2019 | ANNUAL REPORT

INTERRENT REIT

The Trust is a growth-oriented real estate investment trust engaged in increasing Unitholder value through the acquisition, ownership, management and repositioning of strategically located, income producing, multi-residential properties.

VIE | 2121 Saint-Mathieu St, Montreal

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MESSAGE TO OUR UNITHOLDERS

2019 and a look forward

2019 seems very distant given what has transpired since the announcement on March 11, 2020 by the World Health Organization declaring COVID-19 as a pandemic. We have seen unprecedented impacts on economies globally and within ourregions. It's times like this that test your strengths, expose your weaknesses and demonstrates how strong your core beliefs are. Our priority always has been and will remain the health,safety, and well being of our frontline workers and all of our residents who count on us to provide them with not only clean and safe places to live but also have the quality and amenities that make them proud to call it their home.

As we look back at 2019 and the milestones achieved, we also realize that it is the hard work and determination by our entire team over many years that has allowed us to:

- Rank as one of the top 5 performing stocks on the TSX over the past decade with a total return of 1,422% (including 22.3% in 2019);
- Be able to increase our distribution to unitholders by more than 5% for the 8th consecutive year; and,
- Reduced our leverage by 640 basis points bringing it down to 32.5%;
- Significantly grow our presence in the Montreal market by acquiring 1,110 suites in the year; and,
- Surpass the 10,000-suite mark;

Every day the team we have assembled amazes me with their passion for excellence, desire to grow and develop their expertise and their commitment to providing unsurpassed service to our customers. Their dedication and commitment energize all of us!

The fundamentals of the multi-family industry in our core markets remained incredibly strong again this year. This made acquisitions and the ability to grow challenging and our team worked hard through the year analyzing many opportunities.{was one of our better years for acquisitions recently} Fortunately, we were able add 1,214 suites to our portfolio while disposing of 349 suites in Sault Ste Marie resulting in a net increase of 865 suites.

This is a capital intensive industry. The ability to access capital, both debt and equity, at favorable terms is very important for all participants, especially if the goal is to grow accretively. We are fortunate to not only have been able to access debt financing at rates that are at or near historical lows, but to be able to access equity on favorable terms. The performance in our portfolio and the equity raised in the year has allowed us to reduce our Debt to Gross-Book-Value to an industry leading 32.5% at the end of 2019. In closing out the year, we believed that this low level of debt not only allowed us flexibility to grow in the future, but also provided the underpinning of a strong balance sheet that would allow us to weather any storm. Given what has happened in 2020, we are happy that we worked very hard over the last few years to significantly reduce our leverage.

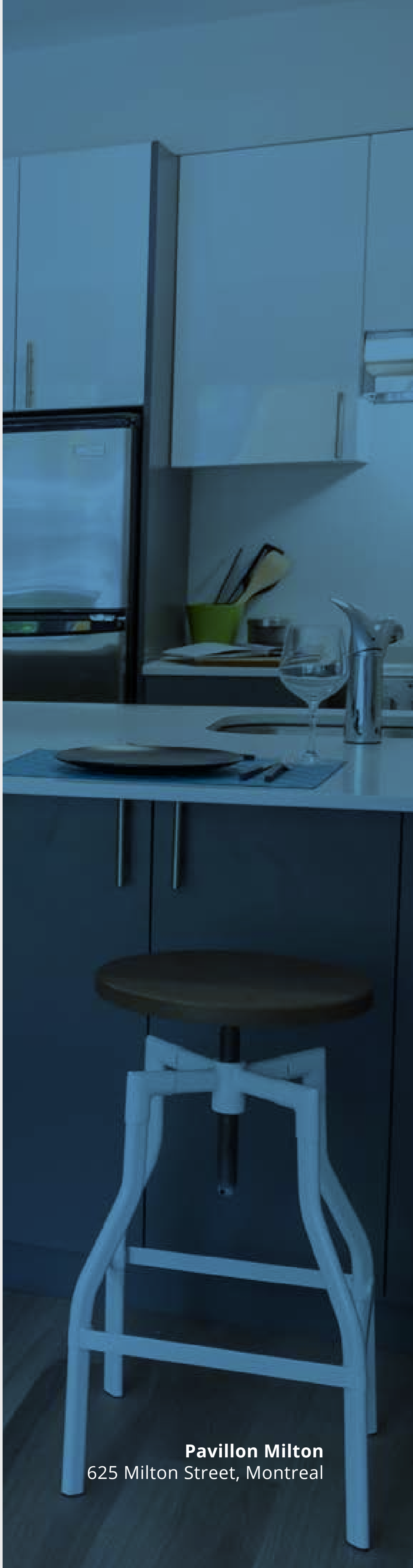
A key metric within our industry is same property Net Operating Income (NOI) growth as it shows how a comparable group of properties has improved, or not, over the past year without being influenced by acquisitions or dispositions. At the end of 2019, InterRent had produced an industry leading 12 consecutive quarters of double-digit same property NOI growth thanks to the core markets we have decided to focus on and the hard work of all of our team members.

At the end of 2019, no one could foresee what 2020 would bring to the world. We are seeing unprecedented times and unprecedented actions being taken by governments, businesses and people across the world. We are seeing great hardship and also great perseverance. We are seeing some industries crumble while new ones emerge. As I write this the future still carries much uncertainty however the one thing that I am certain about is that we at InterRent are proud on a whole at how our Country and our people have pulled together. We have seen first hand how people and communities have pulled together and we are proud to be part of that fabric. Our team members remain committed to helping not only our residents, but our communities at large through donations of time and money to help organizations such as food banks, women's shelters and youth organizations. We will continue to do our part to help us all emerge from this pandemic together!

I would like to take this opportunity to once again thank all of our team for their continued hard work and dedication, our Board of Trustees for their guidance and support, and our investors for their continued confidence in our TEAM!

Sincerely,

Mike McGahan, CEO



Pavillon Milton
625 Milton Street, Montreal

QUICK **FACTS**

10,164
TOTAL SUITES

84
TOTAL PROPERTIES

$1,260
AVERAGE RENT PER SUITE

95.6%
OCCUPANCY RATE

$2.8 BILLION
TOTAL ASSETS

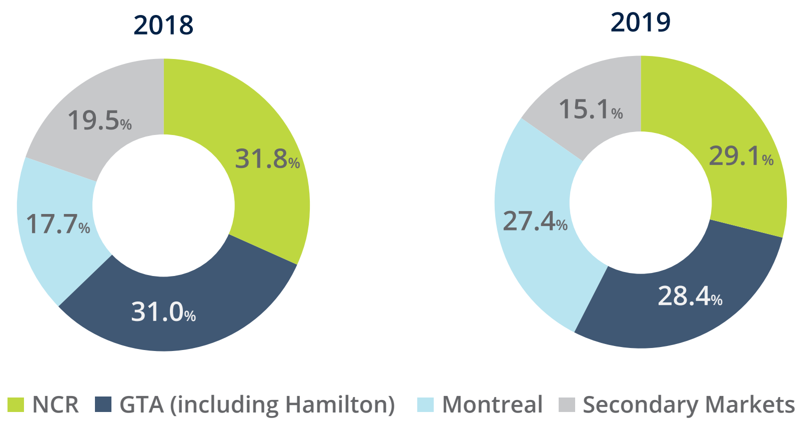
201%
UNITHOLDER 5-YEAR TOTAL RETURN

32.5%
DEBT TO GBV

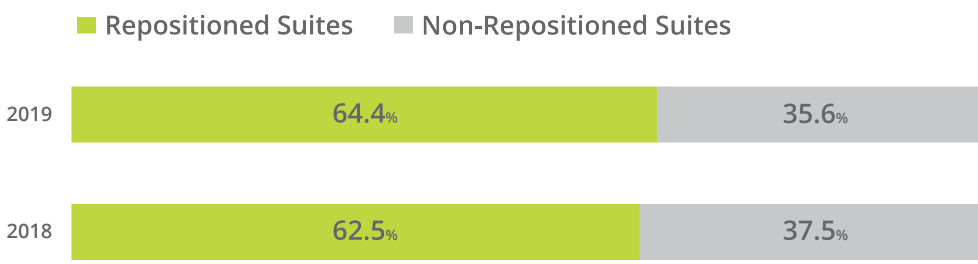
at December 31, 2019

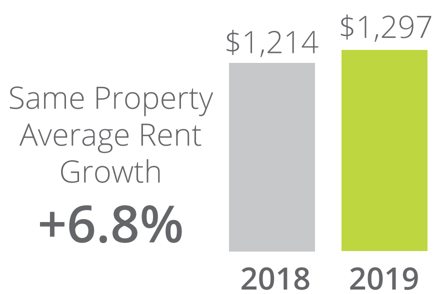
Halstead Gardens | 25 Tindale Court, Hamilton

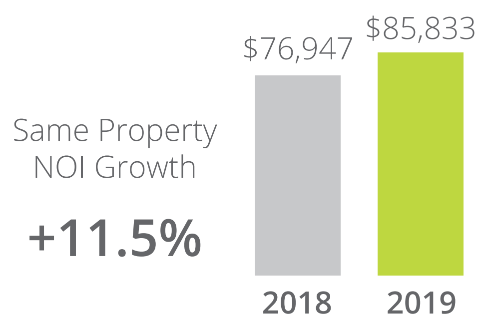
GEOGRAPHIC EXPOSURE BY SUITE COUNT



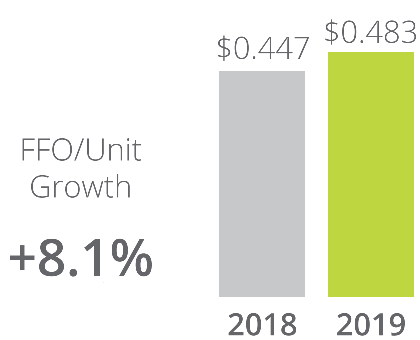
PORTFOLIO BREAKDOWN

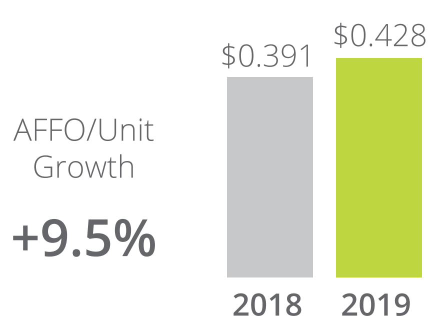






FFO & AFFO PER UNIT - DILUTED





WHO WE ARE

We are passionate group of individuals who work as a team, and are encouraged to use our voice to share ideas and solutions to provide high quality customer care and to have a positive impact in our communities.

In order to consistently provide exceptional service, it is essential that our team members fully understand our customers' needs. We always encourage our team members to think about new ways to deliver support and services in line with our core values that focus on quality, integrity, respect, support for others and community and service excellence.

Market changes and evolving trends mean that the pace of our business is fast. We must embrace continuous change in order to succeed and provide excellent service to our residents, a positive work experience for our employees, and an above average return to our Unitholders, while ensuring the safety of all stakeholders. To do this we focus not only on what we do, but more importantly, how we can do it better.

MISSION STATEMENT

The REIT believes that we can increase Unitholder value and create a growing and sustainable distribution by focusing on our team members and ensuring that each and every team member understands and is committed to upholding our values and our culture.

Our mission is to treat each team member with professionalism and integrity while supporting the individual needs of each to grow. By doing this, we believe each team member will in turn treat each customer, supplier and stakeholder the same way.

OUR VALUES

Our values form the foundation of our culture. Everyday we need to do our best to demonstrate our values through our interactions with each other and within our communities. We believe that how we do our work is as important as what we do. Our values guide our actions and together, these demonstrate to our residents who we are.

QUALITY

Providing best in class products and services thereby resulting in delivering the highest levels of customer satisfaction.

SERVICE EXCELLENCE

Continuously building on our accomplishments and setting best in class standards within our industry.

INTEGRITY

Inspiring trust by saying what we mean, acting honestly and taking responsibility for our actions.

STRONG TEAMS AND COMMUNITIES

Encouraging and working with our team to give back to our customers and communities through sustainable programs and philanthropic efforts.

RESPECT

Having and showing respect for our customers, suppliers, Unitholders and communities while maintaining an environment of teamwork and growth.





OUR CULTURE

InterRent believes that our people are our greatest strength. A variety of programs are offered to support our team members in both their personal and professional development.

EDUCATIONAL ASSISTANCE PROGRAM (EAP)

InterRent believes in investing in our employees by assisting with professional courses and certifications.

RECOGNITION PROGRAM

Our quarterly and annual awards recognize the hard work and dedication of our employees.

EMPLOYEE CHARITABLE TIME

InterRent allows time off for employees to engage in charitable activities and events of their choosing.

REFERRAL PROGRAMS

To help grow our talent pool we look to our employees for their recommendations, and award them for their contributions.

CORPORATE BUDDY PROGRAM

This program helps integrate new employees through support and feedback by pairing them with experienced staff.

COACHING AND MENTORING

Through continuous feedback and mentorship, employees are supported in their positions at the company.

INTERRENT REIT SCHOLARSHIP PROGRAM

The Scholarship Program is set up to help children of non-management employees pursue post-secondary education.

OVER 33% OF INTERRENT'S TEAM MEMBERS ARE OWNERS OF THE REIT THROUGH OUR DEFERRED UNIT PLAN

WORK LIFE

As a family, we get together often to share ideas; support each other and our communities; and celebrate our milestones! Our work life encompasses a variety of activities.

SPORTS & WELLNESS

With a variety of leisurely and fitness activities, InterRent encourages employees to get active, have fun and bond as a team.

PHILANTHROPY

Giving back to our communities is an important mandate at InterRent. Through the efforts of our employees and residents we are able to support a variety of local and regional charities.

GAMES & CRAFTS

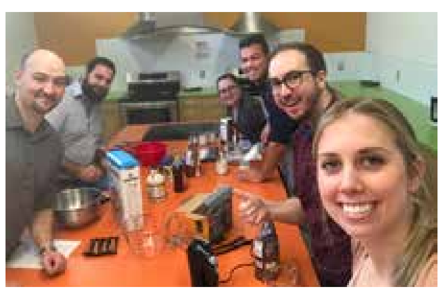
In order to relax and unwind our teams enjoy a variety of different activities including Paint Nights, Game Nights & Trivia.

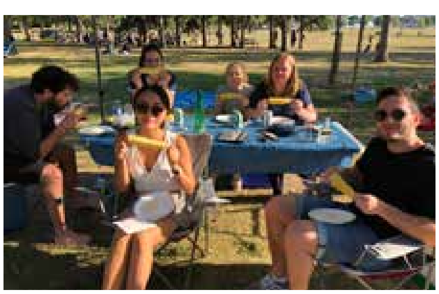
TEAM MEALS

Getting together for a meal helps bring people together from different departments, and is an excellent way to share ideas and to get to know your teammates.

ENTERTAINMENT

Through different events throughout the year, our teams get to know each other by organizing activities outside work hours.





TOGETHER FOR A
BETTER COMMUNITY

One of the REIT's core values is community. Throughout each year, InterRent organizes and participates in numerous philanthropic events and sustainable programs to give back to our communities across Ontario and Quebec.

The following are some of the highlights from 2019.

MIKE MCCANN MEMORIAL CHARITY GOLF

The Mike McCann Memorial Charity Golf Tournament is organized to give back and support local charities throughout our communities.
In 2019, together with our supporters, we raised an outstanding $758,345.
All of the money raised will be donated to local charities.

THE BOYS & GIRLS CLUBS OF CANADA

The mission of all Boys & Girls Clubs in Canada is to provide a safe, supportive place where children and youth can experience new opportunities, overcome barriers, build positive relationships and develop confidence and skills for life.

InterRent has supported several Boys & Girls Clubs across Ontario, including Ottawa, Hamilton, London, Toronto and Niagara.

SUMMER FRIDAY BBQS

Every Friday in the Summer, the staff of InterRent gather outside for a BBQ. 100% of the proceeds raised goes to local charities.

YOUTH SERVICES BUREAU TREE OF STARS

In conjunction with the Youth Services Bureau, the staff of InterRent decorated a tree with stars. Each star represents a donation that is made to a child or family in need from Ottawa.

SUN YOUTH ORGANIZATION

Sun Youth Organization operates throughout Montreal and truly makes a difference in the lives of children and families in need through food and clothing banks, sports and recreation programs, day camps and more.

In 2019, InterRent donated $50,000 for the Sports & Recreation Programs and the Food Bank Program. InterRent staff also participated in food basket assembly for families in need.

FOOD DRIVES

Over the course of 2019 InterRent staff participated in 3 food drives to the benefit of food banks throughout various cities in Ontario and Quebec.

CARING & SHARING EXCHANGE

InterRent staff participated in packing food hampers for the Caring and Sharing Exchange in Ottawa in December. Hampers are distributed to families throughout the community.

HOPE VOLLEYBALL SUMMERFEST

InterRent entered 2 teams into HOPE's flagship Volleyball SummerFest event. Each year, more than 5,000 players and spectators flock to Mooney's Bay Beach in Ottawa for volleyball and live entertainment. These participants have helped HOPE donate over $3.5 million in support of more than 110 local charities.

OTTAWA DRAGONBOAT FESTIVAL

Every year, over 5,000 paddlers race 44ft dragon boats on the Rideau River. Since its inception, Paddlers have helped the Ottawa Dragonboat Foundation raise over $4.3 million in support of 48 charities. InterRent was proud to contribute as a Gold Sponsor for the Festival in 2019.

JDRF REVOLUTION RIDE

The Juvenile Diabetes Research Foundation uses research funding and advocacy to search for a cure to end type 1 diabetes. InterRent had 2 teams of 5 participate in the JDRF Revolution Ride where each member rode on a stationary bike at high speed for 7 minutes.

OTTAWA FLOOD RELIEF

InterRent staff donated their time at locations throughout Ottawa that were affected by the floods in the Spring. Teams filled and distributed sandbags to provide support to homes and families at risk.

HABITAT FOR HUMANITY

InterRent staff participated in a Habitat for Humanity Build Team in Ottawa. Through their fundraising efforts, the team raised $13,329 to support families and the organization.

WEEK OF GIVING

For a week in December, InterRent staff donated their time to support various causes on each day, including: The ShoeBox Project, five food banks in Ontario and Quebec, the Boys & Girls Club of Ottawa, Sheperds of Good Hope, the Ottawa-Carleton Association for Persons with Developmental Disabilities, the Youth Services Bureau, the McMaster Children Hospital, the Joseph Brant Hospital, Mission Services London, L'Autre Chez Soi Women's Shelter & SPCA, Sun Youth Montreal, and The Media Food Drive.

SOCIAL MEDIA

We strive to facilitate a two-way conversation with our residents and actively promote resident retention, brand awareness and lead generation strategies.

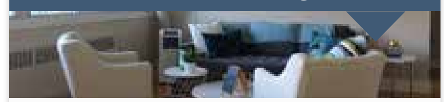
Through our social media presence, our residents have the freedom to engage with our team, and receive a guaranteed quick response, fostering an open relationship with trust and rapport. In order to ensure we are available to our residents and potential leads, we utilize Facebook, Twitter, Pinterest, YouTube, Instagram and LinkedIn daily.

Facebook
July 16, 2019 -

InterRent REIT is pleased to announce the acquisition of three new properties in Montreal, located at 235 Sherbrooke Street West, 1025 Sherbrooke Street East and 4875 Dufferin Avenue.

1,870 people reached

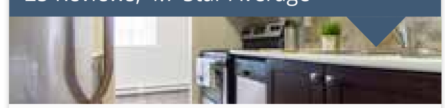
Place Kingsley
MONTREAL, QUEBEC
115 Reviews, 4.4 Star Average



Mahkameh | 5.0 ★★★★★

"Thanks to Andre for helping us finding a nice apartment and letting us to move in, in a short time as we had no place to stay. He was so nice and friendly and did whatever we asked him to do at the earliest. Thanks to Andre again and the CLV Group."

860 Blackthorne
OTTAWA, ONTARIO
25 Reviews, 4.7 Star Average



Carole | 5.0 ★★★★★

"The level of customer service received was absolutely extraordinary. I must admit that I have visited many other locations before applying. One of the main reasons to really want to live here was the courtesy, follow-up emails, and returned calls that I didn't receive at any other locations I visited! I would recommend to come and live here! Cheers to happy new life and a place I call home! <3"

LIV APARTMENTS 2019 SOCIAL MEDIA

894K People Reached	**47,038** Total Impressions	**67,300** Total Impressions	**1,118** Followers

Our goal is to provide a face and a voice to our brand, and to actively enhance communication, approachability and responsiveness towards our residents and the public. With this, each platform is managed differently to appeal to its corresponding demographic and to be sure that we are continuing to provide the best service, insight, information and assistance to our residents.

Instagram

Liked by **mariepmatte** and **50 others**

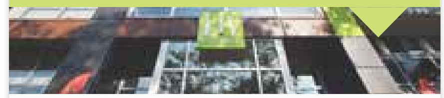
Instagram Looking for an apartment near Algonquin College? Brooke is here to help! Give her a call at 613-518-2155 to view Parkway Park Apartments.

November 20, 2019 — 486 people reached

LIV Apartments

OTTAWA, ONTARIO

237 Reviews, 4.2 Star Average



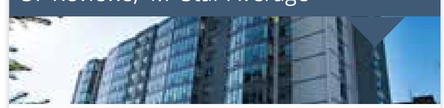
Steven | 5.0 ★★★★★

"An absolutely beautiful building with an incredible staff team that is dedicated to ensuring that your move-in and subsequent stay is as seamless and comfortable as possible. I had Lauren help me out with finding a unit/filling out all the paperwork and she was just phenomenal. She answered my all my questions and really helped to make LIV feel like a home."

