InterRent REIT
Management's Discussion & Analysis

For the Three and Six Months Ended June 30, 2017

July 26, 2017

5220 Lakeshore Road,
Burlington, ON

MANAGEMENT'S DISCUSSION & ANALYSIS

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FORWARD-LOOKING STATEMENTS

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") of InterRent Real Estate Investment Trust ("InterRent REIT" or the "Trust") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2016 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

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 and December 29, 2010, 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 December 29, 2010 and a copy of this document is available on SEDAR (www.sedar.com). Some of the principal investment guidelines and operating policies set out in the DOT are as follows:

INVESTMENT GUIDELINES

- Focus its activities on acquiring, maintaining, improving and managing multi-unit residential revenue producing properties.
- No single asset shall be acquired if the cost of such acquisition (net of the amount of debt secured by the asset) will exceed 15% of the Trust's "Gross Book Value" (as such term is defined in the DOT).
- Investments in joint ventures are permitted as long as the Trust's interest is not less than 25%.
- No investment will be made that would result in the Trust not qualifying as a "mutual fund trust" as defined in the *Income Tax Act* (Canada).

OPERATING POLICIES

- Overall indebtedness not to exceed 75% of Gross Book Value, as defined by the DOT.
- For individual properties, the maximum debt capacity not to exceed 75% of its market value, on or after the date which is 12 months from the acquisition date.
- No guaranteeing of third party debt except for subsidiaries or wholly-owned entities of the Trust or potential joint venture partner structures.
- Third party surveys of structural and environmental conditions are required prior to the acquisition of a revenue producing property.

At June 30, 2017 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 year ended December 31, 2016 and note 2 of the condensed consolidated financial statements for June 30, 2017.

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

Funds from Operations, Adjusted Funds from Operations, Net Operating Income 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.

Funds from Operations ("FFO") is a financial measure 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 in accordance with the REALpac White Paper on Funds from Operations revised February 2017.

Adjusted Funds from Operations ("AFFO") is an additional financial measure 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. Realpac established a standardized definition of AFFO in its February 2017 White Paper which management adopted effective January 1, 2017. Management considers AFFO a useful measure of recurring economic earnings. Prior period data has been restated to comply with the new definition of AFFO.

A reconciliation of cash flows provided by operating activities to AFFO is presented under "Performance Measures".

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.

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 FFO, AFFO, NOI 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 objective is to use the proven industry experience of the Trustees, management and operational team to: (i) provide Unitholders with stable and growing cash distributions from investments in a diversified portfolio of multi-residential properties; (ii) enhance the value of the assets and maximize long-term Unit value through the active management of such assets; and (iii) expand the asset base through accretive acquisitions.

The REIT spent 2010 and 2011 focused on repositioning its portfolio of properties, hiring the right resources, training its team and ensuring the core beliefs of customer service and creation of value were firmly entrenched within the organization. With the repositioning well in-hand by the beginning of 2012, the focus shifted to finding good quality properties where the REIT could drive down operating costs while increasing rents through sound capital investment, good management and exceptional customer service. As a result of the focus on accretive, sustainable growth, the REIT was able to acquire 4,688 suites in the years 2012 to 2015. In 2016 the REIT recycled capital by disposing of 876 suites in non-core markets while adding 545 suites in core markets. In the first half of 2017, the REIT added 224 suites in Montreal. 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 June 30, 2017, approximately 32% (2,632 suites) of the portfolio was non-stabilized compared to approximately 38% (3,280 suites) at June 30, 2016. Non-stabilized properties in any reporting period are those owned by the REIT for less than 24 months.

OUTLOOK

- Management is focused on growing the REIT in a strategic and structured manner. This growth is anticipated to come from: continuing to source properties in our core markets that allow us to build scale within these areas and apply our repositioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders; continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio; and, re-deploying capital from areas of individual properties where management believes that properties have reached their economic peak, that the area will not allow the REIT to reach the desired level of scale within close geographic proximity, or the area is not a market that the REIT has targeted for growth. In line with this, the REIT purchased a 224 suite property in Montreal in early March 2017.
- Management has been pleased with the rental demand at LIV through the early part of the summer both for furnished suites (extended stay) as well as unfurnished suites. There were 42 suites that were furnished for the extended stay pilot program. As a result of the demand, a further 18 suites have been added to extended stay to bring the total to 60 suites. Lease-up of the 381 unfurnished suites at LIV is now at 88% occupancy with average rent exceeding $1,550.
- There are two ways to capture the upside from the capital invested in the REIT's repositioning programs. The first way is through achieving market rent on suite turnover and the second way is through above guideline increases (AGIs) for existing tenants. The REIT has $1.2 million in annualized rental increases remaining to be rolled out based on previously filed applications and is working on a further $0.1 million. Of the total $1.3 million in AGIs planned, approximately $0.3 million is scheduled to be rolled out in the remainder of 2017; $0.6 million in 2018; and, $0.4 million in 2019/20.

