InterRent REIT Management's Discussion & Analysis

For the Three and Nine Months Ended September 30, 2017

November 14, 2017

614 Lake Street,
St. Catharines, 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 September 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 September 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

Gross Rental Revenue, Net Operating Income, Stabilized property results, Funds from Operations, Adjusted Funds 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.

Stabilized property results are revenues, expenses and NOI from properties owned by the Trust continuously for 24 months prior to the beginning of the period being reported.

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.

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, Stabilized properties, FFO, AFFO 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 well located 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 three quarters of 2017, the REIT added 473 suites in Montreal and 74 suites in Hamilton. 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 September 30, 2017, approximately 26% (2,274 suites) of the portfolio was non-stabilized compared to approximately 40% (3,257 suites) at September 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 with continued focus on applying our repositioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders. This growth is anticipated to come from: sourcing properties in our existing core markets that allow us to build scale within these areas; continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio; re-deploying capital where management believes that properties have reached their economic peak; and, looking for expansion opportunities in other markets that the REIT has targeted for growth.
- The REIT, along with its joint venture partners, are continuing to make progress on the overall site design for the 900 Albert Street (Ottawa), which will be one of the first true multi-use developments in the country on a mass transit line. The 3.6 acre site is the only station situated at the intersection of the Trillium Line (the North/South line) and the Confederation Line (the East/West line) of the LRT and is approved for up to three towers including multi-family, retail and office space.
- 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 $0.9 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 $1.0 million in AGIs planned, approximately $0.1 million is scheduled to be rolled out in the remainder of 2017; $0.5 million in 2018; and, $0.4 million in 2019-21.
- Management is currently working on several mortgage renewals in the fourth quarter and anticipates up-financing in excess of $25 million and an increase in the mortgages backed by CMHC insurance to over 69%.

Q3 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three months ended September 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 September 30, 2017**	**3 Months Ended September 30, 2016**	**Change**
Total suites	**8,605**	8,059	**+6.8%**
Average rent per suite (September)	**$1,099**	$1,055	**+4.2%**
Occupancy rate (September)	**97.3%**	94.2%	**+310bps**
Operating revenues	**$27,800**	$24,099	**+15.4%**
Net operating income (NOI)	**$17,526**	$14,677	**+19.4%**
NOI %	**63.0%**	60.9%	**+210bps**
Stabilized average rent per suite (September)	**$1,110**	$1,059	**+4.8%**
Stabilized occupancy rate (September)	**97.6%**	96.2%	**+140bps**
Stabilized NOI	**$14,040**	$12,629	**+11.2%**
Stabilized NOI %	**66.1%**	63.2%	**+290bps**
Net Income	**$111,112**	$11,905	**833.3%**
Funds from Operations (FFO)	**$9,891**	$7,393	**+33.8%**
FFO per weighted average unit - basic	**$0.118**	$0.103	**+14.6%**
FFO per weighted average unit - diluted	**$0.118**	$0.102	**+15.7%**
Adjusted Funds from Operations (AFFO)	**$8,878**	$6,582	**+34.9%**
AFFO per weighted average unit - basic	**$0.106**	$0.091	**+16.5%**
AFFO per weighted average unit - diluted	**$0.106**	$0.091	**+16.5%**
Cash distributions per unit	**$0.0608**	$0.0578	**+5.2%**
AFFO payout ratio	**57.1%**	62.7%	**-560bps**
Debt to GBV	**48.5%**	54.9%	**-640bps**
Interest coverage (rolling 12 months)	**2.71x**	2.52x	**+0.19x**
Debt service coverage (rolling 12 months)	**1.71x**	1.54x	**+0.17x**

