InterRent REIT
Management's Discussion & Analysis

FOR THE SIX MONTHS ENDED JUNE 30, 2016

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, 2015 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

Although the forward-looking information contained herein is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. InterRent REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, however there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. InterRent REIT does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Certain statements included herein may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

INTERRENT REAL ESTATE INVESTMENT TRUST

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

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

DECLARATION OF TRUST

The investment policies of the Trust are outlined in the Trust's Amended and Restated Declaration of Trust (the "DOT") dated as of December 29, 2010 and a copy of this document is available on SEDAR (www.sedar.com). Some of the principal investment guidelines and operating policies set out in the DOT are as follows:

INVESTMENT GUIDELINES

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

OPERATING POLICIES

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

At June 30, 2016 the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

ACCOUNTING POLICIES

InterRent REIT's accounting policies are described in note 3 of the audited consolidated financial statements for the year ended December 31, 2015 and note 2 of the condensed consolidated financial statements for June 30, 2016 regarding the change in accounting policies for the adoption of amendments to IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting on January 1, 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

Funds from Operations, Adjusted Funds from Operations, Net Operating Income and EBITDA (or, in each case, substantially similar terms) are measures sometimes used by Canadian real estate investment trusts as indicators of financial performance, however they do not have standardized meanings prescribed by IFRS (GAAP). These measures may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to similarly termed measures reported by other such issuers.

Funds from Operations ("FFO") is a financial measure which should not be considered as an alternative to net income, cash flow from operations, or any other operating or liquidity measure prescribed under GAAP. The Trust presents FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations revised April 2014.

Adjusted Funds from Operations ("AFFO") is presented in this MD&A because management considers this non-GAAP measure to be an important performance indicator in determining the sustainability of future distributions to Unitholders. AFFO begins with FFO and removes the effect of certain non-cash income and expense items and adds a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

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

Net Operating Income ("NOI") is a key measure of operating performance used in the real estate industry and includes all rental revenues generated at the property level, less related direct costs such as utilities, realty taxes, insurance and on-site maintenance wages and salaries. As one of the factors that may be considered relevant by readers, management believes that NOI is a useful supplemental measure that may assist prospective investors in assessing the Trust.

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

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

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

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

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

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

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

The REIT spent 2010 and 2011 focused on repositioning its portfolio of properties, hiring the right resources, training its team and ensuring the core beliefs of customer service and creation of value were firmly entrenched within the organization. With the repositioning well in-hand by the beginning of 2012, the focus shifted to finding good quality properties where the REIT could drive down operating costs while increasing rents through sound capital investment, good management and exceptional customer service. As a result of the focus on accretive, sustainable growth, the REIT was able to acquire 4,688 suites in the years 2012 to 2015 and added 545 suites in the first half of 2016. The team we have assembled has a proven track record and we believe we have both the experience and ability necessary to execute on our growth strategy in the years to come. At June 30, 2016, approximately 38% (3,280 suites) of the portfolio was non-stabilized compared to approximately 33% (2,517 suites) at June 30, 2015. 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:
    - Completed the sale of eleven properties (357 suites) in Brampton, Belleville and Kingston in the first six months of 2016;
    - Completed the sale of nine properties in July 2016: six properties (346 suites) in Sarnia; 2 properties (104 suites) in Brantford; and, 1 property (69 suites) in Niagara Falls. These properties were listed as assets held for sale in the REIT's June 30, 2016 financial statements.
- Management expects the initial lease-up of LIV to run through to the end of 2016.
- 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 $0.2 million. Of the total $1.0 million in AGIs planned, approximately $0.2 million is scheduled to be rolled out in the remainder of 2016; $0.4 million in 2017; and, $0.4million in 2018/19.

Q2 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three months ended June 30, 2016 compared to the same period in 2015:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended June 30, 2016**	**3 Months Ended June 30, 2015**	**Change**
Total suites	**8,578**	7,663	**+11.9%**
Average rent per suite (June)	**$1,020**	$978	**+4.3%**
Occupancy rate (June)	**94.0%**	95.1%	**-1.2%**
Operating revenues	**$24,682**	$20,648	**+19.5%**
Net operating income (NOI)	**$14,706**	$12,254	**+20.0%**
NOI Margin	**59.6%**	59.3%	**+5.0%**
Stabilized average rent per suite (June)	**$1,027**	$989	**+3.8%**
Stabilized occupancy rate (June)	**96.4%**	95.5%	**+0.9%**
Stabilized NOI	**$10,091**	$9,492	**+6.3%**
Stabilized NOI Margin	**61.9%**	60.9%	**+1.6%**
Funds from Operations (FFO)	**$7,226**	$6,399	**+12.9%**
FFO per weighted average unit - basic	**$0.101**	$0.091	**+11.0%**
FFO per weighted average unit - diluted	**$0.100**	$0.090	**+11.1%**
Adjusted Funds from Operations (AFFO)	**$6,288**	$5,589	**+12.5%**
AFFO per weighted average unit - basic	**$0.088**	$0.079	**+11.4%**
AFFO per weighted average unit - diluted	**$0.087**	$0.079	**+10.1%**
Cash distributions per unit	**$0.0578**	$0.0549	**+5.3%**
AFFO payout ratio	**66%**	69%	**-4.5%**
Debt to GBV	**56.3%**	51.5%	**+9.3%**
Interest coverage (rolling 12 months)	**2.57x**	2.46x	**+4.5%**
Debt service coverage (rolling 12 months)	**1.53x**	1.41x	**+8.5%**

