InterRent REIT Management's Discussion & Analysis

For the Year Ended December 31, 2020

March 15, 2021

5220 Lakeshore,
Burlington, ON

MANAGEMENT'S DISCUSSION & ANALYSIS

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FORWARD-LOOKING STATEMENTS

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") of InterRent Real Estate Investment Trust ("InterRent REIT" or the "Trust") 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, 2020 along with InterRent REIT's other publicly filed documents. 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 InterRent REIT to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of InterRent REIT and its tenants, as well as on the economy in general, the risks related to the market for InterRent REIT's securities, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by InterRent REIT, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding InterRent REIT securities, lack of availability of growth opportunities, diversification, potential unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the market price of InterRent 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 the section entitled "Risks and Uncertainties" and in other sections of this Management's Discussion and Analysis.

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 and demographic factors, such as employment rates and immigration trends
- Inflationary/deflationary factors
- Long, medium and short term interest rates
- Availability of financing
- Housing starts
- Housing affordability
- Provincial government housing policies
- Canadian Mortgage and Housing Corporation (CMHC) policies

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. InterRent 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. InterRent REIT does not undertake 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.

INTERRENT REAL ESTATE INVESTMENT TRUST

InterRent Real Estate Investment Trust ("InterRent REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated October 10, 2006, and as amended and restated on June 29, 2007, September 30, 2009, December 29, 2010 and May 21, 2019, under the laws of the Province of Ontario. InterRent REIT was created to invest in income producing multi-family residential properties within Canada initially through the acquisition of InterRent International Properties Inc. (the "Corporation") and of the Silverstone Group by the way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (Ontario), which was completed on December 7, 2006.

InterRent REIT's principal objectives are to provide its unitholders ("Unitholders") with stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its trust units (the "Units") through the effective management of its residential multi-family revenue producing properties, the development of multi-family properties and the acquisition of additional, accretive properties.

DECLARATION OF TRUST

The investment policies of the Trust are outlined in the Trust's Amended and Restated Declaration of Trust (the "DOT") dated as of May 21, 2019 and a copy of this document is available on SEDAR (www.sedar.com).

At December 31, 2020 the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

ACCOUNTING POLICIES

InterRent REIT's accounting policies are described in note 3 of the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

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-GAAP MEASURES

Gross Rental Revenue, Net Operating Income, Same Property results, Repositioned Property results, Funds from Operations, Adjusted Funds from Operations, Adjusted Cash Flows from Operations and EBITDA (or, in each case, substantially similar terms) are measures sometimes used by Canadian real estate investment trusts as indicators of financial performance, however they do not have standardized meanings prescribed by IFRS (GAAP). 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.

Gross Rental Revenue is the total potential revenue from suite rentals before considering vacancy and rebates and excludes other revenue from ancillary sources.

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.

Same property results are revenues, expenses and NOI from properties owned by the Trust throughout the comparative periods, which removes the impact of situations that result in the comparative period to be less meaningful. Some examples include: acquisitions, dispositions, redevelopments or properties going through a lease-up period.

Repositioned property results are revenues, expenses and NOI from properties owned by the Trust prior to January 1, 2017.

Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are financial measures commonly used by many Canadian real estate investment trusts which should not be considered as an alternative to net income, cash flow from operations, or any other operating or liquidity measure prescribed under GAAP. The Trust presents FFO and AFFO in accordance with the REALpac White Paper on Funds from Operations and Adjusted Funds from Operations for IFRS dated February 2019. Management considers FFO and AFFO a useful measure of recurring economic earnings.

Adjusted Cash Flows from Operations ("ACFO") is an additional financial measure of economic cash flow based on the operating cash flows of a business adjusted for specific items. The Trust presents ACFO in accordance with the REALpac White Paper dated February 2019. Management considers ACFO a useful measure of sustainable cash flow.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is calculated as earnings before interest, taxes, depreciation, amortization and other adjustments including gain/loss on sale and fair value adjustments.

Readers are cautioned that Gross Rental Revenue, NOI, Same property, Repositioned property, FFO, AFFO, ACFO and EBITDA are not alternatives to measures under GAAP 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-GAAP measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust.

As a result of the redeemable feature of the Trust Units, the Trust's Units are defined as a financial liability and not considered an equity instrument. Therefore no denominator exists to calculate per unit calculations. Consequently, all per unit calculations are considered non-GAAP measures. Management feels that certain per unit calculations are an important method of measuring results from period to period and as such has determined basic and diluted weighted average number of units. Per unit calculations as computed by the Trust may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to other such issuers.

COVID-19 OVERVIEW, RISK AND UPDATE

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus "COVID-19" a global pandemic. The outbreak has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Acting swiftly has often meant that the measures the various levels of government are putting in place are announced early in their development and continue to evolve and change in order to meet the desired outcome. As such, it is not entirely known the extent of all the government programs that might be put in place, how long programs will last, how these programs may change over time, or what their full impact might be. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Trust.

These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Trust and may include residents' ability to pay rent in full or at all, temporary or long-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks and the Trust's ability to access capital on acceptable terms or at all. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact operations and the financial performance of the Trust.

The health and safety of residents and team members remains the Trust's top priority. InterRent REIT took quick action at the beginning of the COVID-19 crisis by introducing several new building protocols and procedures designed to ensure the wellbeing of all our communities. The Trust has also placed a high priority on maintaining strong, ongoing communication with our residents through multiple channels. The Trust recognizes that the pandemic has created significant hardship for many residents. Accordingly, the Trust is working to support residents experiencing financial difficulties through various means. The Trust has been extremely encouraged by the goodwill, positive sentiment, and community spirit that our residents have shown in the face of the pandemic and in response to the Trust's actions.

OPERATIONS UPDATE:

- InterRent REIT has collected over 99% of October, November and December residential rents and the current trend for January and February is in line with previous months.
- Currently we have entered into rent deferral agreements with approximately 0.40% of our residential residents.
- InterRent REIT has issued rent increases however, all increases since April had been credited as a means of helping our communities through the pandemic. Credits were reduced significantly in September and have been immaterial since that time.
- InterRent REIT has enhanced cleaning for all of its buildings and as part of the commitment to these protocols has launched our CLV Clean & Secure+TM program (see https://www.interrentreit.com/clv-clean-and-secure-plus/ for more details).
- InterRent REIT has developed an online information hub to provide residents and stakeholders with information regarding the pandemic as well as an online Bulletin Board for residents to communicate with each other and provide assistance to their fellow residents.
- The Trust has continued to actively engage with residents to check on their safety and to identify residents in need of additional assistance.
- InterRent REIT's sales and leasing teams have implemented an end-to-end contactless rental process. Prospective residents now have the option of seeing living accommodations and completing applications online or in person.
- Since the beginning has:
  - invested $246 million in maintaining and improving its properties which has provided the REIT with a very defensive portfolio well-positioned to face uncertain economic times; and,
  - significantly reduced leverage with Debt to GBV ratio declining from 55.3% at December 31, 2016 to 31.1% at December 31, 2020.

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

InterRent REIT is a growth-oriented real estate investment trust engaged in increasing Unitholder value and creating a growing and sustainable distribution through the acquisition and ownership of multi-residential properties. The REIT generates revenues, cash flows and earnings from rental operations and from the sale of revenue producing properties. InterRent REIT's largest and most consistent source of income is its rental operations, which involves leasing individual suites to tenants for lease terms generally ranging from month-to-month to twelve-months.

InterRent's strategy is to expand its portfolio primarily within markets that have exhibited stable market vacancies, sufficient suites available to attain the critical mass necessary to implement an efficient portfolio management structure and, offer opportunities for accretive acquisitions.

InterRent's primary objectives are to use the proven industry experience of the Trustees, Management and Operational Team to: (i) to grow both funds from operations per Unit and net asset value per Unit through investments in a diversified portfolio of multi-residential properties; (ii) to provide Unitholders with sustainable and growing cash distributions, payable monthly; and (iii) to maintain a conservative payout ratio and balance sheet.

In 2020, the REIT:

- purchased one property comprised of 57 suites in Mississauga for $18.15 million;
- purchased a property with 4 suites which is contiguous to our development site at Richmond/Churchill in Ottawa for $1.35 million;
- purchased two properties totalling 60 suites in Toronto for $17.7 million;
- purchased four properties totalling 564 suites in Hamilton for $141.7 million;
- purchased two properties totalling 195 suites in London for $34.2 million; and
- purchased an additional 14.17% ownership stake in the development site at 900 Albert Street.

The team we have assembled has a proven track record and we believe we have both the experience and ability necessary to execute on our growth strategy in the years to come.

At December 31, 2020, the Trust has 8,953 Same Property suites, which represents 81.0% of the overall portfolio and 7,713 Repositioned Property suites, which represent 69.8% of the overall portfolio. The core markets of GTA (including Hamilton), Ottawa/NCR and Montreal represent approximately 84% of InterRent's portfolio.

OUTLOOK

- The REIT continues to take measures to ensure the health and safety of both our residents and team members as well as making sure operational disruptions due to COVID-19 are minimized. Management remains committed to growing the REIT in a strategic and structured manner and although timing may be impacted by the current pandemic, future growth is still anticipated to come from:
  a) continuing to source properties in our core markets that allow us to build scale within these areas and apply our repositioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders;
  b) continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio;
  c) re-deploying capital from areas where management believes that properties have reached their economic peak or that the area will not allow the REIT to reach the desired level of scale;
  d) developing purpose built rental on existing sites that have the ability to add more density; and,
  e) participating in joint ventures where the REIT can add value through its experience and expertise in owning and operating multi-family rentals.

  In line with this, the REIT has purchased a building comprised of 114 suites in St. Catharines, for $22.0 million that closed in January 2021 as well as acquired a 50% interest in 15 properties (614 suites) in Metro Vancouver for $146.25 million (half of the total acquisition price of $292.5 million). The REIT is also committed to purchase a building with 157 suites in St. Catharines, for $31.4 million, as well as two buildings with 45 suites in Vancouver, for $18.9 million, in April 2021.