Lakeshore Club

BURLINGTON, ONTARIO

37 Reviews, 4.7 Star Average



Anthony | 5.0 ★★★★★

"Just wanted to thank Carmen for all her help in finding my wife and I a beautiful apartment at The Lakeshore Club. From beginning to end she has been available to us through the whole process. Carmen has been very patient, kind and very knowledgeable in everything she does. She is a great asset to The CLV Group. Thank you again Carmen."

ENVIRONMENTAL INITIATIVES

As part of the repositioning process, an analysis of all utility items is conducted to determine ways to reduce consumption and overall utility costs, thereby creating a more environmentally sustainable portfolio of properties that provide a higher yield.

InterRent continuously searches for ways to reduce energy consumption in its portfolio. On a weather normalized basis, InterRent achieved a 15% reduction in energy on the repositioned portfolio in 2019 relative to 2018. This equates to approximately $1.1 million in annual utility cost savings on the repositioned portfolio.

The REIT expects to achieve significant energy savings on the non-repositioned portfolio over the next several years as these properties receive substantial investment in energy saving initiatives.

SUITE RENOVATIONS

- Energy Star kitchen appliances
- Energy-efficient LED lighting
- Programmable Wi-Fi thermostats
- Low VOC paint
- Low flow toilets, faucets and shower heads

TRAINING AND EDUCATION

- By investing in our Team Members' education, we will build a more knowledgeable work force dedicated to enhancing the wellbeing of our Residents as well as our Team Members.
- InterRent uses classrooms in our major centers for new training programs that reduce energy in the Electrical, Plumbing and HVAC aspects of our properties.

ENVIRONMENTAL STEWARDSHIP

InterRent has always focused on reducing electricity consumption and in 2016 brought in a dedicated Energy Manager. In 2019, InterRent implemented an Eco Team with a mandate to establish organizational guidelines for sustainability.

Some initiatives of this team include:

- Implemented new recycling programs at company offices for paper, plastic and electronic waste recycling.
- Encouraging the use of digital documents to reduce paper use in the office
- Encouraging sustainable travel when possible and minimizing air travel
- Environmentally friendly coffee service at head office to eliminate disposable pods and source our coffee from local sustainable vendors
- Researching and implanting new technology and processes to achieve carbon neutral properties

2019 ENVIRONMENTAL INITIATIVE HIGHLIGHTS

- InterRent invested in Cold Climate Air Source Heat Pump technology for domestic hot water systems which can heat water when it is -20°C outside using the renewable resource of air.
- Our Combined Heat and Power plant has offset 33,000 KW and 1,500 GJ of recovered heat to domestic water production. This equates to 85 tCO2 avoided and 772 trees worth of carbon capture.
- In 2019, the REIT invested $573 thousand in upgrading older boilers to high efficiency systems with state-of-the-art controls. At one site alone, Parkway Park, we have added 33 new boilers at a savings of 2,245m3 per boiler which is expected to reduce annual consumption of gas by approximately 74,000 m3 (14% reduction). This is equivalent to 140 tCO2 or 1,274 trees.
- Electrical sub-metering remains one of our largest conservation measures with approximately 83% of the portfolio having sub-metering capabilities in place while we continue to implement this at recently acquired properties.
- InterRent completed its first water sub-metering implementation in late 2019. The REIT will be implementing this new technology at additional sites in 2020.
- Water saving measures such as low flow toilets, shower heads and aerators continue to be implemented at all sites as a standard specification across our portfolio.
- Moving from municipal water supply to wells at select sites lead to approximately $15,000 in savings per site. InterRent intends to continue rolling this out to additional sites in 2020.


High Efficiency Boiler


Variable Speed Booster Pump


Energy Star Appliances


Electric Car Charging Station


Submeters


Micro Cogeneration


Solar Lights

TECH INITIATIVES

Investing in technology has always been one of the distinguishing features of the REIT's operating platform. InterRent constantly searches for new ways to improve the efficiency of all processes while also ensuring our residents have access to convenient tools that enhance their experience.

Snaile **Parcel Lockers** | Forest Ridge | 2380 Baseline Road, Ottawa

INTERNAL INFRASTRUCTURE

BUSINESS INTELLIGENCE

BEST-IN-CLASS CLOUD PLATFORM

AUTOMATED A/P WORKFLOW

FULLY CONNECTED PROPERTIES

BETTER ONLINE TEAM COLLABORATION TOOLS

MOBILE-ENABLED WORKFORCE

RESIDENT EXPERIENCE

- Smart homes
- Smart parcel locker systems
- Online virtual tours
- Resident online self-service:
  - Applications
  - Payments
  - Maintenance requests
  - Amenity bookings
  - Resident Community Portal

VALUE CREATION STRATEGY

One of the keys to long-term success for the REIT is to continue to build on a core philosophy of continuous improvement in all aspects of the business. This is consistently applied to activities such as day to day property operations, property acquisitions, capital investments, financing, and administrative matters.

The InterRent team has a proven track record of creating value through repositioning rental properties. The team has both the experience and expertise necessary to continue to grow and improve the REIT, which we believe will continue to create value for Unitholders.

OUR VALUE CREATION STRATEGY RESTS ON 6 PILLARS

OUR PEOPLE

The REIT's team members are the lifeblood of the company. The team is the face of the company in that they interact on a daily basis with residents. The team also maintains existing residents' homes, and prepares the homes for new residents.

CUSTOMER SERVICE

At the heart of any business are people dealing with people. In the multi-family sector this is especially true since the business we are dealing with is someone's home. The REIT's objective is to offer an unsurpassed resident experience.

COST REDUCTION AND CONTAINMENT

Implement energy-efficient utility programs to reduce environmental impact and operating costs.
Own and operate within geographic clusters to achieve economies of scale, reduce operating costs and optimize staffing.

DRIVING AND ENHANCING REVENUE STREAMS

The REIT is continuously looking to grow revenues through using our space more efficiently (such as building new suites within existing buildings); managing current ancillary revenue streams (parking, laundry, telecom revenue sharing etc.); and offering new innovative services to our residents.

ACQUISITIONS AND DEVELOPMENT

InterRent applies a rigorous and disciplined approach to evaluating potential acquisitions and development opportunities. The REIT continuously searches for existing properties that are in good rental markets but that may be needing capital improvements as well as potential development sites in our targeted growth areas.

RECYCLING AND ALLOCATION OF CAPITAL

The REIT regularly reviews its properties within the portfolio to determine the most efficient and effective use of capital.

OUR PEOPLE

CUSTOMER SERVICE

COST REDUCTION
AND CONTAINMENT

DRIVING AND ENHANCING
REVENUE STREAMS

ACQUISITIONS AND DEVELOPMENT

RECYCLING AND
ALLOCATION OF CAPITAL

775 Concession Street, Hamilton

CREATING **VALUE** FOR OUR **INVESTORS**

The REIT has continued to invest heavily in improvements such as amenities, infrastructure, security, and energy efficiency. Approximately $80 million was invested in the REIT's income producing properties in 2019 ($66 million in 2018), and InterRent recorded a fair value gain of approximately $353 million ($196 million in 2018).

In line with InterRent's overall repositioning strategy, most of this capital investment was in properties that management believes are capable of achieving operating cost reductions, occupancy gains and increases in market rents, as these are key to InterRent's growth over the long term. The following are various examples of these repositioning efforts.

SUITE UPGRADES

- Improved suite layout
- Energy-efficient lighting
- Designer finishes
- Updated kitchens & bathrooms
- Upgraded flooring
- Setup of model suites
- Water efficient fixtures
- Energy efficient appliances

Kingsley Place, Montreal

4560 Saint-Catherine W, Montreal

Stoney Creek Towers, Hamilton

EXTERIOR UPGRADES

- Complete, attractive first impression package
- Professional looking & well branded property signage
- Enhanced secured entrances
- Designer-influenced exterior finishes
- Low-maintenance landscaping
- Energy-efficient light fixtures

Le Neuville, Montreal

Halstead Gardens, Hamilton

VIE, Montreal

COMMON AREA UPGRADES

- Energy-efficient lighting
- Designer finishes
- Added functionality
- Inviting first impressions
- Enhanced security

Le Neuville, Montreal

Rosemount Apartments, Burlington

ADDED AMENITIES

- Fitness centres
- Media rooms
- Resident lounges
- Modernized laundry rooms

236West, Ottawa

614 Lake Street, St. Catharines

CASE STUDIES | **VALUE CREATION**

LE MISTRAL
MONTREAL, QUEBEC

Le Mistral is a multi-family complex comprised of 2 apartment buildings totalling 224 suites, located in the heart of the bustling Villeray neighbourhood. Le Mistral offers residents 1 and 2 bedroom renovated suites, with various nearby amenities and convenient access to public transportation.

Some capital improvements made to this property since acquisition include new landscaping, signage, ventilation system upgrades, and improvements to the safety and security of the property.

Since acquisition in March 2017, the average rent on suites that have been vacated and subsequently occupied by new residents has increased 45%, while the NOI has increased 60%.
The unlevered IRR based on the IFRS value at December 31, 2019, is 25%.

OVERVIEW

Total Suites	224

INVESTMENT HIGHLIGHTS

Investment Timeframe	34 months
Purchase Price	$25.5M
Unlevered IRR	25%*

*IRR based on the IFRS value at December 31, 2019.

GRIMSBY APARTMENTS
GRIMSBY, ONTARIO

Located just east of Hamilton in the sought after community of Grimsby, Ontario, Grimsby Apartments consists of 2 buildings totalling 172 suites. With shopping, schools and restaurants just minutes from the property, residents can take advantage of a convenient location, renovated suites and various property amenities

The property has received substantial capital improvements since acquisition including balcony repairs, elevator modernization, hallway improvements and landscaping.

Since acquisition in March 2018, the average rent on suites that have been vacated and subsequently occupied by new residents has increased 60%, while the NOI has increased 57%.
The unlevered IRR based on the IFRS value at December 31, 2019, is 21%.

OVERVIEW

Total Suites	172

INVESTMENT HIGHLIGHTS

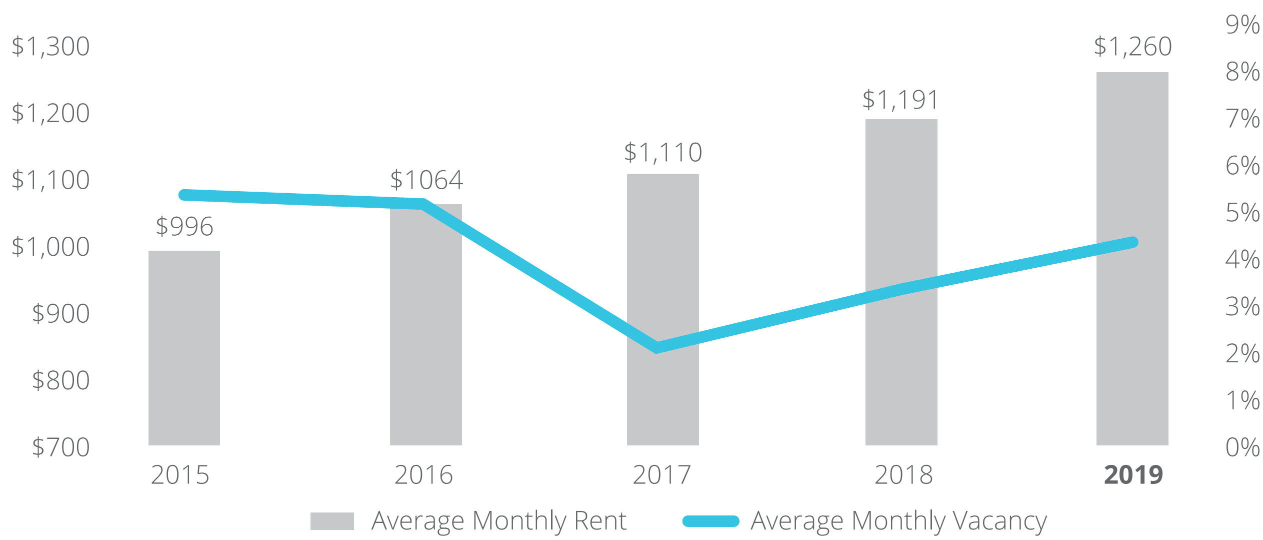
Investment Timeframe	22 months
Purchase Price	$22.0M
Unlevered IRR	21%*

*IRR based on the IFRS value at December 31, 2019.

FINANCIAL INFORMATION

InterRent's primary objective is to use the proven industry experience of the trustees, management and operations 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.

Average Monthly Rent and Average Monthly Vacancy

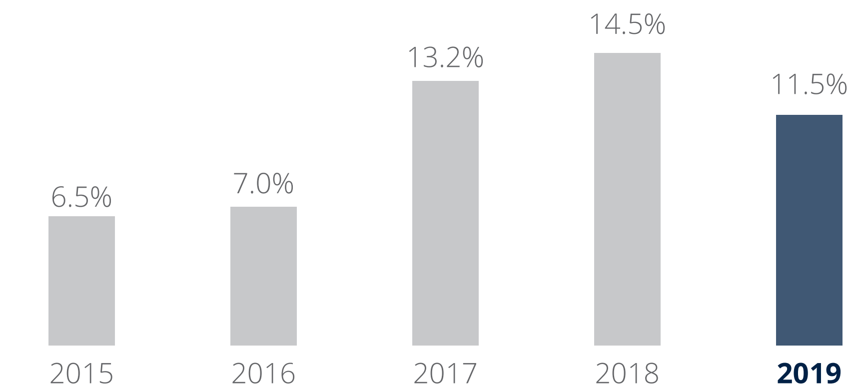


FIVE Year History

In $000s, except as noted	**2015**	**2016**	**2017**	**2018**	**2019**	**CAGR**
Total Suites	8,389	8,059	8,660	9,299	10,164	4.9%
Average Rent Per Suite	$996	$1,064	$1,110	$1,190	$1,260	6.1%
Operating Revenues	$82,977	$97,465	$109,004	$127,286	$145,302	15.0%
Net Operating Income (NOI)	$48,490	$56,867	$66,166	$82,218	$96,194	18.7%
NOI %	58.4%	58.3%	60.7%	64.6%	66.2%	n.a.
FFO Per Unit (basic)	$0.35	$0.39	$0.43	$0.45	$0.49	8.8%
Debt/GBV	54.2%	55.3%	47.8%	38.9%	32.5%	n.a.

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 being less meaningful. Some examples include: acquisitions, dispositions, redevelopments or properties going through a lease-up period.

▼ Year-Over-Year Same Property NOI Growth



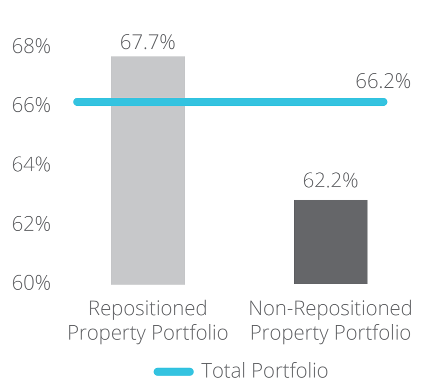
While driving top-line revenue growth is key, managing operating costs is equally critical as it ensures that the growth in revenue makes its way to the bottom line.

Management is also focused on growing the REIT in a strategic and structured manner with continued focus on applying our experience and expertise in order to continue to provide long term value creation for our Unitholders. Properties acquired by the REIT which need substantial capital improvements in order to achieve strong operational performance are considered repositioning properties. These properties typically take 3-4 years to become repositioned, depending on how significant the capital requirements are.

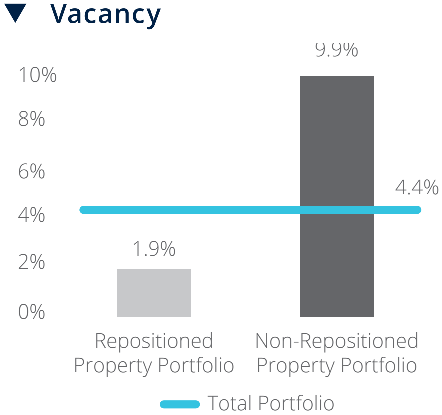
By applying our experience and know how, the REIT has been able to achieve above-average rental rates and NOI growth over the past five years.

Part of the process of deploying capital to improve a property can result in occupancy levels suffering in the short-term. With the acquisition of 2,454 suites from 2017 to 2019 there was some upward pressure on vacancy rates. Management believes that as the repositioning efforts take hold, the Trust will maintain long-term vacancy rates in the 4% range. Management believes that this is an optimal overall range to balance vacancy loss against rental growth.

▼ Net Operating Income



▼ Vacancy



FINANCING FACTS

3.02%
WEIGHTED AVERAGE INTEREST RATE

5.1 YEARS
AVERAGE TERM TO MATURITY

32.5%
DEBT-TO-GROSS BOOK VALUE

3.12X
INTEREST COVERAGE RATIO

79%
% OF MORTGAGE DEBT CMHC INSURED

at December 31, 2019

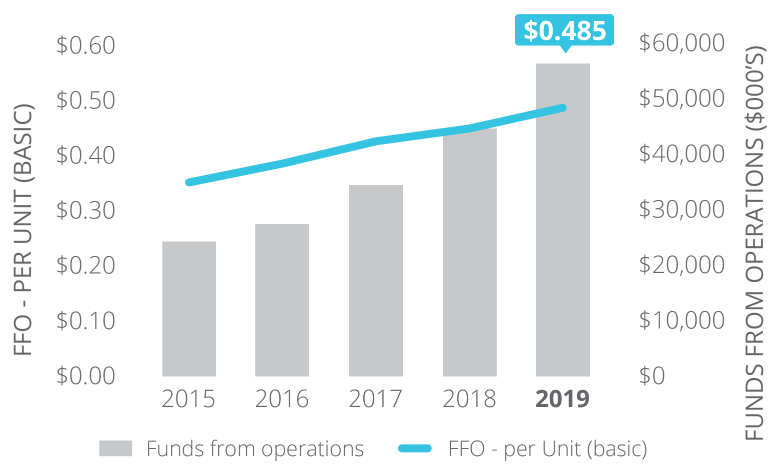
FINANCIAL INFORMATION

The acquisitions completed in 2014 and 2015 have received substantial capital investment, and now form part of the repositioned portfolio. With the physical repositioning substantially complete, the REIT anticipates that those assets will help the REIT to continue providing industry leading same property NOI growth. The 2,999 suites acquired in 2016, 2017, 2018 and 2019 were still undergoing various degrees of repositioning initiatives throughout 2019.

Funds from operations is one of the key metrics that is used when measuring a real estate entity, and is one of the calculations that is, for the most part, standardized across the multifamily sector.

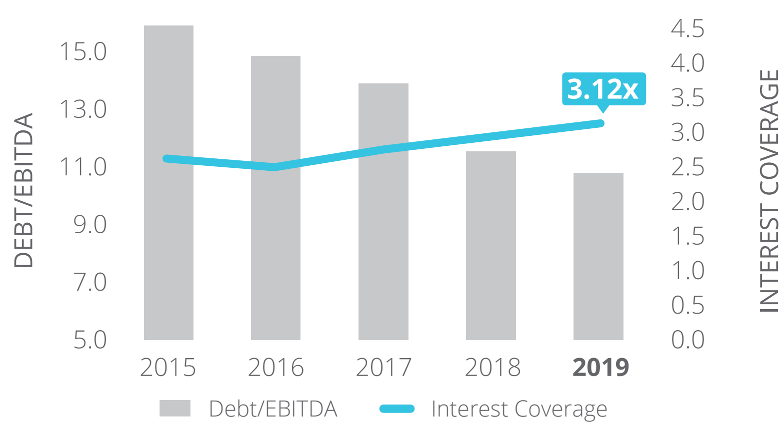
The REIT has experienced signifigant FFO growth in the past five years, both as an absolute and on a per unit basis. This growth can primarily be attributed to the growth in the overall NOI. Management expects that as recently-acquired properties begin to stabilize, the REIT will continue to experience above-average FFO per unit growth.

▼ FFO and FFO per Unit



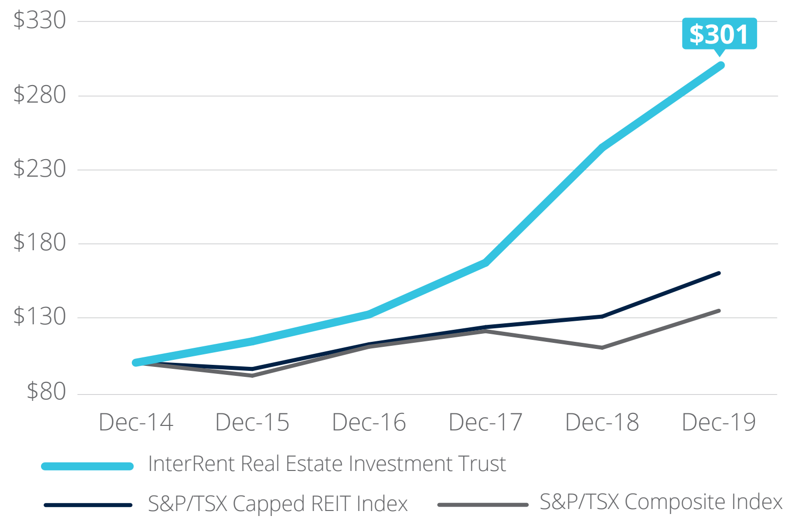
The acquisition of 2,999 suites over the last four years has provided the REIT with a well-situated portfolio that has strong organic growth potential. To achieve this bottom-line revenue growth, the REIT has been investing in the properties. These acquisitions and investments have resulted in short-term pressure on the debt-to-EBITDA and interest coverage ratios over this four year period. Management anticipates that these will improve as the repositioning efforts are completed and the properties produce above average NOI growth as a result of increased rents and operating margins.

