INTERRENT
REIT

InterRent Real Estate Investment Trust

Management's Discussion and Analysis

For The Three Months Ended March 31, 2012

May 7, 2012

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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, 2011 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 March 31, 2012 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, 2011.

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 and Net Operating Income (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 IFRS. The Trust presents FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations.

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.

Readers are cautioned that DI, FFO, AFFO and NOI 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 much of 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 has 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 they have both the experience and abilities necessary to execute on our growth strategy.

OUTLOOK

- The Trust is continuing to introduce into tenant leases a nominal charge related to electricity in anticipation of beginning to establish and roll-out a sub-metering program. The first locations for the roll-out have been selected and the pilot agreement is in place for the initial 397 suites. The installation has begun and completion / testing will occur in Q2 with roll-out of the billing to tenants to happen early in Q3.
- Management is focused on growing InterRent REIT in a strategic and structured manner. In addition to the two purchases completed in the first quarter of 2012, the Trust has committed to purchase a complex consisting of low and high-rise apartment buildings, aggregating 184 suites, situated in Mississauga, Ontario. This transaction is expected to close in June of 2012 and has a going in cap rate of 6.1%.
- The Trust is presently negotiating new acquisition lines with chartered banks and expects to have the facilities in place in Q2.
- The Trust has built-out and rented 12 suites within existing properties in the fourth quarter of 2011 and the first quarter of 2012 and is planning on adding an additional 17 suites by the end of the year.

Q1 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three months ended March 31, 2012 compared to the same period in 2011:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended March 31, 2012**	**3 Months Ended March 31, 2011**
Total suites	**4,489**	3,914
Occupancy rate (March)	**97.3%**	95.5%
Average rent per suite (March)	**$832**	$810
Operating revenues	**$10,806**	$9,421
Operating NOI	**5,713**	4,335
NOI %	**52.9%**	46.0%
NOI per unit - basic	**$0.13**	$0.13
NOI per unit - diluted	**$0.13**	$0.13
Funds from operations	**$2,010**	$593
Funds from operations per unit - basic	**$0.05**	$0.02
Funds from operations per unit - diluted	**$0.05**	$0.02
Adjusted funds from operations	**$1,848**	$571
Adjusted funds from operations per unit - basic	**$0.04**	$0.02
Adjusted funds from operations per unit - diluted	**$0.04**	$0.02
Distributable income	**$2,224**	$1,021
Distributable income per unit - basic	**$0.05**	$0.03
Distributable income per unit - diluted	**$0.05**	$0.03
Cash distributions per unit	**$0.03**	$0.03
AFFO payout ratio	**75%**	170%
Stabilized average rent per suite	**$850**	$819
Stabilized NOI %	**53.5%**	47.0%
Debt to GBV	**50.3%**	58.1%

- Operating revenue for the quarter increased $1.4 million to $10.8 million, an increase of 14.7% over Q1 2011. Average monthly rent per suite increased to $832 (March 2012) from $810 (March 2011), an increase of 2.6%.

- Economic vacancy decreased to 2.7% (March 2012) from 4.5% (March 2011).

- Net Operating Income (NOI) increased 31.8% to $5.7 million, or 52.9%, for the quarter compared to $4.3 million, or 46.0%, for Q1 2011.

- Stabilized NOI increased 19.3% to $4.8 million, or 53.5%, for the quarter compared to $4.0 million, or 47.0%, for Q1 2011.

- Funds From Operation (FFO) for the quarter increased by $1.4 million, or 239%, to $2.0 million (or $0.05 per unit) compared to $0.6 million (or $0.02 per unit) for Q1 2011.

- Adjusted funds from operations (AFFO) for the quarter increased by $1.3 million, or 224%, to $1.8 million (or $0.04 per unit) compared to $0.6 million (or $0.02 per unit) for Q1 2011.

