InterRent Real Estate Investment Trust
Management's Discussion and Analysis
For The Three and Six Months Ended June 30, 2013

August 12, 2013

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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, 2012 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 factors, such as employment rates
- 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 (the "Declaration of Trust" or "DOT"), 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, 2013 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, 2012 and note 2 of the condensed consolidated financial statements for June 30, 2013 regarding the addition of a new policy for investment property under redevelopment and the change in accounting policy for the adoption of IFRS 13 Fair Value Measurement (IFRS 13) on January 1, 2013.

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

Distributable Income, 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.

Distributable Income ("DI") reflects the ability of the Trust to earn income and to make distributions of cash to Unitholders and therefore is considered a measure of cash available for distribution. DI differs from net income, a GAAP measure. For a complete description of the Trust's definition of Distributable Income refer to the Declaration of Trust.

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 November 2012.

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.

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 DI, 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 condensed 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 and increase Distributable Income through accretive acquisitions.

The REIT spent 2010 and 2011 focused on re-positioning 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 re-positioning well in-hand, the focus in 2012 and 2013 has clearly shifted to finding good quality properties where we can drive down operating costs while increasing rents through sound capital investment, good management and exceptional customer service. 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.

OUTLOOK

- The Bell Street property acquired in May of 2013 will be the most significant repositioning project in the REIT's history. Management expects that it will take until the second half of 2014 to see the results of the extensive work being done at the property and to begin to capture the upside from the redevelopment efforts. While the work is being done, the REIT is vacating as many of the suites as possible in order to be able to complete the renovations in a timely and cost effective manner as well as to be able to capture the upside that is expected in the rents.
- Management is focused on growing InterRent REIT in a strategic and structured manner. In addition to the seven acquisitions completed in the first half of 2013, management is working on numerous opportunities and believes it can continue to find similar accretive acquisitions. In line with this, the Trust has purchased:
    - A complex of 24 garden homes and low-rise apartment buildings aggregating 54 residential suites, situated in Ottawa, Ontario. This transaction is expected to close in the third quarter.
- The sub-metering program has been rolled out to 28 properties (2,209 suites) with another 5 properties (453 suites) being rolled out in Q3 of 2013. Of the total 2,662 suites, 921 suites, or 34.6%, are on hydro extra leases. The remaining suites will convert to hydro extra on turnover.
- Management is currently working on the re-financing of mortgages that mature throughout 2013 and expects to be able to re-finance the properties with long-term CMHC insured mortgages at rates below the current contracted rates.
- 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. So far in 2013, the REIT has submitted applications to the Landlord and Tenant Board which could result in an increase in rental income of $0.4 million of which $0.3 million, on an annualized basis, is expected to be rolled out by the end of the year.

Q2 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three months ended June 30, 2013 compared to the same period in 2012:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended June 30, 2013**	**3 Months Ended June 30, 2012**
Total suites	**6,040**	4,652
Occupancy rate (June)	**96.0%**	96.6%
Average rent per suite (June)	**$909**	$850
Operating revenues	**$15,521**	$11,568
Net operating income (NOI)	**9,568**	7,037
NOI %	**61.6%**	60.8%
NOI per weighted average unit - basic	**$0.17**	$0.16
NOI per weighted average unit - diluted	**$0.17**	$0.16
Funds from operations (FFO)	**$5,128**	$3,549
FFO per weighted average unit - basic	**$0.09**	$0.08
FFO per weighted average unit - diluted	**$0.09**	$0.08
Adjusted funds from operations (AFFO)	**$4,448**	$3,026
AFFO per weighted average unit - basic	**$0.08**	$0.07
AFFO per weighted average unit - diluted	**$0.08**	$0.07
Distributable income (DI)	**$4,980**	$2,913
DI per weighted average unit - basic	**$0.09**	$0.07
DI per weighted average unit - diluted	**$0.09**	$0.07
Cash distributions per unit	**$0.0467**	$0.03
AFFO payout ratio	**60%**	44%
Stabilized average rent per suite	**$896**	$865
Stabilized NOI %	**61.1%**	60.2%
Interest coverage (rolling 12 months)	**2.72x**	2.17x
Debt service coverage (rolling 12 months)	**1.72x**	1.49x
Debt to GBV	**46.6%**	51.0%