- The REIT is continuing to make progress on its four active developments as well as the evaluation of other intensification opportunities within the portfolio. The current active developments include:
  - 473 Albert Street, Ottawa – proposed conversion of office to 158 residential suites: The REIT submitted its 2nd Site Plan Application in Q4 2020 and is waiting for a full comment set from the City of Ottawa. Concurrent to this, a minor variance application had been submitted, and approval granted in February 2021 for specific site variances allowing for the planned use. Consultants are currently working on Building Permit documents with submission anticipated by end of Q1 2021. The REIT has entered into an agreement with a construction contractor to being pre-construction activities. Construction activities are expected to begin late Spring 2021.
  - 900 Albert Street, Ottawa (TIP Albert joint venture and direct ownership) – development: Site Plan Application was approved by City Council in July 2020. The approved Site Plan Application allows for 1,241 units, 423,764 sq ft of office space, and 87,844 sq ft of retail space. The REIT continues to work with its partners and external consultants to develop detailed design plans in order to deliver an offering that reflects not only the current needs of the market but also incorporates concepts and technologies to ensure its continued relevance as rental housing needs continue to evolve;
  - Richmond & Churchill, Ottawa – development: Zoning By-Law Amendment (ZBA) and Site Plan Application (SPA) comments from the first submission to the City of Ottawa were received at the end of Q3 2020. A second SPA addressing City comments had been submitted at the end of Q4 2020. A formal Urban Design Review Panel submission and presentation was also completed in the same period and comments received in January 2021. Once a full set of SPA comments are received from the City, consultants will proceed with a final ZBA and SPA package, anticipated in Q2 2021. The development currently contemplates 184 residential suites and 18,706 sq ft of commercial space; and,
  - Burlington GO Lands (Fairview joint venture) – Site Plan Application (SPA) was submitted in Q1 2020 and comments were received from City staff and external agencies. A second SPA was submitted in October 2020. Partial comments from the City have been received and the REIT expects the remainder of comments to be received by the end of Q1 2021. The partners continue to work on further design development based on the partial comments received to date, with the anticipation of submitting the final SPA package in Q2 2021. The current submission proposes 2,494 residential suites with 42,976 sq ft of commercial space.
- Liquidity Update:
  - The REIT had $51.6 million in cash as of December 31, 2020.
  - The REIT had no outstanding balance on any current credit facilities. The REIT has $172 million in current facilities; the ability to increase the current facilities by a further $60 million; and, an undrawn mortgage facility of $60 million, providing a total of $292 million of available credit.
  - To-date, mortgage financings and renewals have progressed on schedule with no significant delays noted as a result of COVID-19. During the fourth quarter, the REIT completed three CMHC mortgage re-financings for net proceeds of $42.0 million. Proceeds are to fund the REIT’s capital program, developments and future acquisitions.
  - With a debt to GBV ratio of 31.1%, the REIT has significant liquidity available through both CMHC insured and conventional mortgage financing to finance future capital programs, development opportunities and acquisitions

Q4 AND FULL YEAR PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three and twelve months ended December 31, 2020 compared to the same period in 2019:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	Change	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019	Change
Total suites	-	-	-	11,047	10,164	+8.7%
Average rent per suite (December)	-	-	-	$1,315	$1,260	+4.4%
Occupancy rate (December)	-	-	-	91.3%	95.6%	-430bps
Operating revenues	$41,864	$39,199	+6.8%	$159,955	$145,302	+10.1%
Net operating income (NOI)	26,365	26,206	+0.6%	102,139	96,194	+6.2%
NOI %	63.0%	66.9%	-390bps	63.9%	66.2%	-230bps
Same Property average rent per suite (December)	-	-	-	$1,354	$1,286	+5.3%
Same Property occupancy rate (December)	-	-	-	92.4%	96.7%	-430bps
Same Property NOI	22,397	23,896	-6.3%	91,313	90,664	+0.7%
Same Property NOI %	64.1%	67.4%	-330bps	64.7%	66.3%	-160bps
Net Income	$57,517	$264,975	-78.3%%	$150,648	$384,889	-60.9%
Funds from Operations (FFO)	$15,964	$15,723	+1.5%	$62,868	$56,706	+10.9%
FFO per weighted average unit – diluted	$0.112	$0.126	-11.1%	$0.466	$0.483	-3.5%
Adjusted Funds from Operations (AFFO)	$14,193	$13,938	+1.8%	$55,577	$50,303	+10.5%
AFFO per weighted average unit – diluted	$0.100	$0.111	-9.9%	$0.412	$0.428	-3.7%
Distributions per unit	$0.08008	$0.07583	+5.6%	$0.31258	$0.29334	+6.6%
Adjusted Cash Flow from Operations (ACFO)	$20,177	$19,036	+6.0%	$62,780	$61,064	+2.8%
Debt to GBV	-	-	-	31.1%	32.5%	-140bps
Interest coverage (rolling 12 months)	-	-	-	3.45x	3.12x	+0.33x
Debt service coverage (rolling 12 months)	-	-	-	1.95x	1.87x	+0.08x

- Overall Portfolio:
  a) Operating revenue for the quarter rose by $2.7 million to $41.9 million, an increase of 6.8% over Q4 2019. Operating revenue for the year ended 2020 increased by $14.7 million, or 10.1% year-over-year, to $160.0 million.
  b) Average monthly rent per suite increased to $1,315 from $1,260 (December 2020 vs 2019), an increase of 4.4%.
  c) Occupancy for December 2020 was 91.3%, down from 92.1% in September 2020 and down 430 bps when compared to December 2019.
  d) NOI for the quarter increased by 0.6%, or $0.2 million, to $26.4 million compared to Q4 2019. For the quarter, NOI as a percentage of revenues was 63.0%, a decrease of 390 basis points compared to Q4 2019. NOI for the twelve months ended December 31, 2020 was $102.1 million, an increase of $5.9 million, or 6.2%, compared to 2019. NOI margin for the year ended 2020 was 63.9%, a decrease of 230 basis points compared to 2019. NOI for the year included $1.9 million of COVID-19 related operating expenses.
- Same Property Portfolio:
  a) Operating revenue for the quarter decreased by $0.5 million to $34.9 million, a decrease of 1.5% over Q4 2019. Operating revenue for the year ended 2020 increased by $4.2 million to $141.0 million, or 3.1%, over 2019.
  b) Average monthly rent per suite increased to $1,354 from $1,286 (December 2020 vs 2019), an increase of 5.3%.
  c) Occupancy for December 2020 was 92.4%, down from 93.0% in September 2020 and down 430 bps when compared to December 2019.
  d) NOI for the quarter decreased by 6.3%, or $1.5 million, to $22.4 million compared to Q4 2019. For the quarter, NOI as a percentage of revenues was 64.1%, a decrease of 330 basis points compared to Q4 2019. NOI for the twelve months ended December 31, 2020 was $91.3 million, an increase of $0.6 million, or 0.7%, compared to 2019. NOI margin for the year ended 2020 was 64.7%, a decrease of 160 basis points compared to 2019. NOI for the year included $1.6 million of COVID-19 related operating expenses.

- Repositioned properties had an average monthly rent per suite of $1,371, occupancy of 93.5% for December 2020 and an NOI margin for the quarter of 64.7% and for the year of 65.4%.
- Net income for the year was $150.6 million, a decrease of $234.2 million compared to 2019. The decrease was driven primarily by the net decrease in fair value gain on investment properties of $283.1 million ($70.1 million in 2020 compared to $353.2 million in 2019) offset by the higher non-cash fair value gains on unit-based liabilities and Class B unit liability from the Unit price depreciation in the year.
- FFO for the quarter increased by 1.5% to $16.0 million compared to Q4 2019. FFO for the year increased by 10.9% to $62.9 million compared to 2019.
- FFO per Unit for the quarter decreased by 11.1% to $0.112 per Unit compared to $0.126 per Unit for Q4 2019. FFO per Unit for the year decreased by 3.5% to $0.466 per Unit compared to $0.483 per Unit for 2019.
- AFFO for the quarter increased by 1.8% to $14.2 million compared to Q4 2019. AFFO for the year increased by 10.5% to $55.6 million compared to 2019.
- AFFO per Unit for the quarter decreased by 9.9% to $0.100 per Unit compared to $0.111 per Unit for Q4 2019. AFFO per Unit for the year decreased by 3.7% to $0.412 per Unit compared to $0.428 per Unit for 2019.
- Adjusted Cash Flow from Operations (ACFO) for the quarter increased by 6.0% to $20.2 million compared to Q4 2019. ACFO for the year increased by 2.8% to $62.8 million compared to 2019.
- Debt-to-GBV ratio at year end was 31.1%, a decrease of 140 basis points from December 2019.
- The Trust completed the following investment property acquisitions during the year:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price
27-Feb-20	1015 Orchard Road	Mississauga	GTA	Residential	57	$18,150
31-Mar-20	380 Winona Street	Ottawa	NCR	Development	4[1]	$1,350
Q1/20 Acquisitions					**61**	**$19,500**
16-Jul-20	765 Brown’s Line	Toronto	GTA	Residential	26	$7,000
16-Jul-20	155 Lake Shore Drive	Toronto	GTA	Residential	34	$10,700
23-Jul-20	15 Don Street	Hamilton	Hamilton	Residential	36	$5,220
21-Sep-20	35 Brock Street	Hamilton	Hamilton	Residential / Commercial	123	$33,200
21-Sep-20	600 John Street	Hamilton	Hamilton	Residential	110	$27,300
21-Sep-20	100 Main Street E	Hamilton	Hamilton	Residential / Commercial	295	$76,000
21-Sep-20	500-522 Gordon Avenue	London	Western	Residential	117	$20,500
21-Sep-20	527-531 Gordon Avenue	London	Western	Residential	78	$13,700
Q3/20 Acquisitions					**819**	**$193,620**
14-Oct-20	900 Albert Street	Ottawa	NCR	Development	n/a[2]	$13,410
Q4/20 Acquisitions					**n/a**	**$13,410**
Total 2020 Acquisitions					**880**	**$226,530**

[1] Development site (0.11 acres) includes a fourplex which will be operated during the interim period prior to construction.

[2] Represents a 14.17% direct ownership in the development site at 900 Albert Street (which along with its 33.33% investment in the development property through its joint venture with TIP Albert LP, the Trust holds a 47.5% interest in the development property).

PORTFOLIO SUMMARY

The Trust started the year with 10,164 suites. During the year ended 2020 the Trust purchased eleven investment properties (totalling 880 suites) including a property with 4 suites which is contiguous to our development site at Richmond/Churchill in Ottawa and a 14.17% direct ownership in the development site at 900 Albert. The Trust also added a suite to a property in Hamilton and two suites at two properties in Montreal. At December 31, 2020, the Trust owned 11,047 suites. Management continuously reviews the markets that the REIT operates in to determine if the portfolio mix remains suitable. Management believes that there are significant opportunities within the portfolio to drive rents, reduce operating costs, and streamline operations. At December 31, 2020, 81.0% of the portfolio was same property suites and 69.8% of the portfolio was repositioned property suites. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 880 suites, as well as adding to its development sites during the year. We are actively seeking opportunities within our target markets, as well as evaluating other gateway cities in Canada, in order to continue to build our acquisition pipeline and grow the REIT in a fiscally prudent manner. The REIT announced in January 2021 that it had acquired a 50% interest in 15 properties (614 suites) in Metro Vancouver.

The following chart shows our suite mix by region. InterRent's focus on recycling capital and growing its core markets of GTA (including Hamilton), Ottawa/NCR and Montreal has resulted in approximately 84% of InterRent's suites now being located in these core markets.

