CENTURION APARTMENT

REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis and Annual Report to Unitholders

For the Twelve Months Ended

December 31, 2014

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Forward-Looking Statements

Caution Regarding Forward-Looking Statements

The Management's Discussion and Analysis ("MD&A") of Centurion Apartment Real Estate Investment Trust ("Centurion", or "Centurion REIT", "Centurion Apartment REIT", the "Trust" or the "REIT``) contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2014 along with Centurion REIT's other documents available on the Trust's website. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results circumstances, performance or expectations, including but not limited to financial performance and equity or debt offerings, new markets for growth, financial position, comparable multi-residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

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

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

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

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

Centurion Apartment Real Estate Investment Trust

Centurion Apartment REIT is a private real estate investment trust focused on apartment buildings, student housing, and mortgage investments in Canada. It is organized as an unincorporated open-end investment trust created by a declaration of trust made as of August 31, 2009, and as amended and restated, (the "**Declaration of Trust**") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See "Declaration of Trust" and "Description of Units".

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

Declaration of Trust

The investment policies of the Trust are outlined in the Trust's Declaration of Trust (the "DOT") dated August 31, 2009 or as it is amended and restated from time to time. The DOT can be found at:
http://www.centurionapartmentreit.com/current-offering-materials

The investment guidelines and operating policies set out in the DOT are as follows:

Investment Guidelines

The Declaration of Trust provides for certain guidelines on investments which may be made by Centurion Apartment REIT. Notwithstanding anything contained herein to the contrary, the assets of Centurion Apartment REIT may be invested only in accordance with the following investment guidelines:

(a) Centurion Apartment REIT shall focus its activities primarily on the acquisition, holding, maintaining, improving, leasing or managing of multi-unit residential revenue producing properties and ancillary real estate ventures ("**Focus Activities**") in Canada;

(b) notwithstanding anything herein contained to the contrary, no investment shall be made that would result in:

(i) Trust Units of Centurion Apartment REIT being disqualified for any class of Deferred Income Plan; or

(ii) Centurion Apartment REIT ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;

(c) no single asset (except as provided for in the Declaration of Trust) shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset) will exceed 15% of Gross Book Value, provided that where such asset is the securities of or an interest in an entity, the foregoing tests shall be applied individually to each asset of such entity;

(d) investments may be made in a joint venture arrangement only if:

(i) the arrangement is in connection with a Focus Activity;

(ii) the arrangement is with others ("**joint venturers**") either directly or through the ownership of securities of or an interest in an entity ("**joint venture entity**");

(iii) the interest in the joint venture entity is an interest of not less than 10% and is not subject to any restriction on transfer other than a right of first refusal or right of first offer, if any, in favour of the joint venturers;

(iv) Centurion Apartment REIT or an entity controlled by it has a right of first offer or a right of first refusal to buy the interests of the joint venturers in the joint venture entity;

(v) Centurion Apartment REIT has the ability to provide input in the management decisions of the joint venture entity; and

(vi) without limitation, any joint venture arrangement with a Related Party for the purposes of the related party

provisions of the Declaration of Trust have been entered into in accordance with such provisions;

(e) unless otherwise permitted in this section and except for temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or in money market instruments of, or guaranteed by, a schedule I Canadian chartered bank maturing prior to one year from the date of issue, Centurion Apartment REIT, directly or indirectly, may not hold securities other than (i) currency, commodity or interest rate futures contracts for hedging purposes to the extent that such hedging activity complies with the Canadian Securities Administrator's National Instrument 81-102 or any successor instrument or rule; (ii) securities of a joint venture entity, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned, directly or indirectly, by Centurion Apartment REIT, or an entity wholly-owned, directly or indirectly, by Centurion Apartment REIT formed and operated solely for the purpose of holding a particular real property or real properties; and (iii) securities of another issuer provided either (A) such securities derive their value, directly or indirectly, principally from real property, or (B) the principal business of the issuer of the securities is the owning or operating directly or indirectly, of real property, and provided in either case the entity whose securities are being acquired are engaged in a Focus Activity;

(f) no investment will be made, directly or indirectly, in operating businesses unless such investment is incidental to a transaction:

(i) where revenue will be derived, directly or indirectly, principally from a Focus Activity; or

(ii) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property;

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

(i) the activities of the issuer are focused on Focus Activities; and

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

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

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

(i) the real property which is security thereof is real property

(ii) the security therefore includes a mortgage registered on title to the real property which is security thereof;

(iii) the amount of the investment (not including any mortgage insurance fees incurred in connection therewith) does not exceed 85% of the market value of the real property which is the security thereof; and

(iv) the aggregate value of the investments of Centurion Apartment REIT in Debt Instruments, after giving effect to the proposed investment, will not exceed 20% of the Total Assets of Centurion Apartment REIT,

(j) notwithstanding subsection (i), Centurion Apartment REIT may also invest in mortgages where:

(i) the mortgage is a "vendor take-back" mortgage granted to Centurion Apartment REIT in connection with the sale by it of existing real property and as a means of financing the purchaser's acquisition of such property from Centurion Apartment REIT;

(ii) the mortgage is interest bearing;

(iii) the mortgage is registered on title to the real property which is security thereof;

(iv) the mortgage has a maturity not exceeding five years;

(v) the amount of the mortgage loan is not in excess of 85% of the selling price of the property securing the mortgage; and

(vi) the aggregate value of these mortgages (including mortgages and mortgage bonds in which Centurion Apartment REIT is permitted to invest by virtue of this section), after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of Centurion Apartment REIT calculated at the time of such investment;

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

(i) the purpose of the mortgage is to finance the redevelopment of a property that when complete, would be within the Investment Restrictions of Centurion Apartment REIT;

(ii) Centurion Apartment REIT has a right of first refusal to purchase the property at less than or equal to its fair market value as determined by an independent third party appraiser;

(iii) the mortgage bears interest at a commercial rate of interest;

(iv) the amount of the mortgage loan is not in excess of 90% of the selling price of the property securing the mortgage;

(v) the mortgage has a maturity not exceeding five years;

(vi) the mortgage is approved by the Trustees

(vii) the aggregate value of these mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of Centurion Apartment REIT calculated at the time of such investment;

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

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement or a limited partnership. Except as specifically set forth to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the Trust.

For greater certainty, the investment guidelines are intended to set out generally the parameters under which subsidiaries in which the Trust is permitted to invest will be empowered under their constating documents to re-invest. References to the Trust shall be read as applying to such subsidiary where the actual activity that is the subject of the policy is carried out by such subsidiary. Further, any determinations in respect of the investment restrictions that are determinations reserved to the Trustees, where the actual activity is carried on by a subsidiary, will be made by the trustees or directors of the relevant subsidiary. Nothing in the investment guidelines empowers or entitles the Trust or the Trustees to carry on business or to otherwise undertake any activity that would violate the mutual fund trust status of the Trust.

Operating Policies

The operations and affairs of Centurion Apartment REIT shall be conducted in accordance with the following operating policies:

(a) Centurion Apartment REIT may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the income-producing potential of properties that are capital property of Centurion Apartment REIT;

(b) title to each real property shall be held by and registered in the name of the Trustees or, to the extent permitted by applicable law in the name of Centurion Apartment REIT or in the name of a corporation or other entity owned, directly or indirectly, by Centurion Apartment REIT or jointly-owned, directly or indirectly, by Centurion Apartment REIT, with joint venturers or a corporation which is a nominee of Centurion Apartment REIT which holds as its only property registered title to such real property pursuant to a nominee agreement with Centurion Apartment REIT;

(c) no indebtedness shall be incurred or assumed if, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness as a percentage of Gross Book Value would be more than 75% for indebtedness, including amounts drawn under an acquisition facility;

(d) except for any indebtedness existing at Closing, no new indebtedness (otherwise than by the assumption of existing indebtedness) will be incurred or renewed or refinanced or secured by a mortgage on any of the real property of the Trust unless, at the date of the proposed incurring of the indebtedness, the aggregate of (i) the amount of all indebtedness secured by such real property, and (ii) the amount of additional indebtedness proposed to be incurred, does not exceed 75% of the market value of such real property, on or after that date which is 12 months from the acquisition date thereof, in either case not including mortgage insurance fees incurred in connection with the incurrence or assumption of such indebtedness, which amount shall be added to the amount of the permitted indebtedness;

(e) except for guarantees existing on the date of this Trust Indenture, the Trust shall not, directly or indirectly, guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness, liabilities or other obligations of (i) any subsidiary of the Trust or other entity wholly-owned by the Trust, or (ii) other entity jointly owned by the Trust with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, liabilities or other obligation, if granted, incurred or assumed by the Trust directly, would not cause the Trust to otherwise contravene the restrictions set out in Section 4.1 of the Declaration of Trust and, where such indebtedness, liabilities or other obligation is granted, incurred or assumed by a joint venture entity, subject to a joint venturer being required to give up its interest in a property owned by the joint venture entity as a result of another joint venturer's failure to honor its proportionate share of the obligations relating to such property, and, except with the prior approval of the Trustees and subject always to (b) under Section 4.1, the liability of the Trust is limited strictly to the proportion of the indebtedness, liabilities or other obligation equal to the Trust's proportionate ownership interest in the joint venture entity, or (iii) with the prior approval of the Trustees and subject always to (b) under Section 4.1, the indebtedness, liabilities or other obligations of joint venturers in circumstances where any such guarantee may also be given in respect of the associated joint venture entity. In addition, the Trust will not directly or indirectly guarantee any indebtedness, liabilities or other obligations of any Person if doing so would contravene (b) under Section 4.1;

(f) except for the Contributed Assets acquired pursuant to the Rollover Agreement, an engineering survey or physical review by an experienced third party consultant will be obtained for each real property intended to be acquired with respect to the physical condition thereof;

(g) at all times insurance coverage will be obtained and maintained in respect of potential liabilities of the Trust and the accidental loss of value of the assets of the Trust from risks, in amounts and with such insurers, in each case as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;

(h) except for the Contributed Assets acquired pursuant to the Rollover Agreement, a Phase I environmental audit shall be conducted for each real property to be acquired and, if the Phase I environmental audit report

recommends that further environmental audits be conducted, such further environmental audits shall be conducted, in each case by an independent and experienced environmental consultant;

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

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

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

i. any obligation of the Trust for borrowed money;

ii. any obligation of the Trust incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

iii. any obligation of the Trust issued or assumed as the deferred purchase price of property;

iv. any capital lease obligation of the Trust; and

v. any obligation of the type referred to in clauses i through iv of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable;

provided that (A) for the purposes of (i) through (iv), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with generally accepted accounting principles; (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business.

Accounting Policies

Centurion REIT's significant accounting policies are described in Note 2 of the consolidated financial statements (see "Appendix D") for the year-ended December 31, 2014. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements, including IAS 34, Interim Financial Reporting, and IAS 1, Presentation of Financial Statements.

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

Non-IFRS Measures

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

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

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

Normalized Net Operating Income ("NNOI") is a key measure of potential operating performance used in the real estate industry and differs from NOI mainly in that certain long term stabilizing assumptions are made in the calculation of NNOI. Such assumptions may reflect a stabilized (normalized) view of key inputs in the calculation of NNOI such as forward looking rents, vacancy ratios, property taxes, wages, repairs and maintenance and other costs. NNOI is often used by property appraisers in valuing a property. NNOI's have been used, among other things for evaluating potential property acquisitions, to determine fair values of the investment properties held by the Trust, and to estimate the capacity to make and the level of distributions. Management believes that given the rapid rate of growth of the portfolio and that new acquisitions often require stabilization and repositioning periods and that many in the real estate industry use NNOI when purchasing or selling a property, that NNOI is a useful tool in evaluating the portfolio.

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

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

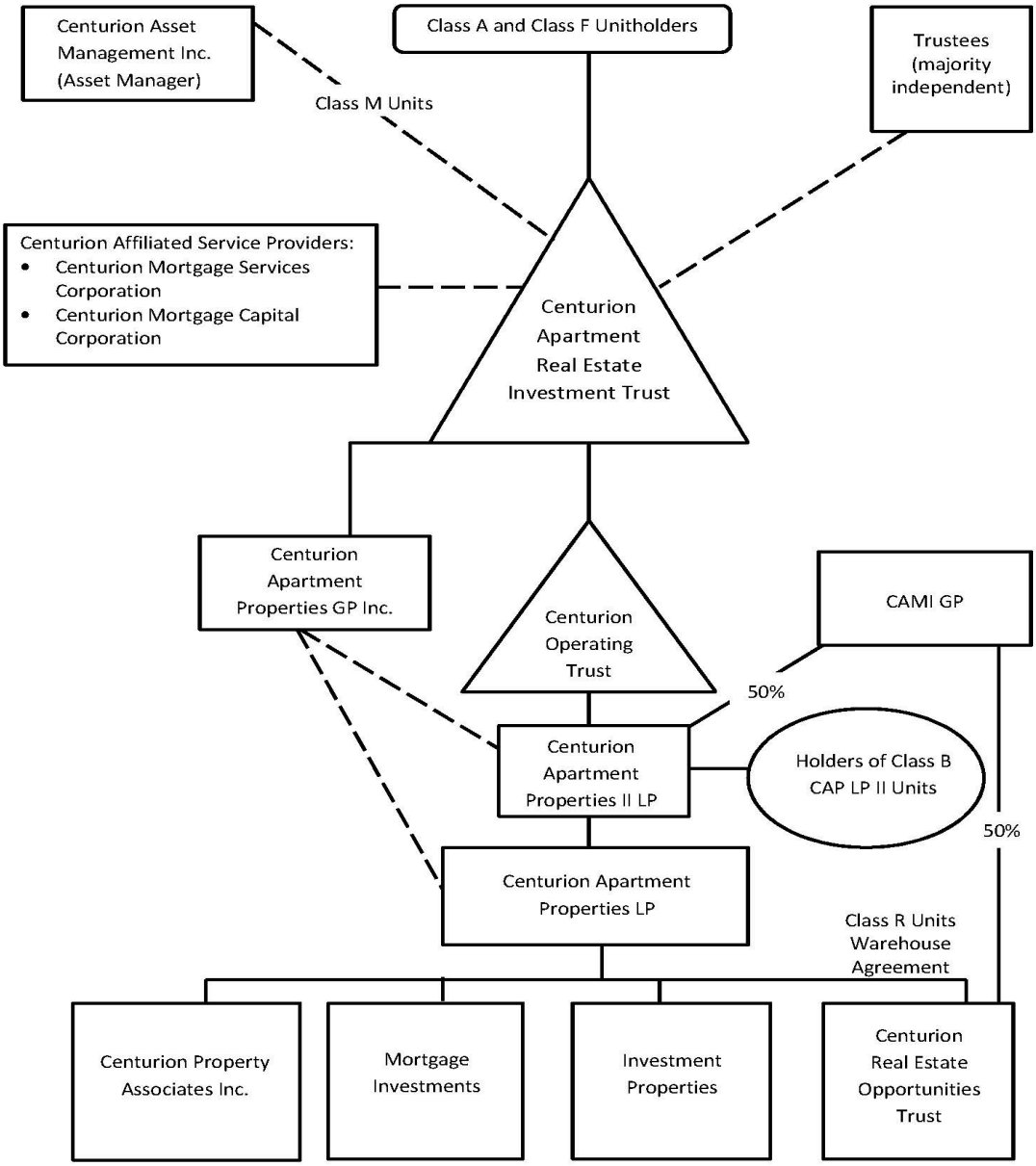
Potential Funds From Operations ("PFFO") is a financial measure that adjusts the Normalized Funds From Operations to include items that are reasonably anticipated to impact cash flows in future periods assuming the full

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

Readers are cautioned that these metrics and calculations are not alternatives to measures under IFRS and should not, on their own, be construed as indicators of the Trust's performance or cash flows, measures of liquidity or as measures of actual return on Units of the Trust. These non-IFRS measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust. In addition, these maeasures may be calculated differently by other similar organizations and may not be comparable.

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

Centurion Apartment REIT Organizational Structure



The Trust`s operating structure was revised due to internalization. Centurion Properties Associates Inc. was purchased by Centurion Apartment Properties LP. In addition, a new entity was formed, Centurion Asset Management GP Inc. which is owned 50% by Centurion Apartment Properties II LP in order to allocate costs from the asset manager to the Trust. (See Outlook and Business Strategy – Expense Management – Internalization).

2014 was a year in which we made a modest number of property acquisitions but executed on our operational plans to continue the stabilization of the existing portfolio and to set the REIT up for future growth.

Acquisition & Investment Activity

Property purchase activity was moderate in 2014 with purchases of 921 rental units for an aggregate amount of $127.5 million increasing the property portfolio to 5,082 rental units on an undiluted basis. Much of the investment teams efforts were focused on building the mortgage investment and development portfolio which Management sees as a strategic source of future accretive acquisition opportunities. This mortgage investment portfolio grew from $39 million in 2013 to $95.7 million in 2014 at year end, a growth of $56.7 million and 145%. The REIT diversified into Nova Scotia and in early 2015, the REIT purchased properties in Alberta and also increased its investment in Quebec. With Centurion Real Estate Opportunities Trust's investments in British Columbia and Saskatchewan, the REIT now has investment interests (directly and indirectly through Centurion Real Estate Opportunities Trust) in Ontario, Quebec, Nova Scotia, Alberta, British Columbia and Saskatchewan. The REIT continues to focus on the diversification of the portfolio across Canada and believes that it will have further opportunities in 2015, particularly in western Canada.

Portfolio Stabilization

The REIT continued to stabilize its portfolio in 2014. On a same store basis, for properties owned since December 31, 2012, the REIT was able to increase Total Operating Revenues by 3.95%, NOI by 9.69% and the NOI Ratio by 2.80% to 53.39% from 50.59%. The REIT was able to reduce expenses relative to Total Operating Revenues in every major expense category. The proportion of the portfolio that is stabilized rose from 36.4% to 50.6% and occupancy at year end increased from 95.2% to 96.6%. Management is ultimately targeting Occupancy to be in the range of 97.5%. Management believes that there is room to continue this progress in 2015 and continues to focus on its revenue and expense opportunities. The REIT made capital investments into the portfolio of $27.3 million in 2014 and believes that these investments, and the investments made in prior years, have yet to fully show their worth. As the portfolio occupancies continue to stabilize, Management anticipates that it will be able to drive rents higher, reduce vacancy and stabilization drag, and cut costs over time with the increased value proposition presented by the properties in the market.

Internalization of the Asset and Property Management Teams

As at January 1, 2015 the asset and property management teams of the REIT were internalized into the REIT. No fee or premium was paid to Centurion Asset Management Inc., the Asset Manager, for the internalization. Management anticipates that net savings to the REIT in 2015 will amount to approximately $2.7 million and that this savings will increase as the REIT continues to grow. It is also anticipated that the internalization will also result in closer alignment of the operational teams with the REIT and its investors.

Launch of Centurion Real Estate Opportunities Trust

After incubating the REIT's mortgage strategy for almost two years, the majority of the REIT's mortgage portfolio was rolled into the Centurion Real Estate Opportunities Trust ("CREOT") in exchange for equity in CREOT and launched as a separate fund open to outside investors as of September 12, 2014. We see this as a key part of the REIT's strategy to expand the acquisition opportunities available to the REIT as these properties complete as well as an attractive risk/return investment. Management is focused on sourcing opportunities and relationships and raising outside capital to build CREOT and its strategic value to the REIT. Given that standard property acquisition opportunities are extremely competitive and limited in availability, Management believes that its strategy with CREOT is critical to building the REIT's future acquisition pipeline.

Launch of "The MARQ" Student Housing Brand and Third Party Management Business

After significant research and preparation, the REIT launched its own dedicated student housing brand "The MARQ". A separate website for student properties was launched http://www.themarq.ca with its own unique brand message and identity. Management believes that there is a lack of institutional grade managers of student housing properties in Canada and has thus also launched a third student party property management business. We have started signing clients in 2015 and created an entirely new revenue stream for the REIT. Management believes that increased scale will help to continue to build the student brand, drive economies of scale and may become a source of acquisition opportunities down the line.

Reducing Net Interest Costs

The REIT in 2014 saw its interest earnings increase from $1.65 million in 2013 to $6.58 million in 2014, a growth rate of 298% as the mortgage investment portfolio grew. Interest expenses increased from $8 million in 2013 to $9.32 million in 2014. This means that the REIT's net interest expense (Interest earnings less interest expense) declined from $6.36 million in 2013 to $2.74 million in 2014 a reduction of 56.9%. Based on interest rates currently available in the market and the REIT's in place cost of debt, Management has estimated that there is the potential to reduce interest costs by $4.77 million on the REIT's existing debt over time if interest rates remain at their current rates. Management believes that there is the potential that in 2015, the REIT will become a net interest earner, not a payer of interest. Being a net interest earner we believe would be an attribute unique to Centurion Apartment REIT in Canada. Further, Management believes that this strategy has the potential to significantly reduces the REIT's exposure to upward moves in its interest rate financing costs. While it is not Management's view that interest rates are going to rise at any time soon, it is still a risk management strategy Management likes and intends to continue to pursue.

Leverage and Liquidity

As I have continued to reiterate, I expect interest rates to continue to stay low if not move even lower, with the potential for rates to mirror what is happening in European interest rates (i.e. to go negative). If interest rates stay at their current level, the REIT has the opportunity over time to potentially save approximately $4.8 million/year in interest costs as its mortgage debt portfolio matures and is rolled over. Leverage in the year declined from 42.29% in 2013 to 40.41% in 2014 and as such is very conservatively leveraged. Additionally, the REIT has expanded its acquisition and operating facilities to $50.45 million and had undrawn credit facilities of $37.7 million at year end. Irrespective of my views on interest rates our mortgage strategy remains in continuing to take long term mortgage capital when possible.

Investment Returns

The distributions per Unit in 2014 were stable at $0.82/Class A Unit and $0.93/ Class F Unit. Tax treatment of distributions in 2014 was 83.7 % Return of Capital (90.25% in 2013), 1.87% Capital Gains (9.75% in 2013) and 14.43% Other Income (0% in 2013). The increase in Other Income as a percentage of distributions came from the REIT's mortgage investments. Given the strategic importance of continuing to build a future acquisition pipeline for accretive growth, Management expects that this income will increase for the next while as the REIT continues to deploy into similar opportunities until these turn into actual property acquisitions upon project stabilization. Once these opportunities become property rather than mortgage investments, Management expects that the proportion of returns for tax purposes classified as Other Income will decline.

Total returns were 9.21% on a full year basis including distribution reinvestment for Class A units and 10.21% including distribution reinvestment for Class F units. Returns in the year were dragged down by continued stabilization costs, heavy capital investment in the portfolio, and an excess of capital in 2014 that forced the REIT to be capped to new investment for a number of months. Management believes that there are significant opportunities

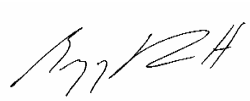
for future profitability growth as the portfolio continues to stabilize, management drives revenues and expenses, builds on economies of scale and puts the temporary 2014 dilutive effects of heavy capital expenditure investment, excess capital and stabilization costs into the rear view mirror. As of May 1st, 2015 the REIT changed the closing dates for new subscriptions to the 1st of the month, which will reduce some distribution dilution in favour of Unitholders in 2015 and beyond.

Other Notable Achievements

Centurion and its team also received considerable industry recognition. I was fortunate enough to be nominated for, and become a finalist in the Ernst & Young Entrepreneur of the Year Award in 2014 and to be named 2015 CEO of the Year by Canadian Apartment Magazine. Centurion's student housing business was featured in Rental Housing Business's special feature on student housing. The REIT also grew to be the 14th largest apartment landlord in Canada (according to Canadian Property Managements Who's Who in Canadian Real Estate) with approximately 3.83 million square feet under management.

Summary and Priorities in 2015 and Beyond

I'm pleased with where things went in 2014. We made significant progress on a number of strategic fronts and I believe that the REIT is set up for future portfolio growth and strong returns as the team continues to execute on the stabilization and repositioning of the portfolio and mortgage and development investments turn into acquisition opportunities.



Greg Romundt

President and Trustee

Centurion Apartment REIT - December 31,2014 Highlights

Portfolio Performance	**Notes:**	
Overall Portfolio Occupancy		96.6%
Operating Revenues		$40,322,024
NOI		$21,580,560
NOI Margin		52.52%
Operating Performance		
Net Income & Comprehensive Income Per Unit		$0.88
FFO Per Unit	*page 35*	$0.54
NFFO Per Unit	*page 35*	$0.87
PFFO Per Unit	*page 35*	$1.21
Weighted Average Number of Units (Adjusted)		28,761,167
Distributions per Class "A" Unit		$ 0.8200
Distributions per Class "F" Unit		$ 0.9300
Total Annual 2014 Return - Class A		9.21%
Total Annual 2014 Return - Class F		10.21%
Liquidity and Leverage		
Total Debt to Gross Book Value		40.41%
Net Debt to Adjusted Gross Book Value	1	30.33%
Weighted Average Mortgage Liability Interest Rate		3.95%
Weighted Average Mortgage Liability Term (years)		4.20 years
Weighted Average Mortgage Investment Interest Rate		10.86%
Weighted Average Mortgage Investment Term (years)		2.20 years
Gross Interest Expense Coverage Ratio (times)	2	2.92
Net Interest Coverage Ratio (times)	3	7.02
Available Liquidity - Acquisition and Operating Facility		$37,659,766
Other		
Number of Rental Units Acquired		355 (2014), 566 (2015 YTD)
Number of Rental Units Disposed		108 (2014) 30 (2015 YTD)
Number of Rental Units		4,498
New Mortgage Investments Made		$74,524,742
Mortgage Repayments		$25,172,066
Closing Price of Trust Units		$11.86
Total Assets		$637,472,407
Market Capitalization		$384,593,032

Notes:

1) Calculated by taking Mortgage liabilities less mortgage assets and divided by (gross book value less mortgage investments).
2) Calculated by taking NOI plus interest income divided by finance costs.
3) Calculated by taking NOI divided by (finance costs less interest income on mortgage investments).