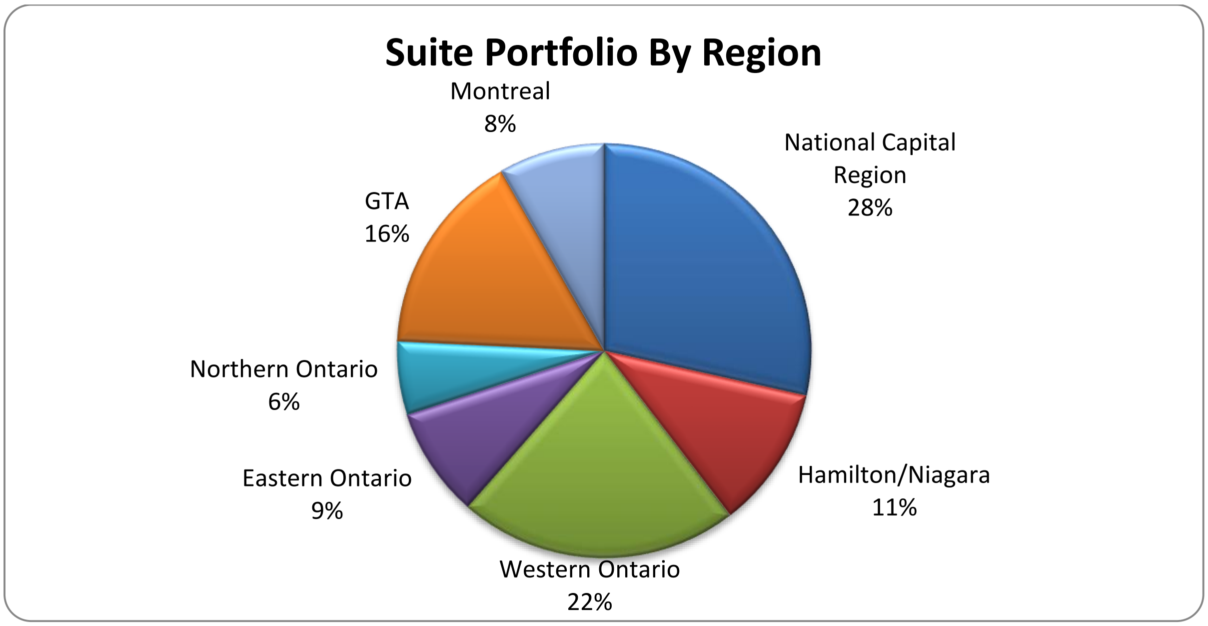
- Operating revenue for the quarter rose by $4.0 million to $15.5 million, an increase of 34.2% over Q2 2012. Average monthly rent per suite increased to $909 (June 2013) from $850 (June 2012), an increase of 6.9%.
- Economic vacancy increased to 4.0% (June 2013) from 3.4% (June 2012) as management pushed rents going into peak rental season.
- NOI increased to $9.6 million for the quarter, or 61.6% of operating revenues, compared to $7.0 million, or 60.8%, for Q2 2012.
- Stabilized NOI increased to $5.8 million for the quarter, or 61.1% of operating revenues, compared to $5.5 million, or 60.2%, for Q2 2012.
- Funds from operations (FFO) for the quarter increased by $1.6 million, or 44.5%, to $5.1 million (or $0.09 per unit) compared to $3.5 million (or $0.08 per unit) for Q2 2012.
- Adjusted funds from operations (AFFO) for the quarter rose by $1.4 million to $4.4 million, an increase of 47.0%. AFFO was $0.08 per unit for the quarter compared to $0.07 per unit for Q2 2012.

- Distributable income (DI) for the quarter increased by $2.1 million, or 71.0%, to $5.0 million (or $0.09 per unit) compared to $2.9 million (or $0.07 per unit) for Q2 2012.
- The Trust completed the following investment property transactions in the second quarter of 2013:

Transaction Date		Suite Count	Region	Transaction Price	Price per Suite
April 4, 2013	acquisition	118	National Capital	$ 15,650,000	$ 132,627
April 15, 2013	acquisition	127	GTA	$ 23,925,000	$ 188,386
April 18, 2013	acquisition	327	Montreal	$ 34,990,000	$ 107,003
May 14, 2013	acquisition	444	National Capital	$ 38,625,000	$ 86,993

PORTFOLIO SUMMARY

The Trust started the year with 4,695 suites. During the first half of 2013 the Trust purchased seven properties totalling 1,341 suites (of which one property (444 suites) has been classified a redevelopment property) and added 4 suites to existing properties. At June 30, 2013, the Trust had 6,040 suites (including the un-rentable 126 suites at the redevelopment property in Ottawa). Management continuously reviews the markets the REIT is in to determine if the portfolio mix remains suitable. Management believes that there are significant opportunities within the non-stabilized portfolio (2,575 suites) to drive rents and reduce operating costs as well as opportunities within the stabilized portfolio (3,525 suites) to reduce the operating costs further and streamline operations while growing the REIT in a fiscally prudent manner. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 1,341 suites within these clusters during the first half of the year. We continue to actively seek purchase opportunities within the target cities in order to build our acquisition pipeline. The following graph and table shows our suite mix by region as well as our average rent by region for June 30, 2013.



Region	Number of Suites	Average Rent
Eastern Ontario	517	$848
GTA (1)	963	$1,123
Hamilton/Niagara (1)	671	$927
Montreal	501	$819
Northern Ontario	347	$790
National Capital Region - Ottawa	1,104	$979 (2)
National Capital Region - Gatineau	490	$742
Western Ontario	1,321	$835
Total	6,040	$909

(1) Effective June 2013, the 404 suites located in Burlington have been reclassed from Hamilton/Niagara to GTA.

(2) Average rent for Ottawa excludes the effect of the 126 un-rentable suites at the redevelopment property.

