INTERRENT REIT

InterRent Real Estate Investment Trust

Management's Discussion and Analysis

For The Three Months Ended June 30, 2010

August 12, 2010

Table of Contents

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 the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian 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, 2009 along with InterRent REIT's other publicly filed documents. Forward-looking statements appear in this MD&A under the heading "2010 Outlook" and generally include, but are not limited to, statements with respect 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 InterRent REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, 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.

INTERRENT REAL ESTATE INVESTMENT TRUST

InterRent REIT is an unincorporated, open-ended real estate investment trust created pursuant to the DOT. 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 September 30, 2009 and a copy of this document is available on SEDAR (www.sedar.com). Some of the main investment guidelines and operating policies set out in the DOT are as follows:

INVESTMENT GUIDELINES

Pursuant to the DOT, the assets of the Trust may be invested only, and the Trust shall not permit the assets of any subsidiary to be invested otherwise than, in accordance with the following 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%.

OPERATING POLICIES

- Overall indebtedness, as defined by the DOT, not to exceed 75% of Gross Book Value.
- For individual properties, the maximum debt capacity not to exceed 75% of Gross Book Value, on or after the date which is 12 months from the acquisition date.
- No guaranteeing of third party debt outside its existing structure and 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, 2010 the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

STRATEGY OF INTERRENT REIT

InterRent REIT's strategy is to maintain and develop a portfolio of such properties to generate an attractive long term return to unitholders. This will be achieved primarily within secondary population centres that have growing and stable economies and stable market vacancies. To realize this strategy, it has been determined that the present focus should be on stabilizing the existing portfolio by improving operating efficiencies, improving the impression of the properties, and minimizing vacancies. In addition, management will be looking to potential acquisitions at reasonable costs to further strengthen the portfolio.

The Trust believes that Ontario multi-residential real estate is a favourable asset class to operate within because it offers stability of cash flow and an opportunity for expansion.

InterRent REIT is focused on medium-sized, multi-residential properties in Ontario’s mid-sized population markets, targeting working and middle class, long term renters. Within this market, we believe there are a total of more than 686,000 suites. These properties are held within a fragmented and aging ownership profile and offer significant opportunities to complete strategic acquisitions.

ACCOUNTING POLICIES

InterRent REIT’s accounting policies are described in Note 3 of the consolidated financial statements for the year ended December 31, 2009. These statements were prepared in accordance with the recommendations of the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). 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 Canadian generally accepted accounting principles. Significant estimates are made with respect to:

i) economic useful life of depreciable assets for purposes of calculating amortization;
ii) fair values of financial instruments;
iii) the valuation of unit-based compensation and unit-based payments;
iv) the valuation of intangible assets and impairment of income producing properties;
v) the allocation of purchase price on acquisitions of income producing properties.

NON-GAAP MEASURES

Distributable Income, 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 and do not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP").

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 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 distributable income reported by other such issuers. Generally, DI differs from net income, a GAAP measure, in that to determine DI for any period, net income is adjusted by:

1. adding or adding back the following items, as the case may be: depreciation, amortization (except for amortization of deferred financing costs incurred after the date of Closing), future income tax expense, losses on dispositions of assets and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value incurred after the date of Closing;

2. deducting the following items: future income tax credits, maintenance capital expenditures, interest on convertible debentures to the extent not already deducted in computing net income, gains on dispositions of assets and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value incurred after the date of Closing; and,

3. any other adjustments as determined by the Trustees in their discretion.

Funds from Operations (“FFO”) is a measure of the operating performance of the Trust based on the funds generated from the business before reinvestment or provision for other capital needs. FFO is not a measure defined by GAAP. FFO 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 distributable income reported by other such issuers. Management considers FFO to be an important measure of the Trust's operating performance and is an indicative measure of the Trust's cash generating activities. FFO differs from net income, a GAAP measure, in that to determine FFO for any period, net income is adjusted by excluding gains or losses from sales of depreciable real estate and extraordinary items plus certain depreciation and amortization expenses.

Net Operating Income (“NOI”) is not a measure defined by GAAP. NOI is a key measure of operating performance 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. It may not, however, be comparable to similar measures by other real estate investment trusts or companies. 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.

