

CANADIAN APARTMENT PROPERTIES REIT (TSX: CAR.UN)

Real Estate: Canadian Residential Multi-Family

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Initiating Coverage of CAR.UN at Market Outperform and \$46.00 Target Price

Bottom Line:

We are initiating coverage of Canadian Apartment Properties REIT (CAR.UN), Canada's largest residential REIT, at Market Outperform and a \$46.00 target price. We are increasingly optimistic about the demand tailwinds for Canadian purpose-built rental and believe CAPREIT's scale, CMHC financing structure, and below-market in-place rents position it to compound per-unit value for years, with FFO/unit growing at approximately 8% annually through 2027E. The structural case is not new; what is new is the catalyst. Portfolio restructuring completion, sector consolidation as InterRent and Minto go private, and ongoing NCIB accretion at a 34% discount to IFRS NAV together distinguish this moment from prior periods when CAPREIT also traded below NAV. Aware of macroeconomic uncertainty but confident in the underlying real estate value, we rate CAPREIT at Market Outperform.

Key Points

- **Mark-to-Market Rent Gap Is the Structural Earnings Engine** – CAPREIT's average in-place rent of \$1,718/month is well below open-market GTA rents of \$2,200–\$2,400/month. Natural tenant turnover generated a blended +4.2% SP rental revenue change in FY2025, driven by long-tenure suites resetting at +16.0% and short-tenure peak-era tenants vacating at –6.3%, allowing earnings growth to compound structurally for 7–10 years without any acquisition conditional on market rent remaining above average in-place rent.
- **CMHC Financing Moat Saves ~\$114M Per Year** – 98% of CAPREIT's \$6B of total debt is CMHC-insured at 3.30%, versus the typical ~5.25% level. This 195 bps advantage saves ~\$114M/year in interest cost and is legally protected and competitively durable.
- **\$960M NCIB at 34% Discount to NAV Signals Insider Conviction** – Each dollar of buyback at current prices creates ~\$1.50 of NAV per unit for remaining holders. Management reduced diluted units from 169.9M to ~156.2M (8% reduction), driving per-unit FFO growth independent of portfolio expansion.
- **Structural Housing Affordability Crisis Maintains Demand Base** – Toronto mortgage-to-income ratio 70.3%; first-time buyer age now 40 in Ontario (up from 36 in 2014). Canada needs 390,000 new homes/year through 2030 but built only 259,028 in 2025. Affordable unit vacancy remains 1–2% nationally.

Market Outperform Target Price \$46.00

Suitability

Moderate Risk / Income

MARKET DATA

Current Price	\$37.84
52-Week Range	\$35.32–\$46.29
Market Cap	\$5.97B
Net Debt	\$5.81B
Enterprise Value	\$11.78B
Dist. Yield	4.1%
FFO/Unit (NTM)	\$2.72E
Beta	~0.85

KEY FINANCIAL METRICS

	2023A	2024A	2025A
Revenue (\$B)	\$1.07	\$1.12	\$1.00A
% Growth	+5.8%	+4.5%	-9.8%
SP NOI Growth	+7.3%	+6.0%	+4.7%
FFO/Unit	\$2.40	\$2.53	\$2.541A
% Growth	+6.7%	+5.4%	+0.3%A
Dist/Unit	\$1.44	\$1.47	\$1.55
NOI Margin	65.2%	65.7%	65.2%

KEY MULTIPLES

VALUATION

P/FFO (NTM)	14.8x
EV/EBITDA	17.5x
P/NAV	0.71x
Dist. Yield	4.1%

LEVERAGE

Debt/GBV	39.3%
CMHC-Insured Debt	~98%
Avg Mtg Rate	3.30%
Int. Coverage	3.2x

EFFICIENCY

FFO Payout Ratio	60.8%
SP NOI Margin	64.7%
NCIB Since 2022	\$960M

Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026); VIG Research.
 All figures in CAD. Data as of February 20, 2026.

Initiating at Market Outperform with \$46.00 Target Price

We initiate coverage of Canadian Apartment Properties REIT (CAR.UN) at Market Outperform with a \$46.00 target price. The stock has already reached our target, trading as high as \$46.29 during the BoC cutting cycle, before retreating to approximately \$37.84 despite 275 bps of cuts being delivered. These structural advantages have existed for some time. The question is what closes the gap now. Portfolio restructuring completion, sector consolidation following the going-private of InterRent and Minto, and ongoing NCIB accretion at a discount together provide the time-specific catalyst that distinguishes this moment from prior periods when CAPREIT also traded below NAV.

CAPREIT is the benchmark Canadian residential REIT. It is the largest, most diversified, most liquid, and most conservatively financed in the sector. We do not believe the current 29% discount to our analyst NAV of \$53.10 per unit is justified by business fundamentals.

CAPREIT's portfolio of approximately 44,876 apartment suites is concentrated in Canada's most supply-constrained urban markets. Ontario accounts for 50% of portfolio fair value. In these markets, homeownership costs consume 70–86% of median household income, the average first-time buyer age has risen to 40, and new rental construction is financially unviable. We see no near-term resolution to the structural demand imbalance.

We prefer exposure to Canadian residential REITs that combine resistant balance sheets, consistent rent growth from below-market in-place rents, and durable structural demand tailwinds. CAPREIT is an example of all three simultaneously. In the Exhibit below, we highlight what we believe to be the most comparable public equity grouping to CAPREIT.