- Overall Portfolio:
    a) Operating revenue for the quarter rose by $3.7 million to $27.8 million, an increase of 15.4% over Q3 2016.
    b) Average monthly rent per suite increased to $1,099 (September 2017) from $1,055 (September 2016), an increase of 4.2%.
    c) Occupancy for September 2017 was 97.3%, an increase of 160 basis points when compared to June 2017 and 310 basis points when compared to September 2016.
    d) Net Operating Income (NOI) for the quarter was $17.5 million, an increase of $2.8 million, or 19.4%, over Q3 2016. NOI margin for the quarter was 63.0%, up 210 basis points over Q3 2016.
- Stabilized Portfolio:
    a) Operating revenue for the quarter rose by $1.2 million to $21.2 million, an increase of 6.2% over Q3 2016.
    b) Average monthly rent per suite for the stabilized portfolio increased to $1,110 (September 2017) from $1,059 (September 2016), an increase of 4.8%.
    c) Occupancy increased to 97.6% (September 2017) from 96.2% (September 2016).
    d) NOI for the quarter was $14.0 million, an increase of $1.4 million, or 11.2%, over Q3 2016. Stabilized NOI margin for the quarter was 66.1%, up 290 basis points over Q3 2016.
- Fair value gain on investment properties in the quarter of $101.5 million was driven by property level operating improvements as well as a reduction in the overall weighted average capitalization rate to 4.57%.
- Net income for the quarter was $111.1 million, an increase of $99.2 million compared to Q3 2016. The increase was driven primarily by the fair value gain on investment properties as well as rental growth and occupancy improvements.

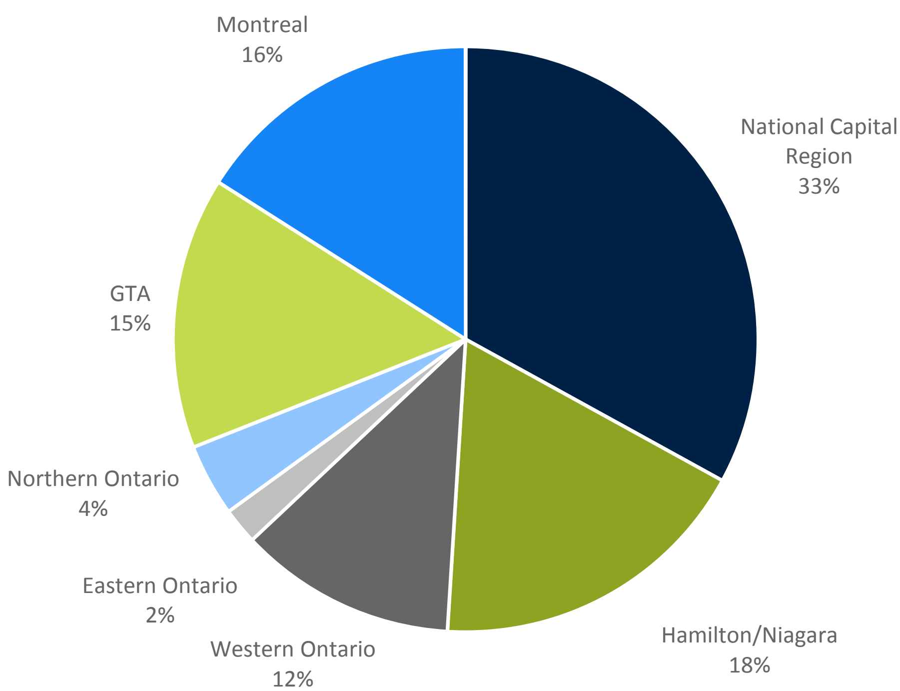
- Funds from Operations (FFO) for the quarter increased by 33.8% to $9.9 million compared to Q3 2016.
- FFO per Unit for the quarter increased by 14.6% to $0.118 per Unit compared to $0.103 per Unit for Q3 2016.
- Adjusted Funds from Operations (AFFO) for the quarter increased by 34.9% to $8.9 million compared to Q3 2016.
- AFFO per Unit for the quarter increased by 16.5% to $0.106 per Unit compared to $0.091 per Unit for Q3 2016.
- Debt to GBV at quarter end was 48.5%, a decrease of 680 basis points from December 2016.
- The Trust completed the following investment property transactions during the quarter:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price	$ / Suite
Q3/17 Acquisitions							
28-Aug-17	3 East 37th	Hamilton	Hamilton/Niagara	Elevator	74	$11,250,000	$152,027
14-Sep-17	2121 & 2255 St. Mathieu	Montreal	Montreal	Elevator	249	$53,753,725	$215,878
Total Acquisitions					**323**	**$65,003,725**	**$201,250**