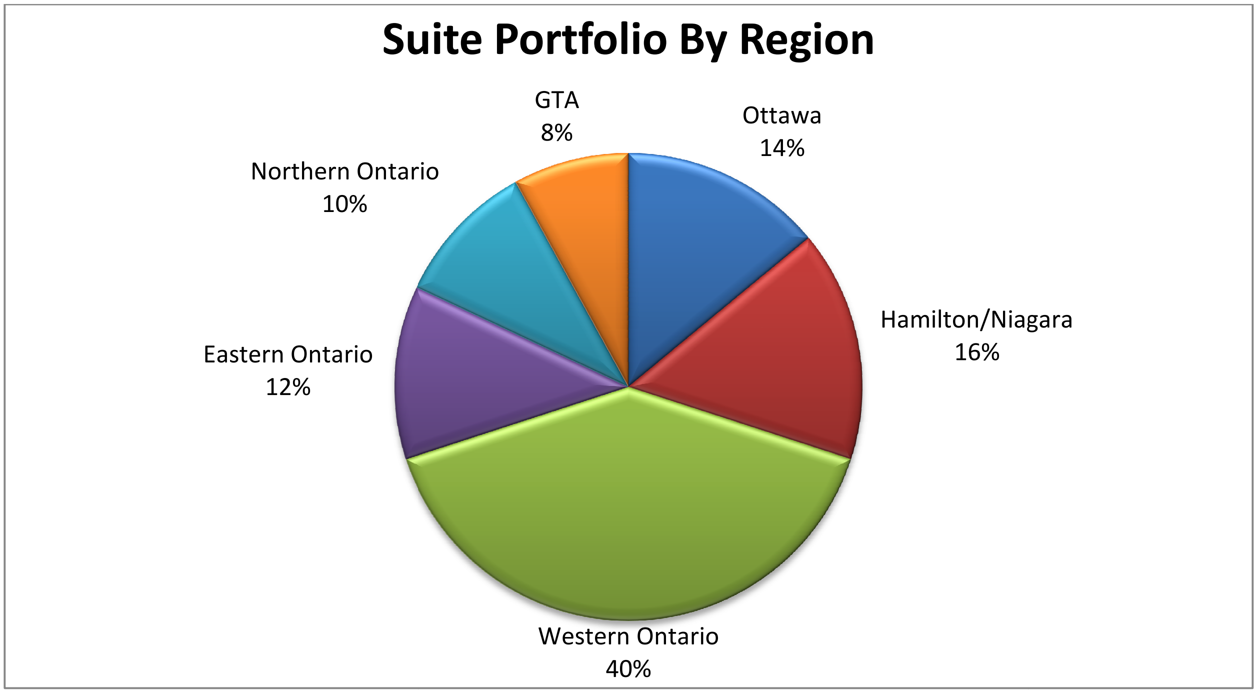
Readers are cautioned that DI, FFO and NOI are not alternatives to measures under GAAP and should not, on their own, be construed as indicators of the Trust's performance or cash flows, measures of liquidity or as measures of actual return on Units of the Trust. These non-GAAP measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust. See "*Risks and Uncertainties.*" For a complete description of the Trust's definition of Distributable Income, Funds from Operations and Net Operating Income, see "*Glossary — Funds from Operations” in the AIF.*

PERFORMANCE REVIEW

InterRent REIT generates revenues, cash flows and earnings from two separate sources: 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 ranging from month-to-month to twelve-month leases. InterRent REIT also generates income from the sale of revenue-producing properties.

PORTFOLIO SUMMARY

The majority of the Trust’s properties are located in Ontario’s secondary population centres, with 8% of its 4,007 suites situated in the Greater Toronto Area (GTA). Management believes that secondary population centres tend to be more stable, providing higher capitalization rates and less exposure to the condominium units available in the GTA. As at June 30, 2010, InterRent REIT owned and operated properties comprising 4,007 suites in continuing operations. Currently, InterRent REIT’s entire portfolio is situated in the province of Ontario. In keeping with the management strategy of maximizing returns for unitholders and focusing on clusters of buildings within geographical proximity to each other in order to build operational efficiencies and attract focused, professional staff, properties are reviewed on a regular basis to determine if they should be kept or sold. As at June 30, 2010 two of the Trusts properties are included in discontinued operations. This review process will continue through Q3 and Q4 as Management expects to sell other properties that are not consistent with our strategy.



PERFORMANCE MEASURES

DI is computed as outlined in the DOT, which also permits the Trust to pay out DI to Unitholders in the form of monthly distributions, as determined from time to time by the Trust's board of trustees. The tables below provide a reconciliation of FFO and DI, both non-GAAP measures, to their closely related GAAP measures.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended June 30, 2010**	**3 Months Ended June 30, 2009**	**6 Months Ended June 30, 2010**	**6 Months Ended June 30, 2009**
Net loss from continuing operations	**($2,002)**	**($1,962)**	**($4,597)**	**($4,154)**
Add (deduct) items not affecting cash:				
Amortization of capital assets and intangibles	**1,873**	**1,884**	**3,658**	**3,916**
Accretion of discount on convertible debentures	**419**	**355**	**811**	**691**
Amortization of deferred finance costs & fair value of assumed debt	**178**	**143**	**294**	**281**
Amortization of tenant inducements	**47**	**42**	**97**	**85**
Amortization of deferred leasing commissions	**55**	**32**	**100**	**65**
Unit based compensation	**34**	**65**	**133**	**130**
Funds from operations	**$605**	**$560**	**$496**	**$1,015**
Funds from operations – per Unit	**$0.02**	**$0.03**	**$0.02**	**$0.06**
Weighted average Units outstanding	**28,486,967**	**18,286,719**	**28,269,933**	**18,282,874**