Q2 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three months ended June 30, 2017 compared to the same period in 2016:

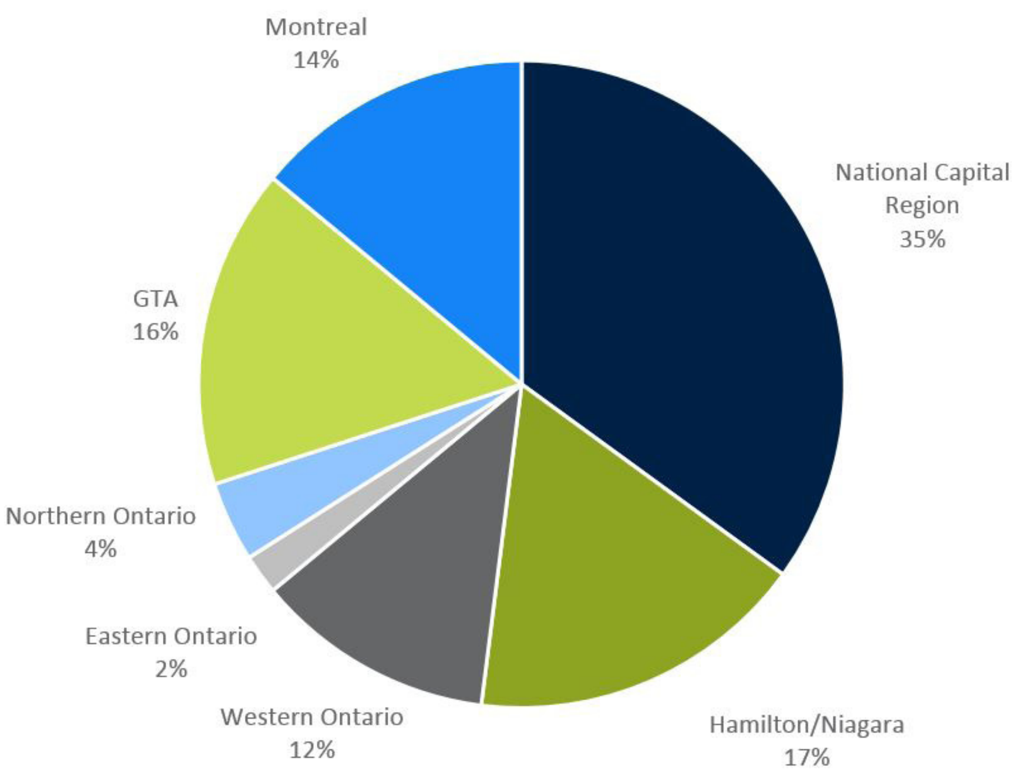
Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended June 30, 2017**	**3 Months Ended June 30, 2016**	**Change**
Total suites	8,282	8,578	-3.5%
Average rent per suite (June)	$1,079	$1,020	+5.8%
Occupancy rate (June)	95.7%	94.0%	+170bps
Operating revenues	$26,361	$24,682	+6.8%
Net operating income (NOI)	$15,978	$14,706	+8.6%
NOI %	60.6%	59.6%	+100bps
Stabilized average rent per suite (June)	$1,085	$1,043	+4.0%
Stabilized occupancy rate (June)	96.6%	96.3%	+30bps
Stabilized NOI	$11,724	$10,972	+6.9%
Stabilized NOI %	63.2%	62.3%	+90bps
Funds from Operations (FFO)	$8,344	$7,226	+15.5%
FFO per weighted average unit - basic	$0.100	$0.101	-0.1%
FFO per weighted average unit - diluted	$0.100	$0.100	-
Adjusted Funds from Operations (AFFO)	$7,380	$6,243	+18.2%
AFFO per weighted average unit - basic	$0.089	$0.087	+2.3%
AFFO per weighted average unit - diluted	$0.088	$0.087	+1.1%
Cash distributions per unit	$0.0608	$0.0578	+5.2%
AFFO payout ratio	68%	66%	-200bps
Debt to GBV	49.5%	56.3%	-680bps
Interest coverage (rolling 12 months)	2.61x	2.57x	+0.04x
Debt service coverage (rolling 12 months)	1.64x	1.53x	+0.11x

- Overall Portfolio:
  - Operating revenue for the quarter rose by $1.7 million to $26.4 million, an increase of 6.8% over Q2 2016, while having 267 fewer suites on a weighted average basis.
  - Average monthly rent per suite increased to $1,079 (June 2017) from $1,020 (June 2016), an increase of 5.8%.
  - Occupancy for June 2017 was 95.7%, an increase of 50 basis points when compared to March 2017 and 170 basis points when compared to June 2016.
  - Net Operating Income (NOI) for the quarter was $16.0 million, an increase of $1.3 million, or 8.6%, over Q2 2016. NOI margin for the quarter was 60.6%, up 100 basis points over Q2 2016.
- Stabilized Portfolio:
  - Operating revenue for the quarter rose by $0.9 million to $18.5 million, an increase of 5.3% over Q2 2016.
  - Average monthly rent per suite for the stabilized portfolio increased to $1,085 (June 2017) from $1,043 (June 2016), an increase of 4.0%.
  - Occupancy increased to 96.6% (June 2017) from 96.3% (June 2016).
  - NOI for the quarter was $11.7 million, an increase of $0.8 million, or 6.9%, over Q2 2016. Stabilized NOI margin for the quarter was 63.2%, up 90 basis points over Q2 2016.
- Funds from Operations (FFO) for the quarter increased by 15.5% to $8.3 million compared to Q2 2016.
- Adjusted Funds from Operations (AFFO) for the quarter increased by 18.2% to $7.4 million compared to Q2 2016.
- Debt to GBV at quarter end was 49.5%, a decrease of 680 basis points from December 2016.

PORTFOLIO SUMMARY

The Trust started the year with 8,059 suites. During the first half of 2017 the Trust purchased one property with 224 suites and removed 1 suite from LIV to be used as commercial space. At June 30, 2017, the Trust had 8,282 suites. On a weighted average basis, the Trust owned 8,282 suites for the second quarter of 2017 (2016 – 8,549 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 non-stabilized portfolio (2,632 suites) and the stabilized portfolio (5,650 suites) to drive rents, reduce operating costs, and streamline operations. At June 30, 2017, approximately 32% of the portfolio was non-stabilized. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 224 suites within these clusters during the first half on the year. We continue to actively seek opportunities within our target markets in order to continue to build our acquisition pipeline and grow the REIT in a fiscally prudent manner. The following graph shows our suite mix by region. InterRent's focus on growing its core markets of GTA (including Hamilton), Ottawa/NCR and Montreal has resulted in approximately 78% of InterRent's suites now being located in these core markets as compared to 73% at the end of Q2 2016.