Initiating coverage of CAR.UN at Market Outperform; \$46.00 target price. The BoC re-rating already happened and the stock reached \$46.29 then came back. These structural advantages have existed for some time; what changes now is portfolio restructuring completion, sector consolidation as InterRent and Minto go private, and ongoing NCIB accretion at a 34% discount. The market is not pricing CAPREIT's structural advantages. At \$37.84 vs. analyst NAV of \$53.10, we see significant room for appreciation.

Exhibit 1: CAR.UN Comparable Companies Group

Company (Ticker)	Mkt Cap	Price	P/FFO NTM	P/NAV	Dist. Yield	Debt/GBV
CAPREIT (CAR.UN)	\$5.97B	\$37.84	14.8x	0.71x	4.1%	37.7%
Killam (KMP.UN)	\$2.0B	\$17.00	13.3x	0.85x	4.2%	41.9%
Boardwalk (BEI.UN)	\$3.2B	\$65.00	13.0x	0.68x	2.5%	37.0%
Mainstreet (MEQ)	\$1.6B	\$175.00	16.3x	N/A	—	40.0%
PEER MEDIAN (ex-CAR)			13.3x	0.77x	3.4%	39.5%

Source(s): VIG Research; public company filings; TSX data as of February 20, 2026. Peer multiples are VIG estimates

The going-private transactions of InterRent REIT (CLV Group/GIC, announced May 2025) and Minto Apartment REIT (Crestpoint, \$18/unit, announced January 5, 2026) have fundamentally changed the institutional investability of the Canadian residential REIT sector. Only three fully public names remain: CAPREIT, Boardwalk, and Killam. As a result, institutional mandates requiring Canadian residential REIT exposure have a narrower universe to access. CAPREIT represents approximately 50% of the remaining public market capitalization and is the only name with sufficient public float and daily liquidity to accommodate meaningful institutional positions. This structural consolidation supports a liquidity premium and provides a differentiated catalyst for multiple re-rating beyond the general "trading below NAV" argument.

As of February 20, 2026, CAPREIT's public float stood at over 150M units, the largest among its peers by a wide margin. Its average daily trading volume exceeded 540,000 units over the preceding six months, more than double the volume of Killam and roughly four times that of Boardwalk. This combination of float and liquidity enables institutional investors to build large positions within a standard execution window without meaningfully impacting the stock. In contrast, the smaller floats and lower trading volumes of Boardwalk and Killam would require longer accumulation periods and would represent a significantly larger percentage of each company's tradable units, making them less suitable for large-scale institutional mandates.

It is important to consider the potential downside risk should the macroeconomic environment deteriorate. In a cap rate re-expansion scenario (bear case), we estimate the stock could fall to \$37–\$44, representing a contraction similar to trough 2023 valuations. Conversely, full NAV re-rating combined with distribution growth and continued NCIB activity could drive an upside scenario where the stock reaches \$58–\$68, supported by higher FFO estimates and expanding multiples as investors increasingly recognize CAPREIT’s structural advantages.

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Company Overview

COMPANY HISTORY

Founded in 1997 and listed on the Toronto Stock Exchange, Canadian Apartment Properties REIT is Canada’s largest residential landlord. From a starting portfolio of roughly 2,900 suites at IPO, the trust grew to over 64,000 suites at its peak before executing a deliberate, multi-year restructuring consisting of exiting manufactured home communities, winding down European operations, and selling non-core Canadian assets.

A growing distribution yield and deliberate balance sheet repositioning ensure consistent and growing cash flows. CAPREIT’s 28-year track record provides an irreplicable CMHC underwriting relationship and preferred access to below-market financing.

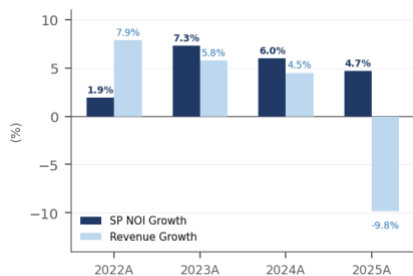
CAPREIT’s strategic repositioning has been decisive: the sale of its Manufactured Home Community portfolio for \$715M, the near-complete wind-down of its European Residential REIT (ERES) Netherlands holdings, and the sale of non-core Canadian assets totalling approximately \$3.7B of dispositions have concentrated the portfolio in core Canadian mid-market apartments in Ontario, Quebec, and British Columbia. Proceeds funded both the NCIB unit buyback program and selective acquisition of new purpose-built Canadian rental at below-replacement-cost pricing.

BUSINESS DESCRIPTION

CAPREIT’s business model is straightforward: own, operate, and selectively develop multi-family residential rental properties in Canada’s major urban centres. Revenue is generated = from monthly rent charged to tenants. The trust benefits from high occupancy (97% in December 2025), steady rent increases driven by a combination of guideline increases on renewals and market-rate resets on vacancies, and operating leverage as fixed costs grow more slowly than revenue.

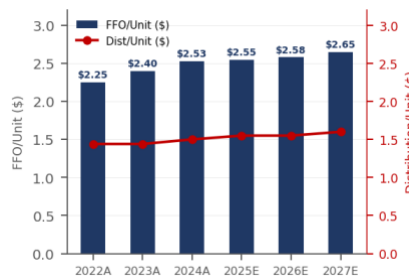
CAPREIT manages its balance sheet almost exclusively through CMHC-insured, long-term fixed-rate mortgages. As of December 31, 2025, 100% of mortgage debt was fixed-rate and approximately 98% was CMHC-insured, providing the trust with access to interest rates 170–220 bps below what uninsured commercial borrowers pay. This structural financing advantage is CAPREIT’s most durable competitive moat.

