



InterRent REIT Management's Discussion & Analysis

For the Year Ended December 31, 2017

February 22, 2018

2386 & 2400 New Street,
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, 2017 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 December 31, 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 years ended December 31, 2017 and 2016.

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 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") and Adjusted Funds from Operations ("AFFO") are financial measures commonly used by many Canadian real estate investment trusts which should not be considered as an alternative to net income, cash flow from operations, or any other operating or liquidity measure prescribed under GAAP. The Trust presents FFO and AFFO in accordance with the REALpac White Paper on Funds from Operations revised February 2017. Management considers FFO and AFFO a useful measure of recurring economic earnings. Prior period data has been restated to comply with the new definition of AFFO.

Adjusted Cash Flows from Operations ("ACFO") is an additional financial measure of economic cash flow based on the operating cash flows of a business adjusted for specific items. The Trust presents ACFO in accordance with the REALpac White Paper dated February 2017. Management considers ACFO a useful measure of sustainable cash flow.

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

Readers are cautioned that Gross Rental Revenue, NOI, Stabilized properties, FFO, AFFO, ACFO and EBITDA are not alternatives to measures under GAAP and should not, on their own, be construed as indicators of the Trust's performance or cash flows, measures of liquidity or as measures of actual return on Units of the Trust. These non-GAAP measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust.

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

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

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

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

InterRent's primary 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 2017, the REIT added 473 suites in Montreal and 129 suites in Hamilton for a combined total of 602 suites. The team we have assembled has a proven track record and we believe we have both the experience and ability necessary to execute on our growth strategy in the years to come.

At December 31, 2017, approximately 27% (2,329 suites) of the portfolio was non-stabilized compared to approximately 36% (2,923 suites) at December 31, 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 re-positioning 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 has:
 - a) Purchased a low-rise building of 48 suites for \$5.3 million. The property is immediately adjacent to its existing buildings at the corner of Sir Walter Scott Avenue and Kildare Street in the Cote-St-Luc neighborhood of Montreal that closed on January 10, 2018; and,
 - b) Committed to purchase 2 buildings in Grimsby (Hamilton area), totalling 172 suites, for \$21.1 million. The property is within close proximity of the future Grimsby GO Train Station.
- 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 \$0.8 million in annualized rental increases remaining to be rolled out based on previously filed applications and is working on a further \$0.3 million. Of the total \$1.1 million in AGIs planned, approximately \$0.5 million is scheduled to be rolled out in 2018; \$0.3 million in 2019; and, \$0.3 million in 2020-21.

- The REIT entered into an agreement with CLV Group Inc. to internalize the REIT's property management function effective February 15, 2018. As a result of the internalization, the property, asset and project management fees payable by the REIT under its existing property management agreement will be eliminated. The internalization is immediately accretive to the REIT with an expected increase in AFFO per Unit exceeding 4%, based on 2018 expectations. Upon closing of the transaction, the current employees of the property manager who are providing property management services for the REIT's properties became employees of the REIT or one of its affiliates. The REIT and CLV Group Inc. have agreed to use commercially reasonable efforts to cooperate for a period of up to 24 months following the closing of the transaction to, among other things, ensure the orderly transition of the REIT-related property management business and to minimize any disruption to either party.

Q4 AND FULL YEAR PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three and twelve months ended December 31, 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 December 31, 2017	3 Months Ended December 31, 2016	Change	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016	Change
Total suites	-	-	-	8,660	8,059	+7.5%
Average rent per suite (December)	-	-	-	\$1,110	\$1,064	+4.3%
Occupancy rate (December)	-	-	-	97.9%	94.8%	+310bps
Operating revenues	\$29,710	\$24,782	+19.9%	\$109,004	\$97,466	+11.8%
Net operating income (NOI)	18,356	14,507	+26.5%	66,166	56,868	+16.4%
NOI %	61.8%	58.5%	+330bps	60.7%	58.3%	+240bps
Stabilized average rent per suite (December)	-	-	-	\$1,118	\$1,066	+4.9%
Stabilized occupancy rate (December)	-	-	-	98.4%	96.6%	+180bps
Stabilized NOI	13,720	12,332	+11.3%	52,881	47,926	+10.3%
Stabilized NOI %	62.8%	60.4%	+240bps	62.7%	60.5%	+220bps
Net Income	\$42,345	\$17,578	+140.9%	\$200,980	\$38,614	+420.5%
Funds from Operations (FFO)	\$9,645	\$7,335	+31.5%	\$34,662	\$27,796	+24.7%
FFO per weighted average unit - basic	\$0.115	\$0.102	+12.7%	\$0.426	\$0.387	+10.1%
FFO per weighted average unit - diluted	\$0.114	\$0.101	+12.9%	\$0.424	\$0.385	+10.1%
Adjusted Funds from Operations (AFFO)	\$8,502	\$6,526	+30.3%	\$30,570	\$24,319	+25.7%
AFFO per weighted average unit - basic	\$0.101	\$0.090	+12.2%	\$0.376	\$0.339	+10.9%
AFFO per weighted average unit - diluted	\$0.101	\$0.090	+12.2%	\$0.374	\$0.337	+11.0%
Cash distributions per unit	\$0.0653	\$0.0598	+9.2%	\$0.2475	\$0.2330	+6.2%
AFFO payout ratio	64.5%	66.1%	-160bps	65.8%	68.8%	-300bps
Debt to GBV	-	-	-	47.8%	55.3%	-750bps
Interest coverage (rolling 12 months)	-	-	-	2.76x	2.51x	+0.25x
Debt service coverage (rolling 12 months)	-	-	-	1.78x	1.54x	+0.24x

- Overall Portfolio:
 - Operating revenue for the quarter rose by \$4.9 million to \$29.7 million, an increase of 19.9% over Q4 2016. Operating revenue for the year ended 2017 increased by \$11.5 million, or 11.8% year-over-year, to \$109.0 million.
 - Average monthly rent per suite increased to \$1,110 (December 2017) from \$1,064 (December 2016), an increase of 4.3%.
 - Occupancy for December 2017 was 97.9%, up from 97.3% in September 2017 and up 310 bps when compared to December 2016.
 - Net operating income (NOI) for the quarter increased by 26.5%, or \$3.8 million, to \$18.4 million compared to Q4 2016. For the quarter, NOI as a percentage of revenues was 61.8% and was up by 330 basis points compared to Q4 2016. NOI for the twelve months ended December 31, 2017 was \$66.2 million, an increase of \$9.3 million, or 16.4%, compared to 2016. NOI margin for the year ended 2017 was 60.7%, an increase of 240 basis points compared to 2016.

