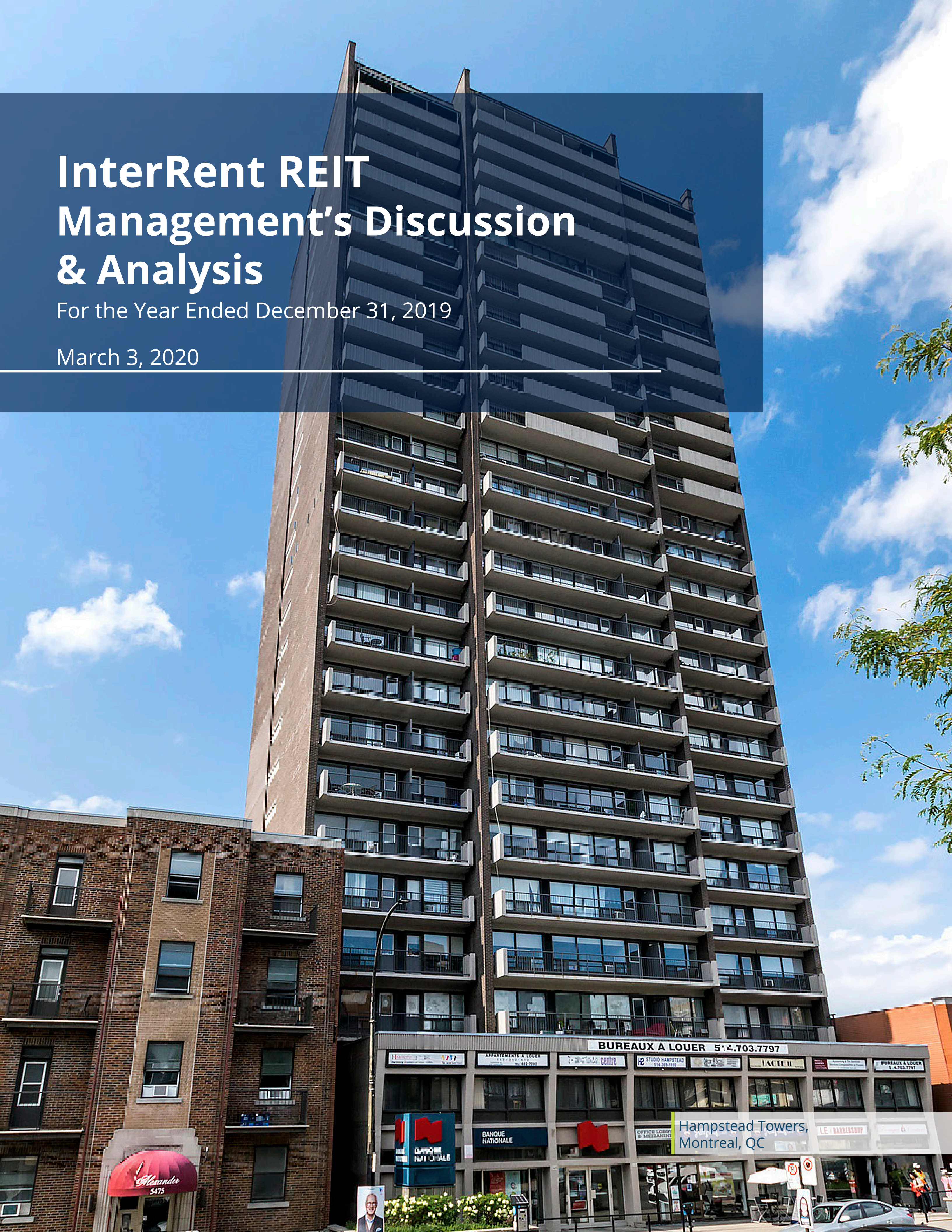
InterRent REIT Management's Discussion & Analysis

For the Year Ended December 31, 2019

March 3, 2020



Hampstead Towers, Montreal, QC

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, 2019 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 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

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 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, 2019 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, 2019 and 2018.

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, 2016.

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.

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 2019, the REIT:

- disposed of its Sault Ste. Marie portfolio of nine properties, totalling 349 suites;
- disposed of its land held for development at 2243 Fairview, Burlington for cash and a 25% interest in the Burlington GO Lands joint venture with Brookfield Group and CLV Group;
- purchased a vacant office building, for conversion to residential suites, in Ottawa for $21.8 million;
- purchased twelve properties totalling 1,140 suites in Montreal for $274.6 million; and,
- purchased one property comprised of 74 suites in St. Catharines for $11.2 million.

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.

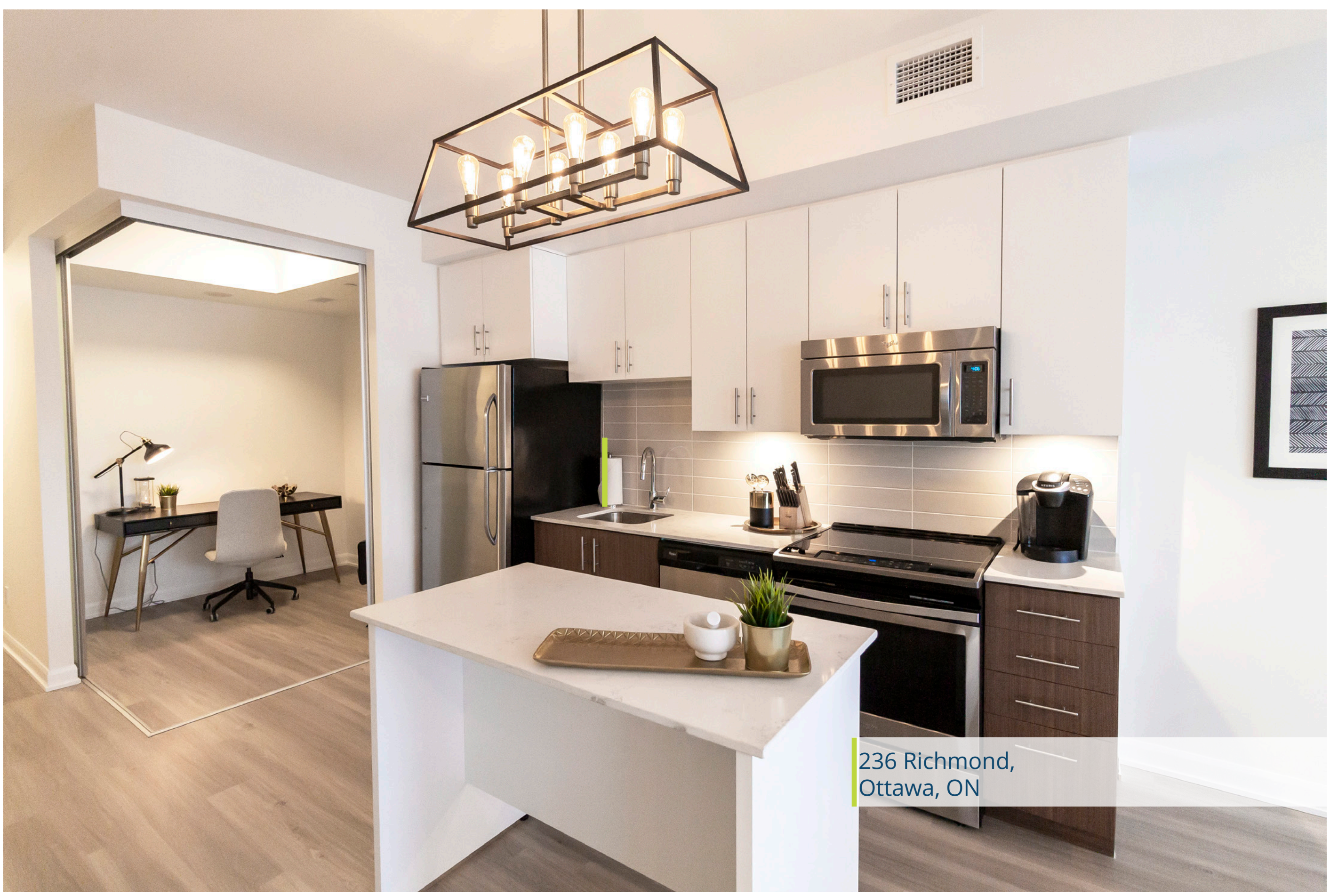
At December 31, 2019, the Trust has 8,312 Same Property suites, which represents 81.8% of the overall portfolio and 6,547 Repositioned Property suites, which represent 64.4% of the overall portfolio.