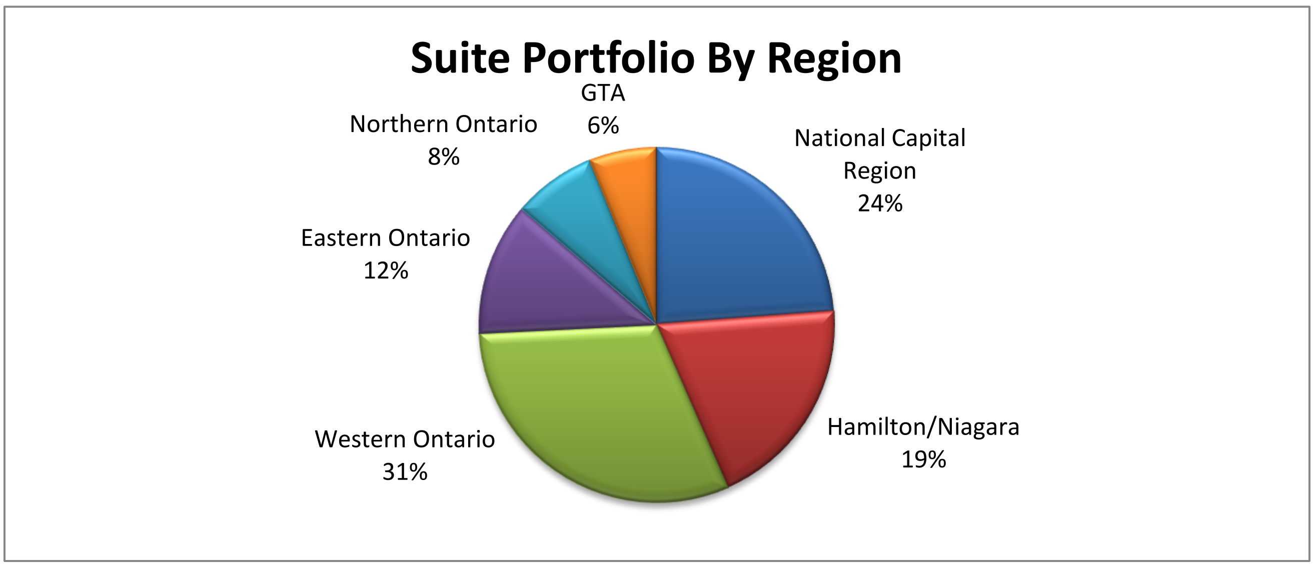
- Distributable Income (DI) for the quarter was $2.2 million (or $0.05 per unit) an increase of $1.2 million over Q1 2011.

- The Trust completed the following investment property transactions in the first quarter of 2012:

Transaction Date		Suite Count	Region	Transaction Price	Price per Suite
January 5, 2012	acquisition	490	National Capital	$ 28,775,000	$ 58,724
March 7, 2012	acquisition	230	Hamilton/Niagara	19,910,000	86,565
March 8, 2012	disposition	36	Western Ontario	2,435,000	67,639
March 8, 2012	disposition	16	Western Ontario	982,500	61,406

PORTFOLIO SUMMARY

The Trust started the year with 3,820 suites. During the first quarter of 2012 the Trust purchased two properties totalling 720 suites, added 1 suite to an existing property and sold two properties totalling 52 suites. At March 31, 2012, the Trust had 4,489 suites including three properties (totalling 144 suites) classified as assets held for sale. Management must continuously review the markets the REIT is in to determine if the portfolio mix remains suitable. That being said, management believes that the bulk of the repositioning and dispositions are complete and the focus continues to be on streamlining operations and 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 720 suites within these clusters during the quarter. 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 March 2012.



Region	Number of Suites	Average Rent
Eastern Ontario	541	$800
GTA	275	$1,011
Hamilton/Niagara	879	$886
Northern Ontario	341	$732
National Capital Region - Ottawa	579	$973
National Capital Region - Gatineau	490	$710
Western Ontario	1,384	$791
Total	4,489	$832

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 an individual property or the classification of individual properties as held for sale do not constitute a significant operation to be classified as discontinued operations.

