CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

2016 Annual Report | Management's Discussion and Analysis

For the twelve months ended December 31, 2016

PROFILE

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

2016 HIGHLIGHTS

- Consolidated assets increased to over $1 billion
- Successfully completed five acquisitions for a total purchase of $72.43 million
- Net Income and Comprehensive Income increased 18.7% to $52.1 million from $43.9 million
- Increased Net Operating Income margin to 63% from 59%
- Same property NOI up by 8.59%
- Same property operating revenue up by 4.11%
- Class A 9.81% compounded return
- Class F 10.81% compounded return

OBJECTIVES

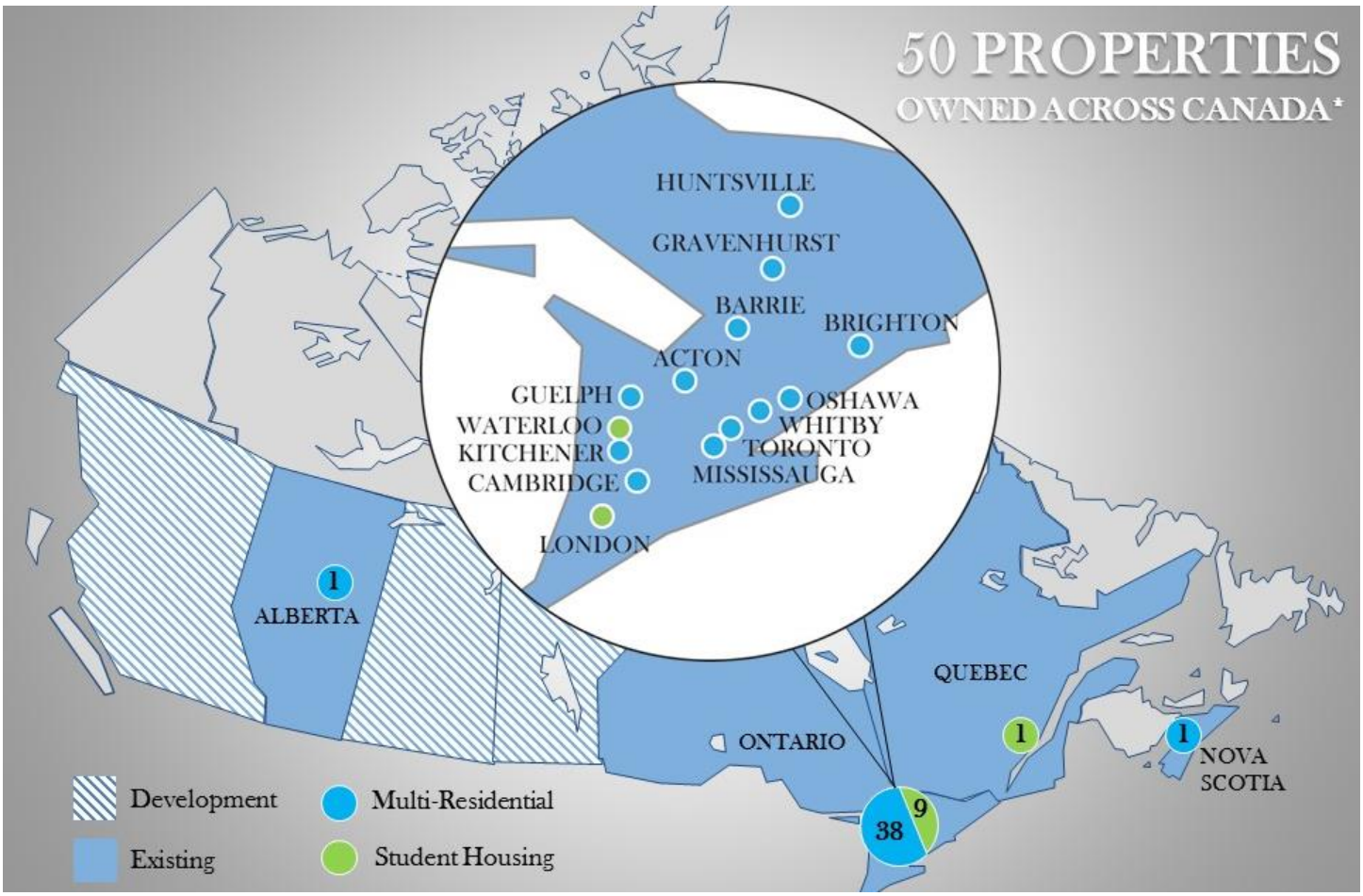
- To provide investors with cash distributions, payable monthly; tax deferred, where reasonably possible, with the opportunity for long-term growth and a focus on preservation of capital
- To maintain and grow a diversified investment portfolio of income-producing multi-unit residential apartments and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

FINANCIAL HIGHLIGHTS

PORTFOLIO PERFORMANCE	NOTES	2016	2015
Overall Portfolio Occupancy		94.5%	91.3%
Operating Revenues		$54,967, 879	$49,288,062
NOI		$34,654,903	$29,277,633
NOI Margin		63.05%	59.40%
OPERATING PERFORMANCE			
Net Income and Comprehensive Income per Unit	3	$1.27	$1.15
FFO per Unit	*Page 47*	$0.84	$0.58
NFFO per Unit	*Page 47*	$1.01	$0.99
PFFO per Unit	*Page 47*	$1.14	$1.18
Weighted Average Number of Units (Adjusted)		41,132,341	36,416,486
Distributions per Class "A" Unit		$0.8200	$0.8200
Distributions per Class "F" Unit		$0.9300	$0.9300
Total Annual Return – Class A		9.81%	10.20%
Total Annual Return – Class F		10.81%	11.17%
LIQUIDITY AND LEVERAGE			
Total Debt to Gross Book Value		40.28%	38.22%
Net Debt to Adjusted Gross Book Value	1	24.40%	27.65%
Weighted Average Mortgage Liability Interest Rate		3.18%	3.48%
Weighted Average Mortgage Liability Term (years)		4.30 years	4.40 years
Weighted Average Mortgage Investment Interest Rate		10.49%	10.33%
Weighted Average Mortgage Investment Term (years)		1.22 years	0.96 years
Gross Interest Expense Coverage Ratio (times)	2	4.93	3.54
Available Liquidity – Acquisition and Operating Facility		$49,989,924	$45,730,000
OTHER			
Number of Rental Units Acquired		742	875
Number of Rental Units Disposed		-	30
Number of Rental Units		6,121	5,379
New Mortgage Investments Made		$116,358,077	$49,121,113
Mortgage Repayments		$20,575,262	$23,433,803
Closing Price of Trust Units		$12.589	$12.262
Total Assets		$1,044,978,126	$838,888,801
Market Capitalization		$555,934,773	$484,894,083

NOTES
1 Calculated by taking Mortgage Liabilities less Mortgage Assets and divided by (Gross Book Value less Mortgage Investments)
2 Calculated by taking NOI plus Interest Income divided by Finance Costs
3 Net Income and Comprehensive Income less Minority Interest

PORTFOLIO DIVERSIFICATION



ALBERTA

Edmonton (1)

ONTARIO

Acton (1)
Barrie (2)
Brighton (2)
Cambridge (5)
Gravenhurst (1)
Guelph (1)
Huntsville (1)
Kitchener (7)
London (4) The MARQ London
Mississauga (3)
Oshawa (2)
Toronto (12)
Waterloo (5) The MARQ Waterloo
Whitby (1)

QUEBEC

Montreal (1) La MARQ Montreal

NOVA SCOTIA

Dartmouth (1)

*As at December 31, 2016

PORTFOLIO DIVERSIFICATION

17 CITIES | 50 PROPERTIES | 6,121 UNITS*

APARTMENTS

CITIES	PROPERTIES | SUITES
ALBERTA	
Edmonton	1 | 126
ONTARIO	
Acton	1 | 33
Barrie	2 | 43
Brighton	2 | 59
Cambridge	5 | 679
Gravenhurst	1 | 39
Guelph	1 | 66
Huntsville	1 | 25
Kitchener	7 | 662
Mississauga	3 | 267
Oshawa	2 | 71
Toronto	12 | 1,155
Whitby	1 | 36
NOVA SCOTIA	
Dartmouth	1 | 114
TOTAL RENTAL UNITS	**3,375**

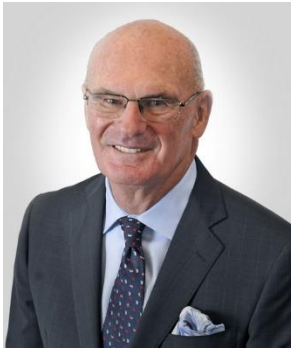
**Owned properties only*

STUDENT HOUSING

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

EXECUTIVE MANAGEMENT AND BOARD OF TRUSTEES

GREGORY ROMUNDT
President and CEO
Trustee



ROSS AMOS
Chairman
Independent Trustee

ROBERT ORR
Chief Financial Officer and
Chief Compliance Officer
Trustee

MARTIN BERNHOLTZ
Independent Trustee

LUCIAN IONESCU
Vice President, Residential
Operations

JOHN MILLS
Independent Trustee

LETTER FROM THE PRESIDENT

ACQUISITION AND INVESTMENT ACTIVITY

In 2016, Centurion Apartment Real Estate Investment Trust (the "REIT") bought five properties:

- A 50% interest in 1 Columbia Street West in Waterloo ON, a new 22-storey luxury 370-bed student residence in December. Centurion had financed the construction of this property with the developer.
- 5 Schroder Crescent in Guelph ON, a new 5-storey luxury 66-suite apartment property in September. Centurion had financed the construction of this property with the developer.
- 1731, 1735, 1739 Victoria Park Ave in Toronto ON, a block of three 4-storey walkup apartment buildings with 129 suites in May
- 285 North Service Road in Mississauga ON, an 81-suite apartment property in March
- 11 Wendy Court in Cambridge ON, a 96-unit, 3-storey walkup apartment building in January

On a weighted basis, the REIT added a total of 557 rental units in the year. Of these, 251 units came out of the Centurion Real Estate Opportunities Trust (the "REOT") development pipeline. There were no dispositions in the year. Acquisition activity was well short of what we hoped for, but not a surprise given how competitive the market has been. The REIT's strategy was, and still is, to increase the number of opportunities to purchase newly built properties upon completion. However, in 2016 it became clear that on a number of development projects in which we have participated, that if the current market stays as is, a number of these properties will be sold to the open market rather than be purchased by the REIT upon completion. In many cases, the market is willing to pay much more than we are willing to. I see my mandate as an asset manager to first protect capital, then to make money, and to the extent possible, be tax efficient; in that order. It is not my job to just buy properties. While growing the portfolio has benefits to unitholders in terms of diversification and economies of scale, I do not believe that this means we should buy at any price. To the extent that we can exit investments at solid returns, where the return from continuing to hold them is below our threshold, then it makes sense for us to exit that investment and redeploy into another investment. REOT had its first exited development investment, selling 5 Schroder Crescent in Guelph to the REIT in September. REOT earned an approximate return on its equity in this investment of 40%, well above our initial expectations. We anticipate that we will have additional development exits in 2017. In fact, we recently closed on such a transaction a few weeks ago in Regina.

The REIT made significant progress in moving properties along the stabilization process. 84.7% of the portfolio is stabilized up from 54.5% at December 31, 2015. Portfolio occupancy rose to 94.4% from 91.3% at December 31, 2015. The stabilized and repositioning portfolio occupancy was at 98.0% at year-end compared to 96.5% at December 31, 2015. Unstabilized properties comprise only 13.5% of the portfolio and ended the year at 71.4% occupancy which was up from 54.8% as at December 31, 2015.

Given the continuing low interest environment, refinancing properties has been a significant area of focus. The REIT completed three re-financings in 2016 along with the financing of our acquisitions. The total portfolio weighted average mortgage liability interest rate is 3.18% at December 31, 2016 which is down from 3.48% as at December 31, 2015.

LETTER FROM THE PRESIDENT

The distributions per unit in 2016 were stable at $0.82/ Class A Unit and $0.93/ Class F Unit. Tax treatment of distributions in 2016 was 84.43% Return of Capital and 15.57 % Other Income. The Other Income allocation arises from the REIT's mortgage investments. Given the strategic importance of continuing to build a future acquisition pipeline for accretive growth, Management expects that this income may increase for the next while as the REIT continues to deploy into similar opportunities until these turn into actual property acquisitions upon project stabilization. Once these opportunities become property rather than mortgage investments, Management expects that the proportion of returns for tax purposes classified as Other Income will decline.

In 2017, we believe that there will be limited new acquisition opportunities for the REIT but we are seeing excellent deal flow in REOT. We expect the REOT to continue to grow steadily this year. In January 2017, we launched Centurion Financial Trust ("CFiT") which will expand on the strategy used in the REOT to include private corporate debt investments as we are seeing increasing demand for credit alternatives to traditional bank financing. We believe that there is a lot of opportunity in private debt investments and that a broadly diversified strategy between corporate and real estate debt type investments will have an attractive risk/return profile. From a risk/return point of view, we like debt and development opportunities right now better than investing in stabilized apartment or student properties and our investment activity in 2016 has demonstrated that shift.

We have offered unitholders of both the REIT and the REOT the opportunity to roll their existing investment into CFIT as we believe that we will see tremendous opportunities in this space and are positioning to capitalize on them. In terms of capacity to accept investor capital, we anticipate that CFIT will be the primary fund where we will be accepting investor capital in 2017.

As we look forward to the reminder of 2017 and beyond, we feel that in order to adapt to market conditions, a shift in strategy is required in order to seek returns and manage risk. The first strategy shift relates to the REIT's mortgage lending activities. The REIT has operated under the constraint of having a 20% limit on these types of investment. This is why REOT was developed which has grown significantly. Management continues to believe that there are substantial growth opportunities in this area. A such, as we believe that the risk/reward metrics have shifted in favour of debt investments over equity investments in today's environment and we will be seeking to remove this constraint at the next Annual General Meeting.

The second strategy shift concerns the REIT's geographical constraint inside Canada. We believe that there are significant potential opportunities for portfolio growth in the Unites States. The market in the United States is significantly larger than Canada and one that trades much more actively. We will also be seeking a change to allow for the expansion into the United States on an opportunistic basis.

We believe that the financial markets will be volatile in the coming year. I was off on my timing from last year on my call for negative interest rates in Canada but believe that I will be right in time. There are a few things on my radar: Trump, Europe, China, and the broader trend towards de-globalization.

The Trump presidency has great capacity to disrupt Canada and its economy. To name a few:

- A border tax, unless Canada is exempted, could see significant damage to our exports. There is already anecdotal evidence of Canadian companies looking to shift production into the US to reduce their risks to border taxes and restrictions.
- Significant US corporate and personal tax rate cuts could further exacerbate the problem. Canada would either have to respond in kind to maintain tax competitiveness or it risks losing existing companies, seeing a reduction in inbound investment and experience a talent brain drain.

LETTER FROM THE PRESIDENT

- Trump is moving in the opposite direction to Canada on environmental regulations and carbon taxes making our industries, economy, and our resources even less competitive than they are now on a relative basis. All the more reason for companies and people to either move out of Canada or to not invest or immigrate here.
- Trump is very pro energy which seems to have signaled to some Canadian oil patch investors that things are going to get better. However, Trumps vision is to make the US energy independent and with fracking, it could be. Our largest (effectively only) customer in oil will become our largest competitor in no time. We need to diversify and fast. This means pipelines and shipping off our coasts.

All of the above would not be so bad if we had a government that was not so entrenched in their own ideology that I fear that they will not react in time or at all as the adaptations likely required are completely at odds to how they campaigned.

I further believe that we will see further erosion and ultimately the implosion of the EU project. It is certainly doomed to failure. Whether it happens in 2017 is anyone's guess, but right wing, anti-EU parties continue to rise quickly throughout Europe. China is also a debt bomb waiting to go off, and money continues to flow out searching for safe havens. A border tax or trade war could severely damage their over leveraged, export dependent economy. There is no question that globalization and open borders are being questioned by an increasing percentage of people around the world and we are certainly moving towards greater protectionism and national isolationism. Whatever ones' view of globalization is, reversing decades of consensus will create tremendous volatility and uncertainty. It is my hope to position the portfolios to protect capital in this environment and also capitalize on the opportunities that will certainly arise.

Against this backdrop, the fiscal room for Canada will be very limited and with a government trapped into its own ideology, it seems that the only way to protect the economy will be rate reductions in Canada. I believe that low rates, and capital continuing to seek safe havens in an increasingly uncertain environment will be supportive of our core businesses and present many opportunities.

GREG ROMUNDT
President, CEO, and Trustee

2016: MANAGEMENT'S DISCUSSION AND ANALYSIS

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Forward-Looking Statements

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis ("MD&A") of Centurion Apartment Real Estate Investment Trust ("Centurion", "Centurion REIT", "Centurion Apartment REIT", the "Trust" or the "REIT") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2016 along with Centurion REIT's other documents available on the Trust's website. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations, including but not limited to financial performance, equity or debt offerings, new markets for growth, financial position, comparable multi- residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

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

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

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

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

CENTURION 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-ended investment trust created by a declaration of trust made as of August 31, 2009, and as amended and restated, (the "Declaration of Trust") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See "Declaration of Trust" and "Description of Units".

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

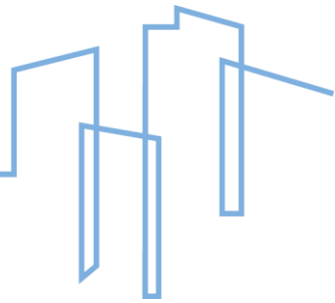
DECLARATION OF TRUST

The investment policies of the Trust are outlined in the 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:

www.centurion.ca/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 transaction:

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

INVESTMENT GUIDELINES

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

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

(h) no investments will be made in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(i) investments may be made in a mortgage, mortgage bonds, notes (except as provided for in the Declaration of Trust) or debentures ("Debt Instruments") (including participating or convertible) only if:

(i) the real property which is security thereof is real property
(ii) the security therefore includes a mortgage registered on title to the real property which is security thereof;
(iii) the amount of the investment (not including any mortgage insurance fees incurred in connection therewith) does not exceed 85% of the market value of the real property which is the security thereof; and
(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
v. the aggregate value of these mortgages (including mortgages and mortgage bonds in which Centurion Apartment REIT is permitted to invest by virtue of this section), after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of Centurion Apartment REIT calculated at the time of such investment;

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

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

(l) no investment shall be made in raw land (except for the acquisition of properties adjacent to Existing Properties of Centurion Apartment REIT for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 5% of Gross Book Value); and notwithstanding any other provisions hereof, investments may be made which do not comply with the provisions of this section provided (i) the aggregate cost thereof (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred in connection with the acquisition and secured by a mortgage on such property) does not exceed 15% of

INVESTMENT GUIDELINES

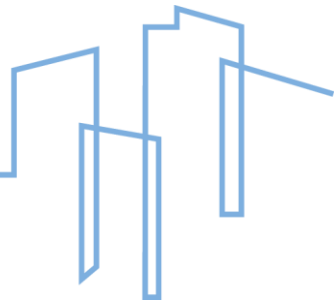
Harbour View Estates at 5501 Prefontaine Avenue, Regina, Saskatchewan

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;

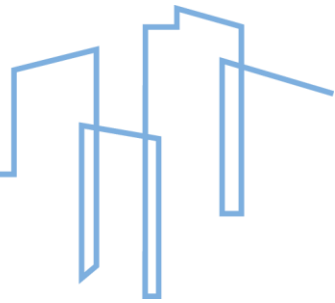
d. except for any indebtedness existing at Closing, no new indebtedness (otherwise than by the assumption of existing indebtedness) will be incurred or renewed or refinanced or secured by a mortgage on any of the real property of the Trust unless, at the date of the proposed incurring of the indebtedness, 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;

OPERATING POLICIES



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

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

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

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

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

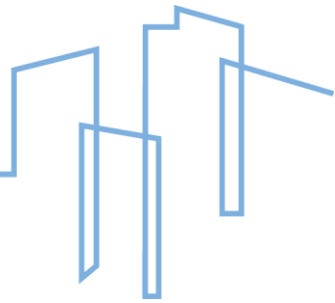
ACCOUNTING POLICIES

The REIT's significant accounting policies are described in Note 2 of the consolidated financial statements (see "Appendix D") for the year-ended December 31, 2016. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements.

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

Atwood Suites at 5 Schroder Crescent, Guelph, Ontario

NON-IFRS MEASURES



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

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

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

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.

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

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

Potential Funds From Operations ("PFFO") is a financial measure that adjusts the Normalized Funds From Operations to include items that are reasonably anticipated to impact cash flows in future periods assuming the full implementation of Management identified revenue and expense opportunities and the incorporation of market rates on rents and debt costs. Other measures of cash flow do not account for the potentially positive or negative impact of

NON-IFRS MEASURES

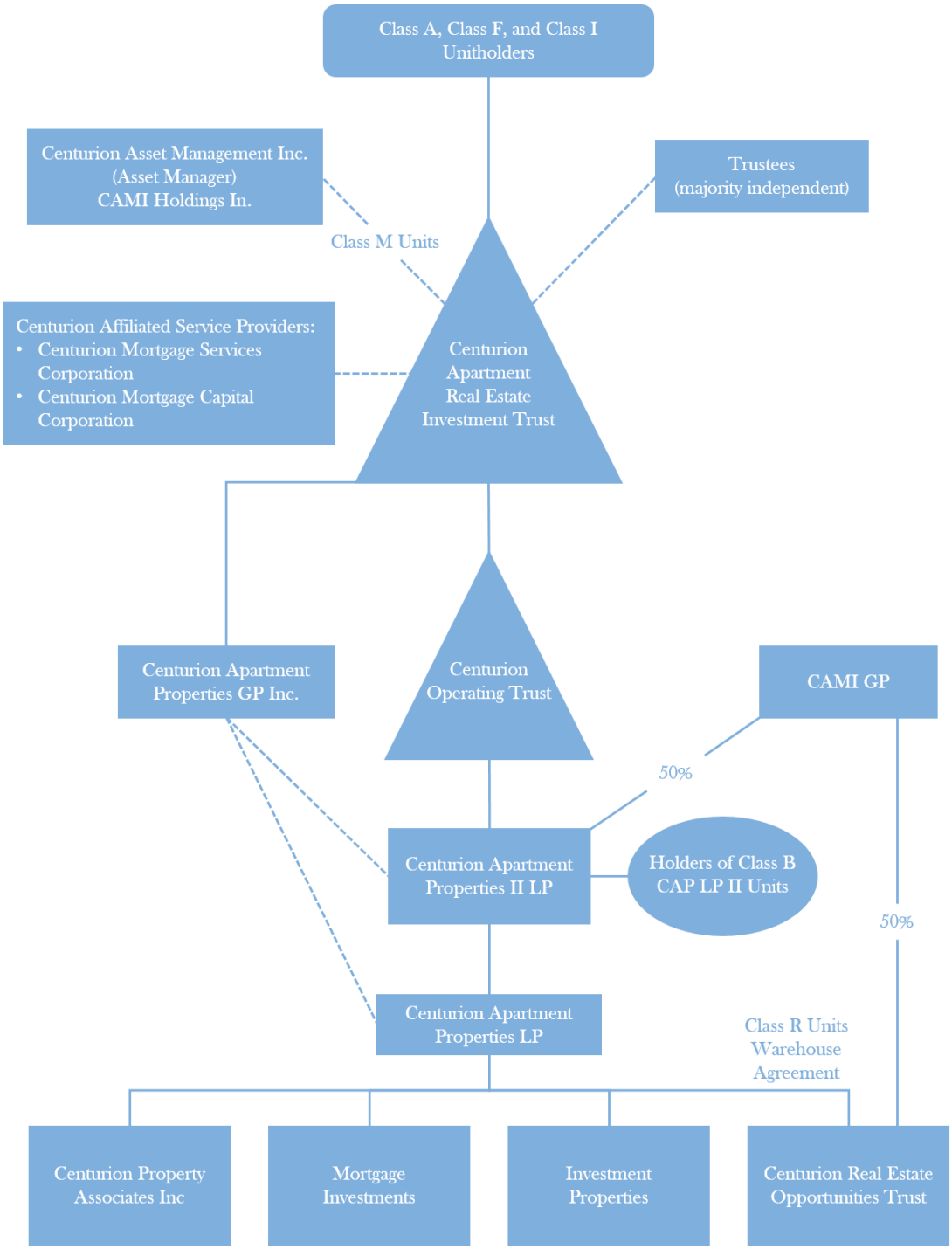
rolling over rents or mortgage liabilities at current market rates that can significantly skew FFO and NFFO and thus their usefulness in assessing the long-term cash generating capacity of the REIT. For example, if market interest rates for mortgage liabilities are substantially above todays in place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

Readers are cautioned that these metrics and calculations are not alternatives to measures under IFRS and should not, on their own, be construed as indicators of the Trust's performance, cash flows, measures of liquidity or as measures of actual 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. In addition, these measures may be calculated differently by other similar organizations and may not be comparable.