OUTLOOK

- Management is focused on growing the REIT in a strategic and structured manner. This growth is anticipated to come from:
  a) source properties in our current core markets that allow us to continue building scale within these areas as well as applying our repositioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders;
  b) diversifying to other gateway cities within Canada that have sufficient scale and growth opportunities which would allow the REIT to use its experience and deploy it operating platform and methodology to the market;
  c) continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio;
  d) 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;
  e) developing purpose built rental on existing sites that have the ability to add more density; and,
  f) participating in joint ventures for mixed-use sites 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 57 suites in Mississauga, for $18.2 million that closed in February 2020 and is committed to purchase a building with 4 suites which is contiguous to our development site at Richmond/Churchill in Ottawa, for $1.4 million, in March 2020.

- Given the rental demand within the REIT's current portfolio, management believes that suite turnover will decline over the next few years from a historical average of over 30% to the mid 20% range. This reduction in turnover makes it crucial to continue performing the appropriate building and in-suite upgrades in order to capture as much of the upside in market rent as possible when suites do turnover.
- 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 153 residential suites and approximately 21,000 square feet of commercial space: Site Plan Application has been submitted and we are continuing to work through the entitlement process.
  - 900 Albert Street, Ottawa (TIP Albert joint venture) – development: re-zoning for height and density has been completed and the partners are working through final design and Site Plan Application;
  - Richmond & Churchill, Ottawa – development: we have committed to purchase an adjacent property that enhances density and creates a more efficient development site. Currently undergoing entitlement planning and preparation of Site Plan Application to include the new parcel; and,
  - Burlington GO Lands (Fairview joint venture) –Site Plan Application (SPA) has been submitted which proposes 2,456 residential suites and approximately 40,000 square feet of commercial space, and we are continuing to work through the entitlement process with the City of Burlington.



236 Richmond,
Ottawa, ON

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, 2019 compared to the same period in 2018:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018	Change	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018	Change
Total suites	-	-	-	10,164	9,299	+9.3%
Average rent per suite (December)	-	-	-	$1,260	$1,190	+5.9%
Occupancy rate (December)	-	-	-	95.6%	96.6%	-100bps
Operating revenues	$39,199	$34,062	+15.1%	$145,302	$127,286	+14.2%
Net operating income (NOI)	26,206	22,312	+17.5%	96,194	82,218	+17.0%
NOI %	66.9%	65.5%	+140bps	66.2%	64.6%	+160bps
Same Property average rent per suite (December)	-	-	-	$1,297	$1,214	+6.8%
Same Property occupancy rate (December)	-	-	-	97.5%	96.9%	+60bps
Same Property NOI	22,604	20,418	+10.7%	85,833	76,947	+11.5%
Same Property NOI %	67.7%	65.7%	+200bps	66.6%	64.7%	+190bps
Net Income	$264,975	$42,188	+528.1%	$384,889	$168,297	+128.7%
Funds from Operations (FFO)	$15,723	$12,474	+26.0%	$56,706	$44,910	+26.3%
FFO per weighted average unit – diluted	$0.126	$0.114	+10.5%	$0.483	$0.447	+8.1%
Adjusted Funds from Operations (AFFO)	$13,938	$11,066	+26.0%	$50,303	$39,294	+28.0%
AFFO per weighted average unit – diluted	$0.111	$0.101	+9.9%	$0.428	$0.391	+9.5%
Distributions per unit	$0.07583	$0.07083	+7.1%	$0.29334	$0.27333	+7.3%
Adjusted Cash Flow from Operations (ACFO)	$19,036	$15,357	+24.0%	$61,064	$46,944	+30.1%
Debt to GBV	-	-	-	32.5%	38.9%	-640bps
Interest coverage (rolling 12 months)	-	-	-	3.12x	2.93x	+0.19x
Debt service coverage (rolling 12 months)	-	-	-	1.87x	1.81x	+0.06x

- Overall Portfolio:
  a) Operating revenue for the quarter rose by $5.1 million to $39.2 million, an increase of 15.1% over Q4 2018. Operating revenue for the year ended 2019 increased by $18.0 million, or 14.2% year-over-year, to $145.3 million.
  b) Average monthly rent per suite increased to $1,260 from $1,190 (December 2019 vs 2018), an increase of 5.9%.
  c) Occupancy for December 2019 was 95.6%, up from 95.5% in September 2019 and down 100 bps when compared to December 2018.
  d) NOI for the quarter increased by 17.5%, or $3.9 million, to $26.2 million compared to Q4 2018. For the quarter, NOI as a percentage of revenues was 66.9% and was up by 140 basis points compared to Q4 2018. NOI for the twelve months ended December 31, 2019 was $96.2 million, an increase of $14.0 million, or 17.0%, compared to 2018. NOI margin for the year ended 2019 was 66.2%, an increase of 160 basis points compared to 2018.
- Same Property Portfolio:
  a) Operating revenue for the quarter rose by $2.3 million to $33.4 million, an increase of 7.6% over Q4 2018. Operating revenue for the year ended 2018 increased by $10.0 million to $128.8 million, or 8.4%, over 2018.
  b) Average monthly rent per suite increased to $1,297 from $1,214 (December 2019 vs 2018), an increase of 6.8%.
  c) Occupancy for December 2019 was 97.5%, up from 97.0% in September 2019 and up 60 bps when compared to December 2018.
  d) NOI for the quarter increased by 10.7%, or $2.2 million, to $22.6 million compared to Q4 2018. For the quarter, NOI as a percentage of revenues was 67.7% and was up by 200 basis points compared to Q4 2018. NOI for the twelve months ended December 31, 2019 was $85.8 million, an increase of $8.9 million, or 11.5%, compared to 2018. NOI margin for the year ended 2019 was 66.6%, an increase of 190 basis points compared to 2018.