Exhibit 2: SP NOI Growth vs. Revenue Growth (2022A–2025A)



Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026); VIG Research

Exhibit 3: FFO/Unit & Distribution/Unit (2023A–2027E)



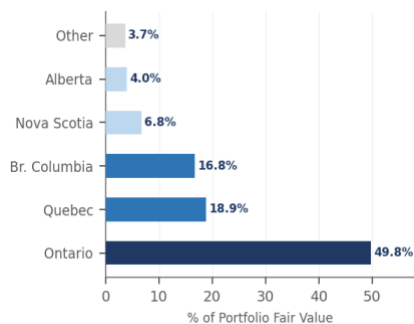
Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026); VIG Research Estimates

PORTFOLIO BREAKDOWN

Region	Suites	% of Suites	% Fair Value	Key Markets
Ontario	22,137	48.3%	49.8%	GTA (36%), Ottawa, London, Hamilton
Quebec	10,135	22.0%	18.9%	Greater Montréal (16.5%), Québec City
British Columbia	5,949	13.0%	16.8%	Greater Vancouver (8%), Victoria (5%)
Nova Scotia	3,408	7.4%	6.8%	Halifax
Alberta	2,318	5.1%	4.0%	Calgary, Edmonton
Other Canada	929	2.0%	1.3%	Saskatchewan, PEI
Netherlands (ERES)	1,029	2.2%	2.4%	Wind-down in progress
TOTAL	45,495	100%	100%	

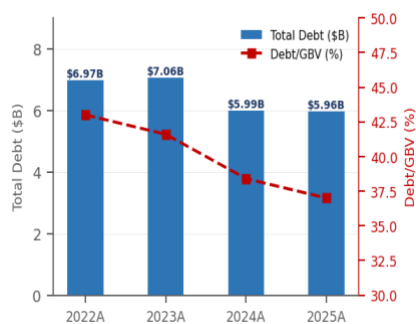
Source(s): CAPREIT 2025 Annual Report, 'Portfolio by Geography.' Suite counts as of December 31, 2025.

Exhibit 4: Portfolio Geography — Fair Value Allocation



Source(s): CAPREIT 2025 Annual Report, 'Property Allocation by Region'

Exhibit 5: Key Operating KPIs (2022A–2025A)



Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026); VIG Research

Metric	FY2022A	FY2023A	FY2024A	FY2025A
Canadian Occupied AMR (\$/mo)	\$1,436	\$1,516	\$1,636	\$1,718
Canadian Occupancy (%)	98.7%	98.8%	97.5%	97.3%
Same-Property NOI Growth	+1.9%	+7.3%	+6.0%	+4.7%
NOI Margin (%)	64.6%	65.0%	65.7%	65.2%
Total Canadian Suites	~64,000	61,009	44,900	44,876

Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026); VIG Research.

Industry Overview

STRUCTURAL DEMAND ANALYSIS

High housing costs drive structural rental demand in Canada's major urban markets. Canada faces a particularly severe housing affordability crisis. The national mortgage payment-to-income ratio stood at 51.9% as of Q3 2025, well above the 40.4% long-run average, while Toronto showed 70.3% and Vancouver 86.3% (National Bank of Canada Housing Affordability Monitor, Q3 2025). At these levels, homeownership is out of reach for a broad segment of the working population. The average first-time homebuyer age in Ontario has also risen from 36 in 2014 to 40 in 2025, constraining the renter cohort year over year.

Record housing starts of 259,028 in 2025 still fall 131,000 units short of the 390,000/year needed to close Canada's supply gap by 2030 (PBO, CMHC). Affordable first-quartile vacancy remains 1–2% nationally.

Immigration and population growth sustain rental demand at scale. Canada welcomed approximately 724,600 new residents in calendar 2024 (+1.8% population growth), with 97.3% driven by international migration (Statistics Canada). The federal 2026–2028 Immigration Levels Plan targets 380,000 permanent residents annually (IRCC). Newcomers overwhelmingly rent as opposed to purchasing, and CAPREIT's mid-market average monthly rent of \$1,718 is precisely the price point where new Canadians concentrate their demand. However, the Carney government moved in late 2024 to reduce non-permanent resident (NPR) targets from approximately 3.0M to 700,000–800,000 by 2027, a demand headwind in CAPREIT's core urban markets. The structural renter cohort driven by homeownership unaffordability is not NPR-dependent, though, and remains durable; but the NPR reduction is a real near-term offset the market is likely already discounting.

SUPPLY PIPELINE AND VACANCY DYNAMICS

Canada's housing starts remain well below the required pace. Total housing starts reached 259,028 in 2025, a 5.6% increase year-over-year, but Toronto starts fell 31% year-over-year due to the pre-sale condo market collapse. The Parliamentary Budget Office estimates 390,000 new units per year through 2030 are needed to close the supply gap (PBO Housing Affordability and Supply Analysis, 2024). Canada is currently running approximately 131,000 units short of the required annual pace, not to mention that starts do not necessarily imply completed projects

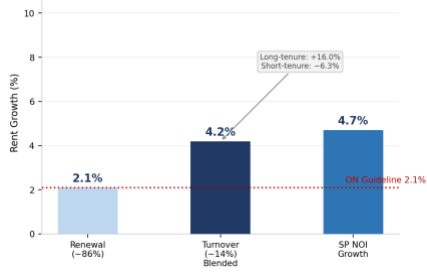
Market softening is concentrated in luxury new builds above CAPREIT's rent range. The affordable unit segment where CAPREIT operates remains effectively fully occupied nationally. This divergence is the core investment thesis.

