CAPREIT AND EUROPEAN COMMERCIAL REIT ANNOUNCE CREATION OF CANADA'S FIRST EUROPEAN-FOCUSED MULTI-RESIDENTIAL REIT

Transformational transaction combines two European portfolios to focus on attractive European multi-residential market backed by Canada's pre-eminent multi-residential owner/manager

TORONTO, ON, December 11, 2018 – Canadian Apartment Properties Real Estate Investment Trust (TSX:CAR.UN, "**CAPREIT**") and European Commercial Real Estate Investment Trust (TSX-V:ERE.UN, "**ECREIT**") today announced the entering into of an agreement pursuant to which ECREIT will acquire a portfolio of multi-residential properties located in the Netherlands (the "**Properties**") from CAPREIT, comprising 2,091 suites in 41 properties (the "**Transaction**"). The purchase price for the Properties of $634 million (the "**Purchase Price**") is based on an independent appraisal dated December 4, 2018 and will be satisfied as follows: (i) $239 million through the issuance of 59.6 million ECREIT units to CAPREIT at a price of $4.00 per unit; (ii) $88 million through a cash payment, or to the extent ECREIT is unable to satisfy the portion of the Purchase Price in cash, through the issuance of additional ECREIT units at a price of $4.00 per unit to CAPREIT; and (iii) $307 million through the assumption by ECREIT of CAPREIT's mortgages on the Properties, subject to certain purchase price adjustments. In connection with the closing of the Transaction (the "**Closing**"), ECREIT's unitholders of record at a date to be determined prior to Closing also will receive a one-time special distribution of $0.50 per unit at Closing, which will be funded by an approximately $8 million cash payment by CAPREIT to ECREIT. ECREIT intends to change its name, subject to unitholder approval, prior to Closing ("**ERES**" for purposes of this announcement). Upon Closing, CAPREIT will hold approximately 58% of ERES' units in the event the $88 million portion of the Purchase Price is satisfied through a cash payment (to be funded through a potential public equity offering as described further below under "Increased Liquidity") or approximately 83% of ERES' units in the event the $88 million portion of the Purchase Price is satisfied through the issuance of additional ERES units to CAPREIT.

The Transaction will create Canada's first European-focused multi-residential REIT. Multi-residential fundamentals in Europe currently are very attractive and significant acquisition opportunities are available to drive growth. ERES will be majority owned and managed by CAPREIT, Canada's largest multi-residential property owner and manager. CAPREIT currently owns nearly 50,000 Canadian and 3,348 European multi-residential units and has an established European-based property management platform. CAPREIT's proven multi-residential acquisition and property management expertise will enable ERES to significantly expand its European multi-residential business, with an initial focus on the Netherlands.

The Transaction will mark a dynamic transformation for ECREIT, providing immediate scale and shifting its strategic focus to European multi-residential assets, while benefitting from CAPREIT's industry-leading management platform and a well-established, high-quality portfolio of multi-residential assets across the Netherlands. ECREIT's assets will increase from approximately $150 million to approximately $780 million in value, consisting of 2,091 multi-residential suites in 41 properties and approximately 400,000 square feet of gross leasable office area in three properties. Additionally, the Transaction provides ECREIT with a well-capitalized, institutional-quality majority unitholder that will support ERES' growth initiatives and its access to capital in the future.

A management information circular describing the Transaction (the "**Circular**") will be prepared and mailed to ECREIT's unitholders as soon as possible. A special meeting of ECREIT unitholders is expected to be held in early 2019, at which ECREIT unitholders will be asked to approve the Transaction and certain amendments to the ECREIT declaration of trust. Closing is expected to occur in the first quarter of 2019. ECREIT established a special committee of independent trustees (the "**Independent Committee**") to review and negotiate the terms of the Transaction. The Independent Committee unanimously determined that the Transaction was in the best interests of ECREIT and recommended its approval by ECREIT's board of trustees. In making its recommendation, the Independent Committee relied, among other factors, upon an opinion of its financial advisor, Scotiabank, that the Transaction is fair from a financial point of view to unitholders of ECREIT. Each of ECREIT's board of trustees (with interested trustees abstaining) unanimously supports the Transaction and recommends that its unitholders vote in favour of the Transaction.

