ontario Address: 122 Elizabeth Street (map) Type of Building: Walk-up apartments Number of Suites: 28 (26 two bdrm, two three bdrm)
	**25 & 45 Brierdale Road** Location: Cambridge, Ontario Address: 25 & 45 Brierdale Road (map) 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 (map) 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 (map) Type of building: Walk-up apartments Number of suites: 28 (3 bach, 13 one bdrm, and 12 two bdrm)

	**252 & 256 St. Andrews Street** Location: Cambridge, Ontario Address: 252 & 256 St. Andrews Street (map) Type of building: Walk-up apartments Number of suites: 132 (3 one bdrm, and 129 two bdrm)
	**Cherokee Court Apartments** Location: Gravenhurst, Ontario Address: 165 Old Muskoka Road (map) Type of Building: Apartments (elevator) Number of Suites: 39 (1 bachelor, 4 one bdrm, 33 two bdrm, 1 three bdrm)
	**St. Joseph's Apartments** Location: Hamilton, Ontario Address: 118 St. Joseph's Drive (map) Type of Building: Walk-up apartments Number of Suites: 30 (17 bachelor, 9 one bdrm, 4 two bdrm)
	**Hunters Bay Apartments** Location: Huntsville, Ontario Address: 2 & 4 Yonge Street (map) Type of Building: Walk-up apartments Number of Suites: 25 (6 bachelor, 13 one bdrm, 6 two bdrm)

	**Fairway Apartments** Location: Kitchener, Ontario Address: 21 & 31 Jean Ave (map) Type of Building: Walk-up apartments Number of Suites: 32 (20 one bdrm, 12 two bdrm)
	**Hoffman Apartments** Location: Kitchener, Ontario Address: 356 & 360 Hoffman Street (map) Type of Building: Walk-up apartments Number of Suites: 96 (36 one bdrm, 60 two bdrm)
	**Hugo Apartments** Location: Kitchener, Ontario Address: 15,19 & 25 Hugo Crescent (map) Type of Building: Walk-up apartments Number of Suites: 53 (7 one bdrm, 46 two bdrm)
	**Morgan Apartments** Location: Kitchener, Ontario Address: 167 Morgan Avenue (map) Type of Building: Apartments (elevator) Number of Suites: 47 (2 bachelor, 10 one bdrm, 20 two bdrm, 15 three bdrm)

	**Kingswood Estates*** Location: Kitchener, Ontario Address: 262,266,270,274,278,282,310 & 320 Kingswood Drive (map) Type of Building: Walk-up apartments Number of Suites: 360 (92 one bdrm, 268 two bdrm) * Centurion increased its ownership of this property from 20% to 100%
	**Trafalgar Manor** Location: London, Ontario Address: 1459 Trafalgar St (map) Type of Building: Walk-up apartments Number of Suites: 47 (28 one bdrm, 19 two bdrm) Condominium Status
	**1175 Dundas Street West (Westdale Apartments)** Location: Mississauga, Ontario Address: 1175 Dundas Street West (map) Type of building: Apartment (elevator) Number of suites: 104 (1 bach, 53 one bdrm, 50 two bdrm)
	**275 North Service Road (North Apartments)** Location: Mississauga, Ontario Address: 275 North Service Road (map) Type of building: Apartment (elevator) Number of suites: 82 (34 one bdrm, 41 two bdrm, and 7 three bdrm)

	**Park Place Apartments** Location: Oshawa, Ontario Address: 277 Anderson Avenue (map) 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 (map) Type of Building: Walk-up apartments Number of Suites: 24 (5 one bdrm, 19 two bdrm)
	**Lisgar Court Apartments** Location: Tillsonburg, Ontario Address: 185, 187, 191 Lisgar Avenue (map) Type of Building: Walk-up apartments Number of Suites: 61 (22 one bdrm, 38 two bdrm, 1 three bdrm)
	**Biggin Court** **Location: Toronto, Ontario** **Address: 1,2,3,5 and 7 Biggin Court (map)** Type of Building: Apartments (elevator) Number of Suites: 306 (11 Bachelor, 9 Jr one bdrm, 170 one bdrm, 108 two bdrm, 8 three bdrm).

	**Grandstand Place** **Location: Toronto, Ontario** **Address: 6 Grandstand Place (map)** Type of Building: Apartments (elevator) Number of Suites: 60 (21 one bdrm, 33 two bdrm, 6 three bdrm).
	**1631 Victoria Park Avenue** Location: Toronto, Ontario Address: 1631 Victoria Park Avenue (map) Type of Building: Walk-up apartments Number of Suites: 35 (4 Bach, 19 one bdrm, and 12 two bdrm)
	**1594 Victoria Park Avenue** Location: Toronto, Ontario Address: 1594 Victoria Park Avenue (map) Type of Building: Apartments (elevator) Number of Suites: 28 (1 Bach, 13 one bdrm, and 14 two bdrm)
	**4 & 8 Rannock Avenue, and 880 Pharmacy Ave** Location: Toronto, Ontario Address: 4 & 8 Rannock Avenue, and 880 Pharmacy Avenue (map) Type of Building: Walk-up apartments Number of Suites: 84 (33 one bdrm, and 51 two bedrm)

	**26 Thorncliffe Park Drive** Location: Toronto, Ontario Address: 26 Thorncliffe Park Drive (map) 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 (map) Type of building: Apartments (elevator) Number of suites: 86 (2 Bach, 45 one bdrm, 39 two bdrm)
	**50 Thorncliffe Park Drive** Location: Toronto, Ontario Address: 50 Thorncliffe Park Drive (map) Type of building: Apartments (elevator) Number of suites: 57 (1 bach, 10 one bdrm, 34 two bdrm, and 12 3 bdrm)
	**5 Dufresne Court** Location: Toronto, Ontario Address: 5 Dufresne Court (map) Type of building: Apartments (elevator) Number of suites: 218 (27 Junior one bdrm, 54 one bdrm, 27 large one bdrm, 82 two bdrm, and 28 three bdrm).

	**3443 Bathurst St** Location: Toronto, Ontario Address: 3443 Bathurst St (map) Type of Building: Luxury Apartments (elevator) Number of Suites: 23 (4 one bdrm, 13 two bdrm, 6 three bdrm)
	**Dundas Court** Location: Whitby, Ontario Address: 707& 711 Dundas Street West (map) Type of Building: Townhouses Number of Suites: 36 (24 two bdrm, 12 three bdrm)

List of Properties (Student Residences)

	**75 Ann Street*** Location: London (Ontario) Address: 75 Ann Street (map) Type of Building: Student Residence (elevator) Number of Suites: 137 suites 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: Six block townhouse complex with 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 of 96 rental beds (24 four bdrms).