▼ Suite Portfolio By Region



ANALYSIS OF OPERATING RESULTS

The current and prior period consolidated income statement, and analysis of operating results, does not separately disclose the results from assets held for sale as discontinued operations. Management's position is that the disposal of a property or the classification of a property as held for sale does not constitute a discontinued operation.

In $ 000's	3 Months Ended June 30, 2017		3 Months Ended June 30, 2016		6 Months Ended June 30, 2017		6 Months Ended June 30, 2016	
Gross rental revenue	$26,428		$25,234		$51,891		$49,632	
Less: vacancy & rebates	(1,457)		(1,873)		(3,129)		(3,600)	
Other revenue	1,390		1,321		2,733		2,553	
Operating revenues	$26,361		$24,682		$51,495		$48,585	
Expenses								
Property operating costs	4,678	17.8%	4,209	17.1%	8,791	17.1%	8,158	16.8%
Property taxes	3,430	13.0%	3,537	14.3%	6,861	13.3%	7,014	14.4%
Utilities	2,275	8.6%	2,230	9.0%	5,559	10.8%	5,729	11.8%
Operating expenses	$10,383	39.4%	$9,976	40.4%	$21,211	41.2%	$20,901	43.0%
Net operating income	$15,978		$14,706		$30,284		$27,684	
Net operating margin	60.6%		59.6%		58.8%		57.0%	


LIV,
Ottawa, ON

REVENUE

Gross rental revenue for the three months ended June 30, 2017 increased 4.7% to $26.4 million compared to $25.2 million for the three months ended June 30, 2016. Operating revenue for the quarter was up $1.7 million to $26.4 million, or 6.8% compared to Q2 2016. The Trust owned, on a weighted average basis, 8,282 suites throughout Q2 2017 (8,282 suites at the end of Q2 2017) as compared to 8,549 throughout Q2 2016 (8,578 at the end of Q2 2016), a decrease of 267 suites from 2016. Gross revenue included $0.3 million from the extended stay suites at LIV which had an average occupancy of 54%. On average, throughout the quarter, there were 44 suites available. These suites are not included in average rent and vacancy below.

The average monthly rent for June 2017 increased to $1,079 per suite from $1,020 (June 2016), an increase of 5.8%. On a stabilized basis, the average rent increased by $42 per suite to $1,085 (or up 4.0%) over June 2016. The overall increase in average rent is a result of changes to the stabilized properties as well as the change 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 in both the stabilized and non-stabilized properties 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. The REIT has submitted applications to the Landlord and Tenant Board which should result in a further increase in rental income of $0.3 million, on an annualized basis, being rolled out by the end of 2017.

Region	All Properties		Stabilized Properties		Non-stabilized Properties	
	# of Suites	Average Rent	# of Suites	Average Rent	# of Suites	Average Rent
Eastern Ontario	204	$970	204	$970	-	-
GTA	1,283	$1,349	1,160	$1,371	123	$1,140
Hamilton/Niagara	1,434	$987	816	$1,069	618	$879
Montreal	1,132	$923	781	$924	351	$921
Northern Ontario	349	$903	349	$903	-	-
NCR – Ottawa [(1)]	2,386	$1,177	846	$1,179	1,540	$1,175
NCR - Gatineau	497	$842	497	$842	-	-
Western Ontario	997	$1,022	997	$1,022	-	-
Total	**8,282**	**$1,079**	**5,650**	**$1,085**	**2,632**	**$1,064**

[(1)] The number of suites for the region includes all suites at LIV however only those currently rented (excluding extended stay suites) have been included in the calculation of average rent.

InterRent REIT has been successful in increasing rent levels while at the same time passing on hydro sub-metering charges to new tenants. The program began in 2011 for select locations and as a result of that success, it continues to be extended to most of the remaining portfolio as well as new properties as they are acquired. Currently, 86% of the portfolio has submetering capabilities in place.