PORTFOLIO SUMMARY

The Trust started the year with 8,059 suites. During the first three quarters of 2017 the Trust purchased three properties totalling 547 suites and removed 1 suite from LIV to be used as commercial space. At September 30, 2017, the Trust had 8,605 suites. On a weighted average basis, the Trust owned 8,357 suites for the third quarter of 2017 (2016 – 8,096 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 (2,274 suites) and the stabilized portfolio (6,331 suites) to drive rents, reduce operating costs, and streamline operations. At September 30, 2017, approximately 26% of the portfolio was non-stabilized. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 547 suites within these clusters during the first nine months of 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 79% of InterRent's suites now being located in these core markets as compared to 78% at the end of Q3 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 September 30, 2017		3 Months Ended September 30, 2016		9 Months Ended September 30, 2017		9 Months Ended September 30, 2016	
Gross rental revenue	**$27,594**		$24,748		**$79,484**		$74,379	
Less: vacancy & rebates	**(1,255)**		(1,970)		**(4,384)**		(5,569)	
Other revenue	**1,461**		1,321		**4,194**		3,874	
Operating revenues	**$27,800**		$24,099		**$79,294**		$72,684	
Expenses								
Property operating costs	**4,830**	**17.4%**	4,311	17.9%	**13,621**	**17.2%**	12,469	17.2%
Property taxes	**3,881**	**14.0%**	3,342	13.9%	**10,741**	**13.5%**	10,356	14.2%
Utilities	**1,563**	**5.6%**	1,769	7.3%	**7,122**	**9.0%**	7,498	10.3%
Operating expenses	**$10,274**	**37.0%**	$9,422	39.1%	**$31,484**	**39.7%**	$30,323	41.7%
Net operating income	**$17,526**		$14,677		**$47,810**		$42,361	
Net operating margin	**63.0%**		60.9%		**60.3%**		58.3%	

REVENUE

Gross rental revenue for the three months ended September 30, 2017 increased 11.5% to $27.6 million compared to $24.7 million for the three months ended September 30, 2016. Operating revenue for the quarter was up $3.7 million to $27.8 million, or 15.4% compared to Q3 2016. The Trust owned 8,605 suites at the end of Q3 2017 as compared to 8,059 at the end of Q3 2016 an increase of 546 suites. On a weighted average basis, the Trust owned 8,357 suites throughout Q3 2017 as compared to 8,096 throughout Q3 2016, an increase of 261 suites over the period. Gross revenue included $0.5 million from the extended stay suites at LIV which had an average occupancy of 67% for the quarter. Throughout the quarter, there were 60 suites available. These suites are not included in average rent and vacancy below.

The average monthly rent for September 2017 increased to $1,099 per suite from $1,055 (September 2016), an increase of 4.2%. On a stabilized basis, the average rent increased by $51 per suite to $1,110 (or up 4.8%) over September 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 $0.1 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	$1,012	204	$1,012	-	-
GTA	1,283	$1,379	1,160	$1,402	123	$1,162
Hamilton/Niagara	1,508	$1,008	816	$1,097	692	$903
Montreal	1,381	$946	781	$938	600	$957
Northern Ontario	349	$914	349	$914	-	-
NCR – Ottawa [1]	2,386	$1,204	1,527	$1,168	859	$1,274
NCR - Gatineau	497	$854	497	$854	-	-
Western Ontario	997	$1,044	997	$1,044	-	-
Total	**8,605**	**$1,099**	**6,331**	**$1,110**	**2,274**	**$1,066**

[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, 83% of the portfolio has submetering capabilities in place.

