InterRent REIT Management's Discussion & Analysis

For the Year Ended December 31, 2022

March 7, 2023

The Slayte,
Ottawa, ON

MANAGEMENT'S DISCUSSION & ANALYSIS
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", the "REIT" or the "Trust") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2022, along with InterRent REIT's other publicly filed documents. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results circumstances, performance or expectations, including but not limited to financial performance and equity or debt offerings, new markets for growth, financial position, comparable multi-residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of InterRent REIT to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the market for InterRent REIT's securities, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by InterRent REIT, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding InterRent REIT securities, lack of availability of growth opportunities, diversification, potential unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the market price of InterRent REIT's trust units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled "Risks and Uncertainties" and in other sections of this Management's Discussion and Analysis.

In addition, certain material assumptions are applied by the Trust in making forward looking statements including, without limitation, factors and assumptions regarding:

- Overall national economic activity
- Regional economic and demographic factors, such as employment rates and immigration trends
- Inflationary/deflationary factors
- Long-, medium-, and short-term interest rates
- Availability of financing
- Housing starts
- Housing affordability
- Provincial government housing policies
- Canadian Mortgage and Housing Corporation (CMHC) policies

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

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

INTERRENT REAL ESTATE INVESTMENT TRUST

InterRent Real Estate Investment Trust (“InterRent REIT”, the “REIT” or the “Trust”) is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated October 10, 2006, and as amended and restated on June 29, 2007, September 30, 2009, December 29, 2010, and May 21, 2019, under the laws of the Province of Ontario. InterRent REIT was created to invest in income producing multi-family residential properties within Canada initially through the acquisition of InterRent International Properties Inc. (the “Corporation”) and of the Silverstone Group by the way of a plan of arrangement (the “Arrangement”) under the *Business Corporations Act* (Ontario), which was completed on December 7, 2006.

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

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 May 21, 2019, and a copy of this document is available on SEDAR (www.sedar.com).

At December 31, 2022 the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

ACCOUNTING POLICIES

InterRent REIT’s accounting policies are described in note 3 of the audited consolidated financial statements for the year ended December 31, 2022, and December 31, 2021.

In applying these policies, in certain cases it is necessary to use estimates, which management determines using information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS. Significant estimates are made with respect to the fair values of investment properties and the fair values of financial instruments.

NON-GAAP MEASURES

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

Gross Rental Revenue is the total potential revenue from suite rentals before considering vacancy and rebates and excludes other revenue from ancillary sources.

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

Same property results are revenues, expenses and NOI from properties owned by the Trust throughout the comparative periods, which removes the impact of situations that result in the comparative period to be less meaningful. Some examples include: acquisitions, dispositions, redevelopments or properties going through a lease-up period.

Repositioned property results are revenues, expenses and NOI from properties owned by the Trust prior to January 1, 2019.

Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are financial measures commonly used by many Canadian real estate investment trusts which should not be considered as an alternative to net income, cash flow from operations, or any other operating or liquidity measure prescribed under GAAP. The Trust presents FFO and AFFO in accordance with the REALpac White Paper on Funds from Operations and Adjusted Funds from Operations for IFRS dated January 2022. Management considers FFO and AFFO a useful measure of recurring economic earnings.

Adjusted Cash Flows from Operations ("ACFO") is an additional financial measure of economic cash flow based on the operating cash flows of a business adjusted for specific items. The Trust presents ACFO in accordance with the REALpac White Paper dated February 2019. Management considers ACFO a useful measure of sustainable cash flow.

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

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

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

OPERATIONS UPDATE

- The December 31, 2022 portfolio occupancy rate of 96.8% is a return to pre-pandemic levels at year-end and places the Trust on solid operational footing heading into 2023. Rental demand remains strong through the first few months of 2023.
- As leasing activity has picked up, lease incentives have trended downwards. Given current demand, we expect this to continue through 2023.
- Occupancy at 473 Albert Street in Ottawa, Ontario began in Q4, with 37 suites occupied by the end of the year. Positive leasing activity has continued into 2023, filling an additional 16 suites in the traditionally hard to lease January and February months. The Trust expects to complete initial lease-up of the 158 suites by the end of September 2023.
- A mild January and February as well as natural gas rates softening bode well to bring utility costs in-line to start 2023.
- Refinancing activity during the year dropped variable exposure to below 5% at December 31, 2022. The Trust expects to maintain this between 4% to 6% through 2023.
- The Trust continues to invest in its portfolio as a driver of future organic growth, spending $24.7 million during the quarter of which $8.3 million was spent on improvements for non-repositioned properties, $5.2 million on properties under development, and $11.2 million on the repositioned portfolio.

The Link,
Vancouver, BC

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

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

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

InterRent's primary objectives are to use the proven industry experience of the Trustees, Management and Operational Team to: (i) grow both funds from operations per Unit and net asset value per Unit through investments in a diversified portfolio of multi-residential properties; (ii) provide Unitholders with sustainable and growing cash distributions, payable monthly; and (iii) maintain a conservative payout ratio and balance sheet.

In 2022, the Trust purchased a 50% ownership in two properties comprised of 57 suites in Vancouver for $12.8 million, a 50% ownership in a property in Quebec consisting of 254 suites for $54.6 million, and completed a $2.4 million acquisition for an additional 2.5% interest in 801 Albert Street Inc., the development site at 900 Albert Street, Ottawa. The Trust has also commenced occupancy on its development project at 473 Albert Street, Ottawa, with 37 suites occupied as at December 31, 2022.

As at December 31, 2022, the Trust has 100% ownership interest in 12,003 suites and a 50% financial interest in 1,214 suites, for a total ownership of 12,610 suites, of which: a) 11,041 are included in same property suites, or 87.6% of the overall portfolio; and, b) 8,951 are included in repositioned property suites, or 71.0% of the overall portfolio. With the current immigration targets there will be an increased demand for housing while supply issues in the market are persisting. The Trust is trying to be a part of the solution and is working with various levels of government to try and create policies to encourage more supply and currently has approximately 4,100 suites under development with the potential for further intensification at various sites within its portfolio.


26 Rockway,
Ottawa, ON

OUTLOOK

a) Management remains committed to growing the REIT in a strategic and structured manner, although timing may be impacted by the current economic environment, however, future growth is still anticipated to come from:

   a) continuing to source properties in our core markets that allow us to build scale within these areas and apply our repositioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders;

   b) continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio;

   c) re-deploying capital from areas where management believes communities have reached their economic potential or they are located in nodes that will not allow the REIT to reach the desired level of scale;

   d) developing purpose-built rental on existing sites that have the ability to add more density; and

   e) participating in joint ventures for mixed-use sites where the REIT can add value through its experience and expertise in owning and operating multi-family rentals.

b) The REIT continues to evaluate intensification opportunities within the portfolio. One such project is currently underway in Montréal, where C-class office space in one of the REIT's existing buildings is being converted into 36 new residential units. Completion is expected in the first half of 2023.

c) In addition to the intensification project, the REIT is continuing to make progress on its four active developments, for more information on our ongoing projects, see "Properties Under Development"

d) Liquidity Update:

   - The Trust's current credit facilities total $223.0 million of available credit. There is nothing drawn on these facilities as at December 31, 2022.
   - At December 31, 2022, the Trust had approximately $200.2 million in unencumbered properties that do not have mortgages nor provide security for any credit facilities.
   - During the quarter, the Trust renewed one $10.5 million mortgage, closed on seven up-financings totaling gross proceeds of $175.4 million (repaid loans totaled $123.5 million), and repaid two mortgages for $3.6 million.
   - With a debt-to-GBV ratio of 38.3%, the REIT has significant liquidity available through both CMHC insured and conventional mortgage financing to finance future capital programs, development opportunities and acquisitions.

4560 Sainte Catherine O, Montréal, QC

Q4 AND FULL YEAR PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three and twelve months ended December 31, 2022 compared to the same periods in 2021:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended December 31, 2022**	**3 Months Ended December 31, 2021**	**Change**	**12 Months Ended December 31, 2022**	**12 Months Ended December 31, 2021**	**Change**
Total suites	**-**	-	**-**	**12,610[(1)]**	12,426[(1)]	**+1.5%**
Average rent per suite (December)	**-**	-	**-**	**$ 1,479**	$ 1,381	**+7.1%**
Occupancy rate (December)	**-**	-	**-**	**96.8%**	95.6%	**+120 bps**
Operating revenues	**$ 56,855**	$ 50,265	**+13.1%**	**$ 216,400**	$ 185,148	**+16.9%**
Net operating income (NOI)	**$ 36,730**	$ 32,155	**+14.2%**	**$ 139,223**	$ 117,658	**+18.3%**
NOI %	**64.6%**	64.0%	**+60 bps**	**64.3%**	63.5%	**+80 bps**
Same Property average rent per suite (December)	**$ -**	-	**-**	**$ 1,456**	$ 1,374	**+6.0%**
Same Property occupancy rate (December)	**-**	-	**-**	**97.0%**	96.2%	**+80 bps**
Same Property operating revenues	**$ 49,246**	$ 45,314	**+8.7%**	**$ 189,861**	$ 173,526	**+9.4%**
Same Property NOI	**$ 31,558**	$ 29,112	**+8.4%**	**$ 122,012**	$ 110,496	**+10.4%**
Same Property NOI %	**64.1%**	64.2%	**-10 bps**	**64.3%**	63.7%	**+60 bps**
Net Income	**$(100,950)**	$ 99,399	**-201.6%**	**$ 103,959**	$ 369,686	**-71.9%**
Funds from Operations (FFO)	**$ 18,677**	$ 19,583	**-4.6%**	**$ 76,933**	$ 72,826	**+5.6%**
FFO per weighted average unit - diluted	**$ 0.129**	$ 0.137	**-5.8%**	**$ 0.532**	$ 0.510	**+4.3%**
Adjusted Funds from Operations (AFFO)	**$ 16,031**	$ 17,489	**-8.3%**	**$ 67,366**	$ 64,925	**+3.8%**
AFFO per weighted average unit - diluted	**$ 0.110**	$ 0.122	**-9.8%**	**$ 0.466**	$ 0.455	**+2.4%**
Distributions per unit	**$ 0.0885**	$ 0.0841	**+5.2%**	**$ 0.3450**	$ 0.3283	**+5.1%**
Adjusted Cash Flow from Operations (ACFO)	**$ 24,872**	$ 28,403	**-12.4%**	**$ 78,446**	$ 78,094	**+0.5%**
Debt-to-GBV	**-**	-	**-**	**38.3%**	36.7%	**+160 bps**
Interest coverage (rolling 12 months)	**-**	-	**-**	**2.70x**	3.39x	**-0.69x**
Debt service coverage (rolling 12 months)	**-**	-	**-**	**1.65x**	1.84x	**-0.19x**

[(1)] Represents 12,003 (2021 - 11,974) suites fully owned by the REIT and 1,214 (2021 - 903) suites owned 50% by the REIT.