Comments on the Apartment Market

2014 was a very quiet year in the apartment industry. Capitalization rates were largely stable with a slight downward bias as interest rates continued to move lower. Overall, spreads between real estate capitalization rates and government bond yields are trading at very wide levels at 459 basis points, compared to the ten year average of 373 basis points) and near all-time highs of around 470 basis points (Source: BMO REIT Beat 2015-04-17). This suggests that capitalization rates may well decline (meaning higher property prices) going forward if interest rates remain stable, which is our core view. Transaction volume in the apartment space in 2014 was down between 40% and 50% versus 2013 as the number of properties available for sale declined. It appears that with few alternative investment options and near zero interest rates that existing property owners have little reason to want to consider selling unless there is a requirement to do so (like an estate sale).

We continue to see increasing interest on the part of our industry peers to focus on development opportunities and this has become a theme not only for regular apartment investors but a number of large commercial REIT's have also announced their intention to develop apartments on their existing land. Recent announcements were made by Riocan REIT and Allied REIT to name a few. According to CBRE, there are nearly 24,000 rental units under construction across Canada, up 52% from a year earlier. All this points to the continued growth of the importance of new development and intensification opportunities in creating an acquisition pipeline and this is a trend we believe will continue.

Outlook & Business Strategy

Management is focused on a number of key areas for 2015 that can be broken down as follows:

Growth strategy

Deploying existing available capital and growing the portfolio is a key part of Management's plan for the next year.

In the third quarter of 2014, Management executed on its mortgage investment mandate and the Centurion Real Estate Opportunities Trust ("REOT") was launched. On September 12, 2014, Centurion Apartment REIT contributed an initial mortgage investment portfolio to REOT in return for 5,892,722.80 Class "R" Units of REOT at $10.00 per Class R Unit reflecting a purchase price of $58,927,228 which was equal to the then gross book value plus accrued interest of the initial portfolio as of August 31, 2014. As the trust owns 84.74% of REOT as at March 31, 2014, the REOT results are required to be consolidated with the Trust under IFRS.

Management continues to believe that the greatest opportunity in the Canadian apartment market right now, and for the next few years, is new apartment construction. REOT will raise capital separately for these opportunities so that the Trust can maximize the number of opportunities it can participate in and potentially purchase upon completion.

Management also believes that purpose built student housing provides significant opportunities for the Trust. Yields are higher than standard apartments and few significant portfolios of size exist. Significant scope for new construction exists as students move from single family homes into larger service oriented investment grade residences. In 2014, the Trust purchased one student residence property bringing the total number of student rental beds to 2,156 on an undiluted basis in 8 properties. Capitalization rates in the student space were largely stable in 2014. The Trust is one of the largest private owners of student properties in Canada. (See "Portfolio Summary" below and the Trust's website for more details). Management continues to believe that the student housing industry is ripe for consolidation and is actively seeking acquisitions and opportunities in this space in order to build on its platform. After extensive research, Management launched a dedicated student brand "The MARQ` in 2014 which was rolled out over the course of the year.

As major bank based lenders continue to restrict the availability of funding to developers. Management continues to focus on securing a pipeline of future acquisitions by assisting developer partners with financing through REOT to complete properties which the Trust may ultimately buy. Further, due to the reduced availability of prime financing to developers, the Trust will continue to have opportunities to invest some of its surplus liquidity in quality mortgages while it continues to patiently search for acquisition opportunities (See "Mortgage Asset Strategy").

Revenue Opportunities

Management continually examines revenue opportunities but is currently focused on:

- Closing the Trust's gap between potential market rents and current in place rents; this includes product repositioning in localized markets where there is opportunity to deploy capital in the apartment units and realize rental lift. Management estimates that its potential gap to market rents is approximately $1,953,981.
- Filing above guideline rent increases (AGIs) wherever possible for the extensive capital works that have recently completed or will soon be completing (see Appendix C – Government Regulation). In 2014, the Trust filed AGIs on three (3) properties. In 2015, seven (7) AGIs have been filed to date.In total, the Trust has filed thirteen (13) AGIs which, when phased in, may increase rents by $276,985 per annum.
- Continuing to invest capital in the portfolio strategically to create value. The Trust has budgeted approximately $10.95 million in capital improvements in 2015.
- Cash deployed from additional leverage of the portfolio could result in $1,200,000 towards the Trust's results.
- Continuing to implement the segmentation and charging independently for previously included services to drive revenues (like parking and storage). It is estimated $205,021 of additional revenue could be derived from parking.
- Management will continue to focus on stabilization of properties in the turnaround phase to reduce the short term drag on NOI. The Trust continues to stabilize its portfolio of recent acquisitions which will result in positive contributions to NOI in 2015. The stabilization costs incurred in 2014 were $2,188,872.
- The REIT is currently working on a program to provide property management services to multi-residence apartments and student housing. The REIT has significant experience in property management and there is a need for these services in the market. This is a new revenue opportunity for the REIT and revenues of $250,000 are expected in 2015 with further growth in the future as the Trust attracts additional customers to this program.

Expense Management

Internalization

Effective January 1, 2015, Centurion Apartment REIT internalized its property and asset management teams. Management believes that internalizing these teams better aligns the management structure of the REIT with the interests of the untiholders.

The key benefits of internalization include the elimination of the property management fees, the asset management fees and the capital expenditure fees while maintaining the REIT's ability to draw upon the expertise of management.

It is estimated that savings will be approximately $2.7 million in 2015 and it is anticipated that these savings will increase as the REIT grows.

Some of the material terms of the internalization transaction are as follows:

- The ownership of Centurion Property Associates Inc., the property manager of the REIT will be transferred to the REIT, which will assume its assets and liabilities, including its staff. The REIT will not pay any fee or premium to the asset manager for the transfer.
- As a result of the internalization, the REIT will share certain office, overhead, staffing and other costs with Centurion Real Estate Opportunities Trust and any other funds in the future, that would have been previously incurred by Centurion Property Associates Inc. and Centurion Asset Management Inc.
- As the REIT will no longer pay property or asset management fees, it is anticipated that there will be substantial cost savings and that these savings will increase further as the REIT continue to grow. The REIT will have access to all the resources it currently has but will only pay its respective share of current and future expenses.
- The rights to "The MARQ", Centurion's student housing brand will transfer to the REIT. The REIT will have the opportunity to earn management fees on third party management of student properties.

On-going Expense Management

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

- The Trust's sub-metering initiatives have achieved metering of 1,807 rental Units to date with 36.25% of those Units now paying their own hydro. Upon full implementation, and after all units have turned over to tenants paying utilities, Management believes that savings of $884,878 may ultimately be realized of which potentially $105,683 is anticipated to occur in 2015.
- Management will activilvely renegotiate its mortgage portfolio to take advantage of this current low interest rate environment and savings of $4,769,550 could be achieved.
- Management has implemented energy and utility management systems that ties into the Trust's existing system to improve energy management and benchmarking. Management believes that there are significant savings available over time that will create value.
- Management continues to look for opportunities to rationalize property labour expense and improve service levels by leveraging resource allocations where properties are in close proximity, and introducing new processes and technology to improve efficiency.
- With the portfolio's increasing size, Management continues to leverage scale in its purchasing programs.

Between both revenue and expense opportunities, Management estimates and that there may be, upon full realization, approximately $11,963,430 potential to increase income over time. Readers are cautioned that these are Management estimates, which may take years to realize or may not be realized at all or only be partially realized.

2014 operating results were impacted by stabilization costs ($2,188,872), cash leakage ($1,666,667), and normalized participating interest ($2,813,000) for a total of $6,668,539 which management believes are short term non-recurring items and will reduce as the portfolio stabilizes. Total combined potential increase in income and short term non-recurring items could increase operating results by a total of $18,631,969 over time.

Further, certain capital expenditures may be required (e.g. on suite turns) to realize this potential. See the table below:

Revenue and Expense Summary Table

	Potential Impact on Income [(1)]
Rental Gap to Market	$1,953,981
Roll down of mortgage portfolio to market rate 5 year mortgages	$4,769,550
Internalization	$2,700,000
Third Party Property Management	$250,000
Submetering	$884,878
Parking	$205,021
Cash Deployed ($20 million at 10% return net of interest cost) from extra leverage	$1,200,000
Total Value Add	$11,963,430

(1) This is based on management's estimate of the REIT's opportunity set at the date of this report. There can be no assurance that these estimates will be realized. All of these estimates assume 100% realization as if they all happened immediately; ignoring how long it may take to realize them (i.e. some could take many years).

Finance & Treasury

With the significant decline in interest rates in the marketplace, Management continues to look to effectively roll out its mortgage portfolio using interest rate swaps to hedge some of its interest rate exposure. Management is continuing to focus on minimizing the amount of short term debt maturities and to extend the duration of mortgage liabilities.

Credit Facilities

During 2014, the Trust renewed and amended its credit facilities which can be used for operations, capital works, and acqisitions. As part of this process, the Trust negotiated a new revolving credit facility in the amount of $40 million and closed previously existing credit lines in the amount of $10,270,000. These new facilities provide the Trust with significantly more financing flexibility. The total amount of the REIT's credit facilities total $50,450,000. Generally, liquidity originating from new equity issuance is directed towards these operating facilities to lessen the dilutive impact of carrying large cash balances. Of the $50,450,000 in facilities, $40 million is committed and $10,450,000 is on demand. Management believes that it can mitigate some of this risk by diversifying across lenders, properties, renewal dates, by generally using first position mortgages, and keeping overall leverage on the specific properties and of the entire Trust within its target range.

As at December 31, 2014, the Trust had $37,659,766 available in undrawn credit facilities.

Financing Costs

Over the course of the year, the Trust maintained its weighted average financing costs from 3.96% per annum at the end of 2013 to 3.95% per annum rate at the end of 2014 and approximately 3.95% currently. 2013 and 2014 mortgage and credit facilities interest expenses were $8,008,157 and $9,322,971 (excluding amortization of financing fees) respectively, slightly rising due to the growth in outstanding mortgages from $212,439,344 in 2013 to $257,597,251 in 2014. However, as the Trust earned $6,580,515 in interest in 2014, its Net Interest Expense significantly declined in 2014 to $2,742,456. The Trust expects that in 2015 it is possible that the Trust will be a net interest earner and not a net payer of interest. As such, management believes that a further key benefit of its mortgage investment strategy will be a significant reduction in its exposure to interest rate risk.

The Trust is working to continue to make improvements in its financing costs to reduce the overall weighted average cost of debt and believes that if rates remain stable, that there are significant savings potential in the Trust's mortgage portfolio.

Based on the current in place average debt cost of 3.96% and the estimated current cost of 5 year mortgages at 2.11% (blended between CMHC and conventional mortgages), the REIT has potential interest rate savings of $4.77 million/year if interest rates remain at their current levels and the REIT is able to roll all of its mortgages over at these rates over time. In 2014, the REIT made no significant reductions in its interest rate costs because it had very few mortgage maturities in 2014. In 2015, mortgage maturities are also very limited. As such, management believes that it will get rate reductions on its mortgage portfolio through new purchases financed at current rates and rollovers in future years.

Mortgage Interest Earned -vs- Mortgage Interest Paid

	2014	**2013**
Mortgage investment interest income	$6,580,515	$1,652,462
Mortgage payable interest expense	($9,322,971)	($8,008,157)
Net interest income (expense)	($2,742,456)	($6,355,695)

Mortgages, Debt and Capital Structure

The Trust is limited in its Declaration of Trust to leverage of up to 75% but targets to keep its debt ratio in the 62-67% range. This is comparable to most of it multi-residential peers and would generally be considered very conservative in the multi-residential space. The mortgage liability portfolio at year end 2014 was at a weighted average interest rate of 3.95% down from 3.96% in 2013 and 3.95% currently. Mortgage leverage is at approximately 40.41% of total assets at IFRS value at the end of 2014 down from 42.29% in 2013 (see the table "Debt to Gross Book Value" below), well below the target ratio range. The weighted average term to maturity was 4.2 years as at December 31 2014 and 4.3 years as at December 31, 2013. REIT capital (see table "REIT Capital Structure" below) grew to $626,766,113 in 2014 from $491,786,639 in 2013, an increase of 27.45%.

The Trust's debt strategy is to ladder its mortgage maturities across a diverse array of lenders and maturity dates. The Trust is currently exploring entering into interest rate swaps to extend its effective mortgage maturity to 10 years and to reduce its interest rate exposure and costs where possible The Trust's debt schedule, contained in Note 11 of the consolidated financial statements (see Appendix "D") is summarized below as are the Debt to Gross Book Value calculations and REIT Capital Structure calculations. The Trust has approximately $17.3 million in mortgages payable in 2015, of which, $17 million relates to a mortgage on one property.

Mortgages payable at December 31, 2014 are due as follows:

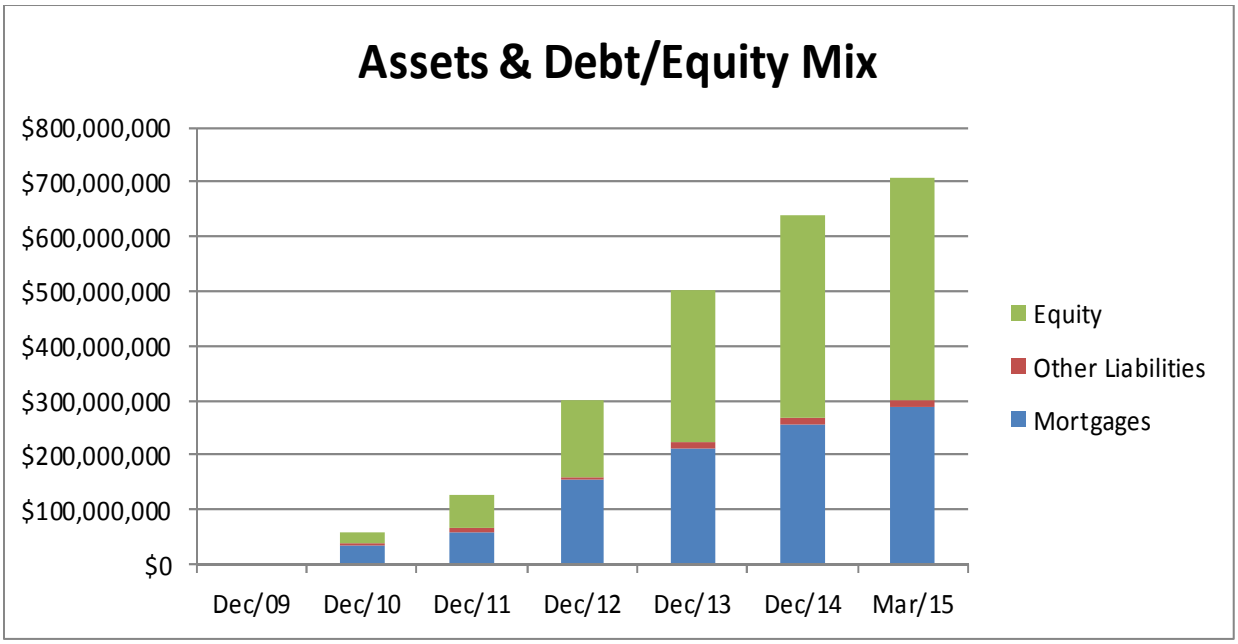
	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2015	$ 6,276,472	$ 26,792,194	$ 33,068,666
Year ended December 31, 2016	6,036,417	35,895,696	41,932,113
Year ended December 31, 2017	5,098,800	32,809,790	37,908,590
Year ended December 31, 2018	4,255,238	39,656,750	43,911,988
Year ended December 31, 2019	3,155,816	21,492,940	24,648,756
Thereafter	8,126,995	69,010,468	77,137,463
	$ 32,949,738	$ 225,657,838	$ 258,607,576
Lees Mark to Market Adjustment			$ 586,212
Less: Financing fees			(1,596,537)
			$ 257,597,251

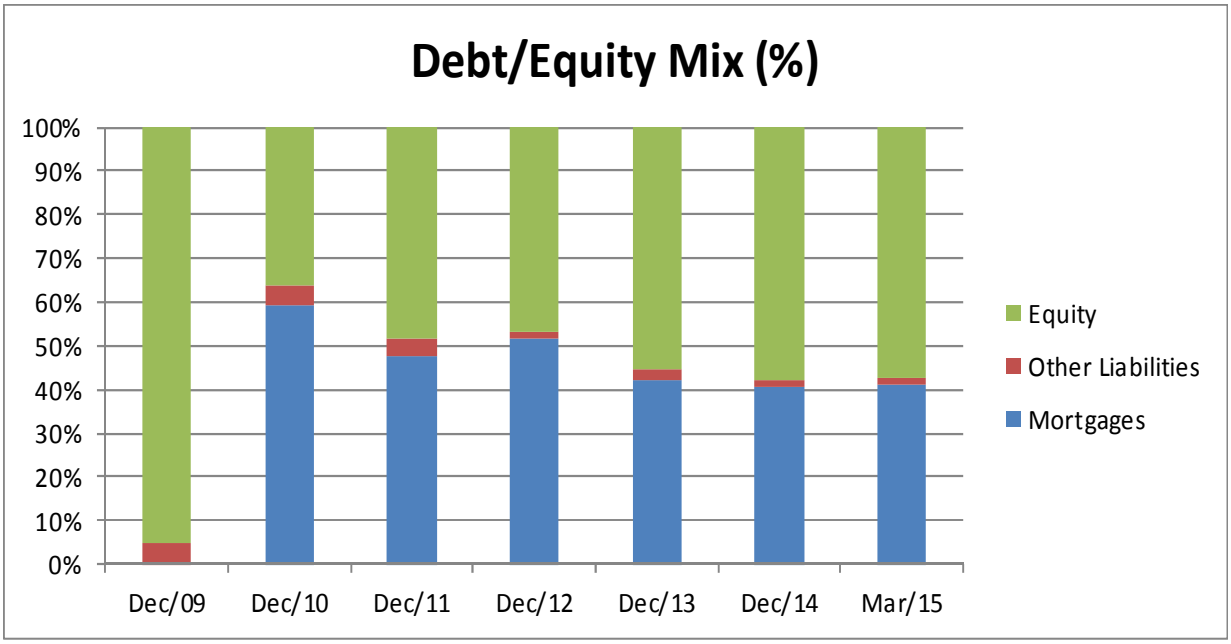
Ratio of Debt to GBV

	2014	2013
Total Assets	$637,472,407	$502,334,974
Mortgages Payable	$257,597,251	$212,439,344
Ratio of Debt to GBV	40.41%	42.29%

REIT Capital Structure as at December 31

	2014	2013
Mortgages Payable	$257,597,251	$212,439,344
Net assets attributable to unitholders	$369,168,862	$279,347,295
Total	$626,766,113	$491,786,639


Assets & Debt/Equity Mix
$800,000,000
$700,000,000
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$0
Dec/09
Dec/10
Dec/11
Dec/12
Dec/13
Dec/14
Mar/15
Equity
Other Liabilities
Mortgages


Debt/Equity Mix (%)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Dec/09
Dec/10
Dec/11
Dec/12
Dec/13
Dec/14
Mar/15
Equity
Other Liabilities
Mortgages

Portfolio Summary

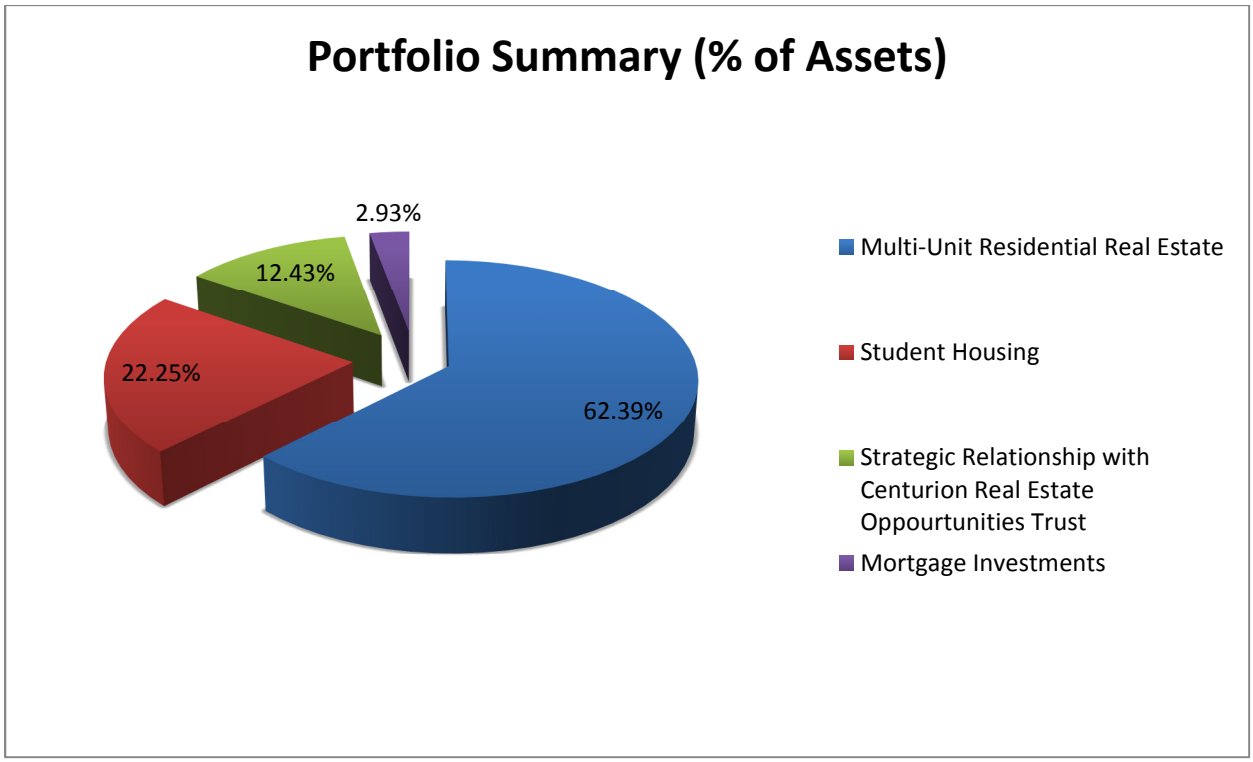
Centurion Apartment REIT invests primarily in the following areas:

1) Multi-Unit Residential Real Estate (Apartments)

2) Student Housing

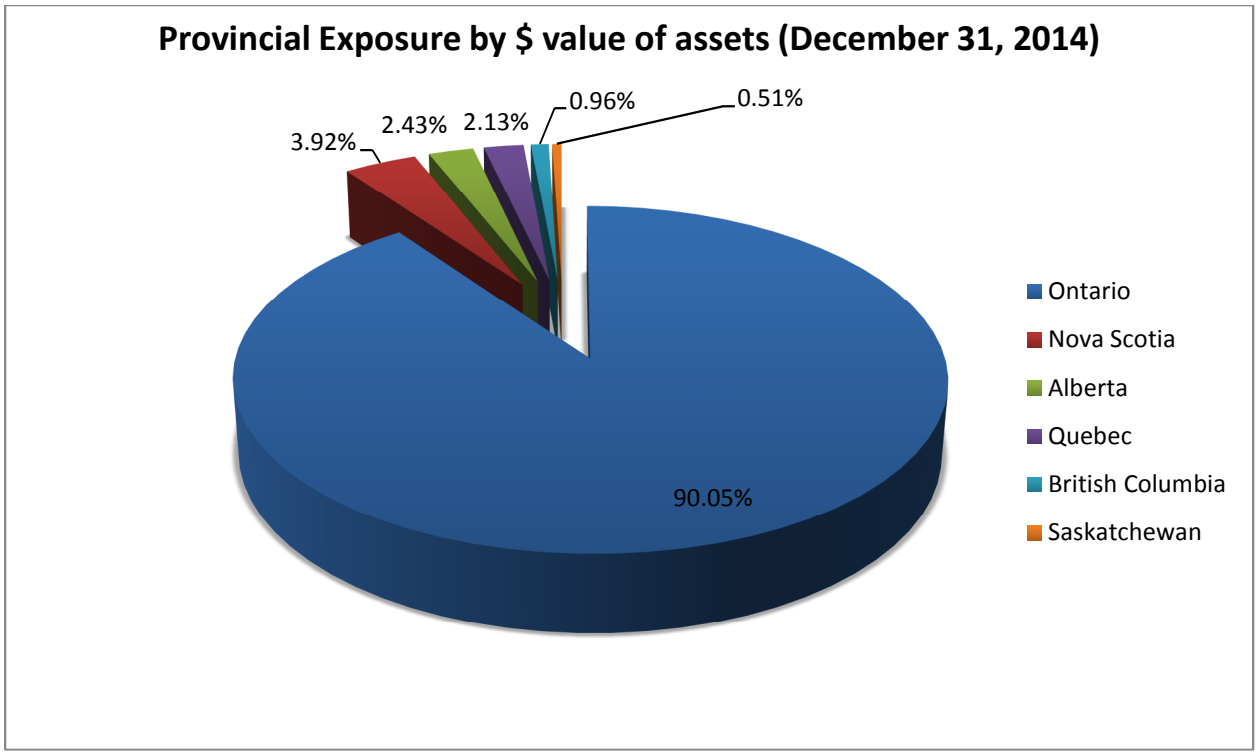
3) Mortgage Investments

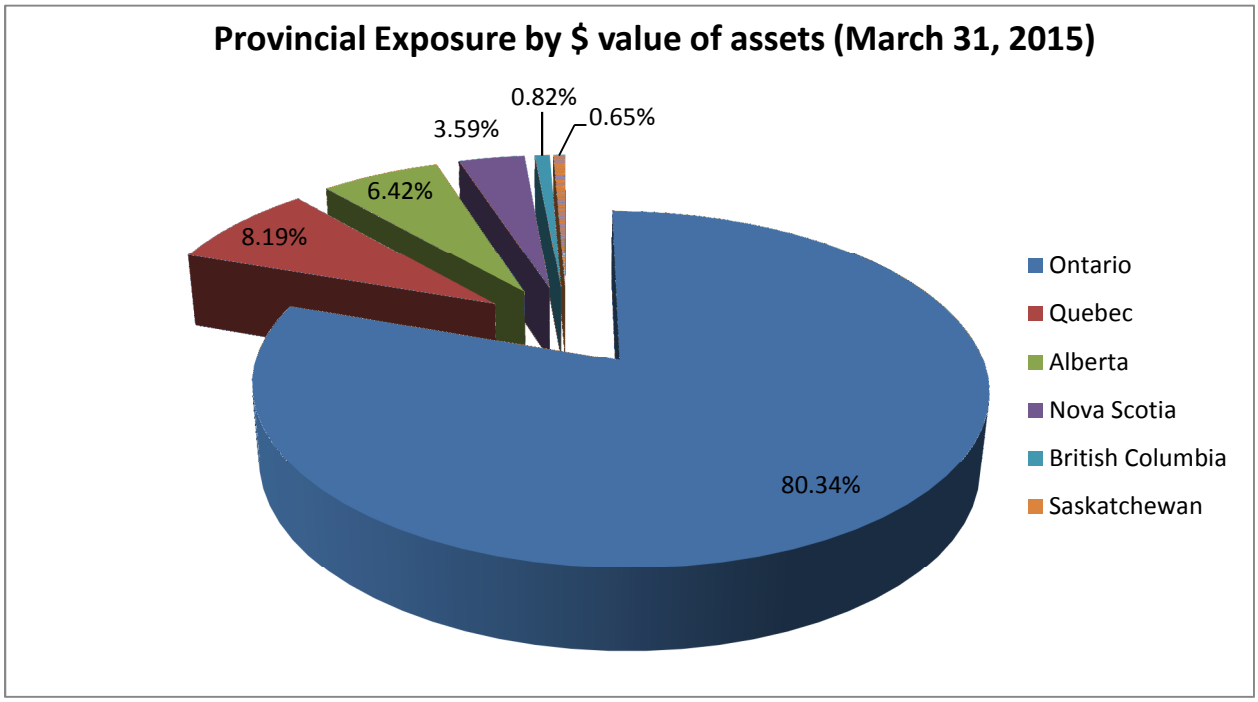
4) Strategic Relationship with Centurion Real Estate Opportunities Trust