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

CENTURION APARTMENT REIT
ORGANIZATIONAL STRUCTURE

The organizational structure as at December 31, 2016 is as follows:*



* In 2017, Centurion Financial Trust was opened resulting in a reduction in ownership of CAMI GP to 33⅓%.

COMMENTS ON THE APARTMENT MARKET

2016 was a very interesting year. Capitalization rates were largely stable as a whole, but the market was very aggressive in paying premium prices to buy properties. Competition was intense and reasonably priced opportunities were few. Trading was very active. These pricing constraints meant that Centurion Apartment Real Estate Investment Trust (the "REIT") bought very little in 2016. The REIT's purchases in the past 18 months were either not widely marketed properties or came from the REIT's lending and development platform through Centurion Real Estate Opportunities Trust (the "REOT").

In Toronto, vacancy rates are below 1% and rents have started to rise very quickly. In the condo market, rents are reported as having risen by almost 12% in the year. We are aware of a number of condo rentals being done via auction (i.e., you bid the rent you are willing to pay). This demand is spilling into the purpose-built market as well and we are seeing rents move strongly. In our own portfolio, effective availability is near zero in the Toronto area, with some available units attracting over one hundred appointments per available unit.

Demand for housing, whether owned or rented, in Toronto is intense. The roaring price of real estate is pricing out renters from moving into ownership and driving up rental demand that would have been reduced by upgrades to ownership. The demand has forced down vacancy rates, and reduced resident turnover dramatically. Where normally we would expect resident turnover rates of 20-30%, it seems that this may now be closer to 15%. Because sitting residents in purpose-built apartments benefit from rent control (if the building was built pre-1992), they are now locked into staying in their unit because: (1) there is little availability of rentals to move to because no one is moving and there is so much demand, and (2) if they do move, their new rent is likely to be materially higher than they are paying now.

Politicians, ever opportunistic, have sensed a new crisis to "solve" with new regulations to "protect" tenants. There have been numerous stories of rents rocketing for renters of condo units because these are exempt from rental control. While this has been described by various groups as a loophole, it is anything but. The post-1991 exemptions for new rental unit construction were put into place to reverse the disastrous decline in the amount of purpose-built rental properties constructed after rent controls were introduced. Due to the volatility of rent control legislation, developers, rightly so, distrusted the politicians. More importantly, they discovered a new opportunity – building and selling condominiums. For those of you old enough to remember Toronto in the '70s, almost all high-rise residential buildings were rental buildings. If you were in a high-rise, you were a renter, not an owner. Most people who wanted to own, saw ownership of a detached home as their goal. While there are a whole bunch of reasons why there are a lot of condos in Toronto today compared to the 1970s, a good part of the reason is because of the shift in what builders could make work based on economics and politics. They were forced to stop building rentals due to these economic and political reasons and instead they built condos. In other words, the market responded to the regulations, just not in the way that the politicians had intended. Ahh yes… those unintended consequences.

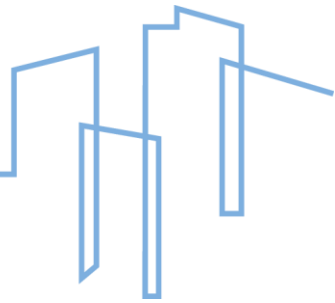
Nothing destroys cities more than rent controls, with the sole exception being bombs. If you make it impossible to earn a decent return on supplying any product, whether housing, food, or iPhones, then nothing will be produced and supply will become even more constrained, achieving the exact opposite of what is required… more supply.

Imagine if government told grocery stores to sell food for less than their costs because of the perception that food costs are too high, and that food security at a low price is a basic human right. The grocery stores will either close or be forced to cut quality or costs. No one would open a new grocery store. No matter what, supply goes down, making all consumers worse off.

Calls for rent control in Ontario have risen considerably recently as a result of rapidly rising rents due to a housing shortage. The NDP has proposed a private members' bill to introduce controls on product built post-1991. The Wynne liberals, facing armageddon at the polls in 2018, are desperate for a boost and there are more renters than landlords as voters. Even the Conservatives seem supportive for some sort of controls.

On April 20th, the Ontario government announced 16 measures designed to cool the market as part of their "Fair Housing Plan". Among them, the most significant, are rent controls on post-1991 constructed apartment buildings, a 15% tax on foreign investors, and a $25 million per year over five years to fund new apartment construction through

COMMENTS ON THE APARTMENT MARKET



development charge rebates. Most importantly, they did not change the "vacancy decontrol" rules, which allow landlords to raise rents to the market when a tenant moves out. For owners of buildings built pre-1991, which is most of the apartment stock, this means nothing has changed except there will be less supply of apartments to compete with.

So here are the some of the potential unintended consequences, as we see them, of rent controls on new rental, assuming this legislation is passed. The rise in market rents has spurred the construction of new rental product. Supply is having trouble keeping up with inbound immigration and the slow pace of approvals, but it is coming. Introducing rent controls on new product will potentially dramatically reduce this supply. At Centurion, when we model a proposed new apartment building, we model rents rising at the same rates as inflation. Thus, introducing rent controls does not significantly impair our modelled returns in the markets we focus on, which are outside Toronto proper. Many, however, will be turned off, and convert their apartment to a condo and sell it instead.

In our financing and development portfolio, many of the properties that were being built as rental apartments are being now being sold or intending to be sold as condominiums due to the run up in condo prices. Up to this point, the rationale has not been political but pure economics. Valuations as condominiums have advanced on some projects so much that it makes more sense to sell them as condominiums than to keep them as apartments. This is part of the reason for the REOT's outsized returns in 2016 of around 15%. It is also the reason why we expect the REIT to buy less of the development properties that the REOT is financing as the market price in many cases far exceeds what the REIT is willing to pay. As a result, we will be opportunistic to buy at prices that make sense or to let the properties be sold in the market for more.

The Toronto market is the one under the most strain and it is here where the most supply is desperately required. In these markets, the alternative is to build condominiums and with constrained rents, the incentives to build new rentals will collapse versus the alternative of returning to building condos if rent controls on them are established. Developers rely on pre-sales in order to obtain construction financing. Banks often want at least 80% of the building to be pre-sold before a developer may draw on their financing. Given that most condominium sales in the GTA are to "investors", the introduction of complicated legislation regarding rent controls may cause investors to look elsewhere. All that is required is for the perception of investors to change about the investment climate and the willingness of investors to buy could drop dramatically. The result could be that without condo pre-sales, fewer condos will be built and given that these have provided a lot of supply of rentals and affordable housing to the market over the years, this would only serve to worsen the housing availability crisis. Toronto has been here before in the '80s when vacancy rates touched 0.2% and people found it impossible to find an apartment and whole segments of the lower income population were locked out of the market.

We are watching these developments and it remains uncertain whether rent controls, if implemented, will reduce or increase our investment opportunities. There may be dramatically less development overall, and given we have been active in this area, that would be a disappointment. However, even with a shrinking market, it may mean that traditional lenders retreat further from the market, meaning that the opportunities for nimble investors may increase. We will look to position the portfolio as appropriate.

We anticipate that the impact on our existing portfolio will not be significant. Like other landlords in Ontario, a good chunk of our portfolio is pre-1991 construction, meaning that the new rules don't affect us. However, we do have quite a bit of new apartments, mostly in the student space. Because these residents move out as they graduate, we expect that rent controls will have virtually no impact on the student housing business. For new apartments that we own, the rent up process has now been made much more complicated (as you may not ask full rents during lease up, preferring to stabilize the building then move rents to market rates later). We anticipate that these technical details will be worked out in the legislation and in any case, we will adapt accordingly.

The GTA has a housing availability and affordability crisis of its own making. Interest rates and foreign investors are only part of the problem. Other problems include, but are not limited to:

- The greenbelt severely restricts where the city can grow.

COMMENTS ON THE APARTMENT MARKET

- Poor transportation infrastructure makes it difficult to commute, driving up demand for property inside a reasonable commuting zone.
- Excessive development charges make it expensive to build and reduce the feasibility of building rentals.
- Lengthy development processes increase the costs and risks of development, and slow the ability of the development community to meet demand with supply.
- Discussion of rent controls will shut down development and force rents immediately higher as owners' fear that they won't be able to raise them in the future.

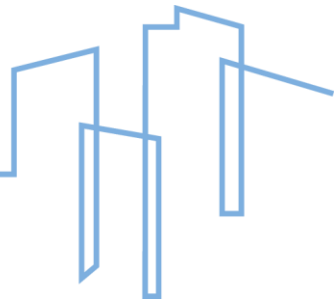
So rather than just throw stones, we propose some possible solutions:

- Improving transportation infrastructure, which would make it easier to commute from greater distances. For reference, Japan has high-speed rails that currently go up to 320 km/hr, with new lines being brought into production that can go up to 500 km/hr. This would put Montreal inside the average commute time for Toronto residents. Expanding the commuting radius would take significant pressure off housing prices and create prosperity in surrounding areas;
- Cutting development charges for rental housing construction would increase the attractiveness of building rentals versus condos;
- Property tax holidays and/or phase-ins on rental apartment construction would similarly increase returns to building rentals;
- Property tax holidays and/or phase-ins on rental apartment construction would similarly increase returns to building rentals;
- Increased density bonuses on development sites when apartments are built (e.g., if normal density is for 300 units on a site, permission would be given to build 400 units but at least 100 of them must be purpose-built rental);
- Increased expropriation along public transportation routes for high-density development which would free development land and also make it easier to assemble sites;
- Loosening zoning and density restrictions along the development routes identified; and
- A severe change in attitude regarding development by the NIMBY crowd and politicians' willingness to listen to them. Yes, no one likes a giant tower casting a shadow over their house but that new tower could house 1,000 people and we will not find solutions if everyone who does not like something can stop it. Multiply the above by the thousands of sites we have to densify in Toronto, and we have reasonably priced housing for millions in the city and a model for the future.

The above being said, I have little confidence that any of these proposals will happen. Instead of trying to create supply, politicians will continue to try to choke demand for housing through regulations which, so far, just has not worked. It is time that a new approach be tried.

On the positive side of regulation, Ontario has frozen property taxes on apartments and cut hydro rates by 25% which will help us continue to drive margins in 2017.

OUTLOOK AND BUSINESS STRATEGY



Management is focused on a number of key areas for 2016 that can be broken down as follows:

Management has traditionally pursued both internal and external growth; internal growth by investing in the portfolio and external growth through acquisitions and the development pipeline through REOT. Management believes that internal growth is still possible as there are still significant market rent gaps and efficiencies to extract from the portfolio. External growth however will be challenging in the current environment. Competition for quality properties is intense and in many markets, the REIT is priced out. On the development pipeline, many properties that were intended to be apartments are likely going to be sold as condominiums or apartments at prices that are beyond the threshold management finds attractive to buy or hold. While we anticipate that this will mean positive returns on these investments, the portfolio won't expand due to these dispositions. However, it is managements view that portfolio expansion is subordinate to preservation of capital, earnings, and risks we take to earn returns.

In the student housing business, while management is still optimistic about this space, we believe that the number of opportunities for growth by development or acquisition have declined. Student condominiums have become hot with retail investors. As a result, a large number of the potential student sites are being built as for sale to retail investor condominiums. It makes sense for developers to do so as retail investors will pay substantially more than the REIT will for the same property. The same thing is happening in REOT's student developments. Almost all are going to be sold as retail condominiums. While positive for returns, this means that in the medium term, portfolio growth in this area may be constrained as properties that were slated to be bought by the REIT from REOT get sold to the market at a premium.

Historically, Centurion's business strategy has been to find niches and exploit them by allocating capital where the opportunities were best; smaller markets, smaller buildings, student housing, mezzanine lending, new construction, etc. Management feels it again needs to shift tactics to adapt to market conditions, which constrain opportunities for return and to manage risk.

The first adaptation concerns the REIT's mortgage lending portfolio. The REIT has operated under the constraint of having a 20% limit on these types of investments. This is why REOT was originally developed – to allow the REIT to participate in what management saw as an attractive opportunity with a broadly diversified portfolio. REOT has grown significantly and management continues to believe that there are substantial growth opportunities in this area.

Further, management believes that risk/reward metrics have shifted in favour of debt investments over equity investments in today's environment. As such, management intends to seek a change at the next Annual General Meeting of Unitholders to remove the mortgage investments constraints to allow management to position the portfolio for the best opportunities on a risk/reward basis.

The second adaptation concerns the REIT's geographical constraints inside Canada. Management believes that there are significant potential opportunities for portfolio growth in the U.S. The U.S. is a market many times larger than Canada and one that trades much more actively (in part due to taxation advantages in the U.S. relative to Canada that disincentivizes trading in Canada). While no transactions are imminent, management intends to seek a change at the next Annual General Meeting of Unitholders to allow for expansion into the U.S. on an opportunistic basis.

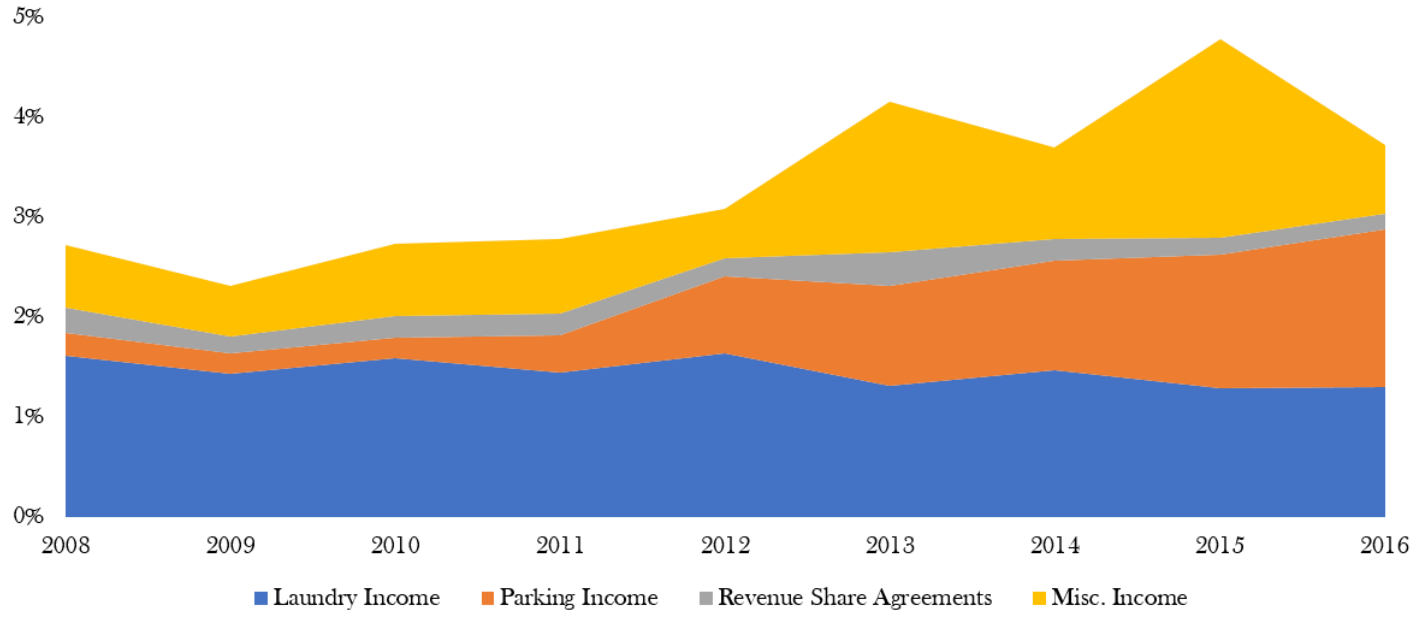
Management believes that it needs to adapt its tactics to market conditions on a continual basis to position the portfolio for success and to reduce risks in the long term and that these changes will help it achieve these goals.

REVENUE OPPORTUNITIES

Management continually examines revenue opportunities 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 $1,691,000. Given the severe shortage of housing in some of the markets in which the Trust operates, management believes there may be outsized opportunities for growth as the team pushes for rent increases.
- Filing above guideline rent increases (AGIs) wherever possible for the extensive capital works that have recently completed or will soon be completing (see Appendix C – Government Regulation). In 2016, the Trust filed 16 AGIs. In 2017, one (1) AGIs has been filed to date and we expect that over 18 will be filed in the year.
- Continuing to strategically invest capital in the portfolio to create value. The Trust has budgeted approximately $34 million in capital improvements in 2017.
- Continuing to implement the segmentation and charging independently for previously included services to drive revenues (like parking and storage). It is estimated $652,000 of additional revenue could be derived from parking.
- Management will continue to focus on stabilization of properties in the turnaround phase to reduce the short term drag on NOI. The Trust continues to stabilize its portfolio of recent acquisitions which will result in positive contributions to NOI in 2017. The stabilization incurred in 2016 were $3,826,000.
- The REIT in 2016 reversed course on its drive to provide student housing property management services to third-party clients. Given its own internal opportunities, it was found that external management for third parties was too time dilutive on the management team which are better focused elsewhere. The Trust terminated all of its management contracts, except those on sites where the Trust has a partner.

Other Income % of Total Operating Revenue
Excluding Expense Recovery



EXPENSE MANAGEMENT

On-going Expense Management

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

- The Trust's sub-metering initiatives continues to gain traction. Upon full implementation, and after all units have turned over to tenants paying utilities.
- Management will actively renegotiate its mortgage portfolio to take advantage of this current low interest rate environment.
- Management has implemented energy and utility management systems that tie into the Trust's existing systems 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.

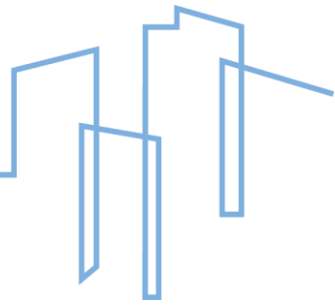
Between both revenue and expense opportunities, Management estimates and that there may be, upon full realization, approximately $6,943,000 potential to increase income over time. Readers are cautioned that these are Management estimates, which may take years to realize or may not be realized at all 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 Summary Table	Potential Impact on Income[1]
Rental Gap to Market	$1,691,000
Roll down of mortgage portfolio to market	3,022,000
Sub-metering Savings	$967,000
Parking Income	$652,000
Ontario Hydro Rate Reductions	$611,000
Total Value Add	**$6,943,000**

[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).*

FINANCE AND TREASURY



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

Credit Facilities

The Trust has two credit facilities which can be used for operations, capital works, and acquisitions. These facilities provide the Trust with significantly more financing flexibility. The total amount of the REIT's credit facilities was $65,750,000 as at December 31, 2016. Generally, liquidity originating from new equity issuance is directed towards these operating facilities to lessen the dilutive impact of carrying large cash balances. Of the $65,750,000 in facilities, $60,000,00 is committed and $5,750,000 is on demand. Management believes that it can mitigate some of this risk by diversifying across lenders, properties, renewal dates, by generally using first position mortgages, and keeping overall leverage on the specific properties and of the entire Trust within its target range.

As at December 31, 2016, the Trust had $18,327,681 available in undrawn credit facilities. REOT (consolidated as part of the Trust) negotiated a new credit facility totaling $20,000,000 with a Canadian Chartered bank in 2016 which was increased to $25,000,000 in January 2017.

Financing Costs

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

Over the course of the year, the Trust reduced its weighted average financing costs from 3.48% per annum at the end of 2015 to 3.18% per annum rate at the end of 2016; a decrease of almost 50 basis points. The table below shows the continual decrease in the weighted average interest rate of our mortgage portfolio.

2016 and 2015 mortgage and credit facilities interest expenses were $11,674,554 and $11,715,244 (excluding amortization of financing fees) respectively. The decrease being the result of refinancing in 2015 and the current year financings at lower rates. Outstanding mortgages payable and credit facilities increased from $319,423,433 to $420,912,633 in 2016.

The Trust earned interest income of $18,229,456 in 2016. This resulted in a 2016 Net Interest Income of $6,554,902. The Trust expects that it will continue to be a net interest earner and not a net payer of interest. As such, Management believes that a further key benefit of its mortgage investment strategy will be a significant reduction in its overall exposure to interest rate risk.

Based on the current in place average debt cost of 3.18% and the estimated current cost of 5 year mortgages at 2.11% (blended between CMHC and conventional mortgages), the REIT has potential interest rate savings of $3,022,000 million/year if interest rates remain at their current levels and the REIT is able to roll all of its mortgages over at these rates over time. In 2016, mortgage maturities were very limited and as such, Management believes that it will get rate reductions on its mortgage portfolio through new purchases financed at current rates and rollovers in future years.