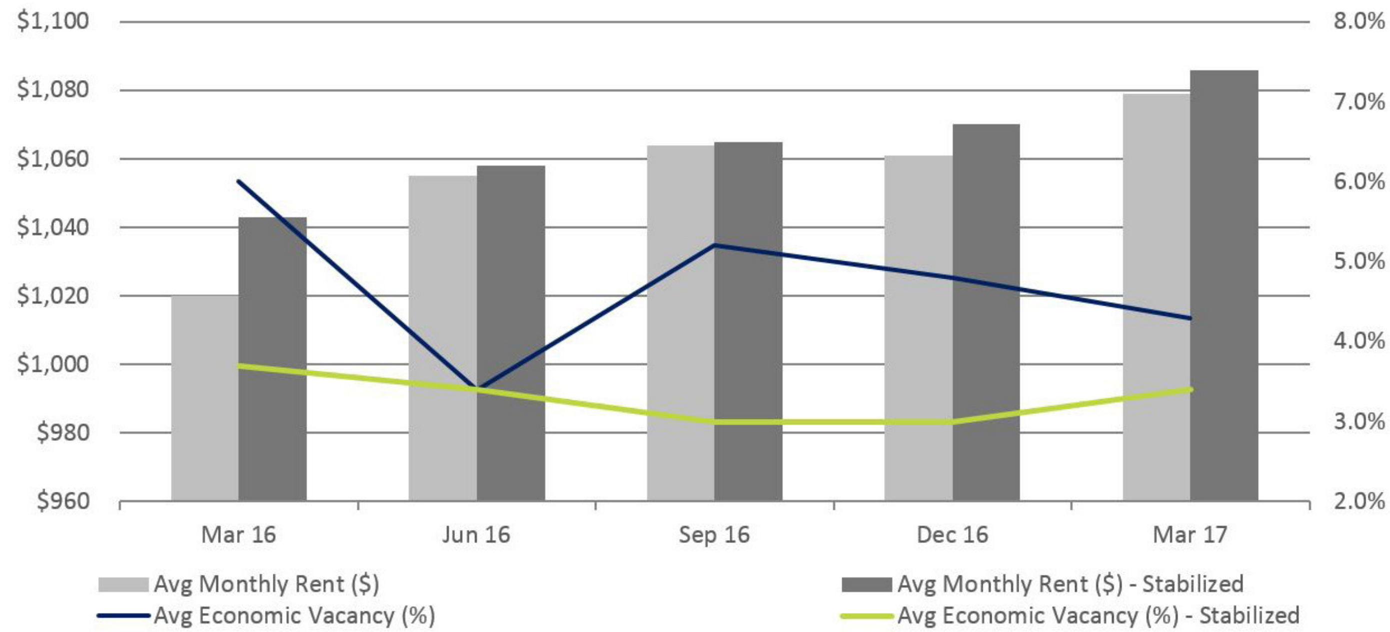
Portfolio Occupancy

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 stabilized. 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 well maintained, landscaped and decorated so as to be visually appealing ("curb appeal");
2. ensuring suites are properly repaired and maintained before being rented to new tenants;
3. marketing geared to the right tenant profile;
4. a more stringent screening and credit review process when selecting new tenants; and,
5. ensuring that operations are running as efficiently and cost effectively as possible to ensure the well-being of tenants and tenant 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. All suites in the portfolio are included except for the un-rented and extended stay suites at LIV.



	June 2016	September 2016	December 2016	March 2017	June 2017
Average monthly rents - all properties	$1,020	$1,055	$1,064	$1,061	$1,079
Average monthly rents - stabilized properties	$1,043	$1,058	$1,065	$1,070	$1,085

The overall economic vacancy for June 2017 across the entire portfolio was 4.3%, a reduction of 170 basis points as compared to the 6.0% recorded for June 2016. Economic vacancy for the stabilized portfolio for June 2017 was 3.4%, a reduction of 30 basis points as compared to the 3.7% recorded for the month ended June 2016.

Stabilized property vacancy in the NCR is higher than the average as a result of one property in Aylmer that typically runs with higher vacancy than the Ottawa market. Northern Ontario continued to see elevated vacancy however traction did start to improve in June.

Region	All Properties	Stabilized Properties	Non-Stabilized Properties
Eastern Ontario	1.5%	1.5%	n/a
GTA	1.0%	0.7%	3.6%
Hamilton/Niagara	2.9%	2.2%	3.9%
Montreal	6.4%	4.3%	11.2%
Northern Ontario	8.2%	8.2%	n/a
NCR [1]	6.5%	6.2%	6.8%
Western Ontario	2.7%	2.7%	n/a
Total	4.3%	3.4%	6.6%

[1] Suites at LIV (excluding extended stay suites) are included in vacancy calculations once the initial lease is executed.

Other Revenue

Other rental revenue for the three months ended June 30, 2017 increased 5.2% to $1.4 million compared to $1.3 million for the three months ended June 30, 2016. The increased revenues from 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 three months ended June 30, 2017, other revenue represents 5.3% of net operating revenue compared to 5.4% for Q2 2016.

PROPERTY OPERATING COSTS

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

Property operating costs for the three months ended June 30, 2017 amounted to $4.7 million or 17.8% of revenue compared to $4.2 million or 17.1% of revenue for the three months ended June 30, 2016. As a percentage of revenue, operating costs increased by 0.7% as compared to 2016 due in part to increases in advertising and leasing.

PROPERTY TAXES

Property taxes for the three months ended June 30, 2017 amounted to $3.4 million or 13.0% of revenue compared to $3.5 million or 14.3% of revenue for the three months ended June 30, 2016. The overall decrease in taxes is mainly attributable to the decrease in suites from the second quarter of 2016 to 2017 and on a percent of revenue basis, the reduction is more significant as the properties that were sold in 2016 had property taxes that represented 16.8% of their operating revenue for Q2 2016. Substantially all of the property tax bills from the various municipalities have been finalized for 2017.

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 three months ended June 30, 2017 amounted to $2.3 million or 8.6% of revenue compared to $2.2 million or 9.0% of revenue for the three months ended June 30, 2016. As a percentage of operating revenues and on a per suite basis, utility costs decreased over the same quarter last year due to a combination of the REIT's continued focus on energy efficiency initiatives and lower rates for electricity starting January 2017 as well as more moderate and consistent temperatures in our operating regions.