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 $ OOO's	3 Months Ended June 30, 2013		3 Months Ended June 30, 2012		6 Months Ended June 30, 2013		6 Months Ended June 30, 2012	
Gross rental revenue	**$15,431**		$11,496		**$28,296**		$22,350	
Less: vacancy & rebates	**(672)**		(441)		**(1,089)**		(891)	
Other revenue	**762**		513		**1,368**		915	
Operating revenues	**$15,521**		$11,568		**$28,575**		$22,374	
Expenses								
Property operating costs	**2,483**	**16.0%**	1,939	16.8%	**4,654**	**16.3%**	3,748	16.8%
Property taxes	**2,035**	**13.1%**	1,481	12.8%	**3,766**	**13.2%**	3,058	13.7%
Utilities	**1,435**	**9.2%**	1,111	9.6%	**3,157**	**11.0%**	2,818	12.6%
Operating expenses	**$5,953**	**38.4%**	$4,531	39.2%	**$11,577**	**40.5%**	$9,624	43.0%
Net operating income	**$9,568**		$7,037		**$16,998**		$12,750	
Net operating margin	**61.6%**		60.8%		**59.5%**		57.0%	

REVENUE

Gross rental revenue for the three months ended June 30, 2013 increased 34.2% to $15.4 million compared to $11.5 million for the three months ended June 30, 2012. Operating revenue for the quarter was up $4.0 million to $15.5 million, or 34.2% compared to Q2 2012. The Trust had 4,652 suites at the end of Q2 2012 as compared to 6,040 at the end of Q2 2013, a net increase of 1,388 suites.

The average monthly rent for June 2013 increased to $909 per suite from $850 (June 2012), an increase of 6.9%. On a stabilized basis, average rent is up $31 per suite (or 3.6%) over June 2012. The overall increase in average rent is a result of changes to the stabilized properties as well as the change in property mix over the same period in 2012. Management expects to continue to grow rent organically in both the stabilized and non-stabilized properties through 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. So far in 2013, the REIT has submitted applications to the Landlord and Tenant Board which could result in an increase in rental income of $0.4 million of which $0.3 million, on an annualized basis, is expected to be rolled out by the end of the year.

InterRent REIT has been successful at increasing rent levels while at the same time passing on hydro sub-metering charges to new tenants. The program has been in place since the summer of 2011 for select locations and the program is now being extended to most of the remaining portfolio. This program affects those properties that are bulk metered by hydro.

	June 2013	March 2013	December 2012	September 2012	June 2012
Average monthly rents all properties	$909	$888	$887	$880	$850
Average monthly rents stabilized properties	$896	$888	$887	$880	$865

Portfolio Occupancy

Overall economic vacancy was 4.0% for June 2013 compared to 3.4% over the same period last year. 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 range of 3% to 4%. 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. marketing geared to the right tenant profile;

2. ensuring that properties are well maintained, landscaped and decorated so as to be visually appealing ("curb appeal");

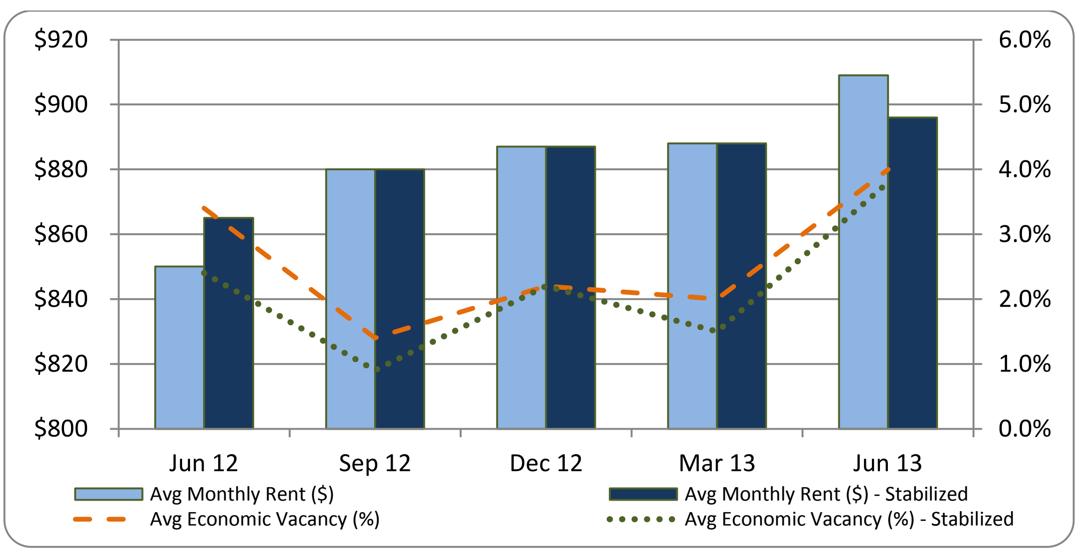
3. ensuring suites are properly repaired and maintained before being rented to new tenants;

4. more selective of the tenants it rents to (part of a more stringent screening criteria and credit review process); and,

5. ensuring that operations are running as efficiently and cost effectively as possible to ensure the well being and enjoyment of the tenants.

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 and focus 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 vacancy and dividing it by gross rental revenue. All suites in the portfolio are included in the calculation whether they were available to rent immediately or not (i.e. no removal of suites under renovation or undergoing major repairs and maintenance). Should the Trust undertake any significant redevelopment, this calculation would exclude any suites that are un-rentable during that time.