Weighted Average Interest Rates

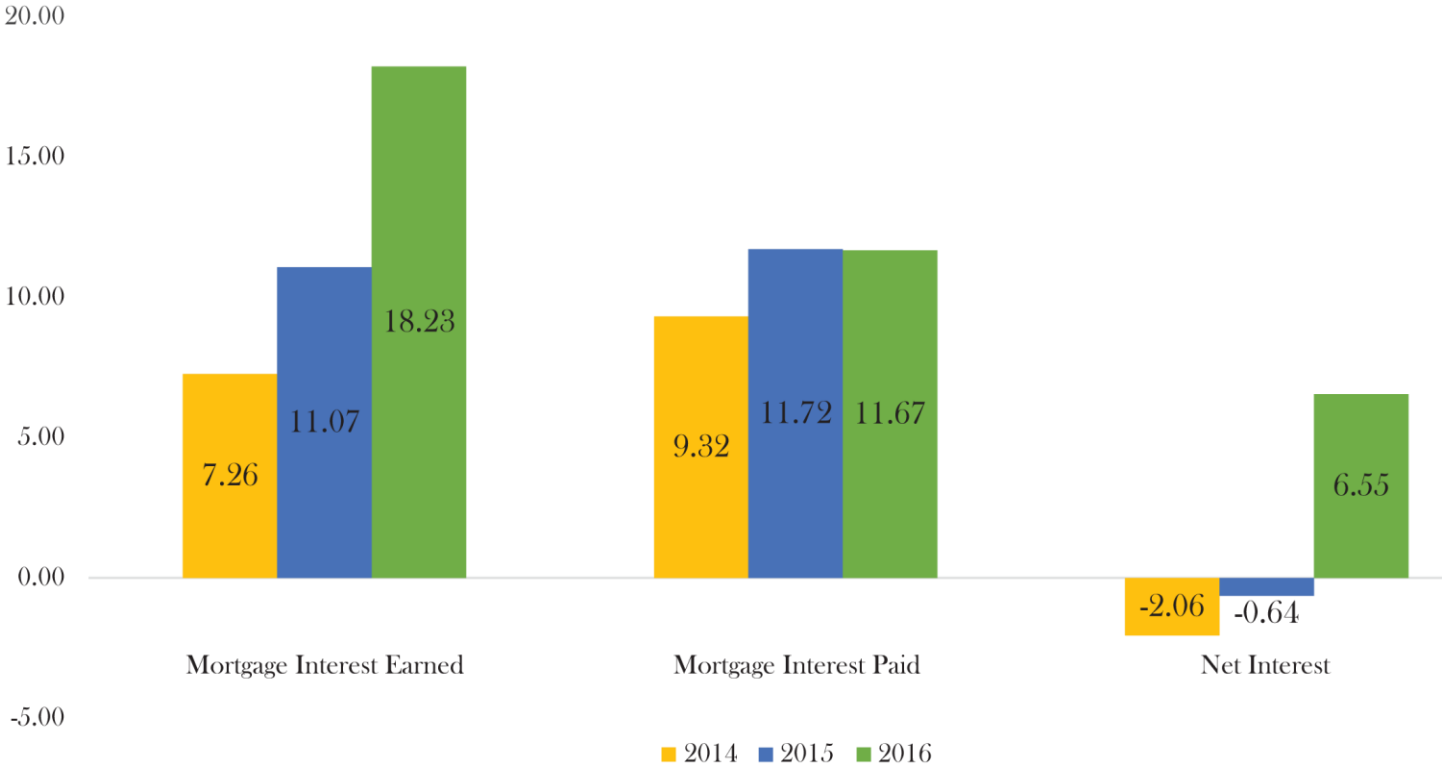
Year	Rate
2016	3.18%
2015	3.48%
2014	3.95%
2013	3.96%
2012	3.96%
2011	4.00%

FINANCE AND TREASURY

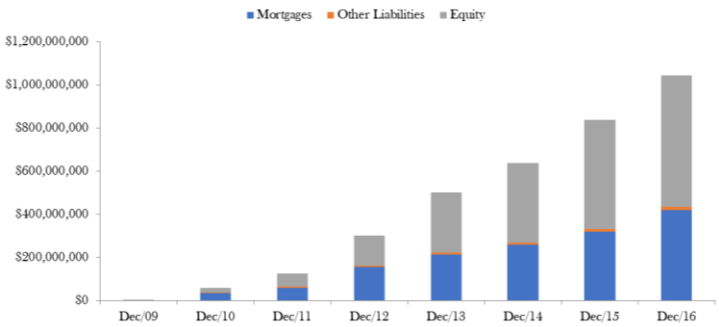
Mortgage Interest Earned vs. Mortgage Interest Paid

	2014	2015	2016
Mortgage investment interest income	$7,263,501	$11,073,346	$18,229,456
Mortgage payable interest expense	($9,322,971)	($11,715,244)	($11,674,554)
Net interest income (expense)	($2,059,470)	($641,898)	$6,554,902

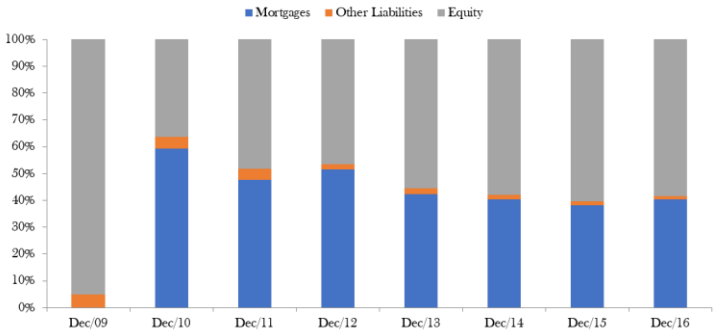
Interest Trend Chart (in millions)



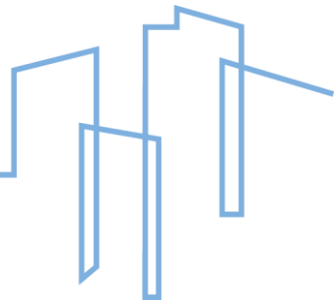
Assets and Debt/Equity Mix



Debt/Equity Mix



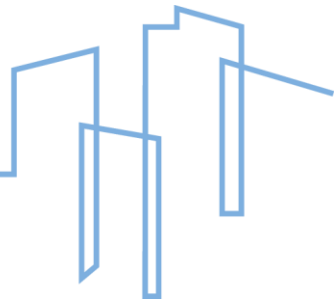
FINANCE AND TREASURY



Under the accounting principles of consolidation, all entities that are controlled by the Trust must be consolidated with the results of the Trust. The Trust owns 48.2% of REOT as at December 31, 2016 and has been deemed to have control over the entity and as such all assets, liabilities, income, and expenses of REOT have been included in the consolidated financial statements of the Trust. The reconciliation of which balances are directly attributable to each entity is as follows:

CENTURION APARTMENT REIL ESTATE INVESTMENT TRUST CONSOLIDATE STATEMENT OF FINANCIAL POSITION	REIT	REOT	Elimination Entry	Consolidation
Assets				
Non-Current Assets				
Investment properties	$768,793,900	-	-	$768,793,900
Mortgage investments	$36,303,280	$102,418,217	-	$138,721,497
Equity accounted investments	-	$24,289,524	-	$24,289,524
Investment in associate	$11,922,470	-	-	$11,922,470
Participating loan interests	$2,416,335	$4,904,679	-	$7,321,014
Investment in CREOT	$93,893,646	-	($93,893,646)	-
Property and equipment	$409,804	-	-	$409,804
	$913,739,435	$131,612,420	($93,893,646)	$951,458,209
Current Assets				
Current portion of mortgage investments	$3,359,720	$75,458,678	-	$78,818,398
Mortgage interest receivable	$36,716	$1,892,482	-	$1,929,198
Participating loan interests	-	$3,945,782	-	$3,945,782
Other assets	$6,197,814	$1,159,395	-	$7,357,209
Accounts receivable	$416,242	-	-	$416,242
Cash	$629,035	$424,053	-	$1,053,088
Restricted cash	-	-	-	-
	$10,639,527	$82,880,390	-	$93,519,917
Total Assets	**$924,378,962**	**$214,492,810**	**($93,893,646)**	**$1,044,978,126**
Liabilities				
Non-Current Liabilities				
Mortgages payable and credit facilities	$330,902,771	-	-	$330,902,771
	$330,902,771	-	-	$330,902,771
Current liabilities				
Current portion of mortgages payable and credit facilities	$70,009,862	$20,000,000	-	$90,009,862
Accounts payable and accrued liabilities	$7,737,898	$569,525	-	$8,307,423
Tenants deposit	$4,153,650	-	-	$4,153,650
Unit subscriptions in trust	-	-	-	-
Distributions payable	$54,922	-	-	$54,922
	$81,956,333	$20,569,525	-	$102,525,857
Total liabilities excluding net assets attributable to Unitholders	**$412,859,104**	**$20,569,525**	**-**	**$433,428,628**
Net assets attributable to Unitholders	**$511,519,858**	**$193,923,285**	**($93,893,646)**	**$611,549,498**

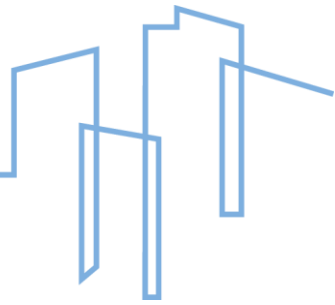
FINANCE AND TREASURY



CENTURION APARTMENT REIL ESTATE INVESTMENT TRUST
CONSOLIDATE STATEMENT OF FINANCIAL POSITION

For the year ended	REIT	REOT	Elimination Entry	Consolidation
Revenue from investment properties	$54,967,879	-	-	$54,967,879
Property operating costs	($20,312,976)	-	-	($20,312,976)
Net rental income	**$34,654,903**	**-**	**-**	**($34,654,903)**
Other income				
Interest income on mortgage investments	$3,125,717	$15,103,739	-	$18,229,456
Distribution income	$6,228,408	-	($6,228,408)	-
Income on equity accounted investments	-	$4,706,781	-	$4,706,731
Other income	$390,894	$73,930	-	$464,824
General and administrative expenses	($8,375,570)	($2,061,652)	-	($10,437,222)
Provision for mortgage investment loss	($55,233)	($467,992)	-	($523,225)
Fair value gains on investment properties	$6,264,838	-	-	$6,264,838
Fair value gains on participating loan interests	$2,307,118	$8,792,145	-	$11,099,263
Gain (loss) on sale of properties	-	-	-	-
Operating Income	**$44,541,075**	**$26,146,951**	**($6,228,408)**	**$64,459,618**
Finance Cost				
Finance costs	($11,968,635)	($648,137)	-	($12,316,772)
Distributions to Unitholders	-	-	-	-
Net Income and Comprehensive Income	**$32,572,440**	**$25,798,814**	**($6,228,408)**	**$52,142,846**

MORTGAGES, DEBT, AND CAPITAL STRUCTURE



The Trust is limited in its Declaration of Trust to a leverage ratio of up to 75% but targets to keep its debt ratio in the 62-67% range. This range is comparable to most of its multi-residential peers and would generally be considered very conservative in the multi-residential space. The mortgage liability portfolio at year end was at a weighted average interest rate of 3.18 %. This continues the downward rate trend as last year was 3.48%. Mortgage leverage is at approximately 40.28% of total assets at the end of 2016 slightly up from 38.22% in 2015 (see the table "Ratio of Debt to Gross Book Value" below). Our leverage is well below the target ratio range.

The weighted average term to maturity was 4.3 years as at December 31, 2016 and 4.4 years as at December 31, 2015. REIT capital (see table "REIT Capital Structure" below) grew to $1,032,462,131in 2016 from $823,997,368 in 2015, an increase of 25.30%.

The Trust's debt strategy is to ladder its mortgage maturities across a diverse array of lenders and maturity dates. The Trust's debt schedule, contained in Note 13 of the consolidated financial statements (see Appendix "D") is summarized below.

Ratio of Debt to GBV		
	2016	2015
Total unrestricted assets	$1,044,978,126	$835,707,560
Mortgages payable	$420,912,633	$319,423,433
Ratio of Debt to GBV	**40.28%**	**38.22%**

REIT Capital Structure as at December 31		
	2016	2015
Mortgages payable	$420,912,633	$319,423,433
Net assets attributable to unitholders	$611,549,498	$504,573,935
Total	**$1,032,462,131**	**$823,997,368**

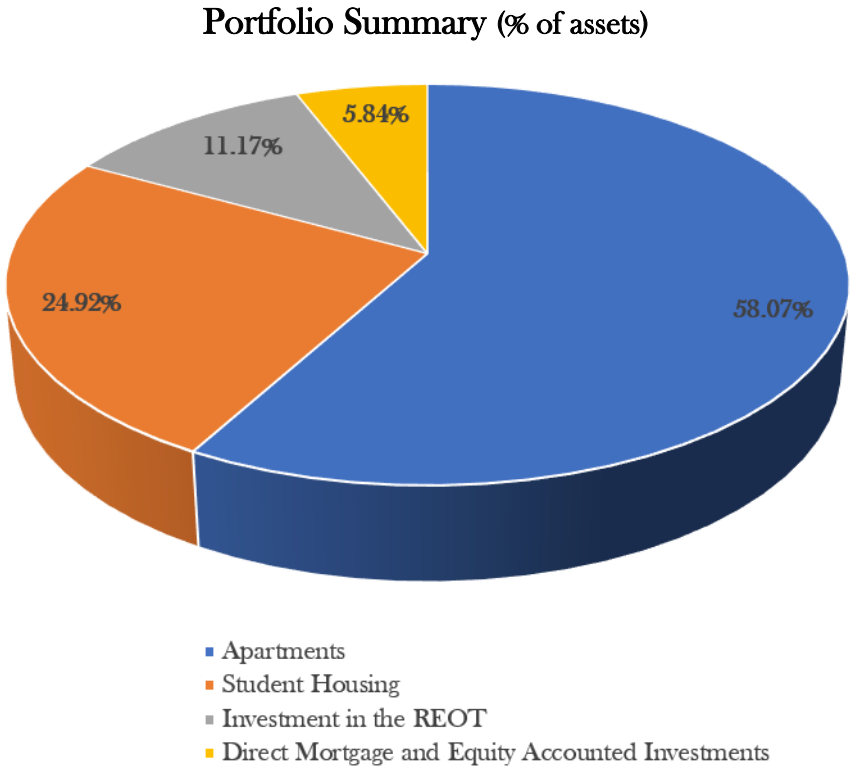
Mortgages payable at December 31, 2016 are due as follows:

	Principal Repayments	Balance Due at Maturity	Total
Year ended December 31, 2017	$42,692,648	$47,317,214	$90,009,862
Year ended December 31, 2018	$10,140,923	$60,613,149	$70,754,072
Year ended December 31, 2019	$8,338,397	$21,492,940	$29,831,337
Year ended December 31, 2020	$7,639,512	$35,078,856	$42,718,368
Year ended December 31, 2021	$5,146,874	$65,918,315	$71,065,189
Thereafter	$16,516,550	$101,707,226	$118,223,776
	$90,474,904	**$332,127,700**	**$422,602,604**
Less: Marked to market adjustment			$260,222
Less: Unamortized portion of financing fees			($1,950,193)
			$420,912,633

PORTFOLIO SUMMARY

Centurion Apartment REIT invests primarily in the following areas:

1. Apartments
2. Student Housing
3. Direct Mortgage and Equity Accounted Investments
4. Investment in REOT



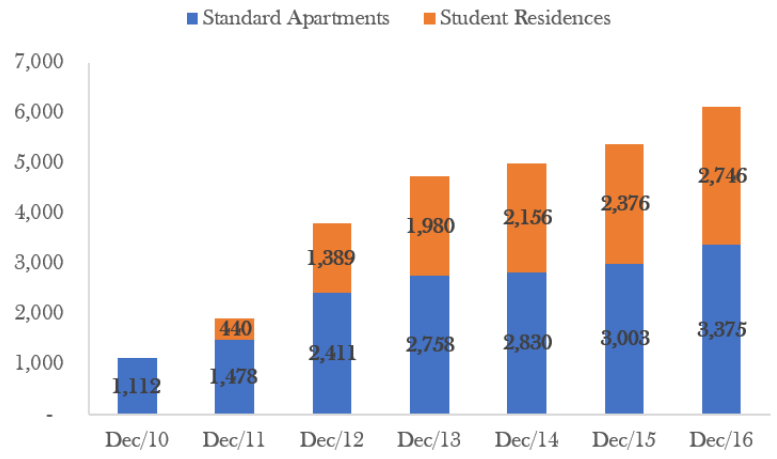
BY PERCENTAGE PORTFOLIO (% OF $ VALUE OF ASSETS)
AS AT DECEMBER 31, 2016

Province	Property Holdings	Percentage Weight of REOT Portfolio	Direct Mortgage and Equity Accounted Investments	Total
Ontario	71.18%	5.99%	5.70%	82.86%
Quebec	6.43%	-	-	6.43%
Alberta	2.71%	1.70%	-	4.41%
Nova Scotia	2.67%	-	-	2.67%
British Columbia	-	2.37%	0.15%	2.51%
Manitoba	-	0.64%	-	0.64%
Saskatchewan	-	0.48%	-	0.48%
Total	**82.99%**	**11.17%**	**5.84%**	**100.00%**

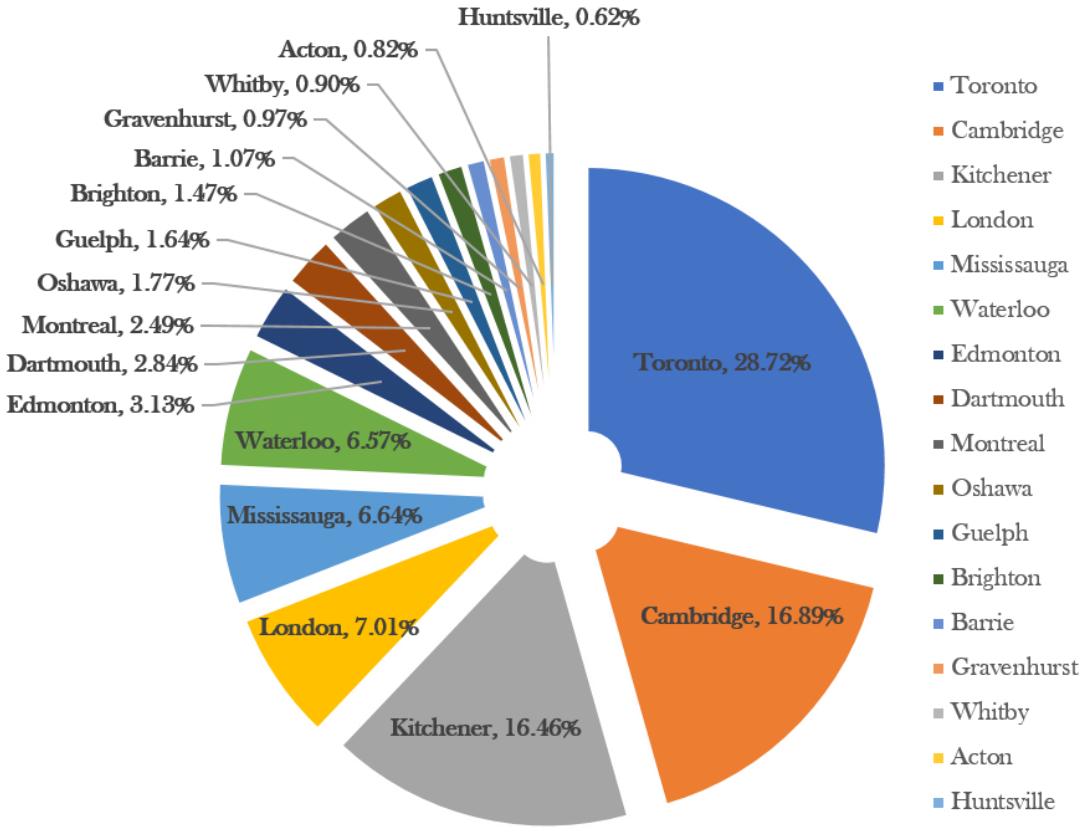
PORTFOLIO SUMMARY

As at December 31, 2016, the Trust owned 50 buildings. The charts below provide additional details of the property portfolio. In addition to buildings, the Trust holds mortgage investments in Alberta, Saskatchewan, Manitoba, Ontario, and British Columbia.

Number of Rental Units (undiluted)

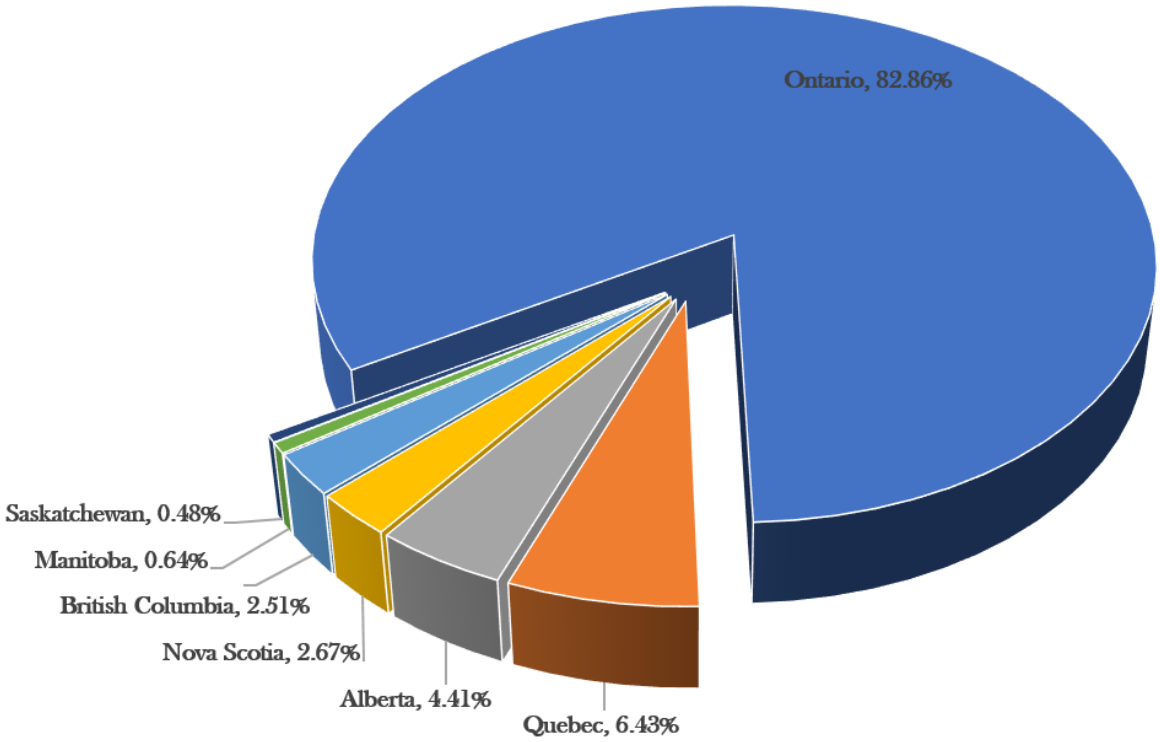


Percentage of Suites by City (diluted)

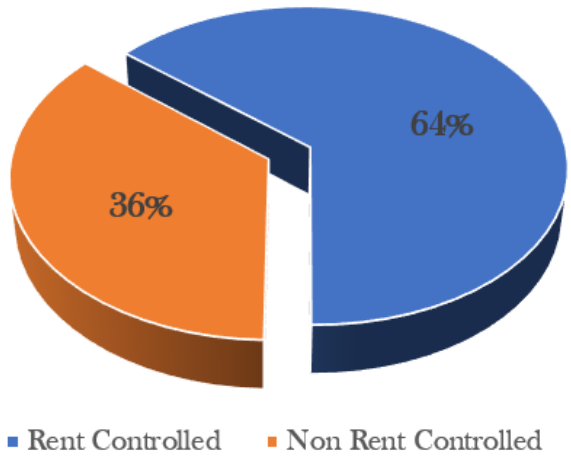


OTHER PORTFOLIO METRICS

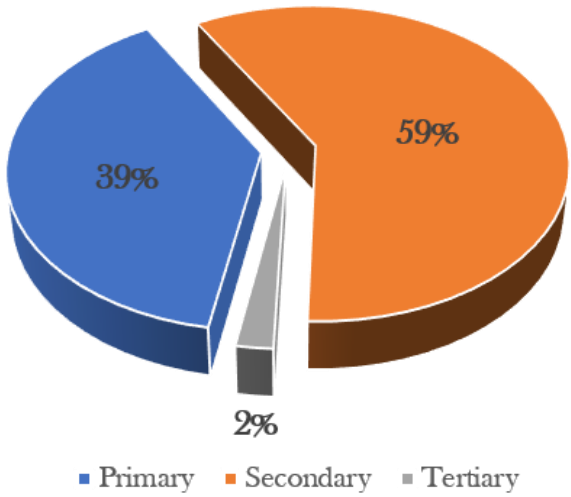
Provincial Exposure by $ Value of Assets



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



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



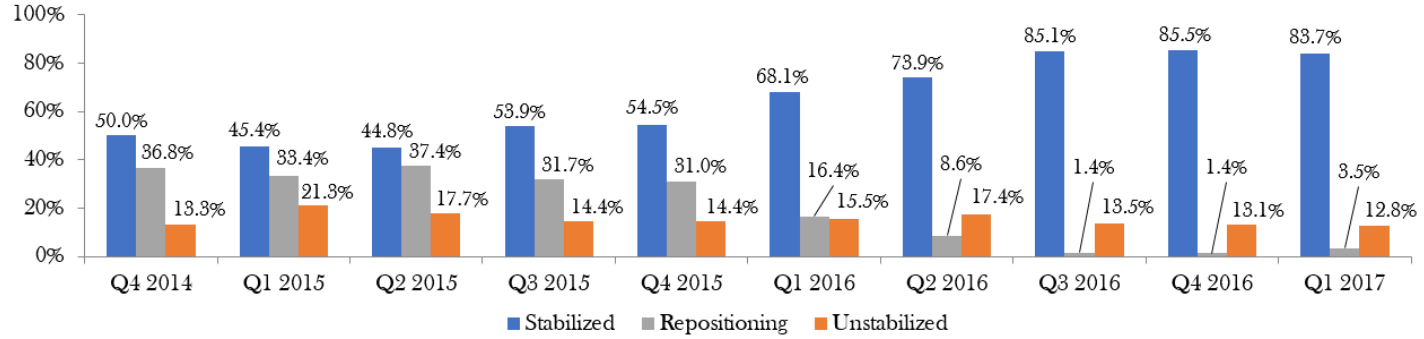
PORTFOLIO STABILIZATION AND REPOSITIONING PROGRESS

The following charts breakdown the Trust's portfolio into three categories as at March 31, 2017:

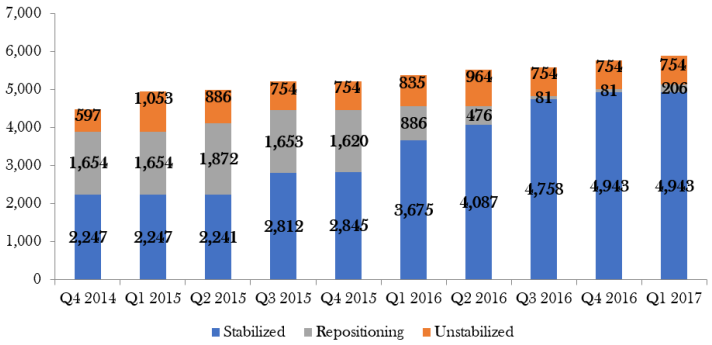
(1) Stabilized **(2) Unstabilized** **(3) Repositioning**

There has been significant improvement in stabilizing our properties over the year.