Distributable Income Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended June 30, 2010**	**3 Months Ended June 30, 2009**	**6 Months Ended June 30, 2010**	**6 Months Ended June 30, 2009**
Net loss from continuing operations	**($2,002)**	**($1,962)**	**($4,597)**	**($4,154)**
Add (deduct) items not affecting cash:				
Amortization of capital assets and intangibles	**1,873**	**1,884**	**3,658**	**3,916**
Accretion of discount on convertible debentures	**419**	**355**	**811**	**691**
Amortization of deferred finance costs & fair value of assumed debt	**178**	**143**	**294**	**281**
Unit based compensation	**34**	**65**	**133**	**130**
Less:				
Amortization of deferred finance charges post December 6, 2006	**102**	**122**	**200**	**235**
Maintenance capital expenditures	**756**	**419**	**1,090**	**719**
Distributable income	**($356)**	**($56)**	**($991)**	**($90)**
Distributable income – per Unit	**($0.01)**	**($0.00)**	**($0.04)**	**($0.00)**
Weighted average Units outstanding	**28,486,967**	**18,286,719**	**28,269,933**	**18,282,874**

REVIEW OF RENTAL OPERATIONS

Net Operating Income (NOI)

NOI for the three months ended June 30, 2010 amounted to $3.9 million or 46.0% of revenue compared to $4.5 million or 51.7% of revenue for the 3 months ended June 30, 2009.

In $ OOO's	**3 Months Ended June 30, 2010**	**3 Months Ended June 30, 2009**	**6 Months Ended June 30, 2010**	**6 Months Ended June 30, 2009**
Gross Rental revenue	**$9,451**	**$9,118**	**$18,823**	**18,181**
Less: Vacancy & rebates	**1,277**	**597**	**2,326**	**1,155**
Other revenue	**218**	**271**	**450**	**509**
Net revenue	**$8,392**	**$8,792**	**$16,946**	**$17,535**
Expenses				
Operating expenses	**$1,928**	**$1,622**	**$3,947**	**$3,205**
Property taxes	**1,472**	**1,415**	**2,947**	**2,830**
Utilities	**1,130**	**1,210**	**3,214**	**3,362**
Total expenses	**$4,530**	**$4,247**	**$10,108**	**$9,397**
Net operating income	**$3,862**	**$4,545**	**$6,838**	**$8,138**
Operating margins	**46.0%**	**51.7%**	**40.4%**	**46.4%**

Operating Revenues

Gross rental revenue for the 3 months ended June 30, 2010 amounted to $9.5 million compared to $9.1 million for the 3 months ended June 30, 2009. This 3.7% increase is attributable to the management's decision to move vacant units to market rent. Annualized gross rental revenue of the properties, before vacancies, owned by the Trust at June 30, 2010 is approximately $37.6 million. The Trust is sensitive to vacancy rates and a 1% change in vacancy rates would impact the Trust's annualized rental revenue by approximately $376,000.

The Trust's average monthly rents were $789 at June 30, 2010 compared to $760 at June 30, 2009. Management shall continue to do this aggressively through the portfolio in order to continue to create increased value from the existing assets and follow through on its repositioning strategy.

	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Average monthly rents	$789	$780	$769	$764	$760

Overall occupancy decreased to 86.6%, from 93.8% over the same period last year. Vacancy rates are higher compared to the previous year for two main reasons: management's decision to move rents immediately to market rents on turnovers beginning in the last quarter of 2009 and a more selective review process of tenant applications has been introduced by property management. Management is of the view that the higher than normal vacancy rates will be of a short term nature and that when improvements are made to the suites and common areas the Trust will obtain the market rent that it desires while attracting a more stable tenant base. This is part of the Trust's repositioning strategy to maximize rental revenues and to drive value for all stakeholders.

The decrease in the occupancy rate in the short term is expected as management is:

1. being proactive in evicting tenants that are not desireable based on our repositioning strategy;

2. ensuring units are properly repaired and maintained before being rented to new tenants; and,

3. more selective of the tenants it rents to (which is part of our more stringent screening criteria and credit review process).

Hamilton/Niagara, Eastern Ontario and Western Ontario were targeted by management as the areas that were most in need of focused attention and cleanup of the tenant base. Previously, apartments were rented to tenants who would not qualify under our current application process. These building now have a completely new team of staff that are being trained and actively engaged in driving rental increases and attracting high quality tenants. We believe the short term pain from this transition will benefit all stakeholders in the long run. To date, we have seen good progress in both the Hamilton/Niagara and Eastern Ontario regions. Western Ontario has seen some progress however, we are still heavily engaged in the region to try and bring it in-line with the rest of the portfolio.