- Overall Portfolio:
  - Operating revenue for the quarter rose by $4.0 million to $24.7 million, an increase of 19.5% over Q2 2015. Average monthly rent per suite increased to $1,020 (June 2016) from $978 (June 2015), an increase of 4.3%.
  - Occupancy for June 2016 was 94.0%, down from March 2016 (94.6%) and down 1.1% compared to June 2015.
  - Net operating income (NOI) for the quarter increased by 20.0%, or $2.5 million, to $14.7 million compared to Q2 2015. For the quarter, NOI as a percentage of revenues was up by 30 basis points, compared to Q2 2015, to 59.6%.
- Stabilized Portfolio:
  - Operating revenue rose by 4.6% quarter over comparable quarter. Average monthly rent per suite increased to $1,027 (June 2016) from $989 (June 2015), an increase of 3.8%.
  - Occupancy increased to 96.4% (June 2016) from 95.5% (June 2015).
  - NOI for the quarter increased by 6.3%, or $0.6 million, to $10.1 million compared to Q2 2015. For the quarter, NOI as a percentage of revenues increased by 100 basis points, compared to Q2 2015, to 61.9%.
- Funds from operations (FFO) for the quarter increased by 12.9% year-over-year to $7.2 million from $6.4 million for Q2 2015. FFO per unit increased by 11.0% to $0.101 from $0.091 for the same period last year.
- Adjusted funds from operations (AFFO) for the quarter increased by 12.5% year-over-year to $6.3 million from $5.6 million for Q2 2015. AFFO per unit increased by 11.4% to $0.088 from $0.079 for the same period last year.

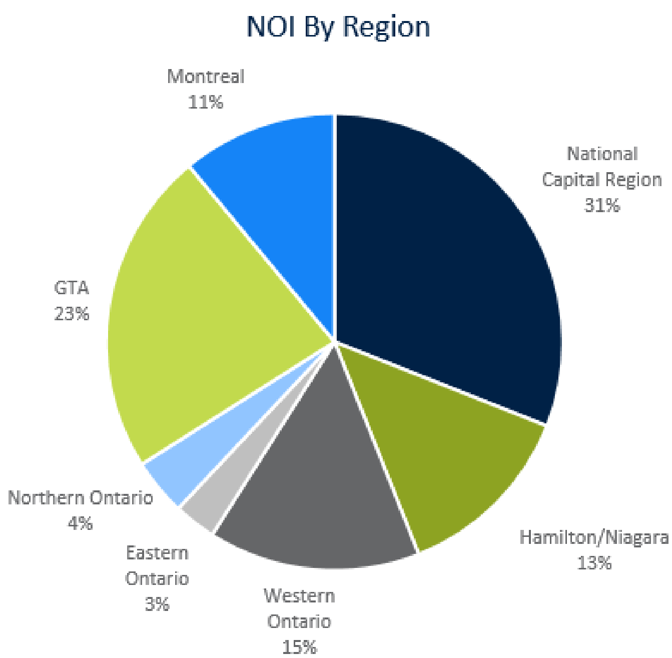
- The Trust completed the following investment property transactions during the quarter:

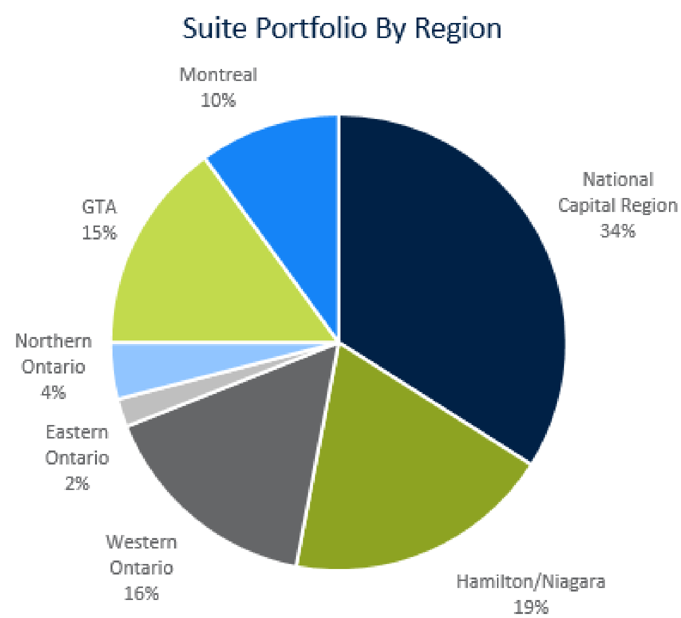
Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price	$ / Suite
Q2/16 Acquisitions							
4-May-16	Parkway Park	Ottawa	NCR	Walk-Up	418	$55,700,000	$133,254
Total Acquisitions					**418**	**$55,700,000**	**$133,254**
Q2/16 Dispositions							
27-May-16	44 Virginia Street	Kingston	Eastern Ontario	Walk-Up	40	$4,126,260	$103,157
27-May-16	54 Virginia Street	Kingston	Eastern Ontario	Walk-Up	18	$1,856,600	$103,144
27-May-16	66 Virginia Street	Kingston	Eastern Ontario	Walk-Up	32	$3,360,000	$105,000
27-May-16	80 Virginia Street	Kingston	Eastern Ontario	Walk-Up	24	$2,475,600	$103,150
27-May-16	118 Virginia Street	Kingston	Eastern Ontario	Walk-Up	40	$4,325,760	$108,144
27-May-16	276 Conacher Drive	Kingston	Eastern Ontario	Walk-Up	24	$2,532,890	$105,537
27-May-16	286 Conacher Drive	Kingston	Eastern Ontario	Walk-Up	24	$2,532,890	$105,537
Total Dispositions					**202**	**$21,210,000**	**$105,000**

PORTFOLIO SUMMARY

The Trust started the year with 8,389 suites. During the first half of 2016 the Trust purchased two properties totalling 545 suites, added 1 suite to existing properties and sold eleven properties totalling 357 suites. At June 30, 2016, the Trust had 8,578 suites including eight properties (totalling 519 suites) classified as assets held for sale. 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 (3,280 suites) and the stabilized portfolio (5,298 suites) to drive rents, reduce operating costs, and streamline operations. At June 30, 2016, approximately 38% of the portfolio was non-stabilized. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 545 suites within these clusters during the first half on the year. We continue to actively seek opportunities within our target markets in order to continue to build our acquisition pipeline and grow the REIT in a fiscally prudent manner. The following graph shows our NOI by redion and suite mix by region.