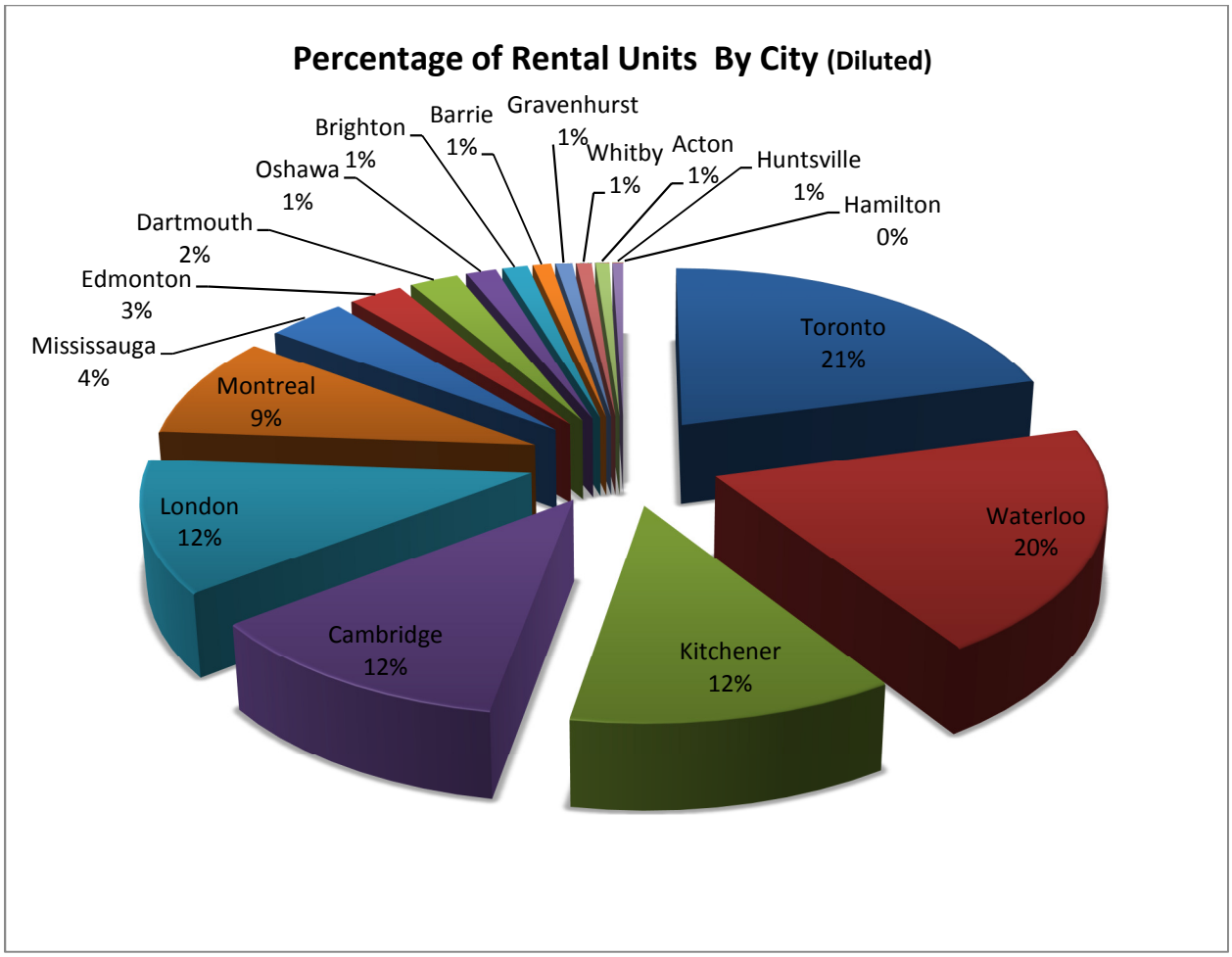


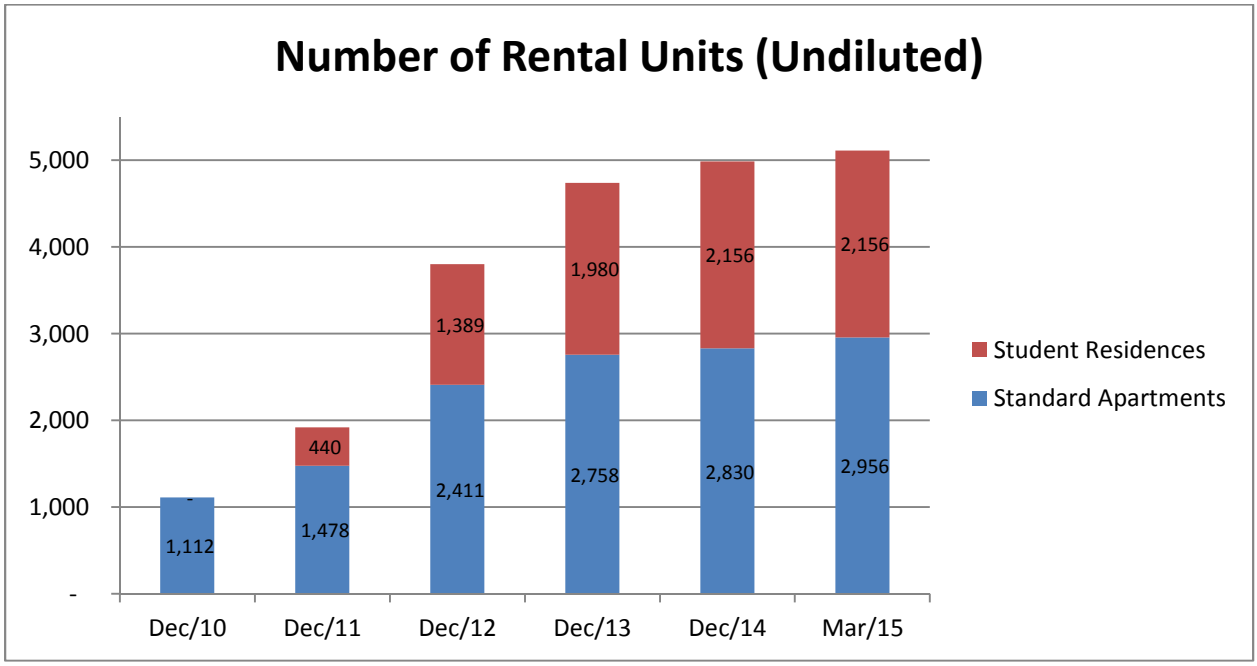
As at March 31, 2015, the Trust owned 42 buildings. The charts below provide additional details of the property portfolio. With building purchases in Halifax, Nova Scotia and Edmonton Alberta, the Trust is increasing its geographical reach across Canada. In addition to building purchases, the Trust holds mortgage investments in Regina, Saskatchewan and Victoria, British Columbia.

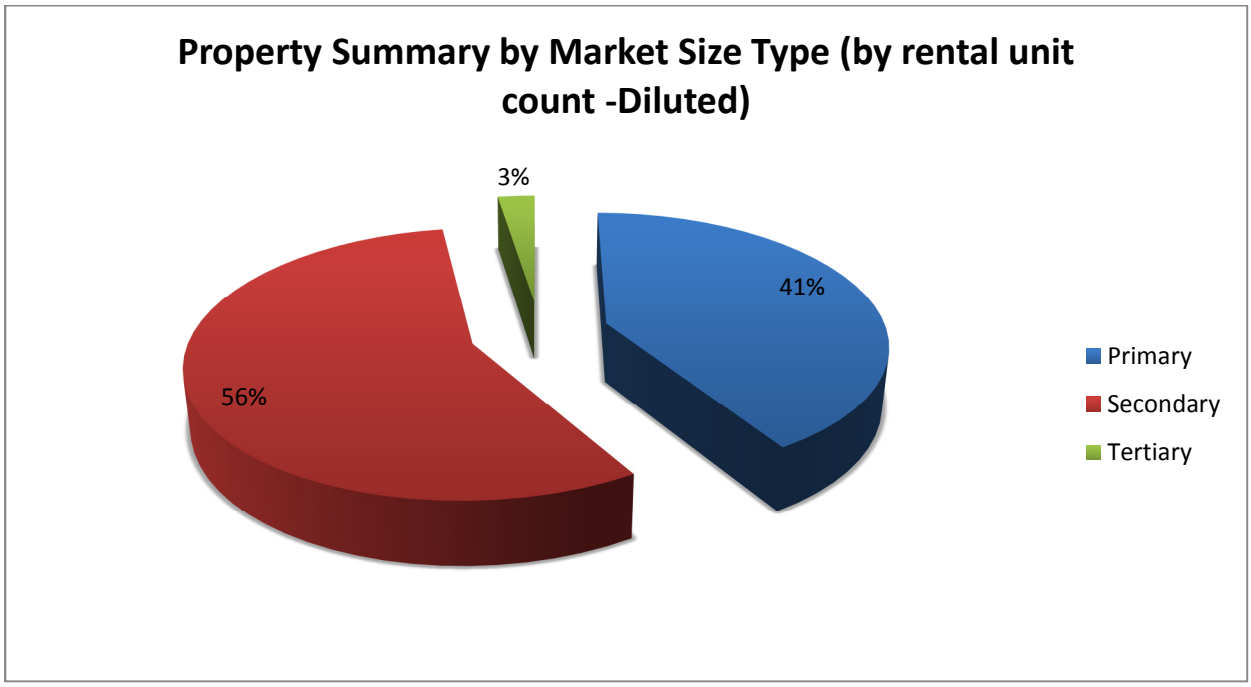
By Percentage Portfolio (% of $ value of assets) as at December 31, 2014			
Province	Property Holdings	Mortgages & JV	Total
Ontario	79.60%	10.45%	90.05%
Nova Scotia	3.92%	0.00%	3.92%
Alberta	0.00%	2.43%	2.43%
Quebec	2.13%	0.00%	2.13%
British Columbia	0.00%	0.96%	0.96%
Saskatchewan	0.00%	0.51%	0.51%
Total	85.66%	14.34%	100.00%

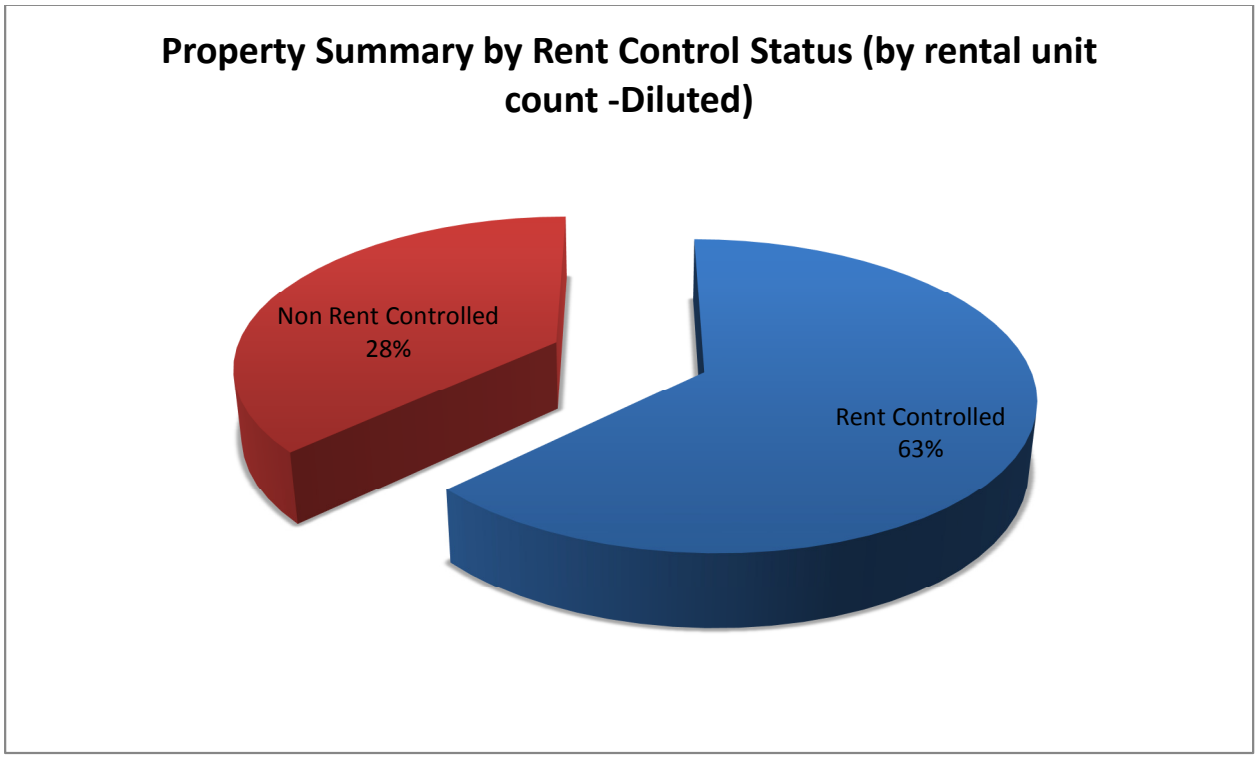

Provincial Exposure by $ value of assets (December 31, 2014)
3.92%
2.43%
2.13%
0.96%
0.51%
90.05%
Ontario
Nova Scotia
Alberta
Quebec
British Columbia
Saskatchewan


Provincial Exposure by $ value of assets (March 31, 2015)
0.82%
0.65%
3.59%
6.42%
8.19%
80.34%
Ontario
Quebec
Alberta
Nova Scotia
British Columbia
Saskatchewan


Percentage of Rental Units By City (Diluted)
Toronto 21%
Waterloo 20%
Kitchener 12%
Cambridge 12%
London 12%
Montreal 9%
Mississauga 4%
Edmonton 3%
Dartmouth 2%
Oshawa 1%
Brighton 1%
Barrie 1%
Gravenhurst 1%
Whitby 1%
Acton 1%
Huntsville 1%
Hamilton 0%

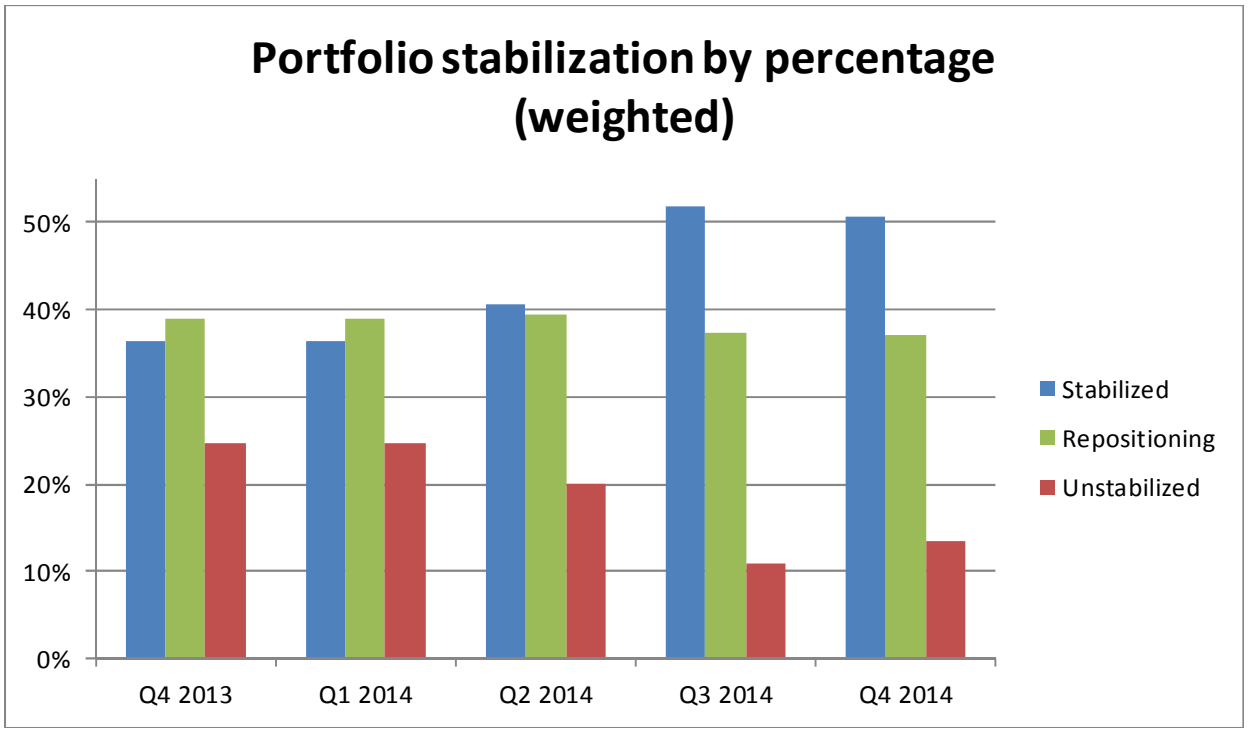

Number of Rental Units (Undiluted)
5,000
4,000
3,000
2,000
1,000
-
Dec/10
Dec/11
Dec/12
Dec/13
Dec/14
Mar/15
1,112
1,478
440
2,411
1,389
2,758
1,980
2,830
2,156
2,956
2,156
Student Residences
Standard Apartments

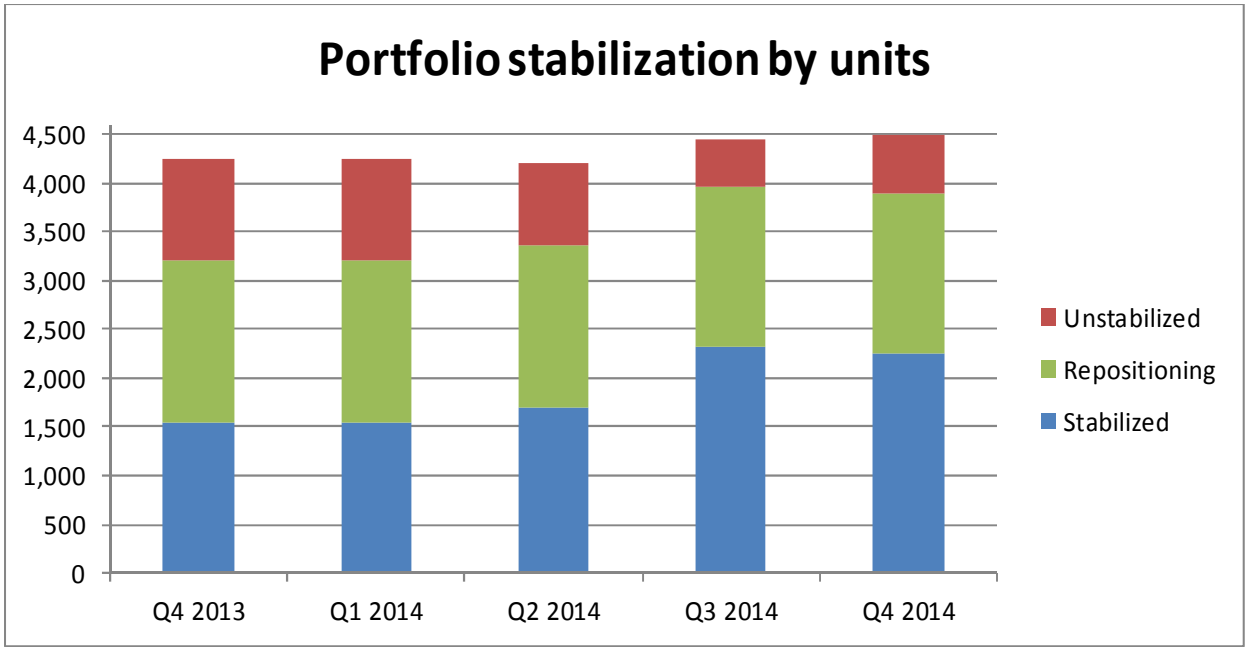

Property Summary by Market Size Type (by rental unit count -Diluted)
3%
41%
56%
Primary
Secondary
Tertiary

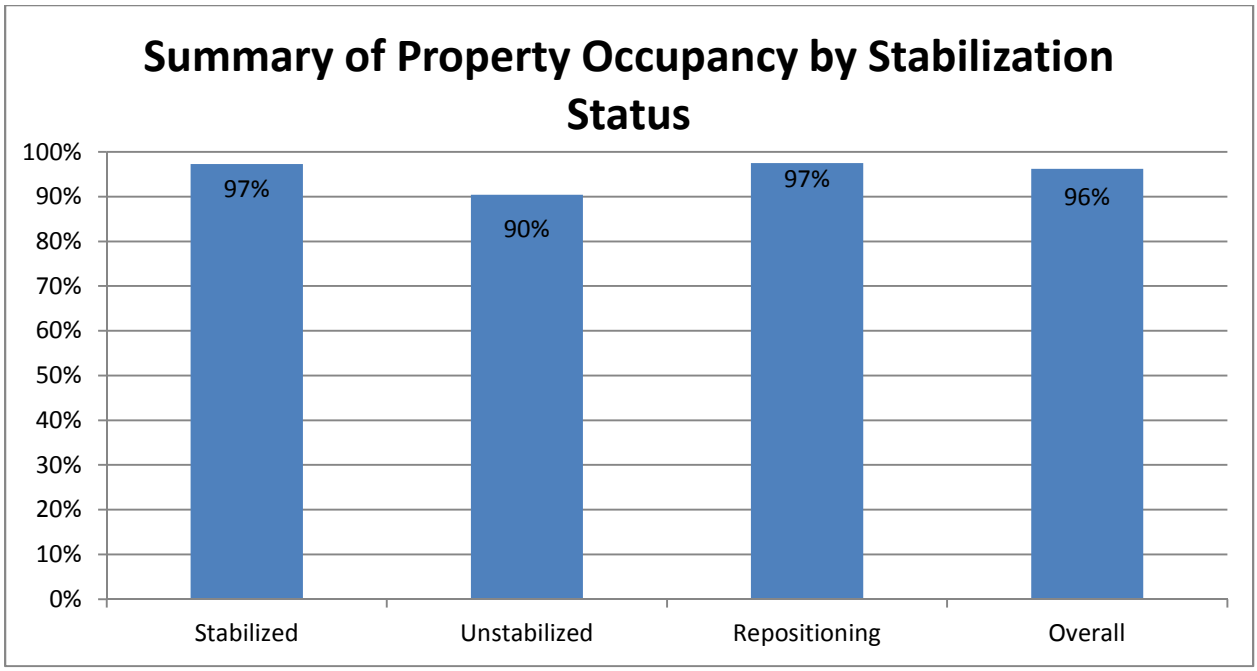

Property Summary by Rent Control Status (by rental unit count -Diluted)
Non Rent Controlled
28%
Rent Controlled
63%

Portfolio Stabilization and Repositioning Progress

The following charts breakdown the Trust's portfolio into three categories: 1) Stabilized 2) Unstabilized and 3) Repositioning. There has been significant improvement in stabilizing our properties over the year.