▼ Suites By Region at December 31, 2020

Region	Total Portfolio		Same Property	
	Suites	% of Portfolio	Suites	% of Portfolio
Eastern Ontario	204	1.9%	204	2.3%
GTA	1,400	12.7%	1,283	14.3%
Hamilton/Niagara	2,499	22.6%	1,861	20.8%
Montreal	2,787	25.2%	1,647	18.4%
Gatineau	497	4.5%	497	5.6%
Ottawa	2,468	22.3%	2,464	27.5%
Western Ontario	1,192	10.8%	997	11.1%
Total	**11,047**	**100.0%**	**8,953**	**100.0%**

ANALYSIS OF OPERATING RESULTS

In $ 000's	3 Months Ended December 31, 2020		3 Months Ended December 31, 2019		12 Months Ended December 31, 2020		12 Months Ended December 31, 2019	
Gross rental revenue	**$43,452**		$38,402		**$162,083**		$143,150	
Less: vacancy & rebates	**(4,303)**		(1,700)		**(12,196)**		(6,790)	
Other revenue	**2,715**		2,497		**10,068**		8,942	
Operating revenues	**$41,864**		$39,199		**$159,955**		$145,302	
Expenses								
Property operating costs	**6,733**	**16.1%**	5,624	14.3%	**26,550**	**16.6%**	20,988	14.4%
Property taxes	**5,105**	**12.2%**	4,368	11.1%	**19,405**	**12.1%**	17,443	12.0%
Utilities	**3,661**	**8.7%**	3,001	7.7%	**11,861**	**7.4%**	10,677	7.4%
Operating expenses	**$15,499**	**37.0%**	$12,993	33.1%	**$57,816**	**36.1%**	$49,108	33.8%
Net operating income	**$26,365**		$26,206		**$102,139**		$96,194	
Net operating margin	**63.0%**		66.9%		**63.9%**		66.2%	

REVENUE

Gross rental revenue for the year ended December 31, 2020 increased 13.2% to $162.1 million compared to $143.2 million for the year ended December 31, 2019. Operating revenue for the year was up $14.7 million to $160.0 million, or 10.1% compared to the prior year. The Trust owned, on a weighted average basis, 10,461 suites throughout 2020 (11,047 suites at the end of 2020) as compared to 9,628 throughout 2019 (10,164 at the end of 2019), an increase of 833 suites from 2019. On a weighted average suite basis, gross rental revenue for 2020 grew by 4.2% over 2019.

The average monthly rent for the month of December 2020 increased to $1,315 per suite from $1,260 (December 2019), an increase of 4.4%. On a Same Property basis, the average rent increased by $68 per suite to $1,354 (or up 5.3%) over December 2019. The overall increase in average rent is impacted by changes in property mix (through the acquisition of properties in our targeted growth markets and dispositions in non-core markets). Management expects to continue to grow rent organically by moving to market rent on suite turnovers, continued roll-out of guideline increases and AGIs, as well as continuing to drive other ancillary revenue streams such as parking, laundry, locker rentals, and cable and telecom revenue share agreements.

▼ Average Rent By Region[1]

Region	Total Portfolio			Same Property		
	December 2020	December 2019	Change	December 2020	December 2019	Change
Eastern Ontario	$1,288	$1,213	+6.2%	$1,288	$1,213	+6.2%
GTA	$1,635	$1,593	+2.6%	$1,664	$1,593	+4.5%
Hamilton/Niagara	$1,242	$1,155	+7.5%	$1,227	$1,163	+5.5%
Montreal	$1,150	$1,097	+4.8%	$1,158	$1,112	+4.1%
Gatineau	$1,031	$976	+5.6%	$1,031	$976	+5.6%
Ottawa	$1,484	$1,430	+3.8%	$1,509	$1,430	+5.5%
Western Ontario	$1,257	$1,231	+2.1%	$1,312	$1,231	+6.6%
Total	**$1,315**	**$1,260**	**+4.4%**	**$1,354**	**$1,286**	**+5.3%**

[1] Excludes extended stay suites.

The REIT estimates that the average market rent on the total portfolio under normal conditions to be in excess of 25% however in light of the current economic environment, the current mark to market rental gap is estimated to be approximately 20% higher than the average in-place rent of $1,315. The REIT is continuing to carefully monitor the demand in the market and will adjust rents based on balancing short-term occupancy against long term rental revenue growth.

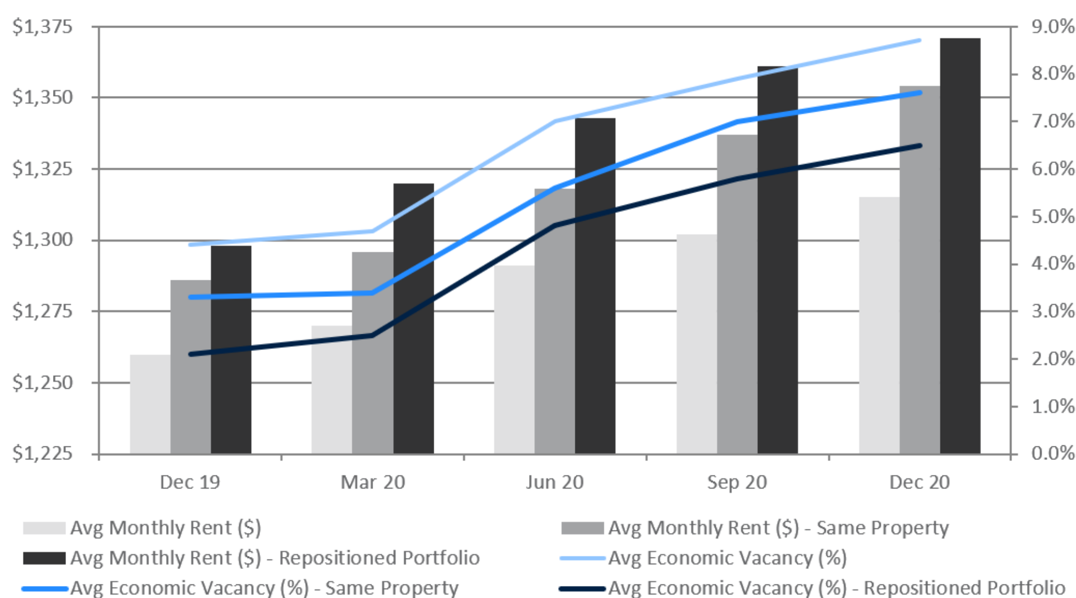
Portfolio Occupancy

As part of the ongoing effort to drive rents throughout the portfolio, the vacancy rate on an annual basis is expected to be in the 4% range once a property is repositioned. Going forward, management believes that minor variations in economic vacancy will continue to occur from one quarter to another given the seasonal nature of rental activity. The rental growth objectives are being achieved as a direct result of:

1. ensuring that properties are safe, secure and well maintained;
2. ensuring suites are properly repaired and maintained before being rented to new residents;
3. marketing that is tailored to the specific features, location and demographics of each individual property; and,
4. ensuring that operations are running as efficiently and cost effectively as possible to ensure the well-being of residents and resident enjoyment of their homes.

This is part of the Trust's repositioning strategy to maximize rental revenues, lower operating costs and create value for Unitholders. Management intends to continue to pursue this strategy both within the existing portfolio and as it looks to add new properties within targeted regions.

The following chart represents the economic vacancy for the entire portfolio for the month listed. This data is calculated by taking financial vacancy loss and dividing it by gross rental revenue.



	December 2019	March 2020	June 2020	September 2020	December 2020
Average monthly rents all properties	$1,260	$1,270	$1,291	$1,302	$1,315
Average monthly rents Same Property portfolio	$1,286	$1,296	$1,318	$1,337	$1,354
Average monthly rents Repositioned Property portfolio	$1,298	$1,320	$1,343	$1,361	$1,371

The overall economic vacancy for December 2020 across the entire portfolio was 8.7%, an increase of 430 basis points as compared to the 4.4% recorded for December 2019. Compared to September 2020, economic vacancy across the entire portfolio has increased by 80 basis points. Economic vacancy for the Same Property portfolio for December 2020 was 7.6%, compared to 3.3% at December 2019. Compared to September 2020, economic vacancy for the Same Property portfolio has increased by 60 basis points. Economic vacancy for the Repositioned Property portfolio for December 2020 was 6.5%, compared to 2.1% at December 2019. Compared to September 2020, economic vacancy for the Repositioned Property portfolio has increased by 70 basis points.

The impact in leasing activity from COVID-19 seen in the second and third quarters as a result of the government mandated shutdowns (including immigration and international students) continued throughout the fourth quarter. The REIT believes that when immigration returns to more normalized levels and post secondary institutions resume in-class learning, strong rental demand will return and will drive down vacancy and upward rental pressure will resume. The REIT continues to believe that capturing market rents is critical as the market trend to lower turnover continues and as such reviews every property closely to balance short term vacancy with long term value creation.

▼ Vacancy By Region

Region	Total Portfolio			Same Property		
	December 2020	December 2019	Change	December 2020	December 2019	Change
Eastern Ontario	1.0%	7.6%	-660 bps	1.0%	7.6%	-660 bps
GTA	6.6%	1.6%	+500 bps	5.9%	1.6%	+430 bps
Hamilton/Niagara	6.1%	3.6%	+250 bps	2.7%	3.6%	-90 bps
Montreal	14.2%	11.2%	+300 bps	14.6%	8.5%	+610 bps
Gatineau	2.1%	1.7%	+40 bps	2.1%	1.7%	+40 bps
Ottawa	11.2%	1.8%	+940 bps	11.0%	1.8%	+920 bps
Western Ontario	3.0%	1.6%	+140 bps	2.6%	1.6%	+100 bps
Total	**8.7%**	**4.4%**	**+430 bps**	**7.6%**	**3.3%**	**+430 bps**

Other Revenue

Other rental revenue for the twelve months ended December 31, 2020 increased 12.6% to $10.1 million compared to $8.9 million for 2019. The increased revenues from commercial space as well as ancillary sources such as parking, laundry, locker rentals and cable and telecom continues to be a focus as it provides organic revenue growth. For the twelve months ended December 31, 2020, other revenue represents 6.3% of net revenue as compared to 6.2% for 2019.

PROPERTY OPERATING COSTS

Property operating costs for the investment properties include repairs and maintenance, insurance, caretaking, superintendents' wages and benefits, property management salaries and benefits, uncollectible accounts and eviction costs, marketing, advertising and leasing costs.

Property operating costs for the year ended December 31, 2020 amounted to $26.6 million or 16.6% of revenue compared to $21.0 million or 14.4% of revenue for the year ended December 31, 2019. As a percentage of revenue, operating costs increased by 220 basis points as compared to 2019 due in part to increased cleaning, supplies and staffing costs of approximately $1.9 million, or 1.2% of revenue, associated with the COVID-19 pandemic (see COVID-19 Overview, Risk and Update section.

PROPERTY TAXES

Property taxes for the year ended December 31, 2020 amounted to $19.4 million or 12.1% of revenue compared to $17.4 million or 12.0% of revenue for the year ended December 31, 2019. The $2.0 million increase is mainly attributable to the increase in the number of average suites throughout the year as well as increases in assessed property values.