▼ Suite Portfolio By Region





ANALYSIS OF OPERATING RESULTS

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

In $ 000's	3 Months Ended June 30, 2016		3 Months Ended June 30, 2015		6 Months Ended June 30, 2016		6 Months Ended June 30, 2015	
Gross rental revenue	**$25,234**		$20,726		**$49,632**		$39,047	
Less: vacancy & rebates	**(1,873)**		(1,131)		**(3,600)**		(2,104)	
Other revenue	**1,321**		1,053		**2,553**		1,966	
Operating revenues	**$24,682**		$20,648		**$48,585**		$38,909	
Expenses								
Property operating costs	**4,209**	**17.1%**	3,725	18.0%	**8,158**	**16.8%**	6,708	17.2%
Property taxes	**3,537**	**14.3%**	2,859	13.9%	**7,014**	**14.4%**	5,404	13.9%
Utilities	**2,230**	**9.0%**	1,810	8.8%	**5,729**	**11.8%**	4,777	12.3%
Operating expenses	**$9,976**	**40.4%**	$8,394	40.7%	**$20,901**	**43.0%**	$16,889	43.4%
Net operating income	**$14,706**		$12,254		**$27,684**		$22,020	
Net operating margin	**59.6%**		59.3%		**57.0%**		56.6%	

5220 Lakeshore
Burlington, ON

REVENUE

Gross rental revenue for the three months ended June 30, 2016 increased 21.8% to $25.2 million compared to $20.7 million for the three months ended June 30, 2015. Operating revenue for the quarter was up $4.0 million to $24.7 million, or 19.5% compared to Q2 2015. The Trust had 8,578 suites at the end of Q2 2016 as compared to 7,663 at the end of Q2 2015, a net increase of 915 suites from 2015 (both numbers include the suites at LIV). LIV contributed $0.9 million in operating revenue for the three months ended June 30, 2016 compared to $42 thousand in Q2 2015.

The average monthly rent for June 2016 increased to $1,020 per suite from $978 (June 2015), an increase of 4.3%. On a stabilized basis, the average rent increased by $38 per suite to $1,027 (or up 3.8%) over June 2015. The overall increase in average rent over the same period in 2015 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 $0.2 million, on an annualized basis, being rolled out in the remaining two quarters of 2016.

Region	All Properties		Stabilized Properties		Non-stabilized Properties	
	# of Suites	Average Rent	# of Suites	Average Rent	# of Suites	Average Rent
Eastern Ontario	204	$925	204	$925	-	-
GTA	1,283	$1,288	928	$1,322	355	$1,198
Hamilton/Niagara	1,607	$926	655	$1,046	952	$844
Montreal	908	$922	501	$897	407	$953
Northern Ontario	349	$875	349	$875	-	-
NCR – Ottawa [1]	2,387	$1,115	844	$1,120	1,543	$1,097
NCR - Gatineau	497	$822	497	$822	-	-
Western Ontario	1,343	$918	1,320	$918	23	$941
Total	**8,578**	**$1,020**	**5,298**	**$1,027**	**3,280**	**$1,009**

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

InterRent REIT has been successful in increasing rent levels while at the same time passing on hydro sub-metering charges to new tenants. The program began in 2011 for select locations and as a result of that success, it continues to be extended to most of the remaining portfolio as well as new properties as they are acquired. Currently, 81% of the portfolio has submetering capabilities in place with a further 4% of the current portfolio planned for 2016.

