

REIT FORENSICS · INVESTMENT MEMO

The Unbuilding

For seven years CAPREIT built an empire, issuing units and acquiring properties at a pace that nearly doubled its portfolio.

Then it stopped — and started taking the empire apart. The question for investors is not whether the machine was built too fast.

It is whether dismantling it creates more value per unit than building it ever did.

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44,876

CANADIAN SUITES

\$48

UNIT PRICE

9.7%

5-YEAR IRR

\$729M

NCIB SINCE FY2023

OPERATING & FINANCIAL HIGHLIGHTS

Canadian Apartment Properties REIT (TSX: CAR.UN) | All figures in \$000s CAD unless noted | FY ends December 31

Key Financial Data (\$000s)	FY2021	FY2022	FY2023	FY2024
Total Revenue	933,137	1,007,268	1,065,317	1,112,742
Property Operating Expenses	(323,144)	(356,859)	(372,531)	(382,088)
Net Operating Income (NOI)	609,993	650,409	692,786	730,654
Less: G&A	(51,366)	(57,965)	(62,373)	(58,624)
Less: Cash Interest Paid	(133,665)	(156,266)	(184,586)	(197,773)

Funds from Operations (FFO)	392,419	398,940	407,662	428,640
Less: Non-Discretionary Capex	(78,006)	(74,778)	(71,572)	(68,881)
RF-AFFO (Forensic)	346,956	361,400	374,255	405,376
Less: Total CFS Capex	(299,419)	(336,467)	(307,831)	(249,808)
CFS-FCF (True Free Cash After Capex)	118,349	105,294	123,502	201,264

PER-UNIT METRICS

	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2030E
FFO / Unit	\$2.28	\$2.40	\$2.53	\$2.54	\$2.54	\$2.78
RF-AFFO / Unit	\$2.07	\$2.20	\$2.40	\$2.28	\$2.18	\$2.33
CFS-FCF / Unit	\$0.60	\$0.73	\$1.19	\$0.97	\$1.19	\$1.32
Distributions / Unit	\$1.45	\$1.45	\$1.47	\$1.55	\$1.60	\$1.60
FFO Payout	63.5%	60.5%	58.0%	60.8%	63.1%	57.5%
CFS-FCF Payout	241%	200%	124%	159%	134%	121%
IFRS NAV / Unit	\$57.20	\$54.58	\$55.42	\$55.56	\$56.66	\$59.16

Source: CAPREIT financial statements (FY2015–FY2025), REIT Forensics pro forma model (FY2026E–FY2030E). FFO per REALpac definition. RF-AFFO = NOI less G&A, cash interest, and non-discretionary capex. CFS-FCF = CFO less interest paid less total CFS capital investments.

LEVERAGE & COVERAGE

	FY2022	FY2023	FY2024	FY2025	FY2026E
Net Debt (\$000s)	6,966,072	7,029,593	5,855,771	5,931,675	5,700,226
Net Debt / EBITDA	11.8×	11.2×	8.7×	9.9×	9.7×
Debt-to-GBV	39.6%	41.6%	38.4%	39.3%	37.0%
WA Mortgage Rate	2.61%	2.90%	2.99%	3.08%	2.94%
% Fixed Rate	98.3%	98.5%	97.7%	98.3%	98.5%
WA Years to Maturity	4.9 yr	4.8 yr	5.0 yr	4.8 yr	—



The most revealing number in CAPREIT's financial history is not a dollar figure. It is a count: 174,816. That was the weighted-average diluted unit count in FY2022 — the high-water mark, the point at which a decade of equity issuance, DRIP programs, and bought deals had inflated the denominator to its maximum. Three years later, the count stands at 157,694 and falling. The difference — seventeen thousand fewer claims on the same income stream — tells you more about where CAPREIT

is going than any single line item on the income statement.

For seven consecutive years, from FY2015 to FY2021, CAPREIT did what the Canadian REIT industry's institutional playbook prescribed. It acquired aggressively — \$5.3 billion of properties in total, growing the portfolio from 46,790 suites to 66,165. It funded the spree by issuing equity — \$1.6 billion worth, expanding the unit count from 120,000 to 175,000, a 45% increase. It took on debt, pushing net borrowings from \$3.3 billion to \$6.3 billion. It expanded into Europe through ERES, a Dutch residential platform that added geographic complexity alongside geographic diversification. At the aggregate level, the numbers looked impressive: NOI nearly doubled from \$325 million to \$610 million. The empire got bigger. Management made the case for scale.