The Trust is constantly reviewing property tax assessments for its properties and this active approach shall continue to help drive down costs. Where appropriate, the Trust will appeal individual property assessments.

UTILITY COSTS

Utility costs for the year ended December 31, 2020 amounted to $11.9 million or 7.4% of revenue compared to $10.7 million or 7.4% of revenue for the year ended December 31, 2019. As a percentage of operating revenues and on a per suite basis, utility costs have increased slightly over last year due to higher rates for electricity, gas and water in Ontario.

Across the entire portfolio, the hydro sub-metering initiative reduced electricity costs by 25.8%, or $1.7 million for the year. At December 31, 2020, the REIT had approximately 84% of its portfolio (9,300 suites) that had the capability to submeter hydro in order to recover the cost. Of the 9,300 suites that have the infrastructure in place, 7,268 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant, which represents approximately 66% of the total portfolio. The REIT plans on continuing to roll this program out to new properties as they are acquired.

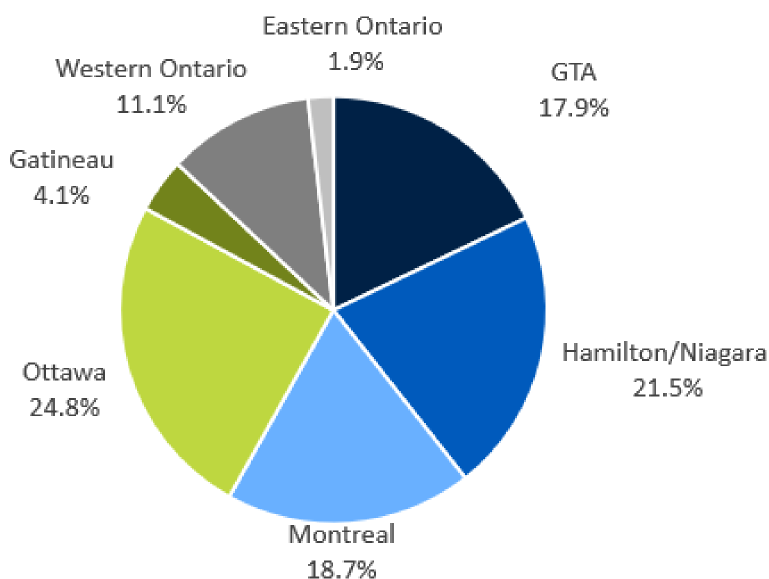
NET OPERATING INCOME (NOI)

NOI for the three months ended December 31, 2020 amounted to $26.4 million or 63.0% of operating revenue compared to $26.2 million or 66.9% of operating revenue for the three months ended December 31, 2019. The $0.2 million increase in the quarter is as a result of growing the portfolio and increasing gross revenue by 13.2% and offset by the increased effect of higher vacancy and COVID related costs in property operating costs.

NOI for the twelve months ended December 31, 2020 amounted to $102.1 million or 63.9% of operating revenue compared to $96.2 million or 66.2% of operating revenue for the twelve months ended December 31, 2019. The $5.9 million increase in the year is as a result of growing the portfolio and increasing gross revenue by 13.2% and offset by the increased effect of higher vacancy and COVID related costs in property operating costs. On a weighted average per suite basis, NOI decreased 2.3% from $9,991 per suite in 2019 to $9,764 per suite in 2020.

NOI for the twelve months ended December 31, 2020 from the Same Property portfolio was $91.3 million, or 64.7% of operating revenue. Management continues to focus on top line revenue growth through acquisitions, suite additions and ancillary revenue as well as operating cost reductions (such as efficiencies of scale, investment in energy saving initiatives, and investments to reduce ongoing operating costs).

▼ NOI by Region - 3 Months Ended December 31, 2020



SAME PROPERTY PORTFOLIO PERFORMANCE

Same Property results for the three and twelve months ended December 31, 2020 are defined as all properties owned and operated by the Trust throughout the comparative periods being reported, and therefore do not take into account the impact on performance of acquisitions, dispositions or properties going through a lease-up period completed during the period from January 1, 2019 to December 31, 2020. As at December 31, 2020, the Trust has 8,953 suites in the Same Property portfolio. The Same Property portfolio represents 81.0% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2020		3 Months Ended December 31, 2019		12 Months Ended December 31, 2020		12 Months Ended December 31, 2019	
Gross rental revenue	**$36,137**		$34,605		**$141,768**		$134,674	
Less: vacancy & rebates	**(3,240)**		(1,198)		**(8,947)**		(5,898)	
Other revenue	**2,042**		2,057		**8,217**		8,026	
Operating revenues	**$34,939**		$35,464		**$141,038**		$136,802	
Expenses								
Property operating costs	**5,523**	**15.8%**	4,985	14.1%	**22,707**	**16.1%**	19,752	14.4%
Property taxes	**4,203**	**12.0%**	3,943	11.1%	**17,035**	**12.1%**	16,451	12.0%
Utilities	**2,816**	**8.1%**	2,640	7.4%	**9,983**	**7.1%**	9,935	7.3%
Operating expenses	**$12,542**	**35.9%**	$11,568	32.6%	**$49,725**	**35.3%**	$46,138	33.7%
Net operating income	**$22,397**		$23,896		**$91,313**		$90,664	
Net operating margin	**64.1%**		67.4%		**64.7%**		66.3%	

For the three months ended December 31, 2020, operating revenues for Same Property decreased by 1.5% (Gross revenue increase of 4.4% offset by higher vacancy) and operating expenses increased by 8.4% as compared to the same period last year. As a result, Same Property NOI has decreased by $1.5 million, or 6.3%, as compared to the same period last year. NOI margin for Q4 2020 was 64.1% as compared to 67.4% for Q4 2019, a decrease of 330 basis points. As a percentage of revenue, property operating costs increased 10.8% as compared to 2019. Costs associated with the COVID-19 pandemic represented approximately $0.2 million of the $0.5 million increase in property operating costs.

For the twelve months ended December 31, 2020, operating revenues from Same Property increased by 3.1% (Gross revenue increase of 5.3% offset by higher vacancy) and operating expenses increased by 7.8% as compared to the same period last year. As a result, Same Property NOI for 2020 increased by $0.6 million, or 0.7% as compared to 2019. NOI margin for 2020 was 64.7% as compared to 66.3% for 2019, a decrease of 160 basis points. As a percentage of revenue, property operating costs were 170 basis points higher than 2019, whereas property taxes and utilities remained the same as 2019. Costs associated with the COVID-19 pandemic represented approximately $1.6 million of the $3.0 million increase in property operating costs.

The average monthly rent for the month of December 2020 for Same Property increased to $1,354 per suite from $1,286 (December 2019), an increase of 5.3%. Economic vacancy for the month of December 2020 for Same Property was 7.6%, compared to 3.3% for December 2019.

	December 2019	March 2020	June 2020	September 2020	December 2020
Average monthly rents Same Property portfolio	$1,286	$1,296	$1,318	$1,337	$1,354
Average monthly vacancy Same Property portfolio	3.3%	3.4%	5.6%	7.0%	7.6%

REPOSITIONED PROPERTY PORTFOLIO PERFORMANCE

The Trust's repositioning program following the acquisition of a property typically spans three to four years, depending on how significant the capital requirements are and what the tenant turnover at the property is like. Repositioned Property suites for the three and twelve months ended December 31, 2020 are defined as all properties owned and operated by the Trust prior to January 1, 2017. As at December 31, 2020, the Trust has 7,713 repositioned property suites, which represents 69.8% of the overall portfolio, and 3,334 non-repositioned suites.

In $ 000's	3 Months Ended December 31, 2020					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	$31,659		$11,793		**$43,452**	
Less: vacancy & rebates	(2,461)		(1,842)		**(4,303)**	
Other revenue	1,696		1,019		**2,715**	
Operating revenues	$30,894		$10,970		**$41,864**	
Expenses						
Property operating costs	4,695	15.2%	2,038	18.6%	**6,733**	**16.1%**
Property taxes	3,717	12.0%	1,388	12.6%	**5,105**	**12.2%**
Utilities	2,487	8.1%	1,174	10.7%	**3,661**	**8.7%**
Operating expenses	$10,899	35.3%	$4,600	41.9%	**$15,499**	**37.0%**
Net operating income	$19,995		$6,370		**$26,365**	
Net operating margin	64.7%		58.1%		**63.0%**	

In $ 000's	12 Months Ended December 31, 2020					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	124,279		$37,804		**$162,083**	
Less: vacancy & rebates	(6,587)		(5,609)		**(12,196)**	
Other revenue	6,890		3,178		**10,068**	
Operating revenues	$124,582		$35,373		**$159,955**	
Expenses						
Property operating costs	19,168	15.4%	7,382	20.9%	**26,550**	**16.6%**
Property taxes	15,106	12.1%	4,299	12.1%	**19,405**	**12.1%**
Utilities	8,795	7.1%	3,066	8.7%	**11,861**	**7.4%**
Operating expenses	$43,069	34.6%	$14,747	41.7%	**$57,816**	**36.1%**
Net operating income	$81,513		$20,626		**$102,139**	
Net operating margin	65.4%		58.3%		**63.9%**	

The average monthly rent for December 2020 for the Repositioned Property portfolio was $1,371 per suite and the economic vacancy for December 2020 was 6.5% whereas the non-repositioned properties had an average monthly rent of $1,185 per suite and an economic vacancy of 14.4% for December 2020.

Region	Repositioned Property Portfolio			Non-Repositioned Property Portfolio		
	Suites	December 2020 Average Rent	December 2020 Vacancy	Suites	December 2020 Average Rent	December 2020 Vacancy
Eastern Ontario	204	$1,288	1.0%	-	-	-
GTA	1,283	$1,664	5.9%	117	$1,319	16.6%
Hamilton/Niagara	1,435	$1,278	2.9%	1,064	$1,192	10.6%
Montreal	911	$1,137	7.7%	1,876	$1,156	17.3%
Gatineau	497	$1,031	2.1%	-	-	-
Ottawa	2,386	$1,464	11.1%	82	$2,066	13.6%
Western Ontario	997	$1,312	2.6%	195	$978	5.8%
Total	**7,713**	**$1,371**	**6.5%**	**3,334**	**$1,185**	**14.4%**

FINANCING AND ADMINISTRATIVE COSTS

In $ 000's	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Net operating income	**$26,365**	$26,206	**$102,139**	$96,194
Expenses				
Financing costs	**6,490**	6,791	**26,331**	26,273
Administrative costs	**3,564**	3,390	**11,599**	12,034
Income before other income expenses	**$16,311**	$16,025	**$64,209**	$57,887

FINANCING COSTS

Financing costs amounted to $6.5 million or 15.5% of operating revenue for the three months ended December 31, 2020 compared to $6.8 million or 17.3% of operating revenue for the three months ended December 31, 2019.