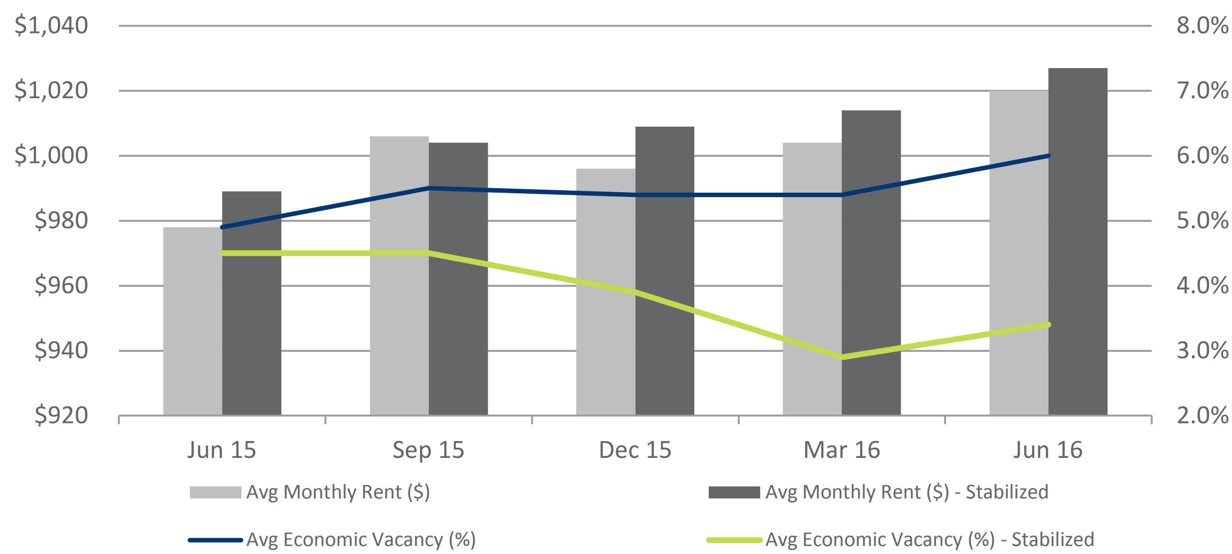
Portfolio Occupancy

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

1. ensuring that properties are well maintained, landscaped and decorated so as to be visually appealing ("curb appeal");
2. ensuring suites are properly repaired and maintained before being rented to new tenants;
3. marketing geared to the right tenant profile;
4. a more stringent screening and credit review process when selecting new tenants; and,
5. ensuring that operations are running as efficiently and cost effectively as possible to ensure the well-being of tenants and tenant enjoyment of their homes.

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

The following chart represents the economic vacancy for the entire portfolio for the month listed. This data is calculated by taking financial vacancy loss and dividing it by gross rental revenue. All suites in the portfolio are included except for the un-rented suites at LIV.



	June 2016	March 2016	December 2015	September 2015	June 2015
Average monthly rents - all properties	$1,020	$1,004	$996	$1,006	$978
Average monthly rents - stabilized properties	$1,027	$1,014	$1,009	$1,004	$989

The overall economic vacancy for June 2016 across the entire portfolio was 6.0%, an increase over the 4.9% recorded for June 2015. The increase in overall economic vacancy is mainly a result of the vacancy related to the non-stabilized properties that are in the process of being repositioned. Economic vacancy for the stabilized portfolio for June 2016 was 3.4%, which is down from the 4.5% recorded for June 2015.

There are two properties in the GTA region that are included in the stabilized grouping that have recently finished the bulk of their repositioning program and still have slightly higher vacancy as a result of the in-suite work being completed on turnover to the current standards. The NCR vacancy is as a result of one property in Aylmer that typically runs with higher vacancy than the Ottawa market as well as one smaller property in Ottawa that is now considered stabilized, which is still in a transition phase as part of the repositioning efforts.

Region	All Properties	Stabilized Properties	Non-Stabilized Properties
Eastern Ontario	1.1%	1.1%	n/a
GTA	2.9%	2.2%	4.8%
Hamilton/Niagara	11.5%	3.2%	18.6%
Montreal	3.1%	1.9%	4.4%
Northern Ontario	5.4%	5.4%	n/a
NCR[1]	7.6%	5.9%	9.3%
Western Ontario	2.6%	2.5%	10.4%
Total	6.0%	3.4%	10.5%

[1] Suites at LIV are included in vacancy calculations once the initial lease is executed.

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OTHER REVENUE

Other rental revenue for the three months ended June 30, 2016 increased 25.5% to $1.3 million compared to $1.1 million for the three months ended June 30, 2015. The increased revenues from ancillary sources such as parking, laundry, locker rentals and cable and telecom continues to be a focus as it provides organic revenue growth. For the three months ended June 30, 2016, other revenue represents 5.4% of net operating revenue compared to 5.1% for Q2 2015.

PROPERTY OPERATING COSTS

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

Property operating costs for the three months ended June 30, 2016 amounted to $4.2 million or 17.1% of revenue compared to $3.7 million or 18.0% of revenue for the three months ended June 30, 2015. As a percentage of revenue, operating costs decreased by 90 basis points as compared to 2015 due to cleaning and exterior maintenance/snow removal.

PROPERTY TAXES

Property taxes for the three months ended June 30, 2016 amounted to $3.5 million or 14.3% of revenue compared to $2.9 million or 13.9% of revenue for the three months ended June 30, 2015. The overall increase in taxes is mainly attributable to the increase in suites from the second quarter of 2015 to 2016. Substantially all of the property tax bills from the various municipalities have been finalized for 2016.

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

UTILITY COSTS

Utility costs for the three months ended June 30, 2016 amounted to $2.2 million or 9.0% of revenue compared to $1.8 million or 8.8% of revenue for the three months ended June 30, 2015. As a percentage of operating revenues utility costs increased over the same quarter last year due primarily to rate increases.

Across the entire portfolio, our hydro sub-metering initiative reduced our electricity costs by 20.6%, or $0.3 million for the quarter. At June 30, 2016, the REIT had 6,978 suites that had the infrastructure in place to submeter hydro in order to recover the cost. Of the suites that have the infrastructure in place, 4,616 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant. This represents approximately 66% of the submetered suites or approximately 54% of the total portfolio. The REIT currently plans to continue to roll out the submetering capability to another 297 suites in the current portfolio to bring the total submetered units to 7,275, or approximately 85% of the current portfolio.

NET OPERATING INCOME (NOI)

NOI for the three months ended June 30, 2016 amounted to $14.7 million or 59.6% of operating revenue compared to $12.3 million or 59.3% of operating revenue for the three months ended June 30, 2015. The increase in the quarter is as a result of growing the portfolio and increasing net revenue while controlling property operating costs and utilities. The NOI for LIV was $0.5 million the three months ended June 30, 2016 compared to $42 thousand for Q2 2015.