The overall economic vacancy for June 2013 across the entire portfolio was 4.0% (excluding 126 un-rentable suites at the redevelopment property in Ottawa), compared to 3.4% for June 2012. On a per region basis, the economic vacancy breaks down as follows: Eastern Ontario – 2.7%; GTA – 2.6%; Hamilton/Niagara – 3.2%; Montreal – 6.0%; Northern Ontario – 1.1%; National Capital Region – 4.8%; and, Western Ontario – 5.4%. Effective June 2013, the 404 suites located in Burlington have been reclassed from Hamilton/Niagara to GTA.

Other Revenue

Other rental revenue for the three months ended June 30, 2013 increased 48.5% to $0.8 million compared to $0.5 million for the three months ended June 30, 2012. 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.

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, 2013 amounted to $2.5 million or 16.0% of revenue compared to $1.9 million or 16.8% of revenue for the three months ended June 30, 2012. Despite the net addition of 1,388 suites, operating costs increased by only $0.6 million and as a percentage of revenue decreased by 0.8% as compared to Q2 2012. On a stabilized property basis, property operating costs increased slightly by $0.1 million due primarily from one-time consulting cost.

Management believes that the current staffing levels are able to meet not only the current requirements, but most regions are able to integrate new properties into the portfolio with minimal extra cost.

PROPERTY TAXES

Property taxes for the three months ended June 30, 2013 amounted to $2.0 million or 13.1% of revenue compared to $1.5 million or 12.8% of revenue for the three months ended June 30, 2012. The overall increase in taxes is mainly attributable to the increase in suites from the second quarter of 2012 to 2013. On a stabilized property basis, property taxes increased slightly by $0.1 million.

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, 2013 amounted to $1.4 million or 9.2% of revenue compared to $1.1 million or 9.6% of revenue for the three months ended June 30, 2012. Despite the net addition of 1,388 suites, utility costs only increased $0.3 million. As a percentage of operating revenues and on a per suite basis, utility costs have decreased over the same quarter last year as a result of energy savings initiatives, the expiry of retail natural gas contracts, and from our hydro sub-metering initiative. Our hydro sub-metering initiative reduced our utility costs by 6.8% for the quarter.

The sub-meter program has been rolled out to 28 properties (2,209 suites) with another 5 properties (453 suites) being rolled out in Q3 of 2013. Of the total 2,662 suites at June 30, 2013, 921 suites, or 34.6%, are on hydro extra leases. The remaining suites will convert to hydro extra on turnover.

On a stabilized property basis, utility costs were down 10.0%, or $0.1 million, which was attributable to the rollout of the hydro sub-meter program savings in natural gas stemming from a combination of items such as efficiency measures and savings due to the expiry of natural gas contracts.

NET OPERATING INCOME (NOI)

NOI for the three months ended June 30, 2013 amounted to $9.6 million or 61.6% of revenue compared to $7.0 million or 60.8% of revenue for the three months ended June 30, 2012. The $2.5 million increase in the quarter is as a result of growing the portfolio and increasing net revenue while decreasing property operating costs and utilities as a percentage of revenue. NOI from stabilized properties was $5.8 million, or 61.1% of revenue, and NOI from non-stabilized properties was $3.8 million, or 62.6% of revenue. Management continues to focus on top line revenue growth through acquisitions, suite additions and ancillary revenue as well as operating cost reductions (efficiencies of scale, investment in energy saving initiatives, investments to reduce ongoing operating costs, etc.).

STABILIZED PORTFOLIO PERFORMANCE

Stabilized properties for the three and six months ended June 30, 2013 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, 2011 to March 31, 2013. As at June 30, 2013, the Trust has 3,525 stabilized suites, which represents 58.4% of the overall portfolio.

In $ OOO's	3 Months Ended June 30, 2013		3 Months Ended June 30, 2012		6 Months Ended June 30, 2013		6 Months Ended June 30, 2012	
Gross rental revenue	**$9,439**		$9,053		**$18,783**		$18,001	
Less: vacancy & rebates	**(397)**		(279)		**(705)**		(564)	
Other revenue	**450**		400		**868**		750	
Operating revenues	**$9,492**		$9,174		**$18,946**		$18,187	
Expenses								
Property operating costs	**1,565**	**16.5%**	1,507	16.4%	**3,152**	**16.6%**	3,005	16.5%
Property taxes	**1,335**	**14.1%**	1,257	13.7%	**2,648**	**14.0%**	2,544	14.0%
Utilities	**797**	**8.4%**	885	9.6%	**2,000**	**10.6%**	2,268	12.5%
Operating expenses	**$3,697**	**38.9%**	$3,649	39.8%	**$7,800**	**41.2%**	$7,817	43.0%
Net operating income	**$5,795**		$5,525		**$11,146**		$10,370	
Net operating margin	**61.1%**		60.2%		**58.8%**		57.0%	

For the three months ended June 30, 2013, operating revenues for stabilized properties increased by 3.5% and operating expenses increased by 1.3% as compared to the same period last year. As a result, stabilized NOI has increased by 4.9% to 61.1% as compared to the same period last year.

For the six months ended June 30, 2013, operating revenues for stabilized properties increased by 4.2% and operating expenses decreased by 0.2% as compared to the same period last year. As a result, stabilized NOI has increased by 7.5% to 58.8% as compared to the same period last year.

The average monthly rent for June 2013 for stabilized properties increased to $896 per suite from $865 (June 2012), an increase of 3.6%. Economic vacancy for June 2013 for stabilized properties was 3.8%, compared to 2.4% for June 2012.