- Overall Portfolio:
  - a) Operating revenue for the quarter rose by $6.6 million to $56.9 million, an increase of 13.1% over Q4 2021. Operating revenue for the year rose by $31.3 million to $216.4 million, an increase of 16.9% over 2021.
  - b) Average monthly rent per suite increased to $1,479 (December 2022) from $1,381 (December 2021), an increase of 7.1%.
  - c) Occupancy for December 2022 was 96.8%, an increase of 120 basis points from both September 2022 and December 2021.
  - d) NOI for the quarter was $36.7 million, an increase of $4.6 million, or 14.2%, over Q4 2021. NOI margin for the quarter was 64.6%, up 60 basis points over Q4 2021. NOI for the year was $139.2 million, an increase of $21.6 million, or 18.3% over 2021. NOI margin for the year was 64.3%, up 80 basis points over 2021.
- Same Property Portfolio:
  - a) Operating revenue for the quarter increased by $3.9 million to $49.2 million, an increase of 8.7%, over Q4 2021. Operating revenue for the year increased by $16.3 million to $189.9 million, or 9.4% over 2021.
  - b) Average monthly rent per suite for the same property portfolio increased to $1,456 (December 2022) from $1,374 (December 2021), an increase of 6.0%.
  - c) Occupancy for December 2022 was 97.0%, an increase of 110 basis points when compared to September 2022 and an increase of 80 basis points when compared to December 2021.

d) NOI for the quarter was $31.6 million, an increase of $2.4 million, or 8.4%, over Q4 2021. Same property NOI margin for the quarter was 64.1%, down 10 basis points from Q4 2021. NOI for the year was $122.0 million, an increase of $11.5 million over 2021. NOI margin for the year was 64.3%, up 60 basis points over 2021.

- Repositioned properties had an average monthly rent per suite of $1,483, occupancy of 97.3% for December 2022 and an NOI margin for the quarter of 65.5%.
- Net income for the year was $104.0 million, a decrease of $265.7 million compared to 2021. This difference was due primarily to the fair value adjustment on investment properties which was a loss of $8.3 million in 2022, versus a gain of $327.2 million in 2021. Net operating income was $21.6 million higher in 2022 however this was offset by a $15.7 million increase in financing costs and a $2.3 million increase in administrative costs.
- FFO for the quarter decreased by $0.9 million, or 4.6%, to $18.7 million compared to Q4 2021. FFO for the year increased by $4.1 million, or 5.6%, to $76.9 million compared to 2021.
- FFO per Unit for the quarter decreased by 5.8% to $0.129 per Unit compared to $0.137 per Unit for Q4 2021. FFO per Unit for the year increased by 4.3% to $0.532 per Unit compared to $0.510 per Unit for 2021.
- AFFO for the quarter decreased by $1.5 million, or 8.3%, to $16.0 million compared to Q4 2021. AFFO for the year increased by $2.4 million, or 3.8%, to $67.4 million compared to 2021.
- AFFO per Unit for the quarter decreased by 9.8% to $0.110 per Unit compared to $0.122 per Unit for Q4 2021. AFFO per Unit for the year increased by 2.4% to $0.466 per Unit compared to $0.455 per Unit for 2021.
- ACFO for the quarter decreased by $3.5 million, or 12.4%, to $24.7 million compared to Q4 2021. ACFO for the year increased by $0.4 million, or 0.5%, to $78.4 million compared to 2021.
- Debt-to-GBV at year end was 38.3%, an increase of 160 and 90 basis points compared to December 2021 and September 2022, respectively.

PORTFOLIO SUMMARY

The Trust started the year with 12,426 suites. During the year, the Trust purchased a 50% ownership stake in two properties with 57 suites in Vancouver, British Columbia and one property with 254 suites in Brossard, Quebec, added 3 suites to existing properties in the Greater Toronto & Hamilton area, combined 2 suites into one in Ottawa, Ontario, moved 10 suites in Ottawa, Ontario from income-producing to properties under development, and commenced occupancy on its development project at 473 Albert Street, Ottawa, with 37 suites occupied as at December 31, 2022. At December 31, 2022, the Trust owned 12,610 suites. Management continuously reviews the markets that the REIT operates in to determine if the portfolio mix remains suitable. Management believes that there are significant opportunities within the portfolio for organic rent growth, to reduce operating costs, and to further streamline operations. At December 31, 2022, 87.6% of the portfolio was included in same property suites and 71.0% of the portfolio was included in repositioned property suites. We continue to evaluate opportunities within our target markets, as well as other gateway cities in Canada. Given current market conditions, the Trust will remain judicious with its investment strategy in order to continue to grow the REIT in a fiscally prudent manner. The following chart shows our suite mix by region. InterRent's focus on recycling capital and growing its core markets of the Greater Toronto & Hamilton Area ("GTHA"), National Capital Region ("NCR"), Greater Montréal Area ("GMA"), and Greater Vancouver Area ("GVA") has resulted in approximately 85% of InterRent's suites being located in these core markets.

▼ Suites By Region at December 31, 2022

Region	Total Portfolio		Same Property	
	Suites	% of Portfolio	Suites	% of Portfolio
Greater Toronto & Hamilton Area	4,143 (1)	31.3%	3,569	32.3%
National Capital Region	2,996	22.7%	2,955	26.8%
Other Ontario	2,002	15.1%	1,730	15.7%
Greater Montreal Area	3,210 (2)	24.3%	2,787	25.2%
Greater Vancouver Area	866 (3)	6.6%	-	-
Total	13,217	100.0%	11,041	100.0%

(1) Represents total suites of which the REIT owns a 100% interest in 4,049 suites and a 50% interest in 94 suites.
(2) Represents total suites of which the REIT owns a 100% interest in 2,956 suites and a 50% interest in 254 suites.
(3) Represents total suites of which the REIT owns a 50% interest.

▼ Acquisitions

During the year, the Trust completed a $2.4 million acquisition for a 2.5% interest in 801 Albert Street Inc., the development site at 900 Albert Street Ottawa. Following this transaction, the REIT holds a 50% interest in the development property through its direct interest in 801 Albert Street Inc. and through its 40% ownership in the TIP Albert Limited Partnership joint venture. The Trust also completed the following investment property transactions:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price	
24-Jan-2022	2183 W 44th Avenue	Vancouver	GVA	Residential	36	$	16,500,000
28-Feb-2022	1918 Haro Street	Vancouver	GVA	Residential	21	$	9,125,000
	Total Vancouver No. 1 Apartments Partnership (100% interest)					$	25,625,000
Q1 2022 Acquisitions at the Trust's 50% financial interest						**$**	**12,812,500**
30-Jun-2022	8405 Place St-Charles	Brossard	GMA	Residential	254	$	109,250,000
Q2 2022 Acquisition at the Trust's 50% financial interest						**$**	**54,625,000**
Total 2022 Acquisition at the Trust's 50% financial interest						**$**	**67,437,500**

▼ Properties Under Development

Development activity is another important way that the REIT surfaces value through accretive growth and contributes to housing supply. InterRent's development strategy is consistent with its broader goals: to expand its portfolio within its primary markets. Management regularly reviews new development opportunities, and undertakes those it feels would be accretive to the REIT's portfolio.

The REIT currently has four ongoing development projects that, when complete, could provide approximately 4,100 suites and over 570,000 square feet of commercial and retail space. Development activity includes one project involving the adaptive reuse of obsolete office stock, providing an opportunity to divert waste, recycle materials, and revitalize an underused office building in Ottawa's urban core and add 158 new homes to a supply constrained core.

Project	City	Suite Count	Commercial Sq. Ft.	Ownership Interest	Target Completion Date	Expected Yield
473 Albert Street	Ottawa	158	-	100.0%	Q1 2023	4.30%
Richmond & Churchill	Ottawa	185	18,650	100.0%	H2 2026	4.20-4.80%
Burlington GO Lands	Burlington	1,526 (Phases 1-2) 989 (Phases 3-4)	20,081 (Phases 1-2) 19,779 (Phases 3-4)	25.0%	2028 (Phases 1-2)	4.65-5.15% (Phases 1-2)
900 Albert Street	Ottawa	1,241	511,608	50.0%	TBD	TBD

Transfers into the operating portfolio occur when the property is operating in the manner intended by Management. Generally this occurs upon completion of construction, as well as the receipt of all necessary permits.

473 Albert Street

Construction at the project is nearing completion to convert the existing office building to a residential rental building. All major long lead items have been tendered and awarded, and the construction costs are approximately 95% contracted. The REIT has finalized the property branding and began marketing and pre-leasing activities in late Q2 2022 with 37 suites occupied as of the end of 2022. Full occupancy of the building is anticipated for the end of September 2023.

Richmond & Churchill

The zoning bylaw amendment for the property has been successfully approved by the City of Ottawa to allow for a 9-storey mixed-use building, as well as an additional rooftop amenity level. The rezoning allows the REIT to develop 185 residential suites and 18,650 sq ft of commercial space on the site. The site plan application was formally approved February 2022 and the draft Site Plan agreement was received June 2022. The REIT is working through design development and construction drawings in order to gain a high degree of cost certainty through active tendering based on completed drawings, as well as positioning the REIT with the ability to obtain building permits.

Burlington GO Lands

In Q2 2022, a settlement was reached with the City of Burlington regarding the Phase 1 site plan application, subject to conditions, and was ultimately approved at the Ontario Land Tribunal. Fulfillment of the conditions and building permit submission is anticipated in Q2 of 2023. The REIT is working with its partners to finalize working drawings and complete tendering process. The full site plan contemplates 2,515 residential suites with 39,860 sq ft of commercial space. Phase 1 will include 775 units across 2 point towers on a 4 storey podium along with 9,304 sq ft of retail space.

900 Albert Street

The site plan application was approved by Ottawa City Council in July 2020 and the final site plan agreement is currently ongoing. The approved site plan application allows for 1,241 residential suites, 423,764 sq ft of office space, and 87,844 sq ft of retail space. Ownership of this project was previously split between three partners, however during 2022, the third partner sold its minority interest to both remaining partners, leaving the REIT and the remaining partner each with a 50% interest in the project. The REIT continues to work with its partner and external consultants to develop detailed design plans in order to deliver an offering that reflects not only the current needs of the market but also incorporates concepts and technologies to ensure its continued relevance as rental housing needs continue to evolve. Management continues to monitor, and is encouraged by, the redevelopment progress in the broader LeBreton Flats area.

ANALYSIS OF OPERATING RESULTS

In $ 000's	3 Months Ended December 31, 2022		3 Months Ended December 31, 2021		12 Months Ended December 31, 2022		12 Months Ended December 31, 2021	
Gross rental revenue	**$ 55,926**		$ 50,905		**$ 216,558**		$ 191,431	
Less: vacancy & rebates	**(2,472)**		(3,794)		**(13,467)**		(18,266)	
Other revenue	**3,401**		3,154		**13,309**		11,983	
Operating revenues	**$ 56,855**		$ 50,265		**$ 216,400**		$ 185,148	
Expenses								
Property operating costs	**9,084**	**16.0%**	8,220	16.4%	**35,163**	**16.3%**	30,853	16.7%
Property taxes	**5,907**	**10.4%**	5,594	11.1%	**23,851**	**11.0%**	21,857	11.8%
Utilities	**5,134**	**9.0%**	4,296	8.5%	**18,163**	**8.4%**	14,780	8.0%
Operating expenses	**$ 20,125**	**35.4%**	$ 18,110	36.0%	**$ 77,177**	**35.7%**	$ 67,490	36.5%
Net operating income	**$ 36,730**		$ 32,155		**$ 139,223**		$ 117,658	
Net operating margin	**64.6%**		64.0%		**64.3%**		63.5%	

REVENUE

Gross rental revenue for the year ended December 31, 2022 increased 13.1% to $216.6 million compared to $191.4 million for the year ended December 31, 2021. Operating revenues for the year were up $31.2 million to $216.4 million, or 16.9% compared to Q4 2021. The Trust owned, on a weighted average basis, 12,516 suites for the year as compared to 11,793 throughout 2021, an increase of 6.1% or 723 suites over the period. On a weighted average suite basis, operating revenue for 2022 increased by 10.1% over 2021.