NOI from stabilized properties was $10.1 million, or 61.9% of revenue, and NOI from non-stabilized properties was $4.6 million, or 55.0% of revenue. Management continues to focus on top line revenue growth through acquisitions, suite additions and ancillary revenue as well as operating cost reductions (such as efficiencies of scale, investment in energy saving initiatives, and investments to reduce ongoing operating costs).

STABILIZED PORTFOLIO PERFORMANCE

Stabilized properties for the three months ended June 30, 2016 are defined as all properties owned by the Trust continuously for 24 months prior to the beginning of the period being reported, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during the period from April 1, 2014 to June 30, 2016. As at June 30, 2016, the Trust has 5,298 stabilized suites, which represents 61.8% of the overall portfolio.

In $ 000's	3 Months Ended June 30, 2016		3 Months Ended June 30, 2015		6 Months Ended June 30, 2016		6 Months Ended June 30, 2015	
Gross rental revenue	**$16,235**		$15,630		**$32,335**		$31,082	
Less: vacancy & rebates	**(827)**		(851)		**(1,641)**		(1,697)	
Other revenue	**887**		801		**1,730**		1,584	
Operating revenues	**$16,295**		$15,580		**$32,424**		$30,969	
Expenses								
Property operating costs	**2,704**	**16.6%**	2,735	17.6%	**5,241**	**16.2%**	5,249	17.0%
Property taxes	**2,179**	**13.4%**	2,071	13.3%	**4,316**	**13.3%**	4,145	13.4%
Utilities	**1,321**	**8.1%**	1,282	8.2%	**3,441**	**10.6%**	3,700	11.9%
Operating expenses	**$6,204**	**38.1%**	$6,088	39.1%	**$12,998**	**40.1%**	$13,094	42.3%
Net operating income	**$10,091**		$9,492		**$19,426**		$17,875	
Net operating margin	**61.9%**		60.9%		**59.9%**		57.7%	

For the three months ended June 30, 2016, operating revenues for stabilized properties increased by 4.6% and operating expenses increased by 1.9% as compared to the same period last year. As a result, stabilized NOI has increased by $0.6 million, or 6.3%, as compared to the same period last year. NOI margin for Q2 2016 was 61.9% as compared to 60.9% for Q2 2015, an increase of 100 basis points.

The average monthly rent for June 2016 for stabilized properties increased to $1,027 per suite from $989 (June 2015), an increase of 3.8%. Economic vacancy for June 2016 for stabilized properties was 3.4%, compared to 4.5% for June 2015.

	June 2016	March 2016	December 2015	September 2015	June 2015
Average monthly rents stabilized properties	$1,027	$1,014	$1,009	$1,004	$989
Average monthly vacancy stabilized properties	3.4%	2.9%	3.9%	4.5%	4.5%

For the Stabilized portfolio, the property operating costs and utilities decreased as a percentage of operating revenues and were relatively flat on a dollar basis. Property taxes had a small increase on a percentage of operating revenue as compared to Q2 2015.

FINANCING AND ADMINISTRATIVE COSTS

In $ OOO's	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Net operating income	**$14,706**	$12,254	**$27,684**	$22,020
Expenses				
Financing costs	**5,346**	4,128	**10,424**	7,909
Administrative costs	**1,987**	1,613	**3,928**	3,110
Income before other income expenses	**$7,373**	$6,513	**$13,332**	$11,001

FINANCING COSTS

Financing costs amounted to $5.3 million or 21.7% of revenue for the three months ended June 30, 2016 compared to $4.1 million or 20.0% of revenue for the three months ended June 30, 2015. As a percentage of revenue, financing costs have historically been in the range of 19% to 22%.

In $ OOO's	3 Months Ended June 30, 2016		3 Months Ended June 30, 2015	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$4,581**	**18.6%**	$3,684 [1]	17.9%
Credit facilities	**511**	**2.1%**	46 [1]	0.2%
Interest income	**(40)**	**(0.2%)**	(54)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**294**	**1.2%**	452	2.2%
Total	**$5,346**	**21.7%**	$4,128	20.0%

[1] Net of interest capitalized to redevelopment property.

Financing costs amounted to $10.4 million or 21.5% of revenue for the six months ended June 30, 2016 compared to $7.9 million or 20.3% of revenue for the six months ended June 30, 2015.

In $ OOO's	6 Months Ended June 30, 2016		6 Months Ended June 30, 2015	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$8,973**	**18.5%**	$6,988 [1]	18.0%
Credit facilities	**921**	**1.9%**	177 [1]	0.4%
Interest income	**(73)**	**(0.1%)**	(102)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**603**	**1.2%**	846	2.2%
Total	**$10,424**	**21.5%**	$7,909	20.3%

[1] Net of interest capitalized to redevelopment property.

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 or lower than those that mature in 2016 through 2017. Management has been able to decrease the weighted average rate of mortgage debt from 2.90% at June 30, 2015 to 2.72% at June 30, 2016. Despite the decrease in interest rate, mortgage debt has increased on an overall basis, mainly attributable to up-financing for property acquisitions and repositioning.