In $ 000's	3 Months Ended December 31, 2020		3 Months Ended December 31, 2019	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$6,312**	**15.1%**	$6,742	17.2%
Credit facilities	**279**	**0.7%**	344	0.9%
Interest capitalized	**(208)**	**(0.5%)**	(324)	(0.8%)
Interest income	**(147)**	**(0.4%)**	(112)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**254**	**0.6%**	141	0.3%
Total	**$6,490**	**15.5%**	$6,791	17.3%

Financing costs amounted to $26.3 million or 16.4 % of revenue for the twelve months ended December 31, 2020 compared to $26.3 million or 18.1% of revenue for the twelve months ended December 31, 2019.

In $ 000's	12 Months Ended December 31, 2020		12 Months Ended December 31, 2019	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$25,490**	**15.9%**	$25,750	17.7%
Credit facilities	**1,389**	**0.9%**	1,695	1.2%
Interest capitalized	**(935)**	**(0.6%)**	(1,403)	(1.0%)
Interest income	**(635)**	**(0.4%)**	(490)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**1,022**	**0.6%**	721	0.5%
Total	**$26,331**	**16.4%**	$26,273	18.1%

Mortgage Interest

Mortgage interest is one of the single largest expense line items for InterRent REIT. Given the current rates in the market for both CMHC insured and conventional mortgages, it is management's expectation that it will be able to continue to refinance existing mortgages as they come due at rates that are in line with the overall weighted average. Mortgage debt has increased on an overall basis, mainly attributable to up-financing for property acquisitions and repositioning.

ADMINISTRATIVE COSTS

Administrative costs include such items as: director pay; salaries and incentive payments; employee benefits; investor relations; transfer agent listing and filing fees; legal, tax, audit, other professional fees; and, amortization on corporate assets.

Administrative costs for the twelve months ended December 31, 2020 amounted to $11.6 million or 7.3% of operating revenue. This included approximately $0.6 million in non-recurring restructuring charges and approximately $0.4 million in reduced incentive compensation. Removing the aforementioned items, the resulting Administrative costs for 2020 are inline with the $11.3 million ($12 million net of $0.7 non-recurring) incurred for the twelve months ended December 31, 2019.

OTHER INCOME AND EXPENSES

In $ 000's	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Income before other income and expenses	**$16,311**	$16,025	**$64,209**	$57,887
Other income and expenses				
Income from joint ventures	**9**	10	**40**	24
Loss on sale of investment properties	**-**	-	**-**	(675)
Fair value adjustments of investment properties	**50,830**	242,824	**70,110**	353,160
Unrealized gain/(loss) on financial liabilities	**(9,004)**	6,687	**18,736**	(23,302)
Distributions expense on units classified as financial liabilities	**(629)**	(571)	**(2,447)**	(2,205)
Net income	**$57,517**	$264,975	**$150,648**	$384,889

SALE OF ASSETS

There were no dispositions in the year ended December 31, 2020. During the year ended December 31, 2019, the Trust had a $0.7 million loss from the sale of nine investment properties for a total selling price of $35.3 million compared to a carrying value of $35.0 million. The properties were sold for $0.3 million above their fair value however selling costs of $1.0 million (which includes commission, legal expense and any unamortized portion of the CMHC insurance premium) were incurred as part of the transactions, resulting in a loss on disposition of $0.7 million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2020 and 2019 was determined internally by the Trust. In order to substantiate management's valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all of the portfolio at December 31, 2020 and 2019. For the year ended December 31, 2020, a fair value gain of $70.1 million was recorded on the financial statements as a result of changes in the fair value of investment properties. For the year ended December 31, 2019, a fair value gain of $353.2 million was recorded on the financial statements driven by property level operating improvements as well as a change in the valuation technique in Q4 2019 to align the REIT's valuation model more closely with that of the sector. The valuation model now includes turnover assumptions, mark-to-market rent adjustments (based on turnover) as well as expected increases in operating expenses that match the timeframe for the turnover and mark-to-market assumptions.

The weighted average capitalization rate used across the portfolio at the end of Q4 2020 was 4.16% as compared to 4.24% for Q4 2019 and 4.23% for Q3 2020. The change in the weighted average capitalization rate is a result of acquisitions, the decrease in capitalization rates on properties that have undergone significant repositioning, and the compression of cap rates in Ontario and Quebec that has been driven by continued strong demand for multi-family assets within these markets. Provided the demand in the market for multi-family assets continues, as well as taking into consideration recent transactions, the REIT anticipates that capitalization rates for its portfolio could continue to compress further in 2021.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a closing price of $13.69 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the deferred unit compensation liability. The total fair value of the deferred units recorded on the consolidated balance sheet at December 31, 2020 was $53.2 million and a corresponding fair value gain of $10.8 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2020.

The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2020 at $5.0 million and a corresponding fair value gain of $1.3 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2020.

The Trust used a closing price of $13.69 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the Class B LP unit liability. The total fair value of these Units recorded on the consolidated balance sheet at December 31, 2020 was $46.7 million and a corresponding fair value gain of $6.6 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2020.

In $ 000's	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Fair value gain/(loss) on financial liabilities:				
Deferred unit compensation plan	**$(4,530)**	$3,760	**$10,765**	$(11,791)
Option plan	**(756)**	471	**1,320**	(2,497)
LP Class B unit liability	**(3,718)**	2,456	**6,651**	(8,834)
Fair value gain/(loss) on financial liabilities	**$(9,004)**	$6,687	**$18,736**	$(23,302)

DISTRIBUTION EXPENSE

The distribution expense is comprised of distributions to holders of the Class B LP units and distributions earned on the deferred unit plan, as both are classified as a liability.

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INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2019 to December 31, 2020.

In $ 000's	December 31, 2020
Balance, December 31, 2019	$2,748,342
Acquisitions	232,523
Property capital investments	55,265
Fair value gains	70,110
Total investment properties	$3,106,240

The Trust acquired eleven investment properties (880 suites) for $232.5 million during the twelve month period ended December 31, 2020.

The Trust's repositioning program following the acquisition of a property typically spans three to four years, depending on how significant the capital requirements are and what the tenant turnover at the property is like. For the purpose of identifying capital expenditures related to properties being repositioned, for 2020 the REIT uses a cut-off of December 31, 2016. Any property purchased after this date is considered a repositioning property and capital expenditures are all part of the program to improve the property by lowering operating costs and/or enhancing revenue. For properties acquired prior to January 1, 2017, management reviews the capital expenditures to identify and allocate, to the best of its abilities, those that relate to enhancing the value of the property (either through lowering operating costs or increasing revenue) and those expenditures that relate to sustaining and maintaining the existing space. There are 7,713 suites in the REIT's portfolio that were acquired prior to January 1, 2017 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

For the twelve month period ended December 31, 2020, the Trust invested $55.3 million (2019 – $80.2 million) in the portfolio. Of the $55.3 million invested in the year, $23.0 million was invested in the non-repositioned properties and $2.9 million was invested in properties under development. Of the remaining $29.4 million, $22.1 million was invested in value enhancing initiatives and $7.3 million was related to sustaining and maintaining existing spaces.

The fair value of the portfolio at December 31, 2020 was determined internally by the Trust. In order to substantiate management's valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all of the portfolio at December 31, 2020. For the twelve month period ended December 31, 2020, a fair value gain of $70.1 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2019 to December 31, 2020.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2019	121,478,721	$766,282
Units issued under prospectuses	15,709,000	230,137
Issue costs	-	(9,676)
Units issued under the deferred unit plan	61,195	914
Units issued under distribution reinvestment plan	1,070,389	14,519
Units issued from options exercised	97,395	1,350
December 31, 2020	138,416,700	$1,003,526

On June 4, 2020 the Trust completed a bought deal prospectus whereby it issued 15,709,000 Trust Units for cash proceeds of $230,137 and incurred $9,676 in issue cost.

As at December 31, 2020 there were 138,416,700 Trust Units issued and outstanding.

DISTRIBUTIONS

The distributions were $0.31258 for 2020 and $0.29334 for 2019. The Trust is currently making monthly distributions of $0.027125 per Unit, which equates to $0.3255 per Unit on an annualized basis. For the year ended December 31, 2020, the Trust's FFO and AFFO was $0.47 and $0.41 per unit respectively, compared to $0.48 and $0.43 for the year ended December 31, 2019.

Distributions to Unitholders were as follows:

In $ 000's	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Distributions declared to Unitholders	**$ 41,057**	$ 33,408
Distributions reinvested through DRIP	**(14,518)**	(11,888)
Distributions declared to Unitholders, net of DRIP	**$ 26,539**	$ 21,520
DRIP participation rate	**35.4%**	35.6%

InterRent's Declaration of Trust provides the trustees with the discretion to determine the payout of distributions that would be in the best interest of the Trust. In establishing the level of distributions to Unitholders, consideration is given to future cash requirements of the Trust as well as forward-looking cash flow information.

WEIGHTED AVERAGE NUMBER OF UNITS

The following table sets forth the weighted average number of Units outstanding:

	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Trust units	**138,249,190**	121,295,432	**131,127,137**	113,499,289
LP Class B units	**3,410,766**	3,410,766	**3,410,766**	3,410,766
Weighted average units outstanding - Basic	**141,659,956**	124,706,198	**134,537,903**	116,910,055
Unexercised dilutive options [1]	**409,382**	520,643	**409,382**	520,643
Weighted average units outstanding - Diluted	**142,069,338**	125,226,841	**134,947,285**	117,430,698

[1]Calculated using the treasury method

PERFORMANCE MEASURES

Management believes that Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO) are key measures for real estate investment trusts, however they do not have standardized meanings prescribed by IFRS (GAAP). 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.