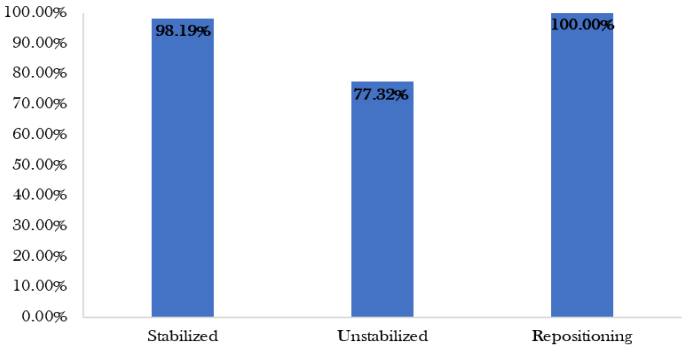
Portfolio Stabilization by Percentage (weighted)



Portfolio Stabilization by Units



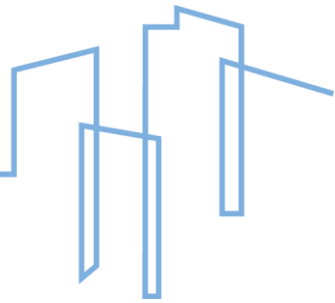
Summary of Property Occupancy by Stabilization Status



Stabilization by Year of Acquisition (rental units)

Stabilization by Year of Acquisition (percentage)

PORTFOLIO STABILIZATION AND REPOSITIONING PROGRESS



Renewal and Turnover Analysis – Q4 2015 vs Q4 2016

By Stabilization - Apartments			
Status	Market Rent Increase	Renewals	New Tenants (including unit transfers)
Stabilized	4.24%	3.56%	5.31%
Repositioning	-	-	-
Unstabilized	-4.84%	-0.95%	-6.10%
Overall	**3.29%**	**3.30%**	**3.83%**

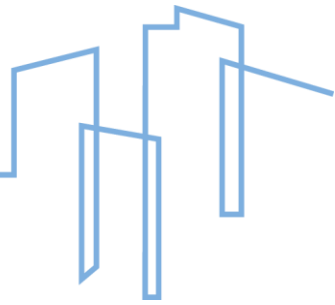
By Stabilization - Students			
Status	Market Rent Increase	Renewals	New Tenants (including unit transfers)
Stabilized	2.26%	0.17%	3.48%
Repositioning	-	-	-
Unstabilized	0.12%	1.24%	4.63%
Overall	**1.79%**	**0.21%**	**3.60%**

Acquisitions

In 2016, the Trust made the following acquisitions:

Closing Date	City	Address	# of Rental Units	Type	Price	Interest
21-Jan-16	Cambridge, Ontario	11 Wendy Court	96	Standard Apartment	$9,100,000	100%
18-Mar-16	Mississauga, Ontario	285 North Service Road	81	Standard Apartment	$11,600,000	100%
9-May-16	Toronto, Ontario	1731-1735-1739 Victoria Park Avenue	129	Standard Apartment	$16,770,000	100%
8-Sep-16	Guelph, Ontario	5 Schroder Crescent	66	Standard Apartment	$15,100,000	100%
23-Dec-16	Waterloo, Ontario	1 Columbia St W	370	Student Residence	$19,135,000	50%
TOTAL			**742**			

MORTGAGE INVESTMENT STRATEGY



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

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

For Developers and other clients:

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

For Centurion Apartment REIT:

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

For Centurion Real Estate Opportunities Trust:

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

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

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

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

Since REOT's launch it has continued to grow its net assets from an initial $58.93 million to $193.92 million. The portfolio is diversified with 47 funded investments of which 20.00% are designated as "participating" – meaning that REOT has equity type risk positions in these projects so there is the potential for upside beyond the return from the

MORTGAGE INVESTMENT STRATEGY

mortgage investment side of the projects.

As the REIT owns 48.2% of REOT as at December 31, 2016, consolidation principles apply. On a consolidated basis, weighted effective interest rate is 10.49% and the weighted average contractual term of maturity is 1.22 years. The weighted average loan to value is 65.35%. Portfolio turnover was healthy with $20.5 million in pay-downs and $116.4 million in fundings. As at December 31, 2016, a collective allowance against future potential losses not identified has been set up.

On an unconsolidated basis, approximately 18% of the mortgage investments are held directly by the REIT with the remainder held directly by REOT (some investments are syndicated between both funds).

Appendix B provides detailed information of the mortgage investments as at December 31, 2016

It is anticipated that the return on the participating investments will be approximately 37%. This represents the IRR of deal underwriting over the life of the specific investments. The IRR's on participating investments are estimated and may not be realized and are not guaranteed. The return is not expected to occur linearly and may change materially. The IRR has been estimated over the investments life and may not be realized in 2017.

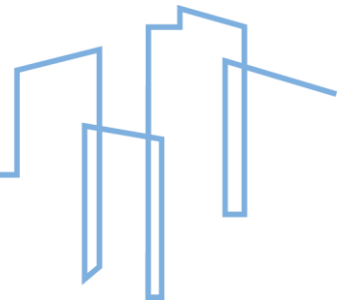
REOT utilizes a strategy that is focused on a very specific niche and builds on its relationship with the REIT as a potential end buyer of completed apartment and student properties. REOT's ability to attract joint venture/developers to its project development program by being able to offer an end-to-end solution to its partners (debt, equity, property management/lease up, and potential end buyer) continues to gain traction in the market. As such, REOT has a very robust pipeline of opportunities into 2017.

The REIT's strategy is to increase the number of opportunities to purchase newly built properties upon completion by bringing in additional third party capital through investment in REOT. The REIT has purchased three properties under this strategy including one that closed recently in 2017. As at December 31, 2016, the REIT has purchase options on a number of apartment and student properties currently in various stages of development and construction with a potential market value of $588.8 million on an undiluted basis.

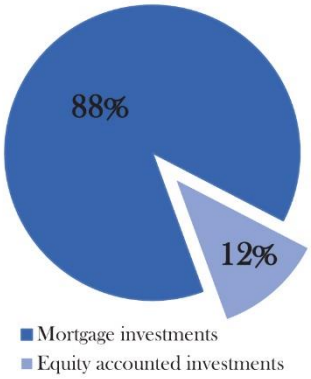
The REIT may not exercise its options to purchase all of the properties on which it holds options, however these options provide a strong pipeline of potential acquisition opportunities for the REIT. Management considers this to be very important for the REIT's future growth.

The following charts provide additional information relating to the mortgage investments and equity accounted investments in REOT. See Page 31 for the summary what is directly attributable to each entity. The Trust has a direct ownership of mortgage investments totaling $40 million that are not included in the following graphs and tables.

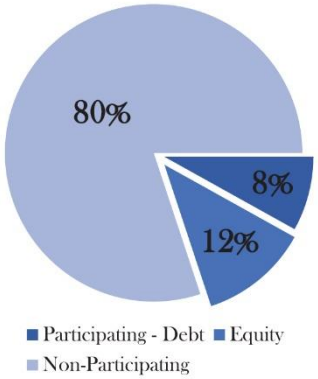
MORTGAGE INVESTMENT STRATEGY



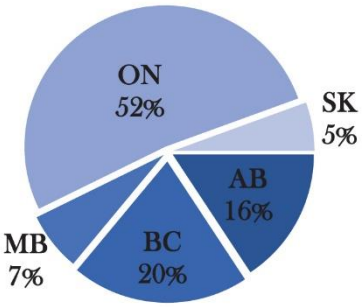
PORTFOLIO SUMMARY



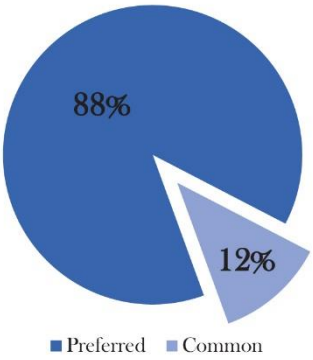
PARTICIPATING VS. NON-PARTICIPATING INVESTMENTS



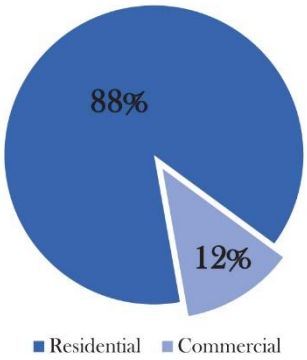
BY PROVINCE



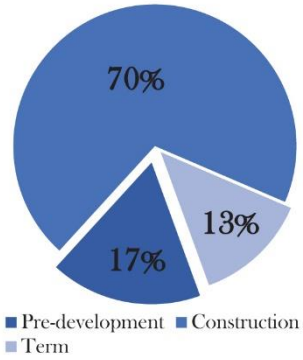
CAPITAL POSITION



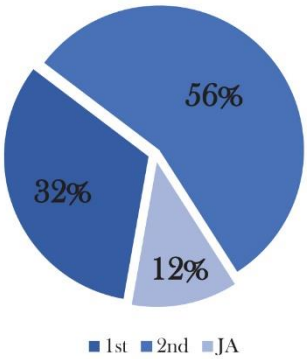
BY INVESTMENT TYPE



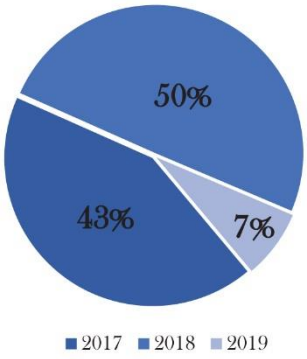
BY DEVELOPMENT STAGE



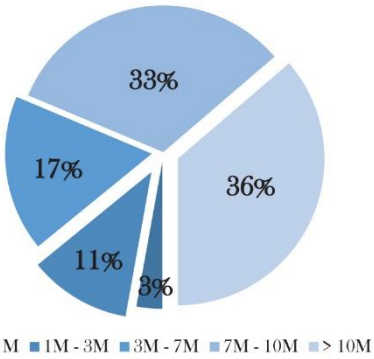
BY RANK



BY MATURITY



BY INVESTMENT SIZE



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

2016 OPERATING RESULTS

In 2016, the Trust had Net Income and Comprehensive Income of $52,142,846 compared to $43,938,611 in 2015, an increase of 18.67%. Same Property Total Operating Revenues (PTOR) increased 4.11% to $48,100,326 compared to $46,202,329 in 2015. Operating expenses were tightly controlled and declined relative to PTOR in every major category except for wages. As such, Total Net Operating Income (NOI) was up 8.59% to $30,710,420 on a same property basis and the NOI Margin expanded to 63.0% from 59.7% in 2015. There was a very strong performance from the REIT's investments in REOT and its own mortgage portfolio, with earnings increasing 176.3% to $34,035,550 in 2016 vs. $12,318,285 in 2015 due to increased allocations to this portfolio and from good performance on a number of participating mortgage investments. FFO/Unit increased 44.8% and NFFO/Unit increased 2.0%.

Occupancy significantly increased as more of the portfolio became stabilized. Portfolio stabilization was at 85.5% at year-end 2016 vs. 54.5% at year-end 2015. Occupancy at December 31, 2016 was at 94.5% vs 91.5% at December 31, 2015 with stabilized and repositioning properties at 98.2%. Occupancy maximization was slower than management had hoped for as it had to contend with a staffing reorganization on the student side of the business which was quite disruptive while management cycled and then trained new staff. With most of the portfolio anticipated to be stable in 2017, management believes that it will achieve target occupancies 97% by year end. With lower vacancy in its portfolio and tight rental markets in general in Ontario, this should give management the opportunity to drive rents in 2017.

Management believes that it has made significant strides towards the stabilization of the portfolio both on repositioning and on previous acquisition properties that are currently in the process of being stabilized. The medium-term stabilized target is now 64%-67% given where visibility into rents and continued savings on the expense side.

Wendy Court Apartments at 11 Wendy Court, Cambridge, Ontario

OPERATING INCOME GROWTH

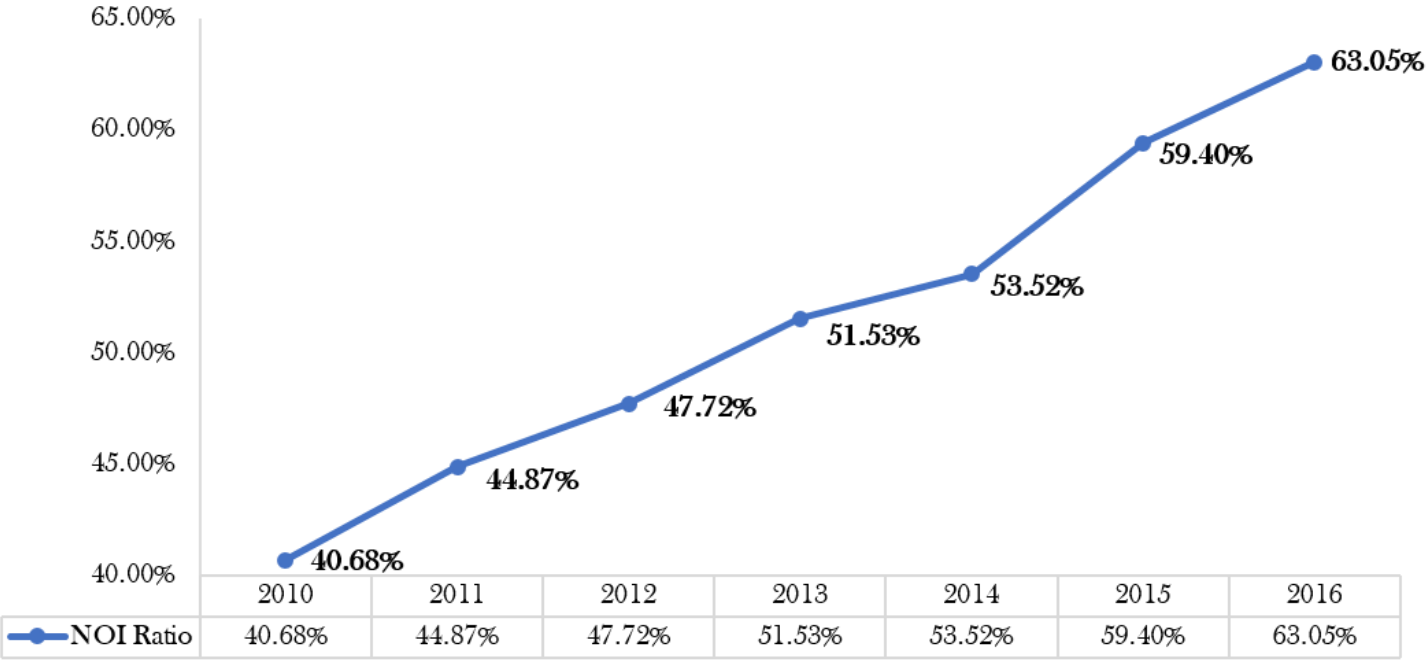
2016 operating results were impacted by stabilization costs ($3,826,000) and cash leakage ($1,500,000) for a total of $5,326,000, which management believes are short-term non-recurring expenses and will reduce as the portfolio stabilizes.

In 2016, NNOI started the year at a $34,519,187 and ended at $39,206,990 an increase of 13.6% over the same period in 2015. The below table reflects annualized NNOI at the end of each of these periods not the NNOI for the full period.

Normalized Net Operating Income (NNOI) Run Rates						
	2011	2012	2013	2014	2015	2016
Same Property	$3,999,542	$7,531,522	$18,092,846	$24,834,252	$31,217,514	$35,253,537
New Acquisitions	$3,033,930	$8,909,944	$6,317,287	$2,812,721	$3,301,673	$3,953,453
TOTAL	$7,033,472	$16,441,466	$24,410,133	$27,646,973	$34,519,187	$39,206,990

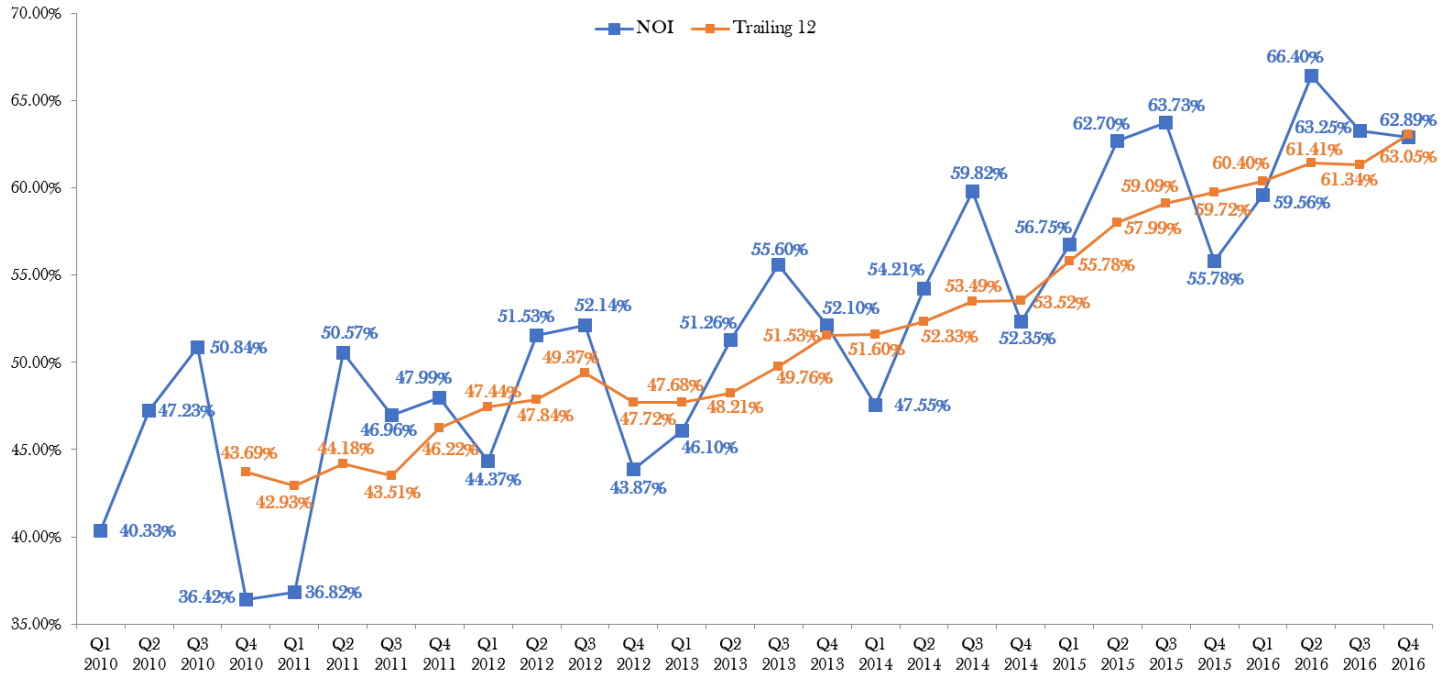
NOI ratios have continued to increase overtime. Management is targeting an NOI Ratio of between 62% and 65% in 2017.

Annual NOI Ratio Growth

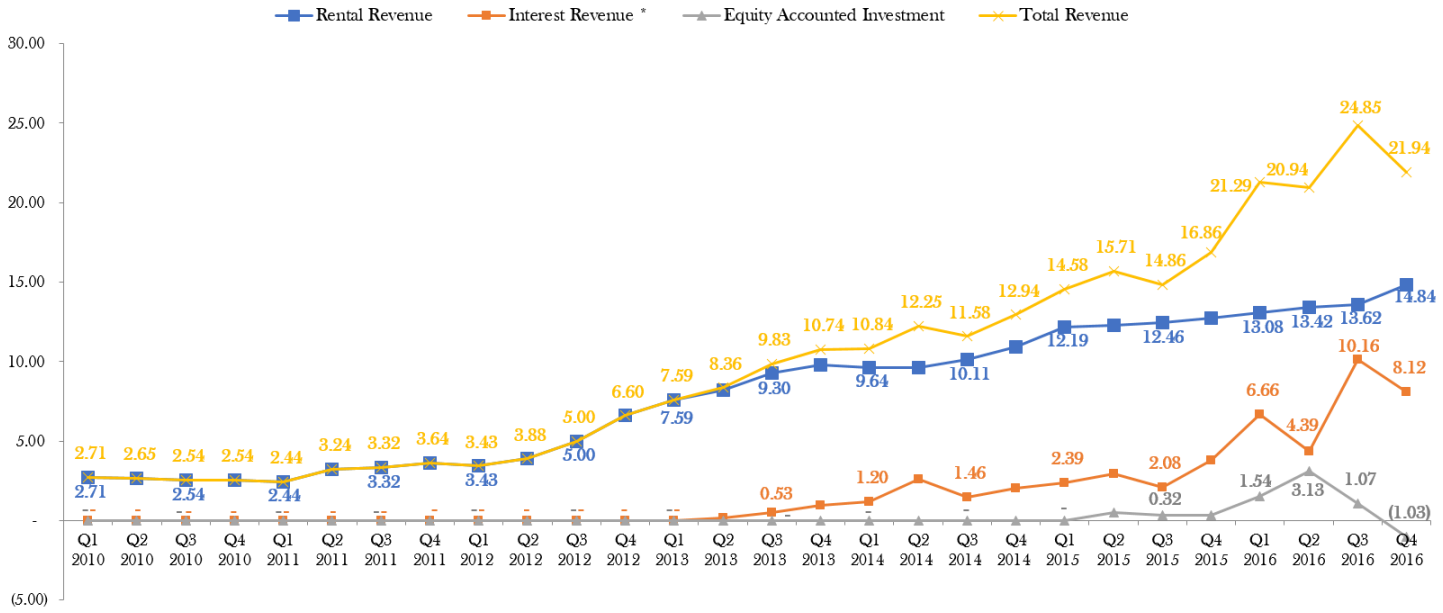


NOI AND REVENUE GROWTH

Quarterly NOI Growth Trend



Quarterly Revenue Growth
(in millions)



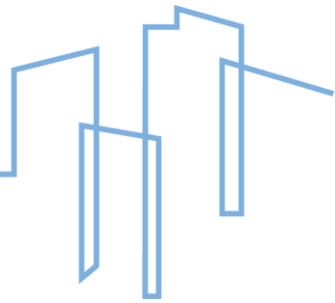
SAME STORE ANALYSIS[1]

Asset Type	Stable			Repositioning		
Year	2015	2016	Change	2015	2016	Change
Income						
Total Operating Revenue	$41,122,357.74	$42,952,184.01	4.45%	-	-	-
Total NOI	$25,151,124.13	$27,656,142.21	9.96%	-	-	-
NOI Ratio	61.16%	64.39%	3.23%	-	-	-
Average Rent/unit as per Dec 31st Rent Roll	$852.54	$877.88	2.97%	-	-	-
Expense Ratio (%)						
Taxes	13.60%	13.54%	(0.07%)	-	-	-
R&M	6.11%	5.28%	(0.83%)	-	-	-
Wages	3.38%	3.44%	0.06%	-	-	-
Insurance	1.28%	1.23%	(0.05%)	-	-	-
Utilities	11.50%	10.53%	(0.98%)	-	-	-
G&A	2.74%	1.38%	(1.36%)	-	-	-
Expense Dollars ($)						
Taxes	($5,594,305.03)	($5,813,846.17)	$219,541.14	-	-	-
R&M	($2,511,474.21)	($2,267,375.94)	($244,098.27)	-	-	-
Wages	($1,390,791.46)	($1,478,464.29)	$87,672.83	-	-	-
Insurance	($526,146.01)	($528,003.07)	$1,857.06	-	-	-
Utilities	($4,731,075.99)	($4,520,739.25)	($210,336.74)	-	-	-
G&A	($1,127,645.51)	($591,851.77)	($535,793.74)	-	-	-