In $ OOO's	3 Months Ended March 31, 2012	3 Months Ended March 31, 2011
Gross rental revenue	**$10,854**	$9,597
Less: vacancy & rebates	**(450)**	(527)
Other revenue	**402**	351
Operating revenues	**$10,806**	$9,421
Expenses		
Property operating costs	**1,809**	1,800
Property taxes	**1,577**	1,419
Utilities	**1,707**	1,867
Operating expenses	**$5,093**	$5,086
Net operating income	**$5,713**	$4,335
Operating margins	**52.9%**	46.0%

REVENUE

Gross rental revenue for the three months ended March 31, 2012 increased 13.1% to $10.9 million compared to $9.6 million for the three months ended March 31, 2011. Operating revenue for the quarter was up $1.4 million to $10.8 million, or 14.7% compared to Q1 2011. The Trust had 3,914 suites at the end of Q1 2011 as compared to 4,489 at the end of Q1 2012. The average monthly rent for March 2012 increased to $832 per suite from $810 (March 2011), an increase of 2.6%.

The majority of the average monthly rental increase is as a result of moving rents to market on turnover. On a portfolio basis, average rents increased by $22 over March 2011 however as a result of the acquisition of the Gatineau property, which is in the midst of being repositioned, the overall average decreased from December 2011. On a stabilized basis, average rents per suite are up $31 per suite over March 2011 and $3 over December 2011. Management decided to forego some rental growth in the quarter by pushing the AGI rollout to Q2 through Q4 as rental activity is stronger during these quarters. Management expects to continue to grow rent organically through moving to market rent on suite turnovers, continued roll-out of AGIs as well as continuing to drive other ancillary revenue streams such as parking and locker rentals. The AGIs applied for (without including the guideline increase) range from 2% to 9% and management expects that the AGIs alone will add approximately $0.6 million in annualized gross rent once the process is complete (approximately $20,000, or $240,000 on an annual basis, has been rolled out to date).

InterRent REIT has been successful in maintaining 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 the remainder of the portfolio. This program affects those properties that are bulk metered by hydro.

	March 2012	December 2011	September 2011	June 2011	March 2011
Average monthly rents all properties	$832	$843	$829	$812	$810
Average monthly rents stabilized properties	$850	$847	$841	$824	$819

Portfolio Occupancy

Overall economic vacancy was 2.7% for March 2012 compared to 4.5% over the same period last year. The increased rents and reduction in vacancies that InterRent REIT is now achieving supports and strengthens management's philosophy that the right tenant profile and capital investment leads to a stronger and more sustainable portfolio of properties. The 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");

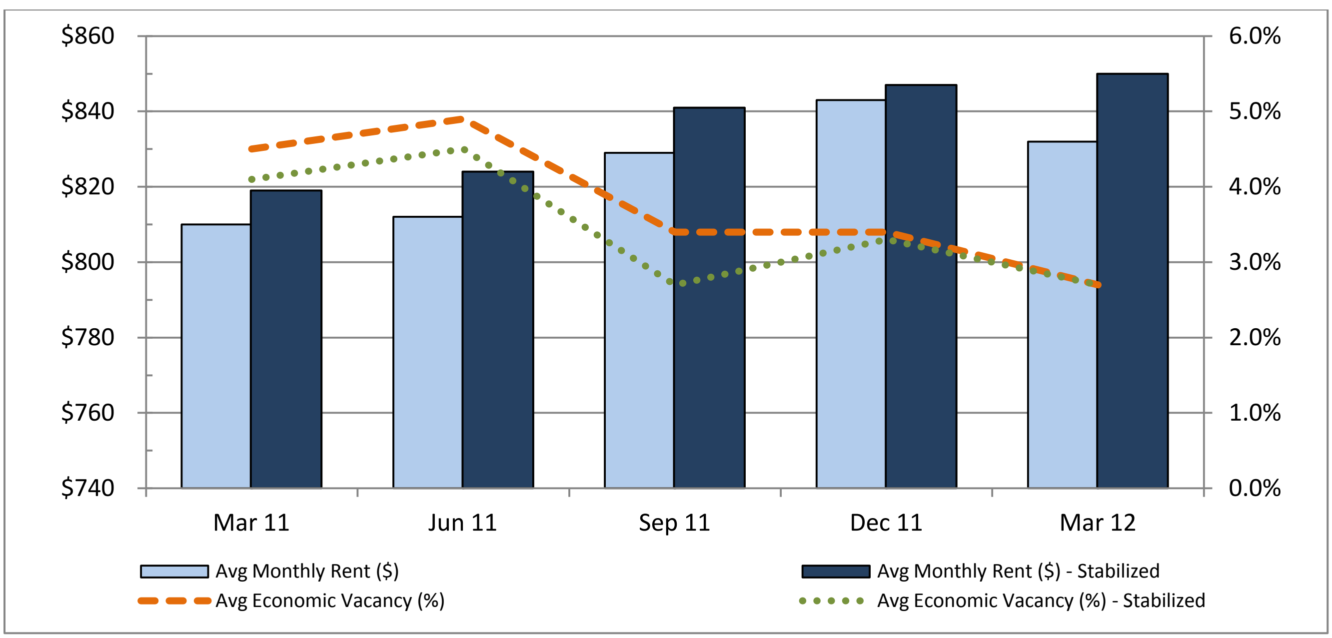
3. ensuring suites are properly repaired and maintained before being rented to new tenants;