	**Auburn Student Residence*** **Location:** Montréal (Québec) Address: 505-521 Ste-Catherine Street West (map) Type of Building: Student Residence (elevator) Number of Suites: 100 suites comprising 440 rental beds (10 three bdrm, 40 four bdrm, 50 five bdrm). * Centurion owns 25% of this property in joint venture with other investors
	**University View** Location: Waterloo, Ontario Address: 173 King Street North (map) Type of Building: Student residence (Elevator) Number of Suites: 56 Suites comprising 219 rental beds (1 one bdrm, 1 two bedrm, 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 205 rental beds (41 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 386 rental beds (28 three bdrm, 28 four bedrm, and38 five bdrm)

By Advancement Status

	Committed[3]	Advanced[4]	Balance to Advance[5]
Total	$48,770,000	$39,019,164	$9,750,836

By Mortgage Type

	Total Balance	% of Portfolio	# of Mortgages
Residential	$39,019,164	100.00%	10
Commercial	$0	0.00%	0
Total	**$39,019,164**	**100.00%**	**10**

By Loan Type

	Total Balance	% of Portfolio	# of Mortgages
Pre-development	$25,621,812	65.66%	4
Construction	$10,332,351	26.48%	2
Term	$3,065,000	7.86%	4
Total	**$39,019,164**	**100.00%**	**10**

By Underlying Security

Type	Total Balance	% of Portfolio	# of Mortgages
Multi Family Student Housing	$33,181,230	85.04%	5
Multi Family Apartment	$3,797,933	9.73%	3
Single Family House	$2,040,000	5.23%	2
Condominiums	$0	0.00%	0
Mixed Use	$0	0.00%	0
Total	**$39,019,164**	**100.00%**	**10**

By Province

Province	Total Balance	% of Portfolio	# of Mortgages
Ontario	$37,044,164	94.94%	9
Alberta	$1,975,000	5.06%	1
Total	**$39,019,164**	**100.00%**	**10**

By Rank

Position	Total Balance	% of Portfolio	# of Mortgages
First	$21,921,812	56.18%	3
Second	$17,097,351	43.82%	7
Total	**$39,019,164**	**100.00%**	**10**

By Rank

Position	Total Balance	% of Portfolio	# of Mortgages
First	$21,921,812	56.18%	3
Second	$17,097,351	43.82%	7
Total	**$39,019,164**	**100.00%**	**10**

By Loan to Value ("LTV")

LTV	Total Balance	Running Total	% of Portfolio	# of Mortgages
50% or Lower	$21,921,812	21,921,812	56.18%	3
51% - 55%	$0	21,921,812	0.00%	0
56% - 60%	$0	21,921,812	0.00%	0
61% - 65%	$3,700,000	25,621,812	9.48%	1
66% - 70%	$1,797,933	27,419,746	4.61%	1
71% - 75%	$0	27,419,746	0.00%	0
76% - 80%	$65,000	27,484,746	0.17%	1
81% - 85%	$11,534,418	39,019,164	29.56%	4
Above 85%	$0	39,019,164	0.00%	0
Total	**$39,019,164**	**39,019,164**	**100.00%**	**10**

The Weighted Average LTV of the Portfolio is 55.9%

By Interest Rate

By 50 basis point buckets				
Interest Rate	**# of Mortgages**	**Total Balance**	**% of Portfolio**	**Average Interest Rate %**
7.51%-8%	1	$10,000,000	25.63%	8.00%
8.01%-8.5%	0	$0	0.00%	0.00%
8.51%-9%	1	$1,975,000	5.06%	9.00%
9.01%-9.5%	0	$0	0.00%	0.00%
9.51% - 10%	5	$13,666,308	35.02%	10.00%
10.01% - 10.5%	0	$0	0.00%	0.00%
10.51% - 11%	0	$0	0.00%	0.00%
11.01% - 11.5%	0	$0	0.00%	0.00%
11.51% - 12%	3	$13,377,856	34.29%	12.00%
12.01% - 12.5%	0	$0	0.00%	0.00%
Total	**10**	**$39,019,164**	**100.00%**	**10.11%**

The Weighted Average Interest Rate of the Portfolio is 10.11%

By Maturity

Maturity	Balance Maturing	% of Portfolio
Maturing 2014	$11,843,374	30.35%
Maturing 2015	$22,377,856	57.35%
Maturing 2016	$4,797,933	12.30%
Total	**$39,019,164**	**100.00%**

The Weighted Average Maturity of the Portfolio is 1.5 Years

Mortgages by Size

	Total Balance	% of Portfolio	# of Mortgages
<=$1 million	$940,000	2.41%	2
>$1 to <=$5 million	$9,597,933	24.60%	5
>$5 to <=$10 million	$28,481,230	72.99%	3
>$10 million	$0	0.00%	0
Total	**$39,019,164**	**100.00%**	**10**
Average Loan Size	$3,901,916		
Median Loan Size	$1,886,467		

Purchase Options Attached to Mortgages

Status	Total Balance	% of Portfolio	# of Mortgages
Mortgages with Purchase Options	$23,279,164	59.66%	6
Mortgages without Purchase Options	$15,740,000	40.34%	4
Total	**$39,019,164**	**100.00%**	**10**

Estimated Built Out Value of Properties Underlying Mortgages with Purchase Options

	Undiluted[6]	Diluted[7]
Estimated Built Out Value[8]	**$161,326,799**	**$93,052,631**

Notes Pertaining to the Tables in this Appendix:

The tables in this appendix, present balances and ratios that unless otherwise specified, represent or are calculated using the outstanding mortgage balance receivable and commitments as of December 31, 2013.

[1] At IFRS Fair Values and assuming outstanding mortgage balances.

[2]Unleveraged Yield means the weighted average diluted yield prior to the use of leverage. In the case of properties it means the weighted average capitalization rate of the portfolio on a diluted basis assuming a stabilized net operating income. Since the portfolio includes a number of properties in various stages of improvement and stabilization, this information is included only as a reference point. The Unleveraged Yield for mortgage investments means the weighted average face rate of the mortgages outstanding. Both these yields are presented on a pre-administration costs basis.

[3] Committed means mortgage investment commitments that Centurion Apartment REIT has made. It includes both amounts that have been advanced and also amounts that are committed but not yet advanced.

[4] Advanced means the mortgage balance outstanding

[5] Balance to Advance is the difference between the Committed amount and the Advanced amount and represents the amount remaining that has been committed to be advanced to borrowers in the future.

[6] Undiluted means the maximum amount of properties underlying the mortgages where a purchase option exists but assumes any borrower retained options are not exercised by the borrower and represents the estimated value of properties on which there are options.

[7] Diluted means the amount of properties underlying the mortgage where a purchase option exists but a borrower has retained some options to maintain an interest in the properties. The Diluted amount represents the maximum amount of properties that the REIT could buy if the borrowers exercised all of their options to maintain stakes in the properties.

[8] Estimated Built Out Value means the estimated stabilized market value of the properties underlying the mortgages assuming estimated values for completed and to be completed properties.