The average monthly rent across the portfolio for December 2022 increased to $1,479 per suite from $1,381 as at December 2021, an increase of 7.1% and from $1,462 as at September 2022, an increase of 1.2%. On a same property basis, the average rent increased by $82 per suite, or up 6.0% to $1,456 over December 2021 and by $13 per suite, or up 0.9% over September 2022. Management expects to continue to grow rent organically, as well as continuing to drive other ancillary revenue streams such as parking, laundry, locker rentals, and cable and telecom revenue share agreements.

▼ Average Rent By Region[(1)]

Region	Total Portfolio			Same Property		
	December 2022	December 2021	Change	December 2022	December 2021	Change
Greater Toronto & Hamilton Area	$1,561	$1,465	+6.6%	$1,553	$1,460	+6.4%
National Capital Region[(1)]	$1,543	$1,457	+5.9%	$1,523	$1,458	+4.5%
Other Ontario	$1,445	$1,333	+8.4%	$1,460	$1,352	+8.0%
Greater Montreal Area	$1,289	$1,182	+9.1%	$1,259	$1,192	+5.6%
Greater Vancouver Area	$1,768	$1,660	+6.5%	-	-	-
Total	**$1,479**	**$1,381**	**+7.1%**	**$1,456**	**$1,374**	**+6.0%**

(1) Excludes extended stay suites.

The REIT estimates the average market rental gap on the total portfolio to be in excess of 30%. The REIT is continuing to carefully monitor the demand in the market and will adjust rents based on balancing short-term occupancy against long term rental revenue growth.

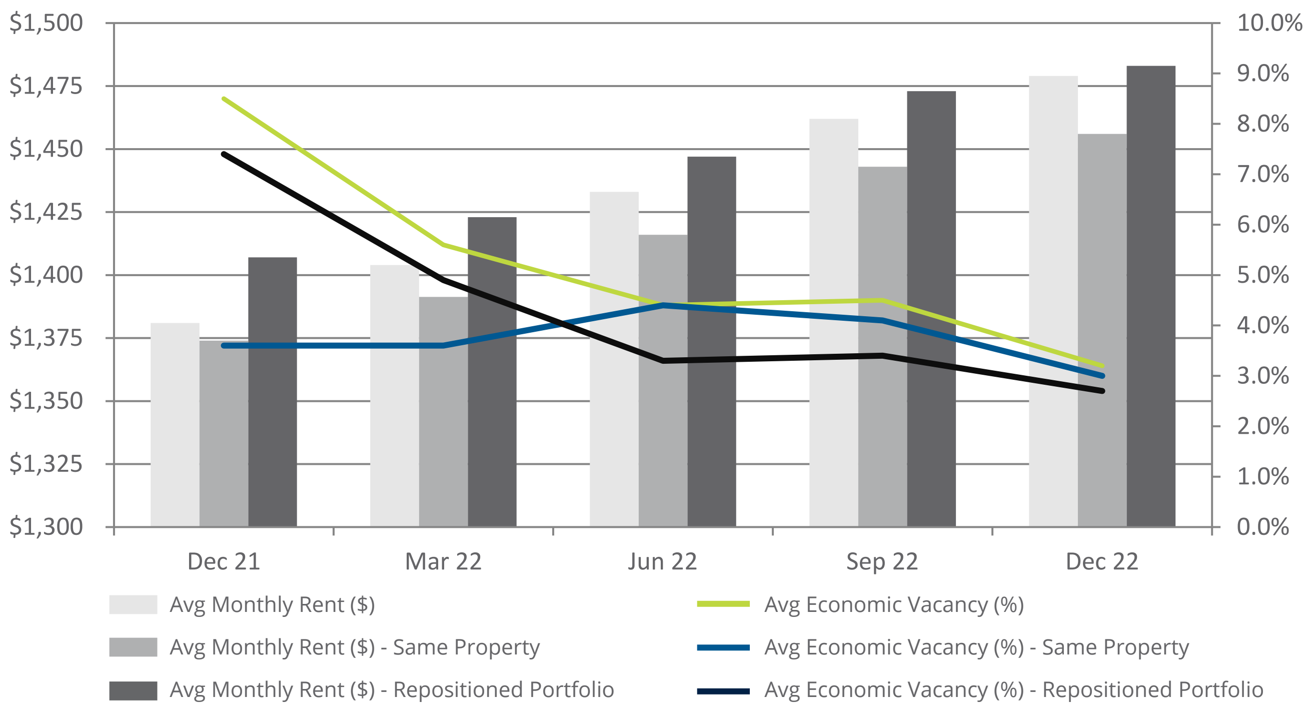
Portfolio Occupancy

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

1. ensuring that properties are safe, secure and well maintained;
2. ensuring suites are properly repaired and maintained before being rented to new residents;
3. tailoring marketing to the specific features, location and demographics of each individual property; and,
4. ensuring that operations are running as efficiently and cost effectively as possible to ensure the well-being of residents and resident enjoyment of their homes.

This is part of the Trust's repositioning strategy to maximize rental revenues, lower operating costs and create safe, quality communities for our residents, extending the useful life of buildings that would otherwise be heading for demolition, and thereby creating value for all stakeholders. Management intends to continue to pursue this strategy both within the existing portfolio and as it looks to add new properties within targeted regions.

The following chart represents both the average monthly rents and the economic vacancy for the entire portfolio for the months listed. Economic vacancy is calculated by taking financial vacancy loss and dividing it by gross rental revenue.



	December 2021	March 2022	June 2022	September 2022	December 2022
Average monthly rents all properties	$1,381	$1,404	$1,433	$1,462	$1,479
Average monthly rents same property	$1,374	$1,391	$1,416	$1,443	$1,456
Average monthly rents repositioned property	$1,407	$1,423	$1,447	$1,473	$1,483

The overall economic vacancy for December 2022 across the entire portfolio was 3.2%, a decrease of 120 basis points from September 2022 and December 2021 as compared to the 4.4% recorded for each period.

The overall economic vacancy for December 2022 for the same property portfolio was 3.0%, down 110 basis points from September 2022 and a decrease of 80 basis points as compared to the 3.8% recorded for December 2021.

The Trust continues to expect the arrival of new permanent residents, temporary foreign workers, and international students to gradually return to normal, which is an important source of demand for multi-family housing across its core regions.

Canada welcomed more than 437,000 new permanent residents in 2022, higher than its ambitious full year target and marked an all-time record for Canadian permanent residence admissions in one year. In 2022, the share of new immigrants that were net new people in the country rose to 60%, up from a low of 31% last year, continuing the trend towards historical norms of 70-75%.

The Trust was pleased to see that Canada welcomed a record 551,405 international students in 2022, up 24% from 2021. Narrowing to our three provinces of interest, study permits in Ontario were up 32% year-over-year for 2022 compared to 2021, while permit holders for students bound for British Columbia were up 17%. In Quebec, however, study permits are down 1% in 2022 compared to last year. While the Canadian government has made strides to improve its service levels, the immigration backlog as of January 3, 2023, sits at 2.2 million people, of which approximately 1.3 million relates to temporary residence inventory that includes both new study permits and study permit extensions. This backlog may provide a partial explanation for lower study permit figures in Quebec given that December is historically a seasonally high permit month.

▼ Vacancy By Region

Region	Total Portfolio			Same Property		
	December 2022	December 2021	Change	December 2022	December 2021	Change
Greater Toronto & Hamilton Area	3.0%	3.5%	-50 bps	3.3%	2.2%	+110 bps
National Capital Region	2.7%	4.8%	-210 bps	2.7%	4.5%	-180 bps
Other Ontario	3.2%	3.1%	+10 bps	2.9%	2.4%	+50 bps
Greater Montreal Area	4.1%	6.2%	-210 bps	2.9%	5.4%	-250 bps
Greater Vancouver Area	3.3%	3.7%	-40 bps	-	-	-
Total	**3.2%**	**4.4%**	**-120 bps**	**3.0%**	**3.8%**	**-80 bps**

Other Revenue

Other rental revenue for the year ended December 31, 2022 increased 11.1% to $13.3 million compared to $12.0 million for the year ended December 31, 2021. The increased revenues from commercial space as well as ancillary sources such as parking, laundry, locker rentals, and cable and telecom continues to be a focus as it provides organic revenue growth.

PROPERTY OPERATING COSTS

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

Property operating costs for the year ended December 31, 2022 amounted to $35.2 million or 16.3% of revenue compared to $30.9 million or 16.7% of revenue for the year ended December 31, 2021. As a percentage of revenue, operating costs decreased by 40 basis points as compared to 2021.

PROPERTY TAXES

Property taxes for the year ended December 31, 2022 amounted to $23.9 million or 11.0% of revenue compared to $21.9 million or 11.8% of revenue for 2021. Overall property taxes have increased by $2.0 million however they have decreased as a percentage of operating revenues, as portfolio and revenue growth outpace rate increases.

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 year ended December 31, 2022 amounted to $18.2 million or 8.4% of revenue compared to $14.8 million or 8.0% of revenue for the three months ended December 31, 2021. Utility costs have increased over last year on a per suite basis due primarily to increases in rates. Higher charges for natural gas are the biggest driver, with rates up 38% over last year across the portfolio. Gas usage was up 9% overall (3% for same property). Fixed-rate contracts have been signed for approximately 50% of expected 2023 natural gas usage at prices below current market rates.