New supply is concentrated in luxury units above CAPREIT's rent range. The national purpose-built rental vacancy rate rose from 1.5% in 2023 to 3.1% in 2025, but this headline softening is concentrated in newer luxury buildings: CMHC found 65% of Toronto new builds were offering concessions as of Q2 2025 (CMHC Mid-Year Rental Update, July 2025). Vacancy for first-quartile affordable units, which would constitute CAPREIT's segment at \$1,718/month, remains 1–2% nationally. The supply and demand imbalance continues precisely at the price point where CAPREIT operates.

RENT CONTROL REGIME

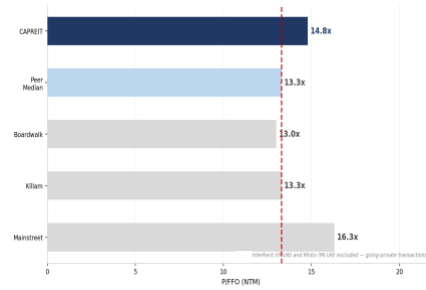
Understanding rent control is essential to the earnings model. Ontario's 2026 guideline is 2.1%, applying only to pre-November 2018 buildings on renewal; post-2018 buildings are fully exempt. In FY2025, the ~13–14% of suites that turned over followed a two-cohort pattern — long-tenure at +16.0%, short-tenure peak-era at –6.3% — producing a blended +4.2% turnover rent change and +4.7% SP NOI growth for the full year. CAPREIT's in-place rent of \$1,718/month compares to open-market GTA rents of \$2,200–\$2,400/month, representing a multi-year earnings advantage tied to the existing portfolio.

Exhibit 6: Rent Growth Mechanics — Renewal vs. Turnover (FY2025)



Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026); VIG Research

Exhibit 7: P/FFO (NTM) — CAPREIT vs. Canadian Residential REIT Peers



Source(s): Public company filings; TSX data; VIG Research estimates

Macroeconomic Context

BANK OF CANADA RATE CYCLE — THE MAIN MACRO DRIVER

The 2022–2023 rate tightening cycle was the most disruptive macro event in Canadian REIT valuations in recent time. The Bank of Canada raised its overnight rate from 0.25% to 5.00% in 17 months (March 2022 – July 2023), leading to cap rate expansion, re-rating of yield-sensitive equities, and higher refinancing costs across the sector. CAPREIT’s unit price declined from approximately \$65 in early 2022 to a trough near \$35 in late 2023. The re-rating was rational given the shock. The question, now, though, is why it has only partially reversed after 275bps of cuts. The answer explored throughout this report is that the market is likely pricing in a new set of concerns: decelerating occupancy, slower rent growth, and NCIB buyback slowdowns.

Bank of Canada enacted 275 bps of cuts from the 5.00% peak to 2.25%. The rate cycle has turned decisively but CAPREIT’s market re-rating has not followed the fundamental improvement in its refinancing environment.

The Bank of Canada subsequently delivered nine consecutive cuts of 275 bps in total, bringing the overnight rate to 2.25% by October 29, 2025, the bottom of the BoC’s own neutral range estimate of 2.25–3.25%. The BoC paused at its December 2025 and January 2026 meetings. Major Canadian bank consensus (TD, RBC, CIBC, BMO) is for 2.25% to persist through 2026. The transmission mechanism from BoC rate cuts to CAPREIT’s NAV works through cap rate compression: lower overnight rates pull down GoC 5-year bond yields, which lenders use to price commercial mortgages, which narrows the spread between mortgage rates and cap rates, incentivizing buyers to pay more per dollar of NOI, which in turn compresses cap rates and increases property values. The key macro uncertainty is CUSMA trade renegotiation in mid-2026. US tariffs could trigger a manufacturing slowdown in Ontario, CAPREIT’s largest market at roughly 50% of its portfolio, potentially weakening rental demand. However, CAPREIT’s debt is 100% fixed-rate and CMHC-insured, insulating it from refinancing risk even in a credit-tightening scenario. Additionally, mid-market affordable rental has historically held occupancy better than premium product during economic downturns.

INFLATION AND CPI DYNAMICS

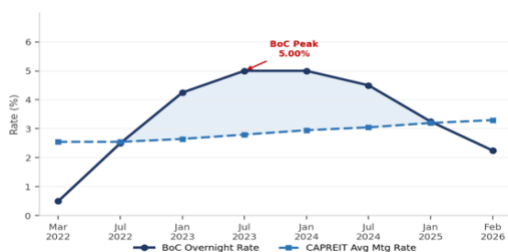
Canadian CPI stood at 2.3% in January 2026 (Bank of Canada). This matters for CAPREIT in two distinct ways. First, Ontario’s rent guideline eased to 2.1% in 2026 as inflation cooled, which is small, but still positive renewal in rent growth. Second, all \$5.96B of CAPREIT’s debt is fixed-rate, so any increase of inflation reduces the real burden of existing debt while nominal rents and asset values inflate. The key inflation risk is CUSMA tariff-driven re-acceleration, which the 2026 consensus currently assigns a low probability.