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 (ie: no removal of suites under renovation or undergoing major repairs and maintenance).



The overall economic vacancy for March 2012 across the entire portfolio, including the properties classified as held for sale, was 2.7%, compared to 4.5% for March 2011. On a per region basis, the economic vacancy breaks down as follows: Eastern Ontario – 4.4%; GTA – 0.8%; Hamilton/Niagara – 0.5%; Northern Ontario – 0.3%; National Capital Region – 2.5%; and, Western Ontario – 4.5%. The properties classified as held for sale contributed 0.6% to the March 2012 economic vacancy.

As part of the ongoing effort to drive rents throughout the portfolio, the vacancy rate is expected to continue 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.

Other Revenue

Other rental revenue for the three months ended March 31, 2012 increased 14.5% to $0.4 million compared to $0.3 million for the three months ended March 31, 2011. The increased revenues from ancillary sources such as parking, laundry and locker rentals 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 March 31, 2012 amounted to $1.8 million or 16.7% of revenue compared to $1.8 million or 19.1% of revenue for the three months ended March 31, 2011. Despite the net addition of 668 suites which incurred $0.2 million in operating costs, a reduction in repairs and maintenance of $0.2 million allowed the REIT to keep operating costs flat on dollar terms and reduce them by 2.4% of revenue as compared to Q1 2011.

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 March 31, 2012 amounted to $1.6 million or 14.6% of revenue compared to $1.4 million or 15.1% of revenue for the three months ended March 31, 2011. The increase in mainly attributable to the increase in suites from the first quarter of 2011 to 2012. 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 March 31, 2012 amounted to $1.7 million or 15.8% of revenue compared to $1.9 million or 19.8% of revenue for the three months ended March 31, 2011. Despite an increase of $0.2 million relating to new property purchases in the quarter, costs decreased by over $0.3 million due in part to the completion of the second phase of our boiler replacement program and mild winter weather experienced in the first quarter. Approximately 30% of our gas consumption is under contract at rates ranging from $0.2960 to $0.3445 per cubic metre. These contracts are scheduled to expire throughout the second half of 2012.

A program has been in place since the summer of 2011, for select locations, to pass hydro charges onto tenants for the portion of hydro that they can control. This program has been successful and is now being extended to the remainder of the portfolio. The program affects those properties that are bulk metered by hydro.

NET OPERATING INCOME (NOI)

NOI for the three months ended March 31, 2012 amounted to $5.7 million or 52.9% of revenue compared to $4.3 million or 46.0% of revenue for the three months ended March 31, 2011. The $1.4 million increase in the quarter is as a result of growing the portfolio and increasing net revenue while maintaining the same level of property operating costs as the comparable quarter.