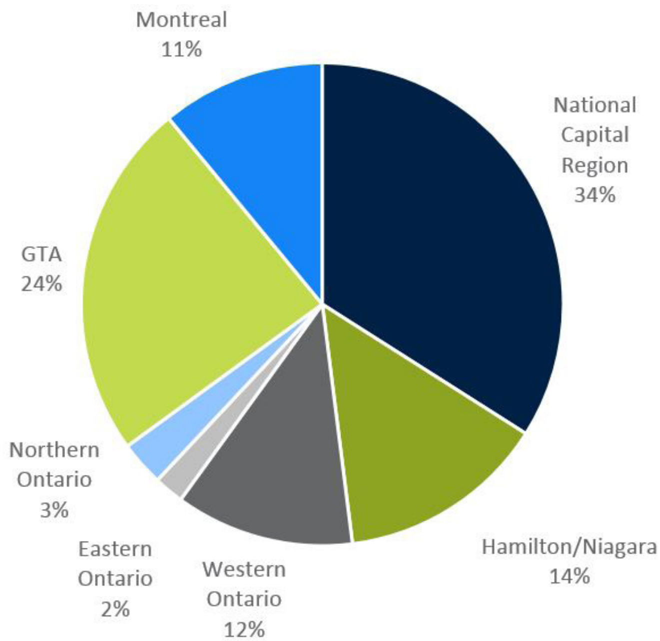
Across the entire portfolio, our hydro sub-metering initiative reduced our electricity costs by 22.5%, or $0.2 million for the quarter. At June 30, 2017, the REIT had 7,101 suites that had the capability to submeter hydro in order to recover the cost. Of the 7,101 suites that have the infrastructure in place, 5,160 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant. This represents approximately 73% of the submetered suites or approximately 62% of the total portfolio. The REIT currently has submetering in place for approximately 86% of the suites within the portfolio and 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 June 30, 2017 amounted to $16.0 million or 60.6% of operating revenue compared to $14.7 million or 59.6% of operating revenue for the three months ended June 30, 2016. The increase in the quarter is as a result of growing the portfolio in our core markets and increasing net revenue while controlling property operating costs and a decrease in utilities.

NOI from stabilized properties was $11.7 million, or 63.2% of revenue, and NOI from non-stabilized properties was $3.6 million, or 54.4% of 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 June 30, 2017



STABILIZED PORTFOLIO PERFORMANCE

Stabilized properties for the three months ended June 30, 2017 are defined as all properties owned by the Trust continuously for 24 months prior to the beginning of the period being reported, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during the period from April 1, 2015 to June 30, 2017. As at June 30, 2017, the Trust has 5,650 stabilized suites, which represents 68.2% of the overall portfolio.

In $ 000's	3 Months Ended June 30, 2017		3 Months Ended June 30, 2016		6 Months Ended June 30, 2017		6 Months Ended June 30, 2016	
Gross rental revenue	**$18,292**		$17,584		**$36,399**		$35,010	
Less: vacancy & rebates	**(776)**		(947)		**(1,591)**		(1,904)	
Other revenue	**1,032**		978		**2,041**		1,900	
Operating revenues	**$18,548**		$17,615		**$36,849**		$35,006	
Expenses								
Property operating costs	**2,860**	**15.4%**	2,819	16.0%	**5,523**	**15.0%**	5,479	15.7%
Property taxes	**2,446**	**13.2%**	2,348	13.3%	**4,865**	**13.2%**	4,659	13.3%
Utilities	**1,518**	**8.2%**	1,476	8.4%	**3,905**	**10.6%**	3,852	11.0%
Operating expenses	**$6,824**	**36.8%**	$6,643	37.7%	**$14,293**	**38.8%**	$13,990	40.0%
Net operating income	**$11,724**		$10,972		**$22,556**		$21,016	
Net operating margin	**63.2%**		62.3%		**61.2%**		60.0%	

For the three months ended June 30, 2017, operating revenues for stabilized properties increased by 5.3% and operating expenses increased by 2.7% as compared to the same period last year. As a result, stabilized NOI has increased by $0.8 million, or 6.9%, as compared to the same period last year. NOI margin for Q2 2017 was 63.2% as compared to 62.3% for Q2 2016, an increase of 90 basis points.

The average monthly rent for June 2017 for stabilized properties increased to $1,085 per suite from $1,043 (June 2016), an increase of 4.0%. Economic vacancy for June 2017 for stabilized properties was 3.4%, compared to 3.7% for June 2016.

	June 2016	September 2016	December 2016	March 2017	June 2017
Average monthly rents stabilized properties	$1,043	$1,058	$1,065	$1,070	$1,085
Average monthly vacancy stabilized properties	3.7%	3.4%	3.0%	3.0%	3.4%

For the Stabilized portfolio, the property operating costs, property taxes and utilities decreased as a percentage of operating revenues and were relatively flat on a dollar basis. The decrease in utility costs stems from a combination of the REIT's continued focus on energy efficiency initiatives and lower rates for electricity starting January 2017 as well as well as more moderate and consistent temperatures in our operating regions.

FINANCING AND ADMINISTRATIVE COSTS

In $ 000's	3 Months Ended June 30, 2017	3 Months Ended June 30, 2016	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016
Net operating income	**$15,978**	$14,706	**$30,284**	$27,684
Expenses				
Financing costs	**5,264**	5,346	**10,484**	10,424
Administrative costs	**2,199**	1,987	**4,354**	3,928
Income before other income expenses	**$8,515**	$7,373	**$15,446**	$13,332

FINANCING COSTS

Financing costs amounted to $5.3 million or 20.9% of revenue for the three months ended June 30, 2017 compared to $5.3 million or 21.7% of revenue for the three months ended June 30, 2016. As a percentage of revenue, financing costs have historically been in the range of 19% to 22%.

In $ 000's	3 Months Ended June 30, 2017		3 Months Ended June 30, 2016	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	$4,545	18.1%	$4,581	18.6%
Credit facilities	337	1.3%	511	2.1%
Interest income	(49)	(0.2%)	(40)	(0.2%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	431	1.7%	294	1.2%
Total	$5,264	20.9%	$5,346	21.7%

Financing costs amounted to $10.5 million or 20.9% of revenue for the six months ended June 30, 2017 compared to $10.4 million or 21.5% of revenue for the six months ended June 30, 2016.