But the per-unit story — the only story that matters to an owner of a single unit — was materially different. During that same seven-year expansion, RF-AFFO per unit grew from \$1.57 to \$1.99: a 27% total gain, or roughly 3.6% annually. Aggregate NOI grew 88%. The remaining sixty-one percentage points of growth went somewhere other than existing unitholders. It went to newly issued units. It went to debt service. It went to capex intensity that exceeded what the standard apartment model would predict. It went, in other words, into the cost of building the empire — costs borne disproportionately by the people who owned it before the building began.

The aggregate numbers were impressive: NOI nearly doubled. But per-unit operating cash flow grew at 3.6% annually for seven years. The sixty-one percentage point gap between enterprise growth and per-unit delivery is the cost that dilution imposes — a cost that never appears on the income statement.

Then, starting in FY2022, something changed. CAPREIT stopped acquiring and started selling. It stopped issuing equity and started buying it back. The transformation was not subtle: \$3.9 billion in dispositions over three years. The Netherlands platform methodically wound down. The manufactured housing business was sold. The unit count dropped from 175,000 to 158,000 through a \$729 million buyback programme — \$101 million in FY2023, \$327 million in FY2024, \$301 million in FY2025. Debt-to-GBV declined from 42% to 39%. The portfolio shrank from 66,165 to 45,905 suites. CAPREIT was, deliberately and systematically, unbuilding

itself.

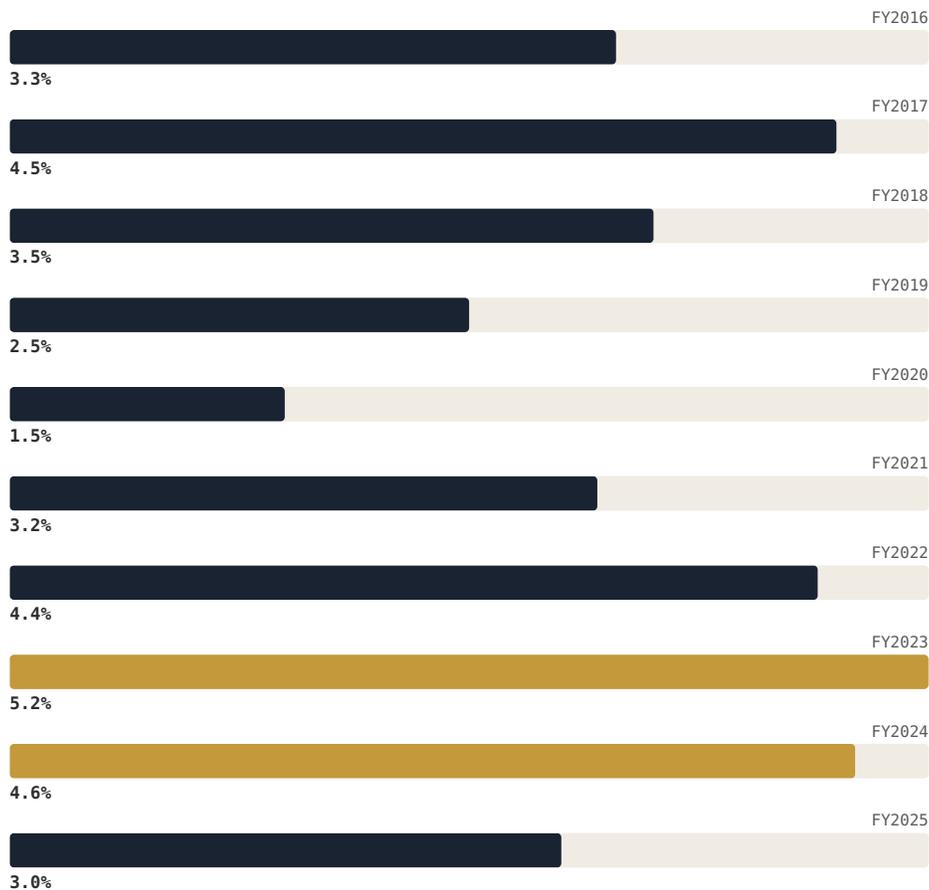
I. The Operating Foundation

SAME-STORE PERFORMANCE

What makes the unbuilding thesis investable — what separates it from a simple liquidation story — is that the core Canadian residential business has been quietly, consistently excellent. Same-property NOI grew in every single year of the eleven-year series, including through the pandemic. The range runs from 1.5% in FY2020 (the pandemic trough) to 5.2% in FY2023 (the post-reopening surge), with a structural norm around 3-4%. Portfolio occupancy has never fallen below 97%. Average monthly rents have risen from \$963 per suite in FY2015 to \$1,555 in FY2025 — a 4.9% compound annual growth rate, driven by turnover-driven mark-to-market in rent-controlled provinces and broader market rent increases across the portfolio.

