InterRent Real Estate Investment Trust

Management's Discussion and Analysis

For The Three Months Ended September 30, 2010

November 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 September 30, 2010 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 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.*

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

InterRent 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 ranging from month-to-month to twelve-months.

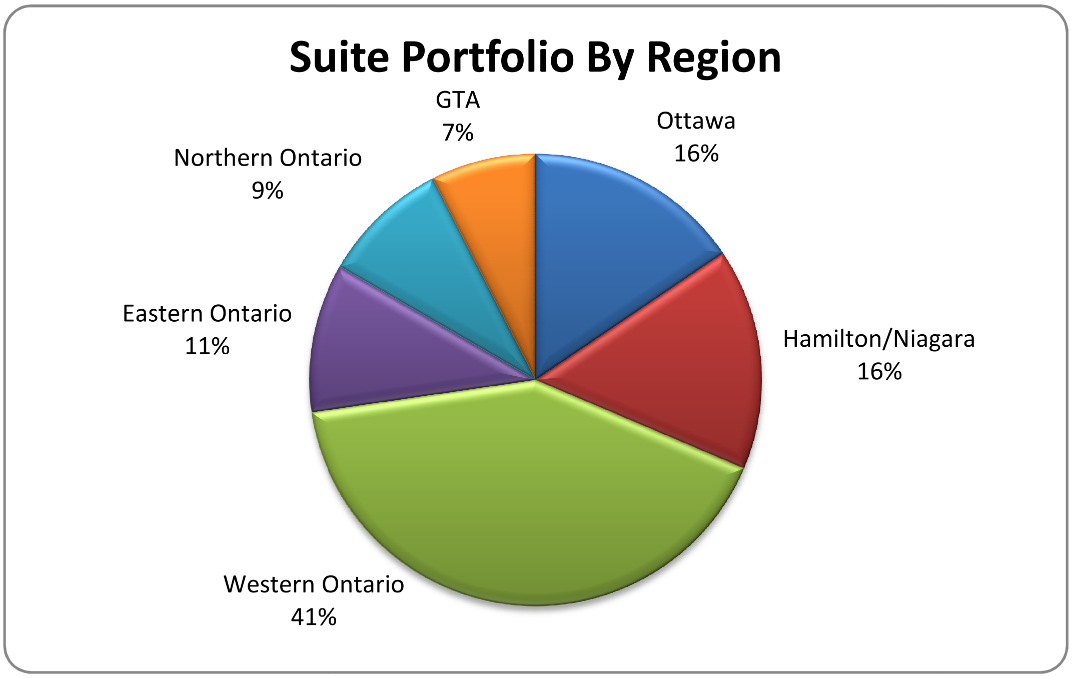
InterRent REIT's strategy is to maintain and develop a portfolio of properties to generate an attractive long term return to unitholders. This will be achieved primarily within secondary population centres that have growing and stable economies and stable market vacancies. To realize this strategy, it 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, 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.

PORTFOLIO SUMMARY

Currently, InterRent REIT's entire portfolio is situated in the province of Ontario. The majority of the Trust's properties are located in Ontario's secondary population centres. 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 Greater Toronto Area (GTA). In keeping with management's 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 September 30, 2010, InterRent REIT owned and operated properties comprising 4,029 suites of which 3,730 suites are in continuing operations. The Trust disposed of one 4 unit property in September 2010 and as at September 30, 2010 classified twelve revenue producing properties as discontinued operations. This review process will continue through Q4 as Management expects to sell other properties that are not consistent with our strategy. Management is currently negotiating on several properties that it feels shall add to its core areas of targeted growth.



Region	Number of Suites	Average Rent
Hamilton/Niagara	592	$846
Western Ontario	1,541	$739
Eastern Ontario	397	$766
Northern Ontario	341	$703
Ottawa	579	$949
GTA	280	$950
Total Continuing Operations	3,730	$804

Q3 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three months ended September 30, 2010 compared to the same period in 2009.