- Stabilized Portfolio:
 - a) Operating revenue for the quarter rose by \$1.4 million to \$21.9 million, an increase of 7.1% over Q4 2016. Operating revenue for the year ended 2017 increased by \$5.1 million to \$84.4 million, or 6.5%, over 2016.
 - b) Average monthly rent per suite increased to \$1,118 (December 2017) from \$1,066 (December 2016), an increase of 4.9%.
 - c) Occupancy increased to 98.4% (December 2017) from 96.6% (December 2016).
 - d) NOI for the quarter increased by 11.3%, or \$1.4 million, to \$13.7 million compared to Q4 2016. For the quarter, NOI as a percentage of revenues was 62.8% and was up by 240 basis points compared to Q4 2016. NOI for the twelve months ended December 31, 2017 was \$52.9 million, an increase of \$5.0 million, or 10.4%, compared to 2016. NOI margin for the year ended 2017 was 62.7%, an increase of 220 basis points compared to 2016.
- Fair value gain on investment properties in the year of \$172.5 million was driven by property level operating improvements as well as a reduction in the overall weighted average capitalization rate to 4.55% compared to 4.96% as at December 31, 2016.
- Net income for the year was \$201.0 million, an increase of \$162.4 million compared to 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 31.5% to \$9.6 million compared to Q4 2016. FFO for the year increased by 24.7% to \$34.7 million compared to 2016.
- FFO per Unit for the quarter increased by 12.7% to \$0.115 per Unit compared to \$0.102 per Unit for Q4 2016. FFO for the year increased by 10.1% to \$0.426 per Unit compared to \$0.387 per Unit for 2016.
- Adjusted Funds from Operations (AFFO) for the quarter increased by 30.3% to \$8.5 million compared to Q4 2016. AFFO for the year increased by 25.7% to \$30.6 million compared to 2016.
- AFFO per Unit for the quarter increased by 12.2% to \$0.101 per Unit compared to \$0.090 per Unit for Q4 2016. AFFO for the year increased by 10.9% to \$0.376 per Unit compared to \$0.339 per Unit for 2016.
- Debt to GBV at year end was 47.8%, a decrease of 750 basis points from December 2016.
- The Trust completed the following investment property transactions during the year:

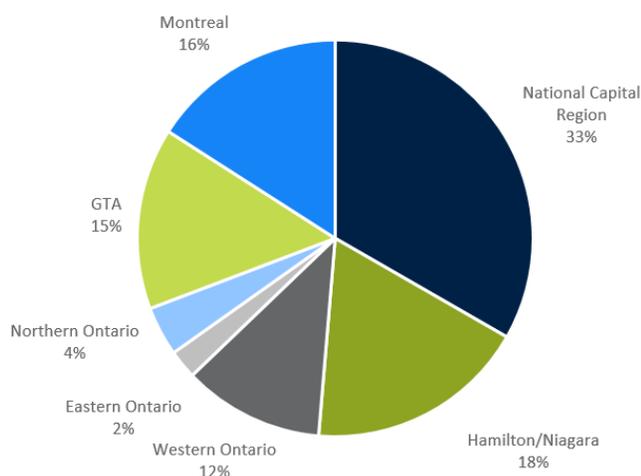
Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price	\$ / Suite
6-Mar-17	1111 & 1121 Rue Mistral	Montreal	Montreal	Elevator	224	\$24,000,000	\$107,143
Q1/17 Acquisition					224	\$24,000,000	\$107,143
28-Aug-17	3 East 37th Street	Hamilton	Hamilton/Niagara	Elevator	74	\$11,250,000	\$152,027
14-Sep-17	2121 & 2255 St. Mathieu	Montreal	Montreal	Elevator	249	\$53,753,725	\$215,878
Q3/17 Acquisitions					323	\$65,003,725	\$201,250
1-Dec-17	718 Lawrence Road	Hamilton	Hamilton/Niagara	Elevator	55	\$6,000,000	\$109,091
Q4/17 Acquisition					55	\$6,000,000	\$109,091
Total Acquisitions					602	\$95,003,725	\$157,813

PORTFOLIO SUMMARY

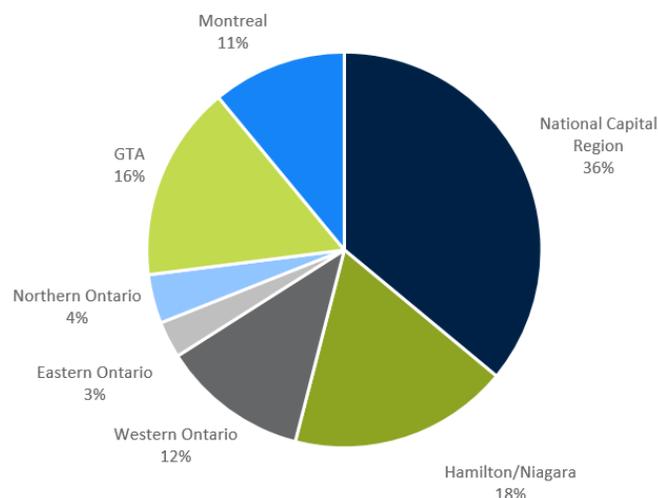
The Trust started the year with 8,059 suites. During the year ended 2017 the Trust purchased four properties totalling 602 suites and removed 1 suite from LIV to be used as commercial space. At December 31, 2017, the Trust owned 8,660 suites. Management continuously reviews the markets that the REIT operates in to determine if the portfolio mix remains suitable. Management believes that there are significant opportunities within the non-stabilized portfolio (2,329 suites) and the stabilized portfolio (6,331 suites) to drive rents, reduce operating costs, and streamline operations. At December 31, 2017, approximately 27% of the portfolio was non-stabilized. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 602 suites within these clusters during 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 recycling capital and 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.

▼ Suite Portfolio By Region

Suite Portfolio by Region - December 31, 2017



Suite Portfolio by Region - December 31, 2016



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 December 31, 2017		3 Months Ended December 31, 2016		12 Months Ended December 31, 2017		12 Months Ended December 31, 2016	
Gross rental revenue	\$28,977		\$25,097		\$108,462		\$99,476	
Less: vacancy & rebates	(886)		(1,722)		(5,271)		(7,291)	
Other revenue	1,619		1,407		5,813		5,281	
Operating revenues	\$29,710		\$24,782		\$109,004		\$97,466	
Expenses								
Property operating costs	4,996	16.8%	4,523	18.3%	18,616	17.1%	16,992	17.5%
Property taxes	3,563	12.0%	3,192	12.9%	14,305	13.1%	13,548	13.9%
Utilities	2,795	9.4%	2,560	10.3%	9,917	9.1%	10,058	10.3%
Operating expenses	\$11,354	38.2%	\$10,275	41.5%	\$42,838	39.3%	\$40,598	41.7%
Net operating income	\$18,356		\$14,507		\$66,166		\$56,868	
Net operating margin	61.8%		58.5%		60.7%		58.3%	

REVENUE

Gross rental revenue for the year ended December 31, 2017 increased 9.0% to \$108.5 million compared to \$99.5 million for the year ended December 31, 2016. Operating revenue for the year was up \$11.5 million to \$109.0 million, or 11.8% compared to the prior year. The Trust owned, on a weighted average basis, 8,346 suites throughout 2017 (8,660 suites at the end of 2017) as compared to 8,271 throughout 2016 (8,059 at the end of 2016), an increase of 75 suites from 2016. On a weighted average suite basis, gross rental revenue for 2017 grew by 8.1% over 2016.