▼ Debt/EBITDA and Interest Coverage



The REIT has experienced significant growth in many facets of its business over the past few years, both in aggregate terms (top-line revenue growth and NOI growth) and in per unit terms (such as FFO per unit). The result of these efforts has been seen in the relative performance of the Trust's unit price over the past five years. The entire REIT team is committed to continuing to work hard and to diligently apply InterRent's proven methodology, which is focused on growing the REIT and creating value for Unitholders. In 2019 InterRent provided Unitholders with a total return of over 22%. Management anticipates that the acquisitions over the last few years will continue to drive strong organic growth to Unitholders for years to come.

▼ Total Return on a Canadian $100 Investment



▼ Total Return on a Canadian $100 Investment

As At Dec 31,	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total Return**
InterRent Real Estate Investment Trust	$100	$113	$133	$168	$246	$301	201%
S&P/TSX Composite Index	$100	$92	$111	$121	$110	$136	36%
S&P/TSX Capped REIT Index	$100	$95	$112	$123	$131	$161	61%

Sources: S&P Global Market Intelligence, S&P Dow Jones Indices

Lakeview Apartments | 3 East 37th Street, Hamilton

CANADA

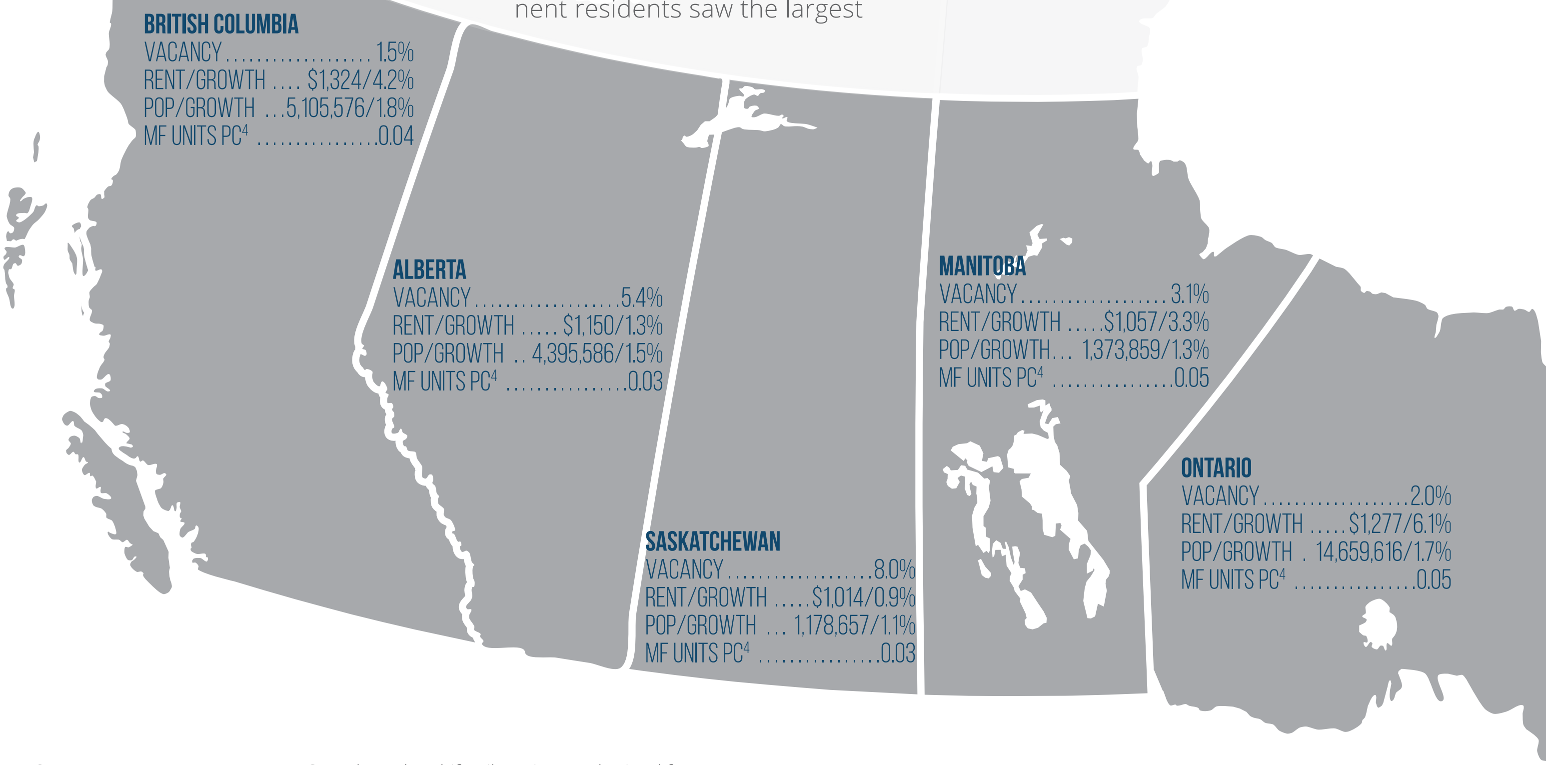
Multi-family market overview

Throughout 2019, the Canadian rental market has shown solid performance with continued signs of growth to come. According to CMHC and Statistics Canada, vacancy rates have been steadily declining over the past five years. In 2019, the rate was 2.1% across the country's CMAs, down from 2.2% in 2018. According to CMHC, national vacancy rates for rental apartments fell further from 2.4% to 2.2% year-over-year, dropping further below the 10-year average. The decline in vacancy can be primarily attributed to a steady increase in demand. Apartment supply grew by 26,000 units, or 1.2% during 2019. This is smaller than the 1.9% increase in supply in 2018 and due to demand outpacing supply in most major markets, vacancy remains below its historical long-term average.

International migration to Canada was a primary driver in the increased demand for rental apartments across the country. According to Statistics Canada, international migration alone accounted for 82.2% of population growth over the period of 2018-2019.

Canada's population grew at a greater rate in 2019 than ever previously recorded by Statistics Canada at 1.4%. The number of non-permanent residents saw the largest increase in the country's history, mainly led by an increase in the number of work and study permit holders. Quebec had its largest population increase in 30 years, while Ontario recorded one of the highest growth rates of any province with an increase of 1.7%.

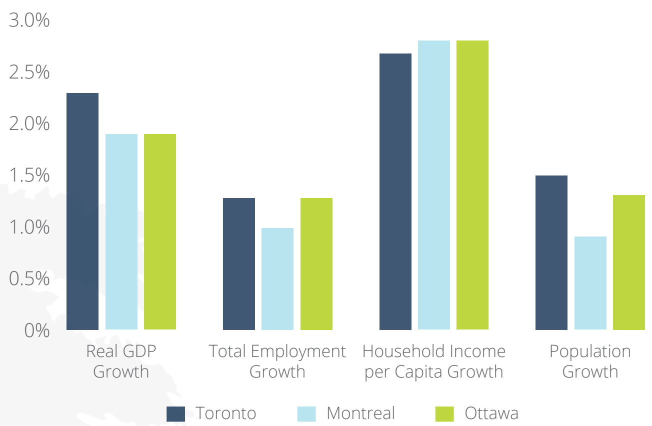
While the Canadian rental market has been performing well throughout 2019, InterRent's portfolio is currently concentrate in the core markets in Ontario and Quebec. According to CMHC, Quebec experienced tightening market conditions between 2018-2019 as vacancy fell from 3.4% to 2.3%. In Ontario, rental conditions stayed tight, yet stable, with vacancy resting at a low 1.8%.



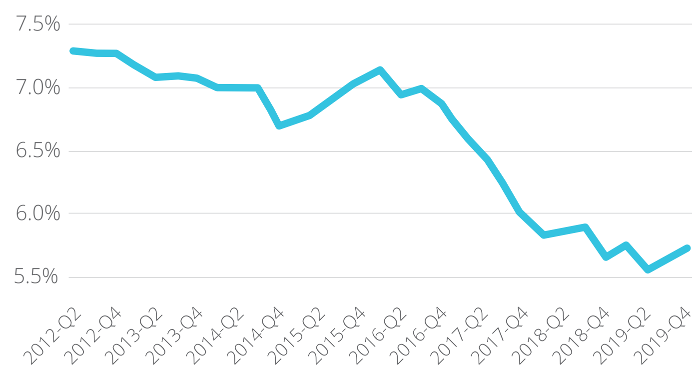
Sources: Vacancy, Average Rent/Growth, and Multifamily Universe obtained from CMHC Primary Rental Market Statistics (Oct. 2019). Population data obtained from Statistics Canada (Population Growth from 2017-2018).

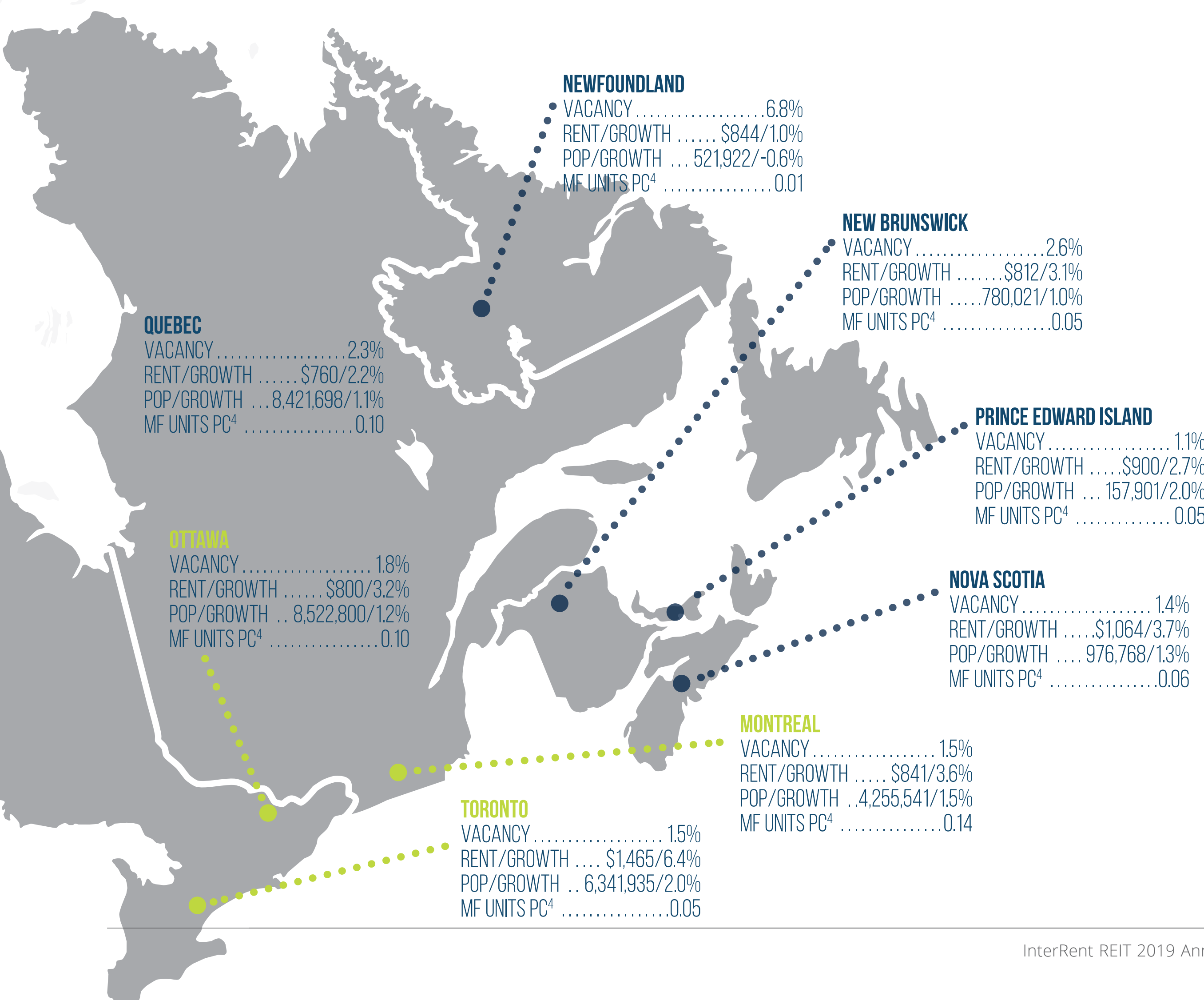
[1] CMHC [2] Statistics Canada [3] OECD [4] Multi-Family Units Per Capita

▼ Forecast Economic Indicators (2019)[3]



▼ Canada Unemployement[3]





GREATER TORONTO AREA

INCLUDING HAMILTON

The Greater Toronto Area including Hamilton continues to demonstrate highly favourable rental market conditions and remains an integral part of InterRent's growing portfolio.

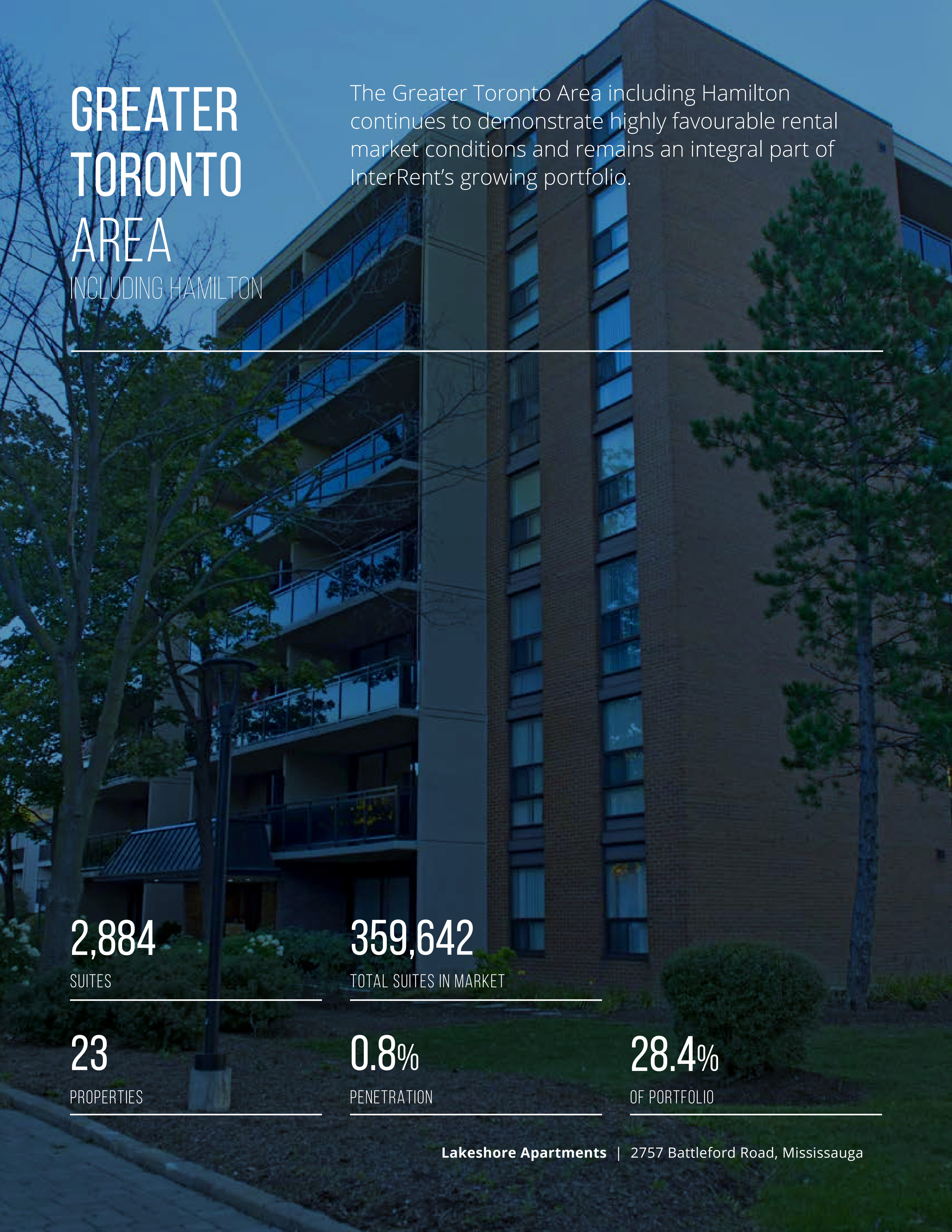
2,884
SUITES

359,642
TOTAL SUITES IN MARKET

23
PROPERTIES

0.8%
PENETRATION

28.4%
OF PORTFOLIO



Lakeshore Apartments | 2757 Battleford Road, Mississauga

The rising cost of homeownership throughout the GTA continues to keep individuals' preferences on the rental market, as opposed to homeownership. Even as housing prices begin to cool down, they remained near record highs seen the last few years. Additionally, high borrowing costs and stricter lending conditions have kept potential home buyers out of the housing market. As a result, demand for rental units across the GTA has continued to rise, pinning vacancy rates down and driving average rents upwards.

According to the CMHC, average rent in the GTA increased 6.8% in 2019, well above its 2018 growth of 4.9% and the provincial guideline of 1.8%. The GTA's vacancy rate remained among the lowest in Canada, but increased 1.2% in 2018 to 1.5% in 2019.

According to the Conference Board of Canada, Toronto's economic growth was 2.4% in 2019 and that growth rate is expected to remain steady in 2020. This benefits the real estate industry across the board, putting downward pressure on vacancy rates and upward pressure on rents.

In addition to rising housing prices and stricter lending conditions, demographic shifts seen in the GTA are favoring the rental market. CMHC reports that the 25-44 age group, a key demographic of potential renters experienced its greatest growth in nearly two decades at 4.9%. Employment increased by 2.8%, enabling more individuals to enter the rental market.

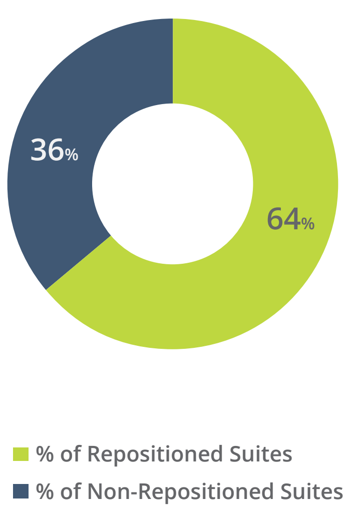
The result of rising demand and low vacancy rates has kept turnover low throughout the area. According to CMHC, the turnover rate decreased substantially from 11.2% in 2018 to just 9.5% in 2019. As supply tries to catch up to demand in the GTA, minimal turnover is expected to keep vacancy rates steady and low.

In Hamilton, favorable rental market conditions have also prevailed throughout 2019. CMHC reported that the average rent increased by 5.3% this year, from $1,077 in 2018 to $1,133. Hamilton has seen significant rent increases across the city the last few years.

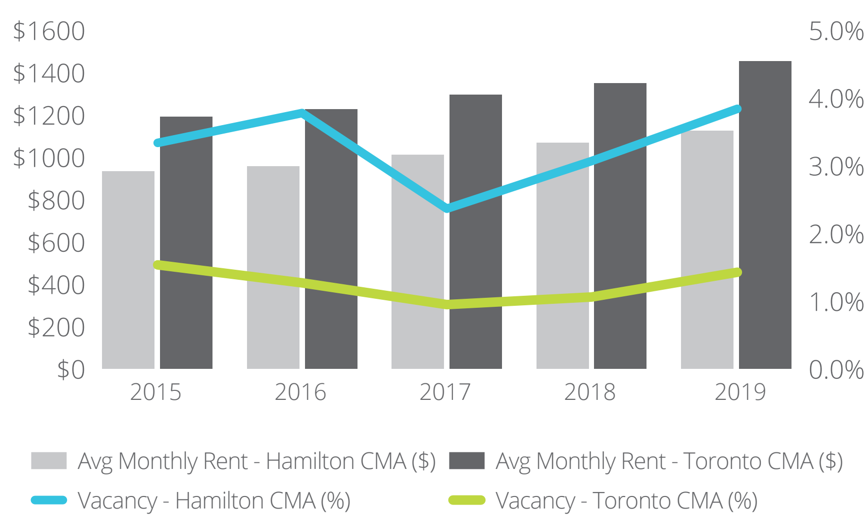
CMHC reported that vacancy rates increased from 3.1% in 2018 to 3.9% in 2019. However, demand for rental units remains relatively high, with little indication of slowing down. Several factors including a greater number of students entering the city, increased immigration, a record-low average unemployment rate of 4.4%, and rising housing costs are all supporting the rental market, spurring both supply and demand for units. This is exemplified by the turnover rate, which decreased from 15.9% to 14% this year.

The high demand for rental units in both regions is expected to continue going into 2020 and InterRent remains committed the to GTA (including Hamilton) as one of our core markets in our portfolio.

Portfolio Breakdown



Vacancy and Rent Trends[1]



MONTREAL

InterRent continues to target the Montréal region as one of our focused markets. The Montréal rental market continues to perform exceedingly well, with tightening market conditions and economic growth projected to last into the new decade.