- Fair value gain on investment properties in the year of $353.2 million was driven by property level operating improvements as well as a change in the valuation technique in Q4 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 reduction in overall weighted average capitalization rate to 4.24% compared to 4.38% as at December 31, 2018 was driven primarily by acquisitions and dispositions in the year.
- Net income for the year was $384.9 million, an increase of $216.6 million compared to 2018. The increase was driven primarily by the net increase in fair value gain on investment properties of $157.5 million ($353.2 million in 2019 compared to $195.7 million in 2018) and the property management internalization cost of $44.0 million that occurred in 2018.
- FFO for the quarter increased by 26.0% to $15.7 million compared to Q4 2018. FFO for the year increased by 26.3% to $56.7 million compared to 2018.
- FFO per Unit for the quarter increased by 10.5% to $0.126 per Unit compared to $0.114 per Unit for Q4 2018. FFO per Unit for the year increased by 8.1% to $0.483 per Unit compared to $0.447 per Unit for 2018.
- Excluding the non-recurring professional costs identified in the Administrative Cost section, FFO for the quarter would have been $16,441 and FFO per Unit for the quarter would have been $0.131 per Unit.
- AFFO for the quarter increased by 26.0% to $13.9 million compared to Q4 2018. AFFO for the year increased by 28.0% to $50.3 million compared to 2018.
- AFFO per Unit for the quarter increased by 9.9% to $0.111 per Unit compared to $0.101 per Unit for Q4 2018. AFFO per Unit for the year increased by 9.5% to $0.428 per Unit compared to $0.391 per Unit for 2018.
- Adjusted Cash Flow from Operations (ACFO) for the quarter increased by 24.0% to $19.0 million compared to Q4 2018. ACFO for the year increased by 30.1% to $61.1 million compared to 2018.
- Debt-to-GBV ratio at year end was 32.5%, a decrease of 640 basis points from December 2018.
- The Trust completed the following investment property acquisitions during the year:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price
12-Feb-19	5015-5025 Clanranald	Montreal	Montreal	Residential	30	$8,255,000
12-Feb-19	6950 Fielding	Montreal	Montreal	Residential	104	$19,300,000
12-Feb-19	2054 Claremont	Montreal	Montreal	Residential	33	$7,700,000
12-Feb-19	5051 Clanranald	Montreal	Montreal	Residential	45	$12,045,000
12-Feb-19	4560 Sainte- Catherine	Montreal	Montreal	Residential	41	$11,700,000
Q1/19 Acquisitions					**253**	**$59,000,000**
3-Apr-19	158 Ontario Street	St. Catharines	Hamilton/Niagara	Residential	74	$11,150,000
25-Apr-19	473 Albert Street	Ottawa	Ottawa	Development	n/a	$21,800,000
26-Jun-19	5465 Queen Mary Road	Montreal	Montreal	Residential / Commercial	121	$38,360,000
Q2/19 Acquisitions					**195**	**$71,310,000**
12-Jul-19	1023-1025 Sherbooke E	Montreal	Montreal	Residential	251	$63,000,000
12-Jul-19	205-245 Sherbooke W	Montreal	Montreal	Residential / Commercial	293	$69,000,000
15-Aug-19	4875 Dufferin	Montreal	Montreal	Residential / Commercial	118	$22,666,537
Q3/19 Acquisitions					**662**	**$154,666,537**
01-Oct-19	5160 Gatineau	Montreal	Montreal	Residential	54	$10,800,000
31-Oct-19	5881 Monkland	Montreal	Montreal	Residential	17	$3,995,000
31-Oct-19	4454 Coolbrook and 5410 Cote Saint Luc	Montreal	Montreal	Residential	33	$7,755,000
Q4/19 Acquisitions					**104**	**$22,550,000**
Total 2019 Acquisitions					**1,214**	**$307,526,537**

- The Trust completed the following investment property dispositions during the year:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price
17-Jan-19	47/55 Lewis	Sault Ste. Marie	Northern Ontario	Residential	28	$2,948,489
17-Jan-19	136 Cambridge	Sault Ste. Marie	Northern Ontario	Residential	17	$1,584,705
17-Jan-19	17 Terry Fox	Sault Ste. Marie	Northern Ontario	Residential	12	$1,000,000
17-Jan-19	519 Boundary	Sault Ste. Marie	Northern Ontario	Residential	18	$1,518,824
17-Jan-19	602/614 MacDonald	Sault Ste. Marie	Northern Ontario	Residential	70	$7,215,294
17-Jan-19	62/76 Allard & 731 Pine	Sault Ste. Marie	Northern Ontario	Residential	85	$9,014,986
17-Jan-19	250 Albert	Sault Ste. Marie	Northern Ontario	Residential	68	$6,736,235
17-Jan-19	43 Lewis	Sault Ste. Marie	Northern Ontario	Residential	22	$2,090,173
17-Jan-19	721 Pine	Sault Ste. Marie	Northern Ontario	Residential	29	$3,191,294
Q1/19 Dispositions					**349**	**$35,300,000**
30-May-19	2243 Fairview Street	Burlington	GTA	Land	n/a	$46,812,308
Q2/19 Dispositions					**n/a**	**$46,812,308**
Total 2019 Dispositions					**349**	**$82,112,308**

PORTFOLIO SUMMARY

The Trust started the year with 9,299 suites. During the year ended 2019 the Trust disposed of its Sault Ste. Marie portfolio of nine properties, totalling 349 suites), purchased fourteen properties (totalling 1,214 suites) and a vacant office building in Ottawa to be converted into residential suites. The Trust also disposed of its land held for development at 2243 Fairview, Burlington for cash and a 25% interest in the Burlington GO Lands joint venture. At December 31, 2019, the Trust owned 10,164 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, 2019, 81.8% of the portfolio was same property suites and 64.4% of the portfolio was repositioned property suites. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 1,214 suites, as well as a vacant office building to be converted into residential suites within these clusters 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 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 85% of InterRent's suites now being located in these core markets.

▼ Suites By Region at December 31, 2019

Region	Total Portfolio		Same Property	
	Suites	% of Portfolio	Suites	% of Portfolio
Eastern Ontario	204	2.0%	204	2.5%
GTA	1,283	12.6%	1,283	15.4%
Hamilton/Niagara	1,934	19.0%	1,563	18.8%
Montreal	2,785	27.4%	1,382	16.6%
Gatineau	497	4.9%	497	6.0%
Ottawa	2,464	24.3%	2,386	28.7%
Western Ontario	997	9.8%	997	12.0%
Total	**10,164**	**100.0%**	**8,312**	**100.0%**

ANALYSIS OF OPERATING RESULTS

In $ 000's	3 Months Ended December 31, 2019		3 Months Ended December 31, 2018		12 Months Ended December 31, 2019		12 Months Ended December 31, 2018	
Gross rental revenue	**$38,402**		$33,361		**$143,150**		$125,982	
Less: vacancy & rebates	**(1,700)**		(1,291)		**(6,790)**		(6,043)	
Other revenue	**2,497**		1,992		**8,942**		7,347	
Operating revenues	**$39,199**		$34,062		**$145,302**		$127,286	
Expenses								
Property operating costs	**5,624**	**14.3%**	4,772	14.0%	**20,988**	**14.4%**	18,933	14.9%
Property taxes	**4,368**	**11.1%**	4,102	12.0%	**17,443**	**12.0%**	16,097	12.6%
Utilities	**3,001**	**7.7%**	2,876	8.5%	**10,677**	**7.4%**	10,038	7.9%
Operating expenses	**$12,993**	**33.1%**	$11,750	34.5%	**$49,108**	**33.8%**	$45,068	35.4%
Net operating income	**$26,206**		$22,312		**$96,194**		$82,218	
Net operating margin	**66.9%**		65.5%		**66.2%**		64.6%	

REVENUE

Gross rental revenue for the year ended December 31, 2019 increased 13.6% to $143.2 million compared to $126.0 million for the year ended December 31, 2018. Operating revenue for the year was up $18.0 million to $145.3 million, or 14.2% compared to the prior year. The Trust owned, on a weighted average basis, 9,628 suites throughout 2019 (10,164 suites at the end of 2019) as compared to 9,014 throughout 2018 (9,299 at the end of 2018), an increase of 614 suites from 2018. On a weighted average suite basis, gross rental revenue for 2019 grew by 6.4% over 2018.

The average monthly rent for the month of December 2019 increased to $1,260 per suite from $1,190 (December 2018), an increase of 5.9%. On a Same Property basis, the average rent increased by $83 per suite to $1,297 (or up 6.8%) over December 2018. 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 2019	December 2018	Change	December 2019	December 2018	Change
Eastern Ontario	$1,213	$1,117	8.6%	$1,213	$1,117	+8.6%
GTA	$1,593	$1,490	6.9%	$1,593	$1,490	+6.9%
Hamilton/Niagara	$1,155	$1,083	6.6%	$1,194	$1,117	+6.9%
Northern Ontario	-	$963	n/a	-	-	-
Montreal	$1,097	$1,022	7.3%	$1,123	$1,053	+6.6%
Gatineau	$976	$919	6.2%	$976	$919	+6.2%
Ottawa	$1,430	$1,340	6.7%	$1,411	$1,320	+6.9%
Western Ontario	$1,231	$1,149	7.1%	$1,231	$1,149	+7.1%
Total	**$1,260**	**$1,190**	**5.9%**	**$1,297**	**$1,214**	**+6.8%**

[1] Excludes extended stay suites.