The average monthly rent for the month of December 2017 increased to \$1,110 per suite from \$1,064 (December 2016), an increase of 4.3%. On a stabilized basis, the average rent increased by \$52 per suite to \$1,118 (or up 4.9%) over December 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 revenue share agreements. The REIT has submitted applications to the Landlord and Tenant Board which should result in an increase in rental income of \$0.5 million, on an annualized basis, being rolled out in 2018.

Region	All Properties		Stabilized Properties		Non-stabilized Properties	
	# of Suites	Average Rent	# of Suites	Average Rent	# of Suites	Average Rent
Eastern Ontario	204	\$1,022	204	\$1,022	-	-
GTA	1,283	\$1,390	1,160	\$1,411	123	\$1,192
Hamilton/Niagara	1,563	\$1,022	816	\$1,112	747	\$923
Montreal	1,381	\$954	781	\$937	600	\$976
Northern Ontario	349	\$918	349	\$918	-	-
NCR – Ottawa ⁽¹⁾	2,386	\$1,221	1,527	\$1,174	859	\$1,310
NCR - Gatineau	497	\$856	497	\$856	-	-
Western Ontario	997	\$1,056	997	\$1,056	-	-
Total	8,660	\$1,110	6,331	\$1,118	2,329	\$1,088

⁽¹⁾The number of suites for the region includes all suites at LIV however extended stay suites have been excluded 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, 85% of the portfolio has submetering capabilities in place.

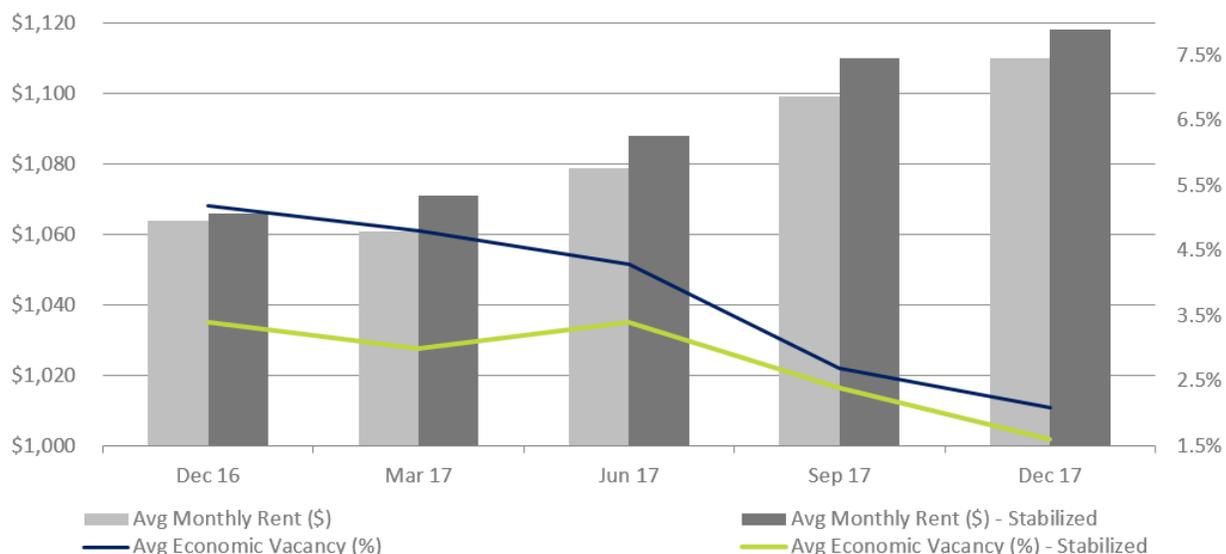
Portfolio Occupancy

As part of the ongoing effort to drive rents throughout the portfolio, the vacancy rate on an annual basis given the current demand with the markets that the REIT operates in is expected to be in the 3% to 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 suites at LIV.



	December 2016	March 2017	June 2017	September 2017	December 2017
Average monthly rents all properties	\$1,064	\$1,061	\$1,079	\$1,099	\$1,110
Average monthly rents stabilized properties	\$1,066	\$1,071	\$1,088	\$1,110	\$1,118

The overall economic vacancy for December 2017 across the entire portfolio was 2.1%, a reduction of 310 basis points as compared to the 5.2% recorded for December 2016. Economic vacancy for the stabilized portfolio for December 2017 was 1.6%, a reduction of 200 basis points as compared to the 3.6% recorded for the month ended December 2016.

Improvements in vacancy were made across all markets with the exception of Northern Ontario. Notable decreases in vacancy, compared to December 2016, were recorded in the National Capital Region (down from 7.2%), Montreal (down from 7.0%) and Hamilton/Niagara (down from 6.0%).

Region	All Properties	Stabilized Properties	Non-Stabilized Properties
Eastern Ontario	0.5%	0.5%	n/a
GTA	0.7%	0.5%	2.6%
Hamilton/Niagara	3.2%	2.2%	4.4%
Montreal	4.0%	1.6%	7.0%
Northern Ontario	6.7%	6.7%	n/a
NCR	1.4%	1.6%	1.1%
Western Ontario	1.1%	1.1%	n/a
Total	2.1%	1.6%	3.5%

Other Revenue

Other rental revenue for the twelve months ended December 31, 2017 increased 10.1% to \$5.8 million compared to \$5.3 million for 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 twelve months ended December 31, 2017, other revenue represents 5.3% of net revenue as compared to 5.4% for 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 year ended December 31, 2017 amounted to \$18.6 million or 17.1% of revenue compared to \$17.0 million or 17.5% of revenue for the year ended December 31, 2016. As a percentage of revenue, operating costs decreased by 40 basis points as compared to 2016.

PROPERTY TAXES

Property taxes for the year ended December 31, 2017 amounted to \$14.3 million or 13.1% of revenue compared to \$13.5 million or 13.9% of revenue for the year ended December 31, 2016. The \$1.0 million increase is mainly attributable to the increase in the number of average suites throughout the year as well as increases in assessed property values.

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

UTILITY COSTS

Utility costs for the year ended December 31, 2017 amounted to \$9.9 million or 9.1% of revenue compared to \$10.1 million or 10.3% of revenue for the year ended December 31, 2016. As a percentage of operating revenues and on a per suite basis, utility costs have decreased over last year.