INTEREST RATE TRANSMISSION TO CAPREIT

Rate Channel	Current Level	Direction	CAPREIT Impact
BoC Overnight Rate	2.25%	↓ 275 bps from peak	Lower borrowing cost and improving market sentiment
5-Yr GoC Bond Yield	~2.85%	↓ ~165 bps from peak	Cap rate compression potential; NAV support
CMHC 5-Yr Insured Rate	~3.84%	↓ Improving	Maturities refinance at better rates than at peak
CAPREIT Avg Mortgage Rate	3.30%	↑ Rolling up	Headwind as low-rate 2020–22 debt matures and rolls
Multi-Res. Cap Rate (ON)	~4.4–4.6%	↓ Stabilizing	NAV stable; compression to 4.0% = \$65 NAV upside

Source(s): Bank of Canada Policy Rate page; CAPREIT 2025 Annual Report (Feb 12, 2026); Ratehub.ca Mortgage Rates (February 2026); Morningstar Canada (December 2025).

Exhibit 8: BoC Rate Cycle vs. CAPREIT Avg Mortgage Rate



Source(s): Bank of Canada Policy Rate page; CAPREIT Q3 2025 Full Report (SEDAR+); VIG Research

An important nuance specific to CAPREIT: while market refinancing rates have improved dramatically from the 2023 peak, CAPREIT's own weighted-average mortgage rate is still rising from approximately 2.80% in 2023 to 3.30% today. This is because the ultra-low 2020–2022 CMHC mortgages are maturing and rolling into the current 3.5–4.0% range. This gradual headwind is modelled in our earnings estimates. Importantly, even as CAPREIT's cost rolls up, its rate remains approximately 195 bps below what uninsured competitors pay at any point in the rate cycle.

Competitive Landscape

CAPREIT operates in a sector that, until recently, included five publicly listed Canadian residential REITs. With InterRent (IIP.UN) and Minto (MI.UN) both having announced going-private transactions in early 2026, the investable peer universe has decreased to three names. This consolidation strengthens CAPREIT's position as the dominant public vehicle for Canadian residential REIT exposure: its market capitalization of approximately \$5.97B now represents closer to 50% of the remaining public Canadian residential REIT universe, up from approximately 40% prior to the privatizations.

The competitors included in this analysis were selected based on their direct overlap with CAPREIT's core Canadian multi-family residential. Killam remains the closest operational peer, with similar mid-market Atlantic and Ontario positioning. Boardwalk's P/NAV is approximately 0.68x while CAPREIT's P/NAV is 0.71x. CAPREIT therefore trades at a modest premium to Boardwalk on P/NAV. However, Boardwalk trades at approximately 13.0x NTM FFO versus CAPREIT's 14.8x, a premium that we believe reflects Boardwalk's Alberta no-rent-control jurisdiction and stronger near-term FFO growth, but that we do not consider sufficient to justify underweighting CAPREIT given its superior financing structure.

The Canadian rental housing market is expected to undergo substantial demand growth over the next decade, driven by structural immigration inflows and homeownership affordability constraints. The accelerating privatization of mid-sized Canadian residential REITs, evidenced by InterRent and Minto representing \$2.5–3.0B of combined equity value removed from the public market, reflects the persistent disconnect between public market pricing and private market asset values, which is the gap underpinning our CAPREIT thesis. CAPREIT's national diversification provides a meaningful advantage, allowing the trust to spread operational risk across multiple regulatory regimes and economic regions. This diversification, however, also means CAPREIT is subject to the most complex rent control matrix in the peer group.

Investment Positives

STRUCTURAL DEMAND CREATES A SOLID EARNINGS BASE

CAPREIT's most important competitive advantage is the impossibility of homeownership for a large and growing segment of the Canadian population. When mortgage payments consume 70% of median household income in Toronto and 86% in Vancouver, renting is a financial necessity. The average first-time homebuyer age of 40 in Ontario means Canadians are renting four additional years than a decade ago, permanently expanding the renter cohort. This demand is reinforced by approximately 380,000 new permanent residents per year through 2028, who overwhelmingly rent around CAPREIT's \$1,718/month price point.

The supply response is also constrained in CAPREIT's core markets. GTA construction costs of \$950–1,120/sq ft against achievable rents of ~\$4.20/sq ft produce a negative development economics equation: new purpose-built rental requires ~\$6/sq ft to achieve at a 5% cap rate. This gap is not closing. New supply that does come to market targets luxury price points above \$2,500/month, not CAPREIT's \$1,718 average. CMHC found 65% of Toronto new builds offering concessions in Q2 2025, showing weaker demand at higher prices. The demand/supply imbalance at CAPREIT's price point persists clearly.

MARK-TO-MARKET RENT GAP IS A MULTI-YEAR EMBEDDED EARNINGS TAILWIND

CAPREIT's average in-place rent of \$1,718/month compares to open-market rents of \$2,200–\$2,400/month for comparable GTA suites. This gap, accumulated over years of guideline-limited renewals, requires no new investment or acquisition to realize. It is held within the existing portfolio and will be gradually capitalized on as tenants turn over. In FY2025, the ~13–14% of suites experiencing a tenant change followed a two-cohort pattern: long-tenure tenants vacating below-market suites reset at +16.0%, while short-tenure peak-era tenants vacated at –6.3%, producing a blended turnover rent change of +4.2%. The remaining ~86% of renewed tenants received the Ontario guideline of 2.1%, and same-property NOI grew +4.7% for the full year.

At current turnover rates of approximately 12–14% annually, we expect CAPREIT will continue closing the mark-to-market gap for 7–10 years without requiring a single acquisition. For every \$100 narrowing of the per-suite monthly rent gap across the 44,876-suite Canadian portfolio, annual NOI increases by approximately \$53M and FFO/unit increases by approximately \$0.34. This is calculated from the existing portfolio composition. The complete closure of the gap from \$1,718 to \$2,300 open-market rent represents approximately \$40–\$45 of incremental per-unit NAV to be gained organically.