2,785
SUITES

590,305
TOTAL SUITES IN MARKET

22
PROPERTIES

0.5%
PENETRATION

27.4%
OF PORTFOLIO

VIE | 2121 Saint-Mathieu Street, Montreal

Montréal vacancy rates are at a 15-year low, says CMHC, falling substantially from 1.9% in 2018 to 1.5% in 2019. This figure is just the latest in a third straight year of tightening market conditions, where demand continuously to outpaces supply, despite Montréal's large unit count.

Several trends in the Montréal market make for an extremely attractive opportunity to grow our market share. Migration to Montréal reached a new record-high level in 2019, as it did in the previous two years, and it is now the sixth-fastest growing metropolitan area in North America. New employment and educational opportunities are also attracting non-permanent residents, such as temporary workers and students, who tend to favor the rental market upon arrival. The Montréal market has never been this tight, as further shown in the turnover rate published by CMHC, which decreased from 17.4% in 2018 to 15.7% in 2019.

Furthermore, according to CMHC, homeownership among the 15-24 age bracket has been declining, with many of those potential first-time homebuyers preferring the rental market. Similarly, the aging population of Montréal is supporting the rental market, as more individuals are choosing to switch from owning to renting.

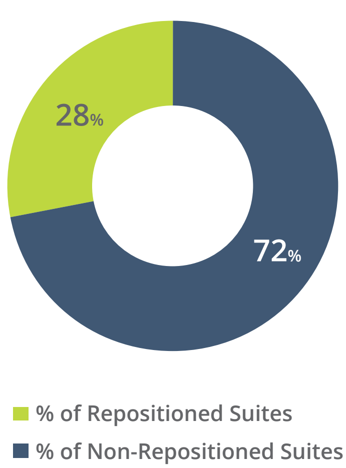
These tightening rental conditions further increased the average rent in Montréal. According to CMHC, average rent in Montréal between 2018 and 2019 rose from $796 to $841 in 2019, a 3.6% change that exceeded the results from previous years.

According to the Conference Board of Canada, Montréal had the strongest economic growth of the major Canadian metropolitan areas in 2019 at an impressive 3%, well above the 1.9% growth that had been anticipated. Its unemployment rate reached a record low midway through this year at 5.5%.

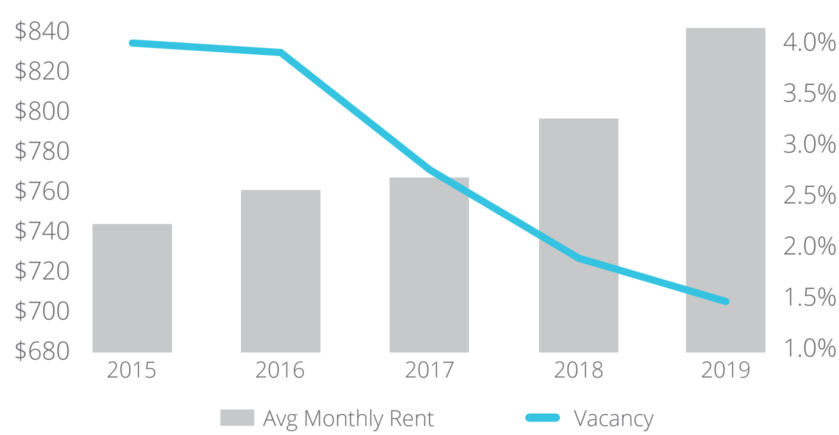
The primary driver of that economic growth will likely come from the construction industry as the city continues to invest in infrastructure projects. The Réseau express métropolitain, which will span 67km of tracks across Montréal, is set to open by 2021. Many of our properties are located within walking distance of its stations, including the three stations that will connect to the city's existing metro. The city continues to invest in improving public transit, with $766 million put towards infrastructure and projects that will revitalize the downtown core, bringing further connectivity and transportation options to residents. With projects planned for the next several years, there is no sign of Montréal slowing down.

After making several acquisitions in the Montréal area during 2019, InterRent continues to focus on the city in order to grow and strengthen our portfolio.

Portfolio Breakdown



Vacancy and Rent Trends[1]



[1] Source: CMHC

NATIONAL CAPITAL REGION

For several years, The National Capital Region has been an essential part of InterRent's portfolio. Strong economic conditions and a growing employment base drove the demand for rental units in the area this year.

2,961
SUITES

87,209
TOTAL SUITES IN MARKET

27
PROPERTIES

3.4%
PENETRATION

29.1%
OF PORTFOLIO

Forest Ridge Apartments | 2380 Baseline Road, Ottawa

According to CMHC, Ottawa's vacancy has begun to stabilize, with a small increase from 1.6% in 2018 to 1.8% in 2019. Only bachelor units had a statistically different rate compared with 2018. Average rents saw major increase of 8.4% year-over-year, settling at an average rent of $1,281.

The rental market continues to be supported by growing immigration levels to the city, followed by an increased number of students attending one of Ottawa's major universities and colleges. Thus, much of Ottawa's demographic is drawn to the relatively accessible and affordable rental market over purchasing homes.

The rising demand for rental units and shifting consumer preferences have caused a decline in turnover. Asking rents on listings for two-bedroom units were 18.4% higher than comparable occupied units.

Ottawa continues to enjoy a positive economic outlook beyond the growing civil service and technology sectors. The city also has several major infrastructure projects underway aimed at transforming the city. The 52-acre LeBreton Flats redevelopment is expected to revitalize the downtown area and bring new opportunities for economic growth.

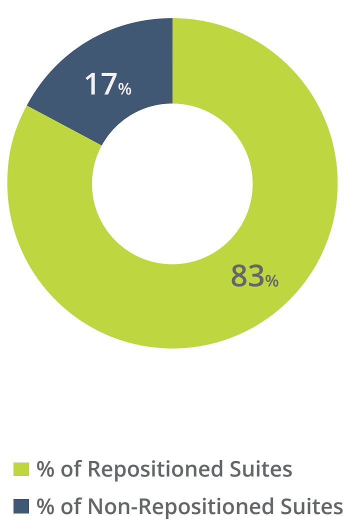
2019 brought with it the much-anticipated opening of the LRT Confederation Line that runs East/West through central Ottawa and greatly improves mobility throughout the downtown core. Investment in transit remains ongoing, with the North/South Trillium Line train opening in 2022. This line is projected to have an economic impact on Ottawa of $5.6 billion through investment and employment. A transforming city centre coupled with an improved transit system will further support economic growth, while also creating employment opportunities in the area. Other InterRent properties within walking distance of a new or future LRT station include Parkway Park, 236 Richmond Road, and various properties in the Sandy Hill, Lower Town, Byward Market, Centretown and Golden Triangle neighbourhoods.

Gatineau has also experienced similar rental market trends as seen in Ottawa. According to CMHC, average rent rose to $847, a considerable increase of 4.5% year-over-year. Notably, the rent for two-bedroom apartments increased by 4.2%, the strongest growth in 15 years. The vacancy rate remained stable, sitting at 1.5%.

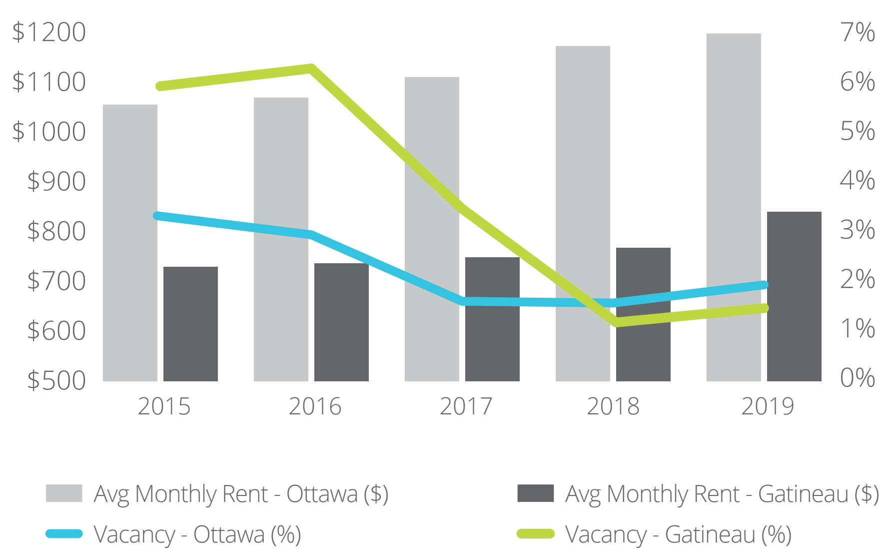
The favorable conditions are likely the result of a strengthening job market in the area, followed by increased net migration to the National Capital Region. With a positive economic outlook across the NCR, the Gatineau rental market is expected to experience further growth in the coming years.

The National Capital Region remains a primary focus for InterRent as we look to grow our portfolio. Both Ottawa and Gatineau have proven to support positive growth over the past few years, with those trends expected to continue going into 2020.

▼ Portfolio Breakdown



▼ Vacancy and Rent Trends[1]

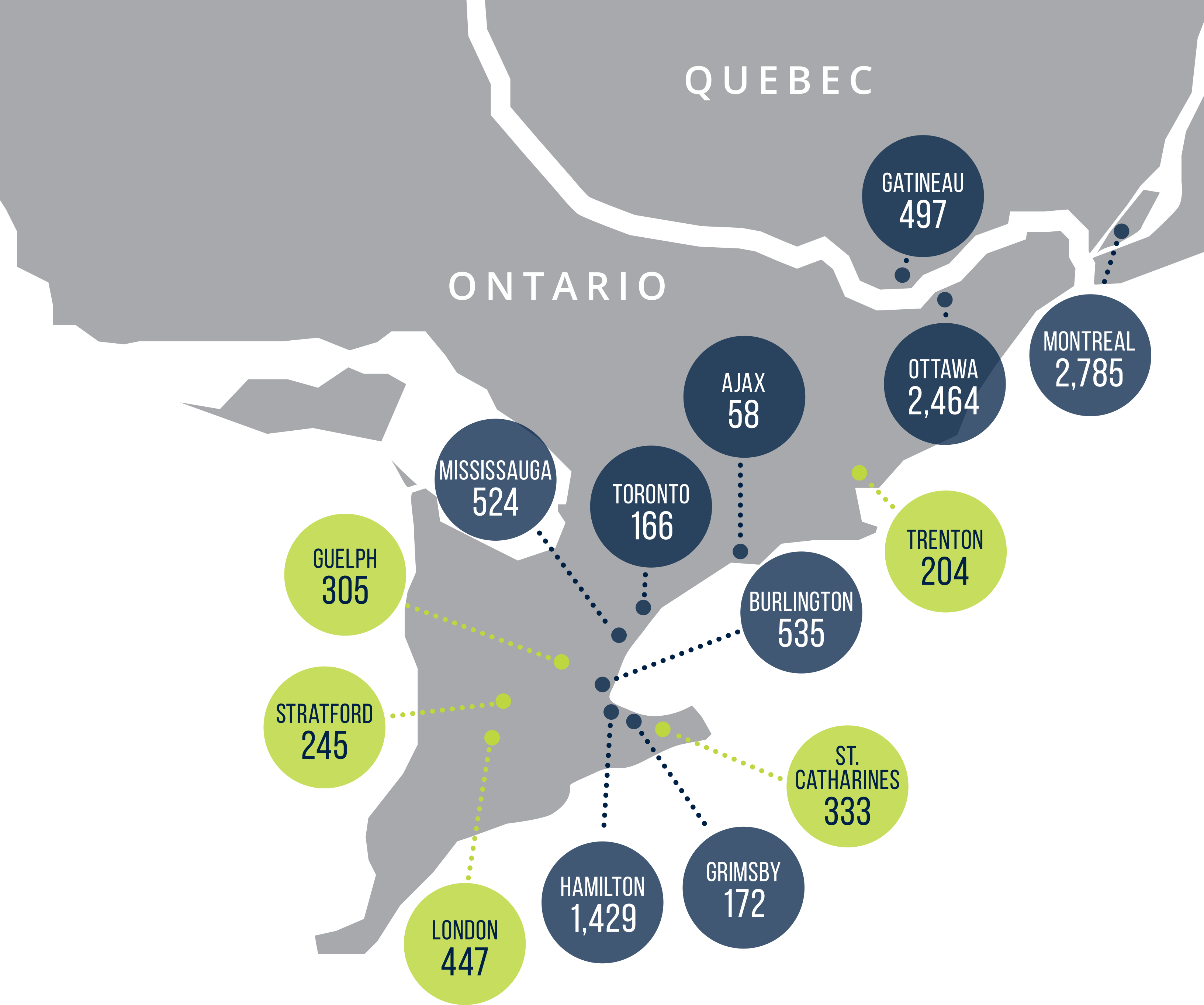


PORTFOLIO **MAP**

GTA (INCLUDING HAMILTON)	MONTREAL	NATIONAL CAPITAL REG
2,884 SUITES	2,785 SUITES	2,961 SUITES
23 PROPERTIES	22 PROPERTIES	27 PROPERTIES
0.8% PENETRATION	0.5% PENETRATION	3.4% PENETRATION
28.4% OF PORTFOLIO	27.4% OF PORTFOLIO	29.1% OF PORTFOLIO
359,642 TOTAL SUITES IN MARKET	590,305 TOTAL SUITES IN MARKET	87,209 TOTAL SUITES IN MARK

SECONDARY MARKETS

1,534 SUITES	12 PROPERTIES	15.1% OF PORTFOLIO



NUMBER OF PROPERTIES
84

NUMBER OF SUITES
10,164

PRIMARY MARKETS

SECONDARY MARKETS

	2018	2019
% OF REPOSITIONED SUITES IN PORTFOLIO	**63%**	**64%**
% OF NON-REPOSITIONED SUITES IN PORTFOLIO	**37%**	**36%**

STRATEGICALLY GROWING THE PORTFOLIO

Whether InterRent enters a new market or expands in an existing one, a disciplined approach is taken. InterRent seeks to acquire properties that have suffered from the absence of professional management. This gives the REIT an opportunity to increase rents to market rates, improve operational efficiency and invest in energy-saving initiatives. The REIT's focus is to expand in its core markets of the GTA (including Hamilton), Montreal and the National Capital Region.

Management has identified these markets as having the four parameters critical to InterRent's growth strategy, which are:

1 | HEALTHY ECONOMIC REGIONAL CENTRES & NEIGHBOURHOODS

Regions that have stable employment profiles derived from strong & sustainable industries and are expected to have continued population growth.

2 | STRONG DEMAND FOR RENTAL SUITES

Cities that typically have a vacancy rate in line with or better than Canada Mortgage & Housing Corporation (CMHC) vacancy statistics for the region, which allows for consistent cash flow.

3 | ECONOMIC RECORD ACCOMMODATING RENTAL RATE GROWTH

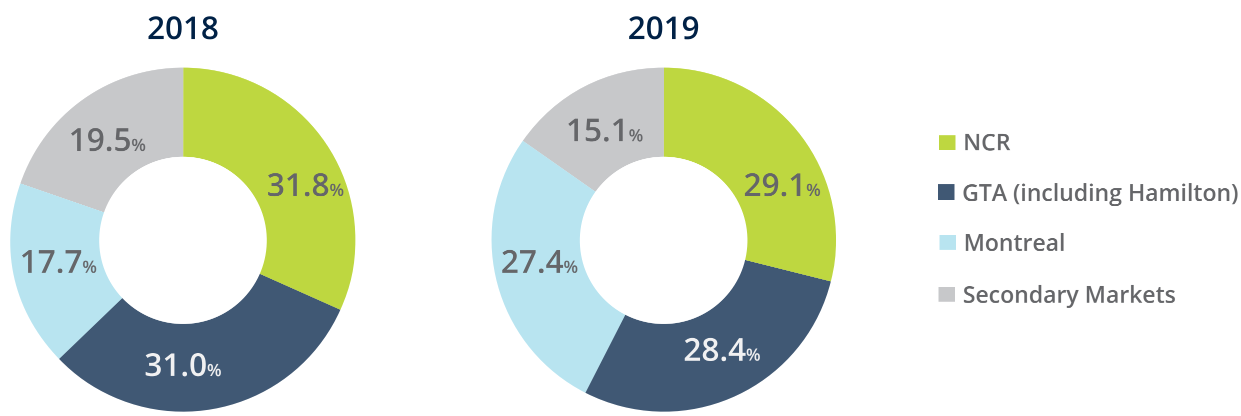
InterRent looks for communities with an existing track record of strong economic growth, preferably where the REIT has experience & success improving rental rates and where existing infrastructure can be leveraged.

4 | LOCATIONS THAT OFFER STABLE CAPITALIZATION RATES

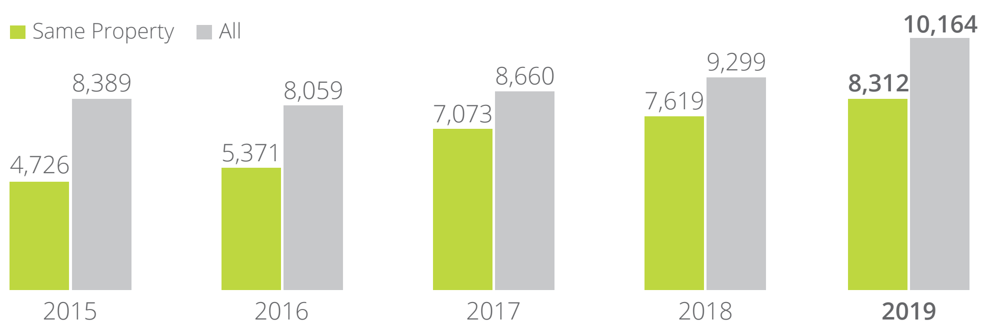
By targeting markets that meet the first three parameters and that also have sufficient supply and demand from investors, InterRent ensures that its markets will maintain relatively stable capitalization rates.

Over the course of 2019, the REIT acquired 1,214 suites in Ontario and Quebec.

Geographic Exposure by Suite Count



Number of Suites



ACQUISITIONS

Whether InterRent enters a new market or expands in an existing one, a disciplined approach is taken. InterRent seeks to acquire properties that have suffered from the absence of professional management. This gives the REIT an opportunity to move rents to market rates, as well as investing in energy saving initiatives.

InterRent only pursues properties for its portfolio that it has identified as having the following four parameters:

- Healthy Economic Centres
- Strong Demand
- Rental Rate Growth
- Stable Capitalization Rates

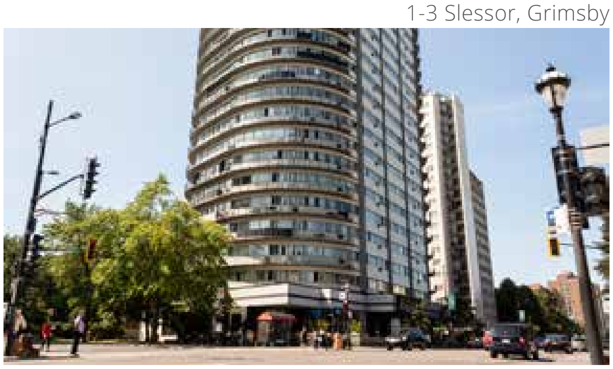
6950 Fielding Avenue, Montreal


455 Maple, Burlington


Parkway Park, Ottawa


718 Lawrence, Hamilton


1-3 Slessor, Grimsby


Le Colisée, Montreal

	SUITES
2015	
5501 Adalbert, Montreal, QC	280
Forest Ridge, Ottawa, ON	393
Britannia Portfolio, Ottawa, ON	286
Stoney Creek Portfolio, Hamilton, ON	618
181 Lebreton & 231 Bell, Ottawa, ON	2
Maple & Brant, Burlington, ON	123
Total	**1,702**
2016	
1101 Rachel, Montreal, QC	127
Parkway Park, Ottawa, ON	418
Total	**545**
2017	
1111 & 1121 Mistral, Montreal, QC	224
3 East 37th, Hamilton, ON	74
2121 & 2255 Saint-Mathieu, Montreal, QC	249
718 Lawrence, Hamilton, ON	55
Total	**602**
2018	
5775 Sir Walter Scott, Montreal, QC	48
1-3 Slessor, Grimsby, ON	172
236 Richmond, Ottawa, ON	72
381 Churchill, Ottawa, ON	6
10 Ben Lomond, Hamilton, ON	62
625 Milton, Montreal, QC	138
3474 Hutchison, Montreal, QC	77
1170 Fennell, Hamilton, ON	63
Total	**638**
2019	
Montreal Portfolio	253
158 Ontario, St. Catharines, ON	74
5465 Queen Mary, Montreal, QC	121
235 Sherbrooke St W, Montreal, QC	293
1025 Sherbrooke St E, Montreal, QC	251
4875 Dufferin, Montreal, QC	118
5160 Gatineau, Montreal, QC	54
Côte-Saint-Luc & Coolbrook, Montreal, QC	33
5881 Monkland, Montreal, QC	17
Total	**1,214**
TOTAL	**4,132**

CORPORATE GOVERNANCE

To maintain the confidence of investors and properly oversee the activities of management, adopting and upholding high standards of governance practices are essential. InterRent's governance system is built on corporate ethics, transparency, compliance and discipline. The REIT is committed to providing timely, accurate and complete disclosure of all material information to the public.

BOARD OF TRUSTEES

InterRent's Board of Trustees evaluates the management of the REIT and oversees matters related to its strategic direction, business and operations. The Board's overall responsibility is to protect the interest of Unitholders by fostering a culture of integrity and accountability throughout InterRent. InterRent's Board of Trustees consists of six members, five of whom are independent and unrelated to InterRent. The Board has established four committees – the Audit committee, Nominations and Governance Committee, Compensation Committee and Capital Resources Committee – to establish processes for the efficient functioning of InterRent's corporate governance program.