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.

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 ("**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%. The guideline increase for 2013 is 2.5%; the 2014 guideline increase has been calculated by averaging the percentage increase in the Ontario Consumer Price Index during the previous 12 months, from June 2012 to May 2013. Since the average CPI was 0.8%, the guideline is 0.8%. In order to increase rents above the maximum guideline increase of 0.8% per annum for 2014, 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, Centurion Apartment REIT 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 Centurion Apartment REIT to maintain the historical level of earnings of its properties.

Quebec

The Government of Québec relies upon the *Civil Code of* Quebec, 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 Régis du logement (the Régis). 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 2013 but before April 2nd, 2014 ranges between 0.9% and 1.7% depending on the type of heating employed. A landlord, which 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, Centurion Apartment REIT 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 Régis 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 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 and investment fund 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.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the year ended December 31, 2013

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Centurion Apartment Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Centurion Apartment Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Centurion Apartment Real Estate Investment Trust as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International financial reporting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

April 8, 2014
Toronto, Ontario

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**December 31, 2013**	December 31, 2012	January 1, 2012
Assets			(Note 21)	(Note 21)
Non-current assets				
Investment properties	5	**$ 447,129,371**	$ 289,540,146	$ 121,250,438
Mortgage investments	6	**27,160,435**	-	-
		474,289,806	289,540,146	121,250,438
Current assets				
Other assets	8	**3,215,344**	4,807,258	2,236,456
Accounts receivable	7	**517,353**	663,508	111,816
Current portion of mortgage investments	6	**11,858,729**	-	-
Cash		**12,453,742**	5,286,107	1,781,765
		28,045,168	10,756,873	4,130,037
Total Assets		**$ 502,334,974**	$ 300,297,019	$ 125,380,475
Liabilities				
Non-current liabilities				
Mortgages payable	9	**$ 197,629,236**	$ 139,692,653	$ 50,666,880
Tenants deposits		**2,797,268**	1,939,500	876,924
		200,426,504	141,632,153	51,543,804
Current liabilities				
Current portion of mortgages payable	9	**14,810,108**	14,843,533	9,070,580
Distributions payable		**909,901**	933,589	485,553
Accounts payable and accrued liabilities	11	**6,841,166**	2,981,852	3,939,555
		22,561,175	18,758,974	13,495,688
Total Liabilities excluding net assets attributable to Unitholders		**222,987,679**	160,391,127	65,039,492
Net assets attributable to Unitholders		**$ 279,347,295**	$ 139,905,892	$ 60,340,983

Approved by the Board of Trustees:

(Signed) Gregory G. Romundt

Trustee

(Signed) Wayne Tuck

Trustee

The accompanying notes are an integral part of these Consolidated Financial Statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended	Note	December 31, 2013	December 31, 2012
			(Note 21)
Revenue from property operations		**$ 34,875,927**	$ 18,909,921
Property operating costs		**(16,905,049)**	(9,886,378)
Net rental income		**17,970,878**	9,023,543
Other income			
Interest income	6	**1,652,462**	-
Other expenses			
Mortgage expenses	12	**(8,438,165)**	(4,401,216)
General and administrative expenses	13	**(3,340,472)**	(1,680,791)
Income before undernoted		**7,844,703**	2,941,536
Fair value adjustment on investment properties	5	**9,658,648**	16,480,474
Gain on sale of properties	4	**1,071,854**	-
Operating income attributable to Unitholders		**18,575,205**	19,422,010
Finance costs - other			
Distributions to Unitholders		**(16,124,203)**	(8,251,571)
Comprehensive Income and Increase in net assets attributable to Unitholders		**$ 2,451,002**	$ 11,170,439

The accompanying notes are an integral part of these Consolidated Financial Statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended	Note	December 31, 2013	December 31, 2012
			(Note 21)
Net assets attributable to Unitholders at beginning of year		**$ 139,905,892**	**$ 60,340,983**
Comprehensive Income and Increase in net assets attributable to Unitholders		**2,451,002**	**11,170,439**
Redeemable unit transactions			
Proceeds from units issued (net of issuance costs)	10	136,820,157	69,711,394
Reinvestments of distributions to Unitholders		7,946,505	2,847,413
Redemption of units		(7,776,261)	(4,164,337)
Net increase from unit transactions		**136,990,401**	**68,394,470**
Net increase in net assets attributable to Unitholders		**139,441,403**	**79,564,909**
Net assets attributable to Unitholders at end of year		**$ 279,347,295**	**$ 139,905,892**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31,	Note	2013	2012
			(Note 21)
Cash provided by (used in)			
Operating activities			
Comprehensive Income and Increase in net assets attributable to Unitholders		**$ 2,451,002**	$ 11,170,439
Add-back Non-operating items:			
Distributions to Unitholders		**16,124,203**	8,251,571
Non-cash items:			
Amortization of financing fees	12	**430,008**	152,490
Gain on sale of properties		**(1,071,854)**	-
Fair value adjustment on investment properties	5	**(9,658,648)**	(16,480,474)
Changes in non-cash operating account balances		**5,597,588**	(2,570,729)
		13,872,299	523,297
Financing activities			
Proceeds from units issued		**141,472,710**	71,934,256
Unit issue costs		**(4,652,553)**	(2,222,862)
Cash distributions to Unitholders		**(8,177,698)**	(5,404,158)
Redemption of units		**(7,776,261)**	(4,164,337)
Financing fees		**(371,046)**	(822,947)
Mortgage advances		**83,706,800**	115,537,969
Mortgage repayments		**(26,051,293)**	(20,067,642)
		178,150,659	154,790,279
Investing activities			
Property acquisitions		**(129,074,881)**	(139,386,499)
Property acquisition costs		**(3,674,556)**	(5,581,720)
Property improvements		**(21,137,328)**	(6,841,016)
Proceeds from property dispositions		**7,028,042**	-
Mortgage investments - repaid		**3,611,875**	-
Mortgage investments - issued		**(41,608,475)**	**-**
		(184,855,323)	(151,809,235)
Net increase in cash		**7,167,635**	3,504,342
Cash, beginning of year		**5,286,107**	1,781,765
Cash, end of year		**$ 12,453,742**	$ 5,286,107
Supplemental cash flow information			
Mortgage investment interest accrued		**1,022,564**	**-**
Non-cash distributions		**7,946,505**	2,847,413

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. Organization

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

The REIT invests primarily in multi-suite residential, student residence properties and mortgages in Canada.

2. Significant Accounting Policies

a) Statement of Compliance

The consolidated financial statements for the year ending December 31, 2013 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using accounting policies described herein.

These consolidated financial statements have been approved for issue by the Board of Trustees on March 27, 2014.

b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for investment properties which are stated at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

The consolidated financial statements are presented in accordance with IAS 1 – Presentation of Financial Statements. Centurion Apartment REIT has elected to present the Consolidated Statements of Comprehensive Income in one statement.