Acquisitions

In 2014 and the first quarter of 2015, the Trust made the following acquisitions:

Closing Date	City	Address	# of Units (1)	Type		Price	Interest
24-Jul-14	Toronto, Ontario	4 and 4A Antrim Crescent	65	Standard Apartment	$	9,700,000	100%
7-Oct-14	Waterloo, Ontario	168 King Street North	176	Student Residence		15,627,942	100%
1-Dec-14	Halifax, Nova Scotia	58 Holtwood Court	114	Standard Apartment		23,666,007	100%
19-Jan-15	Edmonton, Alberta	3707 and 3711 Whitelaw Lane NW	126	Standard Apartment		28,500,000	100%
20-Jan-15	Montreal, Quebec	1430 rue City Councillors (2)	440	Student Residence		50,000,000	75%
Total			921		$	127,493,949	

(1) # of Units means "Rental Units" not "Suites"

With the above acquisitions in Nova Scotia, Quebec and Alberta, the Trust is increasing its geographical reach across Canada.

Dispositions

Management continually reviews a select number of small non-core holdings for potential disposition as it seeks to tighten regional property clusters. The following buildings were sold up to the period April 30, 2015:

Closing Date	City	Address	# of Units	Type		Price	Interest
30-Apr-14	London, Ontario	1459 Trafalgar St.	47	Standard Apartment		3,300,000	100%
4-Dec-14	Tillsonburg, Ontario	185, 187, 191 Lisgar Ave.	61	Standard Apartment		3,650,000	100%
13-Apr-15	Hamilton, Ontario	118 St. Joseph's Drive	30	Standard Apartment		2,375,000	100%
Total			138		$	9,325,000	

Please refer to Appendix A for Summary Information About the Properties.

Mortgage Investment Strategy

Since the beginning of 2013, the Asset Manager had been building a financing business for Centurion Apartment REIT and in May of 2013 began its first capital deployments. As the business grew, the Asset Manager believed that the potential scale of these opportunities, particularly in the development of new apartments and student housing which Centurion Apartment REIT could buy upon completion, would ultimately require a larger capital allocation than could be supported on its balance sheet alone. Further, the Asset Manager was seeing a regular flow of other real estate debt and equity investment opportunities that fell outside of the acquisition pipeline goals of Centurion Apartment REIT by virtue of its' activities in the market that it had to forego. As such, the Asset Manager believed that there was sufficient scope to create a fund to focus on these and other similar opportunities. To maximize the number of opportunities upon which it could execute and potentially secure purchase options, the Board of Trustees of Centurion Apartment REIT decided to set up a new fund, Centurion Real Estate Opportunities Trust, ("REOT") to which it contributed the majority of Centurion Apartment REIT's debt and equity financing portfolio of $58 million in return for Class R equity units in REOT.

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

For Developers and other clients:

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

For Centurion Apartment REIT:

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

For Centurion Real Estate Opportunities Trust:

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

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

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

1) due to excess competition, it is prudent to maintain our acquisition discipline in not overpaying and wait for the right opportunities which may take time; and
2) banks continue to restrict lending to the development community, particularly condos and to the medium and smaller builders which will increase interest rates on mezzanine financing and increase the number of attractive mortgage investment opportunities; and

3) with the reduction in capitalization rates, new construction apartment buildings are becoming feasible to build; and
4) with the Trust focusing on student housing which is almost all new or recent construction, and where the opportunity is to expand is to find new attractive sites which need to be built; and
5) the Trust has liquidity to invest.

Since REOT's launch it has continued to grow its portfolio from an initial $58.9 million to over $77 million. The portfolio is diversified with over thirty funded investments of which 35.46% are designated as "participating" – meaning that REOT has equity type risk positions in these projects so there is the potential for upside beyond the return from the mortgage investment side of the projects. On a consolidated basis, of the investments categorized as debt financing, the estimated weighted average interest rate is 10.14% and the estimated weighted average term of maturity is 2.19 years. The weighted average loan to value is 67.25%. Portfolio turnover was light with $7.1 million in pay-downs and $43.8 million in fundings. As at December 31, 2014, no provision for losses has been made.

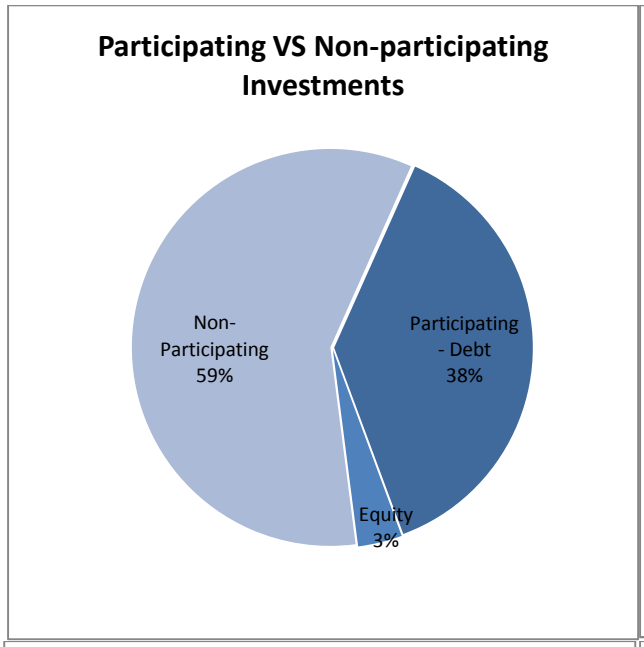
It is antipated that the return on the participating investments will be approximately 25%. This represents the IRR of deal underwriting over the life of the specific investments. The IRR's on participationg investments are estimated and may not be realizd and are not guaranteed. The return is not expected to occur linearly and may change materially. The IRR has been estimated over the investments life and may not be realized in 2015. The gap between the realization of participating IRR and the actual IRR was dilutive to the 2014 returns by $2,188,872.

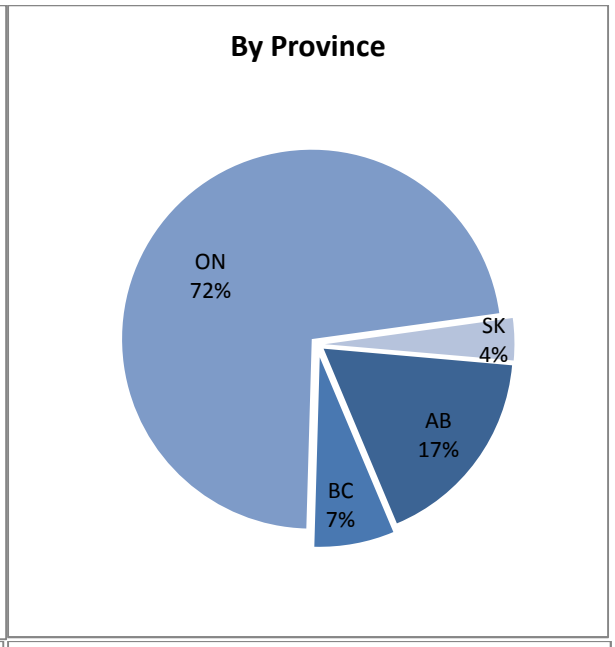
REOT utilizes a strategy that is focused on a very specific niche and builds on its relationship with the REIT as a potential end buyer of completed apartment and student properties. REOT's ability to attract joint venture/developers to its project development program - by being able to offer an end-to-end solution to its partners (debt, equity, property management/lease up, and potential end buyer) - continues to gain traction. As such, REOT has a very robust pipeline of opportunities coming into 2015.

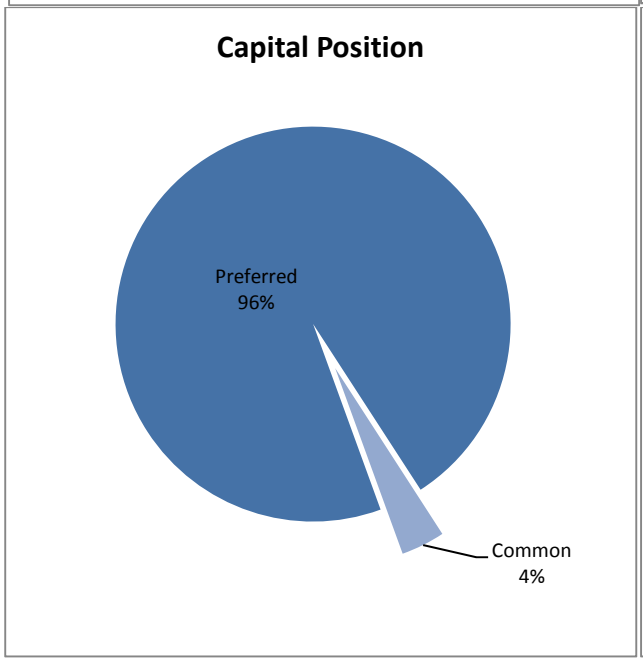
Historical Investment Information

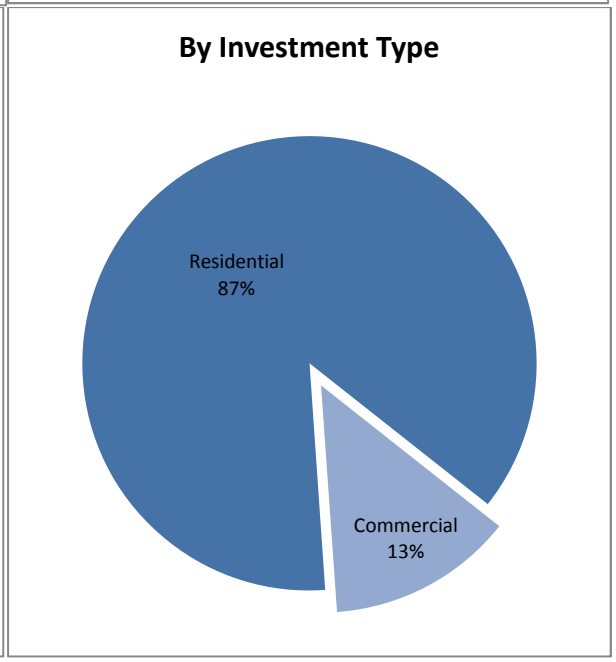
Year	At End of Quarter	Number of Committed Investments	Committed ($M)	Funded ($M)	Non-participating Wtd Avg Int. Rate (%)	Wtd Avg LTV (%)	Wtd Avg Term to Maturity (Years)
2013	Q2	5	$ 22.34	$ 13.13	10.66	74.10	2.10
	Q3	8	$ 48.03	$ 37.66	10.17	56.70	1.87
	Q4	10	$ 48.77	$ 38.88	10.12	56.30	1.93
2014	Q1	16	$ 66.97	$ 55.44	9.76	56.00	1.83
	Q2	18	$ 62.54	$ 51.97	9.97	64.10	1.84
	Q3	25	$ 108.28	$ 81.15	10.31	65.02	1.97
	Q4	34	$ 137.13	$ 92.26	10.36	67.25	2.20

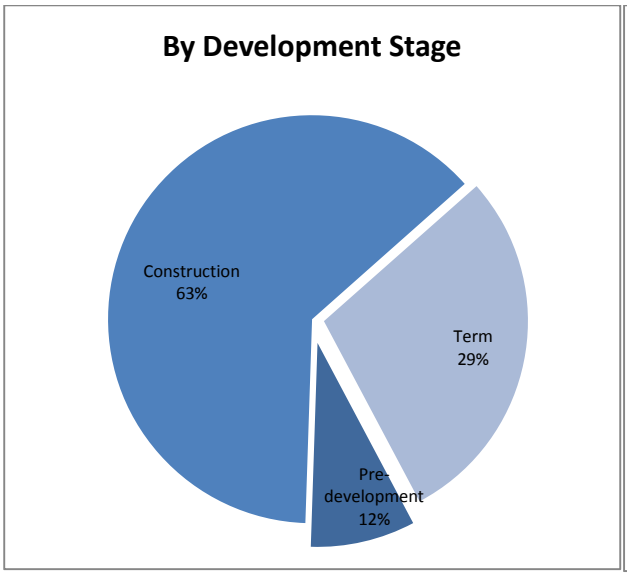
The REIT's strategy is to increase the number of opportunities to purchase newly built properties upon completion by bringing in additional third party capital through investment in REOT. The REIT has already purchased one property under this strategy and is in the process of preparing to exercise an option on another development which is anticipated to be announced early 2015. As at December 31, 2014, the REIT has purchase options on a number of apartment and student properties currently in various stages of development and construction with a potential market value of $400 million. The REIT may not exercise it options to purchase all of the properties on which it holds options, however these options provide a strong pipeline of potential acquisition opportunities for the REIT. Management considers this to be very important for the REIT's future growth.

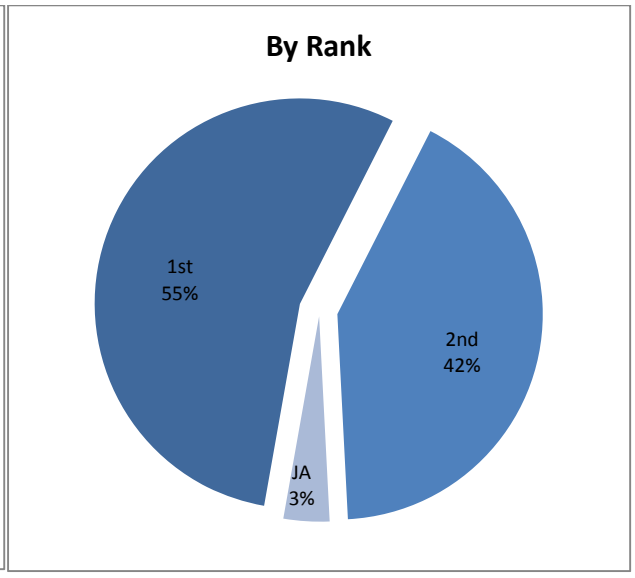

Participating VS Non-participating Investments
Non-Participating 59%
Participating - Debt 38%
Equity 3%

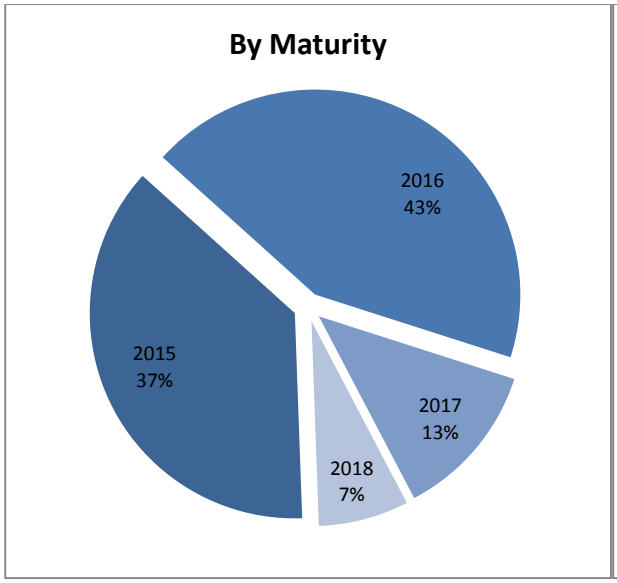

By Province
ON 72%
SK 4%
AB 17%
BC 7%

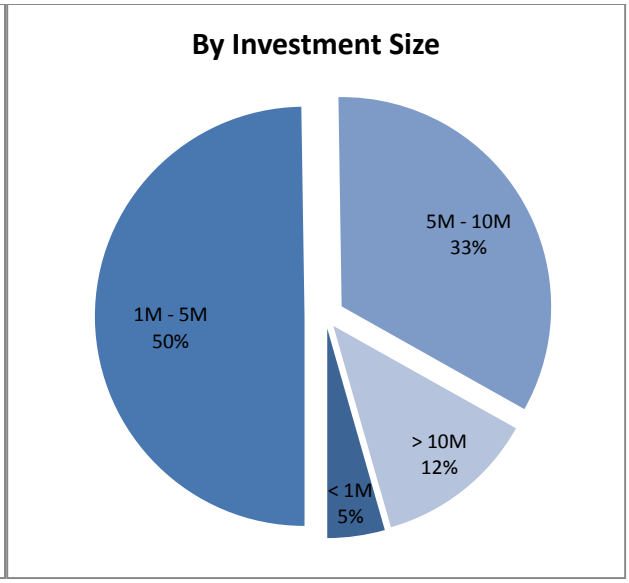

Capital Position
Preferred 96%
Common 4%


By Investment Type
Residential 87%
Commercial 13%









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

2014 Accounting Policy Change

In 2014, the Trust changed its accounting policy relating to the characterization of distributions to unitholders to better reflect the nature of expenditure. Previously, distributions to unitholders we recorded as a finance cost within the consolidated statement of comprehensive income. The Trust has changed its policy to present the distributions to unitholders as a component within the consolidated statement of changes in net assets attributable to unitholders as, in substance, the payments made to unitholders represent a transfer of assets from the entity to the owners. The REIT retrospectively applied this change in accounting policy to January 1, 2013 and has restated comparative periods.

2014 Operating Results

In 2014, the Trust had Net Income and Comprehensive Income of $24,825,975under IFRS compared to $18,875,205 in 2013 an increase of 31.53%. Adjusting this by backing out capital improvements and acquisition costs which are completely written off under IFRS, total non-IFRS income in 2014 would be $53,347,408 compared to $43,387,089 in 2013. See "Fair Value Adjustments of Investment Properties" and "Operating Results Summary Table" below.

Margins expanded from 51.5% in 2013 to 53.5% in 2014. Management believes that it is only part of the way to stabilization, both on re-positioning targets and on 2012 and 2014 acquisition properties that are currently in the process of alignment. The medium term stabilized target is 59% - 60% upon completion of the process of stabilization on a same store basis (i.e. not considering future new acquisitions) and thus believe that this stabilization dilution is temporary and part of its value creation and business process. The flip side of this short term dilution is the value creation that resulted from this process even though Management believes that the Trust is only part way through the value creation process (See Fair Value Adjustments of Investment Properties below).

OPERATING RESULTS SUMMARY TABLE	2014	2013
PART A - AUDITED IFRS INCOME STATEMENT		
Revenue from property operations	$40,322,024	$34,875,927
Property operating costs	($18,741,464)	($16,905,049)
Net rental income	$21,580,560	$17,970,878
Other Income		
Interest income	$6,580,515	$1,652,462
General and administrative expenses	($4,905,601)	($3,340,472)
Fair value adjustment on investment properties	$10,841,904	$9,658,648
Fair value gains on participating loan interests	$682,986	$ -
Gain on sale of properties	($301,691)	$1,071,854
Finance costs	($9,652,698)	($8,438,165)
Net Income and Comprehensive Income (IFRS Basis)	**$24,825,975**	**$18,575,205**
PART B - ADJUSTMENTS TO AUDITED IFRS INCOME STATEMENT [1]		
Add Back: Acquisition Costs	$1,200,522	$3,674,556
Add Back: Capital Improvements	$27,320,911	$21,137,328
Total Adjustments to IFRS Income Statement	**$28,521,433**	**$24,811,884**
Total Non-IFRS Income	**$53,347,408**	**$43,387,089**
PART C - SIMPLIFIED NON-IFRS INCOME STATEMENT COMBINING PART A & B ABOVE [1]		
Revenue from property operations	$40,322,024	$34,875,927
Property operating costs	($18,741,464)	($16,905,049)
Net rental income	$21,580,560	$17,970,878
Interest income	$6,580,515	$1,652,462
General and administrative expenses	($4,905,601)	($3,340,472)
(Loss) Gain on sale of properties	($301,691)	$1,071,854
Finance costs	($9,652,698)	($8,438,165)
Fair value gains on participating loan interest	$682,986	$ -
Increase in property valuation	$39,363,337	$34,470,532
Total Non-IFRS Income	**$53,347,408**	**$43,387,089**

Notes:

(1) This table presents Management's non-IFRS recast of the audited consolidated statement of net income and comprehensive income statement in Appendix D where acquisition costs and capital improvements have been removed. These tables have been included for illustrative purposes only in an effort to illustrate the impact upon IFRS earnings of these items. Readers are directed to the section "Non-IFRS Measures" above for further warnings relevant to this table.

Normalized Net Operating Income (NNOI)

2014 operating results were impacted by stabilization costs ($2,188,872), cash leakage ($1,666,667), and normalized participating interest ($2,813,000) for a total of $6,668,539 which management believes are short term non-recurring and will reduce as the portfolio stabilizes.

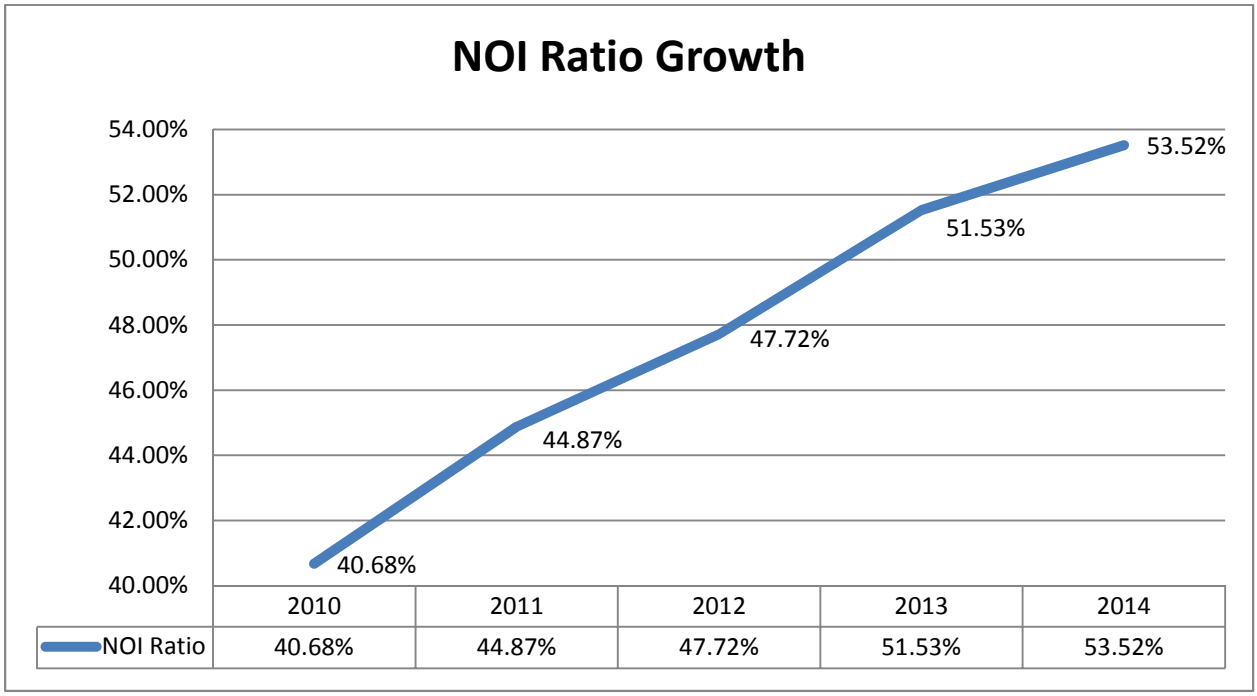
In 2014, NNOI started the year at a $24,410,133 run rate and ended at a run rate of $27,646,973 an increase of 13.26% over the same period in 2013. The below table reflects annualized NNOI run rates at the end of each of these periods not the NNOI rate for the full period.

Normalized Net Operating Income (NNOI) Run Rates

	2011	2012	2013	2014	2015 (1)
Same Property	$3,999,542	$7,531,522	$18,092,846	$24,834,252	$27,809,062
New Acquisitions	$3,033,930	$8,909,944	$6,317,287	$2,812,721	$3,816,400
Total	$7,033,472	$16,441,466	$24,410,133	$27,646,973	$31,625,462

(1) Estimated

As Management has implemented its programs, NOI ratios have continued to increase overtime. Management is targeting an NOI Ratio of between 58% and 60% in 2015.



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Same Store Analysis (1)

	2013	2014	Change
INCOME			
Total Operating Revenue	$28,349,983	$29,469,559	3.95%
Total NOI	$14,342,345	$15,732,784	9.69%
NOI Ratio	50.59%	53.39%	2.80%
Average Rent/Unit as per Dec 31st Rent Roll	$ 793.00	$ 801.38	1.06%
EXPENSE RATIO (%)			
Taxes	14.10%	13.72%	-0.38%
R&M	7.86%	7.07%	-0.79%
Wages	4.80%	4.79%	-0.02%
Insurance	1.05%	0.92%	-0.13%
Utilities	13.79%	12.76%	-1.03%
G&A	3.85%	3.38%	-0.48%
EXPENSE DOLLARS ($)			
Taxes	$3,997,943	$4,044,189	$46,246
R&M	$2,228,419	$2,084,102	($144,317)
Wages	$1,361,445	$1,410,308	$48,863
Insurance	$296,804	$270,576	($26,229)
Utilities	$3,909,194	$3,761,386	($147,808)
G&A	$1,092,293	$995,006	($97,287)

(1) Same store analysis includes the results for all properties that were owned throughout the period from December 31, 2012 to December 31, 2013 and the results for the same properties for the period from December 31, 2013 to December 31, 2014. Included in the 2013 same store analysis is a property that Centurion held a 20% ownership interest for part of the year before acquiring the remaining 80% interest in Auguist of 2013 (Kingswood Estates). For the purpose of same store analysis, Kingswood Estates property results have been included at 100% for ease of comparison with current year.