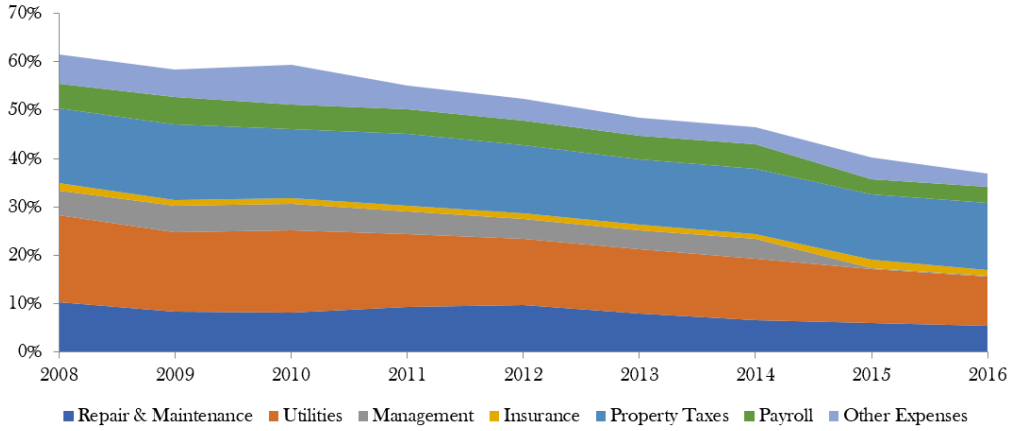
Asset Type	Unstabilized			Total – Same Store		
Year	2015	2016	Change	2015	2016	Change
Income						
Total Operating Revenue	$5,079,971.33	$5,148,141.71	1.34%	$46,202,329.07	$48,100,325.72	4.11%
Total NOI	$3,129,821.05	$3,054,277.36	(2.41%)	$28,280,945.18	$30,710,419.57	8.59%
NOI Ratio	61.61%	59.33%	(2.28%)	61.21%	63.85%	2.64%
Average Rent/unit as per Dec 31st Rent Roll	$1,080.92	$1,025.72	(5.11%)	$867.34	$891.93	2.83%
Expense Ratio (%)						
Taxes	14.86%	16.00%	1.15%	13.74%	13.80%	0.06%
R&M	5.90%	5.79%	(0.11%)	6.08%	5.33%	(0.75%)
Wages	1.13%	1.13%	(0.01%)	3.13%	3.19%	0.06%
Insurance	1.09%	1.08%	(0.01%)	1.26%	1.21%	(0.05%)
Utilities	9.67%	6.96%	(2.71%)	11.30%	10.14%	(1.16%)
G&A	4.40%	8.56%	4.16%	2.92%	2.15%	(0.78%)
Expense Dollars ($)						
Taxes	($754,706.20)	($823,829.29)	$69,123.09	($6,349,011.23)	($6,637,675.46)	$288,664.23
R&M	($299,842.92)	($298,236.01)	($1,606.91)	($2,811,317.13)	($2,565,611.95)	($245,705.18)
Wages	($57,489.21)	($57,928.79)	$439.58	($1,448,280.67)	($1,536,393.08)	$88,112.41
Insurance	($55,586.44)	($55,771.65)	$185.21	($581,732.45)	($583,774.72)	$2,042.27
Utilities	($491,467.98)	($358,476.11)	($132,991.87)	($5,222,543.97)	($4,879,215.36)	($343,328.61)
G&A	($223,323.23)	($440,672.82)	$217,349.59	($1,350,968.74)	($1,032,524.59)	($318,444.15)

[1] *Same store analysis includes the results for all properties that were owned throughout the period from December 31, 2014 to December 31, 2015 and the results for the same properties for the period from December 31, 2015 to December 31, 2016.*

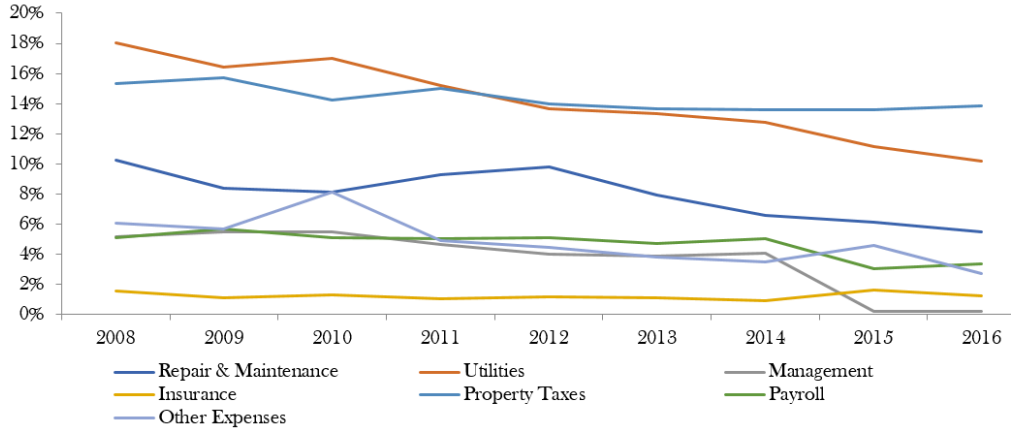
OPERATING EXPENSES



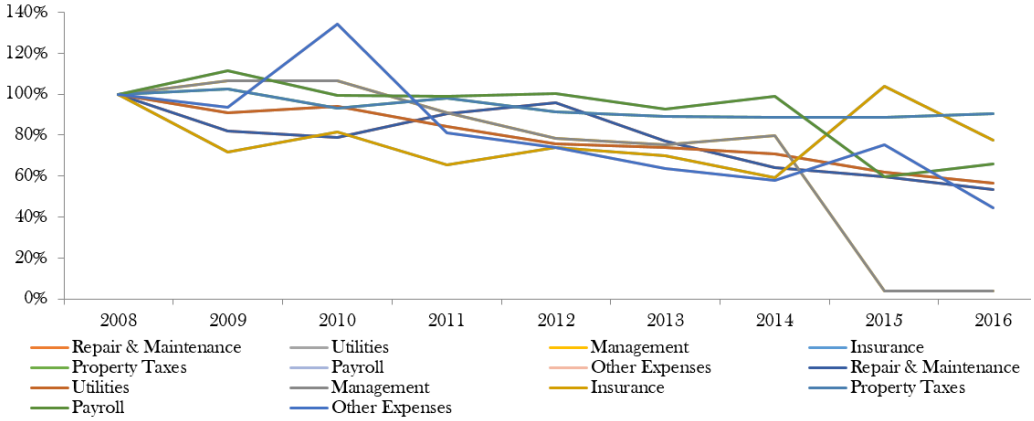
Operating Expenses % of Total Operating Revenue



Operating Expenses % of Total Operating Revenue



Operating Expenses % of Total Operating Revenue



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

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

	2016	2015 [9]
FFO (Funds From Operations)		
Net Income and Comprehensive Income	$52,142,846	$43,938,611
Less: FV gains on investment properties	($6,264,838)	($23,066,385)
Less: Gain on sale of properties	-	($103,139)
Less: Minority Interest [1]	($12,934,200)	($2,049,052)
Plus: Provision on mortgage portfolio	$523,225	$804,769
Plus: Amortizations	$538,280	$494,636
Plus: One-time costs [2]	-	$419,352
Plus: Capital raising costs expensed through G&A	$432,630	$591,353
FFO	**$34,437,943**	**$21,030,145**
NFFO (Normalized Funds From Operations)		
FFO	$34,437,943	$21,030,145
Plus: Vacancy and portfolio stabilization costs [3]	$3,825,658	$3,715,400
Plus: Normalized participating interest [4]	-	$4,954,171
Plus: Cash leakage and underleveraging	$1,500,000	$3,408,184
Plus: Gap to market rents	$1,691,000	$1,924,228
Plus: Realized mortgage interest savings	-	$1,029,877
NFFO	**$41,454,601**	**$36,059,005**
PFFO (Potential Funds From Operations)		
NFFO	$41,454,601	$36,059,005
Sub-metering	$967,000	$864,794
Ontario Hydro Rate Reductions	$611,000	-
Parking implementation	$652,000	$390,177
Roll-down or mortgage portfolio to market rate 5-year mortgages	$3,022,000 [6]	$4,276,994
Cash deployed (at 10% net return)	- [7]	$930,840
Third-party management	-	$355,800 [8]
PFFO	**$46,706,601**	**$42,876,809**
Average number of outstanding units	41,132,341	36,416,486
Less: Adjustment to average number of outstanding units	-	-
Adjusted Number of Outstanding Units	41,132,341	36,416,486
Per Unit Statistics (Per Adjusted Number of Outstanding Units)		
Net Income and Comprehensive Income	$1.27	$1.21
FFO	$0.84	$0.58
NFFO	$1.01	$0.99
PFFO	$1.14	$1.18

Notes:

[1] *Represents the Non-Controlling Interest*

[2] *One-time costs related to internalization and an abandoned debenture issue*

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

[4] *Most participating investments have returns that are back end weighted and not smoothly realized. This amount reflects the dilution from earnings from the timing effects on the assumption that estimated earnings on these investments will be realized as underwritten but smoothed over the life of the deal (like an IRR).*

[5] *In 2016, the REIT had excess capital and cash which remained undeployed for a period which is why the Trust had to be capped to new investment.*

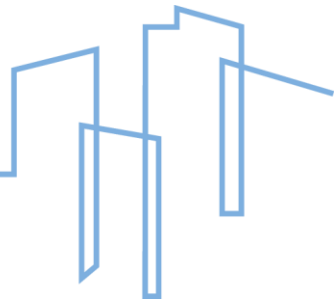
[6] *The REIT expects to reduce the costs of its mortgage liabilities over time. This represents the difference between current and in place mortgage rates and currently available rates based on a 3.48% average.*

[7] *The REIT is currently significantly underleveraged. A new $20 million credit facility in REOT has been approved.*

[8] *The REIT launched its third-party property management services in 2016. This represents additional earnings expectations from this business.*

[9] *For details of the 2015 figures please see the 2015 Annual Report.*

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES



Under IFRS, investment properties are recorded on the balance sheet at fair market value, unadjusted for portfolio or platform premiums. Changes in fair value flow through the statements of income and comprehensive income. In 2016, the gross value of the properties appreciated by $29,899,677.

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

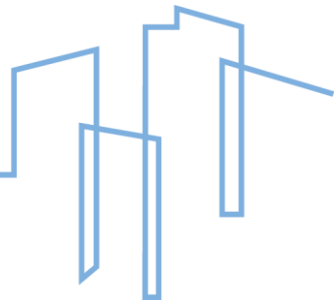
Fair Value of Investment Properties		
	2016	2015
Balance, beginning of the year	$666,463,327	$528,582,993
Property acquisitions [1]	$72,430,896	$94,248,045
Property dispositions	-	($2,201,870)
Increase (decrease) in valuation	$29,899,677	$45,834,159
Total	**$768,793,900**	**$666,463,327**

[1] *At purchase price*

Reconciliation of Increase in Portfolio Valuation to Fair Value Adjustment [1]		
	2016	2015
Change in property valuation	$29,899,677	$45,834,159
Less: Acquisitions cost	($2,598,198)	($1,851,021)
Less: Property improvements	($21,036,641)	($20,916,753)
Fair Value Adjustment on Investment Properties	**$6,264,838**	**$23,066,385**

[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"*

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES



Some examples of capital investment would include, but are not limited to, common area renovations that increase the appeal and marketability of the property, energy retrofits, building envelope improvements and improvements to apartment fixtures and finishes that produce a higher rental rate in the competitive market. While 2016 did see capital appreciation due to a reduction in capitalization rates, and accretive acquisitions activity, the capital investments made in 2015 and in previous years also contributed to this success. Management believes that the significant investments made in 2014 and 2015 will contribute to growth in property values, ceteris paribus, in 2017 and beyond. Management anticipates that it will be filing a number of additional above guideline rent increase applications in 2017 as a result of many of these capital improvements and that ultimately this will contribute further to property values. (See "Revenue and Expense Summary Table" for a partial list of some of these initiatives and their potential impacts).

The portfolio weighted average capitalization rate declined again in 2016 from 5.18% to 5.11%. (see Note 5 of the consolidated audited financial statements in Appendix "D"). The REIT, however, managed to avoid a significant reduction in its average portfolio capitalization rate in part through the new acquisitions completed in 2016 at attractive rates. Part of this can also be explained by the increased allocation to student properties which generally have higher capitalization rates.

Management believes that there still remains scope for capital growth in 2016 and beyond. Further, as discussed previously, the Trust invested $21,036,641 in capital improvements in 2016 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		
	2016	**2015**
Change in capitalization rates	27%	34%
Growth of NNOI	62%	47%
Acquisitions	11%	19%
Total	**100%**	**100%**

Issued and Outstanding Number of Units

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

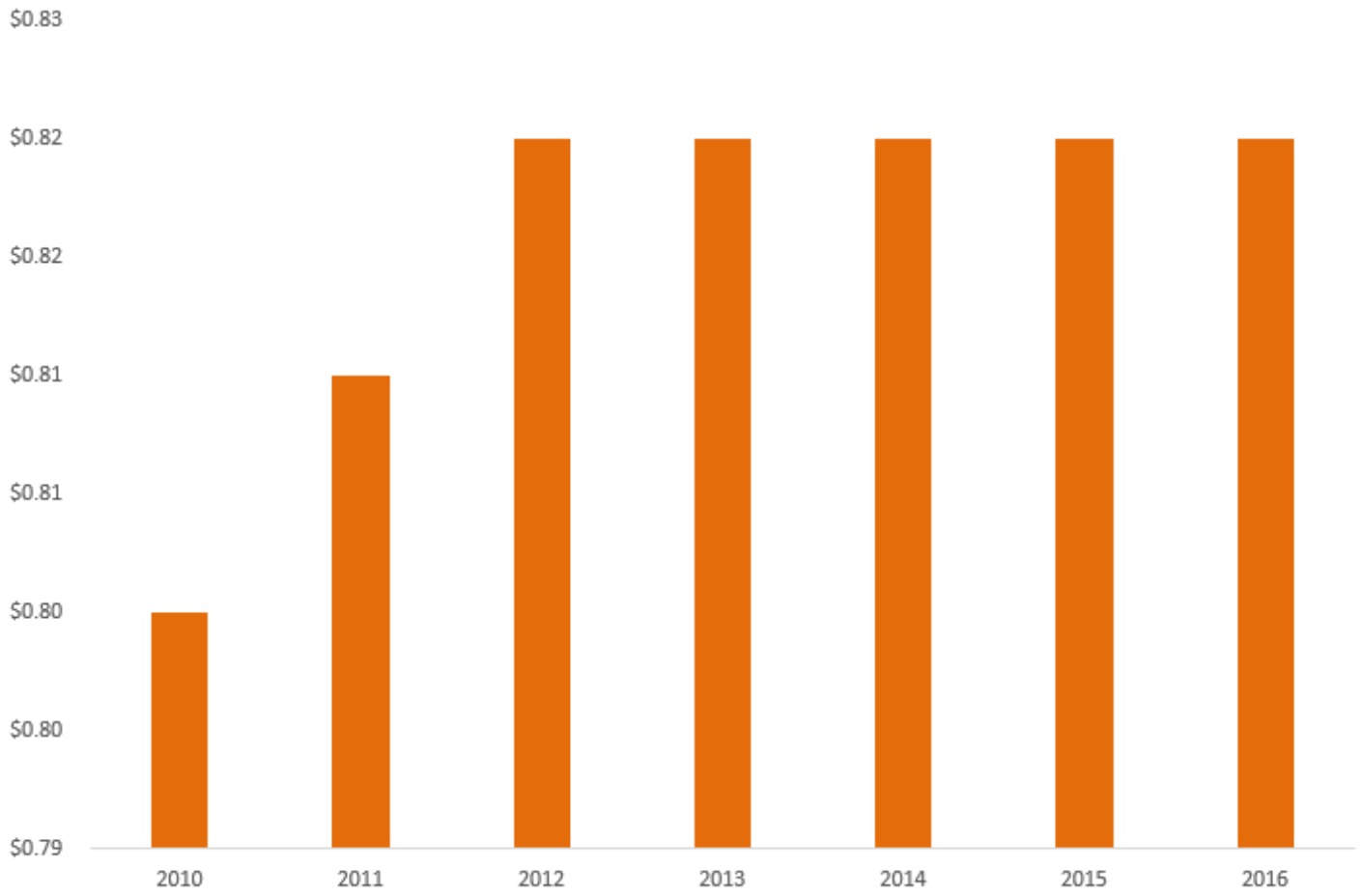
Summary of Unit Holdings at December 31, 2016		
	2016	**2015**
Class A	38,160,499	35,095,135
Class F	5,816,419	4,139,635
Class M	50,000	50,000
Exchangeable LP	136,470	259,683
Total	**44,163,388**	**39,544,453**

DISTRIBUTIONS

In 2016, distributions per unit remained at $0.82/Unit/ Annum for the Class A units and $0.93/Unit/Annum for the Class F units while the unit price continued to increase in 2016. Distribution yield is currently 6.91% based on $0.8200/Unit/Annum on a $12.589/Unit for Class A units and 7.84% based on $0.9300/Unit/ Annum on a $12.589/Unit for Class F units.

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

Annual Distribution Rate of Class A Since Inception



TAX TREATMENT OF DISTRIBUTIONS

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

Box on T3	Description	2009	2010	2011	2012	2013	2014	2015	2016
42	Return of capital	100.00%	100.00%	100.00%	100.00%	90.25%	83.70%	83.31%	84.43%
21	Capital gains	-	-	-	-	9.75%	1.87%	1.15%	-
26	Other income	-	-	-	-	-	14.43%	15.54%	15.57%

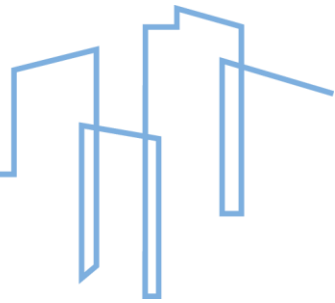
In 2016, Other Income remained within the same range as in the prior year as a portion of total returns at 15.57%. This was driven by the interest income earned by the REIT on its mortgage investment and development portfolio. Given the strategic importance of continuing to build a future pipeline for accretive growth, Management expects that this income will remain the same or increase as the REIT continues to deploy capital into similar opportunities until these turn into actual property acquisitions upon project stabilization. Once these opportunities become property rather than mortgage investments, we expect that the proportion of returns for tax purposes classified as Other Income will decline.

CAPITAL RAISING ACTIVITY

Due to the lack of accretive acquisition activity and excess liquidity, the REIT was only open for investment for four months in 2016. Even so, over $58 million was raised in 2016. The Trust remains capped as at March 31, 2017.

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

USE OF PROCEEDS



Form 45-106 is a required regulatory form which provides details of the use of proceeds as at the financial year-end. The date of the report is April 20, 2017, which is the date of the auditor's report on the consolidated financial statements for the Trust for the most recently completed financial year December 31, 2016.

NOTICE OF USE OF PROCEEDS [3]

Fort the financial year ended December 31, 2016

Report date April 20, 2017/2016 [1]

		2016	2015
OPENING PROCEEDS			
(A)	Closing unused proceeds balance from the last [2] Notice in Form 45-106F16 filled, if any	-	-
(B)	Proceeds raise in the most recent completed financial year	$58,323,532	$80,111,543
(C)	Total opening proceeds	$58,323,532	$80,111,543
1. PROCEEDS USED DURING THE MOST RECENT COMPLETED FINANCIAL YEAR			
	Proceeds used to pay the following:		
	Unit issue costs	$1,293,459	$2,122,668
	Net mortgage investments issued	$26,031,887	$5,834,198
	Equity investments	-	-
	Investment in associate	$11,922,470	-
	Redemptions of units	$20,097,379	$7,108,376
	Investment in property acquisitions	$36,174,545	$39,956,915
	Capital improvements	$21,036,641	$20,916,753
	Changes in working capital	($58,232,849)	$4,172,633
(D)	Total used proceeds	$58,323,532	$80,111,543
(E)	Closing unused proceeds	-	-

NOTES

[1] The regulation states that the date must be no earlier than the date of the auditor's report.
[2] The Closing unused proceeds is nil in 2015 as this Notice was not yet required in the prior year.
[3] The Consolidated Statement of Cash Flows included in the audited consolidated financial statements provides more detailed information.

TOTAL RETURNS

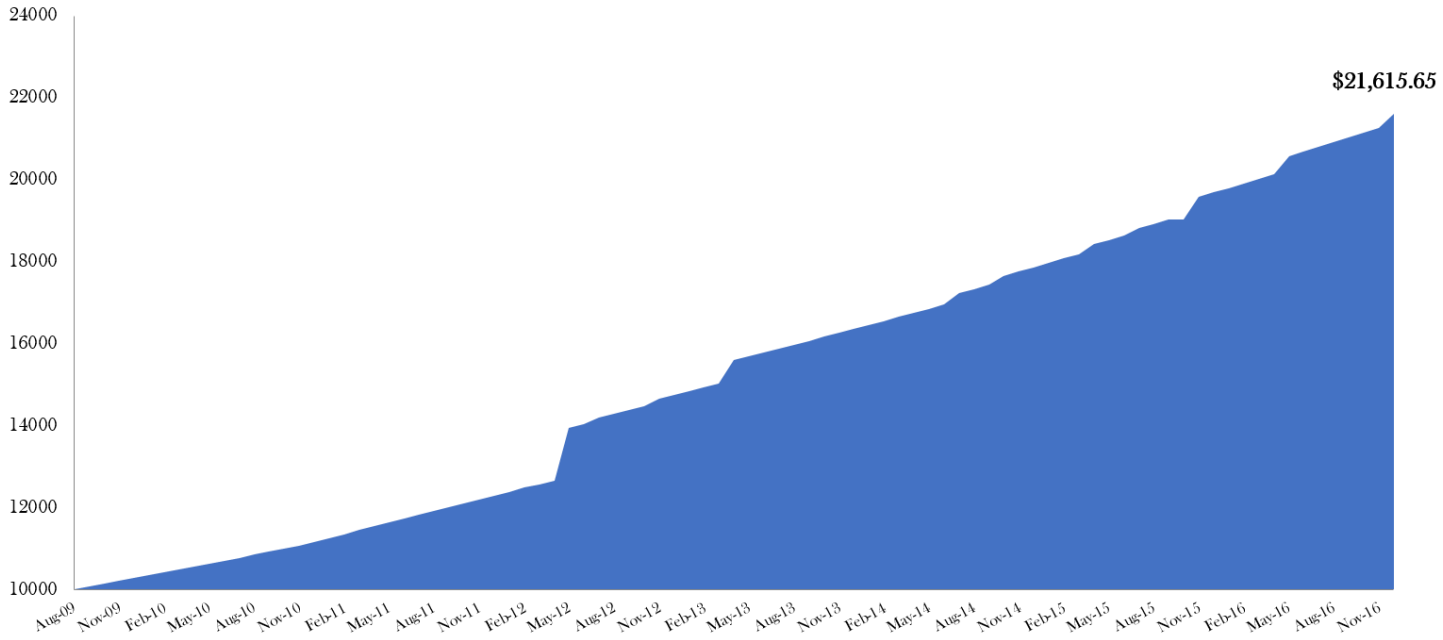
Including the upwards adjustment in NAV, and the reinvestment of distributions, total one year returns were 9.81% for Class A units and 10.81% for Class F units in 2016. Management believes that capitalization rates are stable with a downward bias and that future returns will be driven by the continued execution of the strategies outlined previously in repositioning the portfolio, our development pipeline, reducing interest costs and realization of the benefits of the capital investments that have been made in the portfolio.