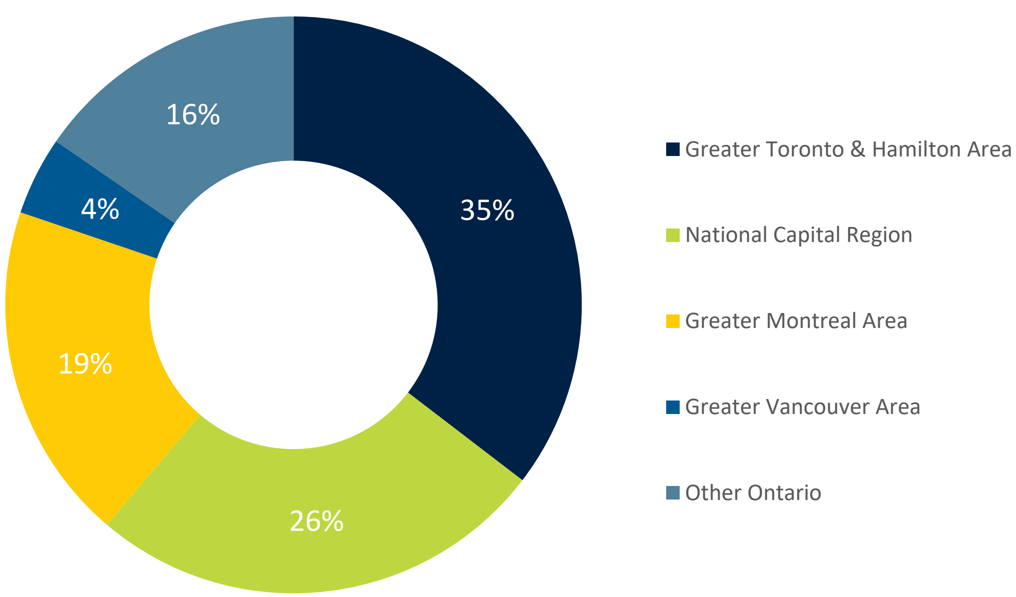
Electricity costs are up $0.5 million over last year due to small increases in portfolio size, rates, and per suite usage. The Trust continues to manage its electricity costs through its hydro sub-metering initiative, which reduced electricity costs by 25%, or $2.0 million for the year. At December 31, 2022, the REIT had approximately 83% of its portfolio that had the capability to sub-meter hydro in order to recover the cost. Of these, approximately 85% were on hydro extra leases whereby the resident either pays the local utility provider directly or the REIT recovers the cost from the resident. This represents approximately 71% of the total portfolio. The REIT plans on continuing to roll this program out to new properties as they are acquired.

NET OPERATING INCOME (NOI)

NOI for the year ended December 31, 2022 amounted to $139.2 million or 64.3% of operating revenue compared to $117.7 million or 63.5% of operating revenue for the year ended December 31, 2021. The $21.5 million increase in the year results primarily from both suite and organic growth in the portfolio, and a 39% reduction in vacancy and rebates in 2022 versus 2021.

NOI for the year ended December 31, 2022 from the same property portfolio was $122.0 million, or 64.3% of operating revenue. Management continues to focus on top line revenue growth through selective acquisitions, suite additions, organic revenue growth and ancillary revenue as well as operating cost reductions (such as efficiencies of scale, investment in energy saving initiatives, and investments to reduce ongoing operating costs).

▼ NOI By Region – 3 Months Ended December 31, 2022



SAME PROPERTY PORTFOLIO PERFORMANCE

Same property results for the year ended December 31, 2022 are defined as all properties owned and operated by the Trust throughout the comparative periods being reported, and therefore do not take into account the impact on performance of acquisitions, dispositions or properties going through a lease-up during the period from January 1, 2021 to December 31, 2022. As at December 31, 2022, the Trust has 11,041 suites in the same property portfolio. The same property portfolio represents 87.6% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2022		3 Months Ended December 31, 2021		12 Months Ended December 31, 2022		12 Months Ended December 31, 2021	
Gross rental revenue	**$ 48,301**		$ 45,660		**$ 188,954**		$ 178,518	
Less: vacancy & rebates	**(2,026)**		(3,281)		**(11,032)**		(16,527)	
Other revenue	**2,971**		2,935		**11,939**		11,535	
Operating revenues	**$ 49,246**		$ 45,314		**$ 189,861**		$ 173,526	
Expenses								
Property operating costs	**7,947**	**16.1%**	7,437	16.5%	**30,840**	**16.2%**	28,843	16.6%
Property taxes	**5,283**	**10.7%**	5,036	11.1%	**21,138**	**11.1%**	20,527	11.8%
Utilities	**4,458**	**9.1%**	3,729	8.2%	**15,871**	**8.4%**	13,660	7.9%
Operating expenses	**$ 17,688**	**35.9%**	$ 16,202	35.8%	**$ 67,849**	**35.7%**	$ 63,030	36.3%
Net operating income	**$ 31,558**		$ 29,112		**$ 122,012**		$ 110,496	
Net operating margin	**64.1%**		64.2%		**64.3%**		63.7%	

For the year ended December 31, 2022, operating revenues for same property increased by 9.4% compared to 2021. Property operating costs and property taxes are down 40 and 70 basis points as a percentage of operating revenues, respectively, whereas utilities increased by 50 basis points. This resulted in an overall decrease in operating expenses, as a percentage of operating revenues, of 60 basis points as compared to the same period last year.

Operating expense growth of 7.6% was offset by operating revenue growth of 9.4%, achieved through a substantial reduction in vacancy and rebates and achieving market rents on turnover. This resulted in an increase in same property NOI of $11.5 million, or 10.4%, as compared to the same period last year. NOI margin for 2022 was 64.3% as compared to 63.7% for 2021, a 60 basis point increase.

The average monthly rent for December 2022 for same property increased to $1,456 per suite from $1,374 (December 2021), an increase of 6.0%. Economic vacancy for December 2022 for same property was 3.0%, compared to 3.8% for December 2021.

	December 2021	March 2022	June 2022	September 2022	December 2022
Average monthly rent same property	$1,374	$1,391	$1,416	$1,443	$1,456
Average monthly vacancy same property	3.8%	3.6%	4.4%	4.1%	3.0%

REPOSITIONED PROPERTY PORTFOLIO PERFORMANCE

The Trust's repositioning program following the acquisition of a property typically spans 3 to 4 years, depending on how significant the capital requirements are and on the resident turnover at the property. Repositioned property suites for the three months ended December 31, 2022 are defined as all properties owned and operated by the Trust prior to January 1, 2019. As at December 31, 2022, the Trust has 8,951 repositioned property suites, which represents 71.0% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2022					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	$ 39,960		$ 15,966		**$ 55,926**	
Less: vacancy & rebates	(1,493)		(979)		**(2,472)**	
Other revenue	2,280		1,121		**3,401**	
Operating revenues	$ 40,747		$ 16,108		**$ 56,855**	
Expenses						
Property operating costs	6,369	15.6%	2,715	16.9%	**9,084**	**16.0%**
Property taxes	4,353	10.7%	1,554	9.6%	**5,907**	**10.4%**
Utilities	3,454	8.5%	1,680	10.4%	**5,134**	**9.0%**
Operating expenses	$ 14,176	34.8%	$ 5,949	36.9%	**$ 20,125**	**35.4%**
Net operating income	$ 26,571		$ 10,159		**$ 36,730**	
Net operating margin	65.2%		63.1%		**64.6%**	

In $ 000's	12 Months Ended December 31, 2022					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	$ 156,595		$ 59,963		**$ 216,558**	
Less: vacancy & rebates	(8,543)		(4,924)		**(13,467)**	
Other revenue	9,020		4,289		**13,309**	
Operating revenues	$ 157,072		$ 59,328		**$ 216,400**	
Expenses						
Property operating costs	24,634	15.7%	10,529	17.7%	**35,163**	**16.3%**
Property taxes	17,419	11.1%	6,432	10.8%	**23,851**	**11.0%**
Utilities	12,258	7.8%	5,905	10.0%	**18,163**	**8.4%**
Operating expenses	$ 54,311	34.6%	$ 22,866	38.5%	**$ 77,177**	**35.7%**
Net operating income	$ 102,761		$ 36,462		**$ 139,223**	
Net operating margin	65.4%		61.5%		**64.3%**	

The average monthly rent for December 2022 for the repositioned property portfolio was $1,483 per suite and the economic vacancy for December 2022 was 2.7% whereas the non-repositioned properties had an average monthly rent of $1,468 per suite and an economic vacancy of 4.4% for December 2022.

Region	**Repositioned Property Portfolio**			**Non-Repositioned Property Portfolio**		
	Suites	December 2022 Average Rent	December 2022 Vacancy	Suites	December 2022 Average Rent	December 2022 Vacancy
Greater Toronto & Hamilton Area	2,888	$1,562	2.7%	1,208	$1,560	3.8%
National Capital Region	2,955	1,523	2.7%	41	2,801	-
Other Ontario	1,460	1,507	3.2%	542	1,279	3.1%
Greater Montreal Area	1,648	1,254	2.1%	1,435	1,330	6.3%
Greater Vancouver Area	-	-	-	433	1,768	3.3%
Total	**8,951**	**$1,483**	**2.7%**	**3,659**	**$1,468**	**4.4%**

FINANCING AND ADMINISTRATIVE COSTS

In $ 000's	**3 Months Ended December 31, 2022**	**3 Months Ended December 31, 2021**	**12 Months Ended December 31, 2022**	**12 Months Ended December 31, 2021**
Net operating income	**$ 36,730**	$ 32,155	**$ 139,223**	$ 117,658
Expenses				
Financing costs	**13,930**	8,492	**46,442**	30,769
Administrative costs	**4,044**	3,957	**15,479**	13,216
Income before other income and expenses	**$ 18,756**	$ 19,706	**$ 77,302**	$ 73,673

FINANCING COSTS

Financing costs amounted to $13.9 million or 24.5% of operating revenue for the three months ended December 31, 2022 compared to $8.5 million or 16.9% of operating revenue for the three months ended December 31, 2021. This is mainly due to higher interest rates and amount of outstanding mortgage debt, both from growth in the portfolio as well as new mortgages and successful up-financings.

In $ 000's	**3 Months Ended December 31, 2022**		**3 Months Ended December 31, 2021**	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	$ 14,098	24.7%	$ 7,931	16.8%
Credit facilities	271	0.5%	683	1.4%
Interest capitalized	(872)	(1.5%)	(240)	(0.5%)
Interest income	(170)	(0.3%)	(98)	(0.2%)
Non-Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	603	1.1%	216	0.4%
Total	$ 13,930	24.5%	$ 8,492	16.9%

Financing costs amounted to $46.4 million or 21.5% of operating revenue for the year ended December 31, 2022 compared to $30.8 million or 16.6% of operating revenue for the year ended December 31, 2021 due to higher interest rates and amount of outstanding mortgage debt, both from growth in the portfolio as well as new mortgages and successful up-financings.

In $ 000's	12 Months Ended December 31, 2022		12 Months Ended December 31, 2021	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	$ 44,386	20.6%	$ 29,476	15.9%
Credit facilities	2,004	0.9%	1,717	0.9%
Interest capitalized	(2,100)	(1.0%)	(884)	(0.5%)
Interest income	(480)	(0.2%)	(386)	(0.2%)
Non-Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	2,632	1.2%	846	0.5%
Total	$ 46,442	21.5%	$ 30,769	16.6%

Mortgage interest is one of the single largest expense line items for the REIT. Significant volatility occurred during the year in the debt markets and this trend persisted through Q4. During the quarter, CMHC insured mortgages fluctuated between a low of 3.70% to a high of 4.70% for both 5- and 10- year terms, with the difference in yield's between the two being relatively flat throughout this period. The REIT has continued to actively manage its mortgage ladder in Q4 and by year end has reduced its variable rate to within target range of below 5%. Given the persistent inflationary environment and mixed signals from various prints in Canada and the US, it is management's expectation that there will continue to be further volatility in mortgage interest costs. It is management's belief that, despite potential upside risk in rates in the near term, that the overall rate market has peaked and that rates should stabilize in the latter half of 2023. Overall mortgage debt has increased and is mainly attributable to capital management (reducing variable rate / credit facility debt that carries higher interest rate costs in favour of mortgages) along with up-financing for property acquisitions and repositioning.