Selected Financial Information In $000's, except per Unit amounts and Units outstanding	**3 Months Ended September 30, 2010**	**3 Months Ended September 30, 2009**
Revenue	**$8,289**	$8,335
Property NOI	**4,340**	4,626
Net Income (loss) from continuing operations	**(1,205)**	(3,720)
Results from discontinued operations	**262**	76
Net Income (loss) for the period	**(943)**	(3,644)
Income (loss) per unit	**$(0.03)**	$(0.17)
Distributable income	**$3**	$(1,120)
Distributable income per unit	**$0.00**	$(0.05)
Funds from operations	**$1,467**	$(483)
Funds from operations per unit	**$0.05**	$(0.02)
Weighted average units outstanding	**31,882,272**	21,782,489

- On a per unit basis, occupancy as at September 30, 2010 for continuing operations increased to 96.8% from 87.8% at June 30, 2010.
- Average Rents increased to $804 per unit which represents an increase of 3.6% from Q3 2009 and 1.1% over the previous quarter (based on continuing operations).
- The Trust had a $5,517,000 subordinated convertible debenture which bore interest at 7.25% which was settled on its maturity date of September 22, 2010.
- Completed sale of 3 non-core properties (2 which closed after the quarter) for an average gain on the sales of 20%.
- Investment in the portfolio of continuing operations of $4.8 million in the quarter ($9.3 million year to date) or $1,294 per unit ($2,489 per unit year to date).

OUTLOOK

- 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 such as replacing old boilers with newer energy efficient systems. Management has completed, for the most part, replacement of all common area light fixtures with energy efficient light fixtures and installed water saving devices throughout the portfolio.
- Management will continue to implement a comprehensive marketing program to drive rent and occupancy.
- Management will aggressively pursue above guideline increases for rent given the capital expenditures invested in the properties over the past twelve months.
- 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 is focusing efforts on training programs and reinforcing best practices for its staff to ensure that operational efficiencies are achieved.

- Continued focus on the divesting of some properties and repositioning of others over the near term. As of September 30, 2010, 1 property has been sold and 12 others have been listed for sale (2 of which closed in October and one other that is scheduled to close November 30th).

- Management shall be looking to grow InterRent REIT in a strategic structured manner. Currently there is one acquisition under conditional contract.

ANALYSIS OF OPERATING RESULTS

In $ OOO's	3 Months Ended September 30, 2010	3 Months Ended September 30, 2009	9 Months Ended September 30, 2010	9 Months Ended September 30, 2009
Gross rental revenue	**$8,977**	$8,622	**$26,649**	$25,692
Less: vacancy & rebates	**(930)**	(536)	**(3,020)**	(1,556)
Other revenue	**242**	249	**671**	735
Net revenue	**$8,289**	8,335	**$24,300**	$24,871
Expenses				
Operating expenses	**$1,876**	$1,483	**$5,552**	$4,453
Property taxes	**1,231**	1,336	**4,012**	4,009
Utilities	**842**	890	**3,842**	4,050
Total expenses	**$3,949**	$3,709	**$13,406**	$12,512
Net operating income	**$4,340**	$4,626	**$10,894**	$12,359
Operating margins	**52.4%**	55.5%	**44.8%**	49.7%

REVENUE

Gross rental revenue for the 3 months ended September 30, 2010 amounted to $9.0 million compared to $8.6 million for the 3 months ended September 30, 2009. This 4.1% 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 September 30, 2010 is approximately $35.6 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 $356,000.

The Trust's average monthly rents were $804 for September 2010 compared to $773 for September 2009. Management shall continue to move rents to market throughout the portfolio in order to continue to create increased value from the existing assets and follow through on its repositioning strategy.