SAME-PROPERTY NOI GROWTH

Canadian Residential segment, FY2016–FY2025



Source: CAPREIT Ops tab, same-property NOI growth, Canadian Residential segment. FY2020 suppressed by pandemic-related rent relief and collections. FY2023–2024 boosted by above-guideline rent increases and turnover-driven mark-to-market.

The operating margins tell the same story. NOI margin has held between 61% and 66% for the entire decade — a narrow band for a business that doubled in size, added a European platform, and then shed nearly a third of its portfolio. G&A as a percentage of revenue has oscillated between 4.3% and 5.9%, with no structural trend upward despite the complexity of running an intercontinental operation. As the European wind-down completes and the portfolio simplifies to a pure Canadian residential focus, the cost structure should tighten further. In FY2025, G&A was \$54.9 million against \$653.7 million of NOI — a ratio of 8.4%, meaningfully below the REIT sector median.

The property-level economics are what make CAPREIT's Canadian portfolio a genuinely good business. It owns a geographically diversified collection of mid-market apartments — older vintage, well-maintained, renting at prices that working households can afford. The average rent of \$1,555 per month sits below market in most of the major census metropolitan areas where CAPREIT operates. In a country with structural housing undersupply, rising immigration-driven population growth, and rent control regimes that create embedded mark-to-market opportunities on turnover, this is a portfolio that generates organic income growth with minimal friction.



II. Two Eras, One Entity

THE DILUTION DAMAGE

To understand where CAPREIT stands today requires understanding what it did to its unitholders over the prior decade. The data is unambiguous.

THE UNIT COUNT STORY

Weighted-average diluted units (000s) and annual dilution rate

	FY2015	FY2017	FY2019	FY2021	FY2023	FY2025
WA Diluted Units (000s)	119,926	137,828	159,115	174,041	170,117	159,000
Cumulative Change vs FY2015	—	+14.9%	+32.7%	+45.1%	+41.9%	+33.3%
NOI (\$M)	\$325	\$393	\$508	\$610	\$693	\$750
NOI Growth vs FY2015	—	+21%	+57%	+88%	+113%	+131%
RF-AFFO / Unit	—	\$1.53	\$1.74	\$1.99	\$2.20	\$2.20

Source: REIT Forensics model, IS/FFO_AFFO/CFS-FCF tabs. RF-AFFO = NOI - G&A - cash interest - non-discretionary capex. FY2015 RF-AFFO/unit not available (capex classification begins FY2016).

Between FY2015 and FY2021, CAPREIT grew aggregate NOI by 88%. A unitholding during that period should have produced meaningful per-unit growth — particularly at leverage multiples of 10–12× net debt to EBITDA, where the mathematics of fixed-cost debt on a variable income stream should amplify each dollar of same-store growth into more than a dollar of per-unit earnings growth. The reference amplification ratio at 10× leverage is 1.46× — meaning that 3% same-store NOI growth should deliver approximately 4.4% growth in per-unit cash flow, before dilution effects.

In practice, amplification was erratic. Of nine year-pairs in the eleven-year series, four produced amplification shortfalls. The interest drag alone consumed enormous swaths of operating gain: from FY2021 to FY2025, incremental cash interest expense of \$38 million consumed 87% of the incremental NOI generated over the same period. And dilution compounded the damage. In Phase 1, unit count growth of 7–10% per year overwhelmed even the favourable leverage arithmetic, turning what should have been an amplified 5–6% per-unit growth rate into a 3.6% actual. The sixty-one-point gap between aggregate NOI growth (88%) and per-unit RF-AFFO growth (27%) was consumed by three drains: new units, new debt, and the capex required to maintain a rapidly expanding portfolio.

Interest expense consumed 87% of incremental NOI growth between FY2021 and FY2025. This is the arithmetic of elevated leverage: the operating machine generates growth, and the balance sheet absorbs it before it reaches the owner.