STABILIZED PORTFOLIO PERFORMANCE

Stabilized properties for the three months ended March 31, 2012 are defined as all properties owned by the Trust continuously for 24 months, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during the period from April 1, 2010 to March 31, 2012. As at March 31, 2012, the Trust has 3,527 stabilized suites, which represents 78.6% of the overall portfolio.

In $ OOO's	**3 Months Ended March 31, 2012**	**3 Months Ended March 31, 2011**
Gross rental revenue	**$8,980**	$8,653
Less: vacancy & rebates	**(360)**	(434)
Other revenue	**351**	330
Operating revenues	**$8,971**	$8,549
Expenses		
Property operating costs	**1,507**	1,555
Property taxes	**1,282**	1,263
Utilities	**1,383**	1,709
Operating expenses	**$4,172**	$4,527
Net operating income	**$4,799**	$4,022
Operating margins	**53.5%**	47.0%

For the three months ended March 31, 2012, operating revenues for stabilized properties increased by 4.9% and operating costs decreased by 7.8% as compared to the same period last year. As a result, the stabilized NOI margin increased by 6.5% as compared to the same period last year.

The average monthly rent for March 2012 for stabilized properties increased to $850 per suite from $819 (March 2011), an increase of 3.9%. Management decided to forego some rental growth in the quarter by pushing the AGI rollout to Q2 through Q4 as rental activity is stronger during these quarters. Economic vacancy for March 2012 for stabilized properties was 2.7%, compared to 4.1% for March 2011.

	March 2012	**December 2011**	**September 2011**	**June 2011**	**March 2011**
Average monthly rents stabilized properties	$850	$847	$841	$824	$819

Excluding the three properties (144 suites) categorized as held for sale from the stabilized results above, the NOI margin for the first quarter of 2012 would be 54.3% compared to 47.9% for 2011, an increase of 6.4%.

FINANCING AND ADMINISTRATIVE COSTS

In $ OOO's	3 Months Ended March 31, 2012	3 Months Ended March 31, 2011
Net operating income	**$5,713**	$4,335
Expenses		
Financing costs	**2,797**	3,034
Administrative costs	**881**	697
Income before other income and expenses	**$2,035**	$604

FINANCING COSTS

Financing costs amounted to $2.8 million or 25.9% of revenue for the three months ended March 31, 2012 compared to $3.0 million or 32.2% of revenue for the three months ended March 31, 2011.

	3 Months Ended March 31, 2012		3 Months Ended March 31, 2011	
In $ OOO's	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	$2,001	18.5%	$1,954	20.7%
Debenture interest	149	1.4%	431	4.6%
Credit facilities	112	1.0%	89	0.9%
Interest income	(38)	(0.4%)	(9)	(0.1%)
Non Cash based:				
Accretion of discount and amortization of deferred finance cost on convertible debt	343	3.2%	426	4.5%
Amortization of deferred finance cost and premiums on assumed debt	230	2.1%	143	1.5%
Total	$2,797	25.9%	$3,034	32.2%

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.

Subordinated Convertible Debenture

As at March 31, 2012, InterRent REIT had no convertible subordinated debentures 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, employee benefits, investor relations, transfer agent listing and filing fees, legal, tax, audit and other professional fees and amortization on corporate furniture and equipment.

Administrative costs for the three months ended March 31, 2012 amounted to $0.9 million or 8.2% of revenue compared to $0.7 million or 7.4% of revenue for the three months ended March 31, 2011.

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

In $ OOO's	3 Months Ended March 31, 2012	3 Months Ended March 31, 2011
Income before other income and expenses	**$2,035**	$604
Loss on sale of assets	**(359)**	(221)
Fair value adjustments of investment properties	**2,586**	1,320
Unrealized gain/(loss) on financial liabilities	**(759)**	412
Distributions expense on units classified as financial liabilities	**(31)**	(11)
Net income	**$3,472**	$2,104

SALE OF ASSETS

In the three month period ended March 31, 2012, the Trust had a $0.3 million loss from the sale of investment properties and mortgages receivable. The Trust sold two investment properties for a total selling price of $3.4 million compared to a carrying value of $3.3 million. The properties were sold for $0.1 million above their carrying value (which is the fair market value) however selling costs of $0.2 million were incurred as part of the transactions, resulting in a loss on disposition of $0.1 million. The Trust also sold five mortgage receivables for a total selling price of $3.0 million compared to a carrying value of $3.3 million resulting in a loss on disposition of $0.3 million.