AUDIT COMMITTEE

The Audit Committee's responsibilities include the following: (i) reviewing the Trust's procedures for internal control with the Trust's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements as well as all other material continuous disclosure documents, such as the Trust's annual information form and management's discussion and analysis; (iv) assessing the Trust's financial and accounting personnel; (v) assessing the Trust's accounting policies; (vi) reviewing the Trust's risk management procedures; and (vii) reviewing any significant transactions outside the Trust's ordinary course of business and any pending litigation involving the Trust.

NOMINATIONS AND GOVERNANCE COMMITTEE

The Governance Committee is charged with reviewing, overseeing and evaluating the governance and policies of the Trust. In addition, it is responsible for the following: (i) assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the Trust; (iii) making recommendations to the Board with respect to management succession, in particular, succession for the CEO position; (iv) organizing an orientation and education program for new Trustees; (v) considering and approving proposals by the Trustees of the Trust to engage outside advisers on behalf of the Board of Trustees as a whole or on behalf of the Independent Trustees of the Trust; and (vi) reviewing and making recommendations to the Board of Trustees concerning any change in the number of Trustees of the Trust.

COMPENSATION COMMITTEE

The Compensation Committee is responsible for reviewing, overseeing and evaluating the compensation policies of the Trust. In addition, this committee is responsible for the following: (i) reviewing and approving the compensation paid by the Trust, if any, to any officers, advisers and any consultants of the Trust; (ii) administering any unit option or purchase plan of the Trust, and any other compensation incentive programs; (iii) assessing the performance of management of the Trust; and (iv) reviewing and making any recommendations to the Board of Trustees concerning the level and nature of the compensation payable to Trustees and officers of the Trust.

CAPITAL RESOURCES COMMITTEE

The Capital Resource Committee is responsible for reviewing, analyzing and overseeing (i) any acquisition, disposition, major renovation or maintenance of Trust properties; (ii) the Trust's financial and administrative strategies and initiatives as they pertain to property management; (iii) management's identification and assessment of any significant property risks; and (iv) the development of the Trust's response to environmental obligations and strategies.

La Tour Hampstead | 5120 Earnscliffe Avenue, Montreal


5501

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2019

March 3, 2020

Hamilton House | 5501 Côte Saint-Luc Avenue, Montreal

MANAGEMENT DISCUSSION & ANALYSIS
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FORWARD-LOOKING STATEMENTS

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") of InterRent Real Estate Investment Trust ("InterRent REIT" or the "Trust") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2019 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

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

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

INTERRENT REAL ESTATE INVESTMENT TRUST

InterRent Real Estate Investment Trust ("InterRent REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated October 10, 2006, and as amended and restated on June 29, 2007, September 30, 2009, 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 and the acquisition of additional, accretive properties.

DECLARATION OF TRUST

The investment policies of the Trust are outlined in the Trust's Amended and Restated Declaration of Trust (the "DOT") dated as of May 21, 2019 and a copy of this document is available on SEDAR (www.sedar.com).

At December 31, 2019 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 years ended December 31, 2019 and 2018.

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.

Brantstone Gardens | 1259-1275 Brant Street, Burlington

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, 2016.

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 February 2019. 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.

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

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

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

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

In 2019, the REIT:

- disposed of its Sault Ste. Marie portfolio of nine properties, totalling 349 suites;
- disposed of its land held for development at 2243 Fairview, Burlington for cash and a 25% interest in the Burlington GO Lands joint venture with Brookfield Group and CLV Group;
- purchased a vacant office building, for conversion to residential suites, in Ottawa for $21.8 million;
- purchased twelve properties totalling 1,140 suites in Montreal for $274.6 million; and,
- purchased one property comprised of 74 suites in St. Catharines for $11.2 million.

The team we have assembled has a proven track record and we believe we have both the experience and ability necessary to execute on our growth strategy in the years to come.

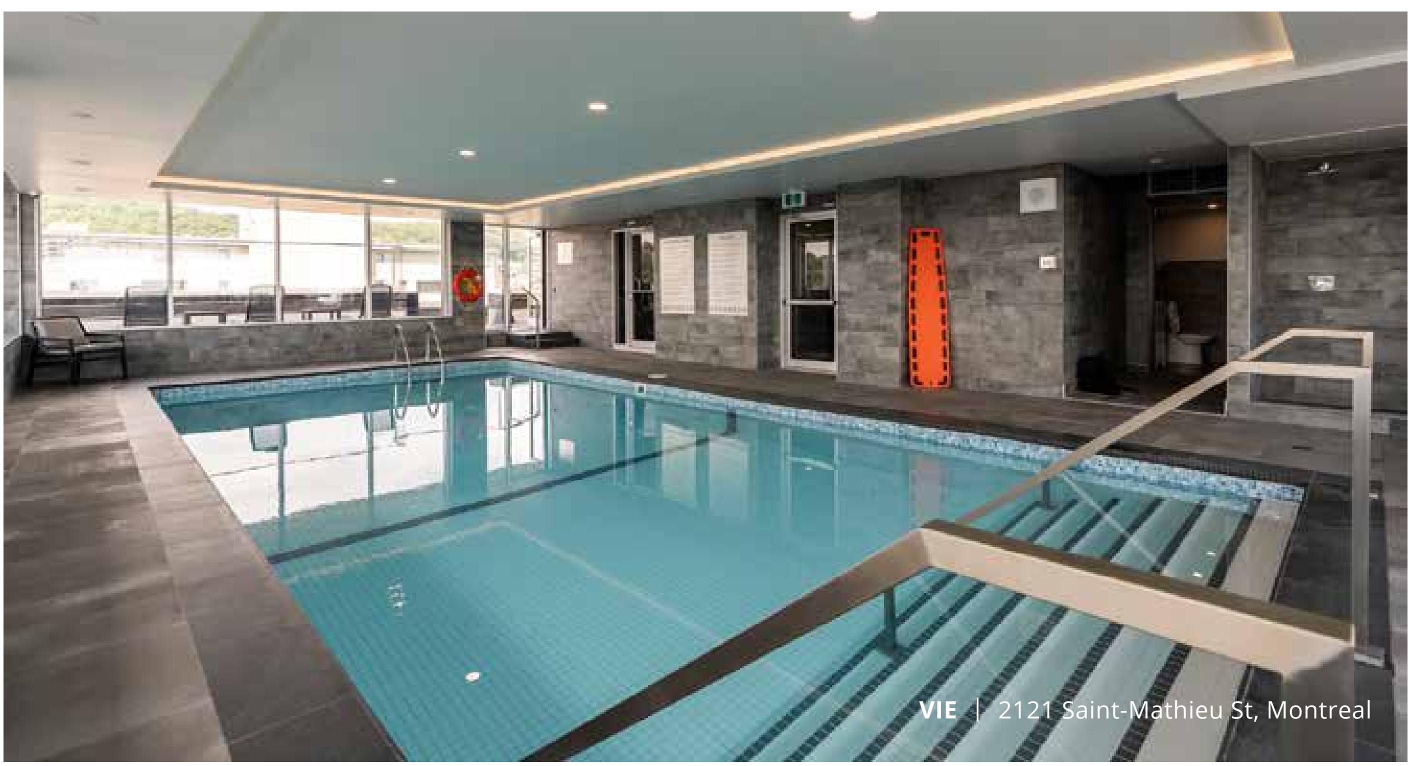
At December 31, 2019, the Trust has 8,312 Same Property suites, which represents 81.8% of the overall portfolio and 6,547 Repositioned Property suites, which represent 64.4% of the overall portfolio.

OUTLOOK

- Management is focused on growing the REIT in a strategic and structured manner. This growth is anticipated to come from:
  a) source properties in our current core markets that allow us to continue building scale within these areas as well as applying our repositioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders;
  b) diversifying to other gateway cities within Canada that have sufficient scale and growth opportunities which would allow the REIT to use its experience and deploy it operating platform and methodology to the market;
  c) continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio;
  d) re-deploying capital from areas where management believes that properties have reached their economic peak or that the area will not allow the REIT to reach the desired level of scale;
  e) developing purpose built rental on existing sites that have the ability to add more density; and,
  f) 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.

  In line with this, the REIT has purchased a building comprised of 57 suites in Mississauga, for $18.2 million that closed in February 2020 and is committed to purchase a building with 4 suites which is contiguous to our development site at Richmond/Churchill in Ottawa, for $1.4 million, in March 2020.

- Given the rental demand within the REIT's current portfolio, management believes that suite turnover will decline over the next few years from a historical average of over 30% to the mid 20% range. This reduction in turnover makes it crucial to continue performing the appropriate building and in-suite upgrades in order to capture as much of the upside in market rent as possible when suites do turnover.
- The REIT is continuing to make progress on its four active developments as well as the evaluation of other intensification opportunities within the portfolio. The current active developments include:
    - 473 Albert Street, Ottawa – proposed conversion of office to 153 residential suites and approximately 21,000 square feet of commercial space: Site Plan Application has been submitted and we are continuing to work through the entitlement process.
    - 900 Albert Street, Ottawa (TIP Albert joint venture) – development: re-zoning for height and density has been completed and the partners are working through final design and Site Plan Application;
    - Richmond & Churchill, Ottawa – development: we have committed to purchase an adjacent property that enhances density and creates a more efficient development site. Currently undergoing entitlement planning and preparation of Site Plan Application to include the new parcel; and,
    - Burlington GO Lands (Fairview joint venture) –Site Plan Application (SPA) has been submitted which proposes 2,456 residential suites and approximately 40,000 square feet of commercial space, and we are continuing to work through the entitlement process with the City of Burlington.


VIE | 2121 Saint-Mathieu St, Montreal

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, 2019 compared to the same period in 2018:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended December 31, 2019**	**3 Months Ended December 31, 2018**	**Change**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**	**Change**
Total suites	-	-	-	**10,164**	9,299	**+9.3%**
Average rent per suite (December)	-	-	-	**$1,260**	$1,190	**+5.9%**
Occupancy rate (December)	-	-	-	**95.6%**	96.6%	**-100bps**
Operating revenues	**$39,199**	$34,062	**+15.1%**	**$145,302**	$127,286	**+14.2%**
Net operating income (NOI)	**26,206**	22,312	**+17.5%**	**96,194**	82,218	**+17.0%**
NOI %	**66.9%**	65.5%	**+140bps**	**66.2%**	64.6%	**+160bps**
Same Property average rent per suite (December)	-	-	-	**$1,297**	$1,214	**+6.8%**
Same Property occupancy rate (December)	-	-	-	**97.5%**	96.9%	**+60bps**
Same Property NOI	**22,604**	20,418	**+10.7%**	**85,833**	76,947	**+11.5%**
Same Property NOI %	**67.7%**	65.7%	**+200bps**	**66.6%**	64.7%	**+190bps**
Net Income	**$264,975**	$42,188	**+528.1%**	**$384,889**	$168,297	**+128.7%**
Funds from Operations (FFO)	**$15,723**	$12,474	**+26.0%**	**$56,706**	$44,910	**+26.3%**
FFO per weighted average unit – diluted	**$0.126**	$0.114	**+10.5%**	**$0.483**	$0.447	**+8.1%**
Adjusted Funds from Operations (AFFO)	**$13,938**	$11,066	**+26.0%**	**$50,303**	$39,294	**+28.0%**
AFFO per weighted average unit – diluted	**$0.111**	$0.101	**+9.9%**	**$0.428**	$0.391	**+9.5%**
Distributions per unit	**$0.07583**	$0.07083	**+7.1%**	**$0.29334**	$0.27333	**+7.3%**
Adjusted Cash Flow from Operations (ACFO)	**$19,036**	$15,357	**+24.0%**	**$61,064**	$46,944	**+30.1%**
Debt to GBV	-	-	-	**32.5%**	38.9%	**-640bps**
Interest coverage (rolling 12 months)	-	-	-	**3.12x**	2.93x	**+0.19x**
Debt service coverage (rolling 12 months)	-	-	-	**1.87x**	1.81x	**+0.06x**

- Overall Portfolio:
  a) Operating revenue for the quarter rose by $5.1 million to $39.2 million, an increase of 15.1% over Q4 2018. Operating revenue for the year ended 2019 increased by $18.0 million, or 14.2% year-over-year, to $145.3 million.
  b) Average monthly rent per suite increased to $1,260 from $1,190 (December 2019 vs 2018), an increase of 5.9%.
  c) Occupancy for December 2019 was 95.6%, up from 95.5% in September 2019 and down 100 bps when compared to December 2018.
  d) NOI for the quarter increased by 17.5%, or $3.9 million, to $26.2 million compared to Q4 2018. For the quarter, NOI as a percentage of revenues was 66.9% and was up by 140 basis points compared to Q4 2018. NOI for the twelve months ended December 31, 2019 was $96.2 million, an increase of $14.0 million, or 17.0%, compared to 2018. NOI margin for the year ended 2019 was 66.6%, an increase of 190 basis points compared to 2018.
- Same Property Portfolio:
  a) Operating revenue for the quarter rose by $2.3 million to $33.4 million, an increase of 7.6% over Q4 2018. Operating revenue for the year ended 2018 increased by $10.0 million to $128.8 million, or 8.4%, over 2018.
  b) Average monthly rent per suite increased to $1,297 from $1,214 (December 2019 vs 2018), an increase of 6.8%.
  c) Occupancy for December 2019 was 97.5%, up from 97.0% in September 2019 and up 60 bps when compared to December 2018.
  d) NOI for the quarter increased by 10.7%, or $2.2 million, to $22.6 million compared to Q4 2018. For the quarter, NOI as a percentage of revenues was 67.7% and was up by 200 basis points compared to Q4 2018. NOI for the twelve months ended December 31, 2019 was $85.8 million, an increase of $8.9 million, or 11.5%, compared to 2018. NOI margin for the year ended 2019 was 66.6%, an increase of 190 basis points compared to 2018.

- Fair value gain on investment properties in the year of $353.2 million was driven by property level operating improvements as well as a change in the valuation technique in Q4 to align the REIT's valuation model more closely with that of the sector. The valuation model now includes turnover assumptions, mark-to-market rent adjustments (based on turnover) as well as expected increases in operating expenses that match the timeframe for the turnover and mark-to-market assumptions. The reduction in overall weighted average capitalization rate to 4.24% compared to 4.38% as at December 31, 2018 was driven primarily by acquisitions and dispositions in the year.
- Net income for the year was $384.9 million, an increase of $216.6 million compared to 2018. The increase was driven primarily by the net increase in fair value gain on investment properties of $157.5 million ($353.2 million in 2019 compared to $195.7 million in 2018) and the property management internalization cost of $44.0 million that occurred in 2018.
- FFO for the quarter increased by 26.0% to $15.7 million compared to Q4 2018. FFO for the year increased by 26.3% to $56.7 million compared to 2018.
- FFO per Unit for the quarter increased by 10.5% to $0.126 per Unit compared to $0.114 per Unit for Q4 2018. FFO per Unit for the year increased by 8.1% to $0.483 per Unit compared to $0.447 per Unit for 2018.
- Excluding the non-recurring professional costs identified in the Administrative Cost section, FFO for the quarter would have been $16,441 and FFO per Unit for the quarter would have been $0.131 per Unit.
- AFFO for the quarter increased by 26.0% to $13.9 million compared to Q4 2018. AFFO for the year increased by 28.0% to $50.3 million compared to 2018.
- AFFO per Unit for the quarter increased by 9.9% to $0.111 per Unit compared to $0.101 per Unit for Q4 2018. AFFO per Unit for the year increased by 9.5% to $0.428 per Unit compared to $0.391 per Unit for 2018.
- Adjusted Cash Flow from Operations (ACFO) for the quarter increased by 24.0% to $19.0 million compared to Q4 2018. ACFO for the year increased by 30.1% to $61.1 million compared to 2018.
- Debt-to-GBV ratio at year end was 32.5%, a decrease of 640 basis points from December 2018.
- The Trust completed the following investment property acquisitions during the year:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price
12-Feb-19	5015-5025 Clanranald	Montreal	Montreal	Residential	30	$8,255,000
12-Feb-19	6950 Fielding	Montreal	Montreal	Residential	104	$19,300,000
12-Feb-19	2054 Claremont	Montreal	Montreal	Residential	33	$7,700,000
12-Feb-19	5051 Clanranald	Montreal	Montreal	Residential	45	$12,045,000
12-Feb-19	4560 Sainte- Catherine	Montreal	Montreal	Residential	41	$11,700,000
Q1/19 Acquisitions					**253**	**$59,000,000**
3-Apr-19	158 Ontario Street	St. Catharines	Hamilton/Niagara	Residential	74	$11,150,000
25-Apr-19	473 Albert Street	Ottawa	Ottawa	Development	n/a	$21,800,000
26-Jun-19	5465 Queen Mary Road	Montreal	Montreal	Residential/ Commercial	121	$38,360,000
Q2/19 Acquisitions					**195**	**$71,310,000**
12-Jul-19	1023-1025 Sherbooke E	Montreal	Montreal	Residential	251	$63,000,000
12-Jul-19	205-245 Sherbooke W	Montreal	Montreal	Residential/ Commercial	293	$69,000,000
15-Aug-19	4875 Dufferin	Montreal	Montreal	Residential/ Commercial	118	$22,666,537
Q3/19 Acquisitions					**662**	**$154,666,537**
01-Oct-19	5160 Gatineau	Montreal	Montreal	Residential	54	$10,800,000
31-Oct-19	5881 Monkland	Montreal	Montreal	Residential	17	$3,995,000
31-Oct-19	4454 Coolbrook and 5410 Cote Saint Luc	Montreal	Montreal	Residential	33	$7,755,000
Q4/19 Acquisitions					**104**	**$22,550,000**
Total 2019 Acquisitions					**1,214**	**$307,526,537**

- The Trust completed the following investment property dispositions during the year:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price
17-Jan-19	47/55 Lewis	Sault Ste. Marie	Northern Ontario	Residential	28	$2,948,489
17-Jan-19	136 Cambridge	Sault Ste. Marie	Northern Ontario	Residential	17	$1,584,705
17-Jan-19	17 Terry Fox	Sault Ste. Marie	Northern Ontario	Residential	12	$1,000,000
17-Jan-19	519 Boundary	Sault Ste. Marie	Northern Ontario	Residential	18	$1,518,824
17-Jan-19	602/614 MacDonald	Sault Ste. Marie	Northern Ontario	Residential	70	$7,215,294
17-Jan-19	62/76 Allard & 731 Pine	Sault Ste. Marie	Northern Ontario	Residential	85	$9,014,986
17-Jan-19	250 Albert	Sault Ste. Marie	Northern Ontario	Residential	68	$6,736,235
17-Jan-19	43 Lewis	Sault Ste. Marie	Northern Ontario	Residential	22	$2,090,173
17-Jan-19	721 Pine	Sault Ste. Marie	Northern Ontario	Residential	29	$3,191,294
Q1/19 Dispositions					**349**	**$35,300,000**
30-May-19	2243 Fairview Street	Burlington	GTA	Land	n/a	$46,812,308
Q2/19 Dispositions					**n/a**	**$46,812,308**
Total 2019 Dispositions					**349**	**$82,112,308**

PORTFOLIO SUMMARY

The Trust started the year with 9,299 suites. During the year ended 2019 the Trust disposed of its Sault Ste. Marie portfolio of nine properties, totalling 349 suites), purchased fourteen properties (totalling 1,214 suites) and a vacant office building in Ottawa to be converted into residential suites. The Trust also disposed of its land held for development at 2243 Fairview, Burlington for cash and a 25% interest in the Burlington GO Lands joint venture. At December 31, 2019, the Trust owned 10,164 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 to drive rents, reduce operating costs, and streamline operations. At December 31, 2019, 81.8% of the portfolio was same property suites and 64.4% of the portfolio was repositioned property suites. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 1,214 suites, as well as a vacant office building to be converted into residential suites within these clusters during the year. We are actively seeking opportunities within our target markets, as well as evaluating other gateway cities in Canada { }, in order to continue to build our acquisition pipeline and 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 GTA (including Hamilton), Ottawa/NCR and Montreal has resulted in approximately 85% of InterRent's suites now being located in these core markets.

▼ Suites By Region at December 31, 2019

Region	Total Portfolio		Same Property	
	Suites	% of Portfolio	Suites	% of Portfolio
Eastern Ontario	204	2.0%	204	2.5%
GTA	1,283	12.6%	1,283	15.4%
Hamilton/Niagara	1,934	19.0%	1,563	18.8%
Montreal	2,785	27.4%	1,382	16.6%
Gatineau	497	4.9%	497	6.0%
Ottawa	2,464	24.3%	2,386	28.7%
Western Ontario	997	9.8%	997	12.0%
Total	**10,164**	**100.0%**	**8,312**	**100.0%**

ANALYSIS OF OPERATING RESULTS

In $ 000's	3 Months Ended December 31, 2019		3 Months Ended December 31, 2018		12 Months Ended December 31, 2019		12 Months Ended December 31, 2018	
Gross rental revenue	**$38,402**		$33,361		**$143,150**		$125,982	
Less: vacancy & rebates	**(1,700)**		(1,291)		**(6,790)**		(6,043)	
Other revenue	**2,497**		1,992		**8,942**		7,347	
Operating revenues	**$39,199**		$34,062		**$145,302**		$127,286	
Expenses								
Property operating costs	**5,624**	**14.3%**	4,772	14.0%	**20,988**	**14.4%**	18,933	14.9%
Property taxes	**4,368**	**11.1%**	4,102	12.0%	**17,443**	**12.0%**	16,097	12.6%
Utilities	**3,001**	**7.7%**	2,876	8.5%	**10,677**	**7.4%**	10,038	7.9%
Operating expenses	**$12,993**	**33.1%**	$11,750	34.5%	**$49,108**	**33.8%**	$45,068	35.4%
Net operating income	**$26,206**		$22,312		**$96,194**		$82,218	
Net operating margin	**66.9%**		65.5%		**66.2%**		64.6%	

REVENUE

Gross rental revenue for the year ended December 31, 2019 increased 13.6% to $143.2 million compared to $126.0 million for the year ended December 31, 2018. Operating revenue for the year was up $18.0 million to $145.3 million, or 14.2% compared to the prior year. The Trust owned, on a weighted average basis, 9,628 suites throughout 2019 (10,164 suites at the end of 2019) as compared to 9,014 throughout 2018 (9,299 at the end of 2018), an increase of 614 suites from 2018. On a weighted average suite basis, gross rental revenue for 2019 grew by 6.4% over 2018.