ADMINISTRATIVE COSTS

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

Administrative costs for the three months ended June 30, 2016 amounted to $2.0 million or 8.1% of revenue compared to $1.6 million or 7.8% of revenue for the three months ended June 30, 2015

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

In $ OOO's	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Income before other income and expenses	**$7,373**	$6,513	**$13,332**	$11,001
Loss on sale of assets	**(353)**	-	**(664)**	-
Fair value adjustments of investment properties	**748**	2,766	**1,001**	3,040
Unrealized gain/(loss) on financial liabilities	**(1,861)**	490	**(4,251)**	(1,098)
Distributions expense on units classified as financial liabilities	**(158)**	(125)	**(287)**	(238)
Net income	**$5,749**	$9,644	**$9,131**	$12,705

SALE OF ASSETS

During the three months ended June 30, 2016, the Trust had a $0.4 million loss from the sale of seven investment properties. The Trust sold all seven properties in Kingston for a total selling price of $21.2 million compared to a carrying value of $20.6 million. The properties were sold for $0.6 million above their fair market value however selling costs of $1.0 million (which includes commission, legal expense and any unamortized portion of the CMHC insurance premium) were incurred as part of the transactions, resulting in a loss on disposition of $0.4 million. There were no dispositions in the three months ended June 30, 2015.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at June, 2016 was determined internally by the Trust. In order to substantiate management's valuation, market evidence from third party appraisers is incorporated on a continual basis. For the three month period ended June 30, 2016, a fair value gain of $0.7 million was recorded on the financial statements as a result of changes in the fair value of investment properties. The increase in the fair value of the properties over the quarter has been driven primarily by improvements in operating results stemming from the repositioning of the properties and the capital invested over the last five years as well as minor changes to the capitalization rate. The weighted average capitalization rate used across the portfolio at the end of Q2 2016 was 5.04% as compared to 5.15% for Q4 2015 and 5.36% for Q2 2015. The change in the weighted average capitalization rate is driven primarily by the properties acquired and sold in 2015 and 2016 as well as the decrease in capitalization rates on properties that have undergone significant repositioning.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a closing price of $7.93 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the deferred unit compensation liability. The total fair value of the deferred units recorded on the consolidated balance sheet at June 30, 2016 was $17.2 million and a corresponding fair value loss of $1.3 million was recorded on the consolidated statement of income for the three months ended June 30, 2016.

The Trust determined the fair value of the option plan (unit-based compensation liability) at June 30, 2016 at $2.7 million and a corresponding fair value loss of $0.4 million was recorded on the condensed consolidated statement of income for the three months ended June 30, 2016. The intrinsic value of the vested options is $3.2 million.

The Trust used a closing price of $7.93 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the LP Class B unit liability. The total fair value of these Units recorded on the condensed consolidated balance sheet at June 30, 2016 was $1.5 million and a corresponding fair value loss of $0.1 million was recorded on the condensed consolidated statement of income for the three months ended June 30, 2016.

In $ OOO's	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Fair value gain(loss) on financial liabilities:				
Deferred unit compensation plan	**$(1,347)**	$269	**$(2,972)**	$(1,088)
Option plan	**(404)**	187	**$(1,024)**	51
LP Class B unit liability	**(110)**	34	**(255)**	(61)
Fair value gain (loss) on financial liabilities	**$(1,861)**	$490	**$(4,251)**	$(1,098)

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.

Halstead Gardens
Hamilton, ON

INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2015 to June 30, 2016.

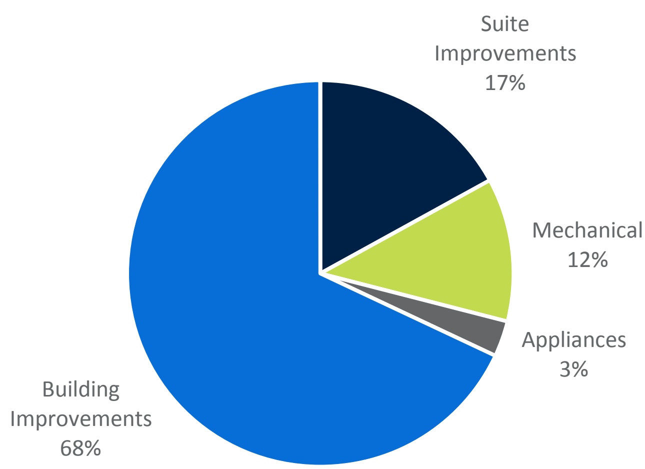
In $ OOO's	June 30, 2016
Balance, December 31, 2015	$1,220,213
Acquisitions	79,734
Property capital investments	36,746
Fair value gains	1,001
Dispositions	(39,740)
Total investment properties	$1,297,954
Properties held for sale	(42,509)
	$1,255,445

The Trust acquired two properties (545 suites) for $79.7 million and sold eleven properties (357 suites) for $41.0 million during the six month period ended June 30, 2016.

The fair value of the portfolio at June 30, 2016 was determined internally by the Trust. In order to substantiate management's valuation, market evidence from third party appraisers is incorporated on a continual basis. For the six month period ended June 30, 2016, a fair value gain of $1.0 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

For the six month period ended June 30, 2016, the Trust invested $36.7 million in the portfolio. Approximately $27.4 million, or 74% of the capital invested in the portfolio, was invested in properties that were classified as non-stabilized in 2016. The breakdown of expenditures for the year are itemized in the following graph.

▼ Capital Expenditures



UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2015 to June 30, 2016.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2015	71,045,483	$247,043
Units issued under long-term incentive plan	290,000	2,271
Units issued under the deferred unit plan	46,789	326
Units issued under distribution reinvestment plan	321,380	2,185
Units issued from options exercised	93,005	637
June 30, 2016	**71,796,657**	**$252,462**

As at June 30, 2016 there were 71,796,657 Trust Units issued and outstanding.

NORMAL COURSE ISSUER BID

On August 27, 2015, the TSX approved the Trust's normal course issuer bid ("Bid") for a portion of its Trust Units. Under the Bid, the Trust may acquire up to a maximum of 5,669,710 of its Trust Units, or approximately 10% of its public float of 56,698,359 Trust Units as of August 24, 2015, for cancellation over a 12 month period commencing on September 1, 2015 until the earlier of August 31, 2016 or the date on which the Trust has purchased the maximum number of Trust Units permitted under the Bid. The number of Trust Units that can be purchased pursuant to the Bid is subject to a current daily maximum of 14,913 Trust Units (being 25% of the average daily trading volume for the six months ended July 31, 2015), except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. Purchases will be made at market prices through the facilities of the TSX.