Across the entire portfolio, the hydro sub-metering initiative reduced electricity costs by 21.1%, or \$1.1 million for the year. At December 31, 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, 5,409 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant. This represents approximately 76% of the submetered suites or approximately 62% of the total portfolio. The REIT currently has submetering in place for approximately 82% of the suites within the portfolio and plans on continuing to roll this program out to new properties as they are acquired.

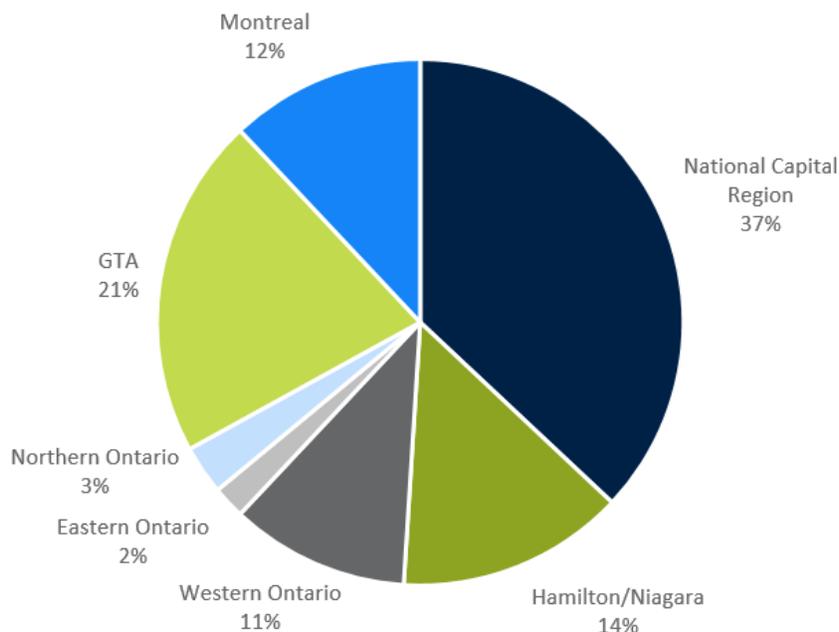
NET OPERATING INCOME (NOI)

NOI for the three months ended December 31, 2017 amounted to \$18.4 million or 61.8% of operating revenue compared to \$14.5 million or 58.5% of operating revenue for the three months ended December 31, 2016. The \$3.8 million increase in the quarter is as a result of growing the portfolio and increasing net revenue by 19.9%.

NOI for the twelve months ended December 31, 2017 amounted to \$66.2 million or 60.7% of operating revenue compared to \$56.9 million or 58.3% of operating revenue for the twelve months ended December 31, 2016. The \$9.3 million increase in the year is as a result of growing the portfolio and increasing net revenue by 11.8%. On a weighted average per suite basis (excluding the un-rented suites at LIV), NOI increased 13.3% from \$7,051 per suite in 2016 to \$7,992 per suite in 2017.

NOI from stabilized properties was \$52.9 million, or 62.7% of revenue, and NOI from non-stabilized properties was \$13.3 million, or 53.9% of revenue. Management continues to focus on top line revenue growth through acquisitions, suite additions, achieving best in market rents and ancillary revenue as well as operating cost reductions (such as efficiencies of scale, investment in energy saving initiatives, and investments to reduce ongoing operating costs).

▼ NOI by Region - 3 Months Ended December 31, 2017



STABILIZED PORTFOLIO PERFORMANCE

Stabilized properties for the three and twelve months ended December 31, 2017 are defined as all properties owned by the Trust continuously for 24 months, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during the period from January 1, 2016 to December 31, 2017. As at December 31, 2017, the Trust has 6,331 stabilized suites, which represents 73.1% of the overall portfolio.

In \$ 000's	3 Months Ended December 31, 2017		3 Months Ended December 31, 2016		12 Months Ended December 31, 2017		12 Months Ended December 31, 2016	
Gross rental revenue	\$21,204		\$20,222		\$82,978		\$79,479	
Less: vacancy & rebates	(552)		(999)		(3,211)		(4,624)	
Other revenue	1,208		1,196		4,583		4,370	
Operating revenues	\$21,860		\$20,419		\$84,350		\$79,225	
Expenses								
Property operating costs	3,307	15.1%	3,368	16.5%	12,887	15.3%	12,861	16.2%
Property taxes	2,725	12.5%	2,629	12.9%	10,893	12.9%	10,533	13.3%
Utilities	2,108	9.6%	2,090	10.2%	7,689	9.1%	7,905	10.0%
Operating expenses	\$8,140	37.2%	\$8,087	39.6%	\$31,469	37.3%	\$31,299	39.5%
Net operating income	\$13,720		\$12,332		\$52,881		\$47,926	
Net operating margin	62.8%		60.4%		62.7%		60.5%	

For the three months ended December 31, 2017, operating revenues for stabilized properties increased by 7.1% and operating expenses increased by 0.6% as compared to the same period last year. As a result, stabilized NOI has increased by \$1.4 million, or 11.3%, as compared to the same period last year. NOI margin for Q4 2017 was 62.8% as compared to 61.4% for Q4 2016, an increase of 140 basis points. This increase was mainly attributable to higher operating revenue stemming from the 4.9% increase in gross rental revenue and the 44.7% reduction in vacancy and rebates.

For the twelve months ended December 31, 2017, operating revenues from stabilized properties increased by 6.5% and operating expenses increased by 0.5% as compared to the same period last year. As a result, stabilized NOI for 2017 increased by \$5.0 million, or 10.3% as compared to 2016. NOI margin for 2017 was 62.7% as compared to 60.5% for 2016, an increase of 220 basis points. Once again, the increase in NOI is mainly attributable to the 4.4% increase in gross rental revenue and the 30.6% reduction in vacancy and rebates.

The average monthly rent for the month of December 2017 for stabilized properties increased to \$1,118 per suite from \$1,066 (December 2016), an increase of 4.9%. Economic vacancy for the month of December 2017 for stabilized properties was 1.6%, compared to 3.4% for December 2016.

	December 2016	March 2017	June 2017	September 2017	December 2017
Average monthly rents stabilized properties	\$1,066	\$1,071	\$1,088	\$1,110	\$1,118
Average monthly vacancy stabilized properties	3.4%	3.0%	3.4%	2.4%	1.6%

For the twelve months ended December 31, 2017, property operating costs for stabilized properties remained the same as compared to 2016. Property taxes increased \$0.4 million and utility costs decreased by \$0.2 million as compared to 2016. As a percentage of revenue, operating costs, property taxes and utilities have all decreased as compared to 2016.

FINANCING AND ADMINISTRATIVE COSTS

In \$ 000's	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Net operating income	\$18,356	\$14,507	\$66,166	\$56,868
Expenses				
Financing costs	5,942	5,150	21,730	20,797
Administrative costs	2,588	1,877	9,101	7,717
Income before other income expenses	\$9,826	\$7,480	\$35,335	\$28,354

FINANCING COSTS

Financing costs amounted to \$5.9 million or 20.0% of operating revenue for the three months ended December 31, 2017 compared to \$5.1 million or 20.8% of operating revenue for the three months ended December 31, 2016.