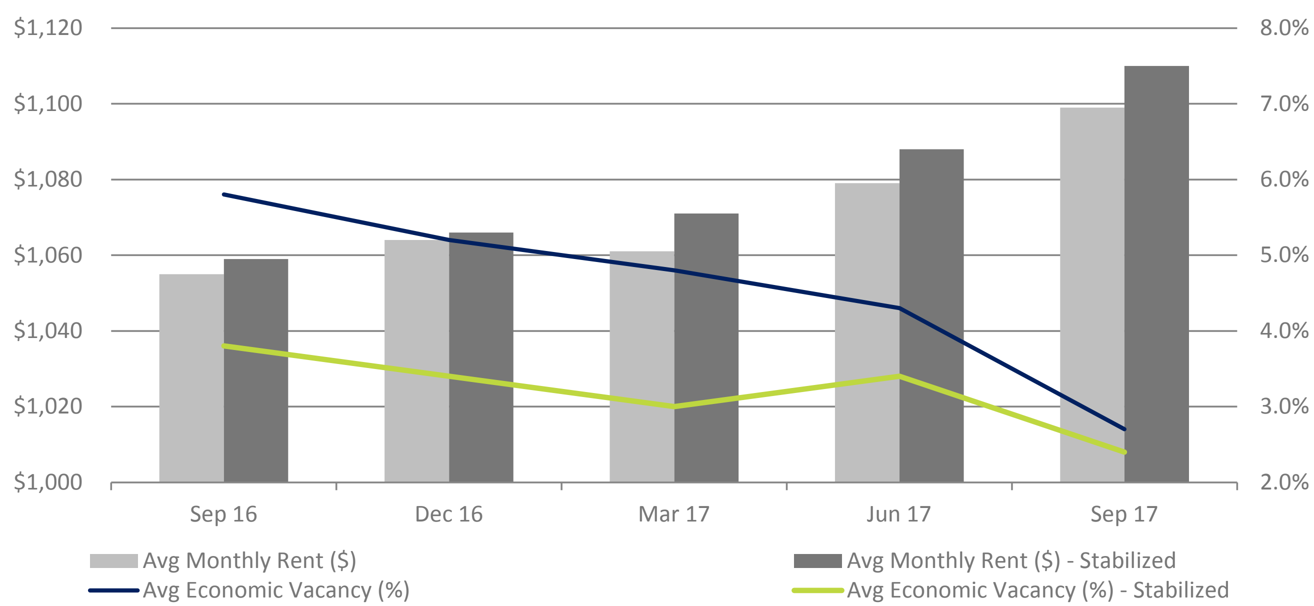
Portfolio Occupancy

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 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.



	September 2016	December 2016	March 2017	June 2017	September 2017
Average monthly rents - all properties	$1,055	$1,064	$1,061	$1,079	$1,099
Average monthly rents - stabilized properties	$1,059	$1,066	$1,071	$1,088	$1,110

The overall economic vacancy for September 2017 across the entire portfolio was 2.7%, a reduction of 310 basis points as compared to the 5.8% recorded for September 2016. Economic vacancy for the stabilized portfolio for September 2017 was 2.4%, a reduction of 140 basis points as compared to the 3.8% recorded for the month ended September 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 continues to see elevated vacancy however this has improved from the 8.2% for June 2017. Although elevated in September, the stabilized properties in Montreal have shown significant improvement since quarter end.

Region	All Properties	Stabilized Properties	Non-Stabilized Properties
Eastern Ontario	0.8%	0.8%	n/a
GTA	1.0%	1.0%	1.2%
Hamilton/Niagara	3.4%	1.8%	5.8%
Montreal	5.2%	5.6%	4.8%
Northern Ontario	6.1%	6.1%	n/a
NCR [1]	2.5%	2.9%	1.8%
Western Ontario	1.2%	1.2%	n/a
Total	2.7%	2.4%	3.5%

[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 September 30, 2017 increased 10.6% to $1.5 million compared to $1.3 million for the three months ended September 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 September 30, 2017, other revenue represents 5.3% of net operating revenue compared to 5.5% for Q3 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 September 30, 2017 amounted to $4.8 million or 17.4% of revenue compared to $4.3 million or 17.9% of revenue for the three months ended September 30, 2016. As a percentage of revenue, operating costs decreased by 0.5% as compared to 2016.

PROPERTY TAXES

Property taxes for the three months ended September 30, 2017 amounted to $3.9 million or 14.0% of revenue compared to $3.3 million or 13.9% of revenue for the three months ended September 30, 2016. The overall increase in taxes is mainly attributable to the increase in suites from the third quarter of 2016 to 2017. On a percent of revenue basis, the amount is fairly constant.

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 September 30, 2017 amounted to $1.6 million or 5.6% of revenue compared to $1.8 million or 7.3% of revenue for the three months ended September 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.

