



Notes

1. “Tax Advantaged Income” means that due to the general ability of real estate owners (like Centurion Apartment REIT) to deduct capital cost allowances against income, that current taxes can often be reduced and/or deferred whereas with an interest bearing instrument such as a bond or deposit no such offset from capital cost allowances are available. In 2009, 2010, 2011, and 2012 100% of Centurion Apartment REITs distributions were treated as return of capital (Box 42 on a T3 Form) for tax purposes. In 2013, 90.25% of the distributions were treated as return of capital and 9.75% as capital gains. In 2014, 83.7% of the distributions were treated as return of capital, 1.87% as capital gains and 14.43% as other income. There is no guarantee that this will be the case in the future.
2. “Rational pricing with lower volatility” means that property values are based on a methodical process involving a number of highly skilled professionals that must opine on and thus impact upon value including a) knowledgeable and professional buyers and sellers b) third party appraisers and c) financial institutions (that will be restricted in loan to value ratios and debt service ratios and other financial covenants). Valuation methods would follow standard valuation guidelines used in the industry and third party appraisers would be accredited professionals. Further, buyers and sellers are not casual participants in the marketplace and are risking substantial capital in a transaction given that the average equity required for a purchase would be substantially larger than that required to buy a few shares of stock in a publicly listed company. Whereas regular stock market investors need to have no specific skills, industry knowledge, infrastructure, substantial capital, substantial capital at risk in a single investment and relationships that would otherwise serve to exclude them from the marketplace, direct property investors must have these at a minimum. The participation of knowledgeable buyers, and the limitations imposed by lenders for debt service and leverage further act to constrain valuation parameters which constraints may not apply on a traded stock. This rational pricing means that in the absence of changes in property net operating income (which ceteris paribus tend to move with inflation) or capitalization rates, that valuations tend to move slowly over time in comparison to how stocks can move constantly and with great volatility over the course of the day (or any other investment horizon). As such, rational pricing would tend to be associated with lower volatility.
3. Source: Centurion Apartment REIT analysis of the REALpac/IPD Canada Property Investors Digest: Long Term Series total unleveraged returns between 1985 and 2010 comparing Retail, Office, Industrial and Residential properties on an unlevered basis. The Residential sector experienced the highest compounded returns, the highest average annual simple returns, had the lowest standard deviation of annual simple returns of all these sectors and was the only sector to never have had a negative year on a total return basis. **PAST PERFORMANCE MAY NOT BE REPEATED.**
4. Source: This is the opinion of Centurion Apartment REIT and is based in part on a comparison of the historical returns and volatility of the REALPac/IPD Canada Annual Property Index versus the S&P/TSX Capped REIT Index TR, portions of which are reproduced herein. It is Centurion Apartment REITs opinion that a private apartment REIT is less exposed to stock market movements than a listed REIT, but this isn't guaranteed. Being private may introduce other risks. Please refer to the Offering Memorandum “Risk Factors”
5. Source: Canadian Investment Review, Spring 2001. “Canadian Real Estate and Inflation” by Victor W.K. Li
6. Inception date for the S&P/TSX Capped REITs Index was Oct.15, 2002, however, the back calculation pricing is available starting Dec.31,1997. Source: Bloomberg as of December 31, 2014. This chart is included to show the volatility of stock market indices in general, the historic correlations between the S&P/TSX Capped REIT index TR and the S&P/TSX Composite Index TR and the performance of these indices during major market corrections during this time frame.

RESPECT

INTEGRITY

SIMPLICITY

EXCELLENCE