	June 2013	March 2013	December 2012	September 2012	June 2012
Average monthly rents stabilized properties	$896	$888	$887	$880	$865

Property operating costs for stabilized properties increased slightly by $0.1 million due primarily from one-time consulting cost. Property taxes remained flat at $1.3 million. Utility costs were down 10.0%, or $0.1 million, which was attributable to the rollout of the hydro sub-meter program and savings in natural gas stemming from a combination of items such as efficiency measures and savings due to the expiry of natural gas contracts.

FINANCING AND ADMINISTRATIVE COSTS

In $ OOO's	3 Months Ended June 30, 2013	3 Months Ended June 30, 2012	6 Months Ended June 30, 2013	6 Months Ended June 30, 2012
Net operating income	**$9,568**	$7,037	**$16,998**	$12,750
Expenses				
Financing costs	**2,753**	2,600	**5,299**	5,397
Administrative costs	**1,628**	857	**2,719**	1,738
Income before other income and expenses	**$5,187**	$3,580	**$8,980**	$5,615

FINANCING COSTS

Financing costs amounted to $2.7 million or 17.7% of revenue for the three months ended June 30, 2013 compared to $2.6 million or 22.5% of revenue for the three months ended June 30, 2012.

	3 Months Ended June 30, 2013		3 Months Ended June 30, 2012	
In $ OOO's	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest [(1)]	$2,596	16.7%	$2,193	19.0%
Debenture interest	-	0%	-	0%
Credit facilities	189	1.2%	145	1.3%
Interest income	(42)	(0.3%)	(20)	(0.2%)
Non Cash based:				
Accretion of discount and amortization of deferred finance cost on convertible debt	-	0%	-	0%
Amortization of deferred finance cost and premiums on assumed debt	10	0.1%	282	2.4%
Total	$2,753	17.7%	$2,600	22.5%

[(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 often significantly lower than the maturing mortgage rate. Although mortgage debt has increased on an overall basis, mainly attributable to property acquisitions and up-financing, mortgage interest as a percent of revenue has decreased from 18.7% in Q2 2012 to 17.4% in Q2 2013 due to an overall decrease in the weighted average rate of mortgage debt from 3.94% in Q2 2012 to 3.37% for the current quarter.

Subordinated Convertible Debenture

As at June 30, 2013, InterRent REIT had no convertible subordinated debenture outstanding. The Trust redeemed the $25 million 7% subordinated convertible debenture, originally due on January 31, 2013, on February 1, 2012 at par.

ADMINISTRATIVE COSTS

Administrative costs include such items as salaries and incentive payments (including unit-based compensation), employee benefits, trustee fees, investor relations, transfer agent listing and filing fees, legal, tax, audit and other professional fees and amortization on corporate automobile, furniture and equipment.

Administrative costs for the three months ended June 30, 2013 amounted to $1.6 million or 10.5% of revenue compared to $0.9 million or 7.4% of revenue for the three months ended June 30, 2012. The increase of $0.8 million is mainly attributable to salaries and unit-based compensation expenses.

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

In $ OOO's	**3 Months Ended June 30, 2013**	**3 Months Ended June 30, 2012**	**6 Months Ended June 30, 2013**	**6 Months Ended June 30, 2012**
Income before other income and expenses	**$5,187**	$3,580	**$8,980**	$5,615
Loss on sale of assets	**-**	(93)	**-**	(452)
Fair value adjustments of investment properties	**5,689**	15,560	**11,199**	18,146
Unrealized gain/(loss) on financial liabilities	**883**	(561)	**(878)**	(1,320)
Distributions expense on units classified as financial liabilities	**(68)**	(37)	**(124)**	(68)
Net income	**$11,691**	$18,449	**$19,177**	$21,921

SALE OF ASSETS

There were no dispositions of assets in the three month period ended June 30, 2013.

In the three month period ended June 30, 2012, the Trust had a $0.1 million loss from the sale of an investment property. The Trust sold one investment property for a total selling price of $1.4 million compared to a carrying value of $1.4 million. The property was sold for $23 thousand above their carrying value (which is the fair market value) however selling costs of $0.1 million were incurred as part of the transactions, resulting in a loss on disposition of $0.1 million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio (excluding the redevelopment property) at June 30, 2013 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 (approximately 16% of the portfolio was appraised by external valuation professionals in the first half of 2013). For the three month period ended June 30, 2013, a fair value gain of $5.7 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 by actual improvements in operating results as a result of the repositioning of the properties and the capital invested over the last two and a half years. The weighted average capitalization rate used across the portfolio (excluding the redevelopment property) at the end of Q2 2013 was 5.50% (Q4 2012 - 5.55%).

The redevelopment property acquired May 14, 2013 is valued at acquisition cost plus redevelopment costs. The direct capitalization income approach method of valuation is not a reliable measure as the property is undergoing a significant amount of work which will affect multiple components of the estimated NOI as well as the Cap Rate. It is expected that the work will be completed in the second half of 2014 at which time the estimated NOI and Cap Rate will be reliable and the property will be included in the portfolio to be fair valued.

Redevelopment costs include direct development costs, realty taxes and borrowing costs directly attributable to the redevelopment.