Amortization of deferred finance costs for the year included $1.0 million of write-offs related to the up-financing of mortgages through CMHC.

ADMINISTRATIVE COSTS

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

Administrative costs for the year ended December 31, 2022 amounted to $15.5 million, or 7.2% of operating revenue, compared to $13.2 million for 2021, being 7.1% of operating revenue. Approximately 5% of the 2022 figure, and 1% of 2021 administrative costs, relates to ESG actions, including the impact of InterRent's initiative to support refugees from Ukraine and Afghanistan, foundational work for the REIT's climate commitments, and various biodiversity initiatives across the portfolio.

OTHER INCOME AND EXPENSES

In $ 000's	3 Months Ended December 31, 2022	3 Months Ended December 31, 2021	12 Months Ended December 31, 2022	12 Months Ended December 31, 2021
Income before other income and expenses	**$ 18,756**	$ 19,706	**$ 77,302**	$ 73,673
Other income and expenses				
Income from joint ventures	**11**	10	**37**	39
Other income and fees	**328**	241	**1,218**	605
Fair value adjustments of investment properties	**(107,714)**	84,549	**(8,325)**	327,208
Unrealized gain/(loss) on financial liabilities	**(11,611)**	(4,446)	**36,529**	(29,229)
Distributions expense on units classified as financial liabilities	**(720)**	(661)	**(2,802)**	(2,610)
Net income	**$ (100,950)**	$ 99,399	**$ 103,959**	$ 369,686

OTHER INCOME AND FEES

The Trust has contractual arrangements and receives compensation to perform the property and project management services for 1,214 residential suites within the joint operations.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2022 and 2021 was determined internally by the Trust. In order to substantiate management's valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all of the portfolio at December 31, 2022 and 2021. For the year ended December 31, 2022, a fair value loss of $8.3 million was recorded on the financial statements as a result of changes in the fair value of investment properties. The weighted average capitalization rate used across the portfolio at the end of 2022 was 4.04% as compared to 3.97% for Q3 2022 and 3.86% for Q4 2021.

La Tour Lafontaine, Montréal, QC

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a price of $12.80 (September 30, 2022 - $11.47) based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the deferred unit compensation liability.

The total fair value of the deferred units recorded on the consolidated balance sheet at December 31, 2022 was $51.9 million and a corresponding fair value gain of $18.2 million was recorded on the consolidated statement of income for the year ended December 31, 2022.

The total fair value of the performance and restricted units recorded on the consolidated balance sheet at December 31, 2022 was $1.0 million with a minimal fair value loss recorded on the consolidated statement of income for the year ended December 31, 2022.

The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2022 was $1.3 million and a corresponding fair value gain of $0.9 million was recorded on the consolidated statement of income for the year ended December 31, 2022.

The total fair value of the Class B LP Unit Liability recorded on the consolidated balance sheet at December 31, 2022 was $43.7 million and a corresponding fair value gain of $15.4 million was recorded on the consolidated statement of income for the year ended December 31, 2022.

The Trust uses rate swaps and forward rate locks in order to reduce its exposure to movements in interest rates. During the year, the Trust entered into three interest rate swaps to fix the effective rate paid on existing mortgages, as well as four forward rate locks to effectively lock-in interest rates on planned financings which settled during the year. Forward rate locks are settled in connection with new financings, and any gain or loss upon settlement is recognized over the term of the mortgage in interest expense. As interest rates rose through to the end of the year, rate swaps outstanding at year end experienced unrealized gains of $2.1 million.

In $ 000's	3 Months Ended December 31, 2022	3 Months Ended December 31, 2021	12 Months Ended December 31, 2022	12 Months Ended December 31, 2021
Fair value gain/(loss) on financial liabilities:				
Deferred unit compensation plan	**$ (5,340)**	$ (2,544)	**$ 18,215**	$ (15,133)
Performance and restricted unit compensation plan	**(107)**	-	**(26)**	-
Option plan	**(281)**	(185)	**885**	(2,120)
Class B LP unit liability	**(4,536)**	(1,978)	**15,383**	(12,346)
Rate swaps and forward rate locks	**(1,347)**	261	**2,072**	370
Fair value gain/(loss) on financial liabilities	**$ (11,611)**	$ (4,446)	**$ 36,529**	$ (29,229)

DISTRIBUTION EXPENSE

The distribution expense is comprised of distributions to holders of the Class B LP units and distributions earned on the deferred unit plan, as both are classified as a liability.

INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2021 to December 31, 2022.

In $ 000's	December 31, 2022
Balance, December 31, 2021	$ 4,062,593
Acquisitions	75,031
Property capital investments	123,745
Fair value adjustments	(8,325)
Total investment properties	$ 4,253,044

The Trust's repositioning program following the acquisition of a property typically spans 3 to 4 years, depending on how significant the capital requirements are and on the resident turnover at the property. For the purpose of identifying capital expenditures related to properties being repositioned, for 2022 the REIT uses a cut-off of December 31, 2018. Any property purchased after this date is considered a repositioning property and capital expenditures are all part of the program to improve the property by lowering operating costs and/or enhancing revenue. For properties acquired prior to January 1, 2019, management reviews the capital expenditures to identify and allocate, to the best of its abilities, those that relate to enhancing the value of the property (either through lowering operating costs or increasing revenue) and those expenditures that relate to sustaining and maintaining the existing space. There are 8,951 suites in the REIT's portfolio that were acquired prior to January 1, 2019 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

For the year ended December 31, 2022, the Trust invested $126.2 million in the portfolio compared to $90.1 million in 2021. During the year, $40.6 million was invested in the non-repositioned properties and $36.4 million was invested in properties under development, including the acquisition of the additional stake in 900 Albert Street, Ottawa. The remaining $49.2 million was invested in the repositioned portfolio. This significant level of capital expenditures allows the Trust to rejuvenate multi-family supply, thereby extending the life of the properties, and creates safe living spaces that our residents can be proud to call home.

5410 Côte Saint-Luc,
Montréal, QC

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2021 to December 31, 2022.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $ 000's)
December 31, 2021	140,179,844	$1,030,780
Units issued under the deferred unit plan	217,913	2,748
Units issued under distribution reinvestment plan	1,422,730	18,208
Units issued from options exercised	68,387	1,122
December 31, 2022	141,888,874	$1,052,858

As at December 31, 2022 there were 141,888,874 Trust Units issued and outstanding.

DISTRIBUTIONS

The distributions per Unit were $0.3450 and $0.3283 for the years ended December 31, 2022 and 2021, respectively. The Trust is currently making monthly distributions of $0.0300 per Unit, which equates to $0.3600 per Unit on an annualized basis. For the year ended December 31, 2022, the Trust's FFO and AFFO were $0.533 and $0.467 per unit (basic) respectively, compared to $0.511 and $0.455 for the year ended December 31, 2021.

Distributions to Unitholders are as follows:

In $ 000's	12 Months Ended December 31, 2022	12 Months Ended December 31, 2021
Distributions declared to Unitholders	**$ 48,664**	$ 45,708
Distributions reinvested through DRIP	**(18,208)**	(17,109)
Distributions declared to Unitholders, net of DRIP	**$ 30,456**	$ 28,599
DRIP participation rate	**37.4%**	37.4%

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

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended December 31, 2022	3 Months Ended December 31, 2021	12 Months Ended December 31, 2022	12 Months Ended December 31, 2021
Trust units	**141,641,870**	139,704,659	**140,980,833**	139,163,764
LP Class B units	**3,410,766**	3,410,766	**3,410,766**	3,410,766
Weighted average units outstanding - Basic	**145,052,636**	143,115,425	**144,391,599**	142,574,530
Unexercised dilutive options [1]	**95,772**	179,329	**95,772**	179,329
Weighted average units outstanding - Diluted	**145,148,408**	143,294,754	**144,487,371**	142,753,859

[1] Calculated using the treasury method.

PERFORMANCE MEASURES

Management believes that Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO) are key measures for real estate investment trusts, however they do not have standardized meanings prescribed by IFRS (GAAP). These measures may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to similarly termed measures reported by other such issuers.

As both measures exclude the fair value adjustments on investment properties and gains and losses from property dispositions, it provides an operating performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with GAAP. As these measures are based on historical performance, they lag current operation and are negatively impacted, most notably on a per unit basis, during periods of significant growth. This is further amplified when the growth stems primarily from repositioning/development properties.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2022**	**3 Months Ended December 31, 2021**	**12 Months Ended December 31, 2022**	**12 Months Ended December 31, 2021**
Net income	**$ (100,950)**	$ 99,399	**$ 103,959**	$ 369,686
Add (deduct):				
Fair value adjustments on investment property	**107,714**	(84,549)	**8,325**	(327,208)
Unrealized (gain) loss on financial instruments	**11,611**	4,446	**(36,529)**	29,229
Interest expense on puttable units classified as liabilities	**302**	287	**1,178**	1,119
Funds from Operations (FFO)	**$ 18,677**	$ 19,583	**$ 76,933**	$ 72,826
FFO per weighted average unit - basic	**$ 0.129**	$ 0.137	**$ 0.533**	$ 0.511
FFO per weighted average unit - diluted	**$ 0.129**	$ 0.137	**$ 0.532**	$ 0.510

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2022**	**3 Months Ended December 31, 2021**	**12 Months Ended December 31, 2022**	**12 Months Ended December 31, 2021**
Funds from Operations	**$ 18,677**	$ 19,583	**$ 76,933**	$ 72,826
Add (deduct):				
Actual maintenance capital investment	**(2,646)[(1)]**	(2,094)[(1)]	**(9,567)[(1)]**	(7,901)[(1)]
Adjusted Funds from Operations (AFFO)	**$ 16,031**	$ 17,489	**$ 67,366**	$ 64,925
AFFO per weighted average unit - basic	**$ 0.111**	$ 0.122	**$ 0.467**	$ 0.455
AFFO per weighted average unit - diluted	**$ 0.110**	$ 0.122	**$ 0.466**	$ 0.455

(1) Maintenance capital investment total is for the 8,951 (2021 – 8,314) repositioned suites

Adjusted Cash Flow from Operations (ACFO) was introduced in February 2017, and updated February 2019, in REALpac's "White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS" as a sustainable, economic cash flow metric. Management believes ACFO can be a useful measure to evaluate the Trust's ability to fund distributions to unitholders. ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS. ACFO is calculated in accordance with the REALpac definition but may differ from other REIT's methods and accordingly, may not be comparable to ACFO reported by other issuers.

ACFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2022**	**3 Months Ended December 31, 2021**	**12 Months Ended December 31, 2022**	**12 Months Ended December 31, 2021**
Cash generated from operating activities	**$ 27,863**	$ 42,757	**$ 91,181**	$ 96,020
Add (deduct):				
Changes in non-cash working capital not indicative of sustainable cash flows	**300**	(12,000)	**(350)**	(9,100)
Amortization of finance costs	**(603)**	(216)	**(2,632)**	(846)
Principal portion of lease payments	**(42)**	(44)	**(186)**	(79)
Actual maintenance capital investment	**(2,646)**	(2,094)	**(9,567)**	(7,901)
ACFO	**$ 24,872**	$ 28,403	**$ 78,446**	$ 78,094
Distributions declared [1]	**$ 12,844**	$ 12,050	**$ 49,842**	$ 46,827
Excess/(shortfall) of ACFO over distributions	**$ 12,028**	$ 16,353	**$ 28,604**	$ 31,248
ACFO payout ratio	**51.6%**	42.4%	**63.5%**	60.0%

[1] Includes distributions on LP Class B units

For the year ended December 31, 2022, ACFO exceeded distributions declared by $28.5 million. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

CASH FROM OPERATING ACTIVITIES AND CASH DISTRIBUTIONS

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

In $ 000's	**3 Months Ended December 31, 2022**	**3 Months Ended December 31, 2021**	**12 Months Ended December 31, 2022**	**12 Months Ended December 31, 2021**
Net income	**$ (100,950)**	$ 99,399	**$ 103,959**	$ 369,686
Cash flows from operating activities	**27,863**	42,757	**91,181**	96,020
Distributions paid [1]	**7,873**	7,169	**31,373**	29,479
Distributions declared [1]	**12,844**	12,050	**49,842**	46,827
Excess of net income over distributions paid	**(108,823)**	92,230	**72,586**	340,207
Excess of net income over distributions declared	**(113,794)**	87,349	**54,117**	322,859
Excess of cash flows from operations over distributions paid	**19,990**	35,588	**59,808**	66,541
Excess of cash flows from operations over distributions declared	**15,019**	30,707	**41,339**	49,193

[1] Includes distributions on LP Class B units

For the year ended December 31, 2022, cash flows from operating activities exceeded distributions paid by $59.8 million. Net income is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value change on financial instruments, which are not reflective of the Trust's ability to make distributions. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

QUARTERLY PERFORMANCE HIGHLIGHTS

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	2022				2021			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Total suites	12,610	12,573	12,573	12,445	12,426	11,897	11,850	11,468
Average rent per suite (1)	$ 1,479	$ 1,462	$ 1,433	$ 1,404	$ 1,381	$ 1,367	$ 1,339	$ 1,325
Occupancy rate (1)	96.8%	95.6%	95.1%	95.5%	95.6%	94.4%	91.5%	91.3%
Operating revenues	$ 56,855	$ 54,851	$ 52,831	$ 51,863	$ 50,265	$ 46,866	$ 44,966	$ 43,051
Net operating income (NOI)	$ 36,730	$ 36,499	$ 33,635	$ 32,359	$ 32,155	$ 30,250	$ 28,765	$ 26,488
NOI %	64.6%	66.5%	63.7%	62.4%	64.0%	64.5%	64.0%	61.5%
Same Property average rent per suite (1)	$ 1,456	$ 1,443	$ 1,416	$ 1,391	$ 1,380	$ 1,367	$ 1,334	$ 1,321
Same Property occupancy rate (1)	97.0%	95.9%	95.6%	96.4%	96.2%	94.9%	92.2%	91.6%
Same Property operating revenues	$ 49,246	$ 47,837	$ 46,698	$ 46,079	$ 41,700	$ 40,172	$ 42,660	$ 41,883
Same Property NOI	$ 31,558	$ 31,752	$ 29,772	$ 28,927	$ 26,968	$ 26,226	$ 27,333	$ 25,794
Same Property NOI %	64.1%	66.4%	63.8%	62.8%	64.7%	65.3%	64.1%	61.6%
Net Income	$ (100,950)	$ 32,670	$ 77,607	$ 94,632	$ 99,399	$ 104,512	$ 61,066	$ 104,709
FFO	$ 18,677	$ 20,309	$ 18,880	$ 19,067	$ 19,583	$ 19,285	$ 17,766	$ 16,192
FFO per weighted average unit - diluted	$ 0.129	$ 0.140	$ 0.131	$ 0.133	$ 0.137	$ 0.135	$ 0.124	$ 0.114
AFFO	$ 16,031	$ 17,806	$ 16,262	$ 17,267	$ 17,489	$ 17,238	$ 15,672	$ 14,526
AFFO per weighted average unit - diluted	$ 0.110	$ 0.123	$ 0.113	$ 0.120	$ 0.122	$ 0.120	$ 0.110	$ 0.102
Distributions per unit	$ 0.0885	$ 0.0855	$ 0.0855	$ 0.0855	$ 0.0841	$ 0.0814	$ 0.0814	$ 0.0814
ACFO	$ 24,872	$ 23,756	$ 16,648	$ 13,170	$ 28,403	$ 18,778	$ 17,738	$ 13,174
Debt-to-GBV	38.3%	37.4%	37.3%	36.4%	36.7%	34.4%	34.4%	32.7%
Interest coverage (rolling 12 months)	2.70x	2.96x	3.19x	3.31x	3.39x	3.45x	3.53x	3.53x
Debt service coverage (rolling 12 months)	1.65x	1.75x	1.82x	1.84x	1.84x	1.85x	1.90x	1.93x

(1) Last month of the quarter

5501 Adalbert,
Côte Saint-Luc, QC

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 38.3% of Gross Book Value ("GBV") at December 31, 2022. GBV is a non-GAAP term that is defined in the DOT and includes all operations. The following chart sets out the Trust's computed debt-to-GBV:

In $ 000's	December 31, 2022	December 31, 2021
Total assets per Balance Sheet	$ 4,315,593	$ 4,118,699
Mortgages payable	$ 1,654,449	$ 1,371,577
Credit facilities	-	140,495
Total debt	$ 1,654,449	$ 1,512,072
Debt-to-GBV	38.3%	36.7%

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

INTEREST AND DEBT SERVICE COVERAGE

The following schedule summarizes the interest and debt service coverage ratios for InterRent for the comparable rolling 12-month periods ending December 31, 2022:

In $000's	12 Months Ended December 31, 2022	12 Months Ended December 31, 2021
NOI	$ 139,223	$ 117,658
Less: Administrative costs	15,479	13,216
EBITDA	$ 123,744	$ 104,442
Interest expense [1]	$ 45,910	$ 30,807
Interest coverage ratio	**2.70x**	**3.39x**
Contractual principal repayments	$ 28,936	$ 25,949
Total debt service payments	$ 74,846	$ 56,756
Debt service coverage ratio	**1.65x**	**1.84x**

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

MORTGAGE AND DEBT SCHEDULE

The following schedule summarizes the aggregate future minimum principal payments and debt maturities for the mortgages of InterRent REIT.

Year Maturing	Mortgage Balances At December 31, 2022 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2023	$ 266,749	15.7%	3.78%
2024	$ 105,381	6.2%	4.17%
2025	$ 227,756	13.4%	3.23%
2026	$ 143,078	8.4%	2.83%
2027	$ 210,883	12.4%	3.74%
Thereafter	$ 743,316	43.9%	2.90%
Total	$ 1,697,163	100.0%	3.22%

At December 31, 2022, the average term to maturity of the mortgage debt was approximately 5.2 years and the weighted average cost of mortgage debt was 3.22%. At December 31, 2022, approximately 82% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the year, the Trust closed on seven new mortgages totaling $102.7 million, renewed nine mortgages totaling $206.6 million, closed on twenty-eight up-financings totaling gross proceeds of $552.4 million (maturing loans totaled $284.5 million), assumed one $0.6 million mortgage as part of an acquisition of an additional economic stake in an existing property, and repaid three mortgages for $9.3 million. The net result at December 31, 2022 compared to 2021 was:

- An increase in the average term to maturity of the mortgage debt of 1.6 years;
- An increase in the weighted average cost of mortgage debt to 3.22% from 2.38%; and
- An increase in the mortgage debt backed by CMHC insurance to approximately 82% from 63%.

As at December 31, 2022, the Trust had the following credit facilities:

- A $3.0 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2022, the Trust had no amounts outstanding on this facility.
- A $105.0 million term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on eight of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2022, the Trust had no amounts outstanding on this facility.
- A $15.0 million term credit facility, maturing in 2023, with a Canadian chartered bank secured by a general security agreement, a first mortgage on one of the Trust's properties and second collateral mortgages on one of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2022, the Trust had no amounts outstanding on this facility.
- A $100.0 million term credit facility, maturing in 2024, with a Canadian chartered bank secured by a general security agreement, first mortgages on two of the Trust's properties and second collateral mortgages on four of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. As at December 31, 2022, the Trust had no amounts outstanding on this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or noncurrent. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact on the Trust as the balance sheet is presented on a liquidity basis.

RISKS AND UNCERTAINTIES

The Trust, its business and the transactions contemplated in this MD&A are subject to material risks, both known and unknown, including, but not limited to the following:

The Trust is exposed to a variety of risks, general and specific. General risks are the risks associated with general conditions in the real estate sector, and consist largely of commonly exposed risks affecting the real estate industry as a whole. Specific risks are the risks specific to the Trust and its operations, such as credit, market, liquidity and operational risks.

Current Economic Risks

InterRent REIT must raise mortgage funds for mortgages as they mature and for acquisitions. Given the interconnectivity of the global economy and the current global economic environment, there is no guarantee that the Trust will be able to secure such funds on a commercially beneficial basis, or at all, and the failure to raise sufficient funds could have a material adverse effect on the business of the Trust and the market value of its securities.

Real Estate Industry Risk

Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential resident legislation), the attractiveness of the properties to residents, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. The performance of the economy in each of the areas in which the Trust's properties are located, including the financial results and labour decisions of major local employers, can have an impact on revenues from the properties and their underlying values.

Additional factors which may further adversely affect revenues from the Trust's properties and their underlying values include the general economic climate, local conditions in the areas in which properties are located, such as an abundance of supply or a reduction in demand, the attractiveness of the properties, competition from other properties, the Trust's ability to provide adequate facilities maintenance, services and amenities, the ability of residents to pay rent and the ability of the Trust to rent vacant units on favourable terms.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. The Trust's properties are subject to mortgages, which require significant debt service payments. If the Trust were unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit the Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Trust operates. The majority of the Trust's properties were constructed in the 1960's and 1970's and require ongoing capital expenditures, the amount and timing of which is difficult to predict. These expenditures could exceed the Trust's existing reserve estimates which could have a material adverse effect upon Distributable Income.

The nature of the Trust's business is such that refurbishment and structural repairs are required periodically, in addition to regular on-going maintenance.

Multi-Unit Residential Sector Risk

Income producing properties generate income through rent payments made by residents of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the resident replaced. The terms of any subsequent lease may be less favourable to the Trust than the existing lease. The Trust is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new residents are found to fill vacancies. A disruption in the economy could have a significant impact on how much space residents will lease and the rental rates paid by residents. This would adversely affect the income produced by the Trust's properties as a result of downward pressure on rents.

Inflation Risks

Although the inflation rate in Canada has declined since June 2022, it still remains at a high level. The rate of inflation impacts the economic and business environments in which the Trust operates. Recent inflationary pressures experienced domestically and globally, external supply constraints, tight labour markets and strong demand for goods and resources, together with the imposition by governments of higher interest rates or wage and price controls as a means of curbing inflationary increases, will put pressure on the Trust's development, financing, operation and labour costs and could negatively impact levels of demand for real property.