As both measures exclude the fair value adjustments on investment properties and gains and losses from property dispositions, it provides an operating performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with GAAP. As these measures are based on historical performance, they lag current operation and are negatively impacted, most notably on a per unit basis, during periods of significant growth. This is further amplified when the growth stems primarily from repositioning/development properties.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2020**	**3 Months Ended December 31, 2019**	**12 Months Ended December 31, 2020**	**12 Months Ended December 31, 2019**
Net income	**$57,517**	$264,975	**$150,648**	$384,889
Add (deduct):				
Fair value adjustments on investment property	**(50,830)**	(242,824)	**(70,110)**	(353,160)
Loss on sale of investment properties	**-**	-	**-**	675
Unrealized (gain)/loss on financial instruments	**9,004**	(6,687)	**(18,736)**	23,302
Interest expense on puttable units classified as liabilities	**273**	259	**1,066**	1,000
Funds from Operations (FFO)	**$15,964**	$15,723	**$62,868**	$56,706
FFO per weighted average unit - basic	**$0.113**	$0.126	**$0.467**	$0.485
FFO per weighted average unit - diluted	**$0.112**	$0.126	**$0.466**	$0.483

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2020**	**3 Months Ended December 31, 2019**	**12 Months Ended December 31, 2020**	**12 Months Ended December 31, 2019**
Funds from Operations	**$15,964**	$15,723	**$62,868**	$56,706
Add (deduct):				
Actual maintenance capital investment	**(1,771)**[1]	(1,785)[2]	**(7,291)**[1]	(6,403)[3]
Adjusted Funds from Operations (AFFO)	**$14,193**	$13,938	**$55,577**	$50,303
AFFO per weighted average unit - basic	**$0.100**	$0.112	**$0.413**	$0.430
AFFO per weighted average unit - diluted	**$0.100**	$0.111	**$0.412**	$0.428

(1) Maintenance capital investment total is for the 7,713 repositioned suites for 2020

(2) Maintenance capital investment total is for the 6,547 repositioned suites for the three months ended December 31, 2019

(3) Maintenance capital investment total is for the weighted average of 6,563 repositioned suites for the twelve months ended December 31, 2019

Adjusted Cash Flow from Operations (ACFO) was introduced in February 2017, and updated February 2019, in REALpac's "White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS" as a sustainable, economic cash flow metric. Management believes ACFO can be a useful measure to evaluate the Trusts ability to fund distributions to unitholders. ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS. ACFO is calculated in accordance with the REALpac definition but may differ from other REIT's methods and accordingly, may not be comparable to ACFO reported by other issuers.

ACFO Reconciliation In $000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Cash generated from operating activities	**$12,452**	$20,362	**$61,943**	$72,588
Add (deduct):				
Changes in non-cash working capital not indicative of sustainable cash flows	**9,750**	600	**9,150**	(4,400)
Amortization of finance costs	**(254)**	(141)	**(1,022)**	(721)
Actual maintenance capital investment	**(1,771)**	(1,785)	**(7,291)**	(6,403)
ACFO	**20,177**	19,036	**62,780**	61,064
Distributions declared [1]	**11,350**	9,462	**42,123**	34,408
Excess of ACFO over distributions declared	**8,827**	9,574	**20,657**	26,656
ACFO payout ratio	**56.3%**	49.7%	**67.1%**	56.3%

[1] Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2020, ACFO exceeded distributions declared by $8.8 million and $20.7 million, respectively. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

CASH FROM OPERATING ACTIVITIES AND CASH DISTRIBUTIONS

The following table outlines the differences between cash flows from operating activities and net income and cash distributions in accordance with National Policy 41-201, "Income Trusts and Other Indirect Offerings":

In $ 000's	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Net income	**$57,517**	$264,975	**$150,648**	$384,889
Cash flows from operating activities	**12,452**	20,362	**61,943**	72,588
Distributions paid [1]	**7,203**	5,725	**26,988**	21,945
Distributions declared [1]	**11,350**	9,462	**42,123**	34,408
Excess of net income over distributions paid	**50,314**	259,250	**123,660**	362,944
Excess of net income over distributions declared	**46,167**	255,513	**108,525**	350,481
Excess of cash flows from operations over distributions paid	**5,249**	14,637	**34,955**	50,643
Excess of cash flows from operations over distributions declared	**1,102**	10,900	**19,820**	38,180

[1] Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2020, cash flows from operating activities exceeded distributions paid by $5.2 million and $35.0 million, respectively. Net income is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value change on financial instruments, which are not reflective of the Trust's ability to make distributions. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

QUARTERLY PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the past eight quarters:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Suites	11,047	11,046	10,226	10,226	10,164	10,060	9,398	9,203
Average rent per suite (last month of Q)	$1,315	$1,302	$1,291	$1,270	$1,260	$1,248	$1,227	$1,204
Occupancy rate (last month of Q)	91.3%	92.1%	93.0%	95.3%	95.6%	95.5%	95.3%	95.8%
Operating revenues	$41,864	$39,719	$39,004	$39,368	$39,199	$37,630	$34,742	$33,731
NOI	26,364	26,228	24,839	24,708	26,206	25,785	23,042	21,160
NOI %	63.0%	66.0%	63.7%	62.8%	66.9%	68.5%	66.3%	62.7%
Same Property average rent per suite	$1,354	$1,337	$1,318	$1,296	$1,286	$1,274	$1,236	$1,209
Same Property Occupancy rate	92.4%	93.0%	94.4%	96.6%	96.7%	96.0%	95.6%	95.8%
Same Property NOI	22,397	23,455	22,807	22,654	23,896	23,532	22,395	20,842
Same Property NOI %	64.1%	66.4%	64.8%	63.7%	67.4%	68.3%	66.4%	62.9%
FFO	$15,964	$17,170	$15,250	$14,484	$15,723	$15,955	$13,413	$11,614
FFO per weighted average unit - diluted	$0.112	$0.121	$0.117	$0.115	$0.126	$0.129	$0.121	$0.105
AFFO	$14,193	$15,070	$13,752	$12,562	$13,938	$14,534	$12,219	$9,611
AFFO per weighted average unit - diluted	$0.100	$0.106	$0.105	$0.100	$0.111	$0.117	$0.111	$0.087
Distributions per unit	$0.0801	$0.0775	$0.0775	$0.0775	$0.0758	$0.0725	$0.0725	$0.0725
ACFO	$20,177	$15,416	$18,157	$9,030	$19,036	$17,254	$15,032	$9,742
Debt to GBV	31.1%	30.9%	28.0%	33.4%	32.5%	35.0%	40.0%	39.4%
Interest coverage (rolling 12 months)	3.45x	3.38x	3.28x	3.18	3.12x	3.07x	2.99x	2.97x
Debt service coverage (rolling 12 months)	1.95x	1.96x	1.93x	1.90x	1.87x	1.84x	1.81x	1.81x

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 31.1% of Gross Book Value ("GBV") at December 31, 2020. GBV is a non-GAAP term that is defined in the DOT and includes all operations. The following chart sets out the Trust's computed debt to GBV:

In $ 000's	December 31, 2020	December 31, 2019
Total assets per Balance Sheet	$3,214,047	$2,791,856
Mortgages payable	$999,595	$881,509
Lines of credit	-	26,865
Total debt	$999,595	$908,374
Debt to GBV	31.1%	32.5%

With a DOT limit of 75% of Debt-to-Gross Book Value, InterRent REIT has the ability to further leverage the existing portfolio to assist with future investments in new assets. The Trust is conscious of the current credit environment and how this affects the ability of the Trust to grow. Management continues to evaluate on-going repositioning efforts, potential new acquisition opportunities as well as potential dispositions in order to continue to grow the REIT in a fiscally prudent manner.

INTEREST AND DEBT SERVICE COVERAGE

The following schedule summarizes the interest and debt service coverage ratios for InterRent for the comparable rolling 12 month periods ending December 31st:

In $000's	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
NOI	$102,139	$96,194
Less: Administrative costs	11,599	12,034
EBITDA	$90,540	$84,158
Interest expense [1]	26,244	26,954
Interest coverage ratio	**3.45x**	**3.12x**
Contractual principal repayments	20,256	18,161
Total debt service payments	$46,500	$45,115
Debt service coverage ratio	**1.95x**	**1.87x**

[1] Interest expense includes interest on mortgages and credit facilities, including interest capitalized to properties under development and interest income, and excludes interest (distributions) on units classified as financial liabilities.

MORTGAGE AND DEBT SCHEDULE

The following schedule summarizes the aggregate future minimum principal payments and debt maturities for the mortgages of InterRent REIT.

Year Maturing	Mortgage Balances At December 31, 2020 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2021	$199,021	19.5%	2.16%
2022	$75,459	7.4%	2.82%
2023	$85,782	8.4%	2.77%
2024	$74,324	7.3%	3.70%
2025	$110,555	10.8%	2.21%
Thereafter	$474,675	46.6%	2.87%
Total	$1,019,816	100%	2.56%

At December 31, 2020, the average term to maturity of the mortgage debt was approximately 5.2 years and the weighted average cost of mortgage debt was 2.56%. At December 31, 2020, approximately 81% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust assumed one mortgage on a property acquired in the quarter for $3.6 million; up-financed three mortgages for $42.0 million and paid down $5.6 million in mortgage principal. The net result at December 31, 2020 compared to September 30, 2020 was:

- No change in the average term to maturity of the mortgage debt of 5.2 years;
- A decrease in the weighted average cost of mortgage debt to 2.56% from 2.63%; and,
- No change in the mortgage debt backed by CMHC insurance at approximately 81%.

During the year the Trust assumed one mortgage and added six mortgages for seven properties that were acquired in the year for a combined amount of $102.6 million; re-financed ten properties which increased mortgage debt by $114.1 million; repaid two mortgages of $73.6 million; and paid down $20.3 million in mortgage principal.

The net result at December 31, 2020 compared to December 31, 2019 was:

- An increase in average term to maturity of the mortgage debt to 5.2 years from 5.1 years;
- A decrease in the weighted average cost of mortgage debt to 2.56% from 3.02%; and,
- An increase in the mortgage debt backed by CMHC insurance to 81% from 79%.

As at December 31, 2020, the Trust had the following credit facilities:

- $2.0 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2020, the Trust had no balance outstanding under this facility.
- A $55.0 million term credit facility, maturing in 2022, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on ten of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2020, the Trust had no balance outstanding under this facility.
- A $15.0 million term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, a first mortgage on one of the Trust's properties and second collateral mortgages on one of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2020, the Trust had no balance outstanding under this facility.
- A $100.0 million term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, first mortgages on two of the Trust's properties and second collateral mortgages on four of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. As at December 31, 2020, the Trust had no balance outstanding under this facility.

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ACCOUNTING

FUTURE ACCOUNTING CHANGES

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or noncurrent. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact on the Trust as the balance sheet is presented on a liquidity basis.

RISKS AND UNCERTAINTIES

The Trust, its business and the transactions contemplated in this MD&A are subject to material risks, both known and unknown, including, but not limited to the following:

The Trust is exposed to a variety of risks, general and specific. General risks are the risks associated with general conditions in the real estate sector, and consist largely of commonly exposed risks affecting the real estate industry as a whole. Specific risks are the risks specific to the Trust and its operations, such as credit, market, liquidity and operational risks.

Current Ecomonic Risks

InterRent REIT must raise mortgage funds for mortgages as they mature and for acquisitions. Given the interconnectivity of the global economy and the current global economic environment, there is no guarantee that the Trust will be able to secure such funds on a commercially beneficial basis, or at all, and the failure to raise sufficient funds could have a material adverse effect on the business of the Trust and the market value of its securities.

Real Estate Industry Risk

Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. The performance of the economy in each of the areas in which the Trust's properties are located, including the financial results and labour decisions of major local employers, can have an impact on revenues from the properties and their underlying values.