UNREALIZED FAIR VALUE GAIN ON FINANCIAL LIABILITIES

The Trust used a closing price of $5.77 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 these Units recorded on the condensed consolidated balance sheet at June 30, 2013 was $5.6 million and a corresponding fair value gain of $0.5 million was recorded on the condensed consolidated statement of income for the three months ended June 30, 2013.

The Trust determined the fair value of the option plan (unit-based compensation liability) at June 30, 2013 at $2.0 million and a corresponding fair value gain of $0.2 million was recorded on the condensed consolidated statement of income for the three months ended June 30, 2013. The intrinsic value of the vested options is $1.9 million.

The Trust used a closing price of $5.77 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, 2013 was $1.1 million and a corresponding fair value gain of $0.1 million was recorded on the condensed consolidated statement of income for the three months ended June 30, 2013.

In $ OOO's	**3 Months Ended June 30, 2013**	**3 Months Ended June 30, 2012**	**6 Months Ended June 30, 2013**	**6 Months Ended June 30, 2012**
Fair value gain(loss) on financial liabilities:				
Deferred unit compensation plan	**$551**	$(313)	**$(497)**	$(664)
Option plan	**235**	(173)	**(280)**	(464)
LP Class B unit liability	**97**	(75)	**(101)**	(192)
Fair value gain (loss) on financial liabilities	**$883**	$(561)	**$(878)**	$(1,320)

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.

PERFORMANCE MEASURES

Management believes that funds from operations (FFO), adjusted funds from operations (AFFO) and distributable income (DI) are key measures for real estate investment trusts.

As all three 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.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended June 30, 2013**	**3 Months Ended June 30, 2012**	**6 Months Ended June 30, 2013**	**6 Months Ended June 30, 2012**
Net income	**$11,691**	$18,449	**$19,177**	$21,921
Add (deduct):				
Fair value adjustments on investment property	**(5,689)**	(15,560)	**(11,199)**	(18,146)
Loss on sale of assets	**-**	93	**-**	452
Unrealized (gain)/loss on financial instruments	**(883)**	561	**878**	1,320
Interest expense on puttable units classified as liabilities	**9**	6	**16**	11
Funds from operations (FFO)	**$5,128**	$3,549	**$8,872**	$5,558
FFO per weighted average unit - basic	**$0.09**	$0.08	**$0.17**	$0.13
FFO per weighted average unit - diluted	**$0.09**	$0.08	**$0.17**	$0.13

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended June 30, 2013**	**3 Months Ended June 30, 2012**	**6 Months Ended June 30, 2013**	**6 Months Ended June 30, 2012**
Funds from operations	**$5,128**	$3,549	**$8,872**	$5,558
Add (deduct):				
Maintenance capital investment	**(680)**	(523)	**(1,245)**	(1,028)
Accretion of discount and amortization of deferred finance cost on convertible debt	**-**	-	**-**	343
Adjusted funds from operations (AFFO)	**$4,448**	$3,026	**$7,627**	$4,873
AFFO per weighted average unit - basic	**$0.08**	$0.07	**$0.15**	$0.11
AFFO per weighted average unit - diluted	**$0.08**	$0.07	**$0.15**	$0.11

DI Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended June 30, 2013**	**3 Months Ended June 30, 2012**	**6 Months Ended June 30, 2013**	**6 Months Ended June 30, 2012**
Net income	**$11,691**	$18,449	**$19,177**	$21,921
Add items not affecting cash:				
Interest expense on redeemable units classified as liabilities	**9**	6	**16**	11
Amortization of automobile, equipment and furniture and fixtures	**10**	5	**18**	9
Accretion of discount and amortization of deferred finance cost on convertible debt	**-**	-	**-**	343
Amortization of deferred finance costs (pre December 6, 2006) and net discounts on assumed debt	**3**	99	**7**	140
Unit based compensation	**626**	169	**1,608**	782
Loss on sale of assets	**-**	93	**-**	452
Unrealized (gain)/loss on financial instruments	**(883)**	561	**878**	1,320
Less:				
Amortization of net premiums on assumed debt	**144**	-	**225**	-
Maintenance capital expenditures	**643**	909	**1,298**	1,312
Fair value gain on investment properties	**5,689**	15,560	**11,199**	18,146
Distributable income (DI)	**$4,980**	$2,913	**$8,982**	$5,520
DI per weighted average unit - basic	**$0.09**	$0.07	**$0.17**	$0.13
DI per weighted average unit - diluted	**$0.09**	$0.07	**$0.17**	$0.13

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended June 30, 2013	**3 Months Ended June 30, 2012**	**6 Months Ended June 30, 2013**	**6 Months Ended June 30, 2012**
Trust units	**56,799,284**	43,858,299	**51,383,722**	43,720,516
LP Class B units	**186,250**	186,250	**186,250**	186,250
Weighted average units outstanding - Basic	**56,985,534**	44,044,549	**51,569,972**	43,906,766
Unexercised dilutive options (1)	**353,477**	320,300	**353,477**	320,300
Weighted average units outstanding - Diluted	**57,339,011**	44,364,849	**51,923,449**	44,227,066