In $ 000's	6 Months Ended June 30, 2017		6 Months Ended June 30, 2016	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	$8,956	17.8%	$8,973	18.5%
Credit facilities	997	2.0%	921	1.9%
Interest income	(97)	(0.2%)	(73)	(0.1%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	628	1.3%	603	1.2%
Total	$10,484	20.9%	$10,424	21.5%

Mortgage Interest

Mortgage interest (including interest on vendor take-back loans) 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 those that mature in 2017 and 2018. Management has been able to decrease the weighted average rate of mortgage debt from 2.72% at June 30, 2016 to 2.67% at June 30, 2017. Despite the decrease in interest rate, 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, asset management, other professional fees and amortization on corporate assets.

Administrative costs for the three months ended June 30, 2017 amounted to $2.2 million or 8.3% of revenue compared to $2.0 million or 8.1% of revenue for the three months ended June 30, 2016.

SALE OF ASSETS, FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES AND GAIN/LOSS ON FINANCIAL LIABILITIES

In $ 000's	3 Months Ended June 30, 2017	3 Months Ended June 30, 2016	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016
Income before other income and expenses	**$8,515**	$7,373	**$15,446**	$13,332
Loss on sale of assets	-	(353)	-	(664)
Fair value adjustments of investment properties	**32,190**	748	**34,315**	1,001
Unrealized loss on financial liabilities	**(1,292)**	(1,861)	**(1,896)**	(4,251)
Distributions expense on units classified as financial liabilities	(182)	(158)	**(342)**	(287)
Net income	**$39,231**	$5,749	**$47,523**	$9,131

SALE OF ASSETS

There were no dispositions in the three months ended June 30, 2017. During the three months ended June 30, 2016, the Trust had a 0.4 million loss from the sale of seven investment properties. The Trust sold all seven properties in Kingston for a total selling price of $21.2 million compared to a carrying value of $20.6 million. The properties were sold for $0.6 million above their fair market 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 $0.4 million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at June 30, 2017 was determined internally by the Trust. In order to substantiate management's valuation, market evidence from third party appraisers is incorporated on a continual basis. For the three month period ended June 30, 2017, a fair value gain of $32.2 million was recorded on the financial statements as a result of changes in the fair value of investment properties. The increase in the fair value of the properties over the quarter has been driven by improvements in operating results stemming from the repositioning of the properties as well as adjustments to capitalization rates in certain geographic markets. The weighted average capitalization rate used across the portfolio at the end of Q2 2017 was 4.85% as compared to 4.95% for Q1 2017 and 5.04% for Q2 2016. The change in the weighted average capitalization rate is driven primarily by the properties acquired and sold in 2016 as well as the decrease in capitalization rates on properties that have undergone significant repositioning.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a closing price of $8.09 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 June 30, 2017 was $20.1 million and a corresponding fair value loss of $0.9 million was recorded on the consolidated statement of income for the three months ended June 30, 2017.

The Trust determined the fair value of the option plan (unit-based compensation liability) at June 30, 2017 at $2.1 million and a corresponding fair value loss of $0.3 million was recorded on the condensed consolidated statement of income for the three months ended June 30, 2017. The intrinsic value of the vested options is $2.5 million.

The Trust used a closing price of $8.09 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the LP Class B unit liability. The total fair value of these Units recorded on the condensed consolidated balance sheet at June 30, 2017 was $1.5 million and a corresponding fair value loss of $0.1 million was recorded on the condensed consolidated statement of income for the three months ended June 30, 2017.

In $ 000's	3 Months Ended June 30, 2017	3 Months Ended June 30, 2016	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016
Fair value loss on financial liabilities:				
Deferred unit compensation plan	**$(864)**	$(1,347)	**$(1,259)**	$(2,972)
Option plan	**(350)**	(404)	**(520)**	(1,024)
LP Class B unit liability	**(78)**	(110)	**(117)**	(255)
Fair value gain/(loss) on financial liabilities	**$(1,292)**	$(1,861)	**$(1,896)**	$(4,251)

DISTRIBUTION EXPENSE

The distribution expense is comprised of distributions to holders of the LP Class B 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, 2016 to June 30, 2017.

In $ 000's	June 30, 2017
Balance, December 31, 2016	$1,308,907
Acquisitions	25,476
Property capital investments	22,926
Fair value gains	34,315
Total investment properties	$1,391,624

The Trust acquired one property (224 suites) for $25.5 million during the six month period ended June 30, 2017.

The fair value of the portfolio at June 30, 2017 was determined internally by the Trust. In order to substantiate management's valuation, market evidence from third party appraisers is incorporated on a continual basis. For the six month period ended June 30, 2017, a fair value gain of $34.3 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 3-4 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 2017 the REIT uses a cut-off of December 31, 2013. 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, 2014, 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 4,725 suites in the REIT's portfolio that were acquired prior January 1, 2014 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

For the six month period ended June 30, 2017, the Trust invested $22.9 million in the portfolio. Of the $22.9 million invested in the first half of the year, $13.3 million was invested in the repositioning properties. Of the remaining $9.6 million, $7.7 million was invested in value enhancing initiatives and $1.9 million was related to sustaining and maintaining existing spaces.

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2016 to June 30, 2017.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2016	72,108,536	$254,777
Units issued under prospectus	10,425,000	80,064
Issue costs	-	(3,661)
Units issued under the deferred unit plan	14,450	106
Units issued under distribution reinvestment plan	283,035	2,092
Units issued from options exercised	146,375	1,042
June 30, 2017	82,977,396	$334,420

On March 15, 2017 the Trust completed a bought deal prospectus whereby it issued 10,425,000 Trust Units for cash proceeds of $80,064 and incurred $3,661 in issue cost.

As at June 30, 2017 there were 82,977,396 Trust Units issued and outstanding.