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

Calendar Returns (%)	2009 [1]	2010	2011	2012	2013	2014	2015	2016
Centurion CAPLP/REIT TR (%)	2.7%	8.5%	10.2%	20.0%	11.0%	9.2%	10.2%	9.81%

Compound Returns (%)	1-Year	2-year	3-Year	4-Year	5-Year	Since Inception of REIT
Centurion CAPLP/REIT TR (%)	9.81%	10.01%	9.74%	10.04%	11.97%	11.08%

Centurion Apartment REIT Growth of $10,000 Invested [2, 3]



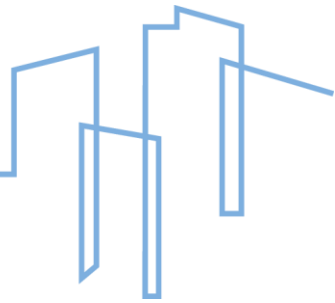
Notes:

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

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

[3] Class "A" Units

TOTAL RETURNS

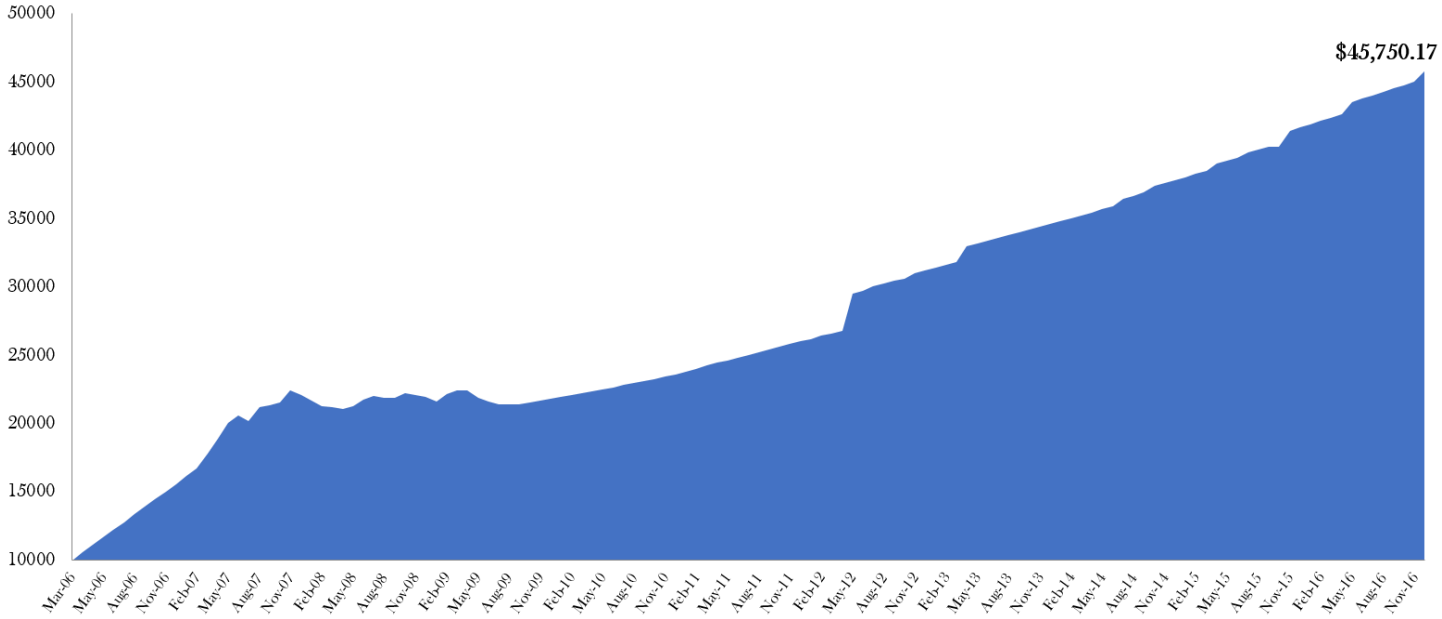


REIT Returns for Class A Units (including history of CAPLP)

Calendar Returns (%)	2006 [1]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CAPLP (%)	55.80%	41.92%	(0.67%)	(0.78%)	8.25%	10.21%	20.01%	10.95%	9.21%	10.20%	9.81%

Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	Since Inception
Centurion CAPLP/REIT TR (%)	9.81%	10.01%	9.74%	10.04%	11.97%	11.67%	11.18%	15.07%

CAPLP Growth of $10,000 Invested [2, 3]



Notes:

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

[2] Refer to detailed Disclaimer on Sheet labeled "Disclaimer".

[3] Class "A" Units

APPENDIX A

Summary Information About The Properties

Property Address	Type of Building	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Total Suite Count (undiluted)	Total Suite Count (diluted)	Total Rental Units (undiluted)	Total Rental Units (diluted)
262-320 Kingswood Dr	Apt	100%		92	268				360	360	360	360
15, 19, and 25 Hugo Cres	Apt	100%		7	46				53	53	53	53
196 Churchill St S	Apt	100%	3	7	23				33	33	33	33
21 and 31 Jean Ave	Apt	100%		20	12				32	32	32	32
1631 Victoria Park Ave	Apt	100%	4	19	12				35	35	35	35
4 and 8 Rannock St, and 880 Pharmacy Ave	Apt	100%		34	51				85	85	85	85
60 Prince Edward St	Apt	100%		3	27				30	30	30	30
707 and 711 Dundas St W	Apt	100%			24	12			36	36	36	36
165 Old Muskoka Rd	Apt	100%		5	33	1			39	39	39	39
2 and 4 Yonge St	Apt	100%		6	13	6			25	25	25	25
167 Morgan Ave	Apt	100%	2	10	20	15			47	47	47	47
362 Shanty Bay Rd	Apt	100%		4	11				15	15	15	15
275 North Service Rd	Apt	100%		34	41	7			82	82	82	82
356 and 360 Hoffman	Apt	100%		36	60				96	96	96	96
173 King St N	SH	100%		1	1		54		56	56	219	219
133-143 Woodside Ave	Apt	100%		125	206	2			333	333	333	333
St. George St and Ann St	SH	100%					24		24	24	96	96
25 and 45 Briardale Rd	Apt	100%		14	76				90	90	90	90
1,2,3,5, and 7 Biggin Crt	Apt	100%	11	179	108	10			308	308	308	308
Auburn Student Residence	SH	100%				10	40	50	100	100	440	440
6 Grandstand Place	Apt	100%		21	33	6			60	60	60	60
219 St. Andrews St	Apt	100%	3	13	12				28	28	28	28
252 and 256 St. Andrews St	Apt	100%		3	129				132	132	132	132
1175 Dundas St W	Apt	100%	1	53	50				104	104	104	104
277 Anderson Ave	Apt	100%			47				47	47	47	47
122 Elizabeth St	Apt	100%	1		26	2			29	29	29	29
36 and 70 Orchard View	Apt	100%		6	18				24	24	24	24
255 Dunlop St West	Apt	100%			2	26			28	28	28	28
26 Thorncliffe Park Drive	Apt	100%		35	25	1			61	61	61	61
27 Thorncliffe Park Drive	Apt	100%	2	45	39				86	86	86	86
50 Thorncliffe Park Drive	Apt	100%	1	10	34	12			57	57	57	57
1594 Victoria Park Ave	Apt	100%	1	13	14				28	28	28	28
5 Dufresne Crt	Apt	100%		108	82	28			218	218	218	218
1 Beaufort St	SH							27	27	20	135	101
75 Ann St	SH				2	45	90		137	103	499	374

APPENDIX A

Summary Information About The Properties

Property Address	Type of Building	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Total Suite Count (undiluted)	Total Suite Count (diluted)	Total Rental Units (undiluted)	Total Rental Units (diluted)
167 King St N	SH							41	41	41	205	205
345 King St N	SH					28	28	38	94	94	386	386
3443 Bathurst St	Apt	100%		4	13	6			23	23	23	23
4 Antrim Cres	Apt	100%		41	24				65	65	65	65
168 King St N	SH	100%		1				35	36	36	176	176
58 Holtwood Crt	Apt	100%		9	99	6			114	114	114	114
3707-3711 Whitelaw Lane NW	Apt	100%		3	123				126	126	126	126
45-56 College Street, Kitchener	Apt	100%	8	26	12				46	46	46	46
64-66 Weber, 58-60 Weber, 96 Young	Apt	100%	3	24		1			28	28	28	28
205 Oxford St	SH	100%		50	85				135	135	220	220
11 Wendy Crt	Apt	100%		5	91				96	96	96	96
285 North Service Rd	Apt	100%		34	47				81	81	81	81
1731-1735-1739 Victoria Park Av	Apt	100%	15	78	36				129	129	129	129
5 Schroder Cres	Apt	100%		7	50	9			66	66	66	66
1 Columbia St W	SH	50%						74	74	37	370	185
Total			**55**	**1185**	**2125**	**233**	**236**	**265**	**4099**	**4021**	**6121**	**5778**

Notes:

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

"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 roommates 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).

APPENDIX A

Summary Information About The Properties

Property Summary by City									
City	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of RU's	Diluted Rental Units	Diluted Rental Units % 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	59	1%	59	1%	59	1%	59	1%
Cambridge	5	679	17%	679	17%	679	11%	679	12%
Dartmouth	1	114	3%	114	3%	114	2%	114	2%
Edmonton	1	126	3%	126	3%	126	2%	126	2%
Gravenhurst	1	39	1%	39	1%	39	1%	39	1%
Guelph	1	66	2%	66	2%	66	1%	66	1%
Huntsville	1	25	1%	25	1%	25	0%	25	0%
Kitchener	7	662	16%	662	16%	662	11%	662	11%
London	4	323	8%	282	7%	950	16%	791.5	14%
Mississauga	3	267	7%	267	7%	267	4%	267	5%
Montreal	1	100	2%	100	2%	440	7%	440	8%
Oshawa	2	71	2%	71	2%	71	1%	71	1%
Toronto	12	1155	28%	1155	29%	1155	19%	1155	20%
Waterloo	5	301	7%	264	7%	1356	22%	1171	20%
Whitby	1	36	1%	36	1%	36	1%	36	1%
17 Cities	**50**	**4099**	**100%**	**4021**	**100%**	**6121**	**100%**	**5778**	**100%**

Property Summary by Region									
Region	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of RU's	Diluted Rental Units	Diluted Rental Units % of RU's
Central ON	4	107	3%	107	3%	107	2%	107	2%
Eastern ON	2	59	1%	59	1%	59	1%	59	1%
Greater Edmonton Area	1	126	3%	126	3%	126	2%	126	2%
Greater Toronto Area	19	1562	38%	1562	39%	1562	26%	1562	27%
Halifax Regional Municipality	1	114	3%	114	3%	114	2%	114	2%
Kitchener-Waterloo-Cambridge	18	1708	42%	1671	42%	2763	45%	2578	45%
London Area	4	323	8%	282	7%	950	16%	792	14%
Montreal	1	100	2%	100	2%	440	7%	440	8%
Total	**50**	**4099**	**100%**	**4021**	**100%**	**6121**	**100%**	**5778**	**100%**

APPENDIX A

Summary Information About The Properties

Property Summary by Province

Province	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of RU's	Diluted Rental Units	Diluted Rental Units % of RU's
Alberta	1	126	3%	126	3%	126	2%	126	2%
Ontario	47	3759	92%	3681	92%	5441	89%	5098	88%
Nova Scotia	1	114	3%	114	3%	114	2%	114	2%
Quebec	1	100	2%	100	2%	440	7%	440	8%
Total	**50**	**4099**	**100%**	**4021**	**100%**	**6121**	**100%**	**5778**	**100%**

Rent Controlled vs Non-Rent Controlled[1] Properties

	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of RU's	Diluted Rental Units	Diluted Rental Units % of RU's
Rent Controlled	38	3281	80%	3281	82%	3706	61%	3706	64%
Non-Rent Controlled	12	818	20%	740	18%	2415	39%	2072	36%
Total	**50**	**4099**	**100%**	**4021**	**100%**	**6121**	**100%**	**5778**	**100%**

Rent Controlled vs Non-Rent Controlled[1] Properties

Property Type	Number of Complexes	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental Units % of RU's	Diluted Rental Units	Diluted Rental Units % of RU's
Apartment	40	3375	82%	3375	84%	3375	55%	3375	58%
Student Housing	10	724	18%	646	16%	2746	45%	2403	42%
Total	**50**	**4099**	**100%**	**4021**	**100%**	**6121**	**100%**	**5778**	**100%**

Student Housing by City

City	Type of Building	# of Complexes	# of Suites (Undiluted)	# of Suites (Diluted)	# of Beds (Undiluted)	# of Beds (Diluted)
Montreal	Student Housing	1	100	100	440	440
London	Student Housing	4	323	282	950	792
Waterloo	Student Housing	5	301	264	1356	1171
Total		**10**	**724**	**646**	**2746**	**2403**

Average Rents (undiluted basis)

	Total Rental Units	Revenue/Unit /Month
Apartment	3,375	$1,020.42
Student Residence	646	$627.34
Total	**4021**	**$1,647.76**

Notes Pertaining to the Tables in this Appendix:

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

LIST OF PROPERTIES

Apartments

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

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

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

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

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

LIST OF PROPERTIES

Apartments

25 & 45 Brierdale Road
Location: Cambridge, Ontario
Address: 25 & 45 Brierdale Road (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 bachelor, 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)

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

LIST OF PROPERTIES

Apartments

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

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

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

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

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

LIST OF PROPERTIES

Apartments

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

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

Kingswood Estates
Location: Kitchener, Ontario
Address: 262, 266, 270, 274, 278, 282, 310, & 320 Kingswood Drive (map)
Type of Building: Walk-up apartments
Number of Suites: 360
(92 one-bdrm and 268 two-bdrm)

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

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

LIST OF PROPERTIES

Apartments

1175 Dundas Street West (Westdale Apartments)

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

275 North Service Road (North Apartments)

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

285 North Service Road

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

Park Place Apartments

Location: Oshawa, Ontario
Address: 277 Anderson Avenue (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 and 19 two-bdrm)

LIST OF PROPERTIES

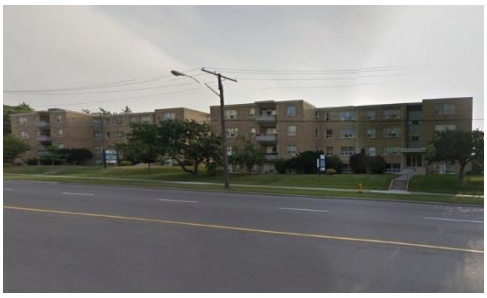
Apartments

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

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

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

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



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

LIST OF PROPERTIES

Apartments

4 & 8 Rannock Avenue and 880 Pharmacy Ave

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

26 Thorncliffe Park Drive

Location: Toronto, Ontario
Address: 26 Thorncliffe Park Drive (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 bachelor, 45 one-bdrm, and 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 bachelor, 10 one-bdrm, 34 two-bdrm, and 12 three-bdrm)

5 Dufresne Court

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

LIST OF PROPERTIES

Apartments

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

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

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

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

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

LIST OF PROPERTIES

Student Residences

LA MARQ au 515*

Location: Montréal (Québec)
Address: 1430 rue City Councillors (map)
Type of Building: Student Residence (elevator)
Number of Suites: 100 suites
(comprising 440 rental beds; 10 three-bdrm, 40 four-bdrm, and 50 five-bdrm)
*Centurion owns 25% of this property in joint venture with other investors.

75 Ann Street*

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

1 Beaufort Street*

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

St George Street

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

205 Oxford Centre Apartments

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

LIST OF PROPERTIES

Student Residences

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

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

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

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

Columbia Street West
Location: Waterloo (Ontario)
Address: 1 Columbia Street West (map)
Type of Building: Student Residence (elevator)
Number of Suites: 96
(comprising 370 rental beds)
*Centurion owns 50% of this property in joint venture with other investors.

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REOT (December 31, 2016)

MORTGAGE INVESTMENTS AND EQUITY ACCOUNTED INVESTMENTS

The following charts provide additional information relating to the mortgage investments and equity accounted investments in the REOT. The Trust has a 48.20% ownership in the REOT and as such 100% of the assets, liabilities, income, and expenses of the REOT are consolidated in the Trust's financial statements. The Trust has a direct ownership of mortgage investments totaling $40 million that are not included in the following graphs and tables.

SUMMARY

	Committed	Number	Funded	% of Portfolio	Number
Mortgage Investments	$228,374,432	50	$180,882,492	88.16%	44
Equity Accounted Investments	$30,817,524	4	$24,289,524	11.84%	3
Total Investments	**$259,191,956**	**54**	**$205,172,016**	**100.00%**	**47**

BY PROVINCE

Province	Committed	Committed Value	% of Portfolio	Funded	Funded Value	% of Portfolio
Alberta	5	$33,952,030	13.10%	5	$32,255,872	15.72%
British Columbia	8	$45,921,667	17.72%	8	$41,685,132	20.32%
Manitoba	3	$17,771,126	6.86%	3	$15,971,287	7.78%
Ontario	37	$152,378,734	58.79%	30	$106,091,327	51.71%
Saskatchewan	1	$9,168,398	3.54%	1	$9,168,398	4.47%
Total	**54**	**$259,191,956**	**100.00%**	**47**	**$205,172,016**	**100.00%**

PURCHASE OPTIONS ATTACHED TO INVESTMENTS

Status	Total Balance	% of Portfolio	# of Investments
Mortgages with purchase options	$86,088,860	41.96%	17
Mortgages without purchase options	$97,793,632	46.20%	27
Equity accounted investments	$24,289,524	11.84%	3
Total	**$205,172,016**	**100.00%**	**47**

ESTIMATED BUILT OUT VALUE OF PROPERTIES UNDERLYING INVESTMENTS WITH PURCHASE OPTIONS

	Undiluted	Diluted
Mortgage investments	$352,620,961	$234,183,609
Equity Accounted investments	$206,175,143	$111,065,452
Total	**$558,796,104**	**$345,249,061**

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REOT (December 31, 2016)

MORTGAGE INVESTMENTS AND EQUITY ACCOUNTED INVESTMENTS

CAPITAL POSITION			
Status	Total Balance	% of Portfolio	# of Investments
Preferred Position	$180,882,491	88.16%	44
Common Position	$24,289,524	11.84%	3
Total	**$205,172,016**	**100.00%**	**47**

BY INVESTMENT TYPE			
	Total Balance	% of Portfolio	# of Investments
Residential	$180,284,573	87.87%	38
Commercial	$24,887,443	12.13%	9
Total	**$205,172,016**	**100.00%**	**47**

BY DEVELOPMENT STAGE			
	Total Balance	% of Portfolio	# of Investments
Pre-development	$35,572,191	17.34%	6
Construction	$142,945,277	69.67%	29
Term	$26,654,547	12.99%	12
Total	**$205,172,016**	**100.00%**	**47**

BY RANK			
Position	Total Balance	% of Portfolio	# of Investments
First	$66,759,564	32.54%	18
Second	$114,122,927	55.62%	26
Equity accounted investments	$24,289,524	11.84%	3
Total	**$205,172,016**	**100.00%**	**47**

BY UNDERLYING SECURITY			
Type	Total Balance	% of Portfolio	# of Investments
Multi-family apartment	$79,482,874	38.74%	18
Multi-family student housing	$25,317,138	12.34%	6
Retail	$19,013,067	9.27%	5
Other	$81,358,940	39.65%	18
Total	**$205,172,016**	**100.00%**	**47**

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REOT (December 31, 2016)

MORTGAGE INVESTMENTS ONLY BY LOAN TO VALUE ("LTV")				
LTV	Total Balance	Running Total	% of Portfolio	# of Investments
Non-Participating Investments (Mortgages)				
50% or lower	$24,072,258	$24,072,258	13.31%	7
51% - 60%	$8,862,745	$32,935,002	4.90%	2
61% - 70%	$43,820,002	$76,755,005	24.23%	14
71% - 80%	$72,420,009	$149,175,014	40.04%	9
81% - 90%	$15,087,181	$164,262,195	8.34%	5
91% or greater	$44,683	$164,306,878	0.02%	1
Sub-Total	**$164,306,878**	**$164,306,878**	**90.84%**	**38**
Participating Investments (Mortgages)				
Sub-Total	**$16,575,614**	**$16,575,514**	**9.16%**	**6**
Total	**$180,882,492**	**$180,882,492**	**100%**	**44**
The Weighted Average LTV of Non-Participating Investments (Mortgages) is 65.35%. (First Positions – 53.34%, Second Positions – 73.25%)				

MORTGAGE INVESTMENTS ONLY BY MINIMUM RETURN COUPON BY 50 BASIS PONT BUCKETS				
Coupon Rate	# of Investments	Total Balance	% of Portfolio	Average Interest Rate %
7.5% or lower	1	$7,342,583	4.06%	7.00%
7.51% - 8%	3	$2,065,156	1.14%	8.00%
8.01% - 8.5%	1	$2,716,883	1.50%	8.15%
8.51% - 9%	2	$10,006,963	5.53%	9.00%
9.01% - 9.5%	1	$10,152,938	5.61%	9.50%
9.51% - 10%	23	$75,208,148	41.58%	10.00%
10.01% - 10.5%	0	-	-	-
10.51% - 11%	6	$27,003,929	14.93%	11.00%
11.01% - 11.5%	1	$18,337,030	10.14%	11.50%
11.51% - 12%	2	$11,980,676	6.62%	12.00%
12.01% - 12.5%	0	-	-	-
12.51% - 13%	0	-	-	-
13.01% - 13.5%	0	-	-	-
13.51% - 14%	1	$1,471,075	0.81%	13.60%
14.01% or greater	2	$14,597,110	8.07%	15.00%
Total	**44**	**$180,882,492**	**100.00%**	**10.61%**
The Weighted Average Minimum Coupon Rate of the Portfolio is 10.61%.				

APPENDIX B

Summary Information About the Mortgage Investment Portfolio of REOT (December 31, 2016)

MORTGAGE INVESTMENTS ONLY BY MATURITY		
Maturity	Balance Maturing	% of Portfolio
Maturing 2017	$77,351,160	42.76%
Maturing 2018	$89,946,132	49.73%
Maturing 2019	$13,585,200	7.51%
Total	**$180,882,492**	**100.00%**
The Weighted Average Maturity of the Portfolio is 1.14 years.		

MORTGAGE INVESTMENTS AND EQUITY ACCOUNTED INVESTMENTS BY SIZE			
	Total Balance	% of Portfolio	# of Investments
<=$1 million	$5,810,979	2.83%	11
>$1 to <=$3 million	$23,130,026	11.27%	13
>$3 to <=$5 million	$35,337,140	17.22%	8
>$5 to <=$10 million	$66,449,680	32.39%	9
>$10 million	$74,444,191	36.28%	6
Total	**$202,172,016**	**100.00%**	**47**
Average investment size	$4,365,362		
Median investment size	$2,716,883		

APPENDIX C

Risks and Uncertainties

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

REAL PROPERTY OWNERSHIP

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

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

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Centurion Apartment REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Centurion Apartment REIT was required to liquidate its real property investments, the proceeds to Centurion Apartment REIT might be significantly less than the aggregate value of its properties on a going-concern basis.

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

FUTURE PROPERTY ACQUISITIONS

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

REVENUE PRODUCING PROPERTIES

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

NO GUARANTEES OR INSURANCE ON MORTGAGE INVESTMENTS

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

RISKS RELATED TO MORTGAGE EXTENSIONS AND MORTGAGE DEFAULTS

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

APPENDIX C

Risks and Uncertainties

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

FORECLOSURE OR POWER OF SALE AND RELATED COSTS ON MORTGAGE INVESTMENTS

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

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

LITIGATION RISKS

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

COMPETITION FOR REAL PROPERTY INVESTMENTS

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

COMPETITION FOR TENANTS

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

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

INTEREST RATES

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

DEBT FINANCING

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

GENERAL ECONOMIC CONDITIONS

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

GENERAL UNINSURED LOSSES

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

AVAILABILITY OF CASH FOR DISTRIBUTIONS

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

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

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

GOVERNMENT REGULATION

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

ONTARIO

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

QUEBEC

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

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

ENVIRONMENTAL MATTERS

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive. Under various laws, Centurion Apartment REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary.