The REIT estimates that the average market rent on the total portfolio is in excess of 25% higher than the average in-place rent of $1,260.

InterRent REIT has been successful in increasing rent levels while at the same time reducing hydro consumption and costs by having residents be responsible for the cost associated with their individual consumption. Currently, 83% of the portfolio has submetering capabilities in place.

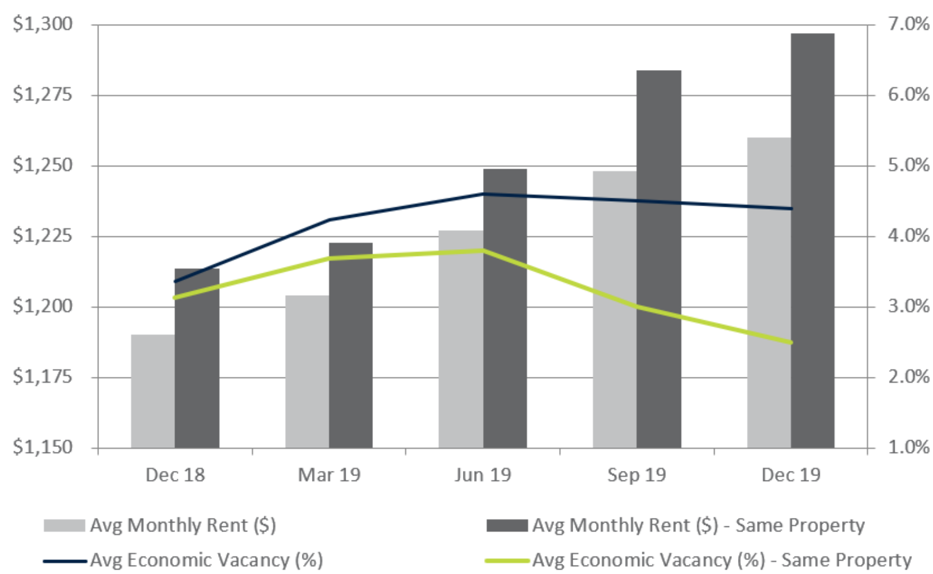
Portfolio Occupancy

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 2018	March 2019	June 2019	September 2019	December 2019
Average monthly rents all properties	$1,190	$1,204	$1,227	$1,248	$1,260
Average monthly rents Same Property	$1,214	$1,223	$1,249	$1,284	$1,297

The overall economic vacancy for December 2019 across the entire portfolio was 4.4%, an increase of 100 basis points as compared to the 3.4% recorded for December 2018. Economic vacancy for the Same Property portfolio for December 2019 was 2.5%, compared to 3.1% at December 2018.

Overall Vacancy is up from the 3.4% recorded in December of 2018 but down from the 4.5% recorded in September of 2019. Given the strong demand and growth in market rents, the REIT has been actively managing asking rents to try and achieve as much of the upside as possible. With turnover in the coming years expected to be lower than normal, the REIT believes that we must capture maximum rent on turnover at this time. The increase in Montreal vacancy was mainly attributable to the ongoing capital work and rehabilitation of non-repositioned properties within the region. Eastern Ontario is a small portfolio of 204 suites that due to timing of turnovers does occasionally have higher vacancy on a percentage basis.

Vacancy By Region

Region	Total Portfolio			Same Property		
	December 2019	December 2018	Change	December 2019	December 2018	Change
Eastern Ontario	7.6%	0.0%	+760 bps	7.6%	0.0%	+760 bps
GTA	1.6%	0.8%	+80 bps	1.6%	0.8%	+80 bps
Hamilton/Niagara	3.6%	4.2%	-60 bps	3.8%	4.3%	-50 bps
Northern Ontario	-	1.7%	n/a	-	-	n/a
Montreal	11.2%	9.1%	+210 bps	4.8%	9.3%	-450 bps
Gatineau	1.7%	4.0%	-230 bps	1.7%	4.0%	-230 bps
Ottawa	1.8%	2.5%	-70 bps	1.2%	1.9%	-70 bps
Western Ontario	1.6%	1.1%	+50 bps	1.6%	1.1%	+50 bps
Total	**4.4%**	**3.4%**	**+100 bps**	**2.5%**	**3.1%**	**-60 bps**

Other Revenue

Other rental revenue for the twelve months ended December 31, 2019 increased 21.7% to $8.9 million compared to $7.3 million for 2018. 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, 2019, other revenue represents 6.2% of net revenue as compared to 5.8% for 2018.

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, 2019 amounted to $21.0 million or 14.4% of revenue compared to $18.9 million or 14.9% of revenue for the year ended December 31, 2018. As a percentage of revenue, operating costs decreased by 500 basis points as compared to 2018.

PROPERTY TAXES

Property taxes for the year ended December 31, 2019 amounted to $17.4 million or 12.0% of revenue compared to $16.1 million or 12.6% of revenue for the year ended December 31, 2018. The $1.3 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, 2019 amounted to $10.7 million or 7.4% of revenue compared to $10.0 million or 7.9% of revenue for the year ended December 31, 2018. As a percentage of operating revenues and on a per suite basis, utility costs have decreased over last year despite higher rates for electricity, gas and water.

Across the entire portfolio, the hydro sub-metering initiative reduced electricity costs by 26.2%, or $1.3 million for the year. At December 31, 2019, the REIT had approximately 83% of its portfolio (8,480 suites) that had the capability to submeter hydro in order to recover the cost. Of the 8,480 suites that have the infrastructure in place, 6,935 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant, which represents approximately 68% of the total portfolio. The REIT plans on continuing to roll this program out to new properties as they are acquired.

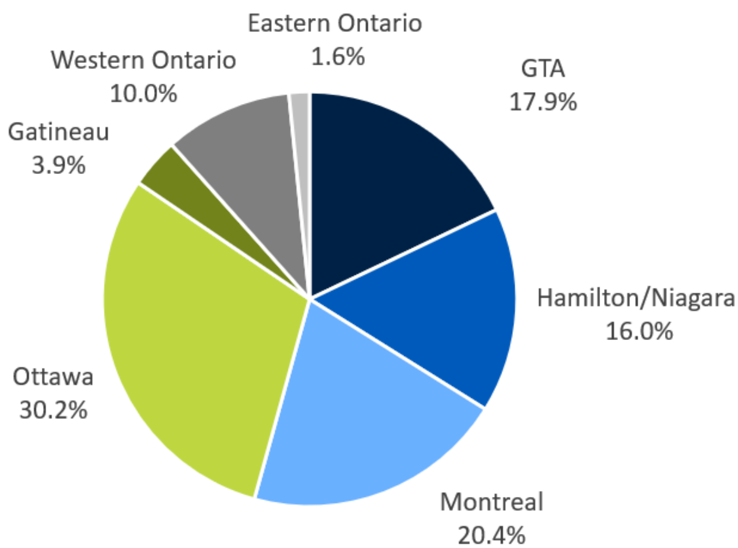
NET OPERATING INCOME (NOI)

NOI for the three months ended December 31, 2019 amounted to $26.2 million or 66.9% of operating revenue compared to $22.3 million or 65.5% of operating revenue for the three months ended December 31, 2018. The $3.9 million increase in the quarter is as a result of growing the portfolio and increasing net revenue by 15.1%.

NOI for the twelve months ended December 31, 2019 amounted to $96.2 million or 66.2% of operating revenue compared to $82.2 million or 64.6% of operating revenue for the twelve months ended December 31, 2018. The $14.0 million increase in the year is as a result of growing the portfolio and increasing net revenue by 14.2%. On a weighted average per suite basis, NOI increased 9.5% from $9,121 per suite in 2018 to $9,991 per suite in 2019.