Transaction Highlights

- **Attractive Asset Class with Strong Fundamentals:** European multi-residential assets continue to benefit from high occupancy rates, increasing rents and strong cash flow growth. Growth in rental rates and valuation metrics have outpaced those of commercial assets in Europe, and there is currently an attractive yield spread between European multi-residential capitalization rates and debt financing rates. Additionally, the professional management of the European multi-residential sector is early in its maturation and provides opportunities for organic growth via asset management initiatives.

- **Significant Opportunity to Fuel Future Growth:** Significant external and organic growth opportunities are available to be realized through further acquisitions and enhancement of under-managed assets. ERES intends to pursue property acquisitions directly, and will, at Closing, enter into a Pipeline Agreement with CAPREIT to ensure access to capital to take advantage of attractive, accretive acquisition opportunities.

- **Alignment of Interest with Majority Unitholder:** CAPREIT's majority ownership of ERES ensures that its interests will be aligned with ERES unitholders. CAPREIT is committed to the success of ERES and intends to retain a significant ownership in ERES over the long-term. As ERES increases its size and liquidity, CAPREIT may subscribe for future issuances of units by ECREIT.

- **Industry-Leading Platform:** ERES will be managed by CAPREIT pursuant to long-term asset and property management agreements. CAPREIT has a 21-year proven record of growing cash flows and enhancing value in multi-residential properties in Canada and has an existing property management platform in Europe. CAPREIT is Canada's largest multi-residential owner and has a best-in-class management platform consisting of over 900 employees.

- **Increased Liquidity:** In connection with the Transaction, ECREIT will consider raising net proceeds of approximately $100 million, prior to Closing, through a public equity offering, which, if completed, would significantly increase ECREIT's existing public float and trading liquidity. CAPREIT has committed to backstop all or a portion of any such equity offering.

- **Attractive Transaction for ECREIT Unitholders:** ECREIT unitholders of record will receive a $0.50 per unit special distribution from CAPREIT, which represents approximately 13% of the closing price of the ECREIT units on the TSX Venture Exchange (the "**TSX-V**") on December 10, 2018 of $3.73 and is equivalent to approximately 6 quarterly distributions. Additionally, ECREIT will issue units at $4.00 per unit as partial consideration for the purchase of $634 million of assets based on a current independent appraisal.

Phillip Burns, President and CEO of ECREIT, commented, "ECREIT is very excited about this transaction. Our strategy is to provide access to Europe and deliver reliable income and growth to our unitholders. This acquisition simultaneously delivers a step-change in our scale; refocuses our asset strategy to multi-residential, which is exhibiting recurring, robust rental growth driven by supply-demand imbalances; partners ECREIT with a best-in-class multi-residential owner/manager with 20-year plus track record in Canada and Europe; positions us for growth in an attractive market with a pipeline funding arrangement; and increases our access to capital with a well-capitalized, cornerstone investor."

Ira Gluskin, Director and Chairman of ECREIT's Independent Committee, commented "We are delighted to welcome CAPREIT and their sponsorship to our REIT. We believe the Transaction represents an exciting opportunity for ECREIT unitholders and we are fully supportive of the Transaction."