DISTRIBUTIONS

The Trust is currently making monthly distributions of $0.02025 per Unit, which equates to $0.243 per Unit on an annualized basis. For the three months ended June 30, 2017, the Trust's FFO and AFFO was $0.100 and $0.089 per unit respectively, compared to $0.101 and $0.087 for the three months ended June 30, 2016, while the distributions were $0.0608 for 2017 and $0.0578 for 2016.

Distributions to Unitholders were as follows:

In $ 000's	3 Months Ended June 30, 2017	3 Months Ended June 30, 2016	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016
Distributions declared to Unitholders	**$ 5,038**	$ 4,131	**$ 9,641**	$ 8,243
Distributions reinvested through DRIP	**(923)**	(974)	**(2,092)**	(2,185)
Distributions declared to Unitholders, net of DRIP	**$ 4,115**	$ 3,157	**$ 7,549**	$ 6,058
DRIP participation rate	**18.3%**	23.6%	**21.7%**	26.5%

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.

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 June 30, 2017	3 Months Ended June 30, 2016	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016
Net income	**$39,231**	$5,749	**$47,523**	$9,131
Cash flows from operating activities	**9,638**	8,777	**16,738**	16,698
Distributions paid [(1)]	**4,123**	3,159	**7,351**	6,067
Distributions declared [(1)]	**5,049**	4,142	**9,663**	8,265
Excess of net income over distributions paid	**35,108**	2,590	**40,172**	3,064
Excess of net income over distributions declared	**34,182**	1,607	**37,860**	866
Excess of cash flows from operations over distributions paid	**5,515**	5,618	**9,387**	10,631
Excess of cash flows from operations over distributions declared	**4,589**	4,635	**7,075**	8,433

[(1)] Includes distributions on LP Class B units

For the three months ended June 30, 2017, cash flows from operating activities exceeded distributions paid by $5.5 million. 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.

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended June 30, 2017	3 Months Ended June 30, 2016	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016
Trust units	**82,894,918**	71,399,039	**78,574,965**	71,279,003
LP Class B units	**186,250**	186,250	**186,250**	186,250
Weighted average units outstanding - Basic	**83,081,168**	71,585,289	**78,761,215**	71,465,253
Unexercised dilutive options [(1)]	**305,097**	440,303	**305,097**	440,303
Weighted average units outstanding - Diluted	**83,386,265**	72,025,592	**79,066,312**	71,905,556

[(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.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended June 30, 2017**	**3 Months Ended June 30, 2016**	**6 Months Ended June 30, 2017**	**6 Months Ended June 30, 2016**
Net income	**$39,231**	$5,749	**$47,523**	$9,131
Add (deduct):				
Fair value adjustments on investment property	**(32,190)**	(748)	**(34,315)**	(1,001)
Loss on sale of assets	**-**	353	**-**	664
Unrealized loss on financial instruments	**1,292**	1,861	**1,896**	4,251
Interest expense on puttable units classified as liabilities	**11**	11	**22**	22
Funds from Operations (FFO)	**$8,344**	$7,226	**$15,126**	$13,067
FFO per weighted average unit - basic	**$0.100**	$0.101	**$0.192**	$0.183
FFO per weighted average unit - diluted	**$0.100**	$0.100	**$0.191**	$0.182

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended June 30, 2017**	**3 Months Ended June 30, 2016**	**6 Months Ended June 30, 2017**	**6 Months Ended June 30, 2016**
Funds from Operations	**$8,344**	$7,226	**$15,126**	$13,067
Add (deduct):				
Actual maintenance capital investment	**(964)**(1)	(983)(2)	**(1,935)**(1)	(1,857)(3)
Adjusted Funds from Operations (AFFO)	**$7,380**	$6,243	**$13,191**	$11,210
AFFO per weighted average unit - basic	**$0.089**	$0.087	**$0.167**	$0.157
AFFO per weighted average unit - diluted	**$0.088**	$0.087	**$0.167**	$0.156

(1) Maintenance capital investment total is calculated for the 4,725 weighted average repositioned suites for 2017
(2) Maintenance capital investment total is calculated for the 4,474 weighted average repositioned suites for 2016
(3) Maintenance capital investment total is calculated for the 4,569 weighted average repositioned suites for 2016

CASH GENERATED FROM OPERATING ACTIVITIES TO AFFO RECONCILIATION

The following table reconciles AFFO to cash flow from operations in accordance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures":

AFFO Reconciliation from cash flow In $000's	**3 Months Ended June 30, 2017**	**3 Months Ended June 30, 2016**	**6 Months Ended June 30, 2017**	**6 Months Ended June 30, 2016**
Cash flow from operations	**$9,638**	$8,777	**$16,738**	$16,698
Change in non-cash working capital	**164**	(194)	**2,539**	562
Tenant inducements	**(311)**	(413)	**(644)**	(779)
Amortization	**(79)**	(53)	**(157)**	(106)
Amortization of finance costs	**(431)**	(294)	**(628)**	(603)
Unit-based compensation	**(637)**	(597)	**(2,722)**	(2,705)
Maintenance capital investment	**(964)**	(983)	**(1,935)**	(1,857)
Adjusted Funds from Operations (AFFO)	**$7,380**	$6,243	**$13,191**	$11,210

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 50.7% of Gross Book Value ("GBV") at June 30, 2017. 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	June 30, 2017	December 31, 2016
Total assets per Balance Sheet	$1,403,858	$1,321,524
Mortgages payable and vendor take-back loans	$672,797	$638,723
Lines of credit	22,455	91,800
Total debt	$695,252	$730,523
Debt to GBV	49.5%	55.3%

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 June 30th:

In $000's	12 Months Ended June 30, 2017	12 Months Ended June 30, 2016
NOI	$59,468	$54,154
Less: Administrative costs	8,143	7,304
EBITDA	$51,325	$46,850
Interest expense [1]	19,651	18,233
Interest coverage ratio	**2.61x**	**2.57x**
Contractual principal repayments	11,595	12,371
Total debt service payments	$31,246	$30,604
Debt service coverage ratio	**1.64x**	**1.53x**

[1] Interest expense includes interest on mortgages and credit facilities 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 (excluding assets held for sale) of InterRent REIT.