THE PIVOT

Phase 2 — FY2022 to present — is a different story. RF-AFFO per unit grew from \$2.07 to \$2.28 (10% in three years) despite aggregate NOI declining due to dispositions. The improvement came entirely from the shrinking denominator: fewer units, less complexity, lower overhead, and the gradual removal of the European drag. CFS-FCF per unit improved from \$0.60 to \$0.97 — still insufficient to cover the \$1.55 distribution, but the trajectory is unmistakable.

	FY2015	FY2017	FY2019	FY2021	FY2023	FY2024	FY2025
Acquisitions	(\$933)	(\$471)	(\$1,327)	(\$840)	(\$242)	(\$333)	(\$933)
Dispositions	\$24	\$17	\$0	\$29	\$374	\$2,135	\$1,135
Equity Issuance	\$401	\$150	\$309	\$87	\$3	\$3	\$3
NCIB Buybacks	—	—	—	—	(\$101)	(\$327)	(\$327)
Net Capital Direction	Building	Building	Building	Building	Contracting	Contracting	Contracting

Source: CAPREIT CFS and Sources & Uses tabs, REIT Forensics model. Equity issuance includes DRIP where applicable. NCIB = Normal Course Issuer Bid repurchases.



III. The Distribution Problem

In eleven consecutive years, CAPREIT has never generated enough free cash flow — after all maintenance, improvements, and capital expenditures — to cover its distribution. This is the single most important fact in the financial model, and it cannot be papered over by any management metric.

On a CFS-FCF basis — cash from operations, less interest paid, less total capital investments actually disbursed through the cash flow statement — the payout ratio has ranged from 124% (FY2024, the best year) to 790% (FY2015, the worst). The cumulative shortfall across the eleven-year series is approximately \$1.2 billion. That is \$1.2 billion in distributions paid to unitholders from sources other than operating free cash flow: from equity issuance, from debt draws, from disposition proceeds, and from DRIP reinvestment that created new units to fund existing distributions.

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CUMULATIVE CFS-FCF SHORTFALL
FY2015-FY2025 (11 years)

159%

CFS-FCF PAYOUT (FY2025)
\$0.57/unit shortfall

68%

RF-AFFO PAYOUT (FY2025)
\$0.73/unit surplus

The analytical tension lies in the 91-point gap between the two payout measures. Management's preferred metric, ACFO — and the closely related RF-AFFO used in this forensic framework — deducts only non-discretionary capex (\$62.7 million, or \$1,366 per suite). On this basis, the distribution is comfortably covered at 68%, with \$0.73 per unit retained. The CFS-FCF measure deducts all capital investments (\$241.6 million, or \$5,263 per suite). The gap between the two capex figures — \$178.9 million annually — is classified as discretionary: suite improvements, common area upgrades, energy and resiliency work, equipment.

The honest answer is that the true maintenance burden lies somewhere between \$1,366 and \$5,263 per suite. Industry benchmarks from institutional apartment operators suggest \$1,500 to \$3,000 per suite as a defensible non-discretionary range. At the midpoint of \$2,600 per suite, the adjusted payout ratio would be approximately 81% — covered, but with thin margin. The market appears to have reached a similar conclusion: the persistent 20% discount to IFRSNAV implies investors apply a higher cap rate or a scepticism discount that the management metrics do not capture.

What is genuinely improving is the trajectory. CFS-FCF per unit has risen from \$0.15 in FY2015 to \$0.97 in FY2025, and the forward model projects it crossing above the distribution threshold — reaching payout ratios below 130% by FY2028 and approaching 120% by FY2030. If the capex normalisation assumption holds, CAPREIT is within three years of the first genuinely self-funded distribution in its modern history.



IV. The IFRS Illusion and Cost-Basis Reality

CAPREIT carries \$14.7 billion of investment properties on its balance sheet at fair value. Those properties contain \$3.47 billion in cumulative fair value gains — unrealised appraisal adjustments that have inflated the balance sheet over the decade without any corresponding cash transaction. The gains represent 23.6% of total property carrying value. They make the IFRS balance sheet look more valuable and the operating returns look less impressive than they are.