Funds From Operations ("FFO"), Normalized Funds from Operations "(NFFO") and Potential Funds from Operations "PFFO"

	Note	2014	Per Unit
Net income & Comprehensive Income:		$24,825,975	$0.88
FFO (Funds From Operations):			
Net Income & Comprehensive Income		$24,825,975	$0.88
Less: FV Gains on Investment Properties		($10,841,904)	-$0.38
Less: Gain/(Loss) on sale of properties		$301,691	$0.01
Plus: Amortizations		$329,727	$0.01
Plus: One time costs	1	$712,452	$0.03
FFO		$15,327,941	$0.54
NFFO (Normalized Funds From Operations):			
FFO		$15,327,941	$0.54
Plus: Portfolio stabilization costs	2	$2,188,872	$0.08
Plus: Normalized Participating Interest	3	$2,813,000	$0.10
Plus: Cash leakage on excess capital	4	$1,666,667	$0.06
Plus: Internalization benefit	5	$2,500,000	$0.09
NFFO		$24,496,480	$0.87
PFFO (Potential Funds From Operations):			
NFFO		$24,496,480	$0.87
Gap to Market Rents		$1,953,981	$0.07
Submetering		$884,878	$0.03
Parking Implementation		$205,021	$0.01
Third Party Property Management	6	$250,000	$0.01
Internalization benefit in 2015	7	$200,000	$0.01
Roll down of mortgage portfolio to market rate 5 year mortgages	8	$4,769,550	$0.17
Cash Deployed ($20 million at 10% net return) from extra leverage	9	$1,200,000	$0.04
PFFO		$33,959,910	$1.21
Average Number of Outstanding Units		28,761,167	
Less: Adjustment to Average Number of Outstanding Units	10	($595,745)	
Adjusted Number of Outstanding Units		28,165,422	
Per Unit Summary (Per Adjusted # of Outstanding Units):			
Net Income & Comprehensive Income		$0.88	
FFO		$0.54	
NFFO		$0.87	
PFFO		$1.21	

Notes:

1. One time costs related to the start up and launch of CREOT and mortgage break costs.
2. Normalized vacancy, credit and leasing costs associated with repositioning and stabilizing the portfolio to normal operations.
3. Most participating investments have returns that are back end weighted and not smoothly realized and this amount reflects the dilution from earnings from the timing effects on the assumption that estimated earnings on these investments will be realized as underwritten but smoothed over the life of the deal (like an IRR).
4. In 2014, the REIT had excess capital and cash which remained undeployed for a period which is why it had to be capped to new investment from April 30th to September 19th. This adjustment is for the estimated dilution/leakage from this excess cash ($40 million excess capital for 5 months at 10% return).
5. The REIT internalized its asset and property management teams (See Internalization).
6. The REIT has launched third property management services as of 2015. This represents 2015 earnings expectation from this business.
7. This represents the minimum additional internalization benefit described in note 5 resulting from portfolio growth.
8. The REIT expects to reduce the costs of its mortgage liabilities over time. This represents the difference between current in place mortgage rates and currently available 3 year rates based on a 3.95% average in place on $257.5 million in debt to market rate of 2.11% (1.80% CMHC / 3.00% Non CMHC) 5 year term.
9. The REIT is currently significantly underleveraged. In December 2014 the REIT increased its operating facilities by approximately $30 million which Management believes will allow it to have approximately $20 million more deployed while keeping sufficient liquidity reserves.
10. This adjustment corrects for the one time effect of new unitholders being added as at end of month which has been corrected as of May 1, 2015 (See Distributions).

Fair Value Adjustments of Investment Properties

Under IFRS, the properties are recorded on the balance sheet at their fair market value, unadjusted for portfolio or platform premiums. Changes in fair value flow through the statements of income and comprehensive income. In 2014, the gross value of the properties appreciated by $39,363,337 (see table above). By comparison the value change in 2013 was $34,470,532. Property improvements (capital investment) and acquisition costs under IFRS are not included in fair value and thus serve to reduce the net fair value gains in the year of expenditure by the amounts below. A table that reconciles the increase in property values versus the Fair Value Adjustment in the financial statements is presented below. In Management's opinion, capital investments provide the opportunity for benefits which include future value growth that in many cases don't reflect in value immediately. Acquisition costs are one-time events which under GAAP would have been capitalized and amortized over years. Under IFRS they are written off and thus in Management's opinion, distort the short term picture of ongoing profitability.

Fair Value of Investment Properties

	2014	2013
Balance, beginning of the year	$447,129,371	$289,540,146
Property acquisitions [1]	$48,993,949	$129,074,881
Property dispositions	($6,903,664)	($5,956,188)
Increase (decrease) in valuation	$39,363,337	$34,470,532
Total	$528,582,993	$447,129,371

[1] At purchase price

Reconciliation of Increase in Portfolio Valuation to Fair Value Adjustment [1]

	2014	2013
Change in Property Valuation	$39,363,337	$34,470,532
Less: Acquisitions Costs	($1,200,522)	($3,674,556)
Less: Capital Improvements	($27,320,911)	($21,137,328)
Fair Value Adjustment on Investment Properties	$10,841,904	$9,658,648

[1] This table reconciles the Gross Change in property valuation with the financial statements.
Refer to Note 5 of the audited financial statements in Appendix "D"

Some examples of capital investment would include, but are not limited to common area renovations that increase the appeal and marketability of the property, energy retrofits, building envelope improvements and improvements to apartment fixtures and finishes that produce a higher rental rate in the competitive market. While 2014 did see capital appreciation due to a reduction in capitalization rates, and accretive acquisitions activity, the capital investments made in 2014 and in previous years also contributed to this success. Management believes that the significant investments made in 2013 and 2014 will contribute to growth in property values, ceteris paribus, in 2015 and beyond. Management anticipates that it will be filing a number of additional above guideline rent increase applications in 2015 as a result of many of these capital improvements and that ultimately this will contribute further to property values. (See "Revenue and Expense Opportunities Summary Table" above for a partial list of some of these initiatives and their potential impacts).

The portfolio weighted average capitalization rate declined on a year-end basis from 5.53% in 2013 to 5.23% in 2014 (see Note 5 of the audited financial statements in Appendix "D") in a year in which capitalization rates in general on apartments declined by 25 to 50 basis points. The REIT however, managed to avoid a significant reduction in its average portfolio capitalization rate in part through the new acquisitions completed in 2014 at attractive rates. Part of this can also be explained by the increased allocation to student properties which generally have higher capitalization rates.

Approximately 46% of portfolio valuation growth in 2014 came from non-capitalization rate compression factors like NNOI growth and accretive purchases (See "Sources of Change in Portfolio Valuation" below). Management believes that there still remains scope for capital growth in 2015 and beyond. Further, as discussed previously, the

Trust invested approximately $27.3 million in capital improvements in 2014 and it is Management's opinion that not all of the benefits of these improvements are reflected in current values.

Sources of Change in Portfolio Valuation

	2014	2013
Change in capitalization rates	54%	26%
Growth of NNOI	39%	21%
Acquisitions	7%	53%
Total	100%	100%

Issued and Outstanding Number of Units

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

Summary of Unit Holdings at December 31

	2014	2013
Class A	30,117,969	24,506,823
Class F	1,947,283	81,602
Class M	50,000	50,000
Exchangeable LP	312,491	315,076
Total	32,427,743	24,953,501

The weighted average adjusted number of units outstanding for the year was 28,761,167.

Distributions

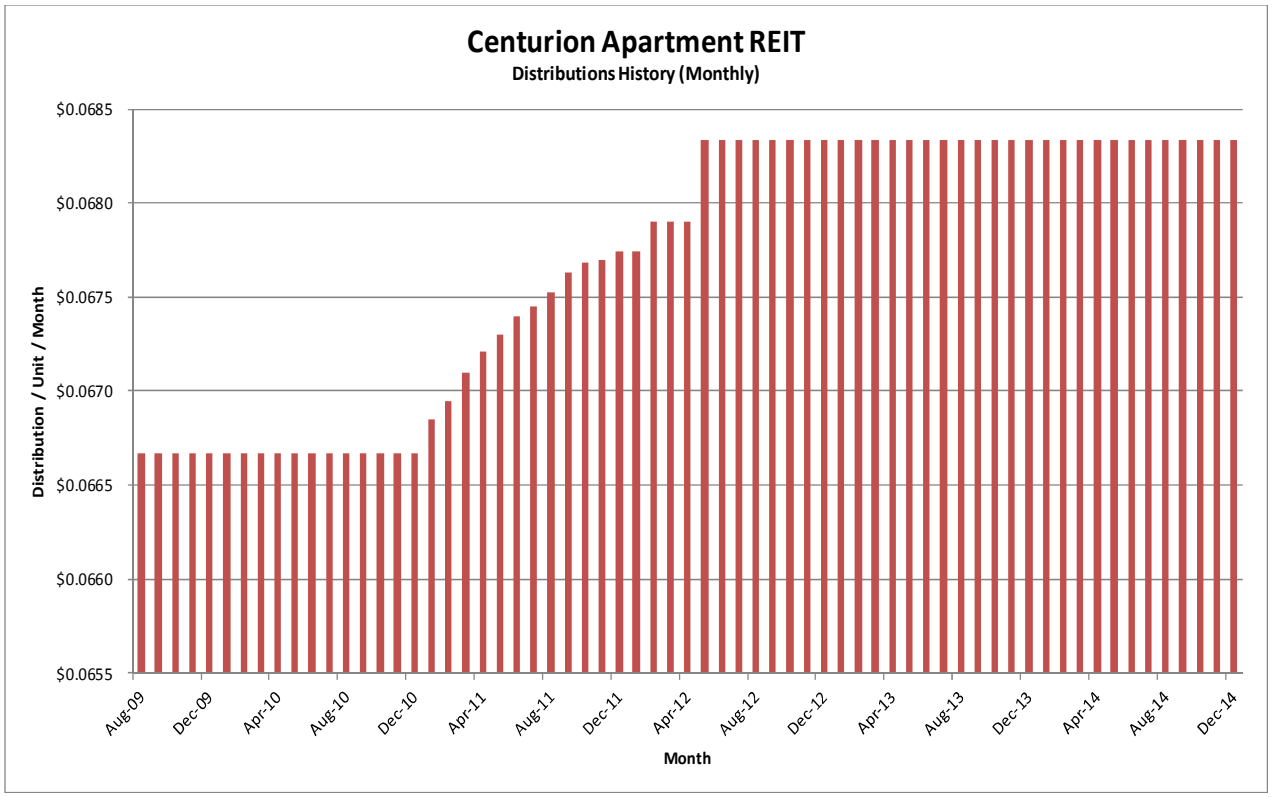
In 2014, the move in capitalization rates and the resultant increase in property values were both modest. Distributions per unit remained at $0.82/Unit/Annum for the Class A units and $0.93/Unit/Annum for the Class F units while the unit price continued to grow in 2014. Distribution yield is currently 6.91% based on $0.8200/Unit/Annum on an $11.86 price/Unit for Class A units and 7.84% based on $0.9300/Unit/Annum on an $11.86 price/Unit for Class F units. Management anticipates that distributions per Unit will remain at the current level for the rest of the year while it focuses on the stabilizing and repositioning in process properties and realizing some of the potential in the portfolio. The chart below shows the history of the REIT's distributions per Unit by month.

Effective May 1, 2015 and going forward, for all unitholders subscribing to Centurion Apartment REIT. The closing date for new subscriptions will become the first business day of the month and will no longer be the last business day of the month. Subscribers will be considered unitholders as of the first business day of the month and not the last business day of the month, provided that their completed subscription documents have been received on or before this date.

For example, an investor that submits their completed subscription forms on May 25, 2015, will become a unitholder of Centurion on June 1, 2015 with their first distribution being paid on July 15, 2015. A unitholder must be invested for a full calendar month before receiving a distribution. An investor that submits their completed subscription forms on June 2, 2015 will have missed the cut-off of June 1, 2015 and will become a unitholder as of July 1, 2015 with their funds held in a segregated subscription trust account until the next closing.

This change is being made to reduce dilution to existing unitholders. Under the old methodology, new investors would be receiving a distribution for only being invested a single day. When Centurion Apartment REIT was originally formed, it was assumed that subscriptions would flow in at a steady pace over the course of the month. It became clear over time that this assumption was incorrect and that the majority of subscriptions flowed in on the final few days of the closing month. Since these funds were held in escrow and not invested, Centurion Apartment REIT had no opportunity to earn the first month's distribution given to new unitholders by being invested. As such, the first month's distribution under the old methodology was a transfer of returns paid for by existing unitholders to new unitholders. The change was proposed to both of the Board of the Trustees and passed to take effect May 1, 2015. The last closing under the old methodology will be April 30, 2015. The Board of Trustees believe that the new methodology is a more balanced and fair approach than the old methodology.

All other aspects of Centurion's subscription and distribution policies remain unchanged. Please note distributions are paid out on the 15th of each month, except when the 15th falls on a weekend or legal holiday, in which case distributions are paid out on the first business day following the 15th of the month. Unitholders are entitled to a distribution in a given month if they are unitholders on the last business day of that month.



Tax Treatment of Distributions

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

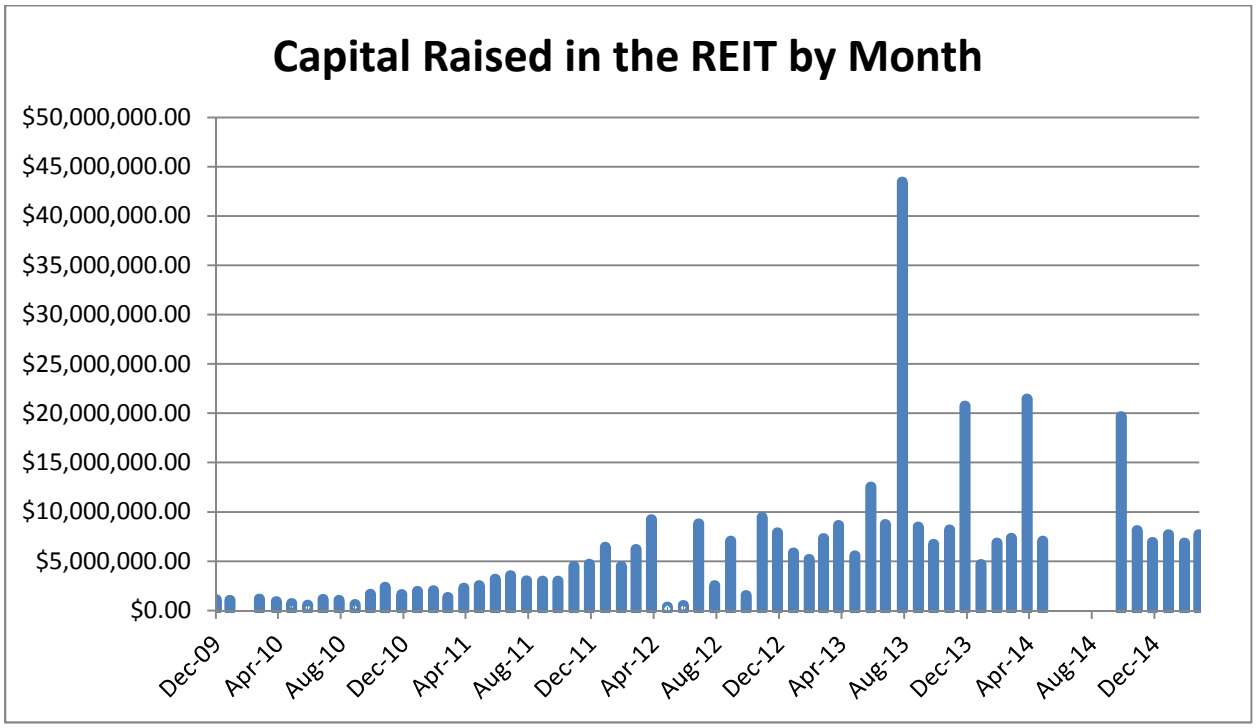
Box on T3	Description	2009	2010	2011	2012	2013	2014
42	Return of Capital	100.00%	100.00%	100.00%	100.00%	90.25%	83.70%
21	Capital Gains	-	-	-	-	9.75%	1.87%
26	Other Income	-	-	-	-	-	14.43%

In 2014 Other Income increased as a portion of total returns to 14.43%. This was driven by the increase in interest income earned by the REIT on its mortgage and development portfolio. Given the strategic importance of continuing to build a future pipeline for accretive growth, management expects that this income will increase for the next while as the REIT continues to deploy into similar opportunities until these turn into actual property acquisitions upon project stabilization. Once these opportunities become property rather than mortgage investments, we expect that the proportion of returns for tax purposes classified as Other Income will decline.

Capital Raising Activity

2014 equity inflows totaled $86.8 million, another strong year. The Trust was capped for a period of four months (April 30, 2014 – September 19, 2014) due to excess liquidity and insufficient accretive acquisition opportunities. The Trust's Unit Issue Costs increased from 3.09% of proceeds in 2013 to 3.29% of proceeds in 2014, a level which Management expects to maintain in 2015. The chart below shows monthly flows since the Trust's inception (but excluding CAPLP). Management believes that it has sufficient capital to execute upon its vision.

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



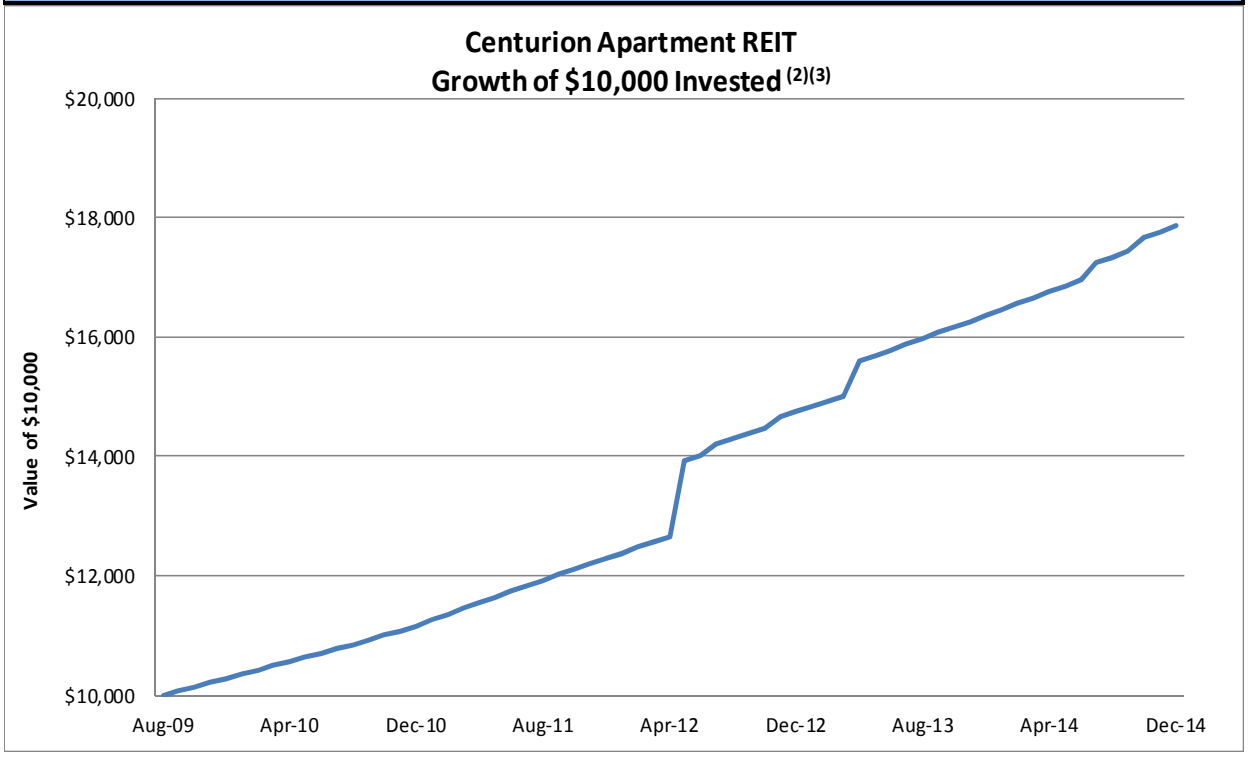
Total Returns

Including the upwards adjustment in NAV, and the reinvestment of distributions, total one year returns were 9.21% for Class A units and 10.21% for Class F units in 2014. Management believes that capitalization rates are stable with a downward bias and that future returns will be driven by the continued execution of the strategies outlined previously in repositioning the portfolio, our development pipeline, reducing interest costs and realization of the benefits of the capital investments that have been made in the portfolio.

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

Calendar Returns (%)	2009[1]	2010	2011	2012	2013	2014
Centurion CAPLP/REIT TR(%)	2.75%	8.48%	10.21%	20.01%	10.95%	9.21%
Worst Month	0.68%	0.68%	0.71%	0.62%	0.60%	0.59%
Best Month	0.68%	0.68%	0.95%	10.15%	3.85%	1.63%

Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	Since Inception of REIT
Centurion CAPLP/REIT TR(%)	9.21%	10.08%	13.29%	12.51%	11.69%	11.49%



(1) For partial year from 31 Aug09 to 31 Dec09

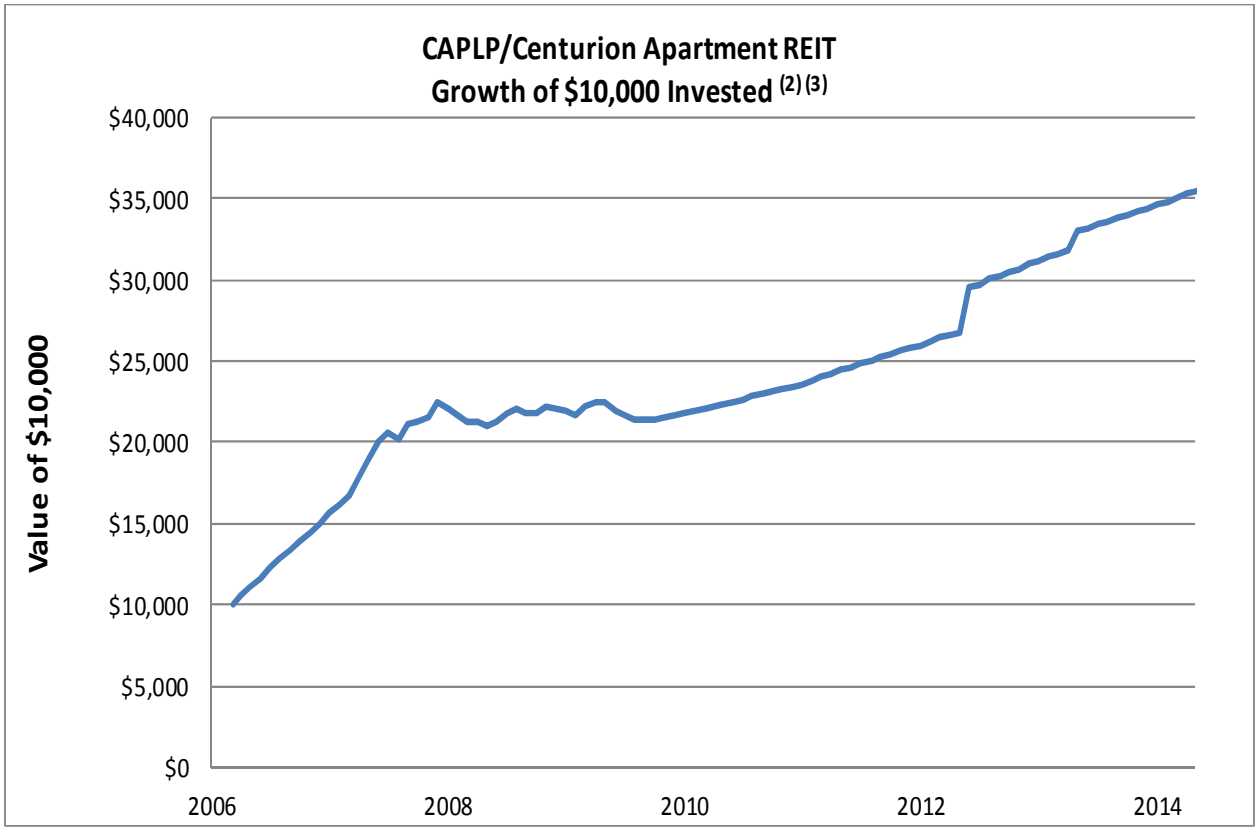
(2) Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here: http://www.centurionapartmentreit.com/noindex/Historic-Returns

(3) Class "A" Units

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

Calendar Returns (%)	2006[1]	2007	2008	2009	2010	2011	2012	2013	2014
CAPLP	55.80%	41.92%	-0.67%	-0.78%	8.25%	10.21%	20.01%	10.95%	9.21%
Worst Month	3.71%	-1.79%	-2.07%	-2.37%	0.63%	0.71%	0.62%	0.60%	0.59%
Best Month	5.58%	6.63%	2.34%	2.57%	0.68%	0.95%	10.15%	3.85%	1.63%

Compound Returns (%)	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	Since Inception of CAPLP
Centurion CAPLP/REIT TR(%)	9.21%	10.08%	13.29%	12.51%	11.65%	9.47%	7.96%	16.25%



Notes:

(1) For partial year from 7 Mar06 to 31 Dec06
(2) Refer to detailed Disclaimer on Sheet labelled "Disclaimer"
(3) Class "A" Units

Refer to detailed Disclaimer on Sheet labeled "Disclaimer" in the calculation spreadsheet published by Management here:
http://www.centurionapartmentreit.com/noindex/Historic-Returns

APPENDIX A – Summary Information About the Properties

Address	City	Province	Year Acquired	Notes
362 Shanty Bay Rd	Barrie	Ontario	2010	(R)
60 Prince Edward St	Brighton	Ontario	2010	(R)
21/31 Jean Ave	Kitchener	Ontario	2010	(R)
122 Elizabeth St	Brighton	Ontario	2010	(R)
277 Anderson Ave	Oshawa	Ontario	2010	(R)
36 & 70 Orchard View	Oshawa	Ontario	2010	(R)
255 Dunlop St West	Barrie	Ontario	2010	(R)
356 & 360 Hoffman	Kitchener	Ontario	2010	(R)
15, 19, 25 Hugo Cres	Kitchener	Ontario	2010	(R)
167 Morgan Ave	Kitchener	Ontario	2010	(R)
707 & 711 Dundas St W	Whitby	Ontario	2010	(R)
165 Old Muskoka Rd	Gravenhurst	Ontario	2010	(R)
2 & 4 Yonge St	Huntsville	Ontario	2010	(R)
262-320 Kingswood Dr	Kitchener	Ontario	2010	(R)
6 Grand Stand Place	Toronto	Ontario	2011	(A)
Auburn Student Residence	Montreal	Quebec	2011	(A)(J)
75 Ann Street	London	Ontario	2012	(A)(J)
1 Beaufort Street	London	Ontario	2012	(A)(J)
St. George Street & Ann Street	London	Ontario	2012	(A)
1631 Victoria Park Avenue	Toronto	Ontario	2012	(A)
4 & 8 Rannock St, and 880 Pharmacy Ave.	Toronto	Ontario	2012	(A)
173 King Street North	Waterloo	Ontario	2012	(A)
25 & 45 Briardale Road	Cambridge	Ontario	2012	(A)
133-143 Woodside Avenue	Cambridge	Ontario	2012	(A)
26 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
27 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
50 Thorncliffe Park Drive	Toronto	Ontario	2012	(A)
219 St. Andrews Street	Cambridge	Ontario	2012	(A)
252 & 256 St. Andrews Street	Cambridge	Ontario	2012	(A)
1594 Victoria Park Avenue	Toronto	Ontario	2013	(A)
5 Dufresne Court	Toronto	Ontario	2013	(A)
275 North Service Road	Mississauga	Ontario	2013	(A)

Address	City	Province	Year Acquired	Notes
1175 Dundas Street West	Mississauga	Ontario	2013	(A)
167 King Street North	Waterloo	Ontario	2013	(A)
345 King Street North	Waterloo	Ontario	2013	(A)
3443 Bathurst Street	Toronto	Ontario	2013	(A)
4 Antrim Crescent	Toronto	Ontario	2014	(A)
3443 Bathurst Street	Toronto	Ontario	2014	(A)
4 Antrim Crescent	Toronto	Ontario	2014	(A)
168 King Street North	Waterloo	Ontario	2014	(A)
58 Holtwood Court	Halifax	Nova Scoti	2014	(A)
3707-3711 Whitelaw Lane NW	Edmonton	Alberta	2015	(A)

Notes:

Year Acquired means the year that the property was acquired by or rolled over into the REIT as part of the Rollover Agreement.