Our efforts and strategy have begun to show in our vacancy numbers through this summer's rental season. As of August 11, 2010 our units that did not have rental agreements (either currently occupied or for occupation within the near term) as at the dates listed below are:

Region	March 31, 2010	June 30, 2010	August 11, 2010
Hamilton/Niagara	10.26%	9.52%	5.31%
Western Ontario	16.40%	19.32%	12.13%
Eastern Ontario	21.12%	17.39%	7.04%
Northern Ontario	0.51%	0.51%	0.51%
Ottawa	2.42%	3.45%	2.07%
GTA	3.97%	4.97%	3.97%
Total	11.63%	12.80%	7.39%

Operating Expenses

Operating costs for the income-producing properties include repairs and maintenance, insurance, caretaking, superintendents' wages and benefits, property management fees, uncollectible accounts, collection and eviction costs, marketing, advertising and leasing costs. Operating costs for the three months ended June 30, 2010 amounted to $1.9 million or 23.0% of revenue compared to $1.6 million or 18.5% of revenue for the 3 months ended June 30, 2009. The increase in operating costs is due primarily to the property specific reorganizational expenses, such as costs associated with staffing changes, which began with the changeover to third party management that began on October 1, 2009. We have begun to see a decrease in these costs and we expect them to continue to decrease in Q3 and Q4.

Property Taxes

Property taxes for the three months ended June 30, 2010 amounted to $1.5 million or 17.5% of revenue compared to $1.4 million or 16.1% of revenue for the 3 months ended June 30, 2009. The Trust is constantly reviewing property tax assessments for its properties. Where appropriate, the Trust will appeal individual property assessments.

Utility Costs

Utility costs for the three months ended June 30, 2010 amounted to $1.1 million or 13.5% of revenue compared to $1.2 million or 13.8% of revenue for the 3 months ended June 30, 2009. The Trust continues to implement various water and electrical energy savings programs. These programs include replacing lighting fixtures with new energy efficient fixtures. In addition, toilets have been replaced at all of the major properties. Based on third party consulting reports, these initiatives should significantly reduce costs in the specific utility area.

FINANCING, ADMINISTRATION AND AMORTIZATION

Financing Costs

Financing costs amounted to $3.0 million or 36.2% of revenue for the three months ended June 30, 2010 compared to $3.0 million or 34.1% of revenue for the 3 months ended June 30, 2009.

In $ OOO's	3 Months Ended June 30, 2010 Amount	% of Revenue	3 Months Ended June 30, 2009 Amount	% of Revenue
Cash based:				
Mortgage interest	$1,819	21.7%	$1.869	21.3%
Debenture interest	536	6.4%	536	6.1%
Credit facilities	90	1.1%	92	1.0%
Interest income	(6)	(0.1%)	(6)	(0.1%)
Non Cash based:				
Accretive portion of debenture interest	372	4.4%	320	3.6%
Amortization of debt funding expense	117	1.4%	138	1.6%
Amortization of FV of debt	108	1.3%	49	0.6%
Total	$3,036	36.2%	$2,998	34.1%

Subordinated Convertible Debentures

As at June 30, 2010, InterRent REIT had two issues of convertible subordinated debentures outstanding.

The Trust assumed a $5,517,000 subordinated convertible debenture on the acquisition of the Corporation which bears interest at 7.25% and is due on September 22, 2010. The debentures are convertible into Trust Units at $5.50 per Trust Unit at the option of the holder after September 23, 2007.

The Trust issued a $25,000,000 subordinated convertible debenture on January 15, 2008 which bears interest at 7% and is due on January 31, 2013. The debenture is convertible into Trust Units at $4.60 per Trust Unit at the option of the holder prior to maturity.

The Trust accounted for the convertible debentures as a financial instrument in accordance with section 3861 of the CICA handbook, Financial Instrument - Presentation and Disclosure. CICA 3861 requires financial instruments that consist of both elements of debt and equity be accounted for in accordance with the substance of the contractual arrangement on initial recognition. Therefore, as a result of the conversion feature of the debentures, the convertible instrument has been segregated between debt and equity based on the fair value of the debt component. The difference between the estimated fair value of the debts at issuance and the face amount (net of incurred costs) is $6,912,408 and is reflected as "Equity portion of convertible debt" in unitholders' equity. This discount is being amortized to earnings as financing costs over the term of the debentures. In addition, the Trust incurred costs of $1,451,478 in connection with issuing the convertible debt. Of these costs, $1,050,438 has been allocated to the liability component and $401,040 has been allocated to the equity component. The discount on the debts results in a weighted average effective interest rate of 15.5%.