Year Maturing	Mortgage Balances At June 30, 2017 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2017	$103,255	15.1%	2.66%
2018	$157,617	23.1%	2.46%
2019	$81,918	12.0%	2.70%
2020	$53,854	7.9%	2.52%
2021	$30,393	4.5%	3.55%
Thereafter	$255,336	37.4%	2.72%
Total	$682,373	100%	2.67%

At June 30, 2017, the average term to maturity of the mortgage debt was approximately 4.7 years and the weighted average cost of mortgage debt was 2.67%. At June 30, 2017, approximately 54% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust re-financed five properties which increased mortgage debt by $11.9 million, paid off two mortgages at maturity for $2.9 million and paid down $2.7 million in mortgage principal. The net result at June 30, 2017 compared to March 31, 2017 was:

- An increase in the average term to maturity of the mortgage debt to 4.7 years from 4.2 years;
- A decrease in the weighted average cost of mortgage debt to 2.67% from 2.70% ; and,
- An increase in the mortgage debt backed by CMHC insurance to approximately 54% from 52%.

As at June 30, 2017, 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 June 30, 2017, the Trust had no balance outstanding under this facility.
- A $35.0 million term credit facility, maturing in 2019, 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 June 30, 2017, the Trust had utilized $0.9 million of this facility.
- A $25.0 million term credit facility, maturing in 2018, with a Canadian chartered bank secured by a general security agreement, a first mortgage on two 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 June 30, 2017, the Trust had utilized $1.1 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 June 30, 2017, the Trust had utilized $20.5 million of this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments*

July July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The effective date for IFRS 9 is for periods beginning on or after January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. The Trust intends to adopt IFRS 9 for the annual period beginning on January 1, 2018. Based on its preliminary assessment of the standard, the Trust does not expect the standard to have a material impact on the financial statements of the Trust.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. Based on its preliminary assessment of the standard, the Trust does not expect the standard to have a material impact on the financial statements of the Trust.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract: i.e. the customer (“lessee”) and the supplier (“lessor”). From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. IFRS 16 is effective as of January 1, 2019; however, a company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. Based on its preliminary assessment of the standard, the Trust does not expect the standard to have a material impact on the financial statements of the Trust.

RISKS AND UNCERTAINTIES

A comprehensive description of the risks and uncertainties can be found in InterRent REIT’s December 31, 2016 MD&A and other securities filings at www.sedar.com.

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**

Credit risk represents the financial loss that the Trust would experience if a tenant failed to meet its obligations in accordance with the terms and conditions of the lease. The Trust's credit risk is attributable to its rents and other receivables, loan receivable long-term incentive plan, mortgage holdbacks and mortgages receivable.

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, estimated by the Trust's management based on prior experience and their assessment of the current economic environment. The Trust establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of rents and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and an overall loss component established based on historical trends. At June 30, 2017, the Trust had past due rents and other receivables of $1.8 million net of an allowance for doubtful accounts of $0.7 million which adequately reflects the Trust's credit risk.

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.

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 amounts shown in the condensed consolidated balance sheet as mortgage holdbacks relate primarily to amounts that will be released upon the completion of repairs to certain buildings. Mortgages receivable represent vendor take back loans on the sale of buildings and are secured by the building. Management believes there is minimal credit risk due to the nature of these amounts receivable and the underlying collateral.

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 20 in the June 30, 2017 condensed 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.

As at June 30, 2017, the Trust had credit facilities as described in note 9 in the June 30, 2017 condensed consolidated financial statements.

Note 8 in the June 30, 2017 condensed consolidated financial statements reflects the contractual maturities for mortgage and loans payable of the Trust at June 30, 2017, 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 and loans 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 and loans 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 and loans payable, and credit facilities is approximately $710 million as at June 30, 2017 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 June 30, 2017, approximately 37% 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 $1.1 million for the six months ended June 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2017 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.

i. Accounts Payable (net of amounts receivable)

As at June 30, 2017, $0.9 million (December 31, 2016 - $1.1 million) 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

During the six month period ended June 30, 2017 the Trust incurred $3.8 million (2016 - $4.2 million) in services from companies controlled by an officer of the Trust. Of the services received approximately $1.1 million (2016 - $1.7 million) has been capitalized to the investment properties and the remaining amounts are included in operating and administrative costs.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant 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.

Pursuantto Canadian Securities Administrators requirements 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, InterRent REIT's Chief Executive Officer and Chief Financial Officer have satisfied themselves that as at June 30, 2017:

1. the design of disclosure controls and procedures was appropriate in order to provide reasonable assurance that material information relating to InterRent REIT is made known to us by others;
2. the design of internal controls over financial reporting was appropriate in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with GAAP; and,
3. there have been no changes in InterRent REIT's internal controls over financial reporting during the quarter that has materially affected, or is reasonably likely to materially affect, InterRent REIT's internal controls over financial reporting.

OUTSTANDING SECURITIES DATA

As of July 26, 2017, the Trust had issued and outstanding: (i) 83,019,947 units; (ii) LP Class B Units that are exchangeable for 186,250 units of the Trust; (iii) options exercisable to acquire 1,029,800 units of the Trust; and (iv) deferred units that are redeemable for 2,850,437 units of the Trust.

ADDITIONAL INFORMATION

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