Further increases to inflation or prolonged inflation above central banks' targets could lead to further increases to interest rates by central banks, which could have a more pronounced negative impact on any variable rate debt the Trust is subject to or incurs in the future and on its results of operations. Similarly, during periods of high inflation, annual rent increases may be less than the rate of inflation on a continual basis. Substantial inflationary pressures, high interest rates, and other increased costs may have an adverse impact on the Trust's tenants if increases in their living expenses exceed any increase in their incomes. This may adversely affect the tenants' ability to pay rent, which could negatively affect the Trust's financial condition.

Environmental and Climate Change Risks

As an owner and manager of real property, the Trust is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could encumber the Trust with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Trust's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Trust. Although the Trust is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to the Trust in the future or otherwise adversely affect the Trust's business, financial condition or results of operations. The Trust has formal policies and procedures to review and monitor environmental exposure. The Trust has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Trust may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the Trust's business, financial condition or results of operation.

The Trust's investment properties are exposed to physical climate change risks, including natural disasters, and severe weather, such as heavy rain and flooding, high winds, wildfires, blizzards, ice storms and thunderstorms that may cause damage. As weather becomes more erratic, damage to investment properties may result in increased restoration costs, loss of revenue in the event of business disruption, potential decrease in property values and increased costs to insure properties against climate-related risks. Physical and transitional climate-related risks are considered by the Trust as part of its ongoing risk management processes. The materiality of such risks varies among the business operations of the Trust and the jurisdictions in which such operations are conducted. Furthermore, as a real property owner, the Trust faces the risk that its properties will be subject to government initiatives and reforms aimed at countering climate change, such as transitioning to a low carbon economy and may entail extensive changes to policies regulations and technologies to address mitigation and adaption efforts. The Trust may incur financial costs to comply with various reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect the Trust's reputation, operations, or financial performance.

Joint Venture and Co-ownership Risk

InterRent participates in joint ventures, partnerships, and other similar arrangements with third parties, which may give rise to risks including, but not limited to, the possibility of the Trust's dependency on partners or co-ventures that are not under the control of the Trust and that might compete with InterRent for opportunities, become bankrupt or expose the Trust to liability or reputational damage that could have an adverse impact on the Trust. Moreover, the partners may have interests or goals that are different or inconsistent with the Trust, which may result in the Trust taking actions that are in the interest of the partners collectively, but not in the Trust's sole interest. Additionally, the Trust may become engaged in a dispute with the partners which may affect its ability to operate.

Competition Risk

Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners compete in seeking residents. Although the Trust's strategy is to own multi-residential properties in desirable locations in each market in which it operates, some of the properties of the Trust's competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on the Trust's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the Trust's revenues and its ability to meet its obligations.

General Uninsured Losses

The Trust carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. The Trust will continue to procure insurance for such risks, subject to certain standard policy limits and deductibles and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties. There is a risk that any significant increase in insurance costs will impact negatively upon the profitability of the Trust.

Credit Risk - Leases

The key credit risk to the Trust is the possibility that its residents will be unable or unwilling to fulfill their lease term commitments. Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. The failure by residents to fulfill their lease commitments could have a material adverse effect upon Distributable Income.

Local Real Estate Market Risk and Asset Concentration

There is a risk that the Trust would be negatively affected by the new supply of, and demand for, multi-unit residential suites in its local market areas. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents.

Rent Control Legislation Risk

Rent control legislation risk is the risk of the implementation or amendment of new or existing legislative rent controls in the markets where the Trust operates, which may have an adverse impact on the Trust's operations.

Certain provinces of Canada have enacted residential tenancy legislation which imposes, among other things, rent control guidelines that limit the Trust's ability to raise rental rates at its properties. Limits on the Trust's ability to raise rental rates at its properties may adversely affect the Trust's ability to increase income from its properties. In addition to limiting the Trust's ability to raise rental rates, residential tenancy legislation in such provinces provide certain rights to residents, while imposing obligations upon the housing provider. Residential tenancy legislation in the Provinces of Ontario, British Columbia, and Québec prescribe certain procedures which must be followed by a housing provider in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the resident's rent is in arrears.

Further, residential tenancy legislation in certain provinces provide the resident with the right to bring certain claims to the respective administrative body seeking an order to, among other things, compel the housing provider to comply with health, safety, housing and maintenance standards. As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from residents. The inability to fully recover substantial capital expenditures from residents may have an adverse impact on the Trust's financial conditions and results of operations and decrease the amount of cash available for distributions.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to maintain the historical level of earnings of its properties.

Utility and Property Tax Risk

Utility and property tax risk relates to the potential loss the Trust may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For the Trust, these re-valuations have resulted in significant increases in some property assessments due to enhancements. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Trust cannot pass on to the resident may have a negative material impact on the Trust.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

Renovation Risks

The Trust is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing revenue. Delays in the renovation of a building or individual apartment could delay the renting of such building or units resulting in an increased period of time where the building is not producing revenue, or produces less revenue than a fully occupied building. The Trust intends to address these risks by acquiring financing to fund renovations, staggering renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis.

Fluctuations and Availability of Cash Distributions

Although the Trust intends to continue distributing its Distributable Income, the actual amount of Distributable Income distributed in respect of the Units will depend upon numerous factors, some of which may be beyond the control of the Trust. The distribution policy of the Trust is established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees. Distributable Income may exceed actual cash available to the Trust from time to time because of items such as principal repayments, resident allowances, leasing commissions and capital expenditures and redemption of Units, if any. The Trust may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Cyber Security Risk

A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the Trust's information technology resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The Trust's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to relationships with its vendors and residents and disclosure of confidential vendor or resident information. The Trust has implemented processes, procedures and controls to mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Market Price of Units

One of the factors that may influence the market price of the Units is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of Units to expect a higher annual yield which could adversely affect the market price of the Units. In addition, the market price for the Units may fluctuate significantly and may be affected by changes in general market conditions, fluctuations in the markets for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the control of the Trust. The Trust has no obligation to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield. There is no assurance that there will exist a liquid market for trading in the Units which may have an adverse effect on the market price of the Units. Trading prices of the Units may not correspond to the underlying value of the Trust's assets.

Legal Rights Normally Associated with the Ownership of Shares of a Corporation

As holders of Units, Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against the Trust. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Ac*t (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Ability of Unitholders to Redeem Units

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion provides representative fair market value prices for such Units; and (iii) the normal trading of the Units is not suspended or halted on any stock exchange on which the Units are listed for trading or, if not so listed, on any market on which the Units are quoted for trading, on the redemption date or for more than five trading days during the ten trading day period ending on the redemption date.

Regulatory Approvals Risk

Upon a redemption of Units or termination of the Trust, the Trustees may distribute securities directly to the Unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for Mutual Fund Plans (Plans), depending upon the circumstances at the time.

Changes in Legislation

There can be no assurance that the Canadian federal income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the Canadian Revenue Agency (CRA) and/or the treatment of mutual fund trusts (including real estate investment trusts) and/or SIFT trusts (as defined below) will not be changed in a manner which adversely affects the Trust or Unitholders.

SIFT Rules

Certain rules in the Tax Act (the "**SIFT Rules**") affect the tax treatment of "specified investment flow-through trusts ("**SIFT trusts**"), and their unitholders. Subject to the SIFT Rules a SIFT trust is itself liable to pay income tax on certain income at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. However, a trust will not be considered to be a SIFT trust for a taxation year if it qualifies as a "real estate investment trust" (as defined in the Tax Act) for that year (the "**REIT Exception**").

The REIT Exception

Based on a review of the Trust's assets and revenues, management believes that the Trust satisfied the tests to qualify for the REIT Exception throughout 2021 and therefore the SIFT Rules will have no application and the Trust and its Unitholders will not, directly or indirectly, be subject to tax imposed by the SIFT Rules. However, as the REIT exemption includes complex revenue and asset tests no assurances can be provided that the Trust will continue to qualify for any subsequent year.

In the unlikely event that the Trust does not qualify for the REIT Exception, distributions of income may be treated by the Trust as distributions of capital which are not taxed and instead reduce the adjusted cost base of the Unitholder's Units.

The REIT Exception is applied on an annual basis. Accordingly, if the Trust did not qualify for the REIT Exception in a particular Taxation Year, it may be possible to restructure the Trust such that it may qualify in a subsequent Taxation Year. There can be no assurances, however, that the Trust will be able to restructure such that it will not be subject to the tax imposed by the SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the Trust and Unitholders. The Trust intends to take such steps as are necessary to ensure that, to the extent possible, it qualifies for the REIT Exception and any negative effects of the SIFT Rules on the Trust and Unitholders are minimized.

Other Canadian Tax Matters

Although the Trust is of the view that all expenses to be claimed by the Trust and/or its subsidiary entities will be reasonable and deductible and that the cost amount and capital cost allowance claims of such entities will have been correctly determined, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses, the taxable income of the Trust and/or its subsidiary entities and indirectly the Unitholders may increase or change. The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the Trust and/or its subsidiary entities is able to deduct capital cost allowance relating to its Properties.

In structuring its affairs, the Trust consults with its tax and legal advisors and receives advice as to the optimal method in which to complete its business objectives while at the same time minimizing or deferring taxes, where possible. There is no guarantee that the relevant taxing authorities will not take a different view as to the ability of the Trust to utilize these strategies. It is possible that one or more taxing authorities may review these strategies and determine that tax should have been paid, in which case the Trust may be liable for such taxes. Such increased tax liability could have a material adverse effect upon the Trust's ability to make distributions to Unitholders.

Investment Eligibility

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects holders of Units. If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act and the Units thereof cease to be listed on a designated stock exchange (which currently includes the TSX), Units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Risks Associated with Disclosure Controls and Procedures on Internal Control over Financial Reporting

The Trust could be adversely affected if there are deficiencies in disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. Deficiencies, including material weaknesses, in internal control over financial reporting which may occur could result in misstatements of the Trust's results of operations, restatements of financial statements, a decline in the Unit price, or otherwise materially adversely affect the Trust's business, reputation, results of operations, financial condition or liquidity.

Unitholders Limited Liability

Recourse for any liability of the Trust is intended to be limited to the assets of the Trust. The Amended and Restated Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an "**annuitant**") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees. Because of uncertainties in the law relating to investment trusts, there is a risk (which is considered by counsel to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of the Trust (to the extent that claims are not satisfied by the Trust) in respect of contracts which the Trust enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trust will seek to limit recourse under all of its material contracts to the assets of the Trust. However, in conducting its affairs, the Trust will be indirectly acquiring real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. Trustees will use all reasonable efforts to have any such obligations under mortgages on such properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the Trust may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Trust, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Trust where the liability is not disavowed as described above. Ontario has enacted legislation intended to remove uncertainty about the liability of Unitholders of publicly traded trusts. *The Trust Beneficiaries' Liability Act, 2004,* implemented on January 1, 2005, is a clear legislative statement that the Unitholders of a trust that is a reporting issuer and governed by the laws of Ontario will not be personally liable for the obligations and liabilities of the trust or any of its trustees that arise after *The Trust Beneficiaries' Liability Act, 2004,* came into force, which *The Trust Beneficiaries' Liability Act, 2004,* states was December 16, 2004.