Additional factors which may further adversely affect revenues from the Trust's properties and their underlying values include the general economic climate, local conditions in the areas in which properties are located, such as an abundance of supply or a reduction in demand, the attractiveness of the properties, competition from other properties, the Trust's ability to provide adequate facilities maintenance, services and amenities, the ability of residents to pay rent and the ability of the Trust to rent vacant units on favourable terms.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. The Trust's properties are subject to mortgages, which require significant debt service payments. If the Trust were unable or unwilling 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 of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit the Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Trust operates. The majority of the Trust's properties were constructed in the 1960's and 1970's and require ongoing capital expenditures, the amount and timing of which is difficult to predict. These expenditures could exceed the Trust's existing reserve estimates which could have a material adverse effect upon Distributable Income.

The nature of the Trust's business is such that refurbishment and structural repairs are required periodically, in addition to regular on-going maintenance.

Multi-Unit Residential Sector Risk

Income producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Trust than the existing lease. The Trust is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. A disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by the Trust's properties as a result of downward pressure on rents.

Environmental Risks

As an owner and manager of real property, the Trust is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could encumber the Trust with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Trust's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Trust. Although the Trust is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to the Trust in the future or otherwise adversely affect the Trust's business, financial condition or results of operations. The Trust has formal policies and procedures to review and monitor environmental exposure. The Trust has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Trust may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the Trust's business, financial condition or results of operation.

Competition Risk

Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners compete in seeking tenants. Although the Trust's strategy is to own multi-residential properties in desirable locations in each market in which it operates, some of the properties of the Trust's competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on the Trust's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the Trust's revenues and its ability to meet its obligations.

General Uninsured Losses

The Trust carries comprehensive general liability, fire, flood, extended coverage and rental loss 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 war or environmental contamination), which are either uninsurable or not economically insurable. The Trust will continue to procure insurance for such risks, subject to certain standard policy limits and deductibles and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties. There is a risk that any significant increase in insurance costs will impact negatively upon the profitability of the Trust.

Credit Risk - Leases

The key credit risk to the Trust is the possibility that its tenants will be unable or unwilling to fulfill their lease term commitments. Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. The failure by tenants to fulfill their lease commitments could have a material adverse effect upon Distributable Income.

Local Real Estate Market Risk and Asset Concentration

There is a risk that the Trust would be negatively affected by the new supply of, and demand for, multi-unit residential suites in its local market areas. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents.

Rent Control Legislation Risk

Rent control legislation risk is the risk of the implementation or amendment of new or existing legislative rent controls in the markets where the Trust operates, which may have an adverse impact on the Trust's operations.

Certain provinces of Canada have enacted residential tenancy legislation which imposes, among other things, rent control guidelines that limit the Trust's ability to raise rental rates at its properties. Limits on the Trust's ability to raise rental rates at its properties may adversely affect the Trust's ability to increase income from its properties. In addition to limiting the Trust's ability to raise rental rates, residential tenancy legislation in such provinces provide certain rights to tenants, while imposing obligations upon the landlord. Residential tenancy legislation in the Provinces of Ontario and Québec prescribe certain procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain provinces provide the tenant with the right to bring certain claims to the respective administrative body seeking an order to, among other things, compel the landlord to comply with health, safety, housing and maintenance standards. As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The inability to fully recover substantial capital expenditures from tenants may have an adverse impact on the Trust's financial conditions and results of operations and decrease the amount of cash available for distributions.

Residential tenancy 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 the Trust to maintain the historical level of earnings of its properties.

Utility and Property Tax Risk

Utility and property tax risk relates to the potential loss the Trust may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For the Trust, these re-valuations have resulted in significant increases in some property assessments due to enhancements. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Trust cannot pass on to the tenant may have a negative material impact on the Trust.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

Renovation Risks

The Trust is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing revenue. Delays in the renovation of a building or individual apartment could delay the renting of such building or units resulting in an increased period of time where the building is not producing revenue, or produces less revenue than a fully tenanted building. The Trust intends to address these risks by acquiring financing to fund renovations, staggering renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis.

Fluctuations and Availability of Cash Distributions

Although the Trust intends to continue distributing its Distributable Income, the actual amount of Distributable Income distributed in respect of the Units will depend upon numerous factors, some of which may be beyond the control of the Trust. The distribution policy of the Trust is established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees. Distributable Income may exceed actual cash available to the Trust from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures and redemption of Units, if any. The Trust may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Cyber Security Risk

A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the Trust's information technology resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The Trust's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to relationships with its vendors and tenants and disclosure of confidential vendor or tenant information. The Trust has implemented processes, procedures and controls to mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Market Price of Units

One of the factors that may influence the market price of the Units is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of Units to expect a higher annual yield which could adversely affect the market price of the Units. In addition, the market price for the Units may fluctuate significantly and may be affected by changes in general market conditions, fluctuations in the markets for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the control of the Trust. The Trust has no obligation to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield. There is no assurance that there will exist a liquid market for trading in the Units which may have an adverse effect on the market price of the Units. Trading prices of the Units may not correspond to the underlying value of the Trust's assets.

Legal Rights Normally Associated with the Ownership of Shares of a Corporation

As holders of Units, Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring “oppression” or “derivative” actions against the Trust. The Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Ability of Unitholders to Redeem Units

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion provides representative fair market value prices for such Units; and (iii) the normal trading of the Units is not suspended or halted on any stock exchange on which the Units are listed for trading or, if not so listed, on any market on which the Units are quoted for trading, on the redemption date or for more than five trading days during the ten trading day period ending on the redemption date.

Regulatory Approvals Risk

Upon a redemption of Units or termination of the Trust, the Trustees may distribute securities directly to the Unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for Mutual Fund Plans (Plans), depending upon the circumstances at the time.

Changes in Legislation

There can be no assurance that the Canadian federal income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the Canadian Revenue Agency (CRA) and/or the treatment of mutual fund trusts (including real estate investment trusts) and/or SIFT trusts (as defined below) will not be changed in a manner which adversely affects the Trust or Unitholders.

Investment Eligibility

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 holders of Units. If the Trust ceases to qualify as a “mutual fund trust” under the Tax Act and the Units thereof cease to be listed on a designated stock exchange (which currently includes the TSX), Units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

SIFT Rules

Certain rules in the Tax Act (the “**SIFT Rules**”) affect the tax treatment of “specified investment flow-through trusts (“**SIFT trusts**”), and their unitholders. Subject to the SIFT Rules a SIFT trust is itself liable to pay income tax on certain income at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. However, a trust will not be considered to be a SIFT trust for a taxation year if it qualifies as a “real estate investment trust” (as defined in the Tax Act) for that year (the “**REIT Exception**”).

The REIT Exception

Based on a review of the Trust's assets and revenues, management believes that the Trust satisfied the tests to qualify for the REIT Exception throughout 2020 and therefore the SIFT Rules will have no application and the Trust and its Unitholders will not, directly or indirectly, be subject to tax imposed by the SIFT Rules. However, as the REIT exemption includes complex revenue and asset tests no assurances can be provided that the Trust will continue to qualify for any subsequent year.

In the unlikely event that the Trust does not qualify for the REIT Exception, distributions of income may be treated by the Trust as distributions of capital which are not taxed and instead reduce the adjusted cost base of the Unitholder's Units.

The REIT Exception is applied on an annual basis. Accordingly, if the Trust did not qualify for the REIT Exception in a particular Taxation Year, it may be possible to restructure the Trust such that it may qualify in a subsequent Taxation Year. There can be no assurances, however, that the Trust will be able to restructure such that it will not be subject to the tax imposed by the SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the Trust and Unitholders. The Trust intends to take such steps as are necessary to ensure that, to the extent possible, it qualifies for the REIT Exception and any negative effects of the SIFT Rules on the Trust and Unitholders are minimized.

Other Canadian Tax Matters

Although the Trust is of the view that all expenses to be claimed by the Trust and/or its subsidiary entities will be reasonable and deductible and that the cost amount and capital cost allowance claims of such entities will have been correctly determined, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses, the taxable income of the Trust and/or its subsidiary entities and indirectly the Unitholders may increase or change. The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the Trust and/or its subsidiary entities is able to deduct capital cost allowance relating to its Properties.

In structuring its affairs, the Trust consults with its tax and legal advisors and receives advice as to the optimal method in which to complete its business objectives while at the same time minimizing or deferring taxes, where possible. There is no guarantee that the relevant taxing authorities will not take a different view as to the ability of the Trust to utilize these strategies. It is possible that one or more taxing authorities may review these strategies and determine that tax should have been paid, in which case the Trust may be liable for such taxes. Such increased tax liability could have a material adverse effect upon the Trust's ability to make distributions to Unitholders.

Risks Associated with Disclosure Controls and Procedures on Internal Control over Financial Reporting

The Trust could be adversely affected if there are deficiencies in disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. Deficiencies, including material weaknesses, in internal control over financial reporting which may occur could result in misstatements of the Trust's results of operations, restatements of financial statements, a decline in the Unit price, or otherwise materially adversely affect the Trust's business, reputation, results of operations, financial condition or liquidity.

Unitholders Limited Liability

Recourse for any liability of the Trust is intended to be limited to the assets of the Trust. The Amended and Restated Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an "**annuitant**") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees. Because of uncertainties in the law relating to investment trusts, there is a risk (which is considered by counsel to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of the Trust (to the extent that claims are not satisfied by the Trust) in respect of contracts which the Trust enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trust will seek to limit recourse under all of its material contracts to the assets of the Trust. However, in conducting its affairs, the Trust will be indirectly acquiring real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. Trustees will use all reasonable efforts to have any such obligations under mortgages on such properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the Trust may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Trust, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Trust where the liability is not disavowed as described above. Ontario has enacted legislation intended to remove uncertainty about the liability of Unitholders of publicly traded trusts. The Trust Beneficiaries' Liability Act, 2004, implemented on January 1, 2005, is a clear legislative statement that the Unitholders of a trust that is a reporting issuer and governed by the laws of Ontario will not be personally liable for the obligations and liabilities of the trust or any of its trustees that arise after The Trust Beneficiaries' Liability Act, 2004, came into force, which The Trust Beneficiaries' Liability Act, 2004, states was December 16, 2004.

Structural Subordination of Debt

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders to the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Trust, holders of indebtedness of the Trust (including holders of Notes) may become subordinate to lenders to the subsidiaries of the Trust.

Statutory Remedies

The Trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* and in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of the Trust were necessary, the Trust would not be able to access the remedies available thereunder. In the event of a restructuring, a holder of debentures may be in a different position than a holder of secured indebtedness of a corporation.

Outstanding Indebtedness

The ability of the Trust to make cash distributions to Unitholders or to make other payments are subject to applicable law and contractual restrictions contained in instruments governing the Trust's indebtedness. Although the Trust is currently not in default under any existing loan agreements or guarantee agreements, any future default could have significant consequences for Unitholders. Further, the amount of the Trust's indebtedness could have significant consequences to holders of Units, including the ability of the Trust to obtain additional financing for working capital, capital expenditures or future acquisitions may be limited; and that a significant portion of the Trust's cash flow from operations may be dedicated to the payment of principal and interest on its indebtedness thereby reducing funds available for future operations and distributions. Additionally, some of The Trust's debt may be at variable rates of interest or may be renewed at higher rates of interest, which may affect cash flow from operations available for distributions. Also, in the event of a significant economic downtown, there can be no assurance that the Trust will generate sufficient cash flow from operations to meet required interest and principal payments. The Trust is subject to the risk that it may not be able to refinance existing indebtedness upon maturity or that the terms of such refinancing may be onerous. These factors may adversely affect the Trust's cash distributions.