	September 2010	June 2010	March 2010	December 2009	September 2009
Average monthly rents	$804	$795	$787	$776	$773

Portfolio Occupancy

Overall economic vacancy was 6.1% for September 2010 compared to 5.3% over the same period last year. Vacancy rates are slightly higher compared to the previous year for two main reasons: management's decision to move rents immediately to market rent 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 has previously stated that it is of the view that the higher than normal vacancy rates would 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. The increased rents and reduction in vacancies that InterRent REIT is now achieving supports and strengthens this belief. 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 was expected as management has:

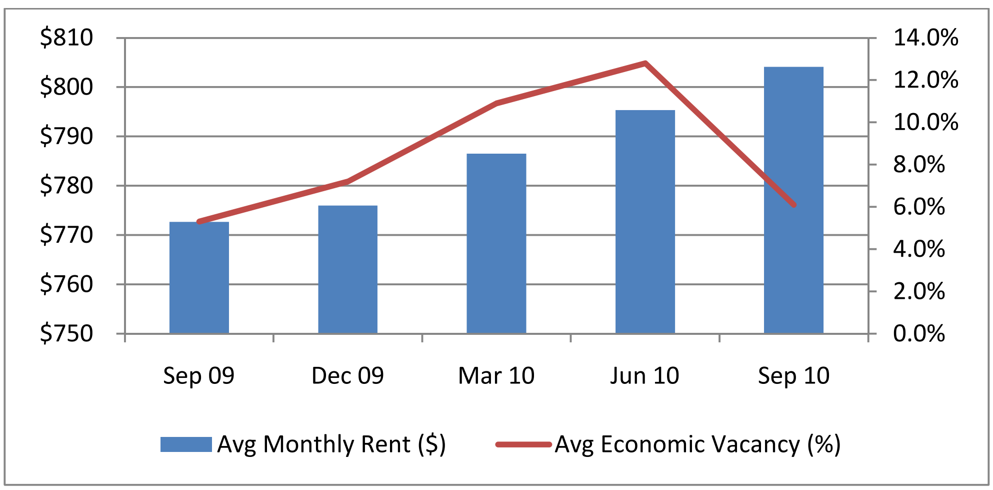
1. been proactive in evicting tenants that are not desirable based on our repositioning strategy;

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

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

Management intends to continue to pursue this strategy and focus in order to continue to improve all Regions.

The following chart represents the economic vacancy of the continuing operations portfolio for each quarter listed. This data is calculated by taking vacancy and dividing it by gross rental revenue. All units within the continuing operations portfolio are included in the calculation whether they were available to rent immediately or not (ie: no removal of units under renovation or undergoing major repairs and maintenance).



The overall economic vacancy for September 2010 across the portfolio of continuing operations was 6.1%. On a per region basis, the economic vacancy breaks down as follows: Hamilton/Niagara – 4.5%; Western Ontario – 9.9%; Eastern Ontario – 8.2%; Northern Ontario – 0.0%; Ottawa – 2.7%; and, GTA – 2.4%.

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 all regions. Our efforts and strategy have begun to show in our vacancy numbers and average rent.

A leading indicator of economic vacancy is vacancy on a per unit basis (assuming no significant change in portfolio mix). On a regional basis, as of September 30, 2010, the following represents the Trusts vacancy rates, on a per unit basis, for units that did not have rental agreements (either currently occupied or for occupation within the near term):

Region	September 30, 2010	June 30, 2010	March 31, 2010
Hamilton/Niagara	1.6%	9.5%	10.3%
Western Ontario	4.8%	18.5%	14.9%
Eastern Ontario	5.8%	18.6%	21.4%
Northern Ontario	0.0%	0.3%	0.0%
Ottawa	1.5%	3.4%	2.4%
GTA	1.1%	4.6%	4.3%
Total	3.2%	12.2%	10.8%

Based on an overall unit occupancy rate of 96.8% within our current portfolio of continuing operations, as at September 30, 2010, it is management's expectation that economic vacancy for Q4 will continue to improve.

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 September 30, 2010 amounted to $1.9 million or 22.6% of revenue compared to $1.5 million or 17.8% of revenue for the 3 months ended September 30, 2009. The increase in operating costs is due primarily to the total focus on getting many units ready for occupancy. This meant increased staffing, advertising, leasing costs and repair and maintenance for the short-term. This number is expected to decrease in Q4.

PROPERTY TAXES

Property taxes for the three months ended September 30, 2010 amounted to $1.2 million or 14.9% of revenue compared to $1.3 million or 16.0% of revenue for the 3 months ended September 30, 2009. 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 September 30, 2010 amounted to $0.8 million or 10.2% of revenue compared to $0.9 million or 10.7% of revenue for the 3 months ended September 30, 2009. The Trust continues to implement 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.