UNITHOLDER LIABILITY

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

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

DEPENDENCE ON KEY PERSONNEL

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

FAILURE OR UNAVAILABILITY OF COMPUTER AND DATA PROCESSING SYSTEMS AND SOFTWARE

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

POTENTIAL CONFLICTS OF INTEREST

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

APPENDIX C

Risks and Uncertainties

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

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

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

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

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

TAX RELATED RISKS

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

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

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

CRITICAL ESTIMATES, ASSUMPTIONS, AND JUDGMENTS

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

APPENDIX C

Risks and Uncertainties

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

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

DILUTION

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

RESTRICTIONS ON POTENTIAL GROWTH AND RELIANCE ON CREDIT FACILITIES

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

POTENTIAL INABILITY TO FUND INVESTMENTS

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

LIQUIDITY OF REIT UNITS AND REDEMPTION RISK

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

NATURE OF REIT UNITS

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

APPENDIX D

Audited Consolidated Financial Statements

CENTURION APARTMENT REIT

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the year ended December 31, 2016

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KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
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Tel 416-777-8500
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INDEPENDENT AUDITORS' 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, 2016, the consolidated statements of net income and comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 consolidated financial position of Centurion Apartment Real Estate Investment Trust as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 20, 2017
Toronto, Canada

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EXPRESSED IN CANADIAN DOLLARS)

December 31, 2016 with comparative information for 2015

	Note		**December 31, 2016**		December 31, 2015
Assets					
Non-current assets					
Investment properties	5	**$**	**768,793,900**	$	666,463,327
Mortgage investments	8		**138,721,497**		44,810,403
Equity accounted investments	6		**24,289,524**		15,121,406
Investment in associate	7		**11,922,470**		-
Participating loan interests	10		**7,321,014**		517,273
Property and equipment			**409,804**		282,391
			951,458,209		727,194,800
Current assets					
Current portion of mortgage investments	8		**78,818,398**		76,509,585
Mortgage interest receivable	9		**1,929,198**		371,712
Participating loan interests	10		**3,945,782**		273,040
Accounts receivable	11		**416,242**		536,694
Other assets	12		**7,357,209**		11,219,139
Restricted cash	15		**-**		1,181,240
Cash			**1,053,088**		19,602,591
			93,519,917		109,694,001
Total Assets		**$**	**1,044,978,126**	$	836,888,801
Liabilities					
Non-current liabilities					
Mortgages payable and credit facilities	13	**$**	**330,902,771**	$	284,741,739
			330,902,771		284,741,739
Current liabilities					
Current portion of mortgages payable and credit facilities	13		**90,009,862**		34,681,694
Accounts payable and other liabilities	14		**8,307,423**		8,073,037
Tenants deposits			**4,153,650**		3,563,439
Unit subscriptions in trust	15		**-**		1,181,240
Distributions payable			**54,922**		73,717
			102,525,857		47,573,127
Total Liabilities excluding net assets attributable to Unitholders			**433,428,628**		332,314,866
Net assets attributable to Unitholders		**$**	**611,549,498**	$	504,573,935
Represented by:					
Net assets attributable to unitholders of the REIT		**$**	**511,064,287**	$	455,052,297
Net assets attributable to non-controlling interest		**$**	**100,485,211**	$	49,521,638

Commitments and contingencies (notes 7, 20 and 22)

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

(EXPRESSED IN CANADIAN DOLLARS)

Year ended December 31, 2016 with comparative information for 2015

For the year ended	Note	December 31, 2016	December 31, 2015
Revenue from investment properties		**$ 54,967,879**	$ 49,288,062
Property operating costs		**(20,312,976)**	(20,010,429)
Net rental income		**34,654,903**	29,277,633
Other income			
Interest income on mortgage investments	8 / 2(d)	**18,229,456**	11,073,346
Income on equity accounted investments	6	**4,706,781**	1,137,612
Management fee income and other income		**464,824**	394,212
General and administrative expenses	18, 21	**(10,437,222)**	(8,202,025)
Provision for mortgage investment loss	8a	**(523,225)**	(804,769)
Fair value gains on participating loan interests	10 / 2(d)	**11,099,263**	107,327
Fair value gains on investment properties	5	**6,264,838**	23,066,385
Gain on sale of properties	4	**-**	103,139
Operating income		**64,459,618**	56,152,860
Finance costs			
Finance costs	17	**(12,316,772)**	(12,214,249)
Net Income and Comprehensive Income		**$ 52,142,846**	$ 43,938,611
Attributable to:			
Unitholders of the REIT		**$ 39,208,646**	$ 41,889,559
Non-controlling interest		**$ 12,934,200**	$ 2,049,052

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
(EXPRESSED IN CANADIAN DOLLARS)

For the year ended December 31, 2016	Note	Net assets attributable to Unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the year		**$ 455,052,297**	**$ 49,521,638**	**$ 504,573,935**
Net Income and Comprehensive Income		**39,208,646**	**12,934,200**	**52,142,846**
Redeemable unit transactions				
Proceeds from Units issued (net of issuance costs)	16	54,379,969	43,730,227	98,110,196
Reinvestments of distributions by Unitholders	16	18,520,392	2,068,369	20,588,761
Redemption of Units	16	(20,097,379)	(1,522,703)	(21,620,082)
Distributions to Unitholders		(35,999,638)	(6,246,520)	(42,246,158)
Net increase from Unit transactions		**16,803,344**	**38,029,373**	**54,832,717**
Net increase in net assets attributable to Unitholders		**56,011,990**	**50,963,573**	**106,975,563**
Net assets attributable to Unitholders at end of the year		**$ 511,064,287**	**$ 100,485,211**	**$ 611,549,498**

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
(EXPRESSED IN CANADIAN DOLLARS)

For the year ended December 31, 2015	Note	Net assets attributable to Unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the year		**$ 362,056,276**	**$ 7,112,586**	**$ 369,168,862**
Net Income and Comprehensive Income		**41,889,559**	**2,049,052**	**43,938,611**
Redeemable unit transactions				
Proceeds from Units issued (net of issuance costs)	16	73,687,366	41,264,648	114,952,014
Reinvestments of distributions by Unitholders	16	14,566,079	601,195	15,167,274
Redemption of Units	16	(8,019,042)	(49,050)	(8,068,092)
Distributions to Unitholders		(29,127,941)	(1,456,793)	(30,584,734)
Net increase from Unit transactions		**51,106,462**	**40,360,000**	**91,466,462**
Net increase in net assets attributable to Unitholders		**92,996,021**	**42,409,052**	**135,405,073**
Net assets attributable to Unitholders at end of the year		**$ 455,052,297**	**$ 49,521,638**	**$ 504,573,935**

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
Year ended December 31, 2016 with comparative information for 2015

For the year ended December 31,	Note	2016	2015
Cash provided by (used in):			
Operating activities			
Comprehensive Income and Increase in net assets attributable to Unitholders		**$ 52,142,846**	$ 43,938,611
Add-back Non-operating items:			
Interest income on mortgage investments and recognized gains on participating loan interests	8	**(18,229,456)**	(11,073,346)
Finance costs	17	**11,778,492**	12,209,880
Non-cash items:			
Fair value gains on investment properties	6	**(6,264,838)**	(23,066,385)
Fair value gains on participating loan interests	10	**(10,476,483)**	(107,327)
Gain on sale of properties	5	**-**	(103,139)
Provision for mortgage investments loss	8a	**523,225**	804,769
Non cash portion of equity income		**(4,706,781)**	(1,137,612)
Amortization of financing fees	17	**538,280**	494,636
Amortization of property and equipment		**228,065**	293,547
Non cash portion of revenue/loss from investment properties recognized through acquisition of investment properties		**-**	(97,906)
Changes in non-cash operating account balances		**5,292,746**	(12,827,114)
Interest received on mortgage investments		**6,547,979**	6,520,499
Net cash from operating activities		**37,374,075**	15,849,113
Financing activities			
Proceeds from Units issued		**103,239,020**	122,679,074
Unit issue costs		**(5,268,413)**	(5,211,360)
Cash distributions to Unitholders		**(21,657,397)**	(16,596,201)
Redemption of Units		**(21,620,082)**	(7,157,426)
Financing fees		**(164,699)**	(895,883)
Advances on mortgages payable and credit facilities		**124,963,503**	43,518,466
Repayments on mortgages payable and credit facilties		**(51,466,939)**	(29,344,980)
Finance costs paid		**(11,617,087)**	(12,209,880)
Net cash from financing activities		**116,407,906**	94,781,810
Investing activities			
Investment property acquisitions	4	**(36,174,545)**	(38,105,894)
Equity accounted investment additions	6	**(4,461,337)**	(10,540,682)
Investment in associate	7	**(11,922,470)**	-
Investment property acquisition costs	5	**(2,598,198)**	(1,851,021)
Investment property improvements	5	**(21,036,641)**	(20,916,753)
Proceeds from investment property dispositions		**-**	2,201,870
Acquisition of property and equipment		**(355,478)**	(109,277)
Mortgage investments - repaid		**20,575,262**	23,433,803
Mortgage investments - issued		**(116,358,077)**	(49,121,113)
Net cash used in investing activities		**(172,331,484)**	(95,009,067)
Net (decrease) increase in cash		(18,549,503)	15,621,856
Cash, beginning of period		19,602,591	3,980,735
Cash, end of period		**$ 1,053,088**	$ 19,602,591

1. Organization

Centurion Apartment Real Estate Investment Trust (the "REIT" or "Trust") is an unincorporated, open-ended real estate private investment trust which was created pursuant to a Declaration of Trust initially dated August 31, 2009, as further amended from time to time and most recently amended on November 26, 2013 ("Declaration of Trust"), and is governed by the laws of the Province of Ontario. The registered office of REIT is located at 25 Sheppard Avenue West, Suite 710, Toronto, Ontario, M2N 6S6.

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

2. Significant Accounting Policies

a) Statement of Compliance

These consolidated financial statements for the year ended December 31, 2016 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been approved for issue by the Board of Trustees on April 18, 2017.

b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for investment properties, participating loan interest and real estate held within equity accounted investments and investment in associates which have been recorded at fair value.

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

These consolidated financial statements are presented in accordance with International Accounting Standards ("IAS") 1 – Presentation of Financial Statements.

Centurion Apartment REIT has elected to present a single statement of profit and loss and other comprehensive income.

c) Principles of Consolidation

These consolidated financial statements reflect the operations of REIT, its wholly-owned subsidiaries and its proportionate share of joint arrangements which are classified as joint operations. Entities subject to joint arrangements characterized as joint ventures are accounted for using the equity method. Centurion Real Estate Opportunities Trust ("REOT") is a subsidiary of REIT as it has been determined the REIT has control over REOT. The REIT owns 48.20% (December 31, 2015 – 62.04%) of the outstanding units of REOT.

2. Significant Accounting Policies (continued)

c) Principles of Consolidation (continued)

The summarized financial information of REOT is as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at:		December 31, 2016		December 31, 2015
Non-current assets	$	**131,612,420**	$	59,489,739
Current assets		**82,880,390**		72,032,743
Total assets		**214,492,810**		131,522,482
Non-current liabilities		**-**		-
Current liabilities		**20,569,525**		1,427,375
Total liabilities		**20,569,525**		1,427,375
Net assets attributable to Unitholders	$	**193,923,285**	$	130,095,107

CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended:		December 31, 2016		December 31, 2015
Total income	$	**19,884,450**	$	9,880,228
Total fair value gains		**8,792,145**		681,097
Total expenses		**(2,877,781)**		(2,168,615)
Net Income and Comprehensive Income	$	**25,798,814**	$	8,392,710

Subsidiaries are consolidated from the date of acquisition, which is the date the REIT obtains control of the subsidiary. Control exists when the REIT has the existing rights which give it the current ability to direct the activities that significantly affect the entities' returns, is exposed, or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The REIT reassesses whether or not it controls the investee if facts, circumstance and events indicate that there are changes to the elements listed above.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The consolidated financial statements reflect REIT's proportionate share of revenues, expenses, assets and liabilities of the joint operations which are included in the respective items on the consolidated statements of financial position and consolidated statements of comprehensive income.

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

2. Significant Accounting Policies (continued)

d) Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current year presentation; the impact of the reclassifications is as follows:

- Consolidated statement of financial position - $790,313 included in mortgage investments has been reclassified to participating loan interests.
- Consolidated statement of financial position - $605,988 included in accounts receivable has been reclassified to other assets
- Consolidated statement of net income and comprehensive income - $107,327 included in interest income on mortgage investments has been reclassified to fair value gains on participating loan interests
- Consolidated statement of net income and comprehensive income - $394,212 included in revenue from investment properties has been reclassified to management fee income and other income

Such reclassifications had no effect on net income or net assets attributable to unitholders.

e) Future Changes in Accounting Policies

Standards issued and amendments to existing standards 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 REIT reasonably expects to be applicable at a future date.

Leases ("IFRS 16")

IFRS 16 was issued on January 13, 2016. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. The new standard is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the company has adopted IFRS 15 Revenue from Contracts with Customers. REIT has not yet determined the impact of the new standard on its consolidated financial statements.

Financial Instruments ("IFRS 9")

This standard will replace IAS 39 – Financial Instruments: Recognition and Measurement. 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 model and the contractual cash flow characteristics of the financial assets. IFRS 9 also replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or fair value through other comprehensive income except for investments in equity instruments, and to contract assets. The new IFRS is to be applied retrospectively without

2. Significant Accounting Policies (continued)

e) Future Changes in Accounting Policies (continued)

restatement of comparative information, is effective for annual years beginning on or after January 1, 2018, with earlier application permitted. REIT has not yet determined the impact of the new standard on its consolidated financial statements.

Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual years beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. REIT intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Statement of Cash Flows

REIT adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. REIT does not expect the amendments to have a material impact on the financial statements.

f) Investment Properties

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 if the transaction is deemed to be an asset acquisition. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date.

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 to be 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 2016, 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 REIT's internal and external valuation teams.

2. Significant Accounting Policies (continued)

f) Investment Properties (continued)

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 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

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

- Annually and quarterly:

  - 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 amounts 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.

g) Joint Arrangements

REIT enters into joint arrangements through joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the REIT and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous

2. Significant Accounting Policies (continued)

g) Joint Arrangements (continued)

consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint arrangements that involve the establishment of a separate entity in which each party to the venture has rights to the net assets of the arrangement are referred to as joint ventures.

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

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

REIT has instituted a DRIP in accordance with Article 5.8 of the Declaration of Trust which provides that the Trustees may in their sole discretion, establish a distribution reinvestment plan at any time providing for the voluntary reinvestment of distributions by some or all REIT and exchangeable Unitholders 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.

i) 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. All rental leases are considered operating leases.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to REIT and the amount of income can be measured reliably. Interest income is determined using the effective interest rate method.

Ancillary income generated from the operation of investment properties is recognized as earned.

j) Provisions

Provisions are recognized when 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 year. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where

2. Significant Accounting Policies (continued)

j) Provisions (continued)

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.

k) Borrowing Costs and Interest on Mortgages Payable

Mortgage expenses include mortgage interest, which is expensed at the effective interest rate and transaction costs incurred in connection with the revolving credit facilities which are amortized over the term of the facility to which they relate.

l) Income Taxes

REIT qualifies as a Mutual Fund Trust for Canadian income tax purposes. In accordance with the terms of the Declaration of Trust, 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). 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 REIT are the obligations of the Unitholders.

m) 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.

<u>Fair Value through Profit or Loss ("FVTPL")</u>
Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented within operating income attributable to unitholders in the consolidated statement of net income and comprehensive income in the year in which they arise. Financial assets and liabilities at FVTPL are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated statement of financial position date, which is classified as non-current. Derivatives are also categorized as FVTPL unless designated as hedges.

<u>Cash and cash equivalents and restricted cash</u>
Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less. Restricted cash does not meet the definition of cash and cash equivalents and is included in other assets in the consolidated statement of financial position. Interest earned or accrued on these financial assets is included in other income.

<u>Loans and receivables</u>
Such receivables arise when REIT provides services to a third party, such as a tenant, and are included in current assets, except for those with maturities more than 12 months after the

2. Significant Accounting Policies (continued)

m) Financial Instruments (continued)

consolidated statement of financial position date, which are classified as non-current assets. Loans and receivables are accounted for at amortized cost.

Available-for-sale
Investments are measured at fair value at each consolidated statement of financial position date and the difference between the fair value of the asset and its cost basis is included in other comprehensive income ("OCI"). Differences included in accumulated other comprehensive loss ("AOCL") are transferred to net income when the asset is removed from the consolidated statement of financial position or an impairment loss on the asset has to be recognized. Income on available-for-sale investments is recognized as earned and included in other income.

Other financial liabilities
Such financial liabilities are recorded at amortized cost and include all liabilities other than derivatives or liabilities, which are designated to be accounted for at fair value.

Derivatives
Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. Derivatives are measured at fair value with changes therein recognized directly through the consolidated statement of comprehensive income within operating income.

Embedded derivatives
Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free-standing derivative; and the combined instrument or contract is not measured at fair value. These embedded derivatives are measured at fair value with changes therein recognized within operating income in the consolidated statement of comprehensive income.The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and REIT's designation of such instruments.

2. Significant Accounting Policies (continued)

m) Financial Instruments (continued)

Classification and Measurement:

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

	Classification	Measurement
Financial Assets:		
Cash	Loans and receivables	Amortized cost
Mortgage investments	Loans and receivables	Amortized cost
Mortgage interest receivable	Loans and receivables	Amortized cost
Participating loan interests	Fair value through profit and loss	Fair value
Other receivable	Loans and receivables	Amortized cost
Amounts due from mortgage servicer,	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial Liabilities:		
Mortgages payable and credit facilities	Other financial liabilities	Amortized cost
Tenant deposits	Other financial liabilities	Amortized cost
Unit subscriptions in trust	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost

At each reporting date, REIT assesses impairment of all its financial assets which are measured at amortized cost. 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 the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any impairment is included in the consolidated statement of net income and comprehensive income.

n) Fair Value

Fair value measurements recognized in the statement of financial position 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.

2. Significant Accounting Policies (continued)

n) Fair Value (continued)

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

o) Property, Plant and Equipment

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

p) Investment in associates

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the REIT elects to measure investments in those associates and joint ventures under the equity method in consolidated statement of net income and comprehensive income in accordance with IAS 39, at fair value through profit or loss.

q) Net Assets Attributable to Unitholders

i. Balance Sheet Presentation

In accordance with *IAS 32 Financial Instruments: Presentation,* puttable instruments are generally classified as financial liabilities. REIT's units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 that could result in classification as equity; however, REIT units do not meet the exception requirements. Therefore, 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.

Non-controlling interests that present ownership interests and entitle unitholders of a subsidiary to a proportionate share of the subsidiary entity's net assets in the event of liquidation are measured at the non-controlling interests' proportionate share of the recognized amounts of the subsidiaries' identifiable net assets.

2. Significant Accounting Policies (continued)

q) Net Assets Attributable to Unitholders (continued)

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 REIT.

r) Mortgage Investments

Mortgage investments are classified as loans and receivables. Such investments are recognized initially at fair value 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.

s) Impairment

Mortgage 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.

An impairment loss in respect of mortgage 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.

At a collective level and an individual level, REIT assesses for impairment to identify losses. As part of REIT's analysis on a collective basis it has grouped mortgage investments with similar risk characteristics including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings and assesses them for impairment using statistical data. Based on the amounts determined by management analysis, REIT uses judgement to determine whether a collective provision against potential future losses not identified should be recognized.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of net income and comprehensive income.

2. Significant Accounting Policies (continued)

t) Employee Benefits

Short term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities are recognized for the amounts expected to be paid within 12 months as REIT has an obligation to pay this amount as a result of a past service provided by the employee, and the obligation can be estimated reliably. Short term employee benefits are recorded in Accounts payable and accrued liabilities.

REIT maintains a deferred trust unit plan for some of its employees. This plan is considered cash settled and the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the vesting period of the units issued. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in the consolidated statement of financial position.

3. Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments 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 judgments that have been made in applying REIT's accounting policies:

Lease costs:

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 or an operating expense. REIT also makes judgments with respect to whether tenant leases are operating or finance leases. 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 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.

3. Critical Accounting Estimates and Judgments (continued)

Classification of co-investments:

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

Investment properties are measured at fair value as at the consolidated statement of financial position dates. Any changes in the fair value are included within operating income in the consolidated statement of comprehensive income. Fair value is supported by independent external valuations or detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise the capitalized net operating income method and include estimating, among other things (all considered Level 3 inputs), future stabilized net operating income, capitalization rates, discount rates and other future cash flows applicable to investment properties. Fair values for investment properties are classified as Level 3 in the fair value hierarchy (refer to note 5 for further detail).

Recoverability of mortgage investments:

The recoverability 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 recoverability of these investments (refer to note 8 for further detail).

Fair value of participating loan interests:

The fair value of the participating loan interests is reliant on the market value of the underlying real estate associated with the participating loan. Any changes in the value of the underlying real estate may materially impact the fair value on the participating loan interests (refer to note 10 for further detail).

Fair value of real estate held within equity accounted investments:

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

3. Critical Accounting Estimates and Judgments (continued)

Fair value of real estate held within equity accounted investments (continued):

future cash flows applicable to investment properties. Fair values for investment properties are classified as Level 3 in the fair value hierarchy.

Capitalization of costs:

The amount of expenditures capitalized to investment properties is based on REIT's judgment as to whether the expenditure extends the useful life or increases the asset value. REIT capitalizes investment property acquisition costs incurred at the time of purchase.

4. Investment Property Acquisitions/Dispositions

(i) During the year ended December 31, 2016, REIT completed the following investment property acquisitions, which contributed to the operating results effective from the acquisition date. All acquisitions in the year are accounted for as asset acquisitions.

Acquisition Date	Rental Units	% Holding		Total Purchase Price		Mortgage Funding	Mortgage Interest Rate	Mortgage Maturity Date
January 21, 2016	96	100%		$ 9,100,000	$	6,992,963	1.58%	March 1, 2021
March 18, 2016	81	100%		11,600,000		7,469,243	1.83%	June 1, 2021
May 9, 2016	129	100%		16,770,000		11,865,352	1.78%	June 1, 2021
September 8, 2016	66	100%		15,100,000		10,318,551	2.43%	October 1, 2026
December 16, 2016	370	50%	*	19,860,896		10,175,000	4.20%	September 1, 2017
				$ 72,430,896	**$**	**46,821,109**		

* REIT acquired 50% interest in the 370 unit student residence property.

(ii) During the year ended December 31, 2015, REIT completed the following investment property acquisitions:

Acquisition Date	Rental Units	% Holding		Total Purchase Price		Mortgage Funding	Mortgage Interest Rate	Mortgage Maturity Date
January 19, 2015	126	100%		$ 28,500,000	$	19,500,000	3.43%	April 1, 2025
January 20, 2015	440	75%	**	37,500,000		23,929,479	3.93%	December 15, 2018
May 4, 2015	74	100%		7,998,045		-	-	-
September 10, 2015	235	100%		20,250,000		12,895,707	1.33%	October 1, 2020
				$ 94,248,045	**$**	**56,325,186**		

** This acquisition related to a property in which REIT held a 25% interest. REIT, acquired the remaining 75% interest in the 440 unit student residence property held by its partner, bringing REITs holding to 100% of the property as of the closing.

All the above acquisitions are asset acquisitions.

4. Investment Property Acquisitions/Dispositions (continued)

(iii) During the year ended December 31, 2016, REIT did not complete any investment property dispositions.

(iv) During the year ended December 31, 2015, REIT completed the following investment property disposition:

Disposition Date	Rental Units	% Holding	Disposition Proceeds	Original Purchase Price	Cumulative Fair Value Adjustment	Fees on disposition	Gain on Sale
April 13, 2015	30	100%	$2,375,000	$1,644,143	$557,727	$69,991	$103,139

The above gain on sale of investment properties has been calculated by taking the fair value of the asset at the date of sale less the proceeds received.

5. Investment Properties

REIT records 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 25.

	December 31, 2016	December 31, 2015
Balance, beginning of year	**$ 666,463,327**	$ 528,582,993
Property acquisitions	**72,430,896**	94,248,045
Increase in property valuation	**29,899,677**	45,834,159
Property dispositions	**-**	(2,201,870)
Balance, end of yeaer	**$ 768,793,900**	$ 666,463,327

	December 31, 2016	December 31, 2015
Increase in property valuation	**$ 29,899,677**	$ 45,834,159
Less: Acquisition costs	**(2,598,198)**	(1,851,021)
Less: Property improvements	**(21,036,641)**	(20,916,753)
Fair Value Adjustment on Investment Properties	**$ 6,264,838**	$ 23,066,385

At December 31, 2016 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 4.00% to 6.25% at December 31, 2016 (December 31, 2015 – 4.00% to 6.25%) and the weighted average was 5.11% for the total portfolio (December 31, 2015 – 5.18%).

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 (at REIT's ownership)	Fair value variance	% change
(0.75%)	4.36%	$ 901,040,557	$ 132,246,657	17.2%
(0.50%)	4.61%	$ 852,177,186	$ 83,383,286	10.8%
(0.25%)	4.86%	$ 808,340,911	$ 39,547,011	5.1%
December 31, 2016	5.11%	$ 768,793,900	$ -	-
0.25%	5.36%	$ 732,935,976	$ (35,857,924)	(4.7%)
0.50%	5.61%	$ 700,273,945	$ (68,519,955)	(8.9%)
0.75%	5.86%	$ 670,398,776	$ (98,395,124)	(12.8%)

6. Equity Accounted Investments

(i) Harbour View Estates LP:

REIT entered into a joint venture with a third party to commence a development project comprised of a 208 unit prefabricated four building multi-family development located in Regina, Saskatchewan, in which it has a 60% limited partnership interest in the project.

(ii) The Residences of Seasons LP:

REIT entered into a joint venture with a third party to develop a property apartment building comprising of 400 units in Winnipeg, Manitoba. REIT has a 50% limited partnership interest in the project.

(iii) Bridgwater Trails Apartments LP:

REIT entered into a joint venture with a third party to develop a property apartment building comprising of 176 units in Winnipeg, Manitoba. REIT has a 45% limited partnership interest in the project.

REIT equity accounted investments consists of the following:

	Ownership	**December 31, 2016**	December 31, 2015
Harbour View Estates LP	**60%**	**$ 9,168,398**	$ 6,143,120
The Residences of Seasons LP	**50%**	**11,382,855**	8,978,286
Bridgwater Trails Apartments LP	**45%**	**3,738,271**	-
		$ 24,289,524	$ 15,121,406

Fair value adjustments within equity accounted investments occurs when there are changes in the fair value on the underlying investment properties held within these investments, the fair value of investment properties is primarily driven by changes in capitalization rates and stabilized net operating income ("NOI").