Michael Stein, Chairman of CAPREIT, commented, "CAPREIT has very successfully grown its Canadian multi-residential business over the past 21 years. In 2014, we successfully launched I-RES, a publicly listed entity in Ireland that currently owns over 2,600 multi-residential units. CAPREIT asset and property manages and owns an 18% interest in I-RES. CAPREIT has also successfully established a management platform to invest in multi-residential properties in the Netherlands. We always have indicated that CAPREIT ultimately would create a separate entity for our European multi-residential business. CAPREIT is very excited to now be joining with ECREIT to create a public vehicle that will not only allow CAPREIT's and ECREIT's existing unitholders, but also new unitholders, to invest in European multi-residential real estate. For CAPREIT's unitholders, CAPREIT's interest in ERES is expected to provide a larger, more direct and more diverse means to realize European multi-residential opportunities than could be possible within CAPREIT. The available opportunities in European multi-residential real estate are very significant. Multi-residential properties in many European countries share a number of the same investment attributes that we see in Canada, such as fragmented ownership, low vacancy, high demand and strong rental growth, but often to an even greater degree. Europe also currently offers a more favourable spread between cap rates and debt financing rates than in Canada, which improves investment returns. Similar to CAPREIT's entrepreneurial entry into Ireland's multi-residential market, we believe that CAPREIT's robust management platform, with its ability to improve margins and make income enhancing capital improvements, will provide ERES with significant opportunities in Europe."

Properties to be Acquired

CAPREIT has agreed to sell to ECREIT a portfolio consisting of 2,091 multi-residential suites across 41 properties in well-located urban areas in the Netherlands. The Properties represented approximately 6% of CAPREIT's assets as of September 30, 2018. The purchase price of $634 million, which is based on an independent appraisal from December 4, 2018, implies a forward capitalization rate of approximately 4.0%, attesting to the high quality and strong growth profile of the Properties. CAPREIT has acquired the Properties over the past two years through portfolio acquisitions from various European vendors and has strategically invested in value-enhancing capital expenditures since their acquisition, resulting in solid lease renewal rates. The weighted average monthly rent on the multi-residential properties that CAPREIT acquired in the Netherlands have increased by 11% from €687, at the time of acquisition in December 2016, to €764 currently. By leveraging CAPREIT's large and proven platform, CAPREIT has also generated significant cost savings resulting in a net operating income margin of 76% for the Properties**.**

CAPREIT and ECREIT see strong opportunity for growth in multi-residential markets in the Netherlands, where the country is grounded by a strong economy and solid macroeconomic fundamentals. According to the OECD, the Netherlands has enjoyed GDP growth ranging from 2.0% to 3.0% for the four years from 2015 to 2018F. It is a country that is known for open trade, high levels of infrastructure and a population that enjoys a high level of equality and education. The Netherlands is characterized by a shortage of available rental housing in many urban areas, which is exacerbated by a sustained increase in property prices. There continues to be constrained residential supply with limited residential development, high replacement costs and declining vacancy, which provides attractive investment opportunities on which CAPREIT and ERES expect to capitalize. With CAPREIT's proven management platform, acquired properties are expected to be quickly repositioned to take advantage of the market conditions and opportunities in deregulation.

ECREIT's existing portfolio consists of three office properties, two of which are located in Germany and one of which is located in Belgium. The fair value of these properties based on ECREIT's September 30, 2018 financial statements is $136 million, which implies a forward capitalization rate of approximately 7.2%. ECREIT's existing portfolio is nearly fully-occupied at over 99%, leased to large, well-known tenants, with a weighted average lease term of approximately 6.3 years, is indexed to inflation, and generally requires low levels of capital expenditures. ERES' intentions will be to focus on acquiring additional European multi-residential properties with high quality cash flows and strong growth profiles, which may result in the sale of some or all of these office buildings in the future.

Management Agreements

Upon Closing, ECREIT's existing management agreement with Maple Knoll Capital Ltd. will either be terminated at no cost to ERES or assumed by CAPREIT. ERES will enter into a new asset management agreement and a new property management agreement with CAPREIT (the "**Management Agreements**"). ECREIT's CEO, Phillip Burns, will become an employee of CAPREIT and will become CEO of ERES. Under the CAPREIT asset management agreement, CAPREIT will grant ERES a right of first opportunity on investment opportunities in multi-residential properties in Europe that are identified by CAPREIT that fit within ERES' investment policy, subject to certain exclusions. Maple Knoll Capital Ltd. will be subcontracted by CAPREIT to continue managing ERES' commercial portfolio for three years following Closing.