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
IFRS ROIC (NOI–G&A ÷ Avg IC)	3.89%	3.56%	3.52%	3.79%	4.31%	4.05%
Cost-Basis ROIC (True)	5.23%	4.93%	4.85%	4.97%	5.57%	5.31%
IFRS Distortion (bps)	+134	+137	+134	+118	+126	+126
Cumulative FV Gains as % of IP	25.6%	28.5%	25.7%	21.2%	23.9%	23.6%

Source: REIT Forensics ROIC tab. Actual IC = IFRS IC less cumulative fair value gains on investment properties. FV gains include cumulative mark-to-market since pre-FY2015 (\$500M estimated base).

The cost-basis ROIC — 5.31% in FY2025 — is the figure that tells you the truth about CAPREIT's earning power on the capital actually deployed by management. It is above the weighted-average mortgage rate (3.08%) by a comfortable 223 basis points, confirming that the trust creates value at the property level. But it is below the cost of equity capital — even at the market-implied cap rate of approximately 5.0%, the return barely covers the required hurdle, and on a risk-adjusted basis, the margin is thin.

This is the fundamental difference between CAPREIT and the rare compounder that retains all earnings. A trust structure that distributes the majority of operating cash flow and funds growth through equity issuance or debt is economically rational only when the return on incremental invested capital meaningfully exceeds the blended cost of that capital. At 5.3% ROIC on cost against a blended cost of capital around 5–6%, CAPREIT is not destroying value. But it is not creating the wide spread that rewards concentrated ownership or justifies elevated leverage. The margin of safety, to borrow the language of value investing, is narrow.



V. The Balance Sheet

At 9.9× net debt to EBITDA, CAPREIT sits near the upper end of the range for Canadian apartment REITs. The number was as high as 11.8× in FY2022 and has improved through a combination of dispositions and EBITDA growth. The forward model projects further reduction to roughly 9.7× by FY2030 — an improvement, but one that leaves the trust structurally more levered than most publicly traded apartment peers.

The quality of the debt partially compensates. CAPREIT's Canadian mortgage book is 98.3% fixed-rate, with a weighted-average rate of 3.08% and 4.8 years average term to maturity. The majority is CMHC-insured — government-backed financing at rates unavailable to non-insured borrowers or to any American apartment REIT. This is a genuine structural advantage, and it produces a stable, predictable interest cost

that protects against the rate-reset risk that can devastate leveraged real estate portfolios.

The credit facility is the item to watch. Currently at \$331 million, it is projected to grow to \$921 million by FY2030 in the forward model as the residual funding plug — absorbing the gap between operating cash flow and the combination of capex, amortisation, distributions, and buybacks. This means total leverage may not decline as dramatically as the mortgage book alone suggests. The credit facility carries a higher rate (approximately 5.5%, versus 3.1% on mortgages) and is floating-rate — a meaningful cost difference on a growing balance.



VI. The Netherlands Exit

The ERES story is a case study in the hidden costs of complexity. CAPREIT's European residential investment trust was consolidated at 65% ownership from FY2019, adding Dutch residential properties alongside the core Canadian portfolio. At its peak, European investment properties constituted 16% of total assets and ERES mortgages represented 22% of total debt. The 35% non-controlling interest was classified as a financial liability on the balance sheet — a liability that required cash distributions and special payments that totalled \$128 million in FY2025 alone.

The wind-down is now well advanced. European assets have declined from \$2.7 billion to \$232 million. The NCI liability has fallen from \$357 million to \$85 million. The forward model projects both reaching zero by FY2028. But the cost of the European experiment is visible in the numbers: the ERES NCI interest and special payments consumed cash that would otherwise have been available to fund distributions or reduce debt. In FY2025, the \$128 million in ERES-related cash outflows exceeded the entire CFS-FCF shortfall. Remove the ERES drag, and the distribution funding gap for the Canadian core business was substantially smaller than the consolidated figures suggest.

This matters for the forward case because the European exit represents a non-recurring improvement. Once ERES is fully wound down, the income statement, balance sheet, and cash flow statement all simplify — and the remaining business is the one that has grown same-property NOI in every year of the series.



VII. The Valuation

VALUATION FRAMEWORK

Metric	Value	Interpretation
Unit Price	\$48.00	TSX: CAR.UN
IFRS NAV / Unit	\$55.56	20% discount — market applies higher cap rate
IFRS Appraisal Cap Rate	4.20%	Management's valuation input
Market-Implied Cap Rate	~5.0%	What the market is paying
Cost-Basis Operating Cap Rate	5.79%	Real NOI ÷ actual capital deployed
P / FFO	18.9×	\$48 ÷ \$2.54
RF-AFFO Yield	4.7%	\$2.28 ÷ \$48
Distribution Yield	3.2%	\$1.55 ÷ \$48

The persistent 20% discount to IFRS NAV is the market's verdict on CAPREIT's cumulative capital allocation record. It implies either that the market applies a cap rate approximately 80 basis points higher than IFRS appraisers (5.0% vs. 4.2%), or that investors discount the NAV for the structural issues this analysis has documented: the distribution funding gap, the capex classification question, the ERES complexity, and the lingering memory of dilution-era capital allocation.