The average monthly rent for the month of December 2019 increased to $1,260 per suite from $1,190 (December 2018), an increase of 5.9%. On a Same Property basis, the average rent increased by $83 per suite to $1,297 (or up 6.8%) over December 2018. The overall increase in average rent is impacted by changes in property mix (through the acquisition of properties in our targeted growth markets and dispositions in non-core markets). Management expects to continue to grow rent organically by moving to market rent on suite turnovers, continued roll-out of guideline increases and AGIs, as well as continuing to drive other ancillary revenue streams such as parking, laundry, locker rentals, and cable and telecom revenue share agreements.

▼ Average Rent By Region[1]

Region	Total Portfolio			Same Property		
	December 2019	December 2018	Change	December 2019	December 2018	Change
Eastern Ontario	$1,213	$1,117	8.6%	$1,213	$1,117	+8.6%
GTA	$1,593	$1,490	6.9%	$1,593	$1,490	+6.9%
Hamilton/Niagara	$1,155	$1,083	6.6%	$1,194	$1,117	+6.9%
Northern Ontario	-	$963	n/a	-	-	-
Montreal	$1,097	$1,022	7.3%	$1,123	$1,053	+6.6%
Gatineau	$976	$919	6.2%	$976	$919	+6.2%
Ottawa	$1,430	$1,340	6.7%	$1,411	$1,320	+6.9%
Western Ontario	$1,231	$1,149	7.1%	$1,231	$1,149	+7.1%
Total	**$1,260**	**$1,190**	**5.9%**	**$1,297**	**$1,214**	**+6.8%**

[1] Excludes extended stay suites.

The REIT estimates that the average market rent on the total portfolio is in excess of 25% higher than the average in-place rent of $1,260.

InterRent REIT has been successful in increasing rent levels while at the same time reducing hydro consumption and costs by having residents be responsible for the cost associated with their individual consumption. Currently, 83% of the portfolio has submetering capabilities in place.

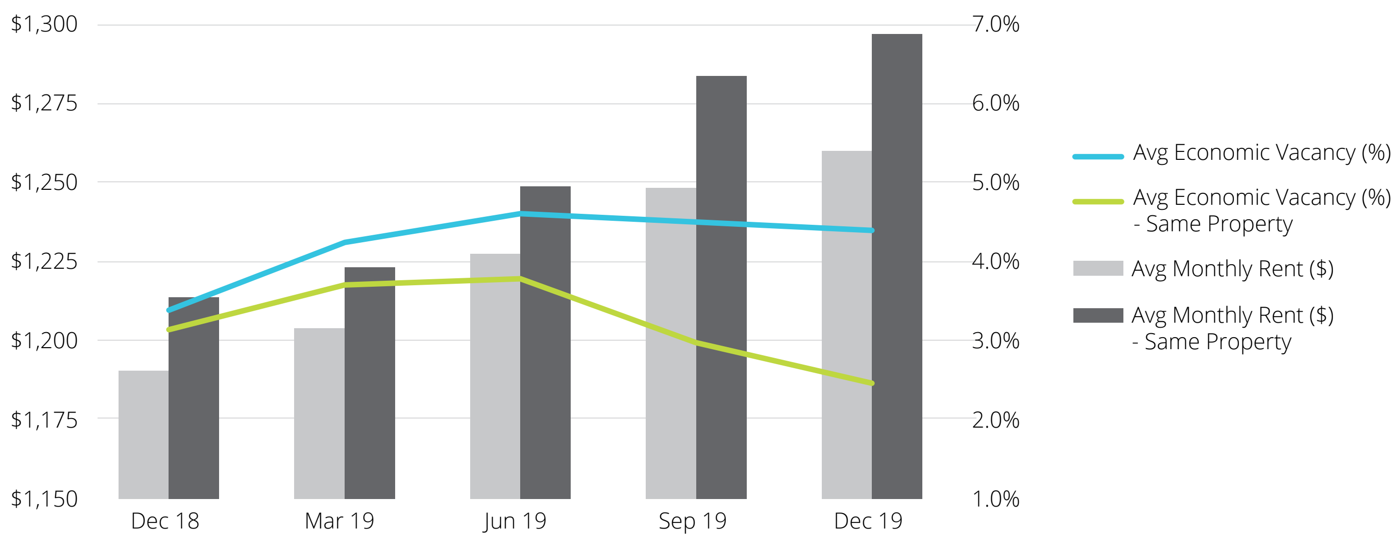
Portfolio Occupancy

As part of the ongoing effort to drive rents throughout the portfolio, the vacancy rate on an annual basis is expected to be in the 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. marketing that is tailored 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 value for Unitholders. 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 the economic vacancy for the entire portfolio for the month listed. This data is calculated by taking financial vacancy loss and dividing it by gross rental revenue .



	December 2018	March 2019	June 2019	September 2019	December 2019
Average monthly rents all properties	$1,190	$1,204	$1,227	$1,248	$1,260
Average monthly rents Same Property	$1,214	$1,223	$1,249	$1,284	$1,297

The overall economic vacancy for December 2019 across the entire portfolio was 4.4%, an increase of 100 basis points as compared to the 3.4% recorded for December 2018. Economic vacancy for the Same Property portfolio for December 2019 was 2.5%, compared to 3.1% at December 2018.

Overall Vacancy is up from the 3.4% recorded in December of 2018 but down from the 4.5% recorded in September of 2019. Given the strong demand and growth in market rents, the REIT has been actively managing asking rents to try and achieve as much of the upside as possible. With turnover in the coming years expected to be lower than normal, the REIT believes that we must capture maximum rent on turnover at this time. The increase in Montreal vacancy was mainly attributable to the ongoing capital work and rehabilitation of non-repositioned properties within the region. Eastern Ontario is a small portfolio of 204 suites that due to timing of turnovers does occasionally have higher vacancy on a percentage basis.

Vacancy By Region

Region	Total Portfolio			Same Property		
	December 2019	December 2018	Change	December 2019	December 2018	Change
Eastern Ontario	7.6%	0.0%	+760 bps	7.6%	0.0%	+760 bps
GTA	1.6%	0.8%	+80 bps	1.6%	0.8%	+80 bps
Hamilton/Niagara	3.6%	4.2%	-60 bps	3.8%	4.3%	-50 bps
Northern Ontario	-	1.7%	n/a	-	-	n/a
Montreal	11.2%	9.1%	+210 bps	4.8%	9.3%	-450 bps
Gatineau	1.7%	4.0%	-230 bps	1.7%	4.0%	-230 bps
Ottawa	1.8%	2.5%	-70 bps	1.2%	1.9%	-70 bps
Western Ontario	1.6%	1.1%	+50 bps	1.6%	1.1%	+50 bps
Total	**4.4%**	**3.4%**	**+100 bps**	**2.5%**	**3.1%**	**-60 bps**

Other Revenue

Other rental revenue for the twelve months ended December 31, 2019 increased 21.7% to $8.9 million compared to $7.3 million for 2018. 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. For the twelve months ended December 31, 2019, other revenue represents 6.2% of net revenue as compared to 5.8% for 2018.

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, 2019 amounted to $21.0 million or 14.4% of revenue compared to $18.9 million or 14.9% of revenue for the year ended December 31, 2018. As a percentage of revenue, operating costs decreased by 500 basis points as compared to 2018.

PROPERTY TAXES

Property taxes for the year ended December 31, 2019 amounted to $17.4 million or 12.0% of revenue compared to $16.1 million or 12.6% of revenue for the year ended December 31, 2018. The $1.3 million increase is mainly attributable to the increase in the number of average suites throughout the year as well as increases in assessed property values.

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, 2019 amounted to $10.7 million or 7.4% of revenue compared to $10.0 million or 7.9% of revenue for the year ended December 31, 2018. As a percentage of operating revenues and on a per suite basis, utility costs have decreased over last year despite higher rates for electricity, gas and water.

Across the entire portfolio, the hydro sub-metering initiative reduced electricity costs by 26.2%, or $1.3 million for the year. At December 31, 2019, the REIT had approximately 83% of its portfolio (8,480 suites) that had the capability to submeter hydro in order to recover the cost. Of the 8,480 suites that have the infrastructure in place, 6,935 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant, which represents approximately 68% of the total portfolio. The REIT plans on continuing to roll this program out to new properties as they are acquired.

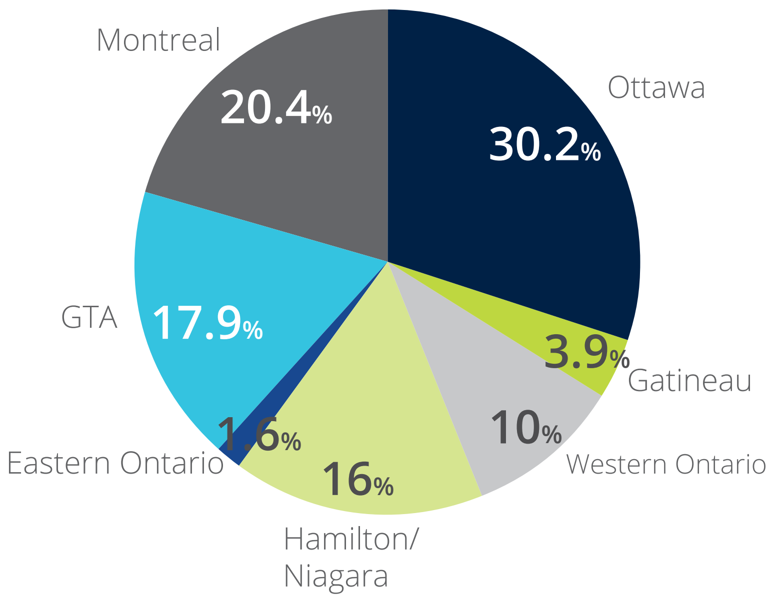
NET OPERATING INCOME (NOI)

NOI for the three months ended December 31, 2019 amounted to $26.2 million or 66.9% of operating revenue compared to $22.3 million or 65.5% of operating revenue for the three months ended December 31, 2018. The $3.9 million increase in the quarter is as a result of growing the portfolio and increasing net revenue by 15.1%.

NOI for the twelve months ended December 31, 2019 amounted to $96.2 million or 66.2% of operating revenue compared to $82.2 million or 64.6% of operating revenue for the twelve months ended December 31, 2018. The $14.0 million increase in the year is as a result of growing the portfolio and increasing net revenue by 14.2%. On a weighted average per suite basis, NOI increased 9.5% from $9,121 per suite in 2018 to $9,991 per suite in 2019.

NOI for the twelve months ended December 31, 2019 from the Same Property portfolio was $85.8 million, or 66.6% of operating revenue. Management continues to focus on top line revenue growth through acquisitions, suite additions 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, 2019



Stoney Creek Towers | 40 Grandville Avenue, Hamilton

SAME PROPERTY PORTFOLIO PERFORMANCE

Same Property results for the three and twelve months ended December 31, 2019 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 period completed during the period from January 1, 2018 to December 31, 2019. As at December 31, 2019, the Trust has 8,312 suites in the Same Property portfolio. The Same Property portfolio represents 81.8% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2019		3 Months Ended December 31, 2018		12 Months Ended December 31, 2019		12 Months Ended December 31, 2018	
Gross rental revenue	**$32,407**		$30,472		**$126,332**		$117,717	
Less: vacancy & rebates	**(838)**		(1,114)		**(4,678)**		(5,484)	
Other revenue	**1,837**		1,698		**7,191**		6,606	
Operating revenues	**$33,406**		$31,056		**$128,845**		$118,839	
Expenses								
Property operating costs	**4,611**	**13.8%**	4,285	13.8%	**18,404**	**14.3%**	17,718	14.9%
Property taxes	**3,722**	**11.1%**	3,749	12.1%	**15,337**	**11.9%**	14,990	12.6%
Utilities	**2,469**	**7.4%**	2,604	8.4%	**9,271**	**7.2%**	9,184	7.8%
Operating expenses	**$10,802**	**32.3%**	$10,638	34.3%	**$43,012**	**33.4%**	$41,892	35.3%
Net operating income	**$22,604**		$20,418		**$85,833**		$76,947	
Net operating margin	**67.7%**		65.7%		**66.6%**		64.7%	

For the three months ended December 31, 2019, operating revenues for Same Property increased by 7.6% and operating expenses increased by 1.5% as compared to the same period last year. As a result, Same Property NOI has increased by $2.2 million, or 10.7%, as compared to the same period last year. NOI margin for Q4 2019 was 67.7% as compared to 65.7% for Q4 2018, an increase of 200 basis points. As a percentage of revenue, operating costs remained constant and property taxes and utilities decreased as compared to 2018.

For the twelve months ended December 31, 2019, operating revenues from Same Property increased by 8.4% and operating expenses increased by 2.7% as compared to the same period last year. As a result, Same Property NOI for 2019 increased by $8.9 million, or 11.5% as compared to 2018. NOI margin for 2019 was 66.6% as compared to 64.7% for 2018, an increase of 190 basis points. As a percentage of revenue, operating costs, property taxes and utilities have all decreased as compared to 2018.

The average monthly rent for the month of December 2019 for Same Property increased to $1,297 per suite from $1,214 (December 2018), an increase of 6.8%. Economic vacancy for the month of December 2019 for Same Property was 2.5%, compared to 3.1% for December 2018.

	December 2018	March 2019	June 2019	September 2019	December 2019
Average monthly rents Same Property portfolio	$1,214	$1,223	$1,249	$1,284	$1,297
Average monthly vacancy Same Property portfolio	3.1%	3.7%	3.8%	3.0%	2.5%

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 what the tenant turnover at the property is like. Repositioned Property suites for the three and twelve months ended December 31, 2019 are defined as all properties owned and operated by the Trust prior to January 1, 2016 excluding the four buildings at Stoney Creek in Hamilton (618 suites). As at December 31, 2019, the Trust has 6,547 repositioned property suites, which represents 64.4% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2019					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	$26,187		$12,215		**$38,402**	
Less: vacancy & rebates	(535)		(1,165)		**(1,700)**	
Other revenue	1,579		918		**2,497**	
Operating revenues	$27,231		$11,968		**$39,199**	
Expenses						
Property operating costs	3,662	13.4%	1,962	16.4%	**5,624**	**14.3%**
Property taxes	2,968	10.9%	1,400	11.7%	**4,368**	**11.1%**
Utilities	1,951	7.2%	1,050	8.8%	**3,001**	**7.7%**
Operating expenses	$8,581	31.5%	$4,412	36.9%	**$12,993**	**33.1%**
Net operating income	$18,650		$7,556		**$26,206**	
Net operating margin	68.5%		63.1%		**66.9%**	

In $ 000's	12 Months Ended December 31, 2019					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	102,204		$40,946		**$143,150**	
Less: vacancy & rebates	(2,664)		(4,126)		**(6,790)**	
Other revenue	6,215		2,727		**8,942**	
Operating revenues	$105,755		$39,547		**$145,302**	
Expenses						
Property operating costs	14,540	13.7%	6,448	16.3%	**20,988**	**14.4%**
Property taxes	12,322	11.7%	5,121	12.9%	**17,443**	**12.0%**
Utilities	7,282	6.9%	3,395	8.6%	**10,677**	**7.4%**
Operating expenses	$34,144	32.3%	$14,964	37.8%	**$49,108**	**33.8%**
Net operating income	$71,611		$24,583		**$96,194**	
Net operating margin	67.7%		62.2%		**66.2%**	

The average monthly rent for December 2019 for the Repositioned Property portfolio was $1,328 per suite and the economic vacancy for December 2019 was 1.9% whereas the non-repositioned properties had an average monthly rent of $1,137 per suite and an economic vacancy of 9.9% for December 2019.

Region	Repositioned Property Portfolio			Non-Repositioned Property Portfolio		
	Suites	December 2019 Average Rent	December 2019 Vacancy	Suites	December 2019 Average Rent	December 2019 Vacancy
Eastern Ontario	204	$1,213	7.6%	-	-	-
GTA	1,283	$1,593	1.6%	-	-	-
Hamilton/Niagara	816	$1,292	3.1%	1,118	$1,056	4.1%
Montreal	782	$1,046	1.4%	2,003	$1,117	14.8%
Gatineau	497	$976	1.7%	-	-	-
Ottawa	1,968	$1,436	1.3%	496	$1,403	3.7%
Western Ontario	997	$1,231	1.6%	-	-	-
Total	**6,547**	**$1,328**	**1.9%**	**3,617**	**$1,137**	**9.9%**

FINANCING AND ADMINISTRATIVE COSTS

In $ 000's	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Net operating income	**$26,206**	$22,312	**$96,194**	$82,218
Expenses				
Financing costs	**6,791**	6,591	**26,273**	25,565
Administrative costs	**3,390**	2,976	**12,034**	10,772
Income before other income expenses	**$16,025**	$12,745	**$57,887**	$45,881

FINANCING COSTS

Financing costs amounted to $6.8 million or 17.3% of operating revenue for the three months ended December 31, 2019 compared to $6.6 million or 19.3% of operating revenue for the three months ended December 31, 2018.

In $ 000's	3 Months Ended December 31, 2019		3 Months Ended December 31, 2018	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$6,742**	**17.2%**	$6,147	18.0%
Credit facilities	**344**	**0.9%**	277	0.8%
Interest capitalized	**(324)**	**(0.8%)**	-	-
Interest income	**(112)**	**(0.3%)**	(128)	(0.4%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**141**	**0.3%**	295	0.9%
Total	**$6,791**	**17.3%**	$6,591	19.3%

Financing costs amounted to $26.3 million or 18.1% of revenue for the twelve months ended December 31, 2019 compared to $25.6 million or 20.1% of revenue for the twelve months ended December 31, 2018. As a percentage of operating revenue, financing costs have historically been in the range of 18% to 21%.

In $ 000's	12 Months Ended December 31, 2019		12 Months Ended December 31, 2018	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$25,750**	**17.7%**	$23,585	18.6%
Credit facilities	**1,695**	**1.2%**	1,414	1.1%
Interest capitalized	**(1,403)**	**(1.0%)**	-	-
Interest income	**(490)**	**(0.3%)**	(606)	(0.5%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**721**	**0.5%**	1,172	0.9%
Total	**$26,273**	**18.1%**	$25,565	20.1%

Mortgage Interest

Mortgage interest is one of the single largest expense line items for InterRent REIT. Given the current rates in the market for both CMHC insured and conventional mortgages, it is management's expectation that it will be able to continue to refinance existing mortgages as they come due at rates that are in line with the overall weighted average. Mortgage debt has increased on an overall basis, mainly attributable to up-financing for property acquisitions and repositioning.

ADMINISTRATIVE COSTS

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

Administrative costs for the twelve months ended December 31, 2019 amounted to $12.0 million or 8.3% of operating revenue compared to $10.8 million or 8.5% of revenue for the twelve months ended December 31, 2018. InterRent incurred approximately $0.7M in non-recurring charges in the fourth quarter with the majority of the expense related to tax work/planning (approximately $0.5M) and the remainder related to dead deal costs from several large marketed and off-market portfolios.

OTHER INCOME AND EXPENSES

In $ 000's	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Income before other income and expenses	**$16,025**	$12,745	**$57,887**	$45,881
Other income and expenses				
Income from joint ventures	**10**	-	**24**	-
Property management internalization cost	**-**	-	**-**	(43,993)
Loss on sale of investment properties	**-**	-	**(675)**	-
Fair value adjustments of investment properties	**242,824**	39,580	**353,160**	195,651
Unrealized gain/(loss) on financial liabilities	**6,687**	(9,624)	**(23,302)**	(27,411)
Distributions expense on units classified as financial liabilities	**(571)**	(513)	**(2,205)**	(1,831)
Net income	**$264,975**	$42,188	**$384,889**	$168,297

SALE OF ASSETS

During the year ended December 31, 2019, the Trust had a $0.7 million loss from the sale of nine investment properties for a total selling price of $35.3 million compared to a carrying value of $35.0 million. The properties were sold for $0.3 million above their fair value however selling costs of $1.0 million (which includes commission, legal expense and any unamortized portion of the CMHC insurance premium) were incurred as part of the transactions, resulting in a loss on disposition of $0.7 million. There were no dispositions in the year ended December 31, 2018.