The REIT has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provision.

- The REIT assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

2. Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

- In May 2011, the IASB issued IFRS 11 joint arrangements ("IFRS 11") which redefined joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. The REIT has classified its joint arrangements as joint operations and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

- IFRS 12 Disclosure of Interest in Other Entities ("IFRS 12") includes all of the disclosures that were previously in IAS 27 separate financial statements ("IAS 27") related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 interests in joint ventures ("IAS 31") and IAS 28 investments in associates and joint ventures ("IAS 28"). These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The REIT adopted this standard and determined that the adoption of IFRS 12 did not result in any change in the disclosures.

- IFRS 13 Fair Value Measurement ("IFRS 13") establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The REIT adopted the standard and concluded that the definition of fair value applied in IFRS 13 does not differ materially from the REIT's current definition and therefore there was no impact on the REIT's financial position. However, IFRS 13 does expand the disclosure requirements in respect of fair value measurement which is included in Note 5 of these consolidated financial statements.

c) Principles of Consolidation

The consolidated financial statements reflect the operations of the REIT, its wholly-owned subsidiaries and its proportionate share of joint arrangements which are classified as joint operations. Subsidiaries and joint operations are consolidated from the date of acquisition, which is the date the REIT obtains control or joint control of the subsidiary or joint arrangement.

The consolidated financial statements reflect the REIT's proportionate share of revenues, expenses, assets and liabilities of the joint operations which are included in the respective items on the consolidated balance sheets and consolidated statements of comprehensive income.

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

2. Significant Accounting Policies (continued)

d) Investment Properties

The REIT 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. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date.

The REIT applies judgment in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 business combinations ("IFRS 3") or as an asset acquisition. Transaction costs (including commissions, land transfer tax, appraisals, legal fees and third party inspection reports associated with a purchase) related to property acquisitions not considered business combinations are capitalized in accordance with IAS 40. Transaction costs are expensed in accordance with IFRS 3 where such acquisitions are considered business combinations. During 2013 all acquisitions of investment properties were treated as asset acquisitions.

The fair value of investment properties was determined using a detailed valuation framework developed by the REIT's internal and external valuation teams. Each of these teams includes experts in the industry. The valuation teams considered the following approaches 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.

The Internal Team, comprised of the Asset Manager, is responsible quarterly and annually for:

- Assembling the property specific data used in the valuation model based on the process set forth in the valuation framework
- Reviewing the valuation framework to determine whether any changes or updates are required
- Inputting the capitalization rates, "set offs" and normalization assumptions provided by the valuators; and
- Delivering the completed valuation framework to the external team for review at year-end for the audited financial statements

2. Significant Accounting Policies (continued)

d) Investment Properties (continued)

The External Team, comprised of the valuators, are responsible for:

- Annually and quarterly by the valuators:
  - Determining the capitalization rates that would be used in valuing the properties
  - Providing charts of comparable sales and supporting relevant market information
  - Determining the appropriate industry standard "set off" and normalization assumptions used in the calculation of NNOI ; and
  - Supplying a "Fair Value" Report for financial statement purposes

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.

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

Centurion Apartment REIT has instituted a DRIP in accordance with Article 5.8 of 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 REIT Unit holders as the Trustees determine. Currently Unitholders receive a 2% discount on Units purchased via the DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

f) Revenue Recognition

Rental income is recognized using the straight-line method whereby the total amount of rental income to be received from all the leases is accounted for on a straight-line basis over the term of the related leases.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the REIT and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and applicable effective interest rates.

2. Significant Accounting Policies (continued)

g) Provisions

Provisions are recognized when the REIT 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 period.

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 cost.

h) 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 over the term of the facility to which they relate.

i) Income Taxes

The REIT qualifies as a Mutual Fund Trust for Canadian income tax purposes. In accordance with the terms of the Declaration of Trust, the REIT intends to allocate 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 REIT is eligible to claim a tax deduction for distributions paid in future years 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 REIT are the obligations of the Unitholders.

j) Financial Instruments

In accordance with IAS 39 Financial Instruments – Recognition and Measurement ("IAS 39"), financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the REIT's designation of such instruments.

The summary of the classification and measurement adopted by the REIT for each major class of financial instruments are as follows:

2. Significant Accounting Policies (continued)

j) Financial Instruments (continued)

	Classification	Measurement
Financial Assets:		
Cash	Loans and receivables	Amortized cost
Mortgage investments	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial Liabilities:		
Mortgages payable	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The REIT assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists.

Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment is included in the consolidated statement of comprehensive income.

Fair Value

Fair value measurements recognized in the balance sheet accounts are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices 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.

2. Significant Accounting Policies (continued)

k) Net Assets Attributable to Unitholders

i. Balance Sheet Presentation

In accordance with International Accounting Standard ("IAS") 32 Financial Instruments: Presentation, puttable instruments are generally classified as financial liabilities. The REIT's units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, the REIT units do not meet the exception requirements. Therefore, the REIT has no instrument qualifying for equity classification on its Statement of Financial Position pursuant to IFRS. The classification of all units as financial liabilities with 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.

ii. Statement of Financial Position Measurement

REIT 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 period, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders is limited to the net assets of the REIT.

iii. Statement of Comprehensive Income Presentation

As a result of the classification of all units as financial liabilities, the Statement of Comprehensive Income recognizes distributions to Unitholders as a finance cost. In addition, terminology such as net income has been replaced by Comprehensive Income and Increase in Net assets attributable to Unitholders to reflect the absence of an equity component on the Statement of Financial Position.

l) Mortgage Investments

Mortgage investments are classified as loans and receivables. Such investments are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

The investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

2. Significant Accounting Policies (continued)

l) Mortgage Investments (continued)

An impairment loss in respect of investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

m) Future Changes in Accounting Policies

Standards issued and amendments to existing standards but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of standards and interpretations issued, which the REIT reasonably expects to be applicable at a future date.

Financial Instruments ("IFRS 9")

This standard will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business mode and the contractual cash flow characteristics of the financial assets. The new IFRS is to be applied retrospectively without restatement of comparative information, the current version of IFRS 9 does not include a mandatory effective date but is available for adoption.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21 Levies ("IFRIC 21"). IFRIC 21 provides guidance on when an obligating event occurs that gives rise to a liability to pay a government levy that is not income tax. IFRIC 21 is effective for annual periods beginning on or after January 1,2014. The adoption of this standard is not expected to have a significant impact on the REIT's financial statements.

IAS 32, Offsetting Financial Assets and Liabilities

The amendments to IAS 32, which are effective for years commencing on or after January 1, 2014, clarify the guidance as to when an entity has a legally enforceable right to set off financial assets and financial liabilities, and clarify when a settlement mechanism provides for net settlement. The REIT intends to adopt the amendments to IAS 32 in its consolidated financial statements for the year commencing January 1, 2014. The REIT does not expect the amendments to have a material impact on the consolidated financial statements.