(1) Calculated using the treasury method

INVESTMENT PROPERTIES

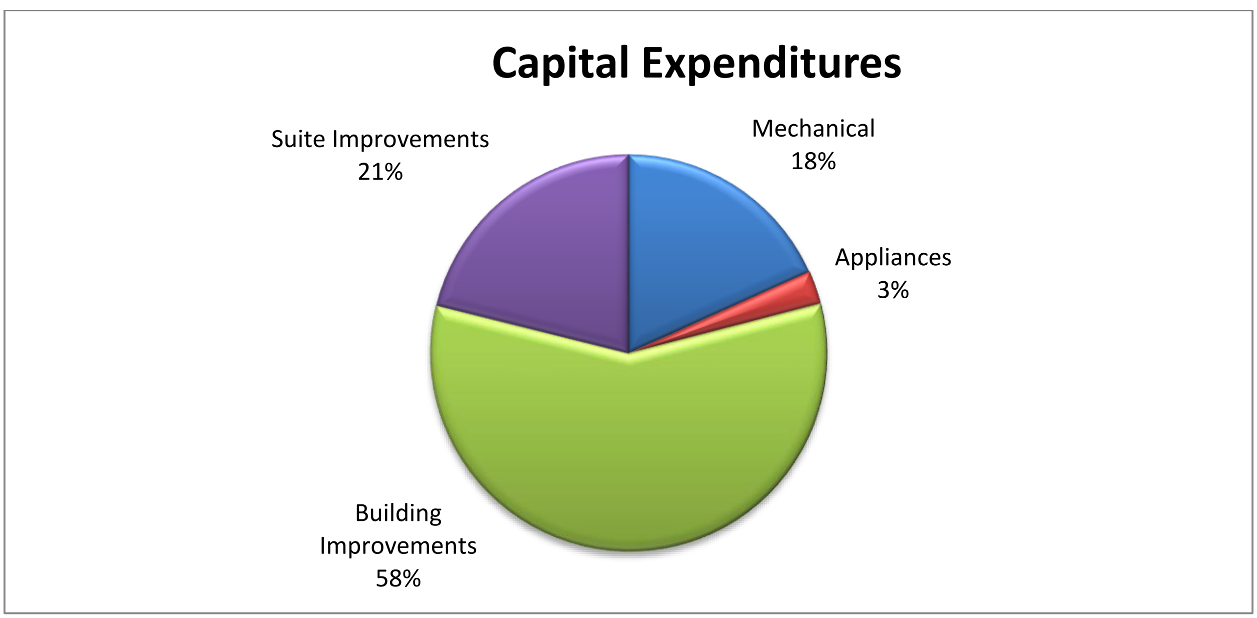
The following chart shows the changes in investment properties from December 31, 2012 to June 30, 2013.

In $ OOO's	June 30, 2013
Balance, December 31, 2012	$551,021
Acquisitions (non redevelopment properties)	115,797
Property capital investments	16,014
Fair value gains	11,199
Dispositions	-
	$694,031
Acquisition – redevelopment property	39,797
Redevelopment costs	476
Total investment properties	$734,304

The Trust acquired seven properties (1,341 suites) for $155.6 million during the six month period ended June 30, 2013 of which one property (444 suites) for $39.8 million was considered a redevelopment property as it is undergoing a significant amount of redevelopment work.

The fair value of the portfolio (excluding the redevelopment property) at June 30, 2013 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, 2013, a fair value gain of $11.2 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, 2013, the Trust invested $16.5 million (2012 - $7.9 million) in its investment properties, including $9.2 million spent on non-stabilized properties acquired in the past 24 months. The breakdown of expenditures for the year are itemized in the following graph.



UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2012 to June 30, 2013.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2012	44,204,020	$82,653
Units issued from prospectus	12,420,646	81,107
Unit issue costs	-	(3,709)
Units issued under long-term incentive plan	187,500	1,022
Units issued under the deferred unit plan	58,487	360
Units issued from options exercised	90,150	491
Units issued under distribution reinvestment plan	145,113	838
June 30, 2013	57,105,916	$162,762

As at June 30, 2013 there were 57,105,916 Trust Units issued and outstanding.

DISTRIBUTIONS

The Trust increased its monthly distributions 25% from $0.0133 to $0.0167 per Unit effective for the May 2013 distribution that was paid June 2013. For the three months ended June 30, 2013, the Trust's Distributable Income was $0.09 per unit (basic), compared to $0.07 for the three months ended June 30, 2012, while the distributions were $0.0467 per unit for the current quarter and $0.03 for the second quarter of 2012.

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 46.6% of Gross Book Value ("GBV") at June 30, 2013. 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 $ OOO's	June 30, 2013	December 31, 2012
Total assets per Balance Sheet	$744,354	$559,206
Mortgages payable and vendor take-back loans	$329,483	$256,820
Lines of credit and bank indebtedness	17,397	5,110
Total debt	$346,880	$261,930
Debt to GBV	46.6%	46.8%

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 believes that although the bulk of the repositioning and dispositions are complete, there remains opportunities within the portfolio to reduce the operating costs further and streamline operations while growing 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 30,2013**	**12 Months Ended June 30,2012**
NOI	$32,194	$23,714
Less: Administrative costs	4,632	3,271
EBITDA	$27,562	$20,443
Interest expense (1)	10,146	9,415
Interest coverage ratio	**2.72x**	**2.17x**
Contractual principal repayments	5,874	4,333
Total debt service payments	$16,020	$13,748
Debt service coverage ratio	**1.72x**	**1.49x**