As it continues to focus on delivering strong growth, ERES will benefit from full access to Canada's largest established multi-residential platform. CAPREIT's large size and economies of scale will allow it to provide enhanced management services to ERES, at a lower overall cost structure than ECREIT's current external management structure. Details of the Management Agreements will be disclosed in the Circular.

Unit Consideration

As partial consideration for the Transaction, ERES will issue approximately 59.6 million ERES units to CAPREIT, at a price of $4.00 per unit, totaling $239 million. ERES may also satisfy up to an additional $88 million of the Purchase Price through the issuance of ERES units at a price of $4.00 per unit to the extent ERES is unable to satisfy the $88 million cash portion of the purchase price prior to Closing. In addition, if ERES is unable to fund the land transfer tax incurred as a result of the Transaction, CAPREIT will subscribe for up to approximately an additional $12 million in ERES units at a price of $4.00 per unit.

Assumption of Debt

ERES will assume CAPREIT's European mortgages currently associated with the Properties. As at September 30, 2018, the mortgages had an outstanding balance of approximately $307 million, a weighted average term to maturity of 5.4 years, and a weighted average interest rate of 1.9%. CAPREIT has indicated that it is currently able to source 5-year debt at interest rates ranging from 1.50% to 1.75%, providing a low cost of debt capital and facilitating attractive levered equity returns.

As at September 30, 2018, ECREIT's existing mortgage debt had an outstanding balance of approximately $74 million, a weighted average term to maturity of 5.7 years, and a weighted average interest rate of 1.8%.

The following table sets out the consolidated capitalization of ECREIT as at the date of the latest interim financial statements and after giving effect to the Transaction:

	ECREIT **As at September 30, 2018**	**Effect of the Transaction**	**ERES** **Pro Forma, After Giving Effect to the Transaction**
Investment Properties	$136 million	$634 million [1]	$769 million

Debt (Principal Value)	$74 million	$307 million	$381 million
Trust Units and Class B LP Units Outstanding	16.9 million	86.1 million [2]	103.0 million

1. Represents the value at which ECREIT is acquiring the Properties, which is equal to the December 2018 independently appraised value of €421,830,000 and a 1.502 exchange rate.
2. Based on 59.6 million units of ERES being issued to CAPREIT at a $4.00/unit price, and assumes an additional 26.4 million units are to be issued to the public to raise net proceeds of $100 million.

Distribution Policy

ECREIT will provide details on ERES' intended distribution policy in the Circular. ERES expects to migrate over time to monthly distributions denominated in Euros with a target AFFO payout ratio in the range of 80% to 90%. With the relative valuation differential between commercial and multi-residential asset classes, the Transaction is expected to result in an initial material decline in AFFO and annualized cash distributions per unit for ERES, but ERES is expected to be compensated over time by multi-residential assets' attractive characteristics, including higher rental growth rates.

Pipeline Agreement

Upon Closing, ERES and CAPREIT will enter into a pipeline agreement (the "**Pipeline Agreement**") to facilitate ERES' acquisition of European multi-residential properties that fit within its investment guidelines in circumstances in which ERES does not have sufficient funds to acquire such properties, as well as to enable the acquisition by ERES of other properties that fit within its investment guidelines, which CAPREIT may own, from time to time. CAPREIT will make up to $250 million available, on a revolving basis, pursuant to the terms of this Pipeline Agreement. The Pipeline Agreement provides that the price payable by ERES for any property acquired by CAPREIT would be the price paid (including all acquisition costs, plus a 1% underwriting fee), provided that ERES acquires such property within 6 months of it being acquired by CAPREIT. Thereafter, the price would be the greater of the price paid (including all acquisition costs) and the fair market value (as defined by IFRS and determined by a qualified independent appraiser reasonably satisfactory to the parties), plus a 1% underwriting fee. Properties owned by CAPREIT on the Closing, if sold to ERES, will not be subject to the 1% underwriting fee.