In \$ 000's	3 Months Ended December 31, 2017		3 Months Ended December 31, 2016	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	\$5,276	17.8%	\$4,339	17.5%
Credit facilities	521	1.7%	636	2.6%
Interest income	(83)	(0.3%)	(51)	(0.2%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	228	0.8%	226	0.9%
Total	\$5,942	20.0%	\$5,150	20.8%

Financing costs amounted to \$21.7 million or 19.9% of revenue for the twelve months ended December 31, 2017 compared to \$20.8 million or 21.3% of revenue for the twelve months ended December 31, 2016. As a percentage of operating revenue, financing costs have historically been in the range of 19% to 22%.

In \$ 000's	12 Months Ended December 31, 2017		12 Months Ended December 31, 2016	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	\$19,014	17.4%	\$17,711	18.2%
Credit facilities	1,877	1.7%	2,079	2.1%
Interest income	(239)	(0.2%)	(175)	(0.2%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	1,078	1.0%	1,182	1.2%
Total	\$21,730	19.9%	\$20,797	21.3%

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 December 31, 2016 and 2.81% at December 31, 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 twelve months ended December 31, 2017 amounted to \$9.1 million or 8.3% of operating revenue compared to \$7.7 million or 7.9% of revenue for the twelve months ended December 31, 2016.

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

In \$ 000's	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Income before other income and expenses	\$9,826	\$7,480	\$35,335	\$28,354
Gain/(loss) on sale of assets	-	185	-	(977)
Fair value adjustments of investment properties	36,699	9,637	172,464	15,176
Unrealized gain/(loss) on financial liabilities	(3,987)	431	(6,100)	(3,338)
Distributions expense on units classified as financial liabilities	(193)	(155)	(719)	(601)
Net income	\$42,345	\$17,578	\$200,980	\$38,614

SALE OF ASSETS

There were no dispositions in the year ended December 31, 2017. During the year ended December 31, 2016, the Trust sold nineteen (19) investment properties for a total transaction price of \$84.6 million compared to a carrying value of \$82.2 million. The properties were sold for \$2.4 million above their fair market value however selling costs of \$3.4 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 \$1.0 million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2017 and 2016 was determined internally by the Trust. In order to substantiate management's valuation, approximately 33% of the portfolio was appraised by external valuation professionals throughout 2017 (approximately 30% in 2016). For the twelve month period ended December 31, 2017, a fair value gain of \$172.5 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 last year 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 Q4 2017 was 4.55% as compared to 4.96% for Q4 2016 and 4.57% for Q3 2017. 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 closing price of \$9.13 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the deferred unit compensation liability. The total fair value of the deferred units recorded on the consolidated balance sheet at December 31, 2017 was \$23.6 million and a corresponding fair value loss of \$4.1 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2017.

The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2017 at \$3.4 million and a corresponding fair value loss of \$1.7 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2017. The intrinsic value of the vested options is \$3.8 million.

The Trust used a closing price of \$9.13 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 consolidated balance sheet at December 31, 2017 was \$1.7 million and a corresponding fair value loss of \$0.3 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2017.

In \$ 000's	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Fair value gain/(loss) on financial liabilities:				
Deferred unit compensation plan	\$(2,731)	\$153	\$(4,113)	\$(2,522)
Option plan	(1,055)	221	(1,676)	(648)
LP Class B unit liability	(201)	57	(311)	(168)
Fair value gain/(loss) on financial liabilities	\$(3,987)	\$431	\$(6,100)	\$(3,338)

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 December 31, 2017.

In \$ 000's	December 31, 2017
Balance, December 31, 2016	\$1,308,907
Acquisitions	99,026
Property capital investments	50,427
Fair value gains	172,464
Total investment properties	\$1,630,824

The Trust acquired four properties (602 suites) for \$99.0 million during the year ended December 31, 2017.

The fair value of the portfolio at December 31, 2017 was determined internally by the Trust. In order to substantiate management's valuation, approximately 32% of the portfolio was appraised by external valuation professionals throughout 2017. For the twelve month period ended December 31, 2017, a fair value gain of \$172.5 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 twelve month period ended December 31, 2017, the Trust invested \$50.4 million (2016 – \$76.0 million) in the portfolio. Of the \$50.4 million invested in the year, \$30.5 million was invested in the repositioning properties. Of the remaining \$19.9 million, \$15.8 million was invested in value enhancing initiatives and \$4.1 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 December 31, 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	89,303	734
Units issued under distribution reinvestment plan	515,353	3,920
Units issued from options exercised	163,325	1,169
December 31, 2017	83,891,517	\$341,528

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 costs.

As at December 31, 2017 there were 83,891,517 Trust Units issued and outstanding.

DISTRIBUTIONS

The distributions were \$0.2475 for 2017 and \$0.2330 for 2016. The Trust is currently making monthly distributions of \$0.0225 per Unit, which equates to \$0.270 per Unit on an annualized basis. For the year ended December 31, 2017, the Trust's FFO and AFFO was \$0.43 and \$0.38 per unit respectively, compared to \$0.39 and \$0.34 for the year ended December 31, 2016.

Distributions to Unitholders were as follows:

In \$ 000's	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Distributions declared to Unitholders	\$ 20,181	\$ 16,699
Distributions reinvested through DRIP	(3,920)	(3,634)
Distributions declared to Unitholders, net of DRIP	\$ 16,261	\$ 13,065
DRIP participation rate	19.4%	21.8%

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

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Trust units	83,817,200	72,010,431	81,087,076	71,611,455
LP Class B units	186,250	186,250	186,250	186,250
Weighted average units outstanding - Basic	84,003,450	72,196,681	81,273,326	71,797,705
Unexercised dilutive options ⁽¹⁾	467,802	360,231	467,802	360,231
Weighted average units outstanding - Diluted	84,471,252	72,556,912	81,741,128	72,157,936

⁽¹⁾Calculated using the treasury method

PERFORMANCE MEASURES

Management believes that Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO) are key measures for real estate investment trusts, however they do not have standardized meanings prescribed by IFRS (GAAP). These measures may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to similarly termed measures reported by other such issuers.