NOI for the twelve months ended December 31, 2019 from the Same Property portfolio was $85.8 million, or 66.6% 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, 2019



LIV Apartments,
Ottawa, ON

SAME PROPERTY PORTFOLIO PERFORMANCE

Same Property results for the three and twelve months ended December 31, 2019 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, 2018 to December 31, 2019. As at December 31, 2019, the Trust has 8,312 suites in the Same Property portfolio. The Same Property portfolio represents 81.8% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2019		3 Months Ended December 31, 2018		12 Months Ended December 31, 2019		12 Months Ended December 31, 2018	
Gross rental revenue	**$32,407**		$30,472		**$126,332**		$117,717	
Less: vacancy & rebates	**(838)**		(1,114)		**(4,678)**		(5,484)	
Other revenue	**1,837**		1,698		**7,191**		6,606	
Operating revenues	**$33,406**		$31,056		**$128,845**		$118,839	
Expenses								
Property operating costs	**4,611**	**13.8%**	4,285	13.8%	**18,404**	**14.3%**	17,718	14.9%
Property taxes	**3,722**	**11.1%**	3,749	12.1%	**15,337**	**11.9%**	14,990	12.6%
Utilities	**2,469**	**7.4%**	2,604	8.4%	**9,271**	**7.2%**	9,184	7.8%
Operating expenses	**$10,802**	**32.3%**	$10,638	34.3%	**$43,012**	**33.4%**	$41,892	35.3%
Net operating income	**$22,604**		$20,418		**$85,833**		$76,947	
Net operating margin	**67.7%**		65.7%		**66.6%**		64.7%	

For the three months ended December 31, 2019, operating revenues for Same Property increased by 7.6% and operating expenses increased by 1.5% as compared to the same period last year. As a result, Same Property NOI has increased by $2.2 million, or 10.7%, as compared to the same period last year. NOI margin for Q4 2019 was 67.7% as compared to 65.7% for Q4 2018, an increase of 200 basis points. As a percentage of revenue, operating costs remained constant and property taxes and utilities decreased as compared to 2018.

For the twelve months ended December 31, 2019, operating revenues from Same Property increased by 8.4% and operating expenses increased by 2.7% as compared to the same period last year. As a result, Same Property NOI for 2019 increased by $8.9 million, or 11.5% as compared to 2018. NOI margin for 2019 was 66.6% as compared to 64.7% for 2018, an increase of 190 basis points. As a percentage of revenue, operating costs, property taxes and utilities have all decreased as compared to 2018.

The average monthly rent for the month of December 2019 for Same Property increased to $1,297 per suite from $1,214 (December 2018), an increase of 6.8%. Economic vacancy for the month of December 2019 for Same Property was 2.5%, compared to 3.1% for December 2018.

	December 2018	March 2019	June 2019	September 2019	December 2019
Average monthly rents Same Property portfolio	$1,214	$1,223	$1,249	$1,284	$1,297
Average monthly vacancy Same Property portfolio	3.1%	3.7%	3.8%	3.0%	2.5%

REPOSITIONED PROPERTY PORTFOLIO PERFORMANCE

The Trust's repositioning program following the acquisition of a property typically spans 3 to 4 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, 2019 are defined as all properties owned and operated by the Trust prior to January 1, 2016 excluding the four buildings at Stoney Creek in Hamilton (618 suites). As at December 31, 2019, the Trust has 6,547 repositioned property suites, which represents 64.4% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2019					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	$26,187		$12,215		$38,402	
Less: vacancy & rebates	(535)		(1,165)		(1,700)	
Other revenue	1,579		918		2,497	
Operating revenues	$27,231		$11,968		$39,199	
Expenses						
Property operating costs	3,662	13.4%	1,962	16.4%	5,624	14.3%
Property taxes	2,968	10.9%	1,400	11.7%	4,368	11.1%
Utilities	1,951	7.2%	1,050	8.8%	3,001	7.7%
Operating expenses	$8,581	31.5%	$4,412	36.9%	$12,993	33.1%
Net operating income	$18,650		$7,556		$26,206	
Net operating margin	68.5%		63.1%		66.9%	

In $ 000's	12 Months Ended December 31, 2019					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	102,204		$40,946		$143,150	
Less: vacancy & rebates	(2,664)		(4,126)		(6,790)	
Other revenue	6,215		2,727		8,942	
Operating revenues	$105,755		$39,547		$145,302	
Expenses						
Property operating costs	14,540	13.7%	6,448	16.3%	20,988	14.4%
Property taxes	12,322	11.7%	5,121	12.9%	17,443	12.0%
Utilities	7,282	6.9%	3,395	8.6%	10,677	7.4%
Operating expenses	$34,144	32.3%	$14,964	37.8%	$49,108	33.8%
Net operating income	$71,611		$24,583		$96,194	
Net operating margin	67.7%		62.2%		66.2%	

The average monthly rent for December 2019 for the Repositioned Property portfolio was $1,328 per suite and the economic vacancy for December 2019 was 1.9% whereas the non-repositioned properties had an average monthly rent of $1,137 per suite and an economic vacancy of 9.9% for December 2019.

Region	Repositioned Property Portfolio			Non-Repositioned Property Portfolio		
	Suites	December 2019 Average Rent	December 2019 Vacancy	Suites	December 2019 Average Rent	December 2019 Vacancy
Eastern Ontario	204	$1,213	7.6%	-	-	-
GTA	1,283	$1,593	1.6%	-	-	-
Hamilton/Niagara	816	$1,292	3.1%	1,118	$1,056	4.1%
Montreal	782	$1,046	1.4%	2,003	$1,117	14.8%
Gatineau	497	$976	1.7%	-	-	-
Ottawa	1,968	$1,436	1.3%	496	$1,403	3.7%
Western Ontario	997	$1,231	1.6%	-	-	-
Total	**6,547**	**$1,328**	**1.9%**	**3,617**	**$1,137**	**9.9%**

FINANCING AND ADMINISTRATIVE COSTS

In $ 000's	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Net operating income	**$26,206**	$22,312	**$96,194**	$82,218
Expenses				
Financing costs	**6,791**	6,591	**26,273**	25,565
Administrative costs	**3,390**	2,976	**12,034**	10,772
Income before other income expenses	**$16,025**	$12,745	**$57,887**	$45,881

FINANCING COSTS

Financing costs amounted to $6.8 million or 17.3% of operating revenue for the three months ended December 31, 2019 compared to $6.6 million or 19.3% of operating revenue for the three months ended December 31, 2018.

In $ 000's	3 Months Ended December 31, 2019		3 Months Ended December 31, 2018	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$6,742**	**17.2%**	$6,147	18.0%
Credit facilities	**344**	**0.9%**	277	0.8%
Interest capitalized	**(324)**	**(0.8%)**	-	-
Interest income	**(112)**	**(0.3%)**	(128)	(0.4%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**141**	**0.3%**	295	0.9%
Total	**$6,791**	**17.3%**	$6,591	19.3%

Financing costs amounted to $26.3 million or 18.1% of revenue for the twelve months ended December 31, 2019 compared to $25.6 million or 20.1% of revenue for the twelve months ended December 31, 2018. As a percentage of operating revenue, financing costs have historically been in the range of 18% to 21%.

In $ 000's	12 Months Ended December 31, 2019		12 Months Ended December 31, 2018	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$25,750**	**17.7%**	$23,585	18.6%
Credit facilities	**1,695**	**1.2%**	1,414	1.1%
Interest capitalized	**(1,403)**	**(1.0%)**	-	-
Interest income	**(490)**	**(0.3%)**	(606)	(0.5%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**721**	**0.5%**	1,172	0.9%
Total	**$26,273**	**18.1%**	$25,565	20.1%

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, 2019 amounted to $12.0 million or 8.3% of operating revenue compared to $10.8 million or 8.5% of revenue for the twelve months ended December 31, 2018. InterRent incurred approximately $0.7M in non-recurring charges in the fourth quarter with the majority of the expense related to tax work/planning (approximately $0.5M) and the remainder related to dead deal costs from several large marketed and off-market portfolios.