General and Administrative Costs (“G&A”)

G&A costs for the 3 months ended June 30, 2010 amounting to $1.0 million or 11.4% of revenue compared to $1.6 million or 18.5% of revenue for the 3 months ended June 30, 2009.

G&A costs include such items as wages and incentive payments, employee benefits, investor relations, transfer agent listing and filing fees and legal and audit fees as well as one-time costs associated with changes being made to transition to a new Finance and Administration team. Management is focused on continuing to drive these costs down and to stabilize G&A by the end of the fiscal year.

Amortization

Amortization of capital assets from continuing operations amounted to $1.9 million for the 3 months ended June 30, 2010 compared to $1.9 million for the three months ended June 30, 2009. Included in these amounts is amortization of intangibles amounting to $0.02 million for the three months ended June 30, 2010 and $0.3 million for the three months ended June 30, 2009.

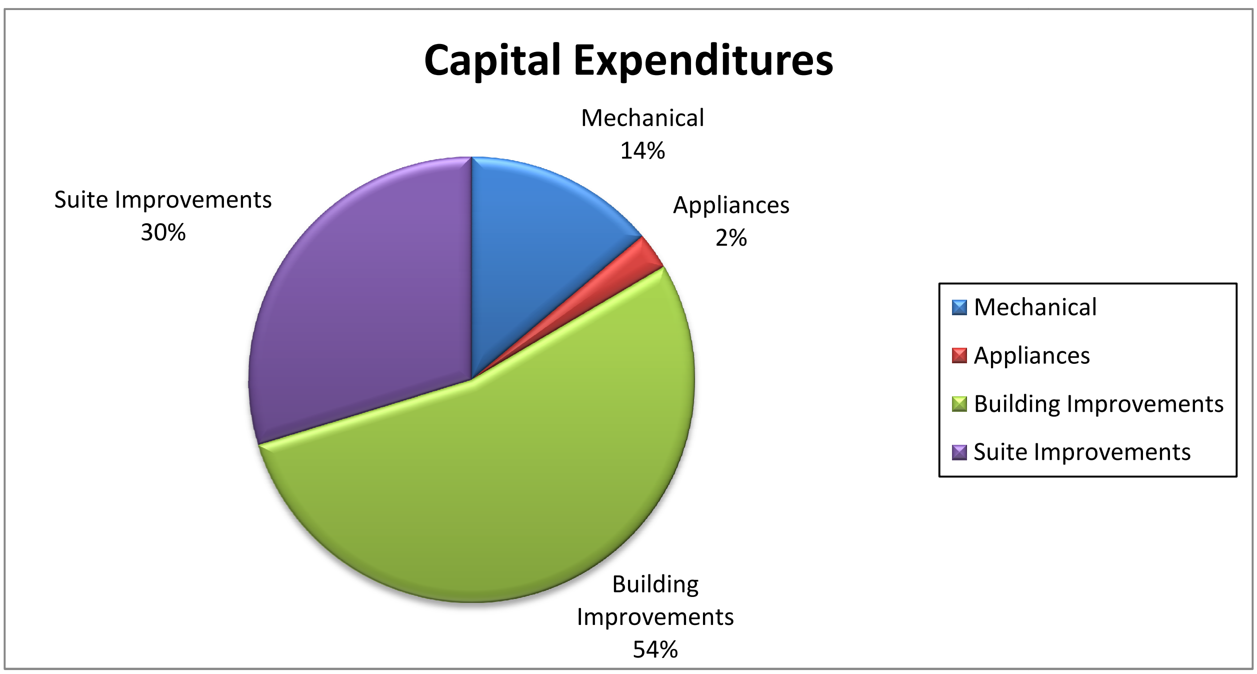
SAME PROPERTY REVENUE AND NOI

Same property net revenues for the three months ended June 30, 2010, decreased 4.5% over the same period last year. The Net Operating Income decreased year-over-year by 15.0%.

In $ OOO's	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	Change
Net Revenue	$8,392	$8,792	-4.5%
NOI	3,862	4,545	-15.0%

CAPITAL EXPENDITURES

For the three months ended June 30, 2010, InterRent REIT invested approximately $3.2 million in its properties compared to $1.5 million invested in the same period last year. The breakdown of these expenditures is itemized in the following graph:



Q3 will see a continued focus on capital improvements with a focus on expenditures that help create a favourable first impression as well as those that result in energy/cost savings.

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2009 to June 30, 2010.