PROPERTY MANAGEMENT INTERNALIZATION COSTS

On February 15, 2018, the REIT entered into an agreement with CLV Group Inc. (the "Property Manager") to internalize the REIT's property management function. Upon closing of the transaction, a subsidiary of the REIT acquired the Property Manager's REIT-related property management business for a total consideration of $38.0 million to the Property Manager (3,224,516 Class B LP limited partnership units (exchangeable on a one-for-one basis) at a value of approximately $9.42 per unit, or $30.4 million and $7.6 million in cash) and $3.1 million in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The total consideration, including all future vesting of deferred units, is approximately $44.1 million. The REIT also incurred approximately $2.0 million in transaction related costs.

For the year ended December 31, 2018, the REIT recorded $44.0 million in property management internalization costs. The remaining $2.1 million relating to the future vesting of the matched portion of the retention bonuses to employees will be expensed over the next 5 years as administrative costs.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2019 and 2018 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, 2019 (approximately 32% in 2018). For the twelve month period ended December 31, 2019, a fair value gain of $353.2 million was recorded on the financial statements driven by property level operating improvements as well as a change in the valuation technique in Q4 to align the REIT's valuation model more closely with that of the sector. The valuation model now includes turnover assumptions, mark-to-market rent adjustments (based on turnover) as well as expected increases in operating expenses that match the timeframe for the turnover and mark-to-market assumptions. The weighted average capitalization rate used across the portfolio at the end of Q4 2019 was 4.24% as compared to 4.38% (4.33% without Sault Ste. Marie) for Q4 2018 and 4.29% for Q3 2019. The change in the weighted average capitalization rate is a result of acquisitions, disposition of the Sault Ste. Marie properties, the decrease in capitalization rates on properties that have undergone significant repositioning, and the compression of cap rates in Ontario and Quebec that has been driven by continued strong demand for multi-family assets within these markets.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a closing price of $15.64 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, 2019 was $58.8 million and a corresponding fair value loss of $12.0 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2019.

The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2019 at $7.2 million and a corresponding fair value loss of $2.5 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2019.

The Trust used a closing price of $15.64 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the Class B LP unit liability. The total fair value of these Units recorded on the consolidated balance sheet at December 31, 2019 was $53.3 million and a corresponding fair value loss of $8.8 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2019.

In $ 000's	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Fair value gain/(loss) on financial liabilities:				
Deferred unit compensation plan	**$3,760**	$(4,069)	**$(11,791)**	$(11,386)
Option plan	**471**	(1,121)	**(2,497)**	(3,579)
LP Class B unit liability	**2,456**	(4,434)	**(8,834)**	(12,446)
Fair value gain/(loss) on financial liabilities	**$6,687**	$(9,624)	**$(23,302)**	$(27,411)

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, 2018 to December 31, 2019.

In $ 000's	December 31, 2019
Balance, December 31, 2018	$2,077,051
Acquisitions	319,721
Property capital investments	80,231
Fair value gains	353,160
Dispositions	(81,821)
Total investment properties	$2,748,342

The Trust acquired fourteen properties (1,214 suites) for $319.7 million, sold its Sault Ste. Marie portfolio of nine properties, totalling 349 suites, with a carrying cost of $35.0 million, and sold the land held for development (2243 Fairview, Burlington) for $46.8 million during the year ended December 31, 2019.

The fair value of the portfolio at December 31, 2019 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, 2019. For the twelve month period ended December 31, 2019, a fair value gain of $353.2 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

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 what the tenant turnover at the property is like. For the purpose of identifying capital expenditures related to properties being repositioned, for 2019 the REIT uses a cut-off of December 31, 2015. 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, 2016, 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 6,547 suites in the REIT's portfolio that were acquired prior to January 1, 2016 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

For the twelve month period ended December 31, 2019, the Trust invested $80.2 million (2018 – $66.4 million) in the portfolio. Of the $80.2 million invested in the year, $43.1 million was invested in the non-repositioned properties and $4.0 million was invested in land held for development and properties under development. Of the remaining $33.1 million, $26.7 million was invested in value enhancing initiatives and $6.4 million was related to sustaining and maintaining existing spaces.

Maple Bay Apartments | 455 Maple Avenue, Burlington

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2018 to December 31, 2019.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2018	106,032,017	$558,615
Units issued under prospectuses	14,375,000	201,250
Issue costs	-	(8,559)
Units issued under the deferred unit plan	76,697	1,045
Units issued under distribution reinvestment plan	842,562	11,888
Units issued from options exercised	152,445	2,043
December 31, 2019	121,478,721	$766,282

On July 9, 2019 the Trust completed a bought deal prospectus whereby it issued 14,375,000 Trust Units for cash proceeds of $201,250 and incurred $8,559 in issue cost.

As at December 31, 2019 there were 121,478,721 Trust Units issued and outstanding.

DISTRIBUTIONS

The distributions were $0.29334 for 2019 and $0.27333 for 2018. The Trust is currently making monthly distributions of $0.025833 per Unit, which equates to $0.310 per Unit on an annualized basis. For the year ended December 31, 2019, the Trust's FFO and AFFO was $0.48 and $0.43 per unit respectively, compared to $0.45 and $0.39 for the year ended December 31, 2018.

Distributions to Unitholders were as follows:

In $ 000's	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Distributions declared to Unitholders	**$ 33,408**	$ 26,696
Distributions reinvested through DRIP	**(11,888)**	(5,627)
Distributions declared to Unitholders, net of DRIP	**$ 21,520**	$ 21,069
DRIP participation rate	**35.6%**	21.1%

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, 2019	3 Months Ended December 31, 2018	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
Trust units	**121,295,432**	105,929,183	**113,499,289**	96,956,296
LP Class B units	**3,410,766**	3,410,766	**3,410,766**	3,013,223
Weighted average units outstanding - Basic	**124,706,198**	109,339,949	**116,910,055**	99,969,519
Unexercised dilutive options (1)	**520,643**	535,444	**520,643**	535,444
Weighted average units outstanding - Diluted	**125,226,841**	109,875,393	**117,430,698**	100,504,963

(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/redevelopment properties.

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Net income	**$264,975**	$42,188	**$384,889**	$168,297
Add (deduct):				
Fair value adjustments on investment property	**(242,824)**	(39,580)	**(353,160)**	(195,651)
Loss on sale of investment properties	**-**	-	**675**	-
Property management internalization cost [1]	**-**	-	**-**	43,993
Unrealized (gain)/loss on financial instruments	**(6,687)**	9,624	**23,302**	27,411
Interest expense on puttable units classified as liabilities	**259**	242	**1,000**	860
Funds from Operations (FFO)	**$15,723**	$12,474	**$56,706**	$44,910
FFO per weighted average unit - basic	**$0.126**	$0.114	**$0.485**	$0.449
FFO per weighted average unit - diluted	**$0.126**	$0.114	**$0.483**	$0.447

[1] Property management internalization costs are added back to Net income in determining FFO as it represents a one-time transaction event that is not indicative our normal operations and helpful as a useful measure of recurring economic earnings.

Excluding the non-recurring professional costs identified in the Administrative Cost section, FFO for the quarter would have been $16,441 and FFO per Unit for the quarter would have been $0.131 per Unit.

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended December 31, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Funds from Operations	**$15,723**	$12,474	**$56,706**	$44,910
Add (deduct):				
Actual maintenance capital investment	**(1,785)**[1]	(1,408)[2]	**(6,403)**[3]	(5,616)[2]
Adjusted Funds from Operations (AFFO)	**$13,938**	$11,066	**$50,303**	$39,294
AFFO per weighted average unit - basic	**$0.112**	$0.101	**$0.430**	$0.393
AFFO per weighted average unit - diluted	**$0.111**	$0.101	**$0.428**	$0.391

[1] Maintenance capital investment total is calculated for the 6,547 repositioned suites for three months ended December 31, 2019

[2] Maintenance capital investment total is calculated for the 5,812 repositioned suites for 2018

[3] Maintenance capital investment total is calculated for weighted average of 6,563 repositioned suites for the twelve months ended December 31, 2019

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 Trusts 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, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Cash generated from operating activities	**$20,362**	$12,060	**$72,588**	$40,126
Add (deduct):				
Property management internalization cost [1]	**-**	-	**-**	8,606
Changes in non-cash working capital not indicative of sustainable cash flows	**600**	5,000	**(4,400)**	5,000
Amortization of finance costs	**(141)**	(295)	**(721)**	(1,172)
Actual maintenance capital investment	**(1,785)**	(1,408)	**(6,403)**	(5,616)
ACFO	**19,036**	15,357	**61,064**	46,944
Distributions declared [2]	**9,462**	7,748	**34,408**	27,556
Excess of ACFO over distributions declared	**9,574**	7,609	**26,656**	19,388
ACFO payout ratio	**49.7%**	50.5%	**56.3%**	58.7%

[1] The cash effects of the property management internalization costs are added back to Cash from operating activities in determining ACFO as it represents a one-time transaction event that is not indicative our normal operations and helpful as a useful measure of sustainable cash flow.

[2] Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2019, ACFO exceeded distributions declared by $9.6 million and $26.7 million, respectively. 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, 2019**	**3 Months Ended December 31, 2018**	**12 Months Ended December 31, 2019**	**12 Months Ended December 31, 2018**
Net income	**$264,975**	$42,188	**$384,889**	$168,297
Cash flows from operating activities	**20,362**	12,060	**72,588**	40,126
Distributions paid [1]	**5,725**	5,419	**21,945**	21,254
Distributions declared [1]	**9,462**	7,748	**34,408**	27,556
Excess of net income over distributions paid	**259,250**	36,769	**362,944**	147,043
Excess of net income over distributions declared	**255,513**	34,440	**350,481**	140,741
Excess of cash flows from operations over distributions paid	**14,637**	6,641	**50,643**	18,872
Excess of cash flows from operations over distributions declared	**10,900**	4,312	**38,180**	12,570

[1] Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2019, cash flows from operating activities exceeded distributions paid by $14.6 million and $50.6 million, respectively. 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

The following table presents a summary of InterRent's operating performance for the past eight quarters:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Suites	10,164	10,060	9,398	9,203	9,299	9,235	9,021	8,959
Average rent per suite (last month of Q)	$1,260	$1,248	$1,227	$1,204	$1,190	$1,176	$1,148	$1,117
Occupancy rate (last month of Q)	95.6%	95.5%	95.3%	95.8%	96.6%	95.8%	94.0%	96.7%
Operating revenues	$39,199	$37,630	$34,742	$33,731	$34,062	$32,149	$30,914	$30,161
NOI	26,206	25,785	23,042	21,160	22,312	21,562	19,994	18,350
NOI %	66.9%	68.5%	66.3%	62.7%	65.5%	67.1%	64.7%	60.8%
Same Property average rent per suite	$1,297	$1,284	$1,249	$1,223	$1,214	$1,198	$1,162	$1,127
Same Property Occupancy rate	97.5%	97.0%	96.2%	96.3%	96.9%	95.9%	94.1%	96.8%
Same Property NOI	22,604	22,320	21,204	19,705	20,418	20,109	18,747	17,673
Same Property NOI %	67.7%	68.7%	66.7%	63.2%	65.7%	67.2%	64.9%	61.0%
FFO	$15,723	$15,955	13,413	$11,614	$12,474	$12,246	10,917	$9,273
FFO per weighted average unit - diluted	$0.126	$0.129	$0.121	$0.105	$0.114	$0.117	$0.111	$0.105
AFFO	$13,938	$14,534	$12,219	$9,611	$11,066	$10,724	$9,406	$8,098
AFFO per weighted average unit - diluted	$0.111	$0.117	$0.111	$0.087	$0.101	$0.102	$0.095	$0.092
Distributions per unit	$0.0758	$0.0725	$0.0725	$0.0725	$0.0708	$0.0675	$0.0675	$0.0675
ACFO	$19,036	$17,254	$15,032	$9,742	$15,357	$13,588	$8,396	$9,603
Debt to GBV	32.5%	35.0%	40.0%	39.4%	38.9%	39.1%	43.5%	44.4%
Interest coverage (rolling 12 months)	3.12x	3.07x	2.99x	2.97x	2.93x	2.85x	2.81x	2.80x
Debt service coverage (rolling 12 months)	1.87x	1.84x	1.81x	1.81x	1.81x	1.80x	1.80x	1.81x

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 32.5% of Gross Book Value ("GBV") at December 31, 2019. 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, 2019	December 31, 2018
Total assets per Balance Sheet	$2,791,856	$2,117,992
Mortgages payable and vendor take-back loans	$881,509	$799,571
Lines of credit	26,865	23,550
Total debt	$908,374	$823,121
Debt to GBV	32.5%	38.9%

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 REIT in a fiscally prudent manner.

INTEREST AND DEBT SERVICE COVERAGE

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

In $000's	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
NOI	$96,194	$82,218
Less: Administrative costs	12,034	10,772
EBITDA	$84,158	$71,446
Interest expense [1]	26,954	24,393
Interest coverage ratio	**3.12x**	**2.93x**
Contractual principal repayments	18,161	14,987
Total debt service payments	$45,115	$39,380
Debt service coverage ratio	**1.87x**	**1.81x**

[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 and vendor take-back loans of InterRent REIT.

Year Maturing	Mortgage Balances At December 31, 2019 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2020	$179,137	20.0%	3.18%
2021	$76,927	8.6%	3.46%
2022	$71,011	7.9%	2.82%
2023	$81,264	9.0%	2.77%
2024	$69,733	7.8%	3.70%
Thereafter	$418,937	46.7%	2.98%
Total	$897,009	100%	3.02%

At December 31, 2019, the average term to maturity of the mortgage debt was approximately 5.1 years and the weighted average cost of mortgage debt was 3.02%. At December 31, 2019, approximately 79% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust added one mortgage on a property acquired in the quarter for $8.2 million and paid down $4.8 million in mortgage principal. The net result at December 31, 2019 compared to September 30, 2019 was:

- A decrease in average term to maturity of the mortgage debt to 5.1 years from 5.3 years;
- A decrease in the weighted average cost of mortgage debt to 3.02% from 3.03% ; and,
- A decrease in the mortgage debt backed by CMHC insurance from 80% to 79%.

During the year the Trust assumed eight mortgages and added two mortgages for ten properties that were acquired in the year for a combined amount of $103.5 million, repaid four mortgages on properties that were sold for $5.8 million and paid down $18.2 million in mortgage principal. The net result at December 31, 2019 compared to December 31, 2018 was:

- A decrease in average term to maturity of the mortgage debt to 5.1 years from 6.0 years;
- A decrease in the weighted average cost of mortgage debt to 3.02% from 3.04% ; and,
- A decrease in the mortgage debt backed by CMHC insurance to 79% from 80%.

As at December 31, 2019, the Trust had the following credit facilities:

- A $0.5 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, 2019, the Trust had no balance outstanding under this facility.
- A $55.0 million term credit facility, maturing in 2022, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on ten of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2019, the Trust had utilized $20.4 million of this facility.
- A $25.0 million term credit facility, maturing in 2021, 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 two of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2019, the Trust had utilized $6.4 million of this facility.
- A $60.0 million term credit facility, maturing in 2020, 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 five 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, 2019, the Trust had no balance outstanding under this facility.

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ACCOUNTING

FUTURE ACCOUNTING CHANGES

Amendments to IFRS 3 Business Combinations

The amendments to IFRS 3 clarify whether a transaction meets the definition of a business combination. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

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 Ecomonic 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 tenant legislation), the attractiveness of the properties to tenants, 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 tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant 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 tenants are found to fill vacancies. A disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by the Trust's properties as a result of downward pressure on rents.

Environmental 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.

Competition Risk

Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners compete in seeking tenants. 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 tenants 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 tenants 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 tenants, while imposing obligations upon the landlord. Residential tenancy legislation in the Provinces of Ontario and Québec prescribe certain procedures which must be followed by a landlord 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 tenant's rent is in arrears.

Further, residential tenancy legislation in certain provinces provide the tenant with the right to bring certain claims to the respective administrative body seeking an order to, among other things, compel the landlord 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 tenants. The inability to fully recover substantial capital expenditures from tenants 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 tenant 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 tenanted 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, tenant 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.

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 Act (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.

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.

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 2019 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.

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 Act 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.

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 are engaged in other real estate-related business activities. The Trust may become involved in transactions which conflict with the interests of the foregoing. Further, the Chief Executive Officer of the Trust is also the principal of the Trust's property management company. 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, tenants 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.

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.

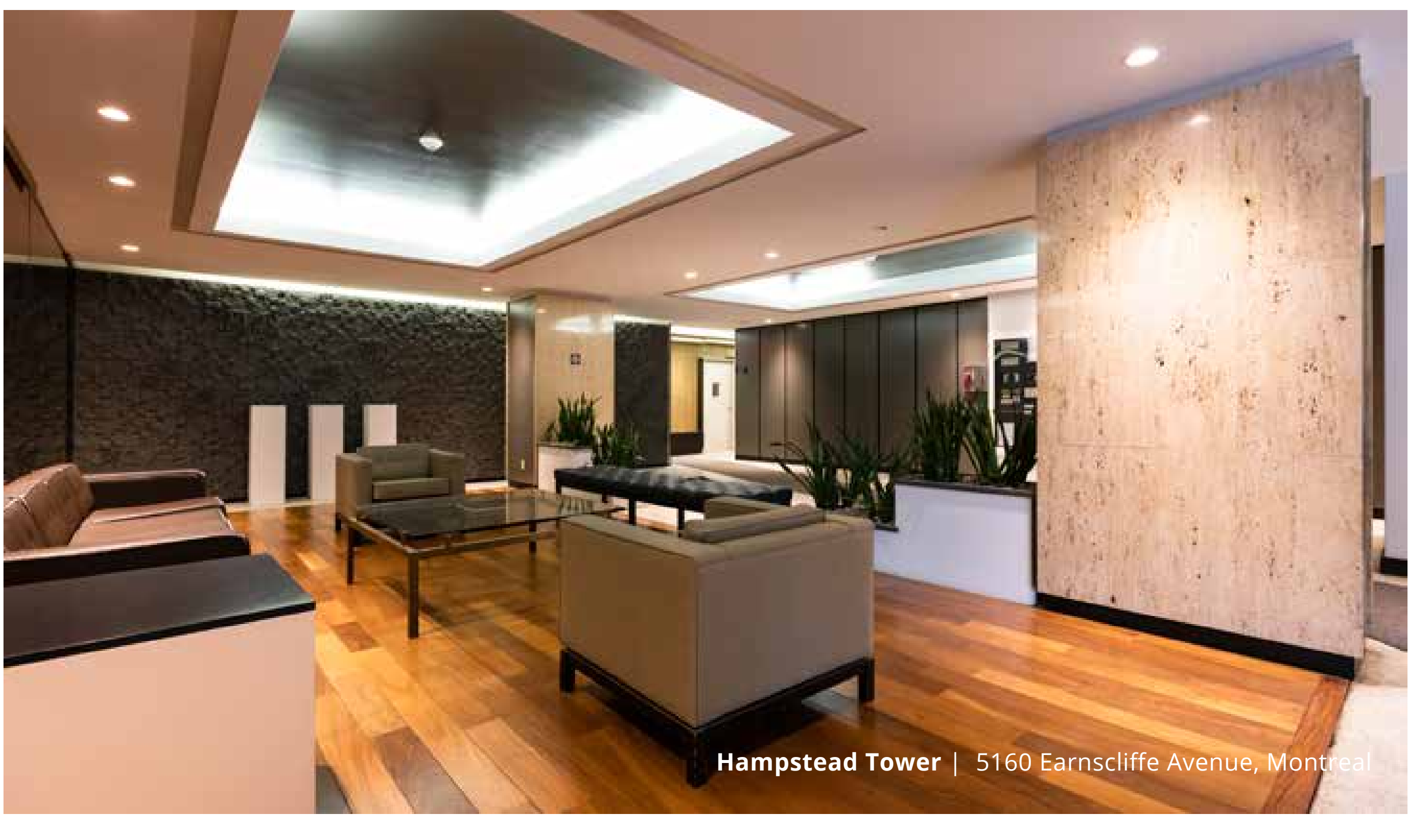
Legal Proceedings

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.

On September 8, 2009, NorthWest Value Partners Inc. ("NWVP") issued a Notice of Application in the Superior Court of Justice of Ontario against the former trustees of the Trust and others (but not against the Trust itself) seeking a declaration, among other things, that the trustees of the Trust did not have authority to complete the private placement that closed on September 3, 2009. On September 28, 2009, the Superior Court of Justice of Ontario directed a trial on certain matters but denied most of the requests by NWVP. Specifically, the Court denied the NWVP request for a declaration that the trustees of the Trust did not have the authority to close the private placement. Further, the court denied the NWVP request that the investors in the private placement not be permitted to vote at the annual and special meeting of unitholders of the Trust held on September 30, 2009. The Superior Court of Justice of Ontario awarded the Trust costs in excess of $100,000. NWVP has paid to the Trust the awarded costs.

On October 15, 2009, NWVP filed a notice of appeal with the Court of Appeal for Ontario appealing the decision of the Superior Court of Justice. On June 7, 2010, the appeal by NWVP was dismissed with costs of $25,000 ordered payable by NWVP to the Trust. NWVP has paid to the Trust the awarded costs.

Future legal costs may be incurred if NWVP proceeds to trial on the other outstanding issues which remain from the September 8, 2009 Notice of Application relating to the private placement. While the Trust maintains that the merits of NWVP's claims for damages are low, there is the possibility of an award of damages, in the event that NWVP was able to prove damages at trial. In such event, it is expected that the former trustees of the Trust would seek indemnity from the Trust to the extent that any such damages are not fully covered by policies of insurance held by the Trust for the benefit of the former trustees. The foregoing litigation costs, if incurred without successfully recovering the costs, and an award of damages against the former trustees that is not fully covered by policies of insurance held by the Trust for the benefit of the former trustees could to the extent of the Trust's indemnification obligations, if any, have an adverse impact on the financial condition of the Trust.