NET OPERATING INCOME (NOI)

NOI for the three months ended September 30, 2010 amounted to $4.3 million or 52.4% of revenue compared to $4.6 million or 55.5% of revenue for the 3 months ended September 30, 2009.

FINANCING, ADMINISTRATION AND AMORTIZATION

In $ OOO's	3 Months Ended September 30, 2010	3 Months Ended September 30, 2009	9 Months Ended September 30, 2010	9 Months Ended September 30, 2009
Net operating income	**$4,340**	$4,626	**$10,894**	$12,359
Expenses				
Financing costs	**$2,973**	$2,922	**$8,752**	$8,755
Administrative costs	**683**	3,751	**2,488**	6,097
Amortization	**1,889**	1,673	**5,356**	5,387
Net loss from continuing	**$(1,205)**	$(3,720)	**$(5,702)**	$(7,880)

FINANCING COSTS

Financing costs amounted to $3.0 million or 35.9% of revenue for the three months ended September 30, 2010 compared to $3.0 million or 35.1% of revenue for the 3 months ended September 30, 2009.

	3 Months Ended September 30, 2010		3 Months Ended September 30, 2009	
In $ OOO's	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	$1,797	21.7%	$1,750	21.0%
Debenture interest	532	6.4%	542	6.5%
Credit facilities	114	1.4%	86	1.0%
Interest income	(9)	(0.1%)	(6)	(0.1%)
Non Cash based:				
Accretive portion of debenture	380	4.6%	329	3.9%
Amortization of debt funding expense	117	1.4%	172	2.1%
Amortization of FV of debt	42	0.5%	49	0.6%
Total	$2,973	35.9%	$2,922	35.1%

Mortgage Interest

Mortgage interest 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 managements 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 September 30, 2010, InterRent REIT had one convertible subordinated debenture issue outstanding.

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 had a $5,517,000 subordinated convertible debenture which bore interest at 7.25% which was settled on its maturity date of September 22, 2010.

The Trust accounts for its convertible debenture 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 debenture, 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 debt 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 debenture. 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 debt results in a weighted average effective interest rate of 16.7%.

GENERAL AND ADMINISTRATIVE COSTS ("G&A")

G&A costs for the 3 months ended September 30, 2010 amounting to $0.7 million or 8.2% of revenue compared to $3.8 million or 45.0% of revenue for the 3 months ended September 30, 2009. The prior year period included a charge of $3.1 million for costs related to a strategic review process.

G&A 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. For the quarter ended September 30, 2010, the Trust incurred an additional $0.2 million in one-time costs associated with transition of the Finance and Administration team and incremental professional fees for the conversion to IFRS

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 September 30, 2010 compared to $1.7 million for the three months ended September 30, 2009. Included in these amounts is amortization of intangibles amounting to $0.01 million for the three months ended September 30, 2010 and $0.1 million for the three months ended September 30, 2009.

PERFORMANCE MEASURES

Management believes that Funds from Operations (FFO) and Distributable Income (DI) are both key measures for real estate investment trusts. The Trust has seen continued improvements in both FFO and DI for the quarter and year to date results.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended September 30, 2010**	**3 Months Ended September 30, 2009**	**9 Months Ended September 30, 2010**	**9 Months Ended September 30, 2009**
Net loss from continuing operations	**$(1,205)**	$(3,720)	**$(5,702)**	$(7,880)
Add (deduct) items not affecting cash:				
Amortization of capital assets and intangibles	**1,889**	1,673	**5,356**	5,387
Accretion of discount on convertible debentures	**431**	368	**1,242**	1,059
Amortization of deferred finance costs & fair	**113**	298	**407**	466
Amortization of tenant inducements	**71**	43	**167**	129
Amortization of deferred leasing commissions	**114**	37	**214**	102
Unit based compensation	**54**	818	**188**	948
Funds from operations	**$1,467**	$(483)	**$1,872**	$211
Funds from operations – per Unit	**$0.05**	$(0.02)	**$0.06**	$0.01
Weighted average Units outstanding	**31,882,272**	21,782,489	**29,488,363**	19,462,231