CMHC FINANCING CREATES AN UNREPLICABLE STRUCTURAL COST ADVANTAGE

CAPREIT's 3.30% weighted-average mortgage rate on \$5.85B of mortgage debt compares to approximately 5.25% (approximately 5.0–5.5% per Bank of Canada conventional mortgage survey) for conventional uninsured commercial mortgages. The 195 bps spread on \$5.85B saves approximately \$114M per year in interest expense, which is nearly half of CAPREIT's entire annual distribution budget (\$1.546/unit × 156.2M units = \$241M). This advantage is legally structured and competitively durable.

CMHC multi-unit mortgage insurance is not freely available. Qualification requires demonstrated asset quality, operator track record, alignment with affordable housing mandates, and ongoing compliance with CMHC underwriting standards. CAPREIT's 28-year track record as Canada's largest residential REIT provides preferred underwriting relationships that smaller competitors cannot achieve. Even as CAPREIT's own rates roll up from maturing 2020–22 vintage mortgages, they remain ~195 bps below what uninsured competitors pay at any point in the rate cycle (CMHC Multi-Unit Mortgage Loan Insurance; Ratehub.ca).

Canada needs 390,000 new housing units per year through 2030. Actual 2025 starts were 259,028 — a 131,000-unit annual deficit. At CAPREIT's mid-market price point, affordable first-quartile vacancy is 1–2% nationally. This demand has no near-term end.

Each 1% increase in CAPREIT's avg monthly rent across the Canadian portfolio generates ~\$9mm of incremental annual NOI and ~\$0.06/unit of FFO. The embedded mark-to-market gap represents \$35–\$40/unit of incremental earnings power to harvest over 7–10 years.

CAPREIT's 3.30% avg mortgage rate vs. ~5.25% conventional = 195 bps structural advantage. On \$5.96B of debt, that is ~\$116mm/year in saved interest, a competitive moat that is legally protected and cannot be replicated at scale by smaller operators.

THE NCIB IS MANAGEMENT'S STRONGEST SIGNAL OF CONVICTION

Since 2022, CAPREIT has repurchased \$960M of units through its Normal Course Issuer Bid (NCIB) program. The math is as follows: buying units at \$37–\$46 against a NAV of \$44–\$65 is the equivalent of purchasing dollar bills for 67–70 cents. Each dollar spent on buybacks at the current 29% discount creates approximately \$1.5 of NAV per unit for remaining holders. Management has reduced diluted units from 169.9M in 2023 to approximately 156M today, an 8% reduction that drives FFO/unit growth without needing any portfolio expansion.

At the current 34% discount, there is no better use of CAPREIT's free cash flow than buybacks. The NCIB is authorized for continued activity and management has signalled no intention to slow the program at current prices. The only scenario in which the buyback math becomes less compelling is the one our \$46 target implies: the discount narrows toward 10–15%, at which point management's attention would logically shift to acquisitions at below-replacement-cost pricing. Either outcome is beneficial to unitholders.

\$960M of NCIB since 2022 at \$37–\$46/unit vs. NAV of \$44–\$65. Each dollar of buyback at today's 29% discount creates ~\$1.41 of NAV for remaining holders. The NCIB's 8% unit count reduction already drives per-unit FFO growth with no portfolio expansion required.

Investment Risks

CAP RATE RE-EXPANSION RISK

Priority: **HIGH**

The most direct threat to our \$46 price target is cap rate re-expansion. Our base case assumes CAPREIT's multi-residential portfolio maintains a 4.5% cap rate, consistent with its own IFRS disclosure. However, cap rates are anchored to long-end bond yields. The GoC 5-year yield currently sits at approximately 2.85%. If it were to rise 50 bps to 3.35%, cap rate normalization to 5.0% would reduce analyst NAV from \$53.10 to \$43.96, still above the current price but eliminating most of the upside. A 100 basis point cap rate move to 5.5% would imply NAV of approximately \$37, near the current unit price.

CAPREIT's longstanding CMHC track record and 100% fixed-rate debt structure means even in a cap rate re-expansion scenario, CAPREIT has no refinancing risk.

A more severe bear case would involve the Bank of Canada reversing course due to CUSMA tariff-driven inflation or persistent core CPI above 3%. In that scenario, five-year GoC bond yields could re-reach 3.5% or higher, pushing residential cap rates toward 5.0–5.25%. At a 5.25% cap rate, our NAV model outputs approximately \$40 per unit, still above the current price.

OCCUPANCY DECREASE AND NEW SUPPLY

Priority: **HIGH**

Canadian apartment occupancy has declined from 98.8% in FY2023 to 97.3% in FY2025 — 150 bps of deterioration. Each 50 bps decline in occupancy on CAPREIT's 44,876-suite portfolio at \$1,718 AMR reduces annual NOI by approximately \$4.6M and FFO/unit by approximately \$0.03. Our model assumes occupancy stabilizes at 97.0–97.5%. A deterioration to 95.5–96.0% would reduce our FY2026E FFO estimate by approximately \$0.08/unit, compressing our target to approximately \$39 on a P/FFO basis.