3. Critical Accounting 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 those estimates.

The following are the critical accounting estimates and assumptions that have been made in applying the REIT's accounting policies.

Lease costs:

The REIT makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property and this determines whether such amounts are treated as additions to the investment property. The REIT also makes judgments with respect to whether tenant leases are operating or finance leases. The REIT has determined that all of its leases are operating leases.

Business combinations:

Accounting for business combinations under IFRS 3 Business Combinations ("IFRS 3") only applies if a business, as defined, has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or to lower costs or to obtain other economic benefits directly and proportionately to the REIT. A business generally consists of inputs, processes applied to these inputs and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

Classification of co-ownerships:

The REIT makes judgments as to whether its co-ownerships provide it with joint control, significant influence or no influence. The REIT 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.

Fair value of investment properties and mortgage investments:

Changes in capitalization rates and net operating income assumptions may materially change the calculated fair value of investment properties. The fair value of the mortgage investments is reliant on the ability of the borrower to fully repay the loan and all accrued interest and fees, any defaults that occur may materially impact the fair value of these investments.

4. Investment Property Acquisitions/Dispositions

(i) During the year ended December 31, 2013 the REIT completed the following investment property acquisitions, which contributed to the operating results effective from the acquisition date.

Acquisition Date	Rental Units	% of Holding	Total Acquisition Costs (millions)	Mortgage Funding (millions)	Weighted Average Interest Rate	Maturity Date(s)
January 23, 2013	404	100%	$ 46.885	$ 30.080	4.64%	January 23, 2023, December 1, 2016, and March 1, 2022
March 26, 2013	205	100%	16.997	11.050	4.05%	March 25, 2020
July 18, 2013	386	100%	28.250	19.500	4.58%	August 2, 2020
August 23, 2013	360	80% **	28.942	14.300	4.56%	April 1, 2014 April 5, 2014 March 5, 2016
December 12, 2013	23	100%	8.000	-	-	-

**This acquisition related to a property in which the REIT held a 20% interest (see Note 14). The REIT acquired the remaining 80% interest in the 360 suite apartment property held by its co-owner, bringing the REIT's holding to 100% of the property as of the closing.

(ii) During the year ended December 31, 2012 the REIT completed the following investment property acquisitions:

Acquisition Date	Rental Units	% of Holding	Total Acquisition Costs (millions)	Mortgage Funding (millions)	Weighted Average Interest Rate	Maturity Date(s)
February 27, 2012	634	75%	$ 29.100	$ 19.250	3.55%	February 27, 2017
March 9, 2012	96	100%	7.000	5.250	3.85%	March 9, 2017
July 24, 2012	35	100%	3.150	2.000	4.50%	July 24, 2013
July 31, 2012	303	100%	26.250	20.960	3.66%	August 1, 2017 and February 1, 2013
August 15, 2012	423	100%	37.844	29.700	4.00%	August 15, 2018 and February 15, 2013
September 4, 2012	364	100%	40.520	31.194	3.84%	September 4, 2019, March 4, 2013, June 1, 2021 and September 4, 2013
November 8, 2012	28	100%	2.800	-	-	-

4. Investment Property Acquisitions/Dispositions (continued)

(iii) During the year ended December 31, 2013 the REIT completed the following investment property dispositions.

Disposition Date	Rental Units	% of Holding	Disposition Proceeds	Original Purchase Price	Fair Value Adjustment	Fees on disposition	Gain/(Loss) on Sale
May 1, 2013	22	100%	1,282,500	1,206,500	223,467	38,043	(185,510)
June 3, 2013	22	100%	1,300,000	746,000	364,701	57,607	131,692
December 17, 2013	36	100%	4,900,000	2,573,616	981,232	219,480	1,125,672
							1,071,854

5. Investment Properties

In accordance with the policy, as detailed in Note 2(d), the REIT recorded investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized net operating income ("NOI"). Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in Note 20.

	December 31, 2013	December 31, 2012
Balance, beginning of year	**$ 289,540,146**	$ 121,250,438
Property acquisitions	**129,074,881**	139,386,499
Increase in Property Valuation	**34,470,532**	28,903,209
Property dispositions	**(5,956,188)**	-
Balance, end of year	**$ 447,129,371**	$ 289,540,146

	December 31, 2013	December 31, 2012
Increase in Property Valuation	**$ 34,470,532**	$ 28,903,209
Less: Acquisition costs	**(3,674,556)**	(5,581,720)
Less: Property improvements	**(21,137,328)**	(6,841,015)
Fair Value Adjustment on Investment Properties	**$ 9,658,648**	$ 16,480,474

At December 31, 2013 the REIT conducted a valuation of its investment properties on an individual 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 4.35% to 6.75% at December 31, 2013 (December 31, 2012 – 5% to 6.5%) and averaged 5.53% for the total portfolio (December 31, 2012 – 5.76%).

5. Investment Properties (continued)

Capitalization rate sensitivity analysis

The table below presents the sensitivity of the fair valuation of the investment property to the changes in capitalization rate.

Capitalization rate sensitivity Increase (decrease)	Weighted average capitalization rate	Fair value of investment property in millions (at REIT's ownership)	Fair value variance	% change
(0.75%)	4.78%	$ 517.29	$ 70.16	15.7%
(0.50%)	5.03%	$ 491.58	$ 44.45	9.9%
(0.25%)	5.28%	$ 468.30	$ 21.17	4.7%
December 31, 2013	5.53%	$ 447.13	$ -	-
0.25%	5.78%	$ 427.79	$ (19.34)	(4.3%)
0.50%	6.03%	$ 410.05	$ (37.08)	(8.3%)
0.75%	6.28%	$ 393.73	$ (53.40)	(11.9%)

6. Mortgage Investments

Mortgages investments represent amounts under mezzanine loan arrangements. Some of the mortgage investment agreements include purchase options in favour of the REIT. The weighted effective interest rate is 10.11% and the estimated weighted average term of maturity is 1.5 years, interest income for the year was $1,652,462. Future repayments are as follows:

Year ended	**December 31, 2013**	December 31, 2012
December 31, 2014	**$ 11,858,729**	**$** -
December 31, 2015	**22,335,835**	-
December 31, 2016	**4,824,600**	-
Total repayments	**$ 39,019,164**	$ -

In addition, mortgage investment commitments of $9.9 million have been approved by the Board.

As part of the assessment of fair value, management of the REIT routinely reviews each mortgage investment for changes in the credit quality of the mortgage and underlying real estate assets and determines whether such changes result in changes in the fair value of the mortgage or loan investment.

As at December 31, 2013, management does not believe any fair value adjustment is required for any mortgage investments. As such, no adjustment to the fair value of the investments has been recorded.