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

FFO Reconciliation In \$000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Net income	\$42,345	\$17,578	\$200,980	\$38,614
Add (deduct):				
Fair value adjustments on investment property	(36,699)	(9,637)	(172,464)	(15,176)
(Gain)/loss on sale of assets	-	(185)	-	977
Unrealized (gain)/loss on financial instruments	3,987	(431)	6,100	3,338
Interest expense on puttable units classified as liabilities	12	10	46	43
Funds from Operations (FFO)	\$9,645	\$7,335	\$34,662	\$27,796
FFO per weighted average unit - basic	\$0.115	\$0.102	\$0.426	\$0.387
FFO per weighted average unit - diluted	\$0.114	\$0.101	\$0.424	\$0.385

AFFO Reconciliation In \$000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Funds from Operations	\$9,645	\$7,335	\$34,662	\$27,796
Add (deduct):				
Actual maintenance capital investment	(1,143) ⁽¹⁾	(809) ⁽²⁾	(4,092) ⁽¹⁾	(3,477) ⁽³⁾
Adjusted Funds from Operations (AFFO)	\$8,502	\$6,526	\$30,570	\$24,319
AFFO per weighted average unit - basic	\$0.101	\$0.090	\$0.376	\$0.339
AFFO per weighted average unit - diluted	\$0.101	\$0.090	\$0.374	\$0.337

⁽¹⁾Maintenance capital investment total is calculated for the 4,725 repositioned suites for 2017

⁽²⁾Maintenance capital investment total is calculated for the 3,828 repositioned suites for 2016

⁽³⁾Maintenance capital investment total is calculated for the 4,209 repositioned suites for 2016

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

ACFO Reconciliation In \$000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Cash generated from operating activities	\$13,452	\$8,506	\$43,332	\$34,373
Add (deduct):				
Interest expense on puttable units classified as liabilities	(12)	(10)	(46)	(43)
Amortization of finance costs	(229)	(226)	(1,078)	(1,182)
Actual maintenance capital investment	(1,143)	(852)	(4,092)	(3,520)
ACFO	12,068	7,418	38,116	29,628
Distributions declared (1)	5,483	4,314	20,228	16,742
Excess of ACFO over distributions declared	6,585	3,104	17,888	12,886
ACFO payout ratio	45.4%	58.2%	53.1%	56.5%

⁽¹⁾Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2017, ACFO exceeded distributions declared by \$6.6 million and \$17.9 million, respectively. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

CASH FROM OPERATING ACTIVITIES AND CASH DISTRIBUTIONS

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

In \$000's	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
Net income	\$42,345	\$17,578	\$200,980	\$38,614
Cash flows from operating activities	13,452	8,506	43,332	34,373
Distributions paid ⁽¹⁾	4,452	3,376	15,880	13,016
Distributions declared ⁽¹⁾	5,483	4,314	20,228	16,742
Excess of net income over distributions paid	37,893	14,202	185,100	25,598
Excess of net income over distributions declared	36,862	13,264	180,752	21,872
Excess of cash flows from operations over distributions paid	9,000	5,130	27,452	21,357
Excess of cash flows from operations over distributions declared	7,969	4,192	23,104	17,631

⁽¹⁾Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2017, cash flows from operating activities exceeded distributions paid by \$9.0 million and \$27.5 million, respectively. Net income is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value change on financial instruments, which are not reflective of the Trust’s ability to make distributions. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

QUARTERLY PERFORMANCE HIGHLIGHTS

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

Selected Consolidated Information In \$000's, except per Unit amounts and other non-financial data	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total suites	8,660	8,605	8,282	8,283	8,059	8,059	8,578	8,362
Average rent per suite (last month of Q)	\$1,110	\$1,099	\$1,079	\$1,061	\$1,064	\$1,055	\$1,020	\$1,004
Occupancy rate (last month of Q)	97.9%	97.3%	95.7%	95.2%	94.8%	94.2%	94.0%	94.6%
Operating revenues	\$29,710	\$27,800	\$26,361	\$25,133	\$24,782	\$24,099	\$24,682	\$23,903
Net operating income (NOI)	18,356	17,526	15,978	14,306	14,507	14,677	14,706	12,978
NOI %	61.8%	63.0%	60.6%	56.9%	58.5%	60.9%	59.6%	54.3%
Funds from Operations (FFO)	\$9,645	\$9,891	\$8,344	\$6,782	\$7,335	\$7,393	\$7,226	\$5,842
FFO per weighted average unit - basic	\$0.115	\$0.118	\$0.100	\$0.091	\$0.102	\$0.103	\$0.101	\$0.082
FFO per weighted average unit - diluted	\$0.114	\$0.118	\$0.100	\$0.091	\$0.101	\$0.102	\$0.100	\$0.082
Adjusted Funds from Operations (AFFO)	\$8,502	\$8,878	\$7,379	\$5,811	\$6,526	\$6,582	\$6,243	\$4,968
AFFO per weighted average unit - basic	\$0.101	\$0.106	\$0.089	\$0.078	\$0.090	\$0.091	\$0.087	\$0.070
AFFO per weighted average unit - diluted	\$0.101	\$0.106	\$0.089	\$0.078	\$0.090	\$0.091	\$0.087	\$0.069
Cash distributions per unit	\$0.065	\$0.061	\$0.061	\$0.061	\$0.060	\$0.058	\$0.058	\$0.058
AFFO payout ratio	65%	57%	68%	78%	66%	63%	66%	83%
Stabilized average rent per suite	\$1,118	\$1,110	\$1,088	\$1,071	\$1,066	\$1,059	\$1,044	\$1,030
Stabilized NOI %	62.8%	66.1%	62.8%	58.9%	60.4%	63.2%	61.6%	56.7%
Debt to GBV	47.8%	48.5%	49.5%	50.7%	55.3%	54.9%	56.3%	55.0%
Interest coverage (rolling 12 months)	2.76x	2.71x	2.61x	2.53x	2.51x	2.52x	2.57x	2.61x
Debt service coverage (rolling 12 months)	1.78x	1.71x	1.64x	1.58x	1.54x	1.54x	1.53x	1.52x

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 47.8% of Gross Book Value ("GBV") at December 31, 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	December 31, 2017	December 31, 2016
Total assets per Balance Sheet	\$1,658,445	\$1,321,524
Mortgages payable and vendor take-back loans	\$733,414	\$638,723
Lines of credit	59,130	91,800
Total debt	\$792,544	\$730,523
Debt to GBV	47.8%	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 December 31st:

In \$000's	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
NOI	\$66,166	\$56,868
Less: Administrative costs	9,101	7,717
EBITDA	\$57,065	\$49,151
Interest expense ⁽¹⁾	20,652	19,615
Interest coverage ratio	2.76x	2.51x
Contractual principal repayments	11,479	12,395
Total debt service payments	\$32,131	\$32,010
Debt service coverage ratio	1.78x	1.54x

⁽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 of InterRent REIT.