(R) Rolled Properties that are part of the Rollover Agreement of August 31, 2009

(J) Joint Venture Properties where Centurion Apartment REIT participates in ownership with other partners.

(A) Acquisitions that occurred after August 31, 2009 that were not part of the Rollover Agreement

Property Address	Type of Building	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Other	Total Suite Count (Undiluted)	Total Suite Count (Diluted)	Total Rental Units/Beds (Undiluted)	Total Rental Units/Beds (Diluted)
362 Shanty Bay Rd	Apartment	100%		4	11					15	15	15	15
60 Prince Edward St	Apartment	100%		3	27					30	30	30	30
21/31 Jean Ave	Apartment	100%		20	12					32	32	32	32
122 Elizabeth St	Apartment	100%	1		26	2				29	29	29	29
277 Anderson Ave	Apartment	100%			47					47	47	47	47
36 & 70 Orchard View	Apartment	100%		5	19					24	24	24	24
255 Dunlop St West	Apartment	100%			2	26				28	28	28	28
356 & 360 Hoffman	Apartment	100%		36	60					96	96	96	96
15, 19, 25 Hugo Cres	Apartment	100%		7	46					53	53	53	53
167 Morgan Ave	Apartment	100%	2	10	20	15				47	47	47	47
196 Churchill St S	Apartment	100%	3	7	23					33	33	33	33
707 & 711 Dundas St W	Apartment	100%			24	12				36	36	36	36
165 Old Muskoka Rd	Apartment	100%		5	33	1				39	39	39	39
2 & 4 Yonge St	Apartment	100%		6	13	6				25	25	25	25
262-320 Kingswood Dr	Apartment	100%		92	268					360	360	360	360
1,2,3,5, and 7 Biggin Court	Apartment	100%	11	179	108	8				306	306	306	306
6 Grand Stand Place	Apartment	100%		21	33	6				60	60	60	60
Auburn Student Residence	Student Housing	100%				10	40	50		100	100	440	440
75 Ann Street	Student Housing	75%			2	45	90			137	103	499	374
1 Beaufort Street	Student Housing	75%						27		27	20	135	101
St. George Street & Ann Street	Student Housing	100%					24			24	24	96	96
1631 Victoria Park Avenue	Apartment	100%	4	19	12					35	35	35	35
4 & 8 Rannock St, and 880 Pharmacy Ave.	Apartment	100%		34	51					85	85	85	85
173 King Street North	Student Housing	100%		1	1		54			56	56	219	219
25 & 45 Briardale Road	Apartment	100%		14	76					90	90	90	90

Property Address	Type of Building	Ownership (%)	Bachelor	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Other	Total Suite Count (Undiluted)	Total Suite Count (Diluted)	Total Rental Units/Beds (Undiluted)	Total Rental Units/Beds (Diluted)
133-143 Woodside Avenue	Apartment	100%		125	206	2				333	333	333	333
26 Thorncliffe Park Drive	Apartment	100%		35	25	1				61	61	61	61
27 Thorncliffe Park Drive	Apartment	100%	2	45	39					86	86	86	86
50 Thorncliffe Park Drive	Apartment	100%	1	10	34	12				57	57	57	57
219 St. Andrews Street	Apartment	100%	2	13	12					27	27	27	27
252 & 256 St. Andrews Street	Apartment	100%		3	129					132	132	132	132
1594 Victoria Park Avenue	Apartment	100%	1	13	14					28	28	28	28
5 Dufresne Court	Apartment	100%		108	82	28				218	218	218	218
275 North Service Road	Apartment	100%		34	41	7				82	82	82	82
1175 Dundas Street West	Apartment	100%	1	53	50					104	104	104	104
167 King Street North	Student Housing	100%						41		41	41	205	205
345 King Street North	Student Housing	100%				28	28	38		94	94	386	386
3443 Bathurst Street	Apartment	100%		4	13	6				23	23	23	23
4 Antrim Crescent	Apartment	100%		41	24					65	65	65	65
168 King St North	Student Housing	100%		1				35		36	36	176	176
58 Holtwood Court	Apartment	100%		9	99	6				114	114	114	114
3707-3711 Whitelaw Lane NW	Apartment	100%		3	123					126	126	126	126
Total			**28**	**960**	**1805**	**221**	**236**	**191**	**0**	**3441**	**3400**	**5082**	**4924**

Notes:

"**Suites**" means a rental suite, irrespective of the number of bedrooms or rental units in that suite. E.g. a 3 bedroom apartment that rents as a whole would be considered a single suite

"**Undiluted**" means that the number doesn't factor in any portion of the building that may be owned by partners. E.g. a 100 suite building owned 50/50 with a partner would show above as 100 suites on an undiluted basis and 50 suites on a Diluted basis.

"**Diluted**" means that portions of the property owned by partners has been subtracted from the total. E.g. a 100 suite building owned with a partner would show above as 50 diluted suites

"**Rental Units/Beds**" adjusts for the number of student tenants renting individual units inside a suite. For example, a 5 bedroom student unit, would show as 1 suite, but 5 rental units as there may be 5 separate leases, each pertaining to a bed. This distinction only applies to properties classified as Student Residences. Thus an apartment that had a 2 bedroom suite that had room mates sharing the apartment, and wasn't classified as a "student residence" would be 1 Suite and 1 Rental Unit only. We make no distinction in "Rental Units" between individual leases on bedrooms and multi tenant leases with all residents in the suite on a single lease (the two forms of lease in the student rental business).

Property Summary By City

City	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Acton	1	33	1%	33	1%	33	1%	33	1%
Barrie	2	43	1%	43	1%	43	1%	43	1%
Brighton	2	59	2%	59	2%	59	1%	59	1%
Cambridge	4	582	17%	582	17%	582	11%	582	12%
Dartmouth	1	114	3%	114	3%	114	2%	114	2%
Edmonton	1	126	4%	126	4%	126	2%	126	3%
Gravenhurst	1	39	1%	39	1%	39	1%	39	1%
Huntsville	1	25	1%	25	1%	25	0%	25	1%
Kitchener	5	588	17%	588	17%	588	12%	588	12%
London	3	188	5%	147	4%	730	14%	572	12%
Mississauga	2	186	5%	186	5%	186	4%	186	4%
Montreal	1	100	3%	100	3%	440	9%	440	9%
Oshawa	2	71	2%	71	2%	71	1%	71	1%
Toronto	11	1024	30%	1024	30%	1024	20%	1024	21%
Waterloo	4	227	7%	227	7%	986	19%	986	20%
Whitby	1	36	1%	36	1%	36	1%	36	1%
16 Cities	**42 Buildings**	**3441 Suites**	**100%**	**3400 Suites**	**100%**	**5082 Rental Units**	**100%**	**4924 Rental Units**	**100%**

Property Summary By Region

Region	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Central ON	4	107	3%	107	3%	107	2%	107	2%
Eastern ON	2	59	2%	59	2%	59	1%	59	1%
Greater Edmonton Area	1	126	4%	126	4%	126	2%	126	3%
Greater Toronto Area	17	1350	39%	1350	40%	1350	27%	1350	27%
Halifax Regional Municipality	1	114	3%	114	3%	114	2%	114	2%
Kitchener Waterloo Cambridge	13	1397	41%	1397	41%	2156	42%	2156	44%
London Area	3	188	5%	147	4%	730	14%	572	12%
Montreal	1	100	3%	100	3%	440	9%	440	9%
South Western ON	0	0	0%	0	0%	0	0%	0	0%
Total	**42**	**3441**	**100%**	**3400**	**100%**	**5082**	**100%**	**4924**	**100%**

Property Summary By Province

Province	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Alberta	1	126	4%	126	4%	126	2%	126	3%
Nova Scotia	1	114	3%	114	3%	114	2%	114	2%
Ontario	39	3101	90%	3060	90%	4402	87%	4244	86%
Quebec	1	100	3%	100	3%	440	9%	440	9%
Total	**42**	**3441**	**100%**	**3400**	**100%**	**5082**	**100%**	**4924**	**100%**

Rent Controlled vs Non Rent Controlled[1] Properties

	# of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Rent Controlled	32	2763	80%	2763	81%	3103	61%	3103	63%
Non Rent Controlled[1]	10	678	20%	637	19%	1979	39%	1821	37%
Total	**42**	**3441**	**100%**	**3400**	**100%**	**5082**	**100%**	**4924**	**100%**

Property Summary By Asset Type

Property Type	Number of Buildings	Undiluted # of Suites	Undiluted % of Suites	Diluted # of Suites	Diluted % of Suites	Undiluted Rental Units	Undiluted Rental % of RU's	Diluted Rental Units	Diluted Rental % of RU's
Apartment	34	2926	85%	2926	86%	2926	58%	2926	59%
Student Housing	8	515	15%	474	14%	2156	42%	1998	41%
Total	**42**	**3441**	**100%**	**3400**	**100%**	**5082**	**100%**	**4924**	**100%**

Student Housing By City

City	Type of Building	# of Complexes	# of Suites (Undiluted)	# of Suites (Diluted)	# Of Beds (Undiluted)	# of Beds (Diluted)
Montreal	Student Housing	1	100	100	440	440
London	Student Housing	3	188	147	730	572
Waterloo	Student Housing	4	227	227	986	986
Total		**8**	**515**	**474**	**2156**	**1998**

Average Rents (Undiluted Basis)

	Total Rental Units	Revenue/Unit/ Month
Apartment	2,926	$986
Student Residence	2,156	$610
Total	**5,082**	**$827**

Notes Pertaining to the Tables in this Appendix:

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

List of Properties (Apartments)

	**Churchill Court Apartments** Location: Acton, Ontario Address: 196 Churchill Road South (map) Type of Building: Walk-up apartments Number of Suites: 33 (3 bachelor, 7 one bdrm, 23 two bdrm)
	**Kempenfelt Village** Location: Barrie, Ontario Address: 362 Shanty Bay Road (map) Type of Building: Townhouses Number of Suites: 15 (4 one bdrm, 11 two bdrm)
	**Milligan Park Apartments** Location: Barrie, Ontario Address: 255 Dunlop Street West (map) Type of Building: Townhouses (2 two bdrm, 26 three bdrm) Number of Suites: 28

	**Brookside Apartments** Location: Brighton, Ontario Address: 60 Prince Edward Street (map) Type of Building: Walk-up apartments Number of Suites: 30 (3 one bdrm, 27 two bdrm)
	**MacIntosh Court Apartments** Location: Brighton, Ontario Address: 122 Elizabeth Street (map) Type of Building: Walk-up apartments Number of Suites: 28 (26 two bdrm, two three bdrm)
	**25 & 45 Brierdale Road** Location: Cambridge, Ontario Address: 25 & 45 Brierdale Road (**map**) Type of Building: Two 3-Storey Walk-up apartments Number of Suites: 90 (14 one bdrm, and 76 two bdrm)
	**133-143 Woodside Avenue** Location: Cambridge, Ontario Address: 133,135,137,141,142, & 143 Woodside Avenue (**map**) Type of building: Five 3-Storey walk-up apartments. Number of suites: 333 (125 one bdrm, 206 two bdrm, and 2 three bdrm)

	**219 St. Andrews Street** Location: Cambridge, Ontario Address: 219 St. Andrews Street (**map**) Type of building: Walk-up apartments Number of suites: 28 (3 bach, 13 one bdrm, and 12 two bdrm)
	**252 & 256 St. Andrews Street** Location: Cambridge, Ontario Address: 252 & 256 St. Andrews Street (**map**) Type of building: Walk-up apartments Number of suites: 132 (3 one bdrm, and 129 two bdrm)
	**Cherokee Court Apartments** Location: Gravenhurst, Ontario Address: 165 Old Muskoka Road (map) Type of Building: Apartments (elevator) Number of Suites: 39 (1 bachelor, 4 one bdrm, 33 two bdrm, 1 three bdrm)
	**Hunters Bay Apartments** Location: Huntsville, Ontario Address: 2 & 4 Yonge Street (map) Type of Building: Walk-up apartments Number of Suites: 25 (6 bachelor, 13 one bdrm, 6 two bdrm)

	**Fairway Apartments** Location: Kitchener, Ontario Address: 21 & 31 Jean Ave (map) Type of Building: Walk-up apartments Number of Suites: 32 (20 one bdrm, 12 two bdrm)
	**Hoffman Apartments** Location: Kitchener, Ontario Address: 356 & 360 Hoffman Street (map) Type of Building: Walk-up apartments Number of Suites: 96 (36 one bdrm, 60 two bdrm)
	**Hugo Apartments** Location: Kitchener, Ontario Address: 15,19 & 25 Hugo Crescent (map) Type of Building: Walk-up apartments Number of Suites: 53 (7 one bdrm, 46 two bdrm)
	**Morgan Apartments** Location: Kitchener, Ontario Address: 167 Morgan Avenue (map) Type of Building: Apartments (elevator) Number of Suites: 47 (2 bachelor, 10 one bdrm, 20 two bdrm, 15 three bdrm)

	**Kingswood Estates** Location: Kitchener, Ontario Address: 262,266,270,274,278,282,310 & 320 Kingswood Drive (map) Type of Building: Walk-up apartments Number of Suites: 360 (92 one bdrm, 268 two bdrm)
	**1175 Dundas Street West (Westdale Apartments)** Location: Mississauga, Ontario Addresss: 1175 Dundas Street West (**map**) Type of building: Apartment (elevator) Number of suites: 104 (1 bach, 53 one bdrm, 50 two bdrm)
	**275 North Service Road (North Apartments)** Location: Mississauga, Ontario Address: 275 North Service Road (**map**) Type of building: Apartment (elevator) Number of suites: 82 (34 one bdrm, 41 two bdrm, and 7 three bdrm)
	**Park Place Apartments** Location: Oshawa, Ontario Address: 277 Anderson Avenue (map) Type of Building: Apartments (elevator) Number of Suites: 47 (47 two bdrm)

	**Orchard View Apartments and Mansion** Location: Oshawa, Ontario Address: 36 and 70 Orchardview Blvd (map) Type of Building: Walk-up apartments Number of Suites: 24 (5 one bdrm, 19 two bdrm)
	**Biggin Court** **Location: Toronto, Ontario** **Address: 1,2,3,5 and 7 Biggin Court** (map) Type of Building: Apartments (elevator) Number of Suites: 306 (11 Bachelor, 9 Jr one bdrm, 170 one bdrm, 108 two bdrm, 8 three bdrm).
	**Grandstand Place** **Location: Toronto, Ontario** **Address: 6 Grandstand Place** (map) Type of Building: Apartments (elevator) Number of Suites: 60 (21 one bdrm, 33 two bdrm, 6 three bdrm).
	**1631 Victoria Park Avenue** Location: Toronto, Ontario Address: 1631 Victoria Park Avenue (**map**) Type of Building: Walk-up apartments Number of Suites: 35 (4 Bach, 19 one bdrm, and 12 two bdrm)

	**1594 Victoria Park Avenue** Location: Toronto, Ontario Address: 1594 Victoria Park Avenue (**map**) Type of Building: **Apartments (elevator)** Number of Suites: 28 (1 Bach, 13 one bdrm, and 14 two bdrm)
	**4 & 8 Rannock Avenue, and 880 Pharmacy Ave** Location: Toronto, Ontario Address: 4 & 8 Rannock Avenue, and 880 Pharmacy Avenue (**map**) Type of Building: Walk-up apartments Number of Suites: 84 (33 one bdrm, and 51 two bedrm)
	**26 Thorncliffe Park Drive** Location: Toronto, Ontario Address: 26 Thorncliffe Park Drive (**map**) Type of Building: Apartments (elevator) Number of Suites: 61 (35 one bdrm, 25 two bdrm, and 1 three bdrm)

	**27 Thorncliffe Park Drive** Location: Toronto, Ontario Address: 27 Thorncliffe Park Drive (**map**) Type of building: Apartments (elevator) Number of suites: 86 (2 Bach, 45 one bdrm, 39 two bdrm)
	**50 Thorncliffe Park Drive** Location: Toronto, Ontario Address: 50 Thorncliffe Park Drive (**map**) Type of building: Apartments (elevator) Number of suites: 57 (1 bach, 10 one bdrm, 34 two bdrm, and 12 3 bdrm)
	**5 Dufresne Court** Location: Toronto, Ontario Address: 5 Dufresne Court (**map**) Type of building: Apartments (elevator) Number of suites: 218 (27 Junior one bdrm, 54 one bdrm, 27 large one bdrm, 82 two bdrm, and 28 three bdrm).

	**Antrim Apartments** Location: Toronto, Ontario Address: 4 Antrim Cres (map) Type of Building: **Apartments (elevator)** Number of Suites: 65 suites (41 one bdrm, 24 two bdrm, 6 three bdrm) plus 1 commercial unit
	**3443 Bathurst St** Location: Toronto, Ontario Address: 3443 Bathurst St (map) Type of Building: Luxury Apartments (elevator) Number of Suites: 23 (4 one bdrm, 13 two bdrm, 6 three bdrm)
	**Dundas Court** Location: Whitby, Ontario Address: 707& 711 Dundas Street West (map) Type of Building: Townhouses Number of Suites: 36 (24 two bdrm, 12 three bdrm)

	**The Huntington** Location: Dartmouth, Nova Scotia Address: 58 Holtwood Court (map) Type of Building: Luxury Apartments (elevator) Number of Suites: 114 (9 one bdrm, 99 two bdrm, 6 three bdrm)
	**Windermere Village** Location: Edmonton, Alberta Address: 3707-3711 Whitelaw Lane NW (map) Type of Building: Luxury Apartments (elevator) Number of Suites: 126 (3 one bdrm, 123 two bdrm)

List of Properties (Student Residences)

	**75 Ann Street*** **Location: London (Ontario)** **Address: 75 Ann Street (map)** **Type of Building: Student Residence (elevator)** **Number of Suites: 137 suites comprising 499 rental beds.** * Centurion owns 75% of this property in joint venture with other investors
	**1 Beaufort Street*** Location: London (Ontario) Address: 1 Beaufort Street (**map**) Type of Building: Student Residence Number of Suites: Six block townhouse complex with 27 suites comprising 135 rental beds (27 five bdrms) * Centurion owns 75% of this property in joint venture with other investors
	**St George Street** Location: London (Ontario) Address: 83 St. George Street (13 townhouses), 87,89,91,93,95,97,99 St. George Street, 149,151,163,165 Ann Street. (**map**) Type of Building: Student Residence Number of Suites: 24 townhouses comprising of 96 rental beds (24 four bdrms).

	**Auburn Student Residence** **Location:** Montréal (Québec) Address: 505-521 Ste-Catherine Street West (map) Type of Building: Student Residence (elevator) Number of Suites: 100 suites comprising 440 rental beds (10 three bdrm, 40 four bdrm, 50 five bdrm).
	**University View** Location: Waterloo, Ontario Address: 173 King Street North (**map**) Type of Building: Student residence (Elevator) Number of Suites: 56 Suites comprising 219 rental beds (1 one bdrm, 1 two bedrm, and 54 four bdrm)
	**167 King Street North** Location: Waterloo, Ontario Address: 167 King Street North (**map**) Type of Building: Student residence (Elevator) Number of Suites: 41 Suites comprising 205 rental beds (41 five bdrm)

	**168 King St North** Location: Waterloo, Ontario Address: 168 King Street North (**map**) Type of Building: Student residence (Elevator) Number of Suites: 36 Suites comprising 176 rental beds (1 one bdrm, 35 five bdrm)
	**345 King Street North** Location: Waterloo, Ontario Address: 345 King Street North (**map**) Type of Building: Student residence (Elevator) Number of Suites: 94 Suites comprising 386 rental beds (38 five bdrm, 28 four bdrm and 28 three bdrm)

APPENDIX B – Summary Information About the Mortgage Investment Portfolio

Asset Allocation Summary

	Amount	% of Investment Portfolio	Unleveraged Yield
Investment Properties*	$528,582,993	84.67%	5.23%
Mortgage Investments	$92,256,312	14.78%	10.36%
Joint Arrangements	$3,443,112	0.55%	
Total	**$624,282,417**	**100.00%**	**5.96%**

*Fair Valuation for Q4 2014

Participating -Vs- Non-Participating Investments

	Committed	Committed Value	% of Portfolio	Funded	Funded Value	% of Portfolio
Participating - Debt	6	$38,110,187	27.79%	6	$36,073,958	37.70%
Participating - Equity	1	$4,845,925	3.53%	1	$3,443,112	3.60%
Non-Participating	27	$94,180,173	68.68%	25	$56,182,353	58.71%
Total	**34**	**$137,136,285**	**100.00%**	**32**	**$95,699,424**	**100.00%**

By Province

Province	Total Balance	% of Portfolio	# of Investments	Total Committed	% of Portfolio	# of Investments
Alberta	$16,524,464	17.27%	6	$42,017,000	30.64%	7
British Columbia	$6,509,456	6.80%	2	$9,575,191	6.98%	2
Ontario	$69,222,392	72.33%	23	$80,621,626	58.79%	24
Saskatchewan	$3,443,112	3.60%	1	$4,922,468	3.59%	1
Total	**$95,699,424**	**100.00%**	**32**	**$137,136,285**	**100.00%**	**34**

Purchase Options Attached to Investments

Status	Total Balance	% of Portfolio	# of Investments
Mortgages with Purchase Options	$62,369,901	65.17%	16
Mortgages without Purchase Options	$29,886,411	31.23%	15
Joint Arrangements	$3,443,112	3.60%	1
Total	**$95,699,424**	**100.00%**	**32**

Estimated Built Out Value of Properties Underlying Investments with Purchase Options

	Undiluted	Diluted
Mortgage Investments	$370,827,051	$240,096,090
Joint Arrangements	$37,393,702	$17,948,977
Total	**$408,220,753**	**$258,045,066**

Capital Position

Status	Total Balance	% of Portfolio	# of Investments
Preferred Position	$92,256,312	96.40%	31
Common Position	$3,443,112	3.60%	1
Total	**$95,699,424**	**100.00%**	**32**

By Investment Type

	Total Balance	% of Portfolio	# of Investments
Residential	$83,020,053	86.75%	29
Commercial	$12,679,371	13.25%	3
Total	**$95,699,424**	**100.00%**	**32**

By Development Stage

	Total Balance	% of Portfolio	# of Investments
Pre-development	$7,944,846	8.30%	3
Construction	$60,231,644	62.94%	14
Term	$27,522,934	28.76%	15
Total	**$95,699,424**	**100.00%**	**32**

By Underlying Security

Type	Total Balance	% of Portfolio	# of Investments
Multi Residential	$73,958,943	77.28%	21
Single Family	$2,563,188	2.68%	5
Retail	$0	0.00%	0
Office	$385,350	0.40%	1
Subdivision Land - Residential	$6,497,922	6.79%	3
Mixed Use	$12,294,021	12.85%	2
Total	**$95,699,424**	**100.00%**	**32**

By Rank

Position	Total Balance	% of Portfolio	# of Investments
First	$52,348,138	54.70%	13
Second	$39,908,173	41.70%	18
Joint Arrangement	$3,443,112	3.60%	1
Total	**$95,699,424**	**100.00%**	**32**

By Loan to Value ("LTV")

LTV	Total Balance	Running Total	% of Portfolio	# of Investments
Non-Participating Investments (Mortgages)				
50% or Lower	$6,402,451	$6,402,451	6.69%	3
51% - 55%	$6,165,174	$12,567,625	6.44%	2
56% - 60%	$385,350	$12,952,975	0.40%	1
61% - 65%	$12,036,552	$24,989,527	12.58%	2
66% - 70%	$1,709,680	$26,699,207	1.79%	2
71% - 75%	$2,668,671	$29,367,878	2.79%	2
76% - 80%	$21,204,113	$50,571,991	22.16%	7
81% - 85%	$3,582,819	$54,154,810	3.74%	5
Above 85%	$0	$54,154,810	0.00%	0
Sub-Total	**$54,154,810**	**$54,154,810**	**56.59%**	**24**
Participating Investments				
Sub-Total	**$41,544,614**	**$41,544,614**	**43.41%**	**8**
Total	**$95,699,424**	**$95,699,424**	**100.00%**	**32**

The Weighted Average LTV of Non-participating Investments (Mortgages) is 67.25%
(First Positions - 59.83%, Second Positions - 77.05%)

By Minimum Return Coupon

By 50 basis point buckets

Coupon Rate	# of Investments	Total Balance	% of Portfolio	Average Interest Rate %
7.5% or Lower	1	$306,153	0.32%	3.50%
7.51%-8%	3	$4,369,128	4.57%	8.00%
8.01%-8.5%	3	$13,577,623	14.19%	8.41%
8.51%-9%	1	$1,435,391	1.50%	8.75%
9.01%-9.5%	2	$5,907,705	6.17%	9.50%
9.51% - 10%	10	$32,497,233	33.96%	10.00%
10.01% - 10.5%	0	$0	0.00%	0.00%
10.51% - 11%	8	$10,166,626	10.62%	11.00%
11.01% - 11.5%	1	$4,495,927	4.70%	11.50%
11.51% - 12%	3	$22,943,638	23.97%	12.00%
12.01% - 12.5%	0	$0	0.00%	0.00%
Total	**32**	**$95,699,424**	**100.00%**	**10.27%**

The Weighted Average Minimum Coupon Rate of the Portfolio is 10.27%

By Maturity

Maturity	Balance Maturing	% of Portfolio
Maturing 2015	$35,622,677	37.22%
Maturing 2016	$41,412,337	43.27%
Maturing 2017	$11,848,801	12.38%
Maturing 2018	$6,815,609	7.12%
Total	**$95,699,424**	**100.00%**

The Weighted Average Maturity of the Portfolio is 2.20 Years

Investments by Size

	Total Balance	% of Portfolio	# of Investments
<=$1 million	$4,250,338	4.44%	9
>$1 to <=$5 million	$47,626,331	49.77%	18
>$5 to <=$10 million	$31,937,241	33.37%	4
>$10 million	$11,885,513	12.42%	1
Total	**$95,699,424**	**100.00%**	**32**
Average Investment Size	$2,990,607		
Median Investment Size	$1,832,043		

Notes Pertaining to the Tables in this Appendix:

The tables in this appendix, present balances and ratios that unless otherwise specified, represent or are calculated using the outstanding mortgage balance receivable and commitments as of December 31, 2014.