For the six month period ended June 30, 2016, the Trust did not purchase any Trust Units.

DISTRIBUTIONS

The Trust is currently making monthly distributions of $0.01925 per Unit. For the three months ended June 30, 2016, the Trust's FFO and AFFO was $0.101 and $0.088 per unit respectively, compared to $0.091 and $0.079 for the three months ended June 30, 2015, while the distributions were $0.0578 for 2016 and $0.0549 for 2015.

Distributions to Unitholders were as follows:

In $ OOO's	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Distributions declared to Unitholders	$4,131	$3,866	$8,243	$7,498
Distributions reinvested through DRIP	(974)	(1,088)	(2,185)	(1,968)
Distributions declared to Unitholders, net of DRIP	$3,157	$2,778	$6,058	$5,530
DRIP participation rate	23.6%	28.1%	26.5%	26.2%

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

CASH FROM OPERATING ACTIVITIES AND CASH DISTRIBUTIONS

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

In $000's	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Net income	**$5,749**	$9,644	**$9,131**	$12,705
Cash flows from operating activities	**8,777**	10,783	**16,698**	17,926
Distributions paid (1)	**3,159**	2,784	**6,067**	5,324
Distributions declared (1)	**4,142**	3,877	**8,265**	7,519
Excess of net income over distributions paid	**2,590**	6,860	**3,064**	7,381
Excess of net income over distributions declared	**1,607**	5,767	**866**	5,186
Excess of cash flows from operations over distributions paid	**5,618**	7,999	**10,631**	12,602
Excess of cash flows from operations over distributions declared	**4,635**	6,906	**8,433**	10,407

(1) Includes distributions on LP Class B units

For the three months ended June 30, 2016, cash flows from operating activities exceeded distributions paid by $5.6 million. Net income is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value change on financial instruments, which are not reflective of the Trust's ability to make distributions. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Trust units	**71,399,039**	70,378,150	**71,279,003**	67,008,908
LP Class B units	**186,250**	186,250	**186,250**	186,250
Weighted average units outstanding - Basic	**71,585,289**	70,564,400	**71,465,253**	67,195,158
Unexercised dilutive options [1]	**440,303**	262,788	**440,303**	262,788
Weighted average units outstanding - Diluted	**72,025,592**	70,827,188	**71,905,556**	67,457,946

[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 June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Net income	**$5,749**	$9,644	**$9,131**	$12,705
Add (deduct):				
Fair value adjustments on investment property	**(748)**	(2,766)	**(1,001)**	(3,040)
Loss on sale of assets	**353**	-	**664**	-
Unrealized (gain) loss on financial instruments	**1,861**	(490)	**4,251**	1,098
Interest expense on puttable units classified as liabilities	**11**	11	**22**	21
Funds from Operations (FFO)	**$7,226**	$6,399	**$13,067**	$10,784
FFO per weighted average unit - basic	**$0.101**	$0.091	**$0.183**	$0.161
FFO per weighted average unit - diluted	**$0.100**	$0.090	**$0.182**	$0.160

AFFO Reconciliation from FFO In $000's, except per Unit amounts and Units outstanding	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Funds from Operations	**$7,226**	$6,399	**$13,067**	$10,784
Add (deduct):				
Maintenance capital investment	**(938)**	(810)	**(1,850)**	(1,544)
Adjusted Funds from Operations (AFFO)	**$6,288**	$5,589	**$11,217**	$9,240
AFFO per weighted average unit - basic	**$0.088**	$0.079	**$0.157**	$0.138
AFFO per weighted average unit - diluted	**$0.087**	$0.079	**$0.156**	$0.137

CASH GENERATED FROM OPERATING ACTIVITIES TO AFFO RECONCILIATION

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

AFFO Reconciliation from cash flow In $000's	**3 Months Ended June 30, 2016**	**3 Months Ended June 30, 2015**	**6 Months Ended June 30, 2016**	**6 Months Ended June 30, 2015**
Cash flow from operations	**$8,777**	$10,783	**$16,698**	$17,926
Change in non-cash working capital	**(194)**	(3,103)	**562**	(3,578)
Tenant inducements	**(413)**	(231)	**(779)**	(469)
Amortization	**(53)**	(27)	**(106)**	(48)
Amortization of finance costs	**(294)**	(452)	**(603)**	(846)
Unit-based compensation	**(597)**	(571)	**(2,705)**	(2,201)
Maintenance capital investment	**(938)**	(810)	**(1,850)**	(1,544)
Adjusted Funds from Operations (AFFO)	**$6,288**	$5,589	**$11,217**	$9,240

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 56.3% of Gross Book Value ("GBV") at June 30, 2016. GBV is a non-GAAP term that is defined in the DOT and includes all operations. The following chart sets out the Trust's computed debt to GBV:

In $ 000's	**June 30, 2016**	**December 31, 2015**
Total assets per Balance Sheet	$1,312,239	$1,231,656
Mortgages payable and vendor take-back loans	$652,198	$607,465
Lines of credit	86,816	60,125
Total debt	$739,014	$667,590
Debt to GBV	56.3%	54.2%

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

INTEREST AND DEBT SERVICE COVERAGE

The following schedule summarizes the interest and debt service coverage ratios for InterRent for the comparable rolling 12 month periods ending June 30th:

In $000's	**12 Months Ended June 30, 2016**	**12 Months Ended June 30, 2015**
NOI	$54,154	$42,303
Less: Administrative costs	7,304	6,120
EBITDA	$46,850	$36,183
Interest expense [1]	18,233	14,717
Interest coverage ratio	2.57x	2.46x
Contractual principal repayments	12,371	10,912
Total debt service payments	$30,604	$25,629
Debt service coverage ratio	1.53x	1.41x

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

MORTGAGE AND DEBT SCHEDULE

The following schedule summarizes the aggregate future minimum principal payments and debt maturities for the mortgages and vendor take-back loans (excluding assets for sale) of InterRent REIT.