Pandemic Risk and Economic Downturn

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The transmission of COVID-19 and efforts to contain its spread have resulted in international, national and local border closings, significant disruptions to business operations, financial markets, regional economies and the world economy and other changes to services as well as considerable general concern and uncertainty. Such disruptions could adversely affect the ability of the Trust's tenants to pay rent and increase the Trust's credit risk. In addition, the COVID-19 pandemic and other outbreaks could materially interrupt the Trust's supply chain and service providers, which could have material adverse affects on the Trust's ability to maintain and service its properties. There can be no assurance that a disruption in financial markets, regional economies and the world economy and the government measures to contain COVID-19 will not negatively affect the financial performance or fair values of the Trust's investment properties in a material manner.

The Trust's response to the COVID-19 pandemic is guided by local public health authorities and governments. The Trust continues to closely monitor business operations and may take further actions that respond to directives of governments and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary. These changes and any additional changes in operations in response to COVID-19 could materially impact the business operations and financial results of the Trust. The COVID-19 situation continues to change rapidly and uncertainties remain with respect to the severity and duration of a resurgence in COVID-19 or its variants, the availability, distribution rates and efficacy of COVID-19 vaccines, the speed and extent to which normal economic conditions are able to resume and the effectiveness of government and central bank responses. There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 may have, and, as a result, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Trust for future periods.

Dependence on Key Personnel

The management of the Trust depends on the services of certain key personnel. The termination of employment by any of these key personnel could have a material adverse effect on the Trust.

Potential Conflicts of Interest

The Trust may be subject to various conflicts of interest because of the fact that Trustees and officers of the Trust are engaged in other real estate-related business activities. The Trust may become involved in transactions which conflict with the interests of the foregoing. Further, the Chief Executive Officer of the Trust is also the principal of the Trust's property management company. Trustees may from time to time deal with persons, firms, institutions or corporations with which the Trust may be dealing, or which may be seeking investments similar to those desired by the Trust. The interests of these persons could conflict with those of the Trust. In addition, from time to time, these persons may be competing with the Trust for available investment opportunities. The Amended and Restated Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Dilution

The number of Units the Trust is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in other circumstances, including pursuant to the Unit Option Plan, the Deferred Unit Plan and the Long Term Incentive Plan and upon conversion or exercise of other convertible securities. Any issuance of additional Units may have a dilutive effect on the existing holders of the Units. Future acquisitions and combinations with other entities could result in significant dilution.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by the Trust of a substantial part of its operating cash flow could adversely affect the Trust'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, the Trust could be materially and adversely affected.

Proposed Property Acquisitions

There can be no assurance that the Trust will complete any proposed acquisitions described herein on the basis described or on expected closing dates, if at all. In the event the Trust does not complete proposed acquisitions, the Trust's financial performance may be negatively impacted until suitable acquisitions with appropriate investment returns can be made. There is no assurance that such suitable investments will be available to the Trust in the near future or at all.

Property Acquisition Risks

An important factor in the success of the Trust is the ability of the management of the combined entities to coexist and, if appropriate, integrate all or part of the holdings, systems and personnel of such entities. The integration of businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees, tenants or suppliers. There can be no assurance that the business integration will be successful or that future acquisitions will not adversely affect the business, financial condition or operating results of the combined entities. There can be no assurance that the combined entities will not incur additional material charges in subsequent quarters to reflect additional costs associated with the Trust or that that the benefits expected from the Trust will be realized. The Trust's planned growth will require increasingly sophisticated financial and operational controls to be implemented. In the event that financial and operational controls do not keep pace with the Trust's expansion, the potential for unintended accounting and operational errors may increase.

Interest Risk

Interest risk is the combined risk that the Trust would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the term end of a mortgage the Trust would be unable to renew the maturing debt either with the existing or an additional lender (renewal risk). The Trust attempts to manage its interest rate risk by maintaining a balanced, maturing portfolio with mortgage debt being financed for varying lengths of time through the implementation of a structured mortgage debt ladder. There can however, be no assurance that the renewal of debt will be on as favourable of terms as the Trust's existing debt.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. The analysis, opinions, and conclusions in an appraisal are typically developed based on, and in conformity with, or interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

Joint Arrangements

The Trust has two development projects that are subject to joint control and are joint arrangements (joint ventures and joint operations). Risks associated with joint arrangements include the risk of non-payment for operating and capital costs from the partner, risk of inability to finance a property associated with a joint venture or limited partnership and the risk of a partner selling their interest in the properties.

Zoning and Approval

Future acquisitions and development projects may require zoning and other approvals from local government agencies. The process of obtaining such approvals may take months or years, and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could render future acquisitions and developments uneconomical.

Debt and Distributable Income

Distributable Income available for distribution to Unitholders is based, directly and indirectly, on the ability of the Trust to pay distributions on its Units, such ability, in each case, is dependent upon the performance of the business of the Trust and its ability to maintain certain debt levels. The Trust will be required to refinance certain debt as it expires. The Trust may be unable to refinance such debt on terms as favourable as existing debt, or at all. In addition, the Trust's ability to borrow is subject to certain restrictive covenants contained in the Amended and Restated Declaration of Trust and certain credit agreements. The Trust's ability to make distributions may be materially affected should any of the foregoing conditions arise.

Legal Proceedings

In the normal course of operations, the Trust may become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims.

Financial Risk Management and Financial Instruments

A. **Overview**

The Trust is exposed to credit risk, liquidity risk and market risk. The Trust's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholders value. Risk management strategies, as discussed below, are designed and implemented to ensure the Trust's risks and the related exposures are consistent with its business objectives and risk tolerance.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time but has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact: the Trust's tenants and their ability to pay rent (credit risk); and/or, the debt and equity markets and the Trust's ability to access debt and/or capital on acceptable terms, or at all (liquidity risk), all of which could materially adversely affect the Trust's operations and financial performance.

B. **Credit Risk**

The Trust's credit risk is attributable to its rents and other receivables and loan receivable long-term incentive plan.

Credit risk arises from the possibility that: (i) tenants may experience financial difficulty and be unable to fulfil their lease commitments; and (ii) a party defaults on the repayment of their debt causing a financial loss to the Trust.

The Trust has established various internal controls, such as credit checks and security deposits, designed to mitigate credit risk. While the Trust's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Trust's current credit loss experience will improve. The Trust monitors its collection process on a monthly basis and all receivables from past tenants and tenant receivables over 30 days are provided for in allowances for doubtful accounts. The Trust believes that the concentration of credit risk of accounts receivable is limited due to its broad tenant base, dispersed across varying geographic locations.

Credit risk relating to other receivables and loan receivable long-term incentive plan is mitigated through recourse against such parties and/or the underlying security. These receivables are considered to have low credit risk.

The amounts disclosed as rents and other receivables and loan receivable long-term incentive plan in the consolidated balance sheet are net of allowances for doubtful accounts. At December 31, 2020, the Trust had past due rents and other receivables of $3.5 million net of an allowance for doubtful accounts of $1.8 million which adequately reflects the Trust's credit risk.

C. **Liquidity Risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 23 (c) in the December 31, 2020 audited consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. In addition, liquidity and capital availability risks are mitigated by diversifying the Trust's sources of funding, maintaining a staggered debt maturity profile and actively monitoring market conditions.

As at December 31, 2020, the Trust had credit facilities as described in note 10 in the December 31, 2020 audited consolidated financial statements.

Note 9 in the December 31, 2020 audited consolidated financial statements reflects the contractual maturities for mortgage payable of the Trust at December 31, 2020, excluding interest payments. The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on going operations, management assesses the Trust's liquidity risk to be low.

D. **Fair Value**

Financial instruments are defined as a contractual right to receive or deliver cash or another financial asset. The fair values of the Trust's financial instruments, except for mortgages payable, approximate their recorded values due to their short-term nature and or the credit terms of those instruments.

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable, and credit facilities is approximately $1,051 million as at December 31, 2020 excluding any deferred financing costs.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

E. **Market Risk**

Market risk includes the risk that changes in interest rates will affect the Trust's cash flows or the fair value of its financial instruments.

At December 31, 2020, approximately 2% (December 31, 2019 – 12%) of the Trust's mortgage debt was at variable interest rates. The Trust's credit facilities bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately $0.5 million for the year ended December 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2020 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

There have been no transactions with related parties during the twelve months ended December 31, 2020 and 2019.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The preparation of this information is supported by a set of disclosure controls and procedures implemented by management.

The Trust's Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Trust's disclosure controls and procedures as of December 31, 2020 and concluded that such controls and procedures are adequate and effective to ensure that the information required to be disclosed by the Trust in its annual filings, interim filings or other reports that it files or submits pursuant to Canadian securities laws is (a) recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities laws; and (b) accumulated and communicated to the management of the Trust, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as specified in Canadian securities laws. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Trust and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The Trust's Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Trust's internal controls over financial reporting as of December 31, 2020, and concluded that such controls are adequate and effective.

There were no changes in the internal controls over financial reporting during the financial year-end December 31, 2020, which have materially affected, or are reasonably likely to materially affect, the Trust's internal controls over financial reporting.

SUBSEQUENT EVENTS

The Trust purchased one property with 114 suites in St. Catharines Ontario that closed on January 21, 2021 for a purchase price of approximately $22.0 million.

The Trust, together with Crestpoint Real Estate Investments Ltd. ("Crestpoint"), acquired 15 properties (614 suites) in Metro Vancouver (the "Acquisition Portfolio") for a combined purchase price of approximately $292.5 million on January 28, 2021. Under the arrangements, InterRent REIT and Crestpoint will each own a 50% interest in the Acquisition Portfolio. The Trust will property manage the Acquisition Portfolio and collect industry standard fees. The acquisition was financed with a combination of cash and new short-term debt.

The Trust is committed to purchase a property with 157 suites in St. Catharines Ontario for $31.4 million that is expected to close in April 2021 and two properties with a combined 45 suites in Vancouver for a combined purchase price of $18.9 million that is also expected to close in April 2021.

OUTSTANDING SECURITIES DATA

As of March 15, 2021, the Trust had issued and outstanding: (i) 138,642,413 units; (ii) Class B LP Units that are exchangeable for 3,410,766 units of the Trust; (iii) options exercisable to acquire 737,345 units of the Trust; and (iv) deferred units that are redeemable for 4,516,034 units of the Trust.

ADDITIONAL INFORMATION

Additional information concerning InterRent REIT, including InterRent REIT's annual information form, is available on SEDAR at www.sedar.com.