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

MORTGAGE AND CREDIT FACILITIES

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	**Mortgage and Debt Balances At June 30, 2013 (in $ 000's)**	**Weighted Average by Maturity**	**Weighted Average Interest Rate**
2013	$92,882	28.0%	2.96%
2014	54,011	16.3%	2.95%
2015	22,244	6.7%	4.56%
2016	17,473	5.3%	4.33%
2017	44,007	13.2%	4.41%
2018	Nil	Nil	Nil
Thereafter	101,074	30.5%	3.14%
Total	$331,691	100%	3.37%

During the quarter the Trust added a mortgage to a property that was purchased in the first quarter, added $14 million variable mortgage debt that was paid down in Q1 and paid down $1.8 million in mortgage principal. The net result at June 30, 2013 compared to March 31, 2013 was:

- a decrease in the average term to maturity of the mortgage debt to approximately 4.3 years from 5.0 years;
- a reduction in the weighted average cost of mortgage debt to 3.37% from 3.51% ; and,
- a decrease in the mortgage debt backed by CMHC insurance to approximately 63% from 75%.

As at June 30, 2013, the Trust had the following credit facilities:

- A $0.5 million demand operating loan with a Canadian chartered bank bearing interest at prime plus 1.0%, secured by a general security agreement and a second collateral mortgage on one of the Trust's properties. As at June 30, 2013, the Trust had not utilized this facility.
- A $10 million demand credit facility with a financial institution bearing interest at prime plus 2.0%, secured by a general security agreement and second collateral mortgages on nine of the Trust's properties. As at June 30, 2013, the Trust had not utilized this facility.
- A $10 million term credit facility, maturing in 2014, with a Canadian chartered bank bearing interest at prime plus 0.75%, secured by a general security agreement and second collateral mortgages on nine of the Trust's properties. As at June 30, 2013, the Trust had utilized $4.9 million of this facility.
- A $12.5 million term credit facility, maturing in 2015, with a Canadian chartered bank bearing interest at prime plus 0.75%, secured by a general security agreement and second collateral mortgages on ten of the Trust's properties. As at June 30, 2013, the Trust had utilized $12.5 million of this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

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.

RISKS AND UNCERTAINTIES

A comprehensive description of the risks and uncertainties can be found in InterRent REIT's December 31, 2012 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 accounts receivable, loan receivable long-term incentive plan, mortgage holdbacks and mortgages receivable.

The amounts disclosed as rents and other receivables 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, 2013, the Trust had past due rents and other receivables of $1.4 million net of an allowance for doubtful accounts of $0.6 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 consolidated balance sheet as mortgage holdbacks relate primarily to amounts that will be released upon the completion of repairs to certain buildings. Mortgages receivable represent vendor take back loans on the sale of buildings and are secured by the building. Management believes there is minimal credit risk due to the nature of these amounts receivable and the underlying collateral.

c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 20 in the June 30, 2013 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, 2013, the Trust had credit facilities as described in note 9 in the June 30, 2013 condensed consolidated financial statements.

Note 8 in the June 30, 2013 condensed consolidated financial statements reflects the contractual maturities for mortgage and loans payable of the Trust at June 30, 2013, 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 and vendor take back loans, 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 vendor take back loans has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable, vendor take-back loans and credit facilities is approximately $349 million as at June 30, 2013.

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, 2013, approximately 6% of the Trust's mortgage debt is at variable interest rates and 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 $0.1 million for the six months ended June 30, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2013 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

The transactions with related parties are incurred in the normal course of business and are measured at the exchange amounts, believed to represent fair value. Related party transactions have been listed below, unless they have been disclosed elsewhere in the audited financial statements.

(i) Accounts Payable
As at June 30, 2013, $0.7 million (December 31, 2012 - $0.5 million) was included in accounts payable and accrued liabilities 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, 2013 the Trust incurred $3.1 million (2012 - $2.7 million) in services from companies controlled by an officer of the Trust. Of the services received approximately $1.6 million (2012 - $1.3 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, 2013:

1. the design of disclosure controls and procedures was appropriate in order to provide reasonable assurance that material information relating to InterRent REIT is made known to us by others;

2. the design of internal controls over financial reporting was appropriate in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with GAAP; and,

3. there have been no changes in InterRent REIT's internal controls over financial reporting during the quarter that has materially affected, or is reasonably likely to materially affect, InterRent REIT's internal controls over financial reporting.

SUBSEQUENT EVENT

On July 29, 2013, the Trust announced that the TSX had approved its normal course issuer bid ("Bid") for a portion of its Trust Units as appropriate opportunities arise from time to time. Under the Bid, the Trust may acquire up to a maximum of 4,596,134 of its Trust Units, or approximately 10% of its public float of 45,961,336 Trust Units as of July 19, 2013, for cancellation over the next 12 months commencing on August 1, 2013 until the earlier of July 31, 2014 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 29,211 Trust Units (being 25% of the average daily trading volume), 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. The Trust intends to fund the purchases out of its available cash and undrawn credit facilities.

OUTSTANDING SECURITIES DATA

As of August 12, 2013, the Trust had issued and outstanding: (i) 57,156,017 units; (ii) LP Class B Units that are exchangeable for 186,250 units of the Trust; (iii) options exercisable to acquire 1,289,000 units of the Trust; and (iv) deferred units that are redeemable for 1,384,740 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.