PORTFOLIO SHRINKAGE LIMITS EARNINGS BASE

Priority: **MEDIUM**

CAPREIT's Canadian suite count has declined from approximately 64,000 in 2022 to 44,876 today. Total NOI has fallen from peak. FFO/unit has grown only because the NCIB's unit count reduction has been faster than total earnings decline. If the NCIB slows or if CAPREIT halts buybacks in favour of acquisitions earnings growth becomes dependent on same-property NOI at approximately 4–5% per year.

RENT CONTROL POLICY RISK

Priority: **MEDIUM**

Provincial governments — particularly Ontario — could tighten rent control by reducing the guideline, eliminating vacancy decontrol, or extending controls to post-2018 buildings. The 'financialization of housing' political narrative has moderated somewhat as policymakers increasingly focus on supply-side solutions, not ownership structure. However, a return of this narrative in an election cycle or a tightening of vacancy decontrol rules would reduce CAPREIT's turnover economics. Under a zero-vacancy-decontrol scenario, our mark-to-market gap analysis would not close through organic turnover, reducing the long-run FFO/unit growth profile from approximately +5–6%/year to +2–3%/year.

The risk of rent control tightening is a policy risk for all Canadian residential REITs. We believe CAPREIT's operational excellence and the growing policy recognition that supply constraints drive unaffordability mitigates this risk.

Recent Developments

FY2025 ANNUAL REPORT HIGHLIGHTS

CAPREIT reported its FY2025 Annual Report in February 2026, confirming a year of deliberate strategic repositioning. Total operating revenue declined 9.8% to \$1,003M, entirely attributable to \$3.7B of asset dispositions completed over 2024–2025. Same-property NOI grew 4.7% for the full year. CAPREIT ended FY2025 with 44,876 Canadian suites (plus 619 Dutch suites in wind-down) with Canadian occupancy of 97.3%, and Canadian AMR of \$1,718/month (CAPREIT 2025 Annual Report).

NCIB ACTIVITY

CAPREIT purchased approximately \$294M of units in FY2025 at an average price of approximately \$41/unit — a 34% discount to reported NAV. Since 2022, CAPREIT has spent \$960M repurchasing units, reducing the outstanding count from 169.9M to 156.2M (confirmed, Q4 2025 ER, February 12, 2026). Going forward, with dispositions substantially exhausted, the NCIB is funded from ~\$155M/year of retained operating cash flow, supporting approximately 4–5M units annually at current prices versus 7.2M in FY2025. This remains the most accretive use of capital at the current discount. Management confirmed the NCIB remains in force through 2026.

We believe the continuation of the NCIB at the current 34% discount to NAV is the most powerful signal of management confidence in the underlying real estate value, a conviction the market has not yet priced in.

DISTRIBUTION INCREASE

CAPREIT raised its monthly distribution from \$0.1250/unit to \$0.1292/unit (annualized \$1.546) effective August 2024, representing a 3.3% increase and the second consecutive distribution increase after a multi-year hold. The current payout ratio of approximately 60% of FFO provides substantial coverage, and further increases are anticipated as FFO/unit growth accelerates, with our model projecting \$1.60/unit by 2027E.

EUROPEAN PORTFOLIO WIND-DOWN

By Q3 2025, CAPREIT's Netherlands-focused ERES portfolio had been reduced to 1,029 suites (from a peak of over 6,000), with \$782.7M of European asset sales completed in the nine months ending September 2025. The European wind-down is substantially complete. The residual ERES exposure represents only 2.4% of portfolio fair value and we expect this will continue to decline. This exit from a complex cross-border structure simplifies the business, reduces currency and regulatory risk, and returns the capital to Canadian operations where CAPREIT's competitive advantages are strongest.

Valuation and Key Estimates

Our base case valuation of CAR.UN implies a \$46.00/unit based on our blended valuation (NAV and P/FFO Comparable). This implies a 21.6% upside to the current unit price, plus 4.1% distribution yield, for approximately 25.7% total return. Valuation for Canadian residential REITs is appropriately mostly weighted by NAV, the observable liquidation value of the underlying real estate, then supplemented by earnings-based multiples and income discounting. We apply a 70% / 30% weight respectively.

We expect partial re-rating toward our \$46 target over a 12-month horizon, driven by three concurrent factors: (1) portfolio restructuring completion removing the complexity discount; (2) sector consolidation concentrating institutional capital into a smaller investable universe; and (3) continued NCIB accretion demonstrating management's conviction in the NAV gap.

NET ASSET VALUE (NAV) MODEL

NAV-based valuation is the primary methodology for Canadian residential REITs because their assets have observable market values and are reported at fair value under IFRS quarterly. The NAV model answers the liquidation question: what would unitholders receive per unit if CAPREIT sold everything at current market prices and repaid all debt? The base case 4.5% cap rate is CAPREIT's own IFRS-disclosed cap rate from its Q4 2025 filing. Even our bear case NAV of \$43.96 at a 5.0% cap rate is approximately 16% above the current market price.

Our base NAV of \$53.10/unit uses 2026E forward NOI at CAPREIT's own IFRS cap rate of 4.5%. The stock trades at a 28.7% discount. Even the bear case NAV (\$43.96 at 5.0% cap) exceeds today's market price of \$37.84.