Board of Trustees

Following Closing, it is expected that existing ECREIT trustees Ira Gluskin, Arjan Breure and Phillip Burns will continue as trustees of ERES. As part of the Transaction, CAPREIT will be entitled to nominate three trustees of ERES. In the future, CAPREIT will be entitled to nominate three trustees subject to its ownership remaining above 20%, two trustees subject to ownership being between 10% and 20%, and one trustee subject to ownership being between 5% and 10%. Subject to TSX-V approval, it is proposed that Harold Burke, Gina Cody and Michael Stein (being nominees of CAPREIT), will be appointed as trustees of ERES. Another independent trustee, to be selected by ERES' board of trustees, is expected to be appointed in the months following Closing.

Conditions of Completion

The completion of the Transaction is subject to a number of terms and conditions, including, without limitation: (i) required ECREIT disinterested unitholder approval; (ii) certain regulatory approvals, including the approval of the TSX-V; (iii) lender consents; (iv) the entering into of certain Transaction documents on Closing in substantially the form attached to the purchase agreement; and (v) certain termination rights available to the parties under the purchase agreement. These approvals may not be obtained, the other conditions to the Transaction may not be satisfied in accordance with their terms, and/or the parties to the purchase agreement may exercise their termination rights, in which case the proposed Transaction could be modified or terminated, as applicable. Important risks and uncertainties include global, economic, market and business conditions, the failure to obtain regulatory and other approvals in connection with the Transaction or to do so in a timely manner and the failure of any of the parties to satisfy the other conditions to closing of the Transaction.

Board Recommendations

ECREIT's board of trustees, based on the recommendation of the Independent Committee, has unanimously determined that the Transaction is in the best interests of ECREIT and its unitholders and is unanimously recommending that ECREIT unitholders vote in favour of the Transaction. The Independent Committee has received an opinion from its financial advisor, Scotiabank, that, as of the date thereof and subject to the assumptions, limitations and qualifications set forth therein, the Transaction is fair, from a financial point of view, to unitholders of ECREIT.

Certain trustees and officers of ECREIT, who collectively hold approximately 12.8% (of which approximately 5.4% will be excluded from the disinterested vote) of the outstanding units of ECREIT, are expected to enter into voting and support agreements with CAPREIT pursuant to which they will agree to vote their ECREIT units in favour of the Transaction, subject to the right to terminate such voting and support agreements in certain circumstances, including the termination of the Transaction.

Certain trustees and officers of CAPREIT collectively own an aggregate of 260,105 ECREIT units (with an approximate value of $1 million), including David Ehrlich, currently a trustee of both CAPREIT and ECREIT, who owns 196,800 deferred units of ECREIT. These CAPREIT trustees and officers own an aggregate of 923,221 CAPREIT units and deferred units (with an approximate value of $44 million).

Trading Halt

The ECREIT units are currently halted on the TSX-V in accordance with TSX-V Policy 5.2 Changes of Business and Reverse Takeovers. ECREIT anticipates that such units will remain halted from trading for a brief period pending the submission of certain additional documentation to the TSX-V for review and clearance.

Advisors

RBC Capital Markets is acting as financial advisor and Stikeman Elliott LLP is acting as legal counsel to CAPREIT. Scotiabank is acting as financial advisor and Miller Thomson LLP is acting as legal counsel to ECREIT.

About CAPREIT

As one of Canada's largest residential landlords, CAPREIT is a growth-oriented investment trust owning interests in 51,743 residential units, comprising 45,151 residential suites and 32 manufactured home communities comprising 6,592 land lease sites located in and near major urban centres across Canada and the Netherlands. Since its Initial Public Offering in May 1997, CAPREIT has grown monthly cash distributions per Unit by 86%. For more information about CAPREIT, its business and its investment highlights, please refer to our website at www.caprent.com or www.capreit.net and our public disclosure, which can be found under our profile at www.sedar.com.