6. Equity Accounted Investments (continued)

The following is the summarized financial information of the equity accounted investments:

Non-current assets	**$**	**77,866,798**	$	40,474,324
Current assets		**4,345,653**		7,254,587
Total assets	**$**	**82,212,451**	$	47,728,911
Non-current liabilities	**$**	**(41,140,445)**	$	(19,502,235)
Current liabilities		**(6,627,880)**		(1,434,903)
Total liabilities	**$**	**(47,768,325)**	$	(20,937,138)
Total revenue	**$**	**1,361,574**	$	80,105
Total expenses		**(1,302,988)**		(10,822)
Total fair value gains		**8,579,458**		1,833,918
Net income	**$**	**8,638,044**	$	1,903,201

REIT made contributions of $4,461,337 to joint ventures in the year ended December 31, 2016 (year ended December 31, 2015: $10,540,682). The above investments had operating activity for the year ended December 31, 2016 that has been included in the above table. REIT's share of the net income of the joint ventures is $4,706,781 (December 31, 2015: $1,137,612), which is included in the consolidated statement of net income and comprehensive income.

7. Investment in associates

ME Living Phase LP:

REIT entered into a joint venture with a third party to develop a condominium comprising of 327 units in Toronto, Ontario. REIT has a 50% limited partnership interest in the project.

	Ownership		**December 31, 2016**		December 31, 2015
ME Living Phase 1 LP	**50%**		**11,922,470**		-
		$	**11,922,470**	$	-

8. Mortgage Investments

Mortgage investments represent amounts receivable under mezzanine loan arrangements. Some of the mortgage investment agreements include purchase options in favour of REIT. The weighted average effective interest rate is 10.49% (2015: 10.33%) and the estimated weighted average term of maturity is 1.22 years (2015: 0.96 years). Interest income for the year was $18,229,456 (December 31, 2015: $11,073,346).

			December 31, 2016		December 31, 2015
Non-current mortgage investments		**$**	**140,049,491**	$	45,615,172
Allowance for mortgage investments loss	**7a**		**(1,327,994)**		(804,769)
Total non-current			**138,721,497**		44,810,403
Currrent mortgage investments			**78,818,398**		76,509,585
Mortgage interest receivable	**8**		**1,929,198**		371,712
Total current			**80,747,596**		76,881,297
Total mortgage investments		**$**	**219,469,093**	$	121,691,700

Future repayments are as follows:

Period ended		**December 31, 2016**
December 31, 2017	$	80,747,596
December 31, 2018		97,376,681
December 31, 2019		40,681,911
December 31, 2020		1,990,899
Total repayments	**$**	**220,797,087**

As at December 31, 2016, REIT has approved additional mortgage investment commitments of $53.1 million.

As part of the assessment for indicators of impairment, 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 the impairment of the value of the mortgage investment. As at December 31, 2016, carrying value of the mortgage investments approximates fair value. The fair value of mortgage investment portfolio approximates its carrying value as the majority of the loans are repayable in full at any time without penalty. There is no quoted price in an active market for the mortgage investments.

REIT makes its determinations of fair value based or its assessment of the current lending market for mortgage investments of same or similar terms. As a result, the fair value of mortgage investments is based on Level 3 of the fair value hierarchy.

8. Mortgage Investments (continued)

The nature of the underlying assets for REIT's mortgage investments is as follows:

Year ended	December 31, 2016	December 31, 2015
Condominiums	25%	5%
Multi Family Apartments	25%	30%
Multi Student Housing	16%	39%
Subdivision Land	14%	9%
Other	20%	17%
	100%	**100%**

As at December 31, 2016, REIT has 34% interest (December 31, 2015: 33%) in first mortgages and a 66% interest (December 31, 2015: 67%) in second mortgages.

8(a) Allowance for Mortgage Investments Loss:

At a collective level and individual level, REIT assesses for impairment to identify losses. As part of REIT's analysis on a collective basis it has grouped mortgage investments with similar risk characteristics including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings and assesses them for impairment using statistical data. Based on the amounts determined by management analysis, REIT uses judgement to determine whether a collective provision against potential future losses not identified should be recognized. As at December 31, 2016, REIT recognized a collective allowance against future potential losses not identified of $1,327,994 (December 31, 2015: $804,769) of which $523,225 was expensed in the year (December 31, 2015: $804,769).

8(b) Default mortgage investments:

A mortgage investment is considered in default when a payment has not been received by the contractual due date unless in overhold or a term in the mortgage agreement has been breached. Mortgage investments that are in default are not classified as impaired if they are fully secured and collection efforts are reasonably expected to result in repayment of principal plus all associated costs and accrued interest. No adjustment to the fair value of the mortgage investments was required as at December 31, 2016.

8(b) Default mortgage investments:

As at December 31, 2016 there are four mortgages with a total carrying value of $26,701,642 that are considered to be in default. In all cases, REIT has estimated the fair value of the underlying security on these projects to be sufficient to cover the outstanding principal and accrued interest amounts and as such has not recognized a loan loss provision on these mortgage investments as at December 31, 2016.

9. Mortgage Interest Receivable

		December 31, 2016		December 31, 2015
Mortgage interest receivable	**$**	**1,929,198**	$	371,712
	$	**1,929,198**	$	371,712

The following is an aging analysis of the mortgage interest receivable balance:

		December 31, 2016		December 31, 2015
Current	**$**	**828,485**	$	271,337
31-60 days		**100,254**		-
61-90 days		**96,388**		-
Over 90 days		**904,071**		100,375
	$	**1,929,198**	$	371,712

All amounts in excess of 30 days relate to interest receivable on mortgage investments in default noted in Note 8 (b). The carrying value of the underlying security is in excess of all outstanding principal and interest and as such the carrying balance has not been impaired.

10. Participating loan interests

REIT entered into several mortgage investments that contain two financial instruments. The mortgage investments contain a standard mortgage investment and a participating loan interest. The participating loan interests represent indirect interests in certain properties that do not provide the REIT with control over the entities that own the underlying properties. The participating loan interests are accounted for as embedded derivatives and represent the REIT's right to participate in the changes in the fair value of the referenced property. The loan portion is accounted for as loans and receivables and included in mortgage investments.

The embedded derivatives are measured at fair value with changes in fair value reported through the consolidated statement of net income and comprehensive income in fair value gains on participating loan interests. The total fair value gain recognized on these participating loan interests in the year was $11,099,263 (year ended December 31, 2015: $107,327). The fair value of the real estate was determined using a detailed valuation framework developed by REIT's internal valuation team. The valuation team considered the following approaches in determining the fair value:

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

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

10. Participating loan interests (continued)

The carrying value of the embedded derivative is as follows:

Non-current:		**December 31, 2016**		December 31, 2015
Ontario, Canada	**$**	**7,321,014**	$	85,737
British Columbia, Canada		**-**		431,536
	$	**7,321,014**	$	517,273
Current:				
Ontario, Canada	**$**	**-**	$	273,040
British Columbia, Canada		**3,681,222**		-
Alberta, Canada		**264,560**		-
	$	**3,945,782**	$	273,040

11. Accounts Receivable

		December 31, 2016		December 31, 2015
Rent receivables	**$**	**484,511**	$	801,232
Less: Allowance for doubtful accounts		**(68,269)**		(264,538)
	$	**416,242**	$	536,694

The following is an aging analysis of receivables:

		December 31, 2016		December 31, 2015
Current	**$**	**366,174**	$	406,333
31-60 days		**55,064**		123,603
61-90 days		**19,398**		90,000
Over 90 days		**43,875**		181,296
Allowance for doubtful accounts		**(68,269)**		(264,538)
	$	**416,242**	$	536,694

12. Other Assets

Other assets consists of the following:

			December 31, 2016		December 31, 2015
Prepaid CMHC premiums, net	**1**	**$**	**4,025,000**	$	1,596,961
Other current assets			**2,160,573**		829,901
Amount due from mortgage servicer	**2**		**833,127**		113,675
Prepaid expenses			**338,509**		996,794
Investment property acquisition deposits			**-**		150,000
Amounts due on mortgage payable refinancing			**-**		7,531,808
		$	**7,357,209**	$	11,219,139

1 - Prepaid CMHC premiums, net represents CMHC premiums on mortgages payable net of accumulated amortization of $108,307 (December 31, 2015 - $4,369).

2 - The mortgage servicer and the holder of Class M units are related parties by virtue of common ownership.

13. Mortgages Payable and Credit Facilities

Mortgages payable and credit facilities consist of the following:

		December 31, 2016		December 31, 2015
Current	**$**	**90,009,862**	$	34,681,694
Non-current		**330,902,771**		284,741,739
	$	**420,912,633**	$	319,423,433

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

		December 31, 2016		December 31, 2015
First mortgages on investment properties, bearing interest between 1.33% and 5.37% (2015 - 1.33% and 5.53%), with a weighted average interest rate of 3.07% (2015 - 3.48%), and a weighted average maturity of 5.1 years (2015 - 4.6 years), secured by related investment properties	**$**	**366,456,792**	$	303,532,324
Second mortgages on investment properties, bearing interest between 3.30% and 4.03% (2015 - 3.00% and 4.37%), with a weighted average interest rate of 3.72% (2015 - 3.37%) and a weighted average maturity of 4.8 years (2015: 2.8 years), secured by related investment properties		**1,804,788**		4,619,036
Line of Credit facilities, bearing interest between 3.70% and 4.20% (2015 - 3.90%), with a weighted average interest rate of 4.02% (2015 - 3.90%) secured by assets of the REIT and/or its subsidiaries		**31,651,256**		20,000
REIT proportion of mortgages held through joint arrangement, bearing interest between 3.55% and 4.20% (2015 - 3.55% and 3.56%), with a weighted average interest rate of 3.84% (2015 - 3.55%) and a weighted average maturity of 0.5 years (2015: 1.2 years), secured by related investment properties in the joint venture		**22,689,768**		12,993,205
	$	**422,602,604**	$	321,164,565
Marked to market adjustment		**260,222**		421,432
Less: Unamortized portion of financing fees		**(1,950,193)**		(2,162,564)
	$	**420,912,633**	$	319,423,433

Substantially all of 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, 2016 was 3.18% (December 31, 2015 - 3.48%).

13. Mortgages Payable and Credit Facilities (continued)

Mortgages payable at December 31, 2016 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2017	$ 42,692,648	$ 47,317,214	$ 90,009,862
Year ended December 31, 2018	10,140,923	60,613,149	70,754,072
Year ended December 31, 2019	8,338,397	21,492,940	29,831,337
Year ended December 31, 2020	7,639,512	35,078,856	42,718,368
Year ended December 31, 2021	5,146,874	65,918,315	71,065,189
Thereafter	16,516,550	101,707,226	118,223,776
	$ 90,474,904	$ 332,127,700	$ 422,602,604
Less: Marked to market adjustment			260,222
Less: Unamortized portion of financing fees			(1,950,193)
			$ 420,912,633

The fair value of mortgages payable is approximately $427,442,935 (December 31, 2015 - $341,402,832).

14. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consists of the following:

		December 31, 2016	December 31, 2015
Accounts payable		**$ 1,601,823**	$ 2,323,440
Accrued expenses		**5,186,141**	4,272,405
Prepaid rent		**951,063**	1,251,202
Deferred trust units		**349,251**	150,253
Other liabilities	a)	**219,145**	75,737
		$ 8,307,423	$ 8,073,037

a) Deferred unit plan:

REIT provides a deferred unit plan for some of its employees. The plan entitles certain employees to receive a deferred bonus in the form of deferred trust units. Under the terms of the plan, units have a vesting period of three years from the date of issuance and units earn DRIP throughout the vesting period.

14. Accounts Payable and Other Liabilities (continued)

The following table summarizes the Deferred Unit activity:

	December 31, 2016	December 31, 2015
Balance, beginning of year	$ 150,253	$ -
Units granted	150,006	134,527
Units exercised	(13,354)	-
Change in fair value and distributions	62,346	15,726
Balance, end of year	**$ 349,251**	$ 150,253

15. Restricted Cash / Unit Subscriptions in Trust

At December 31, 2016, there is no restricted cash. As at December 31, 2015 restricted cash consists of cash not available for current use in the amount of $1,181,240. This restricted cash represents Unitholder subscriptions held in trust until the trade settlement date, these amounts will be returned to investors if the proposed unitholder subscriptions do not successfully proceed. All restricted cash as at December 31, 2016 is short term.

16. Classification of Units

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

Authorized

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

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

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

iv. **Unlimited number of Class M Trust Units**
Class M Trust Units are participating, reserved for Centurion Asset Management Inc. and represent a beneficial interest based on a formula disclosed in the DOT. Apart from certain voting restrictions, Class M Unitholders are entitled to vote to that percentage of all Unitholder votes equal to the Class M Unit Percentage Interest as defined in the DOT. At any time, the holder of a Class M unit may convert into either Class A units based on a specified ratio as disclosed in the DOT.

16. Classification of Units (continued)

v. Unlimited number of Special Voting Units of REIT and Exchangeable LP Units

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

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

Issued

	December 31, 2016	December 31, 2015
Class A Trust Units		
Units as at January 1,	**35,095,135**	30,117,969
New units issued	**3,088,917**	4,817,341
Distribution reinvestment plan	**1,301,745**	1,117,855
Redemption of units	**(1,312,746)**	(628,014)
Transferred to Class F	**(12,552)**	(330,016)
	38,160,499	35,095,135
Class F Trust Units		
Units as at January 1,	**4,139,635**	1,947,283
New units issued	**1,623,001**	1,727,897
Distribution reinvestment plan	**218,623**	118,075
Redemption of units	**(177,392)**	(39,229)
Transferred from Class A	**12,552**	385,609
	5,816,419	4,139,635
Class M Trust Units	**50,000**	50,000
Exchangeable LP units		
Units as at January 1,	**259,683**	312,491
Distribution reinvestment plan	**3,138**	2,785
Redemption of units	**(126,351)**	(55,593)
	136,470	259,683

17. Finance Costs

	December 31, 2016	December 31, 2015
Interest on mortgages payable and credit facilities	**$ 11,674,554**	$ 11,715,244
Amortization of financing fees and marked to market adjustment	**538,280**	494,636
Amortization on CMHC Insurance	**103,938**	4,369
	$ 12,316,772	$ 12,214,249

18. General and Administrative Expenses

	December 31, 2016	December 31, 2015
Salaries and wages	**$ 6,049,141**	$ 4,828,026
Communications & IT	**984,641**	$ 29,406
Fund administration costs	**862,458**	613,351
Professional fees	**591,846**	982,887
Advertising	**545,484**	123,746
Office rent	**469,269**	441,242
Amortization of property and equipment	**228,065**	293,547
Miscellaneous expenses	**706,318**	889,820
	$ 10,437,222	$ 8,202,025

19. Investment in Joint Arrangements

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

	December 31, 2016	December 31, 2015
75 Ann & 1 Beaufort Co-ownership	**75%**	75%
1 Columbia	**50%**	0%

19. Investment in Joint Arrangements (continued)

The following represents 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, 2016		December 31, 2015
Non-current assets	**$**	**46,231,874**	$	34,791,797
Current assets		**5,951**		32,617
Total assets		**46,237,825**		34,824,414
Non-current liabilities		**22,689,768**		12,993,205
Current liabilities		**1,543,990**		1,332,847
Total liabilities		**24,233,758**		14,326,052
Revenues	**$**	**2,882,971**	$	2,593,802
Expenses		**(1,649,579)**		(1,610,097)
Fair value adjustment on investment properties		**285,703**		362,660
Net income for the period	**$**	**1,519,095**	$	1,346,365

20. Commitments

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 ten year term ending December 31, 2024 with a renewal term for an additional ten years unless terminated by either of the parties. Under the agreement, REIT is required to pay an acquisition fee equal to 1.0% of the gross purchase price of each investment property acquired by REIT.

21. Related Party Transactions

Related parties of REIT hold the 50,000 Class M Trust units of REIT and REOT. The distributions for the year ended December 31, 2016 for these units were $2,087,523 (2015 - $1,522,842).

During the year, REIT was charged acquisition fees under agreement described in Note 20 of $812,560 (2015: $974,625). These transactions are incurred in the normal course of business and are measured at the amounts agreed to by the related parties.

Centurion Mortgage Services Corporation Inc. ("CMSC") has a payable to REIT in the amount of $16,660 as at December 31, 2016 (December 31, 2015 – $113,675).

REIT reimbursed Centurion Asset Management GP Inc. ("CAMGPI") for $2,093,248 (2015 - $1,327,176) of payroll expenses, $291,248 (2015 - $105,600) of administrative expenses.

The REOT purchased $3,500,000 of mortgage investments from REIT that was initially funded via the warehouse agreement.

21. Related Party Transactions (continued)

Key management consists of the Board of Trustees and the executive management team of REIT & REOT. Compensation paid to non-executive trustees during the year was $189,750 (2015 -$187,000). Compensation paid to executive management during the year was $470,000 (2015 - $660,000).

22. Contingencies

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 would have a material adverse effect on the financial position of REIT.

23. Capital Management

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

REIT defines capital as REIT net assets attributable to Unitholders, mortgage payable and credit facilities. 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 the resources needed to acquire new properties and fund real estate investments as identified.

Various debt and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion to total debt. These indicators assist 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. The REIT's credit facilities (Note 13) and various mortgages have debt covenant requirements that are monitored by 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. 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.

Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of distributable income and distributable income per unit. The REIT has issued guarantees in the amount of $7,590,987.

23. Capital Management (continued)

REIT's credit facilities (see Note 13) require compliance with certain financial covenants. As at December 31, 2016 the REIT was in compliance with all of its loan covenants and all other of its obligations under its loan agreements.

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

As at	December 31, 2016	December 31, 2015
Total unrestricted assets	**$ 1,044,978,126**	$ 835,707,560
Mortgages payable and credit facilities	**420,912,633**	319,423,433
Ratio of debt to GBV	**40.28%**	38.22%

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

As at	December 31, 2016	December 31, 2015
Mortgages payable and credit facilities	**$ 420,912,633**	$ 319,423,433
Net assets attributable to Unitholders	**611,549,498**	504,573,935
Total	**$ 1,032,462,131**	$ 823,997,368

24. Financial Instruments

a) Risk management

The main risks that arise from REIT's financial instruments are liquidity, interest and credit risk. 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 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, 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 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 REIT may not be able to meet its financial obligations as they fall due.

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

24. Financial Instruments (continued)

b) Liquidity risk (continued)

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to REIT. Management's strategy is to mitigate 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.

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

The success of new capital issuances is subject to the capital markets being receptive to a unit issue with financial terms favorable to REIT. There is also risk that the credit facility will not be renewed on terms and conditions acceptable to REIT or on any terms at all.

At December 31, 2016, REIT had cash of $1,053,088 (December 31, 2015: $19,602,591) and credit facilities as follows:

	December 31, 2016	December 31, 2015
Credit facilities agreed	$65,750,000	$45,750,000
Available for use	$49,989,924	$45,750,000
Available as undrawn	$18,327,681	$45,730,000

On March 4, 2016, a subsidiary of the REIT obtained a revolving demand loan from a Schedule 1 Bank for $20,000,000 at an interest rate of prime plus 1.50%. As at December 31, 2016, $20,000,000 has been drawn on this facility. Under the terms of the credit facility, REIT is required to maintain a minimum tangible net worth and interest coverage ratio.

c) Interest rate risk

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

REIT's objective of managing interest rate risk is to minimize the volatility of earnings. Management monitors' REIT's variable rate credit on an ongoing basis and assesses the impact of any changes in these credit rates on earnings, management routinely assesses the suitability of REOT's current credit facilities and terms. At December 31, 2016, $402,602,604 of REIT's mortgages bear interest at fixed rates (December 31, 2015: $321,144,565).

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 long term debt.

24. Financial Instruments (continued)

c) Interest rate risk (continued)

		-1%		1%	
	Carrying Amount	Income	Equity	Income	Equity
Financial assets					
Variable rate mortgage investments due to mature in a year	$ 7,034,246	$ -	$ -	$ 51,539	$ 51,539
Financial liabilities					
Variable rate debt due to mature in a year	$ 31,651,256	$ 316,513	$ 316,513	$ (316,513)	$ (316,513)

d) Credit risk

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

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.

25. 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 REIT's financial instruments were determined as follows:

- The carrying amounts of cash, restricted cash, unit subscriptions in trust, accounts receivable, mortgage interest receivable, amounts due from mortgage servicer, other receivables, credit facilities, accounts payable and other liabilities, distribution payable, tenant deposits and amounts due on mortgages payable approximate their fair values based on the short term maturities of these financial instruments.
- The fair value of the mortgage investments as at December 31, 2016 is $219,469,093 (December 31, 2015: $121,691,700), based on rates received on a similar investment.
- Fair values of mortgages payable are estimated by discounting the future cash flows associated with the debt at market interest rates with similar terms to maturities. The fair value at December 31, 2016 is $427,442,935 (December 31, 2015: $341,402,832)

25. Fair value measurement (continued)

In addition, REIT carries its investment properties at fair value, as detailed in Note 5, 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, which are defined as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$ -	$ -	$ 768,793,900	$ 768,793,900
Participating loan interests	-	-	11,266,796	11,266,796
Measured at fair value through profit and loss	**$ -**	**$ -**	**$ 780,060,696**	**$ 780,060,696**

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$ -	$ -	$ 666,463,327	$ 666,463,327
Participating loan interests	-	-	790,313	790,313
Measured at fair value through profit and loss	**$ -**	**$ -**	**$ 667,253,640**	**$ 667,253,640**

Investment properties

Investment properties are re-measured to fair value on a quarterly and annual basis and categorized as Level 3 in the fair value hierarchy. Investment properties were valued as at December 31, 2016 which resulted in fair value gains for the year ended December 31, 2016 of $6,264,838 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.

25. Fair value measurement (continued)

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 are no quoted prices in an active market for the mortgage investments. Management determines 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. As a result, the fair value of mortgage investments is based on Level 3 inputs.

26. Subsequent events

Subsequent to the reporting date REIT completed the following transactions:

a) In March 2017, REIT purchased 60% of a new building, four 4-storey residential complexes consisting of 208 units in Regina, Saskatchewan for a total purchase price of $25.4 million.
b) Additional mortgage investment advances of $30.1 million were completed and additional funding commitments of approximately $20.5 million have been approved.
c) Subsequent to the year end, REIT received approximately $2.8 million in mortgage investment repayments.
d) Cash distributions declared and paid after the year end totaled approximately $5.9 million.
e) Redemptions paid after the year end totaled approximately $4.4 million.
f) In January 2017, REIT's revolving demand loan increased from $20 million to $25 million.
g) Subsequent to the year end, REIT issued units totaling $40.5 million to investors.

27. Segmented Information

Management of REIT monitors and operates its rental real estate properties and its mortgage investment operations separately. The accounting policies of these segments are the same as those of REIT. The results for these segments are as follows:

For the year ended December 31, 2016	Rental real estate properties	Mortgage investments	Total
Revenue / Interest income on mortgage investments	$ 54,967,879	$ 18,229,456	$ 73,197,335
Operating costs	(20,312,976)	-	(20,312,976)
	34,654,903	18,229,456	52,884,359
Income from equity accounted investments	-	4,706,781	4,706,781
Other income	464,824	-	464,824
Fair value gains on participating loan interests	-	11,099,263	11,099,263
General and administrative expenses	(8,375,570)	(2,061,652)	(10,437,222)
Provision for mortgage investment loss	-	(523,225)	(523,225)
Fair value gains on investment properties	6,264,838	-	6,264,838
Operating income	**$ 33,008,995**	**$ 31,450,623**	**$ 64,459,618**

For the period ended December 31, 2015	Rental real estate properties	Mortgage investments	Total
Revenue / Interest income on mortgage investments	$ 49,682,274	$ 11,073,346	$ 60,755,620
Operating costs	(20,010,429)	-	(20,010,429)
	29,671,845	11,073,346	40,745,191
Income from equity accounted investments	-	1,137,612	1,137,612
Fair value gains on participating loan interests	-	107,327	107,327
General and administrative expenses	(6,682,902)	(1,523,492)	(8,206,394)
Provision for mortgage investment loss	-	(804,769)	(804,769)
Fair value gains on investment properties	23,066,385	-	23,066,385
Operating income	**$ 46,055,328**	**$ 9,990,024**	**$ 56,045,352**

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For the twelve months ended December 31, 2016