NAV Component	Bear 5.0% Cap	Base 4.5% Cap	Bull 4.0% Cap
Canadian Residential GAV (\$M)	\$13,300	\$14,778	\$16,625
Netherlands GAV (\$M)	\$220	\$244	\$275
Gross Asset Value (GAV)	\$13,520	\$15,022	\$16,900
Less: Illiquidity Discount (5% of GAV)	(\$676)	(\$751)	(\$845)
Less: Total Mortgage Debt	(\$5,845)	(\$5,845)	(\$5,845)
Less: Other Net Liabilities	(\$165)	(\$165)	(\$165)
Plus: Cash on Hand	\$33	\$33	\$33
NAV to Unitholders (\$M)	\$6,867	\$8,294	\$10,078
Diluted Units Outstanding (M)	156.2	156.2	156.2
NAV per Diluted Unit	\$43.96	\$53.10	\$64.52
Current Price Discount / Premium	(13.9%)	(28.7%)	(41.3%)

Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026). Canadian NOI uses 2026E forward estimate (\$665mm). Balance sheet inputs as of December 31, 2025. Reference price as of February 20, 2026. VIG Research.

Exhibit 9: NAV per Unit — Bear / Base / Bull Cap Rate Scenarios



Source(s): CAPREIT Q4 2025 Earnings Release (GlobeNewswire, Feb 12, 2026). All inputs confirmed: NOI \$665 2026mm, debt \$5,845mm (39.3% Debt/GBV × \$14,873mm GBV), cash \$33.2M, 156.2M diluted units. VIG Research.

On a per-unit basis, we forecast FFO/unit to compound at approximately 8% annually from 2025A to 2027E, driven by same-property NOI growth (~5%) and NCIB-driven unit count reduction (~3%), without requiring any acquisitions.

FFO / AFFO Forecast

Income Metric (\$M unless noted)	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E
SP NOI Growth	+7.3%	+6.0%	+4.7%	+5.0%E	+4.0%E
Net Operating Income (\$M)	\$697	\$730	\$654A	\$676E	\$707E
G&A Expenses (\$M)	\$63	\$59	\$55	\$56E	\$56E
FFO (\$M)	\$408	\$411	\$397A	\$410E	\$433E
FFO per Diluted Unit	\$2.40	\$2.53	\$2.541A	\$2.72E	\$2.97E
AFFO per Unit	\$2.09	\$2.23	\$2.23A	\$2.41E	\$2.66E
Distribution per Unit	\$1.44	\$1.47	\$1.55	\$1.55E	\$1.60E
FFO Payout Ratio	60.0%	58.1%	~60.8%	~57.0%E	~53.9%E

Source(s): FY2023A–2025A: CAPREIT Q4 2025 Earnings Release. FY2026E–2027E: VIG Research estimates. SP NOI growth, diluted units, maintenance capex, and distributions confirmed from Q4 2025 ER.

PRICE TARGET DERIVATION

Method	Weight	Key Input	Implied Price	Rationale
NAV — Base Case (4.5% cap)	70%	\$53.10 NAV × 90% = \$47.79	\$47.79	Stock at 29% discount to analyst NAV of \$53.10. Target assumes discount narrows from 29% to ~10% over 12 months as portfolio restructuring is recognised. Full closure not assumed as macro uncertainty and occupancy drift justify a residual discount to NAV.
P/FFO — Peer Median	30%	FY2026E \$2.72 × 15.5x	\$42.16	Modest premium to peer median (13.3x) justified by: CMHC moat, fixed-rate debt, and sector liquidity justify ~17% premium.
WEIGHTED TARGET PRICE	100%		\$46.00	21.6% price upside + 4.1% yield = ~25.7% total return

Source(s): VIG Research. Target price of \$46.00 from weighted average of two methodologies. Implied upside of 21.6% from \$37.84 current price as of February 20, 2026.

Management Team & Executive Compensation

MANAGEMENT

Mark Kenney, President and Chief Executive Officer – Mr. Kenney joined CAPREIT in 1998 and has served as CEO since 2019. Under his leadership, CAPREIT executed its strategic repositioning, including \$3.7B of dispositions, the European wind-down, and the \$960M NCIB program. Mr. Kenney holds a Bachelor of Economics from Carleton University.

Stephen Co, Chief Financial Officer – Mr. Co joined in 2011 and was appointed CFO in **2022**. He oversees all financial reporting, treasury, and capital markets activity. He has been instrumental in CAPREIT's transition to a 100% fixed-rate, 98% CMHC-insured balance sheet and in executing the NCIB program. Mr. Co holds a CPA, CA, CBV and a CFA designation.

Julian Schonfeldt, Chief Investment Officer – Mr. Schonfeldt oversees CAPREIT's investment strategy and capital allocation, including the major portfolio transitions and acquisitions. He is responsible for managing the trust's high-level relationships and execution of its strategic "high-grading" of assets.

(Mr. Schonfeldt announced his departure from CAPREIT effective April 30, CAPREIT has not yet announced a successor)

COMPENSATION

Executive compensation at CAPREIT consists of base salary, short-term incentive awards tied to same-property NOI growth, operational KPIs, ESG metrics, and individual performance, and long-term equity-based compensation through unit-based awards (RURs) linked to CAPREIT's financial performance and total unitholder returns relative to the REIT sector.

Exhibit 10: CAPREIT Executive Compensation Summary, 2025 (CAD)

Name	Position	Base Salary	Unit-Based Awards	Annual Incentive	All Other	Total
Mark Kenney	President & CEO	\$900,000	\$1,445,018	\$109,265	\$2,000,000	\$3,660,283
Stephen Co	CFO	\$410,003	\$269,039	\$442,800	\$56,360	\$1,178,202
Julian Schonfeldt	CIO	\$430,000	\$258,026	\$485,900	\$55,052	\$1,228,978

Source(s): CAPREIT 2025 Management Information Circular.

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