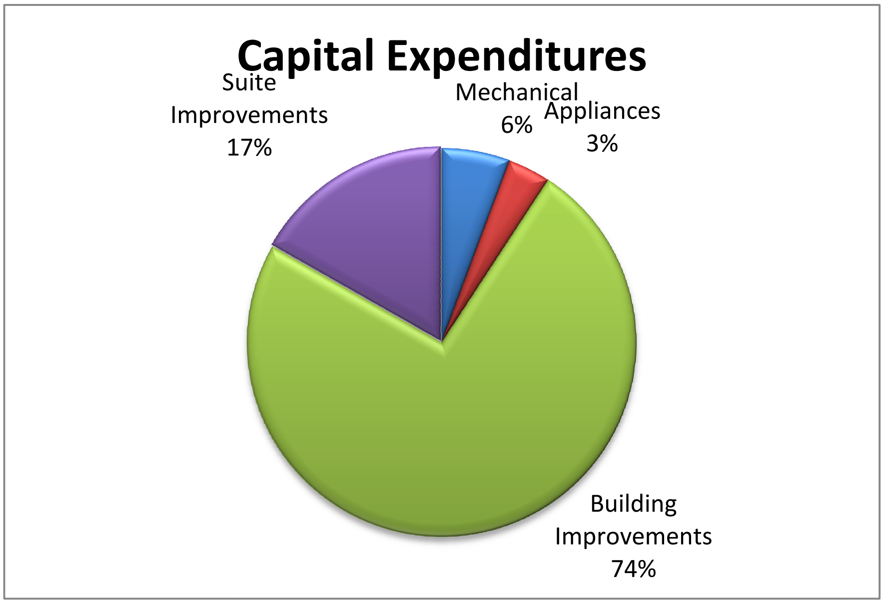
DI Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended September 30, 2010**	**3 Months Ended September 30, 2009**	**9 Months Ended September 30, 2010**	**9 Months Ended September 30, 2009**
Net loss from continuing operations	**$(1,205)**	$(3,720)	**$(5,702)**	$(7,880)
Add (deduct) items not affecting cash:				
Amortization of capital assets and intangibles	**1,889**	1,673	**5,356**	5,387
Accretion of discount on convertible debentures	**431**	368	**1,242**	1,059
Amortization of deferred finance costs & fair	**113**	298	**407**	466
Unit based compensation	**54**	818	**188**	948
Less:				
Amortization of deferred finance charges post	**103**	157	**200**	234
Maintenance capital expenditures	**1,176**	400	**2,198**	1,078
Distributable income	**$3**	$(1,120)	**$(907)**	$(1,332)
Distributable income – per Unit	**$0.00**	$(0.05)	**$(0.03)**	$(0.07)
Weighted average Units outstanding	**31,882,272**	21,782,489	**29,488,363**	19,462,231

RESULTS FROM DISCONTINUED OPERATIONS

For the 3 months ended September 30, 2010 the Trust disposed of one four unit property located in Toronto for a gain on disposal of $0.2 million. Twelve other income producing properties were classified as discontinued operations as a result of the Trust initiating an active program to dispose of these properties. The Trust recognized $0.1 million in net income for these properties for the 3 months ended September 30, 2010 and September 30, 2009.

CAPITAL EXPENDITURES

For the three months ended September 30, 2010, InterRent REIT invested approximately $4.8 million in its income producing properties compared to $0.9 million invested in the same period last year. The breakdown of these expenditures is itemized in the following graph:



Q4 2010 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 September 30, 2010.

Summary of Unitholders' Capital Contributions	Units	$Amount
December 31, 2009	28,032,206	$102,883,385
Units issued from Private Placement	3,743,787	5,371,878
Unit issue costs	-	(25,628)
Unit issued under the Deferred Unit Plan	17,232	26,080
Units issued under Distribution Reinvestment Plan	163,126	227,852
Units issued under Long Term Incentive Plan	200,000	288,000
September 30, 2010	32,156,351	$108,771,567

As at September 30, 2010 there were 31,820,245 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 Class 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 32,156,351 as at September 30, 2010. See Subsequent Events note related to LP Class B Units.