In the three month period ended March 31, 2011, the Trust sold two investment properties for a total selling price of $2.9 million which incurred a loss on disposition of $0.2 million. No other assets were sold in the three month period ended March 31, 2011.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at March 31, 2012 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 March 31, 2012, a fair value gain of $2.6 million was recorded on the financial statements as a result of changes in the fair value of investment properties

UNREALIZED FAIR VALUE GAIN ON FINANCIAL LIABILITIES

The Trust used a closing price of $3.81 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 March 31, 2012 was $2.5 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 March 31, 2012.

The Trust determined the fair value of the option plan (unit-based compensation liability) at March 31, 2012 at $1.1 million and a corresponding fair value loss of $0.3 million was recorded on the condensed consolidated statement of income for the three months ended March 31, 2012. The intrinsic value of the options is $1.1 million.

The Trust used a closing price of $3.81 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 March 31, 2012 was $0.7 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 March 31, 2012.

As at March 31, 2012, the Trust had no convertible subordinated debentures outstanding and therefore no value for the conversion feature.

In $ OOO's	**3 Months Ended March 31, 2012**	**3 Months Ended March 31, 2011**
Fair value gain(loss) on financial liabilities:		
Deferred unit compensation plan	**$(351)**	$(71)
Option plan	**(291)**	-
LP Class B unit liability	**(117)**	-
Conversion feature of convertible debenture	**-**	483
Fair value gain (loss) on financial liabilities	**$(759)**	$412

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 March 31, 2012**	**3 Months Ended March 31, 2011**
Net income	**$3,472**	$2,104
Add (deduct):		
Fair value adjustments on investment property	**(2,586)**	(1,320)
(Gain) loss on sale of assets	**359**	221
Unrealized (gain) loss on financial instruments	**759**	(412)
Interest expense on redeemable units classified as liabilities	**6**	-
Funds from operations (FFO)	**$2,010**	$593
FFO per unit - basic	**$0.05**	$0.02
FFO per unit - diluted	**$0.05**	$0.02

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended March 31, 2012**	**3 Months Ended March 31, 2011**
Funds from operations	**$2,010**	$593
Add (deduct):		
Maintenance capital investment	**(505)**	(448)
Accretion of discount and amortization of deferred finance cost on convertible debt	**343**	426
Adjusted Funds from operations (AFFO)	**$1,848**	$571
AFFO per unit - basic	**$0.04**	$0.02
AFFO per unit - diluted	**$0.04**	$0.02

DI Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended March 31, 2012**	**3 Months Ended March 31, 2011**
Net income	**$3,472**	$2,104
Add (deduct) items not affecting cash:		
Interest expense on redeemable units classified as liabilities	**6**	-
Amortization of furniture and fixtures	**5**	5
Accretion of discount and amortization of deferred finance cost on convertible debt	**343**	426
Amortization of deferred finance costs and premiums on assumed debt	**229**	143
Unit based compensation	**612**	288
(Gain) loss on sale of assets	**359**	221
Unrealized loss on financial instruments	**759**	(412)
Less:		
Amortization of deferred finance charges post December 6, 2006	**186**	153
Maintenance capital expenditures	**789**	281
Fair value gain on investment properties	**2,586**	1,320
Distributable income	**$2,224**	$1,021
Distributable income per unit - basic	**$0.05**	$0.03
Distributable income per unit - diluted	**$0.05**	$0.03