Year Maturing	Mortgage Balances At June 30, 2016 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate (1)
2016	$150,643	23.3%	2.52%
2017	$178,845	27.6%	2.69%
2018	$77,928	12.0%	2.51%
2019	$11,540	1.8%	2.64%
2020	$43,091	6.6%	2.45%
Thereafter	$185,664	28.7%	3.02%
Total	$647,711	100%	2.72%

(1) Effective weighted average interest rate for maturing mortgages only.

At June 30, 2016, the average term to maturity of the mortgage debt was approximately 4.4 years and the weighted average cost of mortgage debt was 2.72%. At June 30, 2016, approximately 42% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust repaid seven mortgages on properties that were sold for $11.4 million and paid down $3.1 million in mortgage principal. The net result at June 30, 2016 compared to March 31, 2016 was:

- A decrease in average term to maturity of the mortgage debt to 4.4 years from 4.7 years;
- Maintained the weighted average cost of mortgage debt at 2.72%; and,
- A decrease in the mortgage debt backed by CMHC insurance to approximately 42% from 43%.

As at June 30, 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 June 30, 2016, the Trust had no balance outstanding under this facility.
- A $17.5 million term credit facility, maturing in 2016, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on twelve of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at June 30, 2016, the Trust had utilized $14.4 million of this facility.
- A $25.0 million term credit facility, maturing in 2018, with a Canadian chartered bank secured by a general security agreement, a first mortgage on one of the Trust's properties and second collateral mortgages on nine of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at June 30, 2016, the Trust had utilized $20.7 million of this facility.
- A $60.0 million term credit facility, maturing in 2017, with a Canadian chartered bank secured by a general security agreement, first mortgages on one of the Trust's properties and second collateral mortgages on five of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. As at June 30, 2016, the Trust had utilized $51.8 million of this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments*

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

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Trust's consolidated financial statements.

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. Management is currently assessing the impact of IFRS 15 and 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. Management is currently assessing the impact of IFRS 16 and intends to adopt the new standard on the required effective date.

RISKS AND UNCERTAINTIES

A comprehensive description of the risks and uncertainties can be found in InterRent REIT's December 31, 2015 MD&A and other securities filings at www.sedar.com.

Financial Risk Management and Financial Instruments

A. **Overview**

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

B. **Credit Risk**

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

The amounts disclosed as rents and other receivables and loan receivable long-term incentive plan in the consolidated balance sheet are net of allowances for doubtful accounts, estimated by the Trust's management based on prior experience and their assessment of the current economic environment. The Trust establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of rents and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and an overall loss component established based on historical trends. At June 30, 2016, the Trust had past due rents and other receivables of $2.3 million net of an allowance for doubtful accounts of $0.7 million which adequately reflects the Trust's credit risk.

The Trust believes that the concentration of credit risk of accounts receivable is limited due to its broad tenant base, dispersed across varying geographic locations.

The Trust has established various internal controls, such as credit checks and security deposits, designed to mitigate credit risk. While the Trust's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Trust's current credit loss experience will improve.

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

C. **Liquidity Risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in notes 19 and 20 in the June 30, 2016 condensed consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

As at June 30, 2016, the Trust had credit facilities as described in note 9 in the June 30, 2016 condensed consolidated financial statements.

Note 8 in the June 30, 2016 condensed consolidated financial statements reflects the contractual maturities for mortgage and loans payable of the Trust at June 30, 2016, 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, excluding assets held for sale, and credit facilities is approximately $743 million as at June 30, 2016 excluding any deferred financing costs.

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

E. **Market Risk**

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

At June 30, 2016, approximately 38% of the Trust's mortgage debt was at variable interest rates. The Trust's credit facilities bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately $1.0 million for the six months ended June 30, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2016 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 June 30, 2016, $1.4 million (December 31, 2015 - $1.9 million) was included in accounts payable and accrued liabilities, net of amounts receivable, which are due to companies controlled by an officer of the Trust. The amounts were non-interest bearing and due on demand.

ii. Services

   During the six month period ended June 30, 2016 the Trust incurred $4.2 million (2015 - $3.9 million) in services from companies controlled by an officer of the Trust. Of the services received approximately $1.7 million (2015 - $1.8 million) has been capitalized to the investment properties and the remaining amounts are included in operating and administrative costs.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Pursuant to Canadian Securities Administrators requirements 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, InterRent REIT's Chief Executive Officer and Chief Financial Officer have satisfied themselves that as at June 30, 2016:

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

SUBSEQUENT EVENT

The Trust sold five properties in Sarnia and one property in Niagara Falls for a total of 415 suites on July 5, 2016 for a selling price of approximately $32.1 million and sold two properties in Brantford for a total of 104 suites on July 18, 2016 for a selling price of $11.5 million.

OUTSTANDING SECURITIES DATA

As of July 28, 2016, the Trust had issued and outstanding: (i) 71,821,805 units; (ii) LP Class B Units that are exchangeable for 186,250 units of the Trust; (iii) options exercisable to acquire 1,256,175 units of the Trust; and (iv) deferred units that are redeemable for 2,554,769 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.