About ECREIT

ECREIT is an unincorporated, open-ended real estate investment trust focused on aggregating a bespoke portfolio of high-quality, non-prime commercial real estate assets in key European markets with strong fundamentals. ECREIT's strategy is designed to deliver long-term, secure income with additional potential for capital appreciation. ECREIT intends to grow by acquiring additional assets consistent with its strategy and which are expected to be accretive, on a per unit basis, to its earnings. ECREIT's units are listed on the TSX-V under the symbol ERE.UN. For more information please visit our web site at www.ECREIT.com.

Non-IFRS Measures

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements prepared in accordance with IFRS. In this and other earnings releases and investor conference calls, as a complement to results provided in accordance with IFRS, CAPREIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("**Stabilized NOI**"), Net Rental Revenue Run-Rate, Funds From Operations ("**FFO**"), Normalized Funds From Operations ("**NFFO**"), and Adjusted Cash Flow from Operations ("**ACFO**"), and applicable per Unit amounts and payout ratios (collectively, the "**Non-IFRS Measures**"). These Non-IFRS Measures are further defined and discussed in the MD&A released on November 6, 2018, which should be read in conjunction with this press release. Since Stabilized NOI, Net Rental Revenue Run-Rate, FFO, NFFO, and ACFO are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. CAPREIT has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. A reconciliation of Net Income and these Non-IFRS measures is included in this press release below. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or sustainability of our distributions.

Adjusted funds from operations ("**AFFO**") is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. AFFO is a supplemental measure of performance for real estate businesses. ECREIT believes that AFFO is an important measure of economic performance and is indicative of ECREIT's ability to pay distributions. The IFRS measurement most directly comparable to AFFO is net income.

"AFFO" is defined by ECREIT as FFO subject to the following adjustments: (i) amortization of fair value mark-to-market adjustments on mortgages acquired: (ii) amortization of deferred financing fees; (iii) differences resulting from recognizing property revenues on a straight-line basis; (iv) deferred unit compensation expense and (v) a reserve for normalized maintenance capital expenditures and leasing costs, as determined by ECREIT. Other adjustments may be made to AFFO as determined by the trustees of ECREIT in their discretion.

Cautions Regarding Future Plans and Forward Looking Information

Certain statements contained in this press release constitute forward-looking statements within the meaning of applicable Canadian securities laws which reflect CAPREIT's and ECREIT's current expectations and projections about future results. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "consider", "should", "plans", "predict", "estimate", "potential", "could", "likely", "approximately", "scheduled", "forecast", "variation" or "continue", or similar expressions suggesting future outcomes or events. The forward-looking statements made in this press release relate only to events or information as of the date on which the statements are made in this press release. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this press release. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect.

Except as specifically required by applicable Canadian securities law, neither CAPREIT nor ECREIT undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. These forward-looking statements should not be relied upon as representing CAPREIT's or ECREIT's views as of any date subsequent to the date of this press release. There can be no assurance that forward-looking 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.

Completion of the Transaction is subject to a number of conditions, including but not limited to, acceptance by TSX Venture Exchange Inc. and, if applicable, disinterested unitholder approval. Where applicable, the Transaction cannot close until the required unitholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the Circular, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of ECREIT should be considered highly speculative.

Neither the TSX-V nor its Regulation Services Provider (as that term is defined in the policies of the TSX-V) have in no way passed upon the merits of the proposed Transaction and have neither approved nor disapproved the contents of this news release.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities of ECREIT.

For further information

CAPREIT
Mr. Mark Kenney
President and COO
m.kenney@capreit.net
416-861-2468

Mr. Scott Cryer
Chief Financial Officer
s.cryer@capreit.net
416-861-5771

ECREIT
Mr. Phillip Burns
Chief Executive Officer
phillip.burns@ecreit.com
416-354-0167