OTHER INCOME AND EXPENSES

In $ 000's	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Income before other income and expenses	**$16,025**	$12,745	**$57,887**	$45,881
Other income and expenses				
Income from joint ventures	**10**	-	**24**	-
Property management internalization cost	**-**	-	**-**	(43,993)
Loss on sale of investment properties	**-**	-	**(675)**	-
Fair value adjustments of investment properties	**242,824**	39,580	**353,160**	195,651
Unrealized gain/(loss) on financial liabilities	**6,687**	(9,624)	**(23,302)**	(27,411)
Distributions expense on units classified as financial liabilities	**(571)**	(513)	**(2,205)**	(1,831)
Net income	**$264,975**	$42,188	**$384,889**	$168,297

SALE OF ASSETS

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. There were no dispositions in the year ended December 31, 2018.

PROPERTY MANAGEMENT INTERNALIZATION COSTS

On February 15, 2018, the REIT entered into an agreement with CLV Group Inc. (the "Property Manager") to internalize the REIT's property management function. Upon closing of the transaction, a subsidiary of the REIT acquired the Property Manager's REIT-related property management business for a total consideration of $38.0 million to the Property Manager (3,224,516 Class B LP limited partnership units (exchangeable on a one-for-one basis) at a value of approximately $9.42 per unit, or $30.4 million and $7.6 million in cash) and $3.1 million in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The total consideration, including all future vesting of deferred units, is approximately $44.1 million. The REIT also incurred approximately $2.0 million in transaction related costs.

For the year ended December 31, 2018, the REIT recorded $44.0 million in property management internalization costs. The remaining $2.1 million relating to the future vesting of the matched portion of the retention bonuses to employees will be expensed over the next 5 years as administrative costs.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2019 and 2018 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, 2019 (approximately 32% in 2018). For the twelve month period 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 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 2019 was 4.24% as compared to 4.38% (4.33% without Sault Ste. Marie) for Q4 2018 and 4.29% for Q3 2019. The change in the weighted average capitalization rate is a result of acquisitions, disposition of the Sault Ste. Marie properties, 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.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a closing price of $15.64 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, 2019 was $58.8 million and a corresponding fair value loss of $12.0 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2019.

The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2019 at $7.2 million and a corresponding fair value loss of $2.5 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2019.

The Trust used a closing price of $15.64 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, 2019 was $53.3 million and a corresponding fair value loss of $8.8 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2019.

In $ 000's	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Fair value gain/(loss) on financial liabilities:				
Deferred unit compensation plan	**$3,760**	$(4,069)	**$(11,791)**	$(11,386)
Option plan	**471**	(1,121)	**(2,497)**	(3,579)
LP Class B unit liability	**2,456**	(4,434)	**(8,834)**	(12,446)
Fair value gain/(loss) on financial liabilities	**$6,687**	$(9,624)	**$(23,302)**	$(27,411)

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.

INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2018 to December 31, 2019.

In $ 000's	December 31, 2019
Balance, December 31, 2018	$2,077,051
Acquisitions	319,721
Property capital investments	80,231
Fair value gains	353,160
Dispositions	(81,821)
Total investment properties	$2,748,342

The Trust acquired fourteen properties (1,214 suites) for $319.7 million, sold its Sault Ste. Marie portfolio of nine properties, totalling 349 suites, with a carrying cost of $35.0 million, and sold the land held for development (2243 Fairview, Burlington) for $46.8 million during the year ended December 31, 2019.

The fair value of the portfolio at December 31, 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, 2019. For the twelve month period ended December 31, 2019, a fair value gain of $353.2 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

The Trust's repositioning program following the acquisition of a property typically spans 3 to 4 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 2019 the REIT uses a cut-off of December 31, 2015. 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, 2016, 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 6,547 suites in the REIT's portfolio that were acquired prior to January 1, 2016 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

For the twelve month period ended December 31, 2019, the Trust invested $80.2 million (2018 – $66.4 million) in the portfolio. Of the $80.2 million invested in the year, $43.1 million was invested in the non-repositioned properties and $4.0 million was invested in land held for development and properties under development. Of the remaining $33.1 million, $26.7 million was invested in value enhancing initiatives and $6.4 million was related to sustaining and maintaining existing spaces.

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2018 to December 31, 2019.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2018	106,032,017	$558,615
Units issued under prospectuses	14,375,000	201,250
Issue costs	-	(8,559)
Units issued under the deferred unit plan	76,697	1,045
Units issued under distribution reinvestment plan	842,562	11,888
Units issued from options exercised	152,445	2,043
December 31, 2019	121,478,721	$766,282

On July 9, 2019 the Trust completed a bought deal prospectus whereby it issued 14,375,000 Trust Units for cash proceeds of $201,250 and incurred $8,559 in issue cost.

As at December 31, 2019 there were 121,478,721 Trust Units issued and outstanding.

DISTRIBUTIONS

The distributions were $0.29334 for 2019 and $0.27333 for 2018. The Trust is currently making monthly distributions of $0.025833 per Unit, which equates to $0.310 per Unit on an annualized basis. For the year ended December 31, 2019, the Trust's FFO and AFFO was $0.48 and $0.43 per unit respectively, compared to $0.45 and $0.39 for the year ended December 31, 2018.

Distributions to Unitholders were as follows:

In $ 000's	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Distributions declared to Unitholders	**$ 33,408**	$ 26,696
Distributions reinvested through DRIP	**(11,888)**	(5,627)
Distributions declared to Unitholders, net of DRIP	**$ 21,520**	$ 21,069
DRIP participation rate	**35.6%**	21.1%

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, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Trust units	**121,295,432**	105,929,183	**113,499,289**	96,956,296
LP Class B units	**3,410,766**	3,410,766	**3,410,766**	3,013,223
Weighted average units outstanding - Basic	**124,706,198**	109,339,949	**116,910,055**	99,969,519
Unexercised dilutive options [1]	**520,643**	535,444	**520,643**	535,444
Weighted average units outstanding - Diluted	**125,226,841**	109,875,393	**117,430,698**	100,504,963

[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/redevelopment properties.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Net income	**$264,975**	$42,188	**$384,889**	$168,297
Add (deduct):				
Fair value adjustments on investment property	**(242,824)**	(39,580)	**(353,160)**	(195,651)
Loss on sale of investment properties	**-**	-	**675**	-
Property management internalization cost [1]	**-**	-	**-**	43,993
Unrealized (gain)/loss on financial instruments	**(6,687)**	9,624	**23,302**	27,411
Interest expense on puttable units classified as liabilities	**259**	242	**1,000**	860
Funds from Operations (FFO)	**$15,723**	$12,474	**$56,706**	$44,910
FFO per weighted average unit - basic	**$0.126**	$0.114	**$0.485**	$0.449
FFO per weighted average unit - diluted	**$0.126**	$0.114	**$0.483**	$0.447

[1] Property management internalization costs are added back to Net income in determining FFO as it represents a one-time transaction event that is not indicative our normal operations and helpful as a useful measure of recurring economic earnings.

Excluding the non-recurring professional costs identified in the Administrative Cost section, FFO for the quarter would have been $16,441 and FFO per Unit for the quarter would have been $0.131 per Unit.