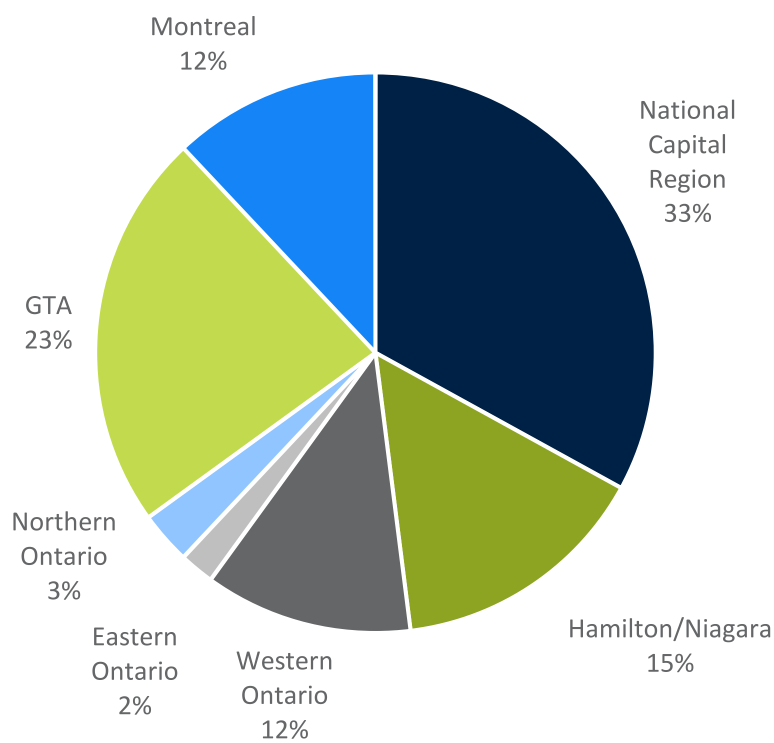
Across the entire portfolio, our hydro sub-metering initiative reduced our electricity costs by 33.7%, or $0.3 million for the quarter. At September 30, 2017, the REIT had 7,101 suites that had the capability to submeter hydro in order to recover the cost. Of the 7,101 suites that have the infrastructure in place, 5,295 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant. This represents approximately 75% of the submetered suites or approximately 62% of the total portfolio. The REIT currently has submetering in place for approximately 83% 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 September 30, 2017 amounted to $17.5 million or 63.0% of operating revenue compared to $14.7 million or 60.9% of operating revenue for the three months ended September 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 $14.0 million, or 66.1% of revenue, and NOI from non-stabilized properties was $3.5 million, or 53.0% 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 September 30, 2017



STABILIZED PORTFOLIO PERFORMANCE

Stabilized properties for the three months ended September 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 July 1, 2015 to September 30, 2017. As at September 30, 2017, the Trust has 6,331 stabilized suites, which represents 73.6% of the overall portfolio.

In $ 000's	3 Months Ended September 30, 2017		3 Months Ended September 30, 2016		9 Months Ended September 30, 2017		9 Months Ended September 30, 2016	
Gross rental revenue	**$20,916**		$20,004		**$61,774**		$59,257	
Less: vacancy & rebates	**(825)**		(1,138)		**(2,659)**		(3,625)	
Other revenue	**1,134**		1,117		**3,376**		3,174	
Operating revenues	**$21,225**		$19,983		**$62,491**		$58,806	
Expenses								
Property operating costs	**3,307**	**15.6%**	3,319	16.6%	**9,580**	**15.3%**	9,493	16.2%
Property taxes	**2,721**	**12.8%**	2,653	13.3%	**8,169**	**13.1%**	7,904	13.4%
Utilities	**1,157**	**5.5%**	1,382	6.9%	**5,581**	**8.9%**	5,815	9.9%
Operating expenses	**$7,185**	**33.9%**	$7,354	36.8%	**$23,330**	**37.3%**	$23,212	39.5%
Net operating income	**$14,040**		$12,629		**$39,161**		$35,594	
Net operating margin	**66.1%**		63.2%		**62.7%**		60.5%	

For the three months ended September 30, 2017, operating revenues for stabilized properties increased by 6.2% and operating expenses decreased by 2.3% as compared to the same period last year. As a result, stabilized NOI has increased by $1.4 million, or 11.2%, as compared to the same period last year. NOI margin for Q3 2017 was 66.1% as compared to 63.2% for Q3 2016, an increase of 290 basis points.

The average monthly rent for September 2017 for stabilized properties increased to $1,110 per suite from $1,059 (September 2016), an increase of 4.8%. Economic vacancy for September 2017 for stabilized properties was 2.4%, compared to 3.8% for September 2016.