Year Maturing	Mortgage Balances At December 31, 2017 (in \$ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2018	\$212,226	28.4%	2.89%
2019	\$18,527	2.5%	2.64%
2020	\$92,875	12.5%	2.73%
2021	\$34,530	4.6%	3.54%
2022	\$67,849	9.1%	2.83%
Thereafter	\$320,354	42.9%	2.74%
Total	\$746,361	100%	2.81%

At December 31, 2017, the average term to maturity of the mortgage debt was approximately 4.9 years and the weighted average cost of mortgage debt was 2.81%. At December 31, 2017, approximately 67% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust, re-financed four properties which increased mortgage debt by \$19.0 million and paid down \$2.9 million in mortgage principal. The net result at December 31, 2017 compared to September 30, 2017 was:

- An increase in average term to maturity of the mortgage debt to 4.9 years from 4.8 years;
- A decrease in the weighted average cost of mortgage debt to 2.81% from 2.83% ; and,
- An increase in the mortgage debt backed by CMHC insurance to 67% from 53%.

During the year the Trust assumed two mortgages and added two mortgages for the four properties that were acquired in the year for a combined amount of \$55.4 million, re-financed fourteen properties which increased mortgage debt by \$57.7 million, paid off two mortgages at maturity for \$2.9 million, paid off one vendor take-back loan at maturity for \$0.5 million and paid down \$11.5 million in mortgage principal. The net result at December 31, 2017 compared to December 31, 2016 was:

- An increase in average term to maturity of the mortgage debt to 4.9 years from 4.2 years;
- An increase in the weighted average cost of mortgage debt to 2.81% from 2.69% ; and,
- An increase in the mortgage debt backed by CMHC insurance to 67% from 52%.

As at December 31, 2016, the Trust had the following credit facilities:

- A \$0.5 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 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 December 31, 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 December 31, 2017, the Trust had utilized \$4.1 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 December 31, 2017, the Trust had utilized \$55.0 million of this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

IFRS 2 Share-based Payment

In June 2016, the IASB issued final amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Trust intends to adopt the amendments to IFRS 2 for the annual period beginning on January 1, 2018. The Trust does not expect any impact to its consolidated financial statements as the amendments are in line with the Trust's current policy.

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 has assessed the impact of IFRS 9 and does not expect a material impact on its consolidated financial statements upon adoption. The Trust intends to adopt the new standard on the required effective date.

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.

The Trust has assessed the impact of IFRS 15 and has determined the pattern of revenue recognition will remain unchanged upon the adoption of the standard. The Trust intends to adopt the new standard on the required effective date.

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.

The Trust intends to early adopt IFRS 16 for the annual period beginning on January 1, 2018. Based on its assessment of the standard, the Trust does not expect the standard to have a material impact on the financial statements of the Trust.

IAS 40 Investment Property

On December 8, 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires an asset to be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Trust will adopt these amendments and clarifications in its financial statements for the annual period beginning on January 1, 2018.

RISKS AND UNCERTAINTIES

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

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

Current Economic Risks

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

Real Estate Industry Risk

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

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

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

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

Multi-Unit Residential Sector Risk

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

Environmental Risks

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

Competition Risk

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

General Uninsured Losses

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

Credit Risk - Leases

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

Local Real Estate Market Risk and Asset Concentration

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

Rent Control Legislation Risk

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

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

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

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to maintain the historical level of earnings of its properties.

Utility and Property Tax Risk

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

Operational Risk

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

Renovation Risks

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

Fluctuations and Availability of Cash Distributions

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

Market Price of Units

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

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

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

Ability of Unitholders to Redeem Units

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

Regulatory Approvals Risk

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

Changes in Legislation

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

Investment Eligibility

The Trust will endeavour to ensure that the Units, continue to be qualified investments for Plans. However, there can be no assurance that this will be so. The Tax Act imposes penalties for the acquisition or holding by Plans of non-qualified investments. Any Notes distributed to, and received by, a Unitholder on an in specie redemption of Units will not be a qualified investment for Plans.

The Units will continue to be qualified investments for Plans, provided that the Trust qualifies as a “mutual fund trust” under the Tax Act or the Units are listed on a designated stock exchange (which includes the TSX).

Notwithstanding the foregoing, the holder of a tax free savings account (“TFSA”) or an registered disability savings account (“RDSP”), a subscriber of an registered education savings plan (“RESP”) or an annuitant under a registered retirement savings plan (“RRSP”) or registered retirement income fund (“RRIF”)(collectively “Subject Plans”), as the case may be, (the “Controlling Individual”) will be subject to a penalty tax in respect of the Units held in such Subject Plan if such Units are a “prohibited investment” (as defined in the Tax Act) for the particular Subject Plan. A Unit will generally not be a “prohibited investment” for a Subject Plan unless the Controlling Individual does not deal at arm’s length with the Trust for the purposes of the Tax Act or the Controlling Individual has a “significant interest” (as defined in subsection 207.01(4) the Tax Act) in the Trust. The Units will also generally not be prohibited investments if they are “excluded property” (as defined in the Tax Act).

SIFT Rules

Certain rules in the Tax Act (the “SIFT Rules”) affect the tax treatment of “specified investment flow-through trusts (“SIFT trusts”), and their unitholders. A trust resident in Canada will generally be a SIFT trust for a particular taxation year for purposes of the Tax Act if, at any time during the taxation year, investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more “non-portfolio properties” as defined in the Tax Act. Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections to Canada. However, a trust will not be considered to be a SIFT trust for a taxation year if it qualifies as a “real estate investment trust” (as defined in the Tax Act) for that year (the REIT Exception”).

SIFT Taxation Regime

Pursuant to the SIFT Rules, distributions of a SIFT trust's "non-portfolio earnings" are not deductible to the SIFT trust in computing its income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than dividends) from, and taxable capital gains from the disposition of, non-portfolio properties. The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit if paid to any individual resident in Canada. Distributions that are paid as returns of capital will not attract this tax.

The REIT Exception

A trust that satisfies the REIT Exception is excluded from the definition of a SIFT trust in the Tax Act and is therefore not subject to the SIFT Rules. In addition to the trust being resident in Canada throughout the year, the following five criteria must be met in order for the Trust to qualify for the REIT Exception:

1. at each time in the Taxation Year, the total fair market value at that time of all "non-portfolio properties" that are "qualified REIT properties" held by the Trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the Trust;
2. not less than 90% of the Trust's "gross REIT revenue" for the taxation year is from one or more of the following: "rent from real or immovable properties", interest, capital gains from dispositions of "real or immovable properties" that are capital properties, dividends, royalties and dispositions of "eligible resale properties";
3. not less than 75% of the Trust's gross REIT revenue for the taxation year is derived from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, from dispositions of real or immovable properties that are capital properties;
4. at no time in the Taxation Year can the total fair market value of properties comprised of real or immovable property that is capital property, an "eligible resale property", cash, deposits (within the meaning of the Canada Deposit Insurance Corporation Act or with a branch in Canada of a bank or a credit union), indebtedness of Canadian corporations represented by banker's acceptances, and debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions be less than 75% of the "equity value" (in each case, as defined in the Tax Act) of the Trust at that time; and
5. investments in the Trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

The SIFT Rules contain a "look-through rule" under which a trust could qualify for the REIT Exception where it holds properties indirectly through intermediate entities, provided that each such entity, assuming it were a trust, would satisfy paragraphs (1) through (4) of the REIT Exception above.