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Funds from Operations	**$15,723**	$12,474	**$56,706**	$44,910
Add (deduct):				
Actual maintenance capital investment	**(1,785)[1]**	(1,408)[2]	**(6,403)[3]**	(5,616)[2]
Adjusted Funds from Operations (AFFO)	**$13,938**	$11,066	**$50,303**	$39,294
AFFO per weighted average unit - basic	**$0.112**	$0.101	**$0.430**	$0.393
AFFO per weighted average unit - diluted	**$0.111**	$0.101	**$0.428**	$0.391

[1] Maintenance capital investment total is calculated for the 6,547 repositioned suites for three months ended December 31, 2019
[2] Maintenance capital investment total is calculated for the 5,812 repositioned suites for 2018
[3] Maintenance capital investment total is calculated for 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, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Cash generated from operating activities	**$20,362**	$12,060	**$72,588**	$40,126
Add (deduct):				
Property management internalization cost [1]	**-**	-	**-**	8,606
Changes in non-cash working capital not indicative of sustainable cash flows	**600**	5,000	**(4,400)**	5,000
Amortization of finance costs	**(141)**	(295)	**(721)**	(1,172)
Actual maintenance capital investment	**(1,785)**	(1,408)	**(6,403)**	(5,616)
ACFO	**19,036**	15,357	**61,064**	46,944
Distributions declared [2]	**9,462**	7,748	**34,408**	27,556
Excess of ACFO over distributions declared	**9,574**	7,609	**26,656**	19,388
ACFO payout ratio	**49.7%**	50.5%	**56.3%**	58.7%

[1] The cash effects of the property management internalization costs are added back to Cash from operating activities in determining ACFO as it represents a one-time transaction event that is not indicative our normal operations and helpful as a useful measure of sustainable cash flow.

[2] Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2019, ACFO exceeded distributions declared by $9.6 million and $26.7 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, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Net income	**$264,975**	$42,188	**$384,889**	$168,297
Cash flows from operating activities	**20,362**	12,060	**72,588**	40,126
Distributions paid [1]	**5,725**	5,419	**21,945**	21,254
Distributions declared [1]	**9,462**	7,748	**34,408**	27,556
Excess of net income over distributions paid	**259,250**	36,769	**362,944**	147,043
Excess of net income over distributions declared	**255,513**	34,440	**350,481**	140,741
Excess of cash flows from operations over distributions paid	**14,637**	6,641	**50,643**	18,872
Excess of cash flows from operations over distributions declared	**10,900**	4,312	**38,180**	12,570

[1] Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2019, cash flows from operating activities exceeded distributions paid by $14.6 million and $50.6 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	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Suites	10,164	10,060	9,398	9,203	9,299	9,235	9,021	8,959
Average rent per suite (last month of Q)	$1,260	$1,248	$1,227	$1,204	$1,190	$1,176	$1,148	$1,117
Occupancy rate (last month of Q)	95.6%	95.5%	95.3%	95.8%	96.6%	95.8%	94.0%	96.7%
Operating revenues	$39,199	$37,630	$34,742	$33,731	$34,062	$32,149	$30,914	$30,161
NOI	26,206	25,785	23,042	21,160	22,312	21,562	19,994	18,350
NOI %	66.9%	68.5%	66.3%	62.7%	65.5%	67.1%	64.7%	60.8%
Same Property average rent per suite	$1,297	$1,284	$1,249	$1,223	$1,214	$1,198	$1,162	$1,127
Same Property Occupancy rate	97.5%	97.0%	96.2%	96.3%	96.9%	95.9%	94.1%	96.8%
Same Property NOI	22,604	22,320	21,204	19,705	20,418	20,109	18,747	17,673
Same Property NOI %	67.7%	68.7%	66.7%	63.2%	65.7%	67.2%	64.9%	61.0%
FFO	$15,723	$15,955	13,413	$11,614	$12,474	$12,246	10,917	$9,273
FFO per weighted average unit - diluted	$0.126	$0.129	$0.121	$0.105	$0.114	$0.117	$0.111	$0.105
AFFO	$13,938	$14,534	$12,219	$9,611	$11,066	$10,724	$9,406	$8,098
AFFO per weighted average unit - diluted	$0.111	$0.117	$0.111	$0.087	$0.101	$0.102	$0.095	$0.092
Distributions per unit	$0.0758	$0.0725	$0.0725	$0.0725	$0.0708	$0.0675	$0.0675	$0.0675
ACFO	$19,036	$17,254	$15,032	$9,742	$15,357	$13,588	$8,396	$9,603
Debt to GBV	32.5%	35.0%	40.0%	39.4%	38.9%	39.1%	43.5%	44.4%
Interest coverage (rolling 12 months)	3.12x	3.07x	2.99x	2.97x	2.93x	2.85x	2.81x	2.80x
Debt service coverage (rolling 12 months)	1.87x	1.84x	1.81x	1.81x	1.81x	1.80x	1.80x	1.81x

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 32.5% of Gross Book Value ("GBV") at December 31, 2019. 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, 2019	December 31, 2018
Total assets per Balance Sheet	$2,791,856	$2,117,992
Mortgages payable and vendor take-back loans	$881,509	$799,571
Lines of credit	26,865	23,550
Total debt	$908,374	$823,121
Debt to GBV	32.5%	38.9%

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, 2019	12 Months Ended December 31, 2018
NOI	$96,194	$82,218
Less: Administrative costs	12,034	10,772
EBITDA	$84,158	$71,446
Interest expense [1]	26,954	24,393
Interest coverage ratio	**3.12x**	**2.93x**
Contractual principal repayments	18,161	14,987
Total debt service payments	$45,115	$39,380
Debt service coverage ratio	**1.87x**	**1.81x**

[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 and vendor take-back loans of InterRent REIT.

Year Maturing	Mortgage Balances At December 31, 2019 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2020	$179,137	20.0%	3.18%
2021	$76,927	8.6%	3.46%
2022	$71,011	7.9%	2.82%
2023	$81,264	9.0%	2.77%
2024	$69,733	7.8%	3.70%
Thereafter	$418,937	46.7%	2.98%
Total	$897,009	100%	3.02%

At December 31, 2019, the average term to maturity of the mortgage debt was approximately 5.1 years and the weighted average cost of mortgage debt was 3.02%. At December 31, 2019, approximately 79% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust added one mortgage on a property acquired in the quarter for $8.2 million and paid down $4.8 million in mortgage principal. The net result at December 31, 2019 compared to September 30, 2019 was:

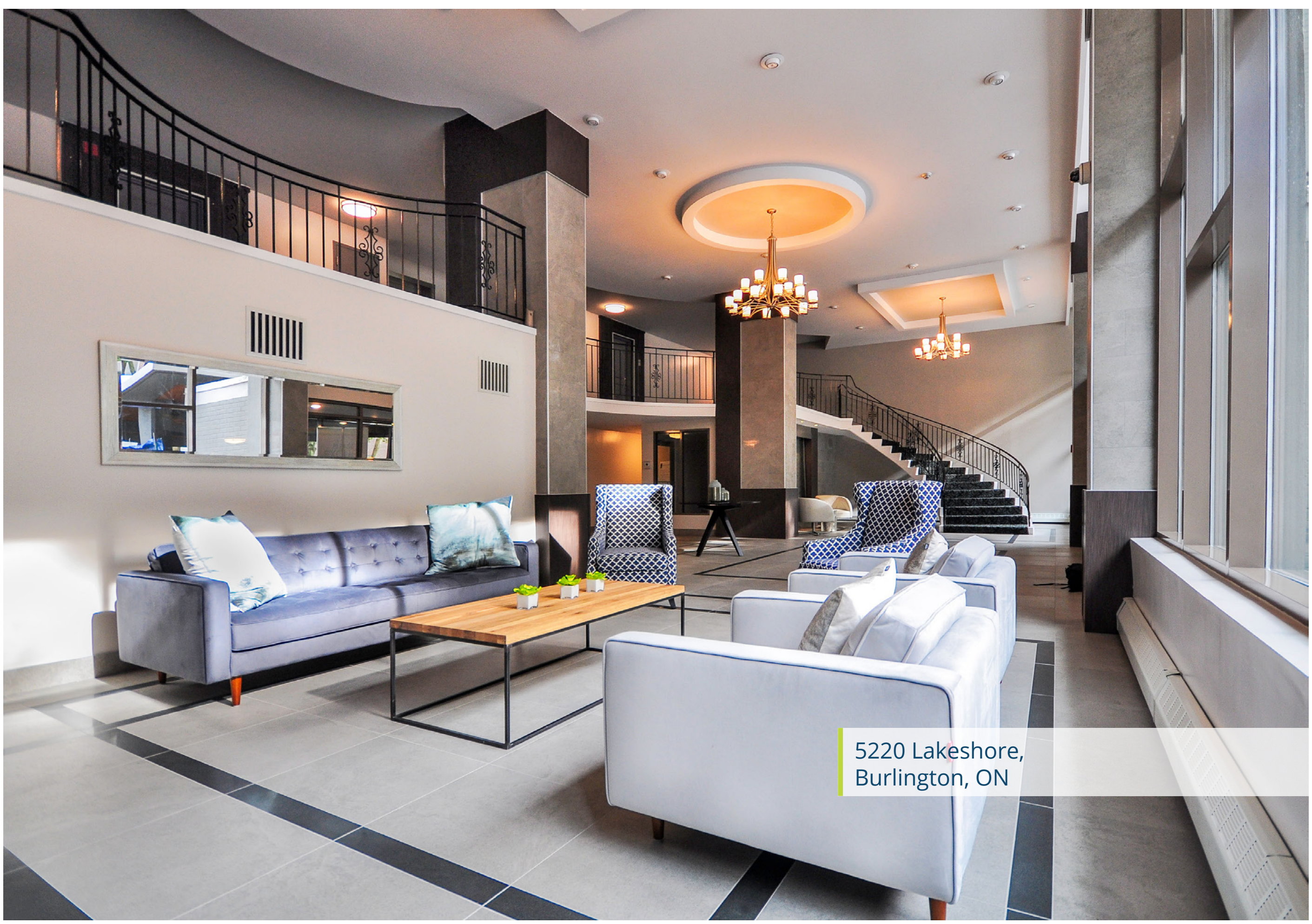
- A decrease in average term to maturity of the mortgage debt to 5.1 years from 5.3 years;
- A decrease in the weighted average cost of mortgage debt to 3.02% from 3.03% ; and,
- A decrease in the mortgage debt backed by CMHC insurance from 80% to 79%.

During the year the Trust assumed eight mortgages and added two mortgages for ten properties that were acquired in the year for a combined amount of $103.5 million, repaid four mortgages on properties that were sold for $5.8 million and paid down $18.2 million in mortgage principal. The net result at December 31, 2019 compared to December 31, 2018 was:

- A decrease in average term to maturity of the mortgage debt to 5.1 years from 6.0 years;
- A decrease in the weighted average cost of mortgage debt to 3.02% from 3.04% ; and,
- A decrease in the mortgage debt backed by CMHC insurance to 79% from 80%.

As at December 31, 2019, the Trust had the following credit facilities:

- A $0.5 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, 2019, 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, 2019, the Trust had utilized $20.4 million of this facility.
- A $25.0 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 two of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2019, the Trust had utilized $6.4 million of this facility.
- A $60.0 million term credit facility, maturing in 2020, 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 five 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, 2019, the Trust had no balance outstanding under this facility.


5220 Lakeshore, Burlington, ON

ACCOUNTING

FUTURE ACCOUNTING CHANGES

Amendments to IFRS 3 Business Combinations

The amendments to IFRS 3 clarify whether a transaction meets the definition of a business combination. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

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.

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 2019 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.

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.

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.

On September 8, 2009, NorthWest Value Partners Inc. ("NWVP") issued a Notice of Application in the Superior Court of Justice of Ontario against the former trustees of the Trust and others (but not against the Trust itself) seeking a declaration, among other things, that the trustees of the Trust did not have authority to complete the private placement that closed on September 3, 2009. On September 28, 2009, the Superior Court of Justice of Ontario directed a trial on certain matters but denied most of the requests by NWVP. Specifically, the Court denied the NWVP request for a declaration that the trustees of the Trust did not have the authority to close the private placement. Further, the court denied the NWVP request that the investors in the private placement not be permitted to vote at the annual and special meeting of unitholders of the Trust held on September 30, 2009. The Superior Court of Justice of Ontario awarded the Trust costs in excess of $100,000. NWVP has paid to the Trust the awarded costs.

On October 15, 2009, NWVP filed a notice of appeal with the Court of Appeal for Ontario appealing the decision of the Superior Court of Justice. On June 7, 2010, the appeal by NWVP was dismissed with costs of $25,000 ordered payable by NWVP to the Trust. NWVP has paid to the Trust the awarded costs.

Future legal costs may be incurred if NWVP proceeds to trial on the other outstanding issues which remain from the September 8, 2009 Notice of Application relating to the private placement. While the Trust maintains that the merits of NWVP's claims for damages are low, there is the possibility of an award of damages, in the event that NWVP was able to prove damages at trial. In such event, it is expected that the former trustees of the Trust would seek indemnity from the Trust to the extent that any such damages are not fully covered by policies of insurance held by the Trust for the benefit of the former trustees. The foregoing litigation costs, if incurred without successfully recovering the costs, and an award of damages against the former trustees that is not fully covered by policies of insurance held by the Trust for the benefit of the former trustees could to the extent of the Trust's indemnification obligations, if any, have an adverse impact on the financial condition of the Trust.

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.

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, 2019, the Trust had past due rents and other receivables of $2.7 million net of an allowance for doubtful accounts of $1.2 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 in the December 31, 2019 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, 2019, the Trust had credit facilities as described in note 10 in the December 31, 2019 audited consolidated financial statements.

Note 9 in the December 31, 2019 audited consolidated financial statements reflects the contractual maturities for mortgage payable of the Trust at December 31, 2019, 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 $932 million as at December 31, 2019 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, 2019, approximately 12% (December 31, 2018 – 13%) 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 $1.4 million for the year ended December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2019 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

The transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below, unless they have been disclosed elsewhere in the audited financial statements.

i. Accounts Payable (net of amounts receivable)

As at December 31, 2019, $nil (December 31, 2018 - $nil) was included in accounts payable and accrued liabilities, net of amounts receivable, which are due to companies controlled by an officer of the Trust. The amounts were non-interest bearing and due on demand.

ii. Services

There were no related party transactions during the year ended December 31, 2019. During the year ended December 31, 2018 the Trust incurred $1.0 million in services from companies controlled by an officer of the Trust. Of the services received approximately $0.2 million had been capitalized to the investment properties and the remaining amounts were included in operating and administrative costs.

iii. Property Management Internalization

On February 15, 2018, the REIT entered into an agreement with CLV Group Inc. (the "Property Manager") to internalize the REIT's property management function. Upon closing of the transaction, a subsidiary of the REIT acquired the Property Manager's REIT-related property management business for a total consideration of $38.0 million to the Property Manager (3,224,516 Class B LP limited partnership units (exchangeable on a one-for-one basis) at a value of approximately $9.42 per unit, or $30.4 million and $7.6 million in cash) and $3.1 million in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The total consideration, including all future vesting of deferred units, is approximately $44.1 million. The REIT also incurred approximately $2.0 million in transaction related costs.

For the year ended December 31, 2018, the REIT recorded $44.0 million in property management internalization costs. The remaining $2.1 million relating to the future vesting of the matched portion of the retention bonuses to employees will be expensed over the next 5 years as administrative costs.

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, 2019 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, 2019, 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, 2019, 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 57 suites that closed on February 27, 2020 for a purchase price of approximately $18.15 million and is committed to purchase a property (4 suites) which is contiguous to our development site at Richmond Churchill and will become part of the land assembly in March 2020 for a purchase price of approximately $1.35 million.

OUTSTANDING SECURITIES DATA

As of March 3, 2020, the Trust had issued and outstanding: (i) 121,677,550 units; (ii) Class B LP Units that are exchangeable for 3,410,766 units of the Trust; (iii) options exercisable to acquire 813,745 units of the Trust; and (iv) deferred units that are redeemable for 4,234,345 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.