Summary of Unitholders' Capital Contributions	Units	$Amount
December 31, 2009	28,032,206	$102,883,385
Units issued under Distribution Reinvestment Plan	99,145	140,373
Units issued from Private Placement	2,931,522	4,210,339
Units issued under Long Term Incentive Plan	200,000	288,000
Unit issue costs	-	(23,411)
Unit issued under the Deferred Unit Plan	17,232	26,080
June 30, 2010	31,280,105	$107,524,776

As at June 30, 2010 there were 30,943,999 Units issued and outstanding. In addition, there were 336,106 Class "B" special voting units of InterRent Holdings Limited Partnership ("LP B Units"). Each LP B Unit is exchangeable for Units on a one-for-one basis at the option of the holder. Each LP B Unit entitles the holder, through the special voting unit attached to it, to one vote at any meeting of unitholders. Accordingly, including the LP B Units, the total issued and outstanding number of InterRent REIT voting securities were 31,280,105 as at June 30, 2010.

DISTRIBUTIONS

The Trust is currently making monthly distributions of $0.01 per Unit.

For the three months ended June 30, 2010, the Trust's Distributable Income was $(0.01) per unit while the distributions were $0.03 per unit.

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 65.5% of Gross Book Value ("GBV") at June 30, 2010. GBV is a non-GAAP term that is defined in the DOT. The following chart sets out the Trust's computed debt to GBV:

In OOO's, except per unit amounts	June 30, 2010	December 31, 2009
Total assets per Balance Sheet	$268,258	$263,987
Reported accumulated amortization	18,439	15,067
Total assets	$286,697	$279,054
Mortgages payable, including vendor take-back loans	$155,730	$156,306
Debentures	25,544	24,732
Lines of credit and bank indebtedness	6,530	1,220
Total debt	$187,804	$182,258
Debt to GBV	65.5%	65.3%

With a DOT limit of 75% of Debt-to-Gross Book Value, InterRent REIT has the ability to further leverage the existing portfolio to assist with future 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 June 30, 2010, InterRent REIT had a $4,483,000 operating facility with a financial institution bearing interest at 1.5% above the prime bank lending rate. This line of credit is secured by collateral second mortgages on twelve of the Trust's properties. As at June 30, 2010, the Trust had utilized $3,810,000 of this facility.

In addition, InterRent REIT had a $5,000,000 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 eighteen of the Trust's properties. As at June 30, 2010, the Trust had utilized $2,720,000 of this facility.

MORTGAGE AND DEBT SCHEDULE

The following schedule summarizes the aggregate future minimum principal payments and debt maturities for the mortgages, vendor take-back loans and the convertible debentures of InterRent REIT. For 2010, the amount shown is for the period July 1, 2010 to December 31, 2010.

Year Maturing	Mortgage and Debt Balances At June 30, 2010	Weighted Average by Maturity	Weighted Average Interest Rate
2010	$18,432,218	9.8%	5.18%
2011	$18,879,648	10.0%	6.03%
2012	$40,415,378	21.4%	4.38%
2013	$57,726,683	30.6%	5.56%
2014	$10,290,923	5.5%	4.02%
Thereafter	$42,748,722	22.7%	5.05%
Total	$188,493,572	100%	5.11%

At June 30, 2010, the average term to maturity of the mortgage debt was approximately 3.4 years and the weighted average cost of fixed mortgage debt was 4.74 %. The weighted average cost of mortgages and convertible debt was 5.11%.

InterRent REIT is eligible to obtain government-backed insurance under the National Housing Act, which is administered by CMHC. Insuring through CMHC enables the Trust to secure lower interest rate mortgages. At June 30, 2010, approximately 75% of InterRent REIT's mortgage debt was backed by this insurance.

The Trust had either refinanced or has been approved for refinancing on all of the mortgage debt scheduled to mature in Q3 of 2010 and continues to refinance the outstanding mortgages as they mature in 2010.

ACCOUNTING

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. The Trust is currently evaluating the impact of adopting these sections on its consolidated financial statements.

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the adoption of IFRS on the consolidated financial statements of the Trust will be significant and, as such, the Trust has developed a convergence plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. The Trust continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be an on-going one as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

TRANSITION TO IFRS

In February 2008, the Canadian Accounting standards Board ("AcSB") confirmed that Canadian public entities will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011 (the "changeover date"). InterRent Real Estate Investment Trust ("InterRent REIT") will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information.

In May 2008, the Canadian Securities Administrators issued Staff notice 52-320, which provides guidance on the disclosure of changes in expected accounting policies related to the changeover to IFRS. In accordance with the notice, for purposes of the year ended December 31, 2009. InterRent REIT is required to discuss the status of the key elements and timing of its changeover plan.