DISTRIBUTIONS

The Trust is currently making monthly distributions of $0.01 per Unit. For the three months ended September 30, 2010, the Trust's Distributable Income was $0.00 per unit while the distributions were $0.03 per unit.

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 65.2% of Gross Book Value ("GBV") at September 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	**September 30, 2010**	**December 31, 2009**
Total assets per Balance Sheet	$269,286	$263,987
Accumulated amortization on buildings	20,229	15,067
Total assets	$289,515	$279,054
Mortgages payable and vendor take-back loans	$162,128	$156,306
Debentures	20,458	24,732
Lines of credit and bank indebtedness	6,206	1,220
Total debt	$188,792	$182,258
Debt to GBV	65.2%	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 September 30, 2010, InterRent REIT had a $4,483,000 operating facility with a financial institution bearing interest at 3.0% above the prime bank lending rate. This line of credit is secured by collateral second mortgages on eleven of the Trust's properties. As at September 30, 2010, the Trust had utilized $1,476,276 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 September 30, 2010, the Trust had utilized $4,730,000 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 debenture of InterRent REIT. For 2010, the amount shown is for the period Oct 1, 2010 to December 31, 2010.

Year Maturing	Mortgage and Debt Balances At September 30, 2010	Weighted Average by Maturity	Weighted Average Interest Rate
2010	$11,641,101	6.4%	4.22%
2011	$23,683,045	13.0%	6.63%
2012	$41,041,032	22.5%	4.52%
2013	$56,296,088	30.9%	5.60%
2014	$10,176,821	5.6%	4.02%
Thereafter	$39,447,971	21.6%	5.04%
Total	$182,286,057	100%	5.18%

At September 30, 2010, the average term to maturity of the mortgage debt was approximately 3.0 years and the weighted average cost of fixed mortgage debt was 4.89%. The weighted average cost of mortgages and convertible debt was 5.18%.

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 September 30, 2010, approximately 73% 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 Q4 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 will be completed at the end of the fourth 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 Q4 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 completed in the fourth quarter 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.

Investment Properties

IFRS defines investment property (IAS 40) as a property held to earn rentals or for capital appreciation or both. Investment property will include all properties currently classified as "income producing properties".

Under Canadian GAAP, the Trust measures its investment properties using the historical cost model and recognizes various tangible and intangible assets related to the investment property. Under IFRS, after the initial recognition, the Trust will have a choice of whether to measure its investment properties using the historical cost model or the fair value model.

- If the fair value model is selected, investment properties will be carried on the consolidated balance sheet at their fair values, and changes in fair value each period will be recorded in the consolidated statement of income. Under the fair value model, acquired intangible assets (i.e., in-place leases, tenant relationships) are recognized as an integral part of the value of investment properties and are not presented separately on the consolidated balance sheet. No depreciation related to investment properties is recognized under the fair value model.

- The cost model is generally consistent with Canadian GAAP. Under the cost model for depreciation purposes, investment property will be broken down into significant components including land, building structures, significant improvements and facilities of the building, amounts relating to in-place leases, and other components. If the cost model is selected, the Trust will be required to disclose the fair value of investment properties in the notes to the consolidated financial statements in each reporting period

It is management's intention to adopt the fair value model for its investment properties. This will result in the Trust's opening balance sheet reflecting an initial revaluation adjustment to substantially all of the Trust's investment properties to fair value as at January 1, 2010. The adjustment will be booked through the opening equity.

Subsequent to the transition to IFRS, under the fair value model the Trust will revalue its investment properties on a quarterly basis and the change in value will be recorded through operating earnings. Investment properties will not be subject to amortization or impairment under the fair value model.

Management is not yet in a position to comment on the potential impacts on InterRent's balance sheet. Management has engaged a third party consultant to provide an independent appraisal of the Trust's portfolio as at January 1, 2010.