	September 2016	December 2016	March 2017	June 2017	September 2017
Average monthly rents stabilized properties	$1,059	$1,066	$1,071	$1,088	$1,110
Average monthly vacancy stabilized properties	3.8%	3.4%	3.0%	3.4%	2.4%

For the stabilized portfolio, the property operating costs and property taxes decreased as a percentage of operating revenues and were relatively flat on a dollar basis. Utilities also decreased as a percentage of operating revenues and were $0.2 million less than Q3 2016. 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 $ OOO's	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Net operating income	**$17,526**	$14,677	**$47,810**	$42,361
Expenses				
Financing costs	**5,304**	5,224	**15,788**	15,647
Administrative costs	**2,158**	1,912	**6,512**	5,840
Income before other income expenses	**$10,064**	$7,541	**$25,510**	$20,874

FINANCING COSTS

Financing costs amounted to $5.3 million or 19.1% of revenue for the three months ended September 30, 2017 compared to $5.2 million or 21.7% of revenue for the three months ended September 30, 2016. As a percentage of revenue, financing costs have historically been in the range of 19% to 22%.

In $ OOO's	3 Months Ended September 30, 2017		3 Months Ended September 30, 2016	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$4,781**	**17.2%**	$4,399	18.2%
Credit facilities	**360**	**1.3%**	523	2.2%
Interest income	**(58)**	**(0.2%)**	(51)	(0.2%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**221**	**0.8%**	353	1.5%
Total	**$5,304**	**19.1%**	$5,224	21.7%

Financing costs amounted to $15.8 million or 19.9% of revenue for the nine months ended September 30, 2017 compared to $15.6 million or 21.5% of revenue for the nine months ended September 30, 2016.

In $ OOO's	9 Months Ended September 30, 2017		9 Months Ended September 30, 2016	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$13,737**	**17.3%**	$13,372	18.4%
Credit facilities	**1,357**	**1.7%**	1,443	2.0%
Interest income	**(155)**	**(0.2%)**	(124)	(0.2%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**849**	**1.1%**	956	1.3%
Total	**$15,788**	**19.9%**	$15,647	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 the overall weighted average. Management has been able to maintain the weighted average rate of mortgage debt within a narrow range over the past year (2.69% at September 30, 2016 and 2.83% at September 30, 2017). 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 September 30, 2017 amounted to $2.2 million or 7.8% of revenue compared to $1.9 million or 7.9% of revenue for the three months ended September 30, 2016.

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

In $ OOO's	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Income before other income and expenses	**$10,064**	$7,541	**$25,510**	$20,874
Loss on sale of assets	-	(498)	-	(1,162)
Fair value adjustments of investment properties	**101,450**	4,538	**135,765**	5,539
Unrealized gain/(loss) on financial liabilities	**(217)**	483	**(2,113)**	(3,769)
Distributions expense on units classified as financial liabilities	**(185)**	(159)	**(527)**	(446)
Net income	**$111,112**	$11,905	**$158,635**	$21,036

SALE OF ASSETS

There were no dispositions in the three months ended September 30, 2017. During the three months ended September 30, 2016, the Trust had a 0.5 million loss from the sale of eight investment properties. The Trust sold eight properties in Sarnia, Bradford and Niagara Falls for a total selling price of $43.6 million compared to a carrying value of $42.6 million. The properties were sold for $1.0 million above their fair value however selling costs of $1.5 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 $0.5 million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at September 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 September 30, 2017, a fair value gain of $101.4 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 as well as adjustments to capitalization rates in certain geographic markets. The weighted average capitalization rate used across the portfolio at the end of Q3 2017 was 4.57% as compared to 4.85% for Q2 2017 and 5.00% for Q3 2016. The change in the weighted average capitalization rate is a result of acquisitions, the decrease in capitalization rates on properties that have undergone significant repositioning, and the compression of cap rates in Ontario and Quebec that has been driven by continued strong demand for multi-family assets within these markets.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a price of $8.05 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 September 30, 2017 was $20.3 million and a corresponding fair value loss of $0.1 million was recorded on the consolidated statement of income for the three months ended September 30, 2017.

The Trust determined the fair value of the option plan (unit-based compensation liability) at September 30, 2017 at $2.3 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 September 30, 2017. The intrinsic value of the vested options is $2.4 million.

The Trust used a price of $8.05 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 September 30, 2017 was $1.5 million and a corresponding fair value gain of $7 thousand was recorded on the condensed consolidated statement of income for the three months ended September 30, 2017.

In $ OOO's	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Fair value loss on financial liabilities:				
Deferred unit compensation plan	**$(123)**	$298	**$(1,382)**	$(2,675)
Option plan	**(101)**	155	**(621)**	(869)
LP Class B unit liability	**7**	30	**(110)**	(225)
Fair value gain/(loss) on financial liabilities	**$(217)**	$483	**$(2,113)**	$(3,769)

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 September 30, 2017.