The discount is also, potentially, the opportunity. If the capital discipline that has characterised the past three years is permanent — if CAPREIT's management genuinely intends to operate a smaller, simpler, better-capitalised business focused on per-unit value creation rather than aggregate asset growth — then the 20% discount is a gap that closes over time as the market accumulates evidence of the new regime. The forward model provides the arithmetic of that closing.

THE RETURN PROFILE

INVESTOR CASH FLOW TIMELINE

\$48 entry, 5-year hold, 4.25% exit cap rate

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Entry Cost	(\$48.00)	—	—	—	—	—
Distributions Received	—	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60
Exit Proceeds (NAV)	—	—	—	—	—	\$66.54
Net Cash Flow	(\$48.00)	\$1.60	\$1.60	\$1.60	\$1.60	\$68.14

\$48.00

ENTRY PRICE

\$66.54

EXIT NAV / UNIT
Post-DTL, 4.25% cap

9.7%

5-YEAR IRR
38.6% capital gain + 3.3% yield

The 9.7% five-year IRR is composed of two elements: a 38.6% capital gain (NAV per unit growing from approximately \$60 to \$66.54, with the entry discount to NAV providing additional return) and a 3.3% annual distribution yield. Of the total return, approximately 70% comes from capital appreciation and 30% from distributions. The total return is 55% over five years.

The returns are most sensitive to the exit cap rate. At a 5.0% exit cap — implying that the market's current scepticism persists to the terminal year — the NAV per unit at exit falls to approximately \$54, compressing the capital gain and reducing the five-year IRR to roughly 6%. At a 4.0% exit cap — implying that the market re-rates CAPREIT closer to its IFRS appraisals as the European complexity clears and the capital discipline is established — the NAV per unit rises and the IRR approaches 13-14%. The entry price matters less than the exit cap rate: the difference between a \$44 entry and a \$52 entry is roughly 2 percentage points of IRR, while the difference between a 4.25% and a 5.0% exit cap rate is approximately 4 points.

IRR SENSITIVITY: EXIT CAP RATE × ENTRY PRICE

5-year IRR (%) at different combinations

Exit Cap ↓ / Entry →	\$40	\$44	\$48	\$52	\$56
5.00% (bear)	8.9%	7.5%	6.2%	5.1%	4.1%
4.50%	11.7%	10.2%	8.8%	7.6%	6.5%
4.25% (base)	13.2%	11.6%	9.7%	8.9%	7.7%
4.00%	14.8%	13.1%	11.6%	10.3%	9.2%
3.75% (bull)	16.5%	14.8%	13.2%	11.9%	10.7%

Source: REIT Forensics Return Profile sensitivity engine. Exit method: NTM NOI ÷ exit cap rate + net other assets - total liabilities. Distributions of \$1.60/unit/year included in all scenarios. IRR values interpolated from model sensitivity matrix.



VIII. What Could Go Wrong

Three risks require honest treatment, beyond the capital allocation reversion risk addressed throughout.

The distribution may be structurally underfunded for years. Even in the forward projections, CFS-FCF payout does not cross below 100% within the five-year projection period. Every year of the forecast requires external funding — from the credit facility, from disposition proceeds, or from other sources — to cover the distribution. Management's own ACFO metric says the distribution is covered; the cash flow statement says it is not. Until the CFS-FCF payout definitively crosses below 100%, the distribution is a claim on capital rather than a return of operating cash flow. An honest investor should treat it accordingly.

The capex classification creates genuine analytical uncertainty. Non-discretionary capex at \$1,366 per suite is below the \$1,500-\$3,000 industry range cited by institutional benchmarks. If the true non-discretionary figure is higher — if some of what CAPREIT classifies as discretionary suite improvements and common area work is actually required to maintain the portfolio's earning power — then the RF-AFFO figure overstates real economic earnings, the payout ratio is higher than it appears, and the retained earnings figure that drives NAV growth is smaller than projected.