7. Accounts Receivable

	December 31, 2013	December 31, 2012
Rent receivable	$ 432,112	$ 656,024
Non-rent receivable	227,535	203,935
	659,647	859,959
Less: allowance for doubtful accounts	(142,294)	(196,451)
	$ 517,353	$ 663,508

The following is an aging analysis of receivables:

	December 31, 2013	December 31, 2012
Current	$ 385,770	$ 544,246
31-60 days	78,748	238,417
61-90 days	12,554	2,689
Over 90 days	182,575	74,607
Allowance for doubtful accounts	(142,294)	(196,451)
	$ 517,353	$ 663,508

8. Other Assets

Other assets consists of the following:

	December 31, 2013	December 31, 2012
Investment property acquisition deposits	$ 12,846	$ 2,714,589
Unit subscription funds receivable	2,207,817	1,407,902
Prepaid expenses	471,740	223,174
Other current assets	522,941	461,593
	$ 3,215,344	$ 4,807,258

9. Mortgages Payable

Mortgages payable consist of the following:

	December 31, 2013	December 31, 2012
Current	**$ 14,810,108**	$ 14,843,533
Non-current	**197,629,236**	139,692,653
	$ 212,439,344	$ 154,536,186

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

	December 31, 2013	December 31, 2012
First mortgages on income properties, bearing interest between 2.38% and 5.53% (2012 - 2.38% and 5.42%), with a weighted average interest rate of 3.78% (2012 - 3.69%), secured by related income properties	**$ 181,567,937**	$ 118,139,295
Second mortgages on income properties, bearing interest between 3% and 5% (2012 - 3% and 8%), with a weighted average interest rate of 3.98% (2012 - 6.92%) secured by related income properties	**9,755,900**	11,206,864
Line of Credit facility, bearing interest of 4.2% to 4.5% (2012 - 4.2% and 4.5%), with a weighted average interest rate of 4.35% (2012 - 4.35%) secured by specific income properties of the REIT.	**2,874**	11,933
REIT proportion of mortgages held through joint arrangement, bearing interest between 3.55% and 3.93% (2012 - 3.55% and 5.10%), with a weighted average interest rate of 3.69% (2012- 3.99%), secured by income properties in the joint venture	**21,988,482**	26,247,994
	$ 213,315,193	$ 155,606,086
Less: Financing fees	**(875,849)**	(1,069,900)
	$ 212,439,344	$ 154,536,186

9. Mortgages Payable (continued)

Substantially all of the REIT'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, 2013 was 3.96% (2012 - 4%).

Mortgages payable at December 31, 2013 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2014	$ 5,625,175	$ 9,184,933	$ 14,810,108
Year ended December 31, 2015	5,778,780	1,934,257	7,713,037
Year ended December 31, 2016	7,039,374	42,270,603	49,309,977
Year ended December 31, 2017	3,936,941	32,810,720	36,747,661
Year ended December 31, 2018	2,977,798	33,994,416	36,972,214
Thereafter	6,397,211	61,364,985	67,762,196
	$ 31,755,279	$ 181,559,914	$ 213,315,193
Less: Financing fees			(875,849)
			$ 212,439,344

Mortgages payable at December 31, 2012 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2013	$ 3,777,197	$ 11,066,336	$ 14,843,533
Year ended December 31, 2014	3,882,857	4,175,084	8,057,941
Year ended December 31, 2015	3,913,996	1,994,257	5,908,253
Year ended December 31, 2016	3,410,046	25,192,817	28,602,863
Year ended December 31, 2017	2,547,001	39,600,863	42,147,864
Thereafter	56,045,632	-	56,045,632
	$ 73,576,729	$ 82,029,357	$ 155,606,086
Less: Financing fees			(1,069,900)
			$ 154,536,186

The fair value of mortgages payable is approximately $213,432,851 (2012- $155,864,000)

10. Classification of Units

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

Authorized

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

10. Classification of Units (continued)

ii. Unlimited number of Class M (formerly Class B) Trust Units

Class M Trust Units are participating and voting to the extent of a 5% Percentage Interest in income and capital and exchangeable by the holder into the number of Class A Trust units. The exchange ratio is based on Unit Specified Ratio set out in the Declaration of Trust. The specified ratio equals 5% of largest number of Class A trust units ever issued and outstanding.

iii. Unlimited number of Class F Trust Units

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

iv. Unlimited number of Special Voting 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 REIT. The Exchangeable Securities of the Partnership are participating along with the Class A, F 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 REIT to redeem Class A, F or Class M Trust 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 REIT units tendered for redemption in any calendar month in which the total amount payable by the REIT exceeds $50,000 (the "Monthly Limit"), will be redeemed for cash and, subject to any applicable regulatory approvals, by a distribution in specie of debt securities on a pro rata basis.

10. Classification of Units (continued)

Issued

	December 31, 2013	December 31, 2012
Class A Trust Units		
Units as at January 1,	**12,309,392**	5,660,886
New units issued	**12,133,947**	6,589,313
Distribution reinvestment plan	**692,398**	255,800
Redemption of units	**(628,914)**	(196,607)
	24,506,823	12,309,392
Class F Trust Units		
Units as at January 1,	**-**	-
New units issued	**81,233**	-
Distribution reinvestment plan	**369**	-
	81,602	**-**
Class M Trust Units	**50,000**	50,000
Exchangeable LP units		
Units as at January 1,	**407,013**	598,662
Converted to Class A units and redemptions	**(98,958)**	(202,714)
Distribution reinvestment plan	**7,021**	11,065
	315,076	407,013

11. Accounts Payable and Accrued Liabilities

	December 31, 2013	December 31, 2012
Accounts payable and accrued liabilities	**$ 6,225,063**	$ 2,628,050
Accrued interest payable	**616,103**	353,802
	$ 6,841,166	$ 2,981,852

12. Mortgage Expenses

	December 31, 2013	December 31, 2012
Interest on mortgages payable	**$ 8,008,157**	$ 4,248,726
Amortization of financing fees	**430,008**	152,490
	$ 8,438,165	$ 4,401,216

13. General and Administrative Expenses

	December 31, 2013	December 31, 2012
Asset management fees	$ 2,209,012	$ 1,040,427
Professional fees	551,789	309,130
Fund administration costs	334,328	194,557
Miscellaneous expenses	245,343	136,677
	$ 3,340,472	$ 1,680,791

14. Investment in Joint Arrangements

The REIT holds investments in joint operations, which are co-ownership arrangements. The REIT's holdings are as follows:

		December 31, 2013	December 31, 2012
Kingswood Drive Kitchener Limited Partnership	**	0%	20%
Ste Catherine Co-ownership		25%	25%
Varsity Co-ownership		75%	75%

**The REIT increased its investment in Kingswood Drive Kitchener Limited Partnership to 100% in August 2013 (20% as at December 31, 2012).