Key Elements	Status
Accounting Policies • Identify differences in GAAP and IFRS accounting policies • Selection of IFRS accounting policies • Design revised financial statements format	• Initial review and the Phase 1 assessment has identified the areas of greatest impact and provided the information needed to develop a work plan / schedule in order to complete the assessment of the differences and provide the information necessary for management and the Audit Committee to make the appropriate assessments and decisions. • Review of the impact of differences expected to be completed by the end of the third quarter 2010 along with the presentation of the potential effect the changes will have on the financial statements and note disclosure. • Selection of policies and final design of financial statement and notes to be completed by end of Q4 2010
Information Technology and Systems • Identify new information requirements under IFRS and develop IT strategies to meet these requirements.	• Initial review of Information Technology and Systems indicates that the technology and systems will be able to provide the information required. • Once Accounting Policies, Reporting requirements and Disclosure Controls are finalized there will be a further review of the Information Technology and Systems in order to ensure no changes from initial assessment.
Internal Control over Financial Reporting and Disclosure Controls • A full review of all existing control procedures and the impact on internal control over financial reporting on new accounting policies	• The IFRS project team is currently reviewing the internal controls over financial reporting • To be completed by the end of fourth quarter 2010
Financial Reporting Expertise • Define the appropriate level of IFRS expertise for the transition team, senior management and the Audit Committee	• Project team has been identified • Appropriate on-going training will occur throughout the project with both staff and members of the Audit Committee
Business Activities • Assess the impact of IFRS transition on such activities as debt covenants, capital requirements, hedging activities and compensation arrangements.	• The initial assessment has been completed and the biggest impact that has been identified to this point, in relation to IFRS 1, IAS 32 and IAS 40, will be the effect the policies related to accounting for InterRent's income producing properties will have given InterRent's Declaration of Trust. • The impact of all the Policy decisions on the Declaration of Trust will be identified and reviewed as part of the review of Accounting Policies. This will be done in the third and fourth quarters of 2010.

SUMMARY OF KEY DIFFERENCE BETWEEN IFRS AND GAAP

Identified below are the material changes in the Trust's accounting policies that may impact InterRent's Consolidated Financial Statements, as a result of the adoption of IFRS.

Income producing properties

Income producing properties will be classified as Investment Property under IFRS. IAS 40 defines investment property as property held to earn rentals or for capital appreciation or both. Once the properties are classified as Investment Properties, InterRent will choose between using either the fair value model (subject to limited exceptions) or the cost model. When the fair value model is chosen, changes in fair value will need to be recognized in profit or loss. Disclosure of the fair value of all investment property is required, regardless of the measurement model used. InterRent will also determine the mechanism of determining the fair values of the properties at every reporting date (i.e. whether it would employ services of third party valuation specialists, or available in-house resources). If InterRent decides to use the cost model, it will consider using the deemed cost election to fair value for the entire Income producing properties made under IFRS 1 on the date of transition.

Intangible assets

Should the fair value model be adopted for valuing the income producing properties, InterRent will need to re-evaluate whether the intangible assets, especially those relating to tenant relationships and in-place leases are potentially already considered in the valuation of the income producing properties. It may be likely that separate intangible assets do not exist once all investment properties are recorded at fair value.

Impairment of Assets

InterRent will factor in discounting in its impairment analysis of income producing properties and intangible assets, upon transition, and determine whether there are additional impairment charges at a cash generating unit ("CGU"). InterRent is currently evaluating what assets or groups of assets constitute a CGU.

On a go forward basis, if there is an indication that a CGU may be impaired, impairment testing will be performed at the CGU level.

Additionally under IFRS, impairment write downs recorded earlier can be subsequently reversed upon changes in circumstances and events.

Assets held for sale and discontinued operations

IFRS 5 contains an additional test to qualify as a discontinued operation – that the component that is being disposed of represents a separate major line of business or geographical area of operations. Interrent is evaluating whether this will to changes in the way it identifies its components for discontinued operation presentation. IFRS 5 further prescribes that assets classified as non-current shall not be reclassified as current assets until they meet the criteria to be classified as held for sale. Interrent is determining whether, once the assets meet the held for sale criteria, how they would have to be presented since it would expect to continue to present a non-classified balance sheet. This could have an impact on the Trust's financial ratios if a classified presentation is adopted. Additionally, under IFRS, continuing involvement in a business operation by an entity after disposal does not preclude it from being treated as a discontinued operation. Should InterRent have such continuing involvement in any of its disposed properties, they may still be treated as discontinued operations under IFRS.

Trust Units

InterRent currently accounts for their trust units as equity. IAS 32 – Financial Instruments, has a definition of what constitutes a financial liability which includes equity instruments if they have a contractual obligation to deliver cash or other financial assets to another entity. The Board has received approval at the Annual and Special Meeting of Unitholders held on June 28, 2010 to adjust the Declaration of Trust in reference to any requirements relating to IFRS. Management is evaluating this section and its impact on the presentation of the trust units in the financial statements.