Structural Subordination of Debt

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders to the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Trust, holders of indebtedness of the Trust (including holders of Notes) may become subordinate to lenders to the subsidiaries of the Trust.

Statutory Remedies

The Trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Ac*t and in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of the Trust were necessary, the Trust would not be able to access the remedies available thereunder. In the event of a restructuring, a holder of debentures may be in a different position than a holder of secured indebtedness of a corporation.

Outstanding Indebtedness

The ability of the Trust to make cash distributions to Unitholders or to make other payments are subject to applicable law and contractual restrictions contained in instruments governing the Trust's indebtedness. Although the Trust is currently not in default under any existing loan agreements or guarantee agreements, any future default could have significant consequences for Unitholders. Further, the amount of the Trust's indebtedness could have significant consequences to holders of Units, including the ability of the Trust to obtain additional financing for working capital, capital expenditures or future acquisitions may be limited; and that a significant portion of the Trust's cash flow from operations may be dedicated to the payment of principal and interest on its indebtedness thereby reducing funds available for future operations and distributions. Additionally, some of The Trust's debt may be at variable rates of interest or may be renewed at higher rates of interest, which may affect cash flow from operations available for distributions. Also, in the event of a significant economic downtown, there can be no assurance that the Trust will generate sufficient cash flow from operations to meet required interest and principal payments. The Trust is subject to the risk that it may not be able to refinance existing indebtedness upon maturity or that the terms of such refinancing may be onerous. These factors may adversely affect the Trust's cash distributions.

Pandemic Risk and Economic Downturn

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The transmission of COVID-19 and efforts to contain its spread have resulted in international, national and local border closings, significant disruptions to business operations, financial markets, regional economies and the world economy and other changes to services as well as considerable general concern and uncertainty. Such disruptions could adversely affect the ability of the Trust's residents to pay rent and increase the Trust's credit risk. In addition, the COVID-19 pandemic and other outbreaks could materially interrupt the Trust's supply chain and service providers, which could have material adverse affects on the Trust's ability to maintain and service its properties. There can be no assurance that a disruption in financial markets, regional economies and the world economy and the government measures to contain COVID-19 will not negatively affect the financial performance or fair values of the Trust's investment properties in a material manner.

The Trust's response to the COVID-19 pandemic is guided by local public health authorities and governments. The Trust continues to closely monitor business operations and may take further actions that respond to directives of governments and public health authorities or that are in the best interests of employees, residents, suppliers, or other stakeholders, as necessary. These changes and any additional changes in operations in response to COVID-19 could materially impact the business operations and financial results of the Trust. The COVID-19 situation continues to change rapidly and uncertainties remain with respect to the severity and duration of a resurgence in COVID-19 or its variants, the availability, distribution rates and efficacy of COVID-19 vaccines, the speed and extent to which normal economic conditions are able to resume and the effectiveness of government and central bank responses. There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 may have, and, as a result, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Trust for future periods.

Volatility Resulting from the Current Conflict in Ukraine

Russia launched a large-scale invasion of Ukraine on February 24, 2022. The extent and duration of the military action, resulting sanctions and resulting future market disruptions are impossible to predict, but could be significant. Actual and threatened responses to such military action, including trade and monetary sanctions, may impact the markets for certain Russian commodities, such as oil and natural gas. This could significantly affect worldwide demand and prices for these commodities and cause turmoil in the global financial system. This could materially affect our business, our supply chains, and financial condition, along with our operating costs as an increase in the price of natural gas would negatively affect the Trust's financial performance.

Dependence on Key Personnel

The management of the Trust depends on the services of certain key personnel. The termination of employment by any of these key personnel could have a material adverse effect on the Trust.

Potential Conflicts of Interest

The Trust may be subject to various conflicts of interest because of the fact that Trustees and officers of the Trust, including the Executive Chairperson who is a principal of a related party real estate company, are engaged in other real estate-related business activities. The Trust may become involved in transactions which conflict with the interests of the foregoing. Trustees may from time-to-time deal with persons, firms, institutions or corporations with which the Trust may be dealing, or which may be seeking investments similar to those desired by the Trust. The interests of these persons could conflict with those of the Trust. In addition, from time to time, these persons may be competing with the Trust for available investment opportunities. The Amended and Restated Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Dilution

The number of Units the Trust is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in other circumstances, including pursuant to the Unit Option Plan, the Deferred Unit Plan and the Long Term Incentive Plan and upon conversion or exercise of other convertible securities. Any issuance of additional Units may have a dilutive effect on the existing holders of the Units. Future acquisitions and combinations with other entities could result in significant dilution.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by the Trust of a substantial part of its operating cash flow could adversely affect the Trust's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, the Trust could be materially and adversely affected.

Proposed Property Acquisitions

There can be no assurance that the Trust will complete any proposed acquisitions described herein on the basis described or on expected closing dates, if at all. In the event the Trust does not complete proposed acquisitions, the Trust's financial performance may be negatively impacted until suitable acquisitions with appropriate investment returns can be made. There is no assurance that such suitable investments will be available to the Trust in the near future or at all.

Property Acquisition Risks

An important factor in the success of the Trust is the ability of the management of the combined entities to coexist and, if appropriate, integrate all or part of the holdings, systems and personnel of such entities. The integration of businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees, residents or suppliers. There can be no assurance that the business integration will be successful or that future acquisitions will not adversely affect the business, financial condition or operating results of the combined entities. There can be no assurance that the combined entities will not incur additional material charges in subsequent quarters to reflect additional costs associated with the Trust or that that the benefits expected from the Trust will be realized. The Trust's planned growth will require increasingly sophisticated financial and operational controls to be implemented. In the event that financial and operational controls do not keep pace with the Trust's expansion, the potential for unintended accounting and operational errors may increase.

Interest Risk

Interest risk is the combined risk that the Trust would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the term end of a mortgage the Trust would be unable to renew the maturing debt either with the existing or an additional lender (renewal risk). The Trust attempts to manage its interest rate risk by maintaining a balanced, maturing portfolio with mortgage debt being financed for varying lengths of time through the implementation of a structured mortgage debt ladder. There can, however, be no assurance that the renewal of debt will be on as favourable of terms as the Trust's existing debt.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. The analysis, opinions, and conclusions in an appraisal are typically developed based on, and in conformity with, or interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

Joint Arrangements

The Trust has two development projects that are subject to joint control and are joint arrangements (joint ventures and joint operations). Risks associated with joint arrangements include the risk of non-payment for operating and capital costs from the partner, risk of inability to finance a property associated with a joint venture or limited partnership and the risk of a partner selling their interest in the properties.

Zoning and Approval

Future acquisitions and development projects may require zoning and other approvals from local government agencies. The process of obtaining such approvals may take months or years, and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could render future acquisitions and developments uneconomical.

Debt and Distributable Income

Distributable Income available for distribution to Unitholders is based, directly and indirectly, on the ability of the Trust to pay distributions on its Units, such ability, in each case, is dependent upon the performance of the business of the Trust and its ability to maintain certain debt levels. The Trust will be required to refinance certain debt as it expires. The Trust may be unable to refinance such debt on terms as favourable as existing debt, or at all. In addition, the Trust's ability to borrow is subject to certain restrictive covenants contained in the Amended and Restated Declaration of Trust and certain credit agreements. The Trust's ability to make distributions may be materially affected should any of the foregoing conditions arise.

Legal Proceedings

In the normal course of operations, the Trust may become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims.

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

The Trust’s credit risk is attributable to its rents and other receivables and loan receivable long-term incentive plan.

Credit risk arises from the possibility that: (i) residents may experience financial difficulty and be unable to fulfil their lease commitments; and (ii) a party defaults on the repayment of their debt causing a financial loss to the Trust.

The Trust has established various internal controls designed to mitigate credit risk such as credit checks and, where permitted, adequate security to assist in potential recoveries. 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 Trust monitors its collection process on a regular basis and all receivables from past residents and resident receivables over 30 days are provided for in allowances for doubtful accounts. The Trust believes that the concentration of credit risk of accounts receivable is limited due to its broad resident base, dispersed across varying geographic locations.

Credit risk relating to other receivables and loan receivable long-term incentive plan is mitigated through recourse against such parties and/or the underlying security. These receivables are considered to have low credit risk.

The amounts disclosed as rents and other receivables and loan receivable long-term incentive plan in the consolidated balance sheet are net of allowances for doubtful accounts. At December 31, 2022, the Trust had past due rents and other receivables of $11.3 million net of an allowance for doubtful accounts of $2.8 million which adequately reflects the Trust's credit risk.

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 23(c) in the December 31, 2022 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 December 31, 2022, the Trust had credit facilities as described in note 10 in the December 31, 2022 consolidated financial statements.

Note 9 in the December 31, 2022 consolidated financial statements reflects the contractual maturities for mortgage payable of the Trust at December 31, 2022, excluding interest payments. The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on-going operations, management assesses the Trust's liquidity risk to be low.

d) Fair Value

Financial instruments are defined as a contractual right to receive or deliver cash or another financial asset. The fair values of the Trust’s financial instruments, except for mortgages payable, approximate their recorded values due to their short-term nature and or the credit terms of those instruments.

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable and credit facilities is approximately $1,666 million as at December 31, 2022 excluding any deferred financing costs.

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

e) Market Risk

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

At December 31, 2022, approximately 3% (December 31, 2021 – 20%) of the Trust's mortgage debt was at variable interest rates. The Trust's credit facilities bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately $2.3 million for the year ended December 31, 2022.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2022 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

The Audit Committee and Nominations and Governance Committee have reviewed and recommended approval to the Board, and the Board has subsequently approved, the entering into of a services agreement with CLV Group Developments to carry out certain entitlement, development, and construction services on behalf of the REIT in relation to the REITs developments. CLV Group Developments is a private company controlled by an officer and Trustee of the REIT with a long track record of developing and constructing multifamily properties in Ontario. In order to mitigate the potential conflict of interest, both firms retained separate and independent legal representation for this matter. In addition, an independent external consultant reviewed the services to be supplied and provided a report in regards to the typical range of fees that would be charged for such services. The fees included in the agreement are either at or below the bottom end of the range provided by the consultant. During the year ended December 31, 2022, the Trust incurred $2.4 million (2021 - nil) in entitlement, development, and construction management services related to the agreement which have been capitalized to the investment properties.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Pursuant to Canadian Securities Administrators requirements 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, InterRent REIT’s Chief Executive Officer and Chief Financial Officer have satisfied themselves that as at December 31, 2022:

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

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

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

OUTSTANDING SECURITIES DATA

As of March 7, 2023, the Trust had issued and outstanding: (i) 142,145,831 units; (ii) LP Class B Units that are exchangeable for 3,410,766 units of the Trust; (iii) options exercisable to acquire 218,090 units of the Trust; and (iv) deferred units that are redeemable for 4,545,966 units of the Trust. Additionally, the Trust has 107,043 Restricted Units and 107,043 Performance Units outstanding under the Trust's Performance and Restricted Unit Plan.

ADDITIONAL INFORMATION

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