In $ OOO's	September 30, 2017
Balance, December 31, 2016	$1,308,907
Acquisitions	92,635
Property capital investments	37,717
Fair value gains	135,765
Total investment properties	$1,575,024

The Trust acquired three properties (547 suites) for $92.6 million during the nine month period ended September 30, 2017.

The fair value of the portfolio at September 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 nine month period ended September 30, 2017, a fair value gain of $135.8 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 nine month period ended September 30, 2017, the Trust invested $37.7 million in the portfolio. Of the $37.7 million invested in the first nine months of the year, $21.4 million was invested in the repositioning properties. Of the remaining $16.3 million, $13.4 million was invested in value enhancing initiatives and $2.9 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 September 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 long-term incentive plan	590,000	4,525
Units issued under the deferred unit plan	67,350	533
Units issued under distribution reinvestment plan	413,314	3,079
Units issued from options exercised	160,875	1,151
September 30, 2017	83,765,075	$340,468

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 September 30, 2017 there were 83,765,075 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 September 30, 2017, the Trust's FFO and AFFO was $0.118 and $0.106 per unit respectively, compared to $0.103 and $0.090 for the three months ended September 30, 2016, while the distributions were $0.0608 for 2017 and $0.0578 for 2016.

Distributions to Unitholders are as follows:

In $ OOO's	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Distributions declared to Unitholders	**$ 5,071**	$ 4,152	**$ 14,711**	$ 12,395
Distributions reinvested through DRIP	**(987)**	(586)	**(3,079)**	(2,771)
Distributions declared to Unitholders, net of DRIP	**$ 4,084**	$ 3,566	**$ 11,632**	$ 9,624
DRIP participation rate	**19.5%**	14.1%	**20.9%**	22.4%

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 September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Net income	**$111,112**	$11,905	**$158,635**	$21,036
Cash flows from operating activities	**13,142**	9,169	**29,881**	25,867
Distributions paid (1)	**4,077**	3,573	**11,429**	9,640
Distributions declared (1)	**5,082**	4,163	**14,745**	12,428
Excess of net income over distributions paid	**107,035**	8,332	**147,206**	11,396
Excess of net income over distributions declared	**106,030**	7,742	**143,890**	8,608
Excess of cash flows from operations over distributions paid	**9,065**	5,596	**18,452**	16,227
Excess of cash flows from operations over distributions declared	**8,060**	5,006	**15,136**	13,439

(1) Includes distributions on LP Class B units

For the three months ended September 30, 2017, cash flows from operating activities exceeded distributions paid by $9.0 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 September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Trust units	**83,302,172**	71,868,365	**80,168,016**	71,477,453
LP Class B units	**186,250**	186,250	**186,250**	186,250
Weighted average units outstanding - Basic	**83,488,422**	72,054,615	**80,354,266**	71,663,703
Unexercised dilutive options [1]	**350,260**	401,312	**350,260**	401,312
Weighted average units outstanding - Diluted	**83,838,682**	72,455,927	**80,704,526**	72,065,015

[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 September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Net income	**$111,112**	$11,905	**$158,635**	$21,036
Add (deduct):				
Fair value adjustments on investment property	**(101,450)**	(4,538)	**(135,765)**	(5,539)
Loss on sale of assets	**-**	498	**-**	1,162
Unrealized loss on financial instruments	**217**	(483)	**2,113**	3,769
Interest expense on puttable units classified as liabilities	**12**	11	**34**	33
Funds from Operations (FFO)	**$9,891**	$7,393	**$25,017**	$20,461
FFO per weighted average unit - basic	**$0.118**	$0.103	**$0.311**	$0.286
FFO per weighted average unit - diluted	**$0.118**	$0.102	**$0.310**	$0.284

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended September 30, 2017**	**3 Months Ended September 30, 2016**	**9 Months Ended September 30, 2017**	**9 Months Ended September 30, 2016**
Funds from Operations	**$9,891**	$7,393	**$25,017**	$20,461
Add (deduct):				
Actual maintenance capital investment	**(1,013)**[(1)]	(811)[(2)]	**(2,948)**[(1)]	(2,668)[(3)]
Adjusted Funds from Operations (AFFO)	**$8,878**	$6,582	**$22,069**	$17,793
AFFO per weighted average unit - basic	**$0.106**	$0.091	**$0.275**	$0.248
AFFO per weighted average unit - diluted	**$0.106**	$0.091	**$0.273**	$0.247

(1) Maintenance capital investment total is calculated for the 4,725 repositioned suites for 2017
(2) Maintenance capital investment total is calculated for the 3,871 repositioned suites for 2016
(3) Maintenance capital investment total is calculated for the 4,336 repositioned suites for 2016

Weighted average units outstanding (basic) increased by 11,433,807, or 15.8%, this quarter over Q3 2016. Despite this increase, FFO per unit increased to $0.118 from $0.103, an increase of 14.6% and AFFO per unit increased to $0.106 from $0.091, an increase of 16.5%.