Income Taxes

All deferred tax assets will need to be assessed based on the 'probable' criteria. Deferred tax assets mainly relate to operating losses, which can be carried forward and applied against future taxable income. The potential benefit of these losses has not been recognized in the financial statements as deferred income tax assets and a full valuation allowance has been made. Upon transition, all deferred taxes will be assessed based on the 'probable' criteria.

RISKS AND UNCERTAINTIES

A comprehensive description of the risks and uncertainties can be found in InterRent REIT's December 31, 2009 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, mortgage holdbacks and mortgages receivable.

The amounts disclosed as accounts receivable 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 accounts receivable. 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, 2010, the Trust had accounts receivable of $704,747, net of an allowance for doubtful accounts of approximately $373,830 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 throughout Ontario.

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 16 to the 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, 2010, the Trust had a $4,483,000 operating facility with a financial institution bearing interest at prime plus 1.5%. This line of credit is secured by collateral second mortgages on eleven of the Trust’s properties. As at June 30, 2010, the Trust had utilized $3,810,000 of this facility. In addition, the Trust had a $5,000,000 demand operating facility with a Canadian chartered bank bearing interest at prime plus 1%. This line of credit is secured by collateral mortgages on seventeen of the Trust’s properties. As at June 30, 2010, the Trust had utilized $2,720,000 of this facility.

Notes 7 and 8 reflect the contractual maturities for mortgage and debenture debt of the Trust at June 30, 2010, 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, credit facilities and subordinated convertible debentures is approximately $191 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.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2010 the company does 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 financial statements.

(i) Accounts Payable and Mortgage Payable

As at June 30, 2010, $83,597 (December 31, 2009 - $85,500) was included in accounts payable and accrued liabilities which is due to a company that is controlled by an officer of the Trust. The amounts were non-interest bearing and due on demand.

On May 10, 2010, two mortgages with balances outstanding totalling $665,195 were settled through the private placement issuance of 445,407 trust units. The mortgages were entered into before the related party became an officer of the Trust.

(ii) Services

During the six month period ended June 30, 2010 the Trust incurred $1,543,833 (June 30, 2009 - $269,152) in expenditures from a company controlled by an officer of the Trust. Of the services received, $562,320 (June 30, 2009 - $67,054) has been capitalized to the income producing properties and the remaining amounts are included in operating costs.

HARMONIZED SALES TAX

Effective July 1, 2010, the Province of Ontario merged their provincial sales tax (PST) with the federal goods and services tax (GST) into a single harmonized sales tax (HST) that will be applied to many of the input costs currently incurred by the Trust. Many costs, including utilities, repair services and property management, that prior to this tax implication were not subject to PST are now subject to this tax. The ability of the Trust to pass these costs on to our customers may be limited by existing rental legislation or rental market conditions. The estimated impact of the HST on the Trust’s operating and general and administrative costs is $0.8 million on an annualized basis.

OUTLOOK FOR 2010

- Management continues to focus its’ attention on repositioning the portfolio with the goal of driving higher rents.

- Management will continue to focus its attention on energy saving initiatives, including replacing all lighting fixtures with energy efficient lighting systems, replacing old boilers with newer energy efficient systems and installing new water efficiency systems such as showerheads and low flush toilets.

- A detailed analysis of the portfolio has already begun and management will be divesting of some properties and repositioning other’s over the near term. Management expects to finance the repositioning of the portfolio with funds generated from the sale of these non-core assets.

- Management will continue to implement a comprehensive marketing program to drive rent and occupancy.

- The Trust continues to refinance maturing mortgage debt at very attractive market rates. The Trust believes that it is well positioned to meet its financing objectives at reasonable rates.

- The Trust will focus efforts on training programs and reinforcing best practices for its staff to ensure that operational efficiencies are achieved.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

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, 2010:

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 28, 2010, The Trust completed an arm's length non-brokered private placement to institutional and high net worth investors. The private placement of 812,265 trust units of InterRent was closed at a price of $1.43 per unit for aggregate gross proceeds of $1,161,539.

OUTSTANDING SECURITIES DATA

As of August 12, 2010, the Trust had issued and outstanding: (i) 31,776,910 units; (ii) LP B Units that are exchangeable for 336,106 units of the Trust; (iii) options exercisable to acquire 25,000 units of the Trust; (iv) deferred units that are redeemable for 241,193 units of the Trust; (iv) $25,000,000 principal amount of convertible unsecured subordinated debentures due January 31, 2013 with a coupon rate of 7.0% per annum that are convertible at a price of $4.60 per trust unit at the option of the holder; and (v) $5.517 million aggregate principal amount of subordinated convertible debentures due September 22, 2010 with a coupon rate of 7.25% that are convertible into units of the Trust at a price of $5.50 per trust unit at the option of the holder.

ADDITIONAL INFORMATION

Additional information concerning InterRent REIT, including InterRent REIT's annual information form, is available on SEDAR at www.sedar.com.