The following represents the REIT'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:

	December 31, 2013	December 31, 2012
Non-current assets	$ 46,080,685	$ 51,973,651
Current assets	162,074	31,487
Non-current liabilities	21,997,219	26,189,892
Current liabilities	2,373,343	765,183
Revenues	3,828,931	3,507,004
Expenses	2,776,606	2,809,656
Fair value adjustment on investment properties	271,887	7,025,591
Net income for the period	1,324,213	7,722,939

15. Commitments

a) The REIT 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 five year term ending August 31, 2014 with a renewal term for an additional five years unless terminated by either of the parties. Under the agreement, the REIT is required to:

I. Pay an acquisition fee equal to 1.0% of the purchase price of each investment property acquired by the REIT.
II. Pay a management fee per annum equal to the lower of:

a. 1.5% of the net asset value of the regular units of the REIT
b. 0.525% of total assets of previous reporting period

b) The REIT is committed to property management services under a property management agreement with Centurion Property Associates Inc. ("Property Manager"), a company controlled by the President and Trustee, for a five year term ending August 31, 2014 with a renewal term for an additional five years unless terminated by either of the parties. Under the agreement, the REIT is required to:

I. Pay a management fee of 3.5% of the gross income from its investment properties.
II. Pay a project management fee equal to 5% of total capital expenditures in the year.
III. Reimburse all expenses that were incurred in respect of the management of the investment properties.

c) The REIT is committed to property management agreements with three external parties related to its student housing portfolio. Under these agreements, the REIT is required to pay a management and administrative fee of 2%-4% of gross rentals per month with the obligation to pay an incentive fee if certain benchmarks are met.

16. Contingencies

The REIT is contingently liable for litigation and claims that arise from time to time in the ordinary course of business. Management is of the opinion that based on information presently available; it is not probable that any liability, to the extent not provided for through insurance or otherwise, would have a significant effect on Centurion Apartment REIT's consolidated financial statements.

17. Related Party Transactions

Centurion Asset Management Inc. ("CAMI") (previously Centurion Apartment REIT Management Inc.) holds the 50,000 Class M Trust units of the REIT. The distributions for the period ended December 31, 2013 for these units were $734,067 (2012- $452,105) .

During the year, the REIT was charged acquisition fees, asset management fees, property management fees and project management fees under agreements described in Note 15 of $1,184,985, $2,209,012, $1,345,879 and $701,720 respectively (2012 - $1,611,054, $1,040,427, $762,975 and $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 REIT. Compensation paid to key management during the year was $108,000 (2012 -$108,000).

18. Capital Management

The prime objective of the REIT's capital management is to ensure that the REIT remains within its quantitative banking covenants and maintains a strong credit rating.

The REIT defines capital as REIT net assets attributable to Unitholders, debt (including mortgages), and lines of credit. The REIT'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 properties.

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 to total debt. These indicators assist the REIT 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. Various mortgages have debt covenant requirements that are monitored by the REIT 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 REIT endeavors to make annual distributions. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements.

18. Capital Management (continued)

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.

During the period, the REIT did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The Declaration of Trust of the REIT 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 REIT's existing leverage ratio in accordance with the Declaration of Trust:

As at	**December 31, 2013**	December 31, 2012
Total Assets	**$ 502,334,974**	$ 300,297,019
Mortgages payable	**$ 212,439,344**	$ 154,536,186
Ratio of debt to GBV	**42.29%**	51.46%

19. Financial Instruments

a) Risk management

The main risks that arise from the REIT's financial instruments are liquidity, interest and credit risk. The REIT'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 REIT'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 REIT 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 REIT, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them, are as follows:

b) Liquidity risk

Liquidity risk is the risk that the REIT may not be able to meet its financial obligations as they fall due.

19. Financial Instruments (continued)

b) Liquidity risk (continued)

The REIT's principal liquidity needs arise from working capital, debt servicing and repayment obligations, planned funding of maintenance, leasing costs and distributions to Unitholders, and possible property acquisition funding requirements.

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT. Management's strategy is to mitigate the REIT'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. The success of new capital issuances is subject to the capital markets being receptive to a unit issue with financial terms favorable to the REIT. At December 31, 2013 the REIT had $12,453,742 (2012: $5,286,107) in cash and $17,220,000 (2012: $14,808,067) available as undrawn on the Credit Facility.

c) Interest Rate Risk

The REIT is subject to the risks associated with debt 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.

The REIT's objective of managing interest rate risk is to minimize the volatility of earnings. At December 31, 2013 most of the REIT's mortgages bore interest at fixed rates.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for the prospective 12 month period. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

Interest rate risk at		-1%		1%	
	Carrying Amount	Income	Equity	Income	Equity
Financial liabilities					
Fixed rate debt and variable rate debt due to mature in a year	$ 14,810,108	$ 148,101	$ 148,101	$ (148,101)	$ (148,101)

19. Financial Instruments (continued)

d) Credit risk

Credit risk arises from the possibility that tenants and mortgage borrowers may default on their rent and mortgage obligations respectively to the REIT. The risk of credit loss is mitigated by leasing and credit policies.

The REIT 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.

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 value of the REIT's financial instruments were determined as follows:

- the carrying amounts of cash and cash equivalents, accounts receivables, revolving credit facility, accounts payable and distribution payable approximate their fair values based on the short term maturities of these financial instruments.
- fair values of mortgages payable are estimated by discounting the future cash flows associated with the debt at market interest rates (Level 2).

In addition, the REIT carries its investment properties at fair value, as detailed in Note 4, which is determined by either the direct capitalization approach or by discounting future cash flows at a property specific discount rate.

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. The fair hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have significant effect on the recorded fair value that are not based on observable market data.

20. Fair value measurement (continued)

Investment properties

Investment properties are remeasured to fair value on a quarterly and annual basis and categorized as Level 3 in the fair value hierarchy. Investment properties were valued by qualified independent external valuation professionals as at December 31, 2013 and 2012 which resulted in fair value gains of $11,421,638 (2012 - $16,480,474) recorded as a fair value adjustment on investment properties in the consolidated statement of comprehensive income during the year. Fair values are primarily determined by discounting the expected future cash flows, or by applying a capitalization rate to the estimated future net operating income under the direct capitalization approach. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

An increase in the cash flows or stabilized net operating income results in an increase in the fair value of investment property whereas an increase in the capitalization rate decreases the fair value of an investment property.

In determining the fair value of the investment properties judgment is required in assessing the 'highest and best use' as required under IFRS 13, Fair value measurement. We have determined that the current uses of our investment properties are their 'highest and best use'.

Mortgage investments

There is no quoted price in an active market for the mortgage investments. Management determine fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximate their carrying values given the amounts consist of short-term loans. As a result, the fair value of mortgage investments is based on Level 3 inputs.

21. Correction of Prior Period Unit Classification

During the current year management found some items requiring reclassification relating to the treatment of units. The Class A units had previously been recorded as equity on transition to IFRS. Upon further analysis management has determined that the Class A units issued in the REIT do not meet the definition to be recorded as equity as per IAS 32.