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 48.5% of Gross Book Value ("GBV") at September 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	September 30, 2017	December 31, 2016
Total assets per Balance Sheet	$1,601,499	$1,321,524
Mortgages payable and vendor take-back loans	$720,105	$638,723
Lines of credit	56,300	91,800
Total debt	$776,405	$730,523
Debt to GBV	48.5%	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 September 30th:

In $000's	12 Months Ended September 30, 2017	12 Months Ended September 30, 2016
NOI	$62,317	$55,553
Less: Administrative costs	8,389	7,585
EBITDA	$53,928	$47,968
Interest expense [(1)]	19,863	19,002
Interest coverage ratio	**2.71x**	**2.52x**
Contractual principal repayments	11,615	12,152
Total debt service payments	$31,478	$31,154
Debt service coverage ratio	**1.71x**	**1.54x**

(1) Interest eexpense 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 of InterRent REIT.

Year Maturing	Mortgage Balances At September 30, 2017 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate (1)
2017	$76,377	10.5%	2.66%
2018	$163,384	22.4%	2.90%
2019	$82,856	11.3%	3.16%
2020	$89,820	12.3%	2.75%
2021	$31,389	4.3%	3.55%
Thereafter	$286,484	39.2%	2.74%
Total	$730,310	100%	2.83%

At September 30, 2017, the average term to maturity of the mortgage debt was approximately 4.8 years and the weighted average cost of mortgage debt was 2.83%. At September 30, 2017, approximately 53% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust assumed one mortgage and added a mortgage for the two properties that were acquired in the quarter for a combined amount of $38.3 million, re-financed two properties which increased mortgage debt by $12.4 million and paid down $2.8 million in mortgage principal. The net result at September 30, 2017 compared to June 30, 2017 was:

- An increase in the average term to maturity of the mortgage debt to 4.8 years from 4.7 years;
- An increase in the weighted average cost of mortgage debt to 2.83% from 2.67% ; and,
- A decrease in the mortgage debt backed by CMHC insurance to approximately 53% from 54%.

As at September 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 September 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 September 30, 2017, the Trust had no balance outstanding under 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 September 30, 2017, the Trust had utilized $1.8 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 September 30, 2017, the Trust had utilized $54.5 million of this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments*

In 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 September 30, 2017, the Trust had past due rents and other receivables of $1.9 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 21 in the September 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 September 30, 2017, the Trust had credit facilities as described in note 10 in the September 30, 2017 condensed consolidated financial statements.

Note 9 in the September 30, 2017 condensed consolidated financial statements reflects the contractual maturities for mortgage and loans payable of the Trust at September 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 $786 million as at September 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 September 30, 2017, approximately 40% 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 $1.8 million for the nine months ended September 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 31, 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 and are measured at the exchange amounts, believed to represent fair value. Related party transactions have been listed below, unless they have been disclosed elsewhere in the condensed financial statements.

i. Accounts Payable (net of amounts receivable)

As at September 30, 2017, $1.0 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 nine month period ended September 30, 2017 the Trust incurred $5.7 million (2016 - $6.6 million) in services from companies controlled by an officer of the Trust. Of the services received approximately $1.9 million (2016 - $2.8 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.

Pursuant to 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 September 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.

SUBSEQUENT EVENT

On November 14, 2017, the Board of Trustees approved an 11.1% increase to the monthly per unit distributions. The increase will be effective for the November distribution that is to be paid in December 2017.

OUTSTANDING SECURITIES DATA

As of November 14, 2017, the Trust had issued and outstanding: (i) 83,803,663 units; (ii) LP Class B Units that are exchangeable for 186,250 units of the Trust; (iii) options exercisable to acquire 1,348,300 units of the Trust; and (iv) deferred units that are redeemable for 2,874,577 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.