[1] At IFRS Fair Values and assuming outstanding mortgage balances.

[2]Unleveraged Yield means the weighted average diluted yield prior to the use of leverage. In the case of properties it means the weighted average capitalization rate of the portfolio on a diluted basis assuming a stabilized net operating income. Since the portfolio includes a number of properties in various stages of improvement and stabilization, this information is included only as a reference point. The Unleveraged Yield for mortgage investments means the weighted average face rate of the mortgages outstanding. Both these yields are presented on a pre-administration costs basis.

[3] Committed means mortgage investment commitments that Centurion Apartment REIT has made. It includes both amounts that have been advanced and also amounts that are committed but not yet advanced.

[4] Advanced means the mortgage balance outstanding

[5] Balance to Advance is the difference between the Committed amount and the Advanced amount and represents the amount remaining that has been committed to be advanced to borrowers in the future.

[6] Undiluted means the maximum amount of properties underlying the mortgages where a purchase option exists but assumes any borrower retained options are not exercised by the borrower and represents the estimated value of properties on which there are options.

[7] Diluted means the amount of properties underlying the mortgage where a purchase option exists but a borrower has retained some options to maintain an interest in the properties. The Diluted amount represents the maximum amount of properties that the REIT could buy if the borrowers exercised all of their options to maintain stakes in the properties.

[8] Estimated Built Out Value means the estimated stabilized market value of the properties underlying the mortgages assuming estimated values for completed and to be completed properties.

APPENDIX C – Risks and Uncertainties

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

Real Property Ownership

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

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

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

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

Future Property Acquisitions

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

Revenue Producing Properties

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

No Guarantees or Insurance on Mortgage Investments

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

Risks Related to Mortgage Extensions and Mortgage Defaults

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

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

Foreclosure or Power of Sale and Related Costs on Mortgage Investments

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

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

Litigation Risks

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

Competition for Real Property Investments

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

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Centurion Apartment REIT in seeking tenants. The existence of competing developers, managers and owners for Centurion Apartment REIT's tenants could have an adverse effect on Centurion Apartment REIT's ability to lease suites in its properties and on the rents charged.

Interest Rates

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

Debt Financing

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

General Economic Conditions

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

General Uninsured Losses

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

Availability of Cash for Distributions

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

Distributable Income is calculated in accordance with Centurion Apartment REIT's Declaration of Trust. Distributable Income is not a measure recognized under Canadian generally accepted accounting principles and does not have a standardized meaning prescribed by GAAP. Distributable income is presented herein because management of Centurion Apartment REIT believes this non-GAAP measure is a relevant measure of the ability of Centurion Apartment REIT to earn and distribute cash returns to REIT Unitholders. Distributable Income as computed by Centurion Apartment REIT may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to distributable income as reported by such organizations. Distributable income is calculated by reference to the net income of Centurion Apartment REIT on a consolidated basis, as determined in accordance with GAAP, subject to certain adjustments as set out in the constating documents of Centurion Apartment REIT.

Government Regulation

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

Ontario

The Government of Ontario drafted and finalized new residential tenancy legislation, The Residential Tenancies Act, 2006 ("**RTA**"), which it characterized as "effective tenant protection." The RTA received Royal Assent June 22, 2006, and is now law, replacing the *Tenant Protection Act*, 1997 (Ontario) (the "**TPA**"). The RTA provides restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. The rent increase guideline is calculated under the RTA, and is based on the Ontario Consumer Price Index, which is calculated monthly by Statistics Canada. On June 13, 2012, the Government of Ontario passed legislation to amend the RTA, to ensure that the Rent Increase Guideline is capped at 2.5%. The guideline increase for 2014 is 2.5%; the 2014 guideline increase has been calculated by averaging the percentage increase in the Ontario Consumer Price Index during the previous 12 months, from June 2012 to May 2014. Since the average CPI was 0.8%, the guideline is 0.8%. In order to increase rents above the maximum guideline increase of 0.8% per annum for 2014, a landlord must make an application based on an extraordinary increase in the cost for municipal or utility levies and charges and/or capital expenditures incurred with respect to a residential complex or suite therein. As a result, Centurion Apartment REIT may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The RTA also permits tenants to bring proceedings to reduce rent due to reductions or discontinuances in services or facilities or due to a reduction in the applicable municipal taxes. The RTA provides tenants of residential rental properties with a high level of security of tenure and prescribes certain procedures, including mandatory notice periods, which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the Ontario Rental Housing Tribunal, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of Centurion Apartment REIT to maintain the historical level of earnings of its properties.

Quebec

The Government of Québec relies upon the Civil Code of Quebec, C.C.Q. ("C.C.Q.") and the Act Respecting the Régie du logement, R.S.Q. c. R-8.1 (the "Act") in administering landlord tenant concerns through the Régis du logement (the Régis). Similar to Ontario, there are restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. If the method to fix the rent of the Régie is applied, the guideline increase for the period starting after April 1st 2014 but before April 2nd, 2014 ranges between 0.9% and 1.7% depending on the type of heating employed. A landlord, which undertakes major repairs or renovations, may make changes to the conditions of a lease, including an increase in the rental rate above the guideline that is based upon a prescribed calculation to justify the increase. Should the tenant, within his or her right, refuse modifications and the new rental rate, the landlord may apply to the Régie (within 1 month of refusal, otherwise the lease is renewed under previous conditions) (1947 C.C.Q.). As a result, Centurion Apartment REIT may, in the future, incur capital expenditures which may not be fully recoverable from tenants. In Québec, the cornerstone principle is the tenant's right to maintain occupancy (1936 C.C.Q.), and barring notice from either party to the contrary, automatic renewal for fixed term leases (maximum 12 months) (1941 C.C.Q.). Further, the landlord must provide notice to any new lessee, presenting the lowest rent paid in the preceding 12 months (1896 C.C.Q.); should the tenant dispute the new rental rate, they may make application to the Régis to set the rent.

Environmental Matters

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

Unitholder Liability

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

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

Dependence on Key Personnel

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

Failure or Unavailability of Computer and Data Processing Systems and Software

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

Potential Conflicts of Interest

Centurion Apartment REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Centurion Apartment REIT, senior officers of the Asset Manager, the Property Manager, the Mortgage Manager and the Mortgage Servicer are engaged in a wide range of real estate and other business activities. Centurion Apartment REIT may become involved in transactions which conflict with the interests of the foregoing.

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

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

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

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

Tax Related Risks

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

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

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

Critical Estimates, Assumptions and Judgments

The preparation of financial statements as per IFRS requires management to make judgments, assumptions and estimates that affect the reported amounts in the consolidated financial statements. Actual results could differ from these estimates. Financial statement carrying values, in addition to other factors (See "Valuation Policy"), serve as the basis for the calculation of the Fair Market Value of REIT Units. If such carrying values should prove to be incorrect, the Fair Market Value of the REIT Units could be different. To the extent that the carrying values or critical estimates, assumptions and judgments are inaccurate, and given that property portfolio values, which comprise the vast majority of the REITs assets, are calculated quarterly on a lagging basis, the Posted Price per REIT Unit in any given month may be understated or overstated as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units will be paid an amount less than it would otherwise be paid if the critical estimates, assumptions and judgments were different and that the calculation of property values wasn't calculated on a quarterly basis and thus potentially lagging the market. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual Fair Market Value is lower than the calculated Fair Market Value. In addition, there is a risk than an investment in the REIT by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the Posted Price of the REIT Units is higher than the actual Fair Market Value of the REIT Units. Further, there is a risk that a new Unitholder (or an existing Unitholder than makes an additional investment) could pay more than it might otherwise if the actual Fair Market Value of the REIT Units is lower than the Posted Price. Centurion Apartment REIT does not intend to adjust the Fair Market Value of the REIT retroactively.

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

Dilution

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

Restrictions on Potential Growth and Reliance on Credit Facilities

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

Potential Inability to Fund Investments

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

Liquidity of REIT Units and Redemption Risk

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

Nature of REIT Units

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

APPENDIX D - Audited Consolidated Financial Statements

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the year ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Centurion Apartment Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Centurion Apartment Real Estate Investment Trust which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of net income and comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Centurion Apartment Real Estate Investment Trust as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements as at and for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on these consolidated financial statements on April 8, 2014.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 2, 2015
Toronto, Canada

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note		**December 31, 2014**		December 31, 2013
Assets					
Non-current assets					
Investment properties	5	**$**	**528,582,993**	$	447,129,371
Mortgage investments	7		**68,521,148**		27,160,435
Equity accounted investments	6		**3,443,112**		-
			600,547,253		474,289,806
Current assets					
Current portion of mortgage investments	7		**23,735,164**		11,858,729
Participating loan interests	8		**682,986**		-
Other assets	10		**7,186,642**		3,215,344
Accounts receivable	9		**1,339,627**		517,353
Cash			**3,980,735**		12,453,742
			36,925,154		28,045,168
Total Assets		**$**	**637,472,407**	$	502,334,974
Liabilities					
Non-current liabilities					
Mortgages payable and credit facilities	11	**$**	**224,528,585**	$	197,629,236
			224,528,585		197,629,236
Current liabilities					
Current portion of mortgages payable and credit facilities	11		**33,068,666**		14,810,108
Accounts payable and accrued liabilities			**6,395,014**		6,841,166
Tenants deposits			**3,058,822**		2,797,268
Distributions payable			**1,252,458**		909,901
			43,774,960		25,358,443
Total Liabilities excluding net assets attributable to Unitholders			**268,303,545**		222,987,679
Net assets attributable to Unitholders		**$**	**369,168,862**	$	279,347,295
Represented by:					
Net assets attributable to unitholders of the REIT		**$**	**362,056,276**	$	279,347,295
Net assets attributable to non-controlling interest		**$**	**7,112,586**	$	-

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended	Note	December 31, 2014	December 31, 2013
			(note 2(c))
Revenue from investment properties		**$ 40,322,024**	$ 34,875,927
Property operating costs	17	**(18,741,464)**	(16,905,049)
Net rental income		**21,580,560**	17,970,878
Other income			
Interest income on mortgage investments	7	**6,580,515**	1,652,462
General and administrative expenses	14, 17	**(4,905,601)**	(3,340,472)
Fair value gains on investment properties	5	**10,841,904**	9,658,648
Fair value gains on participating loan interests	8	**682,986**	-
(Loss)/Gain on sale of properties	4	**(301,691)**	1,071,854
Operating income		**34,478,673**	27,013,370
Finance costs	13	**(9,652,698)**	(8,438,165)
Net Income and Comprehensive Income		**$ 24,825,975**	$ 18,575,205
Attributable to:			
Unitholders of the REIT		$ 24,667,058	$ 18,575,205
Non-controlling interest		$ 158,917	$ -

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended December 31, 2014	Note	Net assets attributable to unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the period		**$ 279,347,295**	**$ -**	**$ 279,347,295**
Net Income and Comprehensive Income		**24,667,058**	**158,917**	**24,825,975**
Redeemable unit transactions				
Proceeds from units issued (net of issuance costs)	12	79,857,454	6,984,407	86,841,861
Reinvestments of distributions by Unitholders	12	12,774,206	49,834	12,824,040
Redemption of units	12	(9,400,435)	-	(9,400,435)
Distributions to unitholders		(25,189,302)	(80,571)	(25,269,873)
Net increase from unit transactions		**58,041,923**	**6,953,670**	**64,995,593**
Net increase in net assets attributable to Unitholders		**82,708,981**	**7,112,586**	**89,821,567**
Net assets attributable to Unitholders at end of the period		**$ 362,056,276**	**$ 7,112,586**	**$ 369,168,862**

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended December 31, 2013	Note	Net assets attributable to unitholders of the REIT	Net assets attributable to non-controlling interest	Net assets attributable to Unitholders
Net assets attributable to Unitholders at beginning of the period		**$ 139,905,892**	**$ -**	**$ 139,905,892**
Net Income and Comprehensive Income		**18,575,205**	**-**	**18,575,205**
Redeemable unit transactions				
Proceeds from units issued (net of issuance costs)	12	136,820,157	-	136,820,157
Reinvestments of distributions by Unitholders	12	7,946,505	-	7,946,505
Redemption of units	12	(7,776,261)	-	(7,776,261)
Distributions to unitholders	2(c)	(16,124,203)		(16,124,203)
Net increase from unit transactions		**120,866,198**	**-**	**120,866,198**
Net increase in net assets attributable to Unitholders		**139,441,403**	**-**	**139,441,403**
Net assets attributable to Unitholders at end of the period		**$ 279,347,295**	**$ -**	**$ 279,347,295**

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

CENTURION APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31,	Note	2014	2013
Cash provided by (used in):			
Operating activities			
Comprehensive Income and Increase in net assets attributable to Unitholders		**$ 24,825,975**	$ 18,575,205
Add-back Non-operating items:			
Finance costs	13	**9,652,698**	8,438,165
Non-cash items:			
Fair value gains on investment properties	5	**(10,841,904)**	(9,658,648)
Fair value gains on participating loan interests	8	**(682,986)**	-
Loss/(Gain) on sale of properties	4	**301,691**	(1,071,854)
Accrued interest on mortgage investments		**(3,636,108)**	-
Amortization of financing fees	13	**329,727**	430,008
Changes in non-cash operating account balances		**(3,684,517)**	5,597,588
Net cash from operating activities		**$16,264,576**	22,310,464
Financing activities			
Proceeds from units issued		**87,647,022**	141,472,710
Unit issue costs		**(3,896,431)**	(4,652,553)
Cash distributions to Unitholders		**(12,103,275)**	(8,177,698)
Redemption of units		**(9,400,436)**	(7,776,261)
Financing fees		**(1,091,302)**	(371,046)
Mortgage advances		**43,656,921**	83,706,800
Mortgage repayments		**(22,523,285)**	(26,051,293)
Finance costs paid		**(9,652,698)**	(8,438,165)
Net cash from financing activities		**72,636,516**	169,712,494
Investing activities			
Investment property acquisitions	4	**(18,572,481)**	(129,074,881)
Equity accounted investment		**(3,443,112)**	-
Investment property acquisition costs		**(1,200,522)**	(3,674,556)
Investment property improvements		**(27,320,911)**	(21,137,328)
Proceeds from investment property dispositions		**2,292,552**	7,028,043
Mortgage investments - repaid		**22,967,094**	3,611,875
Mortgage investments - issued		**(72,096,719)**	(41,608,475)
Net cash used in investing activities		**(97,374,099)**	(184,855,323)
Net increase in cash		**(8,473,007)**	7,167,635
Cash, beginning of year		**12,453,742**	5,286,107
Cash, end of year		**$ 3,980,735**	$ 12,453,742

1. Organization

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

The REIT invests primarily in multi-suite residential properties, student residence properties and mortgages in Canada.

2. Significant Accounting Policies

a) Statement of Compliance

The consolidated financial statements for the year ending December 31, 2014 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been approved for issue by the Board of Trustees on April 2, 2015.

b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for investment properties and participating loan interests which are stated at fair value.

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

The consolidated financial statements are presented in accordance with International Accounting Standards ("IAS") 1 – Presentation of Financial Statements. Centurion Apartment REIT has elected to present the Consolidated Statements of Comprehensive Income in one statement.

c) Change in accounting policy

The REIT has adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable transitional provision.

- IFRIC 21, Levies

  This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

2. Significant Accounting Policies (continued)

c) Change in accounting policy (continued)

This standard is applicable to annual reporting periods beginning on or after January 1, 2014. The REIT assessed the standard and completed an analysis of the government levies that the REIT is subject to and determined it does not impact the REIT on adoption in its current form.

- Participating loan interests

  Participating loan interests represent embedded derivatives that are attached to specific mortgage investments. The embedded derivative is measured at fair value with changes in fair value reported through the consolidated statement of net income and comprehensive income.

- IAS 32, Financial Instruments: Presentation, was amended to clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. IAS 32 is effective for annual periods beginning on or after January 1, 2014. The REIT assessed the standard and has determined it does not impact the REIT on adoption in its current form.

- During the year ended December 31, 2014, the REIT changed its accounting policy relating to the distributions to unitholders. Previously, distributions to unitholders were recorded as a finance cost within the consolidated statement of comprehensive income. The REIT has changed its policy to present distributions to unitholders as a component within the consolidated statement of changes in net assets attributable to unitholders as, in substance, the distributions to unitholders represent a transfer of assets from the entity to the unitholders.

  The REIT has retrospectively applied this accounting policy change to January 1, 2013, and has restated its comparative periods. The impact of the change in accounting policy for the year ended December 31, 2013 is to increase comprehensive income by $16,124,203 with an equal and offsetting decrease recorded in the statement changes in the net assets attributable to unitholders. There was no change in the January 1, 2013 or December 31, 2013 balance of net assets attributable to unitholders.

2. Significant Accounting Policies (continued)

d) Principles of Consolidation

The consolidated financial statements reflect the operations of the REIT, its wholly-owned subsidiaries and its proportionate share of joint arrangements which are classified as joint operations. Entities subject to joint arrangements characterized as joint ventures are accounted for using the equity method. Centurion Real Estate Opportunities Trust ("CREOT") is a subsidiary of the REIT as the REIT owns 90.72% of the units of CREOT.

Subsidiaries are consolidated from the date of acquisition, which is the date the REIT obtains control of the subsidiary. Control exists when the REIT has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns, is exposed, or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

The REIT reassesses whether or not it controls the investee if facts, circumstance and events indicate that there are changes to the elements listed above.

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

The accounting policies of the subsidiaries and joint operations are consistent with the accounting policies of the REIT and their financial statements have been prepared for the same reporting period as the REIT.

All intercompany transactions and balances have been eliminated upon consolidation.

e) Future Changes in Accounting Policies

Standards issued and amendments to existing standards but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of standards and interpretations issued, which the REIT reasonably expects to be applicable at a future date.

2. Significant Accounting Policies (continued)

e) Future Changes in Accounting Policies (continued)

Financial Instruments ("IFRS 9")

This standard will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business mode and the contractual cash flow characteristics of the financial assets. The new IFRS is to be applied retrospectively without restatement of comparative information, is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The REIT has not yet determined the impact of the new standard on its consolidated financial statements.

Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The REIT is currently assessing the impact of the new standard on its consolidated financial statements.

f) Investment Properties

The REIT accounts for its investment properties using the fair value model in accordance with IAS 40 - Investment Properties ("IAS 40"). Investment property is defined as property held to earn rentals or for capital appreciation or both. Investment properties are initially recorded at cost, including related transaction costs if the transaction is deemed to be an asset acquisition. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date.

The REIT applies judgment in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 - Business Combinations ("IFRS 3") or as an asset acquisition. Transaction costs (including commissions, land transfer tax, appraisals, legal fees and third party inspection reports associated with a purchase) related to property acquisitions not considered business combinations are capitalized in accordance with IAS 40. Transaction costs are expensed in accordance with IFRS 3 where such acquisitions are considered business combinations. During 2014 all acquisitions of investment properties were treated as asset acquisitions.

2. Significant Accounting Policies (continued)

f) Investment Properties (continued)

The fair value of investment properties was determined using a detailed valuation framework developed by the REIT's internal and external valuation teams. Each of these teams includes experts in the industry. The valuation teams considered the following approaches in determining the fair value:

1. Consideration of recent prices of similar properties within similar market areas;
2. The direct capitalization method, which is based on the conversion of current and future normalized earnings potential directly into an expression of market value. The Normalized Net Operating Income ("NNOI") for the year is divided by an overall capitalization rate (inverse of an earnings multiplier) to arrive at the estimate of fair value.

The Internal Team, comprised of the Asset Manager, is responsible quarterly and annually for:

- Assembling the property specific data used in the valuation model based on the process set forth in the valuation framework
- Reviewing the valuation framework to determine whether any changes or updates are required
- Inputting the capitalization rates, "set offs" and normalization assumptions provided by the valuators; and
- Delivering the completed valuation framework to the external team for review at year-end for the audited financial statements

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

- Annually and quarterly by the valuators:

  - Determining the capitalization rates that would be used in valuing the properties
  - Providing charts of comparable sales and supporting relevant market information
  - Determining the appropriate industry standard set off amounts and normalization assumptions used in the calculation of NNOI ; and
  - Supplying a Fair Value Report for financial statement purposes

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

2. Significant Accounting Policies (continued)

g) Equity accounted investments

The REIT enters into joint arrangements through joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the REIT and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint arrangements that involve the establishment of a separate entity in which each party to the venture has rights to the net assets of the arrangement are referred to as joint ventures.

The REIT reports its interest in joint ventures using the equity method of accounting.

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

The REIT has instituted a DRIP in accordance with Article 5.8 of the Declaration of Trust which provides that the Trustees may in their sole discretion, establish a distribution reinvestment plan at any time providing for the voluntary reinvestment of distributions by some or all REIT and exchangeable Unitholders as the Trustees determine. Currently Unitholders receive a 2% discount on Units purchased via the DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

i) Revenue Recognition

Rental income is recognized using the straight-line method whereby the total amount of rental income to be received from all the leases is accounted for on a straight-line basis over the term of the related leases. All rental leases are considered operating leases.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the REIT and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and applicable effective interest rates.

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

j) Provisions

Provisions are recognized when the REIT has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

The amount of a provision is based on management's best estimate of the expenditure that is required to settle the obligation at the end of the reporting period.

2. Significant Accounting Policies (continued)

j) Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

k) Borrowing Costs and Interest on Mortgages Payable

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

l) Income Taxes

The REIT qualifies as a Mutual Fund Trust for Canadian income tax purposes. In accordance with the terms of the Declaration of Trust, the REIT intends to allocate its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Income Tax Act (Canada). The REIT is eligible to claim a tax deduction for distributions paid in future years and intends to continue to meet the requirements under the Income Tax Act (Canada). Accordingly, no provision for income taxes payable has been made. Income tax obligations relating to distributions of the REIT are the obligations of the Unitholders.

m) Financial Instruments

In accordance with IAS 39 Financial Instruments – Recognition and Measurement ("IAS 39"), financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below.

Fair Value Through Profit or Loss ("FVTPL")

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

Cash and cash equivalents and restricted cash

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

2. Significant Accounting Policies (continued)

m) Financial Instruments (continued)

Loans and receivables

Such receivables arise when the REIT provides services to a third party, such as a tenant, and are included in current assets, except for those with maturities more than 12 months after the consolidated statement of financial position date, which are classified as non-current assets. Loans and receivables are included in other assets in the consolidated statement of financial position and are accounted for at amortized cost.

Available-for-sale

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

Other financial liabilities

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

Derivatives

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

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free-standing derivative; and the combined instrument or contract is not measured at fair value. These embedded derivatives are measured at fair value with changes therein recognized within operating income in the consolidated statement of comprehensive income.

The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the REIT's designation of such instruments. The summary of the classification and measurement adopted by the REIT for each major class of financial instruments are as follows:

2. Significant Accounting Policies (continued)

m) Financial Instruments (continued)

	Classification	Measurement
Financial Assets:		
Cash	Loans and receivables	Amortized cost
Participating loan interest	Fair value through profit or loss	Fair value
Mortgage investments	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial Liabilities:		
Mortgages payable	Other financial liabilities	Amortized cost
Tenant deposits	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

At each reporting date, the REIT assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists.

Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment is included in the consolidated statement of comprehensive income.

n) Fair Value

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

2. Significant Accounting Policies (continued)

o) Net Assets Attributable to Unitholders

i. Balance Sheet Presentation

In accordance with IAS 32 Financial Instruments: Presentation, puttable instruments are generally classified as financial liabilities. The REIT's units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, the REIT units do not meet the exception requirements. Therefore, the REIT has no instrument qualifying for equity classification on its Statement of Financial Position pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

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

ii. Statement of Financial Position Measurement

REIT units are carried on the Statement of Financial Position at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting period, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders is limited to the net assets of the REIT.

p) Mortgage Investments

Mortgage investments are classified as loans and receivables. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

2. Significant Accounting Policies (continued)

q) Impairment

Mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of mortgage investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount if it is considered collectable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

3. Critical Accounting Estimates and Judgments

The preparation of financial statements as per IFRS requires management to make estimates and judgments that affect the reported amounts in the consolidated financial statements. Actual results could differ from those estimates.

The following are the critical accounting estimates and judgments that have been made in applying the REIT's accounting policies:

Lease costs:

The REIT makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property and this determines whether such amounts are treated as additions to the investment property or an operating expense. The REIT also makes judgments with respect to whether tenant leases are operating or finance leases. The REIT has determined that all of its leases are operating leases.

Business combinations:

Accounting for business combinations under IFRS 3 - Business Combinations ("IFRS 3") only applies if a business, as defined, has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or to lower costs or to obtain other economic benefits directly and proportionately to the REIT. A business generally consists of inputs, processes applied to these inputs and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

3. Critical Accounting Estimates and Judgments (continued)

Classification of co-ownerships:

The REIT makes judgments as to whether its co-ownerships provide it with joint control, significant influence or no influence. The REIT has determined that it has joint control in all of its co-ownerships and therefore has accounted for its investment in these co-ownerships as joint operations and has used the share of net assets, liabilities, revenues and expenses method to account for these arrangements.

Fair value of investment properties:

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

Recoverability of mortgage investments:

The fair value of the mortgage investments is reliant on the ability of the borrower to fully repay the loan and all accrued interest and fees, any defaults that occur may materially impact the fair value of these investments.

Capitalization of costs:

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

4. Investment Property Acquisitions/Dispositions

(i) During the year ended December 31, 2014 the REIT completed the following investment property acquisitions, which contributed to the operating results effective from the acquisition date. All acquisitions in the year are accounted for as asset acquisitions.

Acquisition Date	Rental Units	% of Holding	Total Purchase Price	Mortgage Funding	Weighted Average Interest Rate	Maturity Date(s)
July 24, 2014	65	100%	$ 9,700,000	$ 5,937,748	3.34%	November 1, 2024
October 7, 2014	176	100%	15,627,942	11,134,089	5.37%	July 5, 2018
December 1, 2014	114	100%	23,666,007	17,000,000	3.75%	December 1, 2015
			$ 48,993,949	**$ 34,071,837**		

(ii) During the year ended December 31, 2013 the REIT completed the following investment property acquisitions:

Acquisition Date	Rental Units	% of Holding	Total Purchase Price	Mortgage Funding	Weighted Average Interest Rate	Maturity Date(s)
January 23, 2013	404	100%	$ 46,885,000	$ 30,080,000	4.64%	December 1, 2016, March 1, 2022, and January 23, 2023
March 26, 2013	205	100%	16,997,000	11,050,000	4.05%	March 25, 2020
July 18, 2013	386	100%	28,250,000	19,500,000	4.58%	August 2, 2020
August 23, 2013	360	80% **	28,942,881	14,300,000	4.56%	April 1, 2014 April 5, 2014 March 5, 2016
December 12, 2013	23	100%	8,000,000	-	-	-
			$ 129,074,881	**$ 74,930,000**		

All the above acquisitions are asset acquisitions.

**This acquisition related to a property in which the REIT originally held a 20% interest. The REIT acquired the remaining 80% interest in the 360 suite apartment property held by its co-owner, bringing the REIT's holding to 100% of the property as of the closing.

4. Investment Property Acquisitions/Dispositions (continued)

(iii) During the year ended December 31, 2014 the REIT completed the following investment property dispositions:

Disposition Date	Rental Units	% of Holding	Disposition Proceeds	Original Purchase Price	Cumulative Fair Value Adjustment	Fees on disposition	Gain/(Loss) on Sale
April 30, 2014	47	100%	$3,300,000	$2,478,633	$718,380	$113,000	($10,013)
December 4, 2014	61	100%	3,650,000	3,700,155	117,788	123,735	(291,678)
							($301,691)

(iii) During the year ended December 31, 2013 the REIT completed the following investment property dispositions:

Disposition Date	Rental Units	% of Holding	Disposition Proceeds	Original Purchase Price	Cumulative Fair Value Adjustment	Fees on disposition	Gain/(Loss) on Sale
May 1, 2013	22	100%	$1,282,500	$1,206,500	$223,467	$38,043	($185,510)
June 3, 2013	22	100%	1,300,000	746,000	364,701	57,607	131,692
December 17, 2013	36	100%	4,900,000	2,573,616	981,232	219,480	1,125,672
							$1,071,854

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

5. Investment Properties

In accordance with the accounting policy, as detailed in Note 2(f), the REIT recorded investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized net operating income ("NOI"). Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in Note 21.

	December 31, 2014	December 31, 2013
Balance, beginning of year	**$ 447,129,371**	$ 289,540,146
Property acquisitions	**48,993,949**	129,074,881
Increase in Property Valuation	**39,363,337**	34,470,532
Property dispositions	**(6,903,664)**	(5,956,188)
Balance, end of year	**$ 528,582,993**	$ 447,129,371

	December 31, 2014	December 31, 2013
Increase in Property Valuation	**$ 39,363,337**	$ 34,470,532
Less: Acquisition costs	**(1,200,522)**	(3,674,556)
Less: Property improvements	**(27,320,911)**	(21,137,328)
Fair Value Adjustment on Investment Properties	**$ 10,841,904**	$ 9,658,648

5. Investment Properties (continued)

At December 31, 2014 the REIT conducted a valuation of its investment properties on an individual basis, with no portfolio effect considered, to determine the fair value of its investment properties.

Capitalization rates used to generate fair values for the investment properties varied from 4.25% to 6.375% at December 31, 2014 (December 31, 2013 – 4.35% to 6.75%) and the weighted average was 5.23% for the total portfolio (December 31, 2013 – 5.53%).

Capitalization rate sensitivity analysis

The table below presents the sensitivity of the fair valuation of the investment property to the changes in capitalization rate.

Capitalization rate sensitivity Increase (decrease)	Weighted average capitalization rate	Fair value of investment property in millions (at REIT's ownership)	Fair value variance	% change
(0.75%)	4.48%	$ 617.07	$ 88.49	16.7%
(0.50%)	4.73%	$ 584.46	$ 55.88	10.6%
(0.25%)	4.98%	$ 555.12	$ 26.54	5.0%
December 31, 2014	5.23%	$ 528.58	$ -	-
0.25%	5.48%	$ 504.47	$ (24.11)	(4.6%)
0.50%	5.73%	$ 482.46	$ (46.12)	(8.7%)
0.75%	5.98%	$ 462.29	$ (66.29)	(12.5%)

6. Equity accounted investments

The REIT equity accounted investments consist of the following:

	Ownership	**December 31, 2014**	December 31, 2013
Harbour View Estates LP	**60%**	**$ 3,443,112**	$ -

7. Mortgage Investments

Mortgages investments represent amounts under mezzanine loan arrangements. Some of the mortgage investment agreements include purchase options in favour of the REIT. The participating rights are accounted for as derivative instruments (Note 8). The weighted average effective interest rate is 10.36% (December 31, 2013: 10.11%) and the estimated weighted average term of maturity is 2.20 years (December 31, 2013: 1.5 years). Interest income for the period was $6,580,515 (December 31, 2013: $1,652,462). Future repayments are as follows:

7. Mortgage Investments (continued)

Year ended		December 31, 2014
December 31, 2015	$	23,735,164
December 31, 2016		54,760,857
December 31, 2017		6,944,886
December 31, 2018		6,815,405
Total repayments	$	92,256,312

As at December 31, 2014, the REIT has approved additional mortgage investment commitments of $38m.

As part of the assessment of indicators for impairment, management of the REIT routinely reviews each mortgage investment for changes in the credit quality of the mortgage and underlying real estate assets and determines whether such changes result in changes in the fair value of the mortgage investment.

As at December 31, 2014, management does not believe any impairment allowances are required for any mortgage investments or on a collective basis. As at December 31, 2014 carrying value approximates fair value.

8. Participating Loan Interests

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

The embedded derivatives are measured at fair value with changes in fair value reported through the consolidated statement of net income and comprehensive income in fair value gains on participating loan interests. The carrying value of the embedded derivative is as follows:

	December 31, 2014		December 31, 2013	
Ontario, Canada	$	682,986	$	-
	$	682,986	$	-

9. Accounts Receivable

	December 31, 2014	December 31, 2013
Other receivables	$ 959,934	$ 227,535
Rent receivables	638,269	432,112
	1,598,203	659,647
Less: allowance for doubtful accounts	(258,576)	(142,294)
	$ 1,339,627	$ 517,353

The following is an aging analysis of receivables:

	December 31, 2014	December 31, 2013
Current	$ 963,427	$ 385,770
31-60 days	278,834	78,748
61-90 days	115,243	12,554
Over 90 days	240,699	182,575
Allowance for doubtful accounts	(258,576)	(142,294)
	$ 1,339,627	$ 517,353

10. Other Assets

Other assets consists of the following:

	December 31, 2014	December 31, 2013
Unit subscription funds receivable	$ 3,556,920	$ 2,207,817
Other current assets	1,837,631	522,941
Investment property acquisition deposits	1,258,812	12,846
Prepaid expenses	533,279	471,740
	$ 7,186,642	$ 3,215,344

11. Mortgages Payable and Credit Facilities

Mortgages payable and credit facilities consist of the following:

	December 31, 2014	December 31, 2013
Current	**$ 33,068,666**	$ 14,810,108
Non-current	**224,528,585**	197,629,236
	$ 257,597,251	$ 212,439,344

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

	December 31, 2014	December 31, 2013
First mortgages on investment properties, bearing interest between 2.38% and 5.53% (2013 - 2.38% and 5.53%), with a weighted average interest rate of 4.04% (2013 - 3.78%), and a weighted average maturity of 4.5 years, secured by related investment properties	**$ 222,667,948**	$ 181,567,937
Second mortgages on investment properties, bearing interest between 3% and 5% (2013 - 3% and 5%), with a weighted average interest rate of 3.50% (2013 - 3.98%) and a weighted average maturity of 3.6 years, secured by related investment properties	**5,133,745**	9,755,900
Line of Credit facility, bearing interest of 4.2% (2013 - 4.2% to 4.5%), with a weighted average interest rate of 4.2% (2013 - 4.35%) secured by specific investment properties of the REIT.	**9,432,194**	2,874
REIT proportion of mortgages held through joint arrangement, bearing interest between 3.55% and 3.93% (2013 - 3.55% and 3.93%), with a weighted average interest rate of 3.69% (2013- 3.69%) and a weighted average maturity of 2.8 years, secured by related investment properties, secured by investment properties in the joint venture	**21,373,689**	21,988,482
	$ 258,607,576	$ 213,315,193
Less: Marked to market adjustment	**586,212**	$ -
Less: Financing fees	**(1,596,537)**	(875,849)
	$ 257,597,251	$ 212,439,344

11. Mortgages Payable and Credit Facilities (continued)

Substantially all of the REIT's assets have been pledged as security under the related mortgages and other security agreements. Overall the weighted average mortgage interest rate at December 31, 2014 was 3.95% (December 31, 2013 - 3.96%).

Mortgages payable at December 31, 2014 are due as follows:

	Principal Repayments	Balance due at Maturity	Total
Year ended December 31, 2015	$ 6,276,472	$ 26,792,194	$ 33,068,666
Year ended December 31, 2016	6,036,417	35,895,696	41,932,113
Year ended December 31, 2017	5,098,800	32,809,790	37,908,590
Year ended December 31, 2018	4,255,238	39,656,750	43,911,988
Year ended December 31, 2019	3,155,816	21,492,940	24,648,756
Thereafter	8,126,995	69,010,468	77,137,463
	$ 32,949,738	$ 225,657,838	$ 258,607,576
Less: Marked to market adjustment			586,212
Less: Financing fees			(1,596,537)
			$ 257,597,251

The fair value of mortgages payable is approximately $258,175,027 (2013- $213,432,851).

During the year ended December 31, 2014 the REIT renewed and amended its Credit Facilities in the year. As part of this process the REIT negotiated a new revolving credit facility in the amount of $40,000,000 and closed previously existing lines of credit facilities in the amount of $10,270,000. The new revolving credit facility bears an interest rate of 4% at December 31, 2014 and matures on December 11, 2016.

12. Classification of Units

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

Authorized

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

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

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

iv. **Unlimited number of Special Voting Units of the REIT and Exchangeable LP Units**

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

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

12. Classification of Units (continued)

Issued

	December 31, 2014	December 31, 2013
Class A Trust Units		
Units as at January 1,	**24,506,823**	12,309,392
New units issued	**6,375,763**	12,133,947
Distribution reinvestment plan	**1,075,903**	692,398
Redemption of units	**(762,856)**	(628,914)
Transferred to Class F	**(1,077,664)**	-
	30,117,969	24,506,823
Class F Trust Units		
Units as at January 1,	**81,602**	-
New units issued	**787,421**	81,233
Distribution reinvestment plan	**32,941**	369
Redemption of units	**(32,345)**	-
Transferred from Class A	**1,077,664**	-
	1,947,283	81,602
Class M Trust Units	**50,000**	50,000
Exchangeable LP units		
Units as at January 1,	**315,076**	407,013
Redemption of units	**(5,784)**	-
Converted to Class A units and redemptions	**-**	(98,958)
Distribution reinvestment plan	**3,199**	7,021
	312,491	315,076

13. Finance Costs

	December 31, 2014	December 31, 2013
Interest on mortgages payable and credit facilities	**$ 9,322,971**	$ 8,008,157
Amortization of financing fees	**329,727**	430,008
	$ 9,652,698	$ 8,438,165

14. General and Administrative Expenses

	December 31, 2014	December 31, 2013
Asset management fees (Note 17)	**$ 3,342,222**	$ 2,209,012
Professional fees	**764,691**	551,789
Fund administration costs	**442,714**	334,328
Miscellaneous expenses	**355,974**	245,343
	$ 4,905,601	$ 3,340,472

15. Investment in Joint Arrangements

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

	December 31, 2014	December 31, 2013
75 Ann & 1 Beaufort Co-ownership	75%	75%
Ste Catherine Co-ownership	25%	25%

The following represents the REIT's share of assets, liabilities, revenues, expenses and net income and cash flows from investments in joint operations that are reflected in the consolidated financial statements:

	December 31, 2014	December 31, 2013
Non-current assets	**$ 47,405,741**	$ 46,080,685
Current assets	**(122,578)**	162,074
Non-current liabilities	**21,373,689**	21,997,219
Current liabilities	**1,540,020**	2,373,343
Revenues	**4,014,206**	3,828,931
Expenses	**(2,387,798)**	(2,776,606)
Fair value adjustment on investment properties	**398,350**	271,887
Net income for the period	**2,024,758**	1,324,212

16. Commitments

a) The REIT is committed to asset management services under an asset management agreement with Centurion Asset Management Inc., a company controlled by the President and Trustee, for a five year term ending December 31, 2017 with a renewal term for an additional five years unless terminated by either of the parties. Under the agreement, the REIT is required to:

I. Pay an acquisition fee equal to 1.0% of the gross purchase price of each investment property acquired by the REIT.

II. Pay a management fee per annum equal to the lower of:

a. 1.5% of the net asset value of the Class A units of the REIT and
b. 0.525% of total assets of previous reporting period

16. Commitments (continued)

b) The REIT is committed to property management services under a property management agreement with Centurion Property Associates Inc. ("Property Manager"), a company controlled by the President and Trustee, for a five year term ending December 31, 2017 with a renewal term for an additional five years unless terminated by either of the parties. Under the agreement, the REIT is required to:

I. Pay a management fee of 3.5% of the gross income from its investment properties.
II. Pay a project management fee equal to 5% of total capital expenditures in the year.
III. Reimburse all expenses that were incurred in respect of the management of the investment properties.

The asset management agreement was amended and the property management agreement was cancelled on January 1, 2015 (Note 22).

17. Related Party Transactions

Centurion Asset Management Inc. ("CAMI") holds the 50,000 Class M Trust units of the REIT. The distributions for the period ended December 31, 2014 for these units were $1,248,686 (2013- $734,067).

During the year, the REIT was charged acquisition fees, asset management fees, property management fees and project management fees under agreements described in Note 16 of $546,536, $3,329,546, $1,356,144 and $1,114,483 respectively (2013 - $1,184,985, $2,209,012, $1,345,879 and $701,720) . These transactions are incurred in the normal course of business and are measured at the amounts agreed to by the related parties.

Key management consists of the Board of Trustees and the executive management team of the REIT. Compensation paid to non-executive trustees during the year was $108,000 (2013 - $108,000).

18. Contingencies

The REIT is contingently liable for litigation and claims that arise from time to time in the ordinary course of business. Management is of the opinion that based on information presently available; it is not probable that any liability, to the extent not provided for through insurance or otherwise, would have a significant effect on Centurion Apartment REIT's consolidated financial statements.

19. Capital Management

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

The REIT defines capital as REIT net assets attributable to Unitholders, debt (including mortgages), and lines of credit. The REIT's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable Unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various debt and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion to total debt. These indicators assist the REIT in assessing that the debt level maintained is sufficient to provide adequate cash flows for Unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the REIT to ensure there are no defaults. These include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios.

The carrying value of the units is impacted by earnings and Unitholder distributions. The REIT endeavors to make annual distributions. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements.

Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, dividend reinvestment plan ("DRIP") participation ratio, and total distributions as a percent of distributable income and distributable income per unit.

The REIT's credit facilities (see Note 11) require compliance with certain financial covenants, throughout the period the REIT was in compliance with all of its loan covenants and all other of its obligations under its loan agreements.

The Declaration of Trust of the REIT provides for a maximum total indebtedness level of up to 75% of Gross Book Value (GBV). GBV means the book value of the assets. Indebtedness includes obligations incurred in connection with acquisitions. The following table highlights the REIT's existing leverage ratio in accordance with the Declaration of Trust:

19. Capital Management (continued)

As at	December 31, 2014	December 31, 2013
Total Assets	**$ 637,472,407**	$ 502,334,974
Mortgages payable	**$ 257,597,251**	$ 212,439,344
Ratio of debt to GBV	**40.41%**	42.29%

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

As at	December 31, 2014	December 31, 2013
Mortgages payable	**$ 257,597,251**	$ 212,439,344
Net assets attributable to Unitholders	**369,168,862**	279,347,295
Total	**$ 626,766,113**	$ 491,786,639

20. Financial Instruments

a) Risk management

The main risks that arise from the REIT's financial instruments are liquidity, interest and credit risk. The REIT's approach to managing these risks is summarized below:

Management's risk management policies are typically performed as a part of the overall management of the REIT's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the REIT is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identifying risks and variations from expectations. As a part of the overall operation of the REIT, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them, are as follows:

b) Liquidity risk

Liquidity risk is the risk that the REIT may not be able to meet its financial obligations as they fall due.

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

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT. Management's strategy is to mitigate the REIT's exposure to excessive amounts of debt maturing in any one year. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of debt refinancing.

20. Financial Instruments (continued)

b) Liquidity risk (continued)

The success of new capital issuances is subject to the capital markets being receptive to a unit issue with financial terms favorable to the REIT. At December 31, 2014 the REIT had cash of $3,980,735 (2013: $12,453,742) and credit facilities as follows:

	December 31, 2014	December 31, 2013
Credit facilities agreed	$51,450,000	$17,220,000
Available for use	$47,091,960	$17,220,000
Available as undrawn	$37,659,766	$17,220,000

c) Interest Rate Risk

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

The REIT's objective of managing interest rate risk is to minimize the volatility of earnings. At December 31, 2014 most of the REIT's mortgages bear interest at fixed rates.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for the prospective 12 month period. A 1% change is considered a reasonable level of fluctuation on variable rate long term debt.

Interest rate risk at		-1%		1%	
	Carrying Amount	Income	Equity	Income	Equity
Financial liabilities					
Variable rate debt due to mature in a year	$ 26,432,194	$ 264,322	$ 264,322	$ (264,322)	$ (264,322)

d) Credit risk

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

The REIT monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts which are doubtful of being collected.

All residential accounts receivable balances written off are recognized in the consolidated statement of comprehensive income and subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

21. Fair value measurement

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair value of the REIT's financial instruments were determined as follows:

- the carrying amounts of cash and cash equivalents, accounts receivables, revolving credit facility, accounts payable and distribution payable approximate their fair values based on the short term maturities of these financial instruments.
- the fair of mortgage investment as at December 31, 2014 is $92,256,312 (2013: $39,019,164).
- fair values of mortgages payable are estimated by discounting the future cash flows associated with the debt at market interest rates. The fair value at year end is $258,175,027 (2013- $213,432,851)

In addition, the REIT carries its investment properties at fair value, as detailed in Note 5, which is determined by either the direct capitalization approach or by discounting future cash flows at a property specific discount rate.

The table below analyzes assets and liabilities carried at fair value in the consolidated statement of financial position, by the levels in the fair value hierarchy. The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have significant effect on the recorded fair value that are not based on observable market data.

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$ -	$ -	$ 528,582,993	$ 528,582,993
Participating loan interests	-	-	682,986	682,986
Measured at fair value through profit and loss	**$ -**	**$ -**	**$ 529,265,979**	**$ 529,265,979**

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$ -	$ -	$ 447,129,371	$ 447,129,371
Measured at fair value through profit and loss	**$ -**	**$ -**	**$ 447,129,371**	**$ 447,129,371**

21. Fair value measurement (continued)

Investment properties

Investment properties are remeasured to fair value on a quarterly and annual basis and categorized as Level 3 in the fair value hierarchy. Investment properties were valued as at December 31, 2014 which resulted in fair value gains of $10,841,904 (2013 - $9,658,648) recorded as a fair value adjustment on investment properties in the consolidated statement of comprehensive income during the year. Fair values are primarily determined by discounting the expected future cash flows, or by applying a capitalization rate to the estimated future net operating income under the direct capitalization approach. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

An increase in the cash flows or stabilized net operating income results in an increase in the fair value of investment property whereas an increase in the capitalization rate decreases the fair value of an investment property.

In determining the fair value of the investment properties judgment is required in assessing the 'highest and best use' as required under IFRS 13, Fair value measurement. We have determined that the current uses of our investment properties are their 'highest and best use'.

Mortgage investments

There are no quoted prices in an active market for the mortgage investments. Management determine fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximate their carrying values. As a result, the fair value of mortgage investments is based on Level 3 inputs.

22. Events after the Reporting Date

Subsequent to the reporting date the REIT completed the following transactions:

a) On January 1, 2015 the REIT reached an agreement with Centurion Asset Management Inc. ("CAMI") to internalize the asset management functions provided by CAMI to the REIT. The REIT did not pay any fee or premium on the transaction.
b) On January 1, 2015 the REIT also reached an agreement to acquire Centurion Property Associates Inc. ("CPAI"), a company that was providing property management services to the REIT. As part of the transaction the REIT will assume the assets and liabilities, including the staff of CPAI. The REIT did not pay any fee or premium on the transaction.
c) In January, the REIT purchased the 75% ownership interest held by its partners in a 440 unit luxury student residence in Montreal, Quebec for a total purchase price of $37.5m.
d) In January, the REIT purchased a new two building, four storey residential complex consisting of 126 units in Edmonton, Alberta for a total purchase price of $28.5m
e) On November 3 2014, the REIT entered into a sales agreement with a third party to sell one of its buildings for a sale price of $2.5 million, the transaction is expected to close in April 2015.
f) Additional mortgage investment advances of $2.35m were completed and additional funding commitments of $19.38m have been approved.
g) Distributions declared and paid after the year end totaled $2,216,515.
h) Subsequent to year-end, a mortgage investment with a carrying value of $700,000 at December 31, 2014 has gone into default. The REIT has assessed the recoverability of the mortgage investment and assessed whether any impairment exists. The REIT has determined that no impairment exists as the value of the underlying security will be equal to or higher than the carrying amount of the mortgage investment.

23. Segmented Information

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

For the year ended December 31, 2014	Rental real estate properties	Mortgage investments	Total
Revenue	$ 40,322,024	$ 6,580,515	$ 46,902,539
Operating costs	(18,741,464)	-	(18,741,464)
	21,580,560	6,580,515	28,161,075
General and administrative expenses	(4,587,362)	(318,239)	(4,905,601)
Fair value gains on investment properties	10,841,904	-	10,841,904
Fair value gains on participating loan interests	-	682,986	682,986
Gain on sale of properties	(301,691)	-	(301,691)
Operating income	**$ 27,533,411**	**$ 6,945,262**	**$ 34,478,673**

For the year ended December 31, 2013	Rental real estate properties	Mortgage investments	Total
Revenue	$ 34,875,927	$ 1,652,462	$ 36,528,389
Operating costs	(16,905,049)	-	(16,905,049)
	17,970,878	1,652,462	19,623,340
General and administrative expenses	(3,340,472)	-	(3,340,472)
Fair value gains on investment properties	9,658,648	-	9,658,648
Gain on sale of properties	1,071,854	-	1,071,854
Operating income	**$ 25,360,908**	**$ 1,652,462**	**$ 27,013,370**

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CENTURION APARTMENT

REAL ESTATE INVESTMENT TRUST