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended March 31, 2012	**3 Months Ended March 31, 2011**
Trust units	**43,582,734**	32,296,780
LP Class B units	**186,250**	-
Weighted average units outstanding - Basic	**43,768,984**	32,296,780
Unexercised dilutive options [1]	**286,614**	-
Weighted average units outstanding - Diluted	**44,055,598**	32,296,780

[1] Calculated using the treasury method

INVESTMENT PROPERTIES

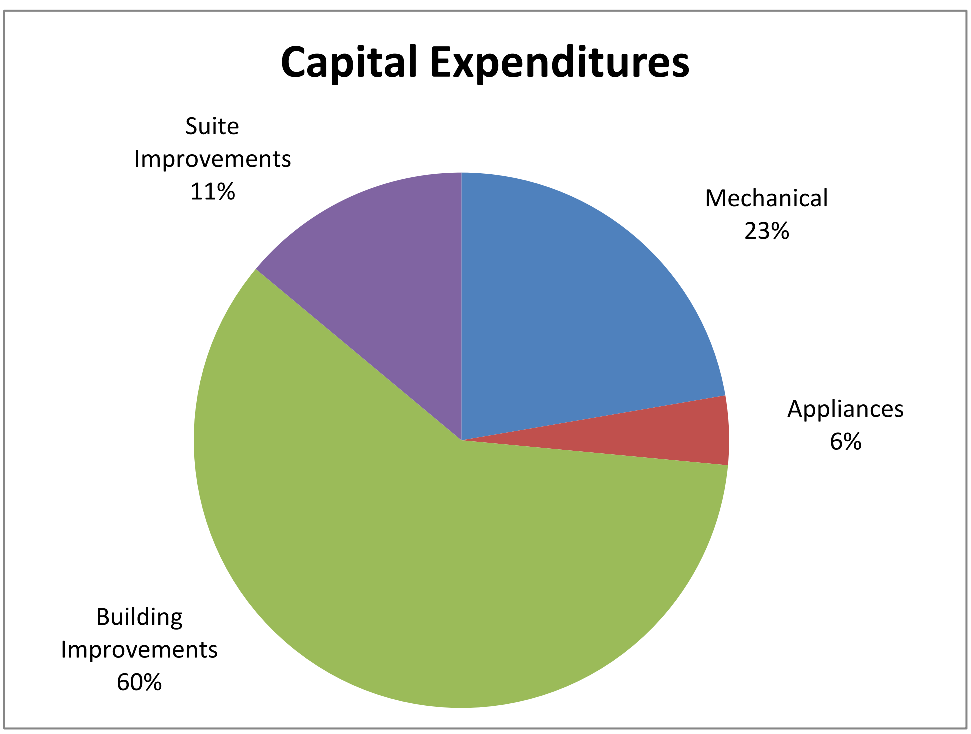
The following chart shows the changes in investment properties from December 31, 2011 to March 31, 2012.

In $ OOO's	**March 31, 2012**
Balance, December 31, 2011	$373,245
Acquisitions	49,722
Property capital investments	2,490
Fair value gains	2,586
Dispositions	(3,263)
Total Investment properties	$424,780
Properties held for sale	(6,229)
	$418,551

The trust acquired two properties (720 suites) for $49.7 million during the three month period ended March 31, 2012 and sold two properties (52 suites) with a carrying value of $3.3 million.

The fair value of the portfolio at March 31, 2012 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 March 31, 2012, a fair value gain of $2.6 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

For the three month period ended March 31, 2012, the Trust invested $2.5 million in its investment properties, including $0.6 million spent on properties acquired in the quarter, compared to $2.2 million in the same period last year. 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, 2011 to March 31, 2012.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2011	43,464,465	$79,459
Units issued under long-term incentive plan	250,000	992
Units issued from options exercised	7,500	25
Units issued under distribution reinvestment plan	95,427	334
March 31, 2012	43,817,392	$80,810

As at March 31, 2012 there were 43,817,392 Trust Units issued and outstanding.