Income Taxes

There is uncertainty as to whether the guidance under IAS 12 – *Income Taxes* ("IAS 12") is applicable to InterRent REIT. If IAS 12 is applicable, InterRent REIT will be required to record future income taxes, despite the fact that InterRent REIT may satisfy the REIT exemption provided as part of the updated SIFT legislation enacted in 2007. If IAS 12 is not applicable, InterRent REIT would not be required to record future income taxes if the income earned by InterRent REIT is distributed in full.

In the event that IAS 12 is applied, 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.

Leases

Canadian GAAP and IFRS both require tenant allowances to be recorded as a reduction to rental revenue over the term of the lease. Currently, tenant inducements are capitalized and amortized as a reduction of rental revenue over the term of the lease which is consistent with IFRS.

Leasing commissions will continue to be deferred on the consolidated balance sheet, but under IFRS they form a component of investment property.

Assets held for sale and discontinued operations

The definition of a discontinued operation under IFRS is more restrictive than under GAAP. 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. It is expected that the disposal of an individual property would not constitute a significant operation to be classified as discontinued under IFRS, which differs from the accounting policy under GAAP. This narrower test under GAAP could result in some reclassifications for prior period Consolidated Income Statement, affecting income from continuing operations, but not net income. 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.

Classified Balance Sheet

Under IFRS, a classified balance sheet is required unless the Trust makes a determination that a presentation based on liquidity would provide information that is reliable and more relevant. The Trust currently presents a non-classified balance sheet. Management is reviewing the presentation method of the Trust's balance sheet under IFRS. Adopting a classified balance sheet approach would significantly affect the presentation of the organization's balance sheet.

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's units in the financial statements.

Business Combinations

IFRS and current Canadian GAAP require the acquisition method of accounting for all business combinations. IFRS 3R – *Business Combinations*, differs from GAAP in that all transactions costs are expensed immediately. As well, IFRS has a broader definition of what constitutes a business. Currently under GAAP, InterRent REIT accounts for the acquisitions of investment properties as asset acquisitions rather than business combinations. Under IFRS, single property acquisitions may be required to be accounted for as business combinations. Management has reviewed prior property acquisitions and has determined that none of the acquisitions meet the IFRS definition of a business combination. Therefore, at transition the implementation of this standard will have no impact on InterRent REIT's consolidated financial statements.

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 September 30, 2010, the Trust had accounts receivable of $803,736, net of an allowance for doubtful accounts of approximately $387,166 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 September 30, 2010, the Trust had a $4,483,000 operating facility with a financial institution bearing interest at prime plus 3.0%. This line of credit is secured by collateral second mortgages on eleven of the Trust's properties. As at September 30, 2010, the Trust had utilized $1,476,276 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 eighteen of the Trust's properties. As at September 30, 2010, the Trust had utilized $4,730,000 of this facility.

Notes 7 and 8 reflect the contractual maturities for mortgage and debenture debt of the Trust at September 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 $186 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 September 30, 2010 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 financial statements.

(i) Accounts Payable and Mortgage Payable

As at September 30, 2010, $155,859 (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.

(ii) Services

During the nine month period ended September 30, 2010 the Trust incurred $2,498,780 (September 30, 2009 - $403,580) in expenditures from a company controlled by an officer of the Trust. Of the services received, $1,056,466 (September 30, 2009 - $90,451) 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.

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 September 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 EVENTS

The Trust completed the sale of two properties in October for a gain of $0.2 million that were included in the twelve properties that formed discontinued operations.

On October 1, 2010, all of the outstanding LP Class B units in InterRent Holdings Limited Partnership were exchanged, in accordance with the Exchange Agreement, for Trust units on a one-for-one basis. This exchange has helped to ensure that the Trust is compliant with the REIT exemption provided as part of the updated SIFT legislation enacted in 2007.

OUTSTANDING SECURITIES DATA

As of November 12, 2010, the Trust had issued and outstanding: (i) 32,184,892 units (including the LP B Units that were exchanged for 336,106 units of the Trust on October 1, 2010); (ii) options exercisable to acquire 25,000 units of the Trust; (iii) deferred units that are redeemable for 309,133 units of the Trust; and (iv) $25,000,000 principal amount of a convertible unsecured subordinated debenture 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.

ADDITIONAL INFORMATION

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