The REIT Exception does not fully accommodate the current business structures used by many Canadian REITs, and contains a number of technical tests that many Canadian REITs, including the Trust, may find difficult to satisfy.

The Trust will endeavour to ensure that the Trust will qualify for the REIT Exception at all times during each Taxation Year, and each direct and indirect subsidiary of the Trust will qualify as an "excluded subsidiary entity" (as defined in the Tax Act) such that the Trust will not be a SIFT Trust within the meaning of the SIFT Rules at any time. However, there can be no assurance that this will be so. There can also be no assurance that the investments or activities undertaken by the Trust in a Taxation Year will not result in the Trust failing to qualify for the REIT Exception for that Taxation Year.

If the Trust does not qualify for the REIT Exception for a Taxation Year, the SIFT Rules will apply to the Trust for that year. Application of the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders. Such adverse tax consequences may impact the future level of cash distributions made by the Trust, the ability of the Trust to undertake future financings and acquisitions and could also adversely affect the marketability of the Trust's securities.

The Trust believes that it will qualify for the REIT Exception throughout 2018 and therefore the SIFT Rules will have no application and the Trust and its Unitholders will not, directly or indirectly, be subject to tax imposed by the SIFT Rules. In the unlikely event that the Trust does not qualify for the REIT Exception, distributions of income may be treated by the Trust as distributions of capital are not taxed and instead reduce the adjusted cost base of the Unitholder's Units.

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

Other Canadian Tax Matters

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

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

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of the Government's intention to amend the Tax Act to, among other things, increase the amount of tax applicable to certain investment income earned through a private corporation (the "July 2017 Proposed Amendments"). On October 18, 2017, the Government of Canada announced its intention to move forward with these passive investment measures, which are expected to be introduced in the 2018 Federal Budget. Holders who are (or are deemed to be) resident in Canada for the purposes of the Tax Act should consult their tax advisors with respect to the implications of the July 2017 Proposed Amendments as they relate to the acquisition, holding and disposition of Units.

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

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

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

Unitholders Limited Liability

Recourse for any liability of the Trust is intended to be limited to the assets of the Trust. The Amended and Restated Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an "annuitant") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees. Because of uncertainties in the law relating to investment trusts, there is a risk (which is considered by counsel to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of the Trust (to the extent that claims are not satisfied by the Trust) in respect of contracts which the Trust enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trust will seek to limit recourse

under all of its material contracts to the assets of the Trust. However, in conducting its affairs, the Trust will be indirectly acquiring real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. Trustees will use all reasonable efforts to have any such obligations under mortgages on such properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the Trust may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Trust, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Trust where the liability is not disavowed as described above. Ontario has enacted legislation intended to remove uncertainty about the liability of Unitholders of publicly traded trusts. The Trust Beneficiaries' Liability Act, 2004, implemented on January 1, 2005, is a clear legislative statement that the Unitholders of a trust that is a reporting issuer and governed by the laws of Ontario will not be personally liable for the obligations and liabilities of the trust or any of its trustees that arise after The Trust Beneficiaries' Liability Act, 2004, came into force, which The Trust Beneficiaries' Liability Act, 2004, states was December 16, 2004.

Structural Subordination of Debt

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

Statutory Remedies

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

Outstanding Indebtedness

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

Dependence on Key Personnel

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

Potential Conflicts of Interest

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

Dilution

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

Restrictions on Potential Growth and Reliance on Credit Facilities

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

Proposed Property Acquisitions

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

Property Acquisition Risks

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

Interest Risk

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

Appraisals of Properties

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

Debt and Distributable Income

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

Legal Proceedings

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

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

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

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

Financial Risk Management and Financial Instruments

A. Overview

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

B. Credit Risk

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 December 31, 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 audited consolidated balance sheet as mortgage holdbacks relate primarily to amounts that were 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 December 31, 2017 audited consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. In addition, liquidity and capital availability risks are mitigated by diversifying the Trust's sources of funding, maintaining a staggered debt maturity profile and actively monitoring market conditions

As at December 31, 2017, the Trust had credit facilities as described in note 10 in the December 31, 2017 audited consolidated financial statements.

Note 9 in the December 31, 2017 audited consolidated financial statements reflects the contractual maturities for mortgage and loans payable of the Trust at December 31, 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 \$805 million as at December 31, 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 December 31, 2017, approximately 28% 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 \$2.3 million for the year ended December 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 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. Related party transactions have been listed below, unless they have been disclosed elsewhere in the audited financial statements.

i. Accounts Payable (net of amounts receivable)

As at December 31, 2017, \$1.1 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 year ended December 31, 2017 the Trust incurred \$7.9 million (December 31, 2016 - \$8.9 million) in services from companies controlled by an officer of the Trust. Of the services received approximately \$2.4 million (December 31, 2016 - \$3.8 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 material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The preparation of this information is supported by a set of disclosure controls and procedures implemented by management.

The Trust's Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Trust's disclosure controls and procedures as of December 31, 2017 and concluded that such controls and procedures are adequate and effective to ensure that the information required to be disclosed by the Trust in its annual filings, interim filings or other reports that it files or submits pursuant to Canadian securities laws is (a) recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities laws; and (b) accumulated and communicated to the management of the Trust, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as specified in Canadian securities laws. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Trust and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The Trust's Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Trust's internal controls over financial reporting as of December 31, 2017, and concluded that such controls are adequate and effective.

There were no changes in the internal controls over financial reporting during the financial year-end December 31, 2017, which have materially affected, or are reasonably likely to materially affect, the Trust's internal controls over financial reporting.

SUBSEQUENT EVENT

The Trust purchased one property with 48 suites that closed on January 10, 2018 for a purchase price of approximately \$5.3 million and is committed to purchase a property (172 suites) in February 2018 for a purchase price of approximately \$21.5 million.

The REIT entered into an agreement with CLV Group Inc. (the “Property Manager”) to internalize the REIT’s property management function effective February 15, 2018. Upon closing of the transaction, a subsidiary of the REIT will acquire the Property Manager’s REIT-related property management business for a total consideration of \$38.0 million to the Property Manager (3,224,516 Class B LP limited partnership units (exchangeable on a one-for-one basis) at a value of approximately \$9.42 per unit, or \$30.4 million and \$7.6 million in cash) and \$3.1 million in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The initial consideration payable on closing is approximately \$42.0 million. The total consideration, including all future vesting of deferred units, is approximately \$44.2 million.

OUTSTANDING SECURITIES DATA

As of February 22, 2018, the Trust had issued and outstanding: (i) 84,093,848 units; (ii) LP Class B Units that are exchangeable for 3,410,766 units of the Trust; (iii) options exercisable to acquire 1,208,485 units of the Trust; and (iv) deferred units that are redeemable for 3,351,995 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.