DISTRIBUTIONS

The Trust is currently making monthly distributions of $0.01 per Unit. For the three months ended March 31, 2012, the Trust's Distributable Income was $0.05 per unit (basic), compared to $0.03 for the three months ended March 31, 2011, while the distributions were $0.03 per unit for both quarters.

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 50.3% of Gross Book Value ("GBV") at March 31, 2012. 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	March 31, 2012	December 31, 2011
Total assets per Balance Sheet	$430,125	$406,349
Mortgages payable and vendor take-back loans	$209,167	$172,241
Debenture	-	25,000
Lines of credit and bank indebtedness	7,152	-
Total debt	$216,319	$197,241
Debt to GBV	50.3%	48.5%

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 investment in new assets. The Trust is conscious of the current credit environment and how this affects the ability of the Trust to grow. The Trust is focusing its efforts on internal growth and producing improved operating results from the current portfolio. Properties that are not performing to the expectations of the Trust will be evaluated and may eventually be sold. Proceeds from the sale of these properties may be used for future acquisitions, capital improvements or to reduce debt.

As at March 31, 2012, InterRent REIT had a $1.2 million demand operating facility with a Canadian chartered bank bearing interest at 1% above the prime lending rate. This line of credit is secured by collateral mortgages on thirteen of the Trust's properties. As at March 31, 2012, the Trust had utilized $1.0 million of this facility.

In addition, InterRent REIT had a $9.6 million operating facility with a financial institution bearing interest at 2.0% above the prime bank lending rate. This line of credit is secured by collateral mortgages on ten of the Trust's properties. As at March 31, 2012, the Trust had utilized $6.1 million of this facility.

MORTGAGE AND DEBT SCHEDULE

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

Year	Mortgage and Debt Balances At March 31, 2012 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2012	$61,097	29.4%	3.95%
2013	$80,526	38.8%	3.83%
2014	$17,373	8.3%	3.80%
2015	$6,577	3.2%	3.25%
2016	$14,479	7.0%	4.33%
Thereafter	$27,727	13.3%	5.01%
Total	$207,779	100%	4.06%

At March 31, 2012, the average term to maturity of the mortgage debt was approximately 2.4 years and the weighted average cost of mortgage debt was 4.06%. At March 31, 2012, approximately 44% of InterRent REIT's mortgage debt was backed by CMHC insurance.

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.

IFRS 13 *Fair Value Measurement*

On May 12, 2011, the IASB has issued IFRS 13 *Fair Value Measurement* (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 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, 2011 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 March 31, 2012, the Trust had past due rents and other receivables of $0.8 million net of an allowance for doubtful accounts of $0.3 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 March 31, 2012 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 March 31, 2012, the Trust had a $1.1 million demand operating facility with a Canadian chartered bank bearing interest at 1% above the prime lending rate. This line of credit is secured by collateral mortgages on thirteen of the Trust's properties. As at March 31, 2012, the Trust had utilized $1.0 million of this facility. In addition, the Trust had a $9.6 million operating facility with a financial institution bearing interest at prime plus 2.0%. This line of credit is secured by collateral second mortgages on ten of the Trust's properties. As at March 31, 2012, the Trust had utilized $6.1 million of this facility.

Notes 8 and 9 in the March 31, 2012 condensed consolidated financial statements reflect the contractual maturities for mortgage and debenture debt of the Trust at March 31, 2012, 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 $202 million.

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 March 31, 2012, approximately 14% 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 three months ended March 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2012 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 March 31, 2012, $0.6 million (December 31, 2011 - $0.4 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 three month period ended March 31, 2012 the Trust incurred $1.3 million (March 31, 2011 - $0.9 million) in services from companies controlled by an officer of the Trust. Of the services received approximately $0.7 million (March 31, 2011 - $0.3 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 March 31, 2012:

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

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

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

OUTSTANDING SECURITIES DATA

As of May 7, 2012, the Trust had issued and outstanding: (i) 43,846,429 units; (ii) LP B Units that are exchangeable for 186,250 units of the Trust; (iii) options exercisable to acquire 675,000 units of the Trust; and (iv) deferred units that are redeemable for 1,048,438 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.