The exit cap rate determines the return more than fundamentals. The 9.7% base-case IRR requires the market to value CAPREIT at a 4.25% cap rate in five years — the same cap rate that IFRS appraisers use today. If the current market-implied cap rate of approximately 5.0% persists, the IRR drops to roughly 6%. The investment thesis is, in this sense, a bet on re-rating as much as a bet on operating performance. The operating performance drives NAV growth; the cap rate determines how much of that growth the investor captures at exit.



The Investment Decision

The intellectual challenge of CAPREIT is that the operating business and the capital allocation record point in opposite directions. The operating business is genuinely good: durable same-store growth, structural demand tailwinds, CMHC-insured financing, a rent roll

positioned in the affordable mid-market segment of a supply-constrained country. If you could isolate the property-level economics from everything management did with the capital structure over the past decade, you would see a business worthy of a premium valuation.

But you cannot isolate the property economics from the capital structure decisions. The eleven-year record includes \$1.6 billion of dilutive equity issuance, \$1.2 billion in cumulative unfunded distributions, a European expansion that absorbed management attention and cash for five years before being reversed, and a leverage profile that remains near the top of the Canadian apartment peer set. These decisions have consequences that persist in the per-unit economic record even as the policies change.

The bull case is that the pivot is permanent. That management has learned the lesson embedded in the per-unit data — that growing the asset base at the expense of the per-unit claim is a strategy that enriches the manager but impoverishes the owner. That the \$729 million in buybacks, the \$3.9 billion in dispositions, the ERES wind-down, and the near-elimination of equity issuance represent a genuine and durable shift toward operating the business for the benefit of existing unitholders. If this is true, CAPREIT at \$48 is a good business at a fair price: 9.7% IRR with a distribution yield for the wait, improving coverage ratios, and a simplifying capital structure. Not spectacular, but compounding.

The value of a business is the present value of the cash it will deliver to its owners over its remaining life. For CAPREIT, the remaining life is long and the operating cash generation is proven. The unresolved question is whether management will continue to deliver that cash to owners through per-unit compounding — or whether the institutional imperative to grow, to acquire, to build the empire again will reassert itself.

The bear case is that the institutional incentive to grow assets under management is inherent in the REIT format and in management compensation structures, and that seven consecutive years of dilutive expansion are more representative of the organisation's natural behaviour than three years of discipline. If CAPREIT resumes large-scale acquisitions funded by equity issuance — even at attractive per-door prices — the per-unit economics revert toward the 3.6% growth rate of Phase 1 rather than the improving trajectory of Phase 2.

The answer is not in the financial model. It is in the governance — in who makes the capital allocation decisions, what incentives they face, and whether the board has the independence and the will to enforce the discipline even when the acquisition market tempts with apparently attractive deals. On this dimension, the data is necessary but insufficient. The numbers tell you where the business has been, and where it goes if the current trajectory continues. They cannot tell you whether the trajectory will continue. That is a judgment about management, and it is the judgment that determines whether CAPREIT at \$48 is a 6% return with a yield or a 13% return with improving fundamentals.

The machine works. The question is what gets built with it next.

SOURCES & DATA

All financial data sourced from Canadian Apartment Properties REIT annual reports and financial statements, FY2015 through FY2025. Forward projections (FY2026E–FY2030E) from REIT Forensics pro forma model. Same-property NOI growth and operating metrics from CAPREIT MD&A disclosures and supplemental data packages.

RF-AFFO (REIT Forensics Adjusted Funds from Operations) defined as: NOI less G&A less cash interest paid less non-discretionary capex (management's ACFO non-discretionary classification). CFS-FCF defined as: cash from operating activities (as reported on CFS) less interest paid (CAPREIT classifies interest as financing) less total CFS capital investments.

NAV calculations per REIT Forensics model: NOI capitalised at stated cap rate plus net other assets less total liabilities. ROIC calculations strip cumulative IFRS fair value gains from invested capital to derive cost-basis returns. Amplification reference table calibrated to Canadian apartment sector leverage norms.

Industry benchmarks for non-discretionary capex (\$1,500–\$3,000/suite) from Green Street Advisors apartment sector research and NAREIT institutional supplemental disclosures. CMHC insurance and mortgage data from CAPREIT annual information forms.

*REIT Forensics Framework v5 · Model: FY2015–FY2025 (11 periods) · Benchmark: Deferred
TSX: CAR.UN · \$48.00 · March 2026*