21. Correction of Prior Period Unit Classification (continued)

These consolidated financial statements and notes thereto have been restated to correct these errors identified. The following tables summarize the impact of the correction of the error on the REIT's year ended December 31, 2012 consolidated financial statements and opening consolidated statement of financial position at January 1, 2012.

(a) Reconciliation of Consolidated Statement of Financial Position at January 1, 2012

	Note	As previously reported January 1, 2012	Reclassification	**As restated January 1, 2012**
Assets				
Non-current assets				
Investment properties		$ 121,250,438	$ -	**$ 121,250,438**
Current assets				
Accounts receivable and other assets		2,348,272	-	**2,348,272**
Cash		1,781,765	-	**1,781,765**
		4,130,037	-	**4,130,037**
Total Assets		$ 125,380,475	$ -	**$ 125,380,475**
Liabilities and Unitholders' Equity				
Non-current liabilities				
Mortgages payable		50,666,880	-	**50,666,880**
Tenants deposits		876,924	-	**876,924**
		51,543,804	-	**51,543,804**
Current liabilities				
Current portion of mortgages payable		9,070,580	-	**9,070,580**
Exchangeable units	(i)	9,430,548	(9,430,548)	**-**
Distributions payable		485,553	-	**485,553**
Accounts payable and accrued liabilities		3,939,555	-	**3,939,555**
		22,926,236	(9,430,548)	**13,495,688**
Total Liabilities		74,470,040	(9,430,548)	**65,039,492**
Unitholders' equity	(i)	50,910,435	(50,910,435)	**-**
Total Liabilities excluding net assets attributable to Unitholders		$ 125,380,475	$ (60,340,983)	**$ 65,039,492**
Net assets attributable to Unitholders		$ -	$ 60,340,983	**$ 60,340,983**

(i) Net assets attributable to Unitholders

The REIT previously recorded the Class A units as equity. Under further review of IFRS, management has determined that the Class A units do not meet the requirements as set out in IAS 32 to be classified as equity, and as such, all Units are classified as financial liabilities and included in net assets attributable to Unitholders.

21. Correction of Prior Period Unit Classification (continued)

(b) Reconciliation of Consolidated Statement of Financial Position at December 31, 2012

	Note	As previously reported December 31, 2012	Reclassification	**As restated December 31, 2012**
Assets				
Non-current assets				
Investment properties		$ 289,540,146	$ -	**$ 289,540,146**
Current assets				
Accounts receivable and other assets		5,470,766	-	**5,470,766**
Cash		5,286,107	-	**5,286,107**
		10,756,873	-	**10,756,873**
Total Assets		$ 300,297,019	$ -	**$ 300,297,019**
Liabilities and Unitholders' Equity				
Non-current liabilities				
Mortgages payable		$ 139,692,653	$ -	**$ 139,692,653**
Tenants deposits		1,939,500	-	**1,939,500**
		141,632,153	-	**141,632,153**
Current liabilities				
Current portion of mortgages payable		14,843,533	-	**14,843,533**
Exchangeable units	(i)	11,809,714	(11,809,714)	**-**
Distributions payable		933,589	-	**933,589**
Accounts payable and accrued liabilities		2,981,852	-	**2,981,852**
		30,568,688	(11,809,714)	**18,758,974**
Total Liabilities		172,200,841	(11,809,714)	**160,391,127**
Unitholders' equity	(i)	128,096,178	(128,096,178)	**-**
Total Liabilities excluding net assets attributable to Unitholders		$ 300,297,019	$ (139,905,892)	**$ 160,391,127**
Net assets attributable to Unitholders		$ -	$ 139,905,892	**$ 139,905,892**

(i) Net assets attributable to Unitholders

The REIT previously recorded the Class A units as equity. Under further review of IFRS, management has determined that the Class A units do not meet the requirements as set out in IAS 32 to be classified as equity, and as such, all Units are classified as financial liabilities and included in net assets attributable to Unitholders.

21. Correction of Prior Period Unit Classification (continued)

(c) Reconciliation of Consolidated Statement of Comprehensive Income at December 31, 2012

		As previously reported December 31, 2012	Reclassification	**As restated December 31, 2012**
Revenue from property operations		$ 18,909,921	$ -	$ 18,909,921
Property operating costs		(9,886,378)	-	(9,886,378)
Net rental income		9,023,543	-	**9,023,543**
Other expenses				
Mortgage expenses		(4,401,216)	-	(4,401,216)
General and administrative expenses		(1,680,791)	-	(1,680,791)
Income before undernoted		2,941,536	-	**2,941,536**
Fair value adjustment on investment properties		16,480,474	-	16,480,474
Operating Income		19,422,010	-	**19,422,010**
Finance costs - other				
Distributions on Exchangeable LP and Class M units	**(i)**	(795,063)	795,063	-
Distributions to unitholders	**(ii)**	-	(8,251,571)	(8,251,571)
Fair value adjustment on Exchangeable units	**(iii)**	(4,357,716)	4,357,716	-
Comprehensive Income and Increase in Net assets attributable to Unitholders		$ 14,269,231	$ (3,098,792)	**$ 11,170,439**

(i) Distributions on exchangeable LP and class M units

As discussed above, all REIT units are now classified as financial liabilities, as such all distributions have been reclassed to a single line in the consolidated statement of comprehensive income.

(ii) Distributions to Unitholders

With the reclassification of the REIT's Units to financial liabilities under IFRS, distributions on those units are considered a finance cost. As such, the distributions in the year have been reclassified and included in the consolidated statement of comprehensive income as a finance cost under IFRS as follows:

Distributions on Exchangeable LP and Class M units	795,063
Cash Distributions to Class A unitholders	4,725,223
DRIP Distributions to Class A unitholders	2,731,285
Total Distributions to unitholders	8,251,571

(iii) Fair value adjustment on exchangeable units

As a result of the reclassification of all units issued as financial liabilities and the presentation of net assets attributable to unitholders, all fair value gains and losses on the exchangeable units have been reversed.

21. Correction of Prior Period Unit Classification (continued)

(d) Impact on Consolidated Statements of Cash Flows

There have been no material changes on the consolidated statements of cash flows as a result of the prior year reclassification.

22. Events after the Reporting Date

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

a) The REIT issued additional units for approximately $35.5 million cash proceeds.
b) Additional mortgage investment advances of $15.5 million were completed and additional mortgage investment commitments of $17.83 million have been approved.
c) In March 2014, the REIT entered into a sales agreement with a third party to sell one of its buildings for a sale price of $3.3 million. The sale agreement includes a vendor-take back mortgage at 3.5% due in September 2014.
d) Effective April 1, 2014 the REIT has changed the property management responsibilities for the properties that were previously externally managed in London and Waterloo to CPAI.

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CENTURION APARTMENT

REAL ESTATE INVESTMENT TRUST