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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) tenants 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, such as credit checks and security deposits, designed to mitigate credit risk. While the Trust's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Trust's current credit loss experience will improve. The Trust monitors its collection process on a monthly basis and all receivables from past tenants and tenant 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 tenant 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, 2019, the Trust had past due rents and other receivables of $2.7 million net of an allowance for doubtful accounts of $1.2 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 in the December 31, 2019 audited 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. In addition, liquidity and capital availability risks are mitigated by diversifying the Trust's sources of funding, maintaining a staggered debt maturity profile and actively monitoring market conditions

As at December 31, 2019, the Trust had credit facilities as described in note 10 in the December 31, 2019 audited consolidated financial statements.

Note 9 in the December 31, 2019 audited consolidated financial statements reflects the contractual maturities for mortgage payable of the Trust at December 31, 2019, 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 $932 million as at December 31, 2019 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, 2019, approximately 12% (December 31, 2018 – 13%) 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 $1.4 million for the year ended December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2019 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

The transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below, unless they have been disclosed elsewhere in the audited financial statements.

i. Accounts Payable (net of amounts receivable)

As at December 31, 2019, $nil (December 31, 2018 - $nil) was included in accounts payable and accrued liabilities, net of amounts receivable, which are due to companies controlled by an officer of the Trust. The amounts were non-interest bearing and due on demand.

ii. Services

There were no related party transactions during the year ended December 31, 2019. During the year ended December 31, 2018 the Trust incurred $1.0 million in services from companies controlled by an officer of the Trust. Of the services received approximately $0.2 million had been capitalized to the investment properties and the remaining amounts were included in operating and administrative costs.

iii. Property Management Internalization

On February 15, 2018, the REIT entered into an agreement with CLV Group Inc. (the "Property Manager") to internalize the REIT's property management function. Upon closing of the transaction, a subsidiary of the REIT acquired the Property Manager's REIT-related property management business for a total consideration of $38.0 million to the Property Manager (3,224,516 Class B LP limited partnership units (exchangeable on a one-for-one basis) at a value of approximately $9.42 per unit, or $30.4 million and $7.6 million in cash) and $3.1 million in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The total consideration, including all future vesting of deferred units, is approximately $44.1 million. The REIT also incurred approximately $2.0 million in transaction related costs.

For the year ended December 31, 2018, the REIT recorded $44.0 million in property management internalization costs. The remaining $2.1 million relating to the future vesting of the matched portion of the retention bonuses to employees will be expensed over the next 5 years as administrative costs.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all material 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.

The Trust's Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Trust's disclosure controls and procedures as of December 31, 2019 and concluded that such controls and procedures are adequate and effective to ensure that the information required to be disclosed by the Trust in its annual filings, interim filings or other reports that it files or submits pursuant to Canadian securities laws is (a) recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities laws; and (b) accumulated and communicated to the management of the Trust, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as specified in Canadian securities laws. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Trust and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The Trust's Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Trust's internal controls over financial reporting as of December 31, 2019, and concluded that such controls are adequate and effective.

There were no changes in the internal controls over financial reporting during the financial year-end December 31, 2019, which have materially affected, or are reasonably likely to materially affect, the Trust's internal controls over financial reporting.

SUBSEQUENT EVENTS

The Trust purchased one property with 57 suites that closed on February 27, 2020 for a purchase price of approximately $18.15 million and is committed to purchase a property (4 suites) which is contiguous to our development site at Richmond Churchill and will become part of the land assembly in March 2020 for a purchase price of approximately $1.35 million.

OUTSTANDING SECURITIES DATA

As of March 3, 2020, the Trust had issued and outstanding: (i) 121,677,550 units; (ii) Class B LP Units that are exchangeable for 3,410,766 units of the Trust; (iii) options exercisable to acquire 813,745 units of the Trust; and (iv) deferred units that are redeemable for 4,234,345 units of the Trust.

ADDITIONAL INFORMATION

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

614 Lake Street, St Catharines


Royal Bank
RBC
Loft

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

March 3, 2020

WEST236 | 236 Richmond Road, Ottawa

RSM

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of InterRent Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of InterRent Real Estate Investment Trust and its subsidiaries, (the "Trust"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of income, changes in unitholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grand Lui.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 3, 2020
Toronto, Ontario

Consolidated Balance Sheets
(Cdn $ Thousands)

	Note	December 31, 2019	December 31, 2018
Assets			
Investment properties	4	**$ 2,748,342**	$ 2,077,051
Investment in joint ventures	7	**25,200**	17,337
Prepaids and deposits		**2,229**	6,334
Receivables and other assets	8	**15,332**	16,747
Cash		**753**	523
Total assets		**$ 2,791,856**	$ 2,117,992
Liabilities			
Mortgages payable	9	**$ 881,509**	$ 799,571
Credit facilities	10	**26,865**	23,550
Class B LP unit liability	12	**53,345**	44,511
Unit-based compensation liabilities	13	**66,070**	48,392
Tenant rental deposits		**11,722**	10,609
Accounts payable and accrued liabilities	11	**30,409**	28,571
Total liabilities		**1,069,920**	955,204
Unitholders' equity			
Unit capital	15	**766,282**	558,615
Retained earnings		**955,654**	604,173
Total unitholders' equity		**1,721,936**	1,162,788
Total liabilities and unitholders' equity		**$ 2,791,856**	$ 2,117,992

Commitments and contingencies (note 25)

Subsequent events (note 26)

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Trust

Ronald Leslie
Trustee

Michael McGahan
Trustee

Consolidated Statements of Income
For the Years Ended December 31
(Cdn $ Thousands)

	Note	2019	2018
Operating revenues			
Revenue from investment properties	16	**$ 145,302**	$ 127,286
Operating expenses			
Property operating costs		**20,988**	18,933
Property taxes		**17,443**	16,097
Utilities		**10,677**	10,038
Total operating expenses		**49,108**	45,068
Net operating income		**96,194**	82,218
Financing costs	17	**26,273**	25,565
Administrative costs		**12,034**	10,772
Income before other income and expenses		**57,887**	45,881
Other income and expenses			
Fair value adjustments on investment properties	4	**353,160**	195,651
Loss on disposition of investment properties	6	**(675)**	-
Income from joint ventures	7	**24**	-
Other fair value losses	18	**(23,302)**	(27,411)
Interest on units classified as financial liabilities	19	**(2,205)**	(1,831)
Property management internalization cost	21	**-**	(43,993)
Net income for the year		**$ 384,889**	$ 168,297

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity
For the Years Ended December 31
(Cdn $ Thousands)

	Trust units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings	Total Unitholders' equity
Balance, January 1, 2018	$ 341,528	$ 547,241	$ (84,669)	$ 462,572	$ 804,100
Units issued (note 15)	217,087	-	-	-	217,087
Net income for the year	-	168,297	-	168,297	168,297
Distributions declared to Unitholders	-	-	(26,696)	(26,696)	(26,696)
Balance, December 31, 2018	**$ 558,615**	**$ 715,538**	**$ (111,365)**	**$ 604,173**	**$ 1,162,788**
Balance, January 1, 2019	$ 558,615	$ 715,538	$ (111,365)	$ 604,173	$ 1,162,788
Units issued (note 15)	207,667	-	-	-	207,667
Net income for the year	-	384,889	-	384,889	384,889
Distributions declared to Unitholders	-	-	(33,408)	(33,408)	(33,408)
Balance, December 31, 2019	**$ 766,282**	**$ 1,100,427**	**$ (144,773)**	**$ 955,654**	**$ 1,721,936**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
For the Years Ended December 31
(Cdn $ Thousands)

	Note	2019	2018
Cash flows from (used in) operating activities			
Net income for the year		**$ 384,889**	$ 168,297
Add items not affecting cash			
Income from joint ventures	7	**(24)**	-
Amortization		**533**	459
Loss on disposition of investment properties	6	**675**	-
Property management internalization cost	21	**-**	35,387
Fair value adjustments on investment properties	4	**(353,160)**	(195,651)
Other fair value losses	18	**23,302**	27,411
Unit-based compensation expense	13	**6,616**	5,805
Financing costs	17	**26,273**	25,565
Interest expense	17	**(25,552)**	(24,393)
Tenant inducements		**601**	730
		64,153	43,610
Net income items related to financing activities	19	**1,000**	860
Changes in non-cash operating assets and liabilities	20	**7,435**	(4,344)
Cash from operating activities		**72,588**	40,126
Cash flows from (used in) investing activities			
Acquisition of investment properties	5	**(244,583)**	(179,578)
Investment in joint venture	7	**(1,901)**	(6,197)
Proceeds from sale of investment properties	6	**75,634**	-
Additions to investment properties	4	**(81,160)**	(62,084)
Cash used in investing activities		**(252,010)**	(247,859)
Cash flows from (used in) financing activities			
Mortgage and loan repayments	20	**(23,991)**	(152,746)
Mortgage advances	20	**30,250**	219,264
Financing fees		**(350)**	(6,060)
Credit facility advances (repayments)	20	**3,315**	(35,580)
Trust units issued, net of issue costs	15	**193,624**	205,447
Trust units cancelled	15	**-**	(5)
Deferred units purchased and cancelled	13	**(1,251)**	(1,195)
Interest paid on units classified as financial liabilities	19	**(1,000)**	(860)
Distributions paid	20	**(20,945)**	(20,394)
Cash from financing activities		**179,652**	207,871
Increase in cash during the year		**230**	138
Cash at the beginning of year		**523**	385
Cash at end of year		**$ 753**	$ 523

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATIONAL INFORMATION

InterRent Real Estate Investment Trust (the “Trust” or the "REIT") is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated October 10, 2006, and most recently amended and restated on May 21, 2019, under the laws of the Province of Ontario.

The Trust was created to invest in income producing residential properties within Canada. InterRent REIT Trust Units are listed on the Toronto Stock Exchange under the symbol IIP.UN. The registered office of the Trust and its head office operations are located at 485 Bank Street, Suite 207, Ottawa, Ontario, K2P 1Z2.

These consolidated financial statements were authorized for issuance by the Trustees of the Trust on March 3, 2020.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below have been applied consistently to all periods presented.

Basis of presentation

The Trust presents its consolidated balance sheets based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity. The notes to the consolidated financial statements distinguish between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within one year from the reporting period, and non-current assets and liabilities are those where the recovery or settlement is expected to be greater than a year from the reporting period.

These consolidated financial statements have been prepared on a historical cost basis except for:

i) Investment properties, which are measured at fair value (except for investment properties under development where fair value is not reliably determinable);
ii) Financial assets and financial liabilities classified as “fair value through profit and loss”, which are measured at fair value; and
iii) Unit-based compensation liabilities and Class B LP unit liability which are measured at fair value.

The Trust has not presented a statement of comprehensive income as there is no other comprehensive income.

Basis of consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are entities over which the Trust has control and are consolidated from the date control commences until control ceases. Control is achieved when the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

2. BASIS OF PRESENTATION (Continued)

Functional currency

The Trust and its subsidiaries' functional currency is Canadian dollars.

Critical accounting estimates

The preparation of these consolidated financial statements requires management to apply judgment when making estimates and assumptions that have a risk of causing material adjustment to the reported amounts recognized in the consolidated financial statements. Estimates made by management are based on events and circumstances at the balance sheet date. Accordingly actual results may differ from these estimates.

Investment properties

Investment properties, except for investment properties under development where fair value is not reliably determinable, are re-measured to fair value at each reporting date, determined based on internal valuation models incorporating market evidence and valuations performed by third-party appraisers. When estimating the fair value of investment properties, management makes multiple estimates and assumptions that have a significant effect on the measurement of investment properties. Estimates used in determining the fair value of the investment properties include capitalization rates, inflation rates, turnover estimates, market rent, vacancy rates, standard costs and net operating income used in the overall capitalization rate valuation method as well as direct comparison model for vacant land held for development.

Financial liabilities

The fair value measurement of the Class B LP unit and unit-based compensation liabilities require management to make estimates and assumptions that affect the reported amount of the liabilities and the corresponding compensation expense, property management internalization cost and gain or loss on changes in fair value. Estimates and assumptions used in determining the fair value of these liabilities include the expected life of the instruments and the volatility of the Trust's unit prices.

3. SIGNIFICANT ACCOUNTING POLICIES

Property asset acquisitions

At the time of acquisition of a property or a portfolio of investment properties, the Trust evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, Business Combinations ("IFRS 3") is only applicable if it is considered that a business has been acquired. A business, according to IFRS 3, is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. When an acquisition does not represent a business as defined under IFRS 3, the Trust classifies these properties or a portfolio of properties as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their relative fair values at the acquisition date. Acquisition-related transaction costs are capitalized to the property.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

The Trust uses the fair value method to account for real estate classified as investment properties. The Trust's investment properties include multi-family residential properties that are held to earn rental income, capital appreciation, or both or properties (including land) that are being developed or redeveloped for future use as investment properties. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the properties. Investment properties acquired through a business combination are recognized at fair value. All costs associated with upgrading and extending the economic life of the existing properties, other than ordinary repairs and maintenance, are capitalized to investment properties.

Investment properties are re-measured to fair value at each reporting date in accordance with International Accounting Standard 40 - Investment Property ("IAS 40"). Fair value is determined based on internal valuation models incorporating market evidence and valuations performed by third-party appraisers. Changes in the fair value of investment properties are recorded in the consolidated statement of income in the period in which they arise. Investment properties are not amortized.

Investment properties under development

Properties under development include properties that are undergoing activities that will take a substantial period of time and effort to complete in order to prepare the property for its intended use to earn rental income. The cost of development properties includes the cost of acquiring the property and direct development costs, realty taxes and borrowing costs directly attributable to the development. Capitalization of costs continue until all activities necessary to prepare the property for its intended use as a rental property are substantially complete. Land held for development is transferred to investment properties under development when development type of activities begin that will change the property condition.

Under the requirements of IAS 40, an investment property under development is measured at fair value at each reporting date, with the recognition of gains or losses in the consolidated statement of income. If the fair value of an investment property under development is not reliably determinable, but the Trust expects the fair value of the property to be reliably determinable when development is complete, it measures that investment property under development at cost until either its fair value becomes reliably determinable or development is completed (whichever is earlier).

Investment in joint venture

Joint arrangements that involve the establishment of a separate entity in which parties to the arrangement have joint control over the economic activity of the entity and rights to the net assets are referred to as a joint venture.

Joint control exists when the joint arrangements require the unanimous consent of the parties sharing control for decisions about relevant activities.

The Trust's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost, which includes cost directly attributable to the acquisition. The carrying amount of the investment is adjusted to recognize changes in the Trust's share of net assets of the joint venture since the acquisition date less any identified impairment loss. Distributions received from a joint venture reduce the carrying amount of the investment. The consolidated statement of income reflects the Trust's share of the results of operations of the joint venture.

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the Trust's share of losses of a joint venture exceeds the Trust's interest in that joint venture, the Trust discontinues recognizing its share of further losses, unless it has undertaken obligations or made payments on behalf of the joint venture.

Revenue recognition

Revenue from investment properties includes rents from tenants under leases, parking, laundry and other ancillary revenues. Most leases are for one-year terms or less; consequently, the Trust accounts for leases with its tenants as operating leases as the Trust has retained substantially all of the risks and benefits of ownership of its investment properties. Lease revenue earned directly from leasing the asset is recognized and measured in accordance with IFRS 16 – Leases. In addition to revenue generated directly from the operating lease, rental revenue includes non-lease revenue earned from the tenant, which is recognized and measured under IFRS 15. Non-lease revenue includes laundry, income earned from telephone and cable providers, commercial common area maintenance and ancillary services. These revenues are recognized when earned.

Any gain or loss from the sale of an investment property is recognized when the significant risks and rewards have been transferred to the buyer (usually at the time when title passes to the purchaser).

Tenant inducements such as free rent or move-in allowances are initially deferred and included in other assets. The balance is amortized over the term of the related lease, reducing the revenue recognized. In the event that a tenant vacates its leased space prior to the contractual term of the lease, any unamortized balance is recorded as an expense in the consolidated statement of income.

IFRS 15 requires revenue recognized from customer contracts (non-lease components) to be disclosed separately from its other sources of revenue (note 16).

Financial instruments

The Trust recognizes financial assets and financial liabilities when the Trust becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and financial liabilities classified as fair value through profit or loss, are measured at fair value plus or minus transaction costs on initial recognition. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

The following summarizes the Trust’s classification and measurement of financial assets and financial liabilities:

- Cash, rents and other receivables and loan receivable long-term incentive plan, are classified as amortized cost.
- Mortgages and loans payable, credit facilities, tenant rental deposits and accounts payable and accrued liabilities are classified as amortized cost.
- Class B LP unit liability and unit-based compensation liabilities remain unchanged and continue as fair value through profit and loss.

Measurement in subsequent periods depends on the classification of the financial instrument:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets at amortized cost

Cash, rents and other receivables and loan receivable long-term incentive plan, mortgage holdbacks and mortgages receivable are held with the objective of collecting contractual cash flows and classified as amortized cost.

Subsequent to initial recognition, these assets are carried at amortized cost, using the effective interest method, less any impairment loss. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statement of income. Any subsequent reversal of an impairment loss is recognized in profit or loss.

The Trust does not currently hold any derivative assets.

Financial liabilities at amortized cost

Credit facilities, accounts payable and accrued liabilities, tenant rental deposits and mortgages and loans payable are classified as amortized cost.

Subsequent to initial recognition, these liabilities are carried at amortized cost, using the effective interest method. The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if it is classified as held for trading, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of income.

The Class B LP unit liability and unit-based compensation liability are measured at FVTPL.

Impairment of financial assets

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss (ECL) model. The Trust applies the simplified approach which uses lifetime ECLs for contractual rents receivable and the general approach for other and loans receivable.

The Trust uses an accounts receivable aging provision matrix to measure the ECL for contractual rents receivable and applies loss factors to aging categories greater than 30 days past due.

Other receivables and loans receivables are classified as impaired when there is objective evidence that the full carrying amount of the loan or mortgage receivable is not collectible.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Trust measures certain financial instruments and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement on a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on either directly or indirectly observable market data
- Level 3: Valuation techniques for which any significant input is unobservable

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change occurred.

Trust units

Effective December 29, 2010, changes were made to the Declaration of Trust so that distributions are made at the discretion of the Trustees. Subsequent to this change the trust units, while still defined as a liability, meet the conditions that permit classification as equity. At this time, the trust units were reclassified from liabilities to unitholders' equity. The carrying value of the trust units reflects their fair value on the date of the reclassification to unitholders' equity. As a result of the redemption feature of the trust units, these units are not considered equity for the purposes of calculating net income on a per unit basis under IAS 33 Earnings per Share. Accordingly, the Trust has elected not to present an earnings per unit calculation, as is permitted under IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Class B LP unit liability

The Class B LP units are exchangeable on demand for trust units, which in turn are redeemable into cash at the option of the holder. As such, the Class B LP units are classified as a liability. Management has designated the Class B LP unit liability as FVTPL, and the Class B LP unit liability is re-measured to fair value at each reporting date with changes recorded in the consolidated statements of income. The distributions on the Class B LP units are recognized in the consolidated statements of income as interest expense.

Unit-based compensation

The Trust maintains compensation plans which include the granting of unit options and deferred units to Trustees and employees. The Trust records the expense associated with these awards over the vesting period. Unit options and deferred units are settled with the issuance of Trust Units. However, due to the fact that Trust Units are redeemable, awards of unit options and deferred units are considered to be cash-settled. As such, the fair value of unit options and deferred units are recognized as a liability and re-measured at each reporting date, with changes recognized in the consolidated statements of income. The additional deferred units earned on the deferred units granted are recognized in the consolidated statements of income as interest expense.

Provisions

Provisions are recognized when the REIT has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value when the effect is material.

Income taxes

The Trust is taxed as a Mutual Fund Trust for income tax purposes and intends to distribute its income for income tax purposes each year to Unitholders to such an extent that it would not be liable for income tax under Part I of the Income Tax Act (Canada) ("Tax Act"). Accordingly, no provision for income taxes is included in the consolidated financial statements.

Throughout 2018 and 2019, the Trust and its wholly owned subsidiaries satisfied certain conditions available to REITs (the "REIT Exception") under amendments to the Tax Act, intended to permit a corporate income tax rate of nil as long as the specified conditions continue to be met. Without satisfying these conditions, the Trust would have been liable for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical judgments in applying accounting policies

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

Investment properties

Management makes judgments in determining the extent and frequency of independent appraisals and establishing an internal valuation model to measure fair value of investment properties. With respect to properties under development, management makes judgments to determine the reliability of fair value of investment properties undergoing development and the related costs included in the property value as well as identifying the point at which substantial completion of the property occurs. The Trust also undertakes capital improvements and upgrades and management applies judgement in determining the costs to be capitalized to investment properties.

Investment in joint venture

Management makes judgments to determine whether a joint arrangement should be classified as a joint venture and in determining whether there is any objective evidence of impairment and if so, estimating the amount of loss.

Property asset acquisitions

Management is required to apply judgment as to whether or not transactions should be accounted for as an asset acquisition or business combination. IFRS 3 Business Combinations is only applicable if it is considered that a business has been acquired. When an acquisition does not represent a business as defined under IFRS 3, the Trust classifies the transaction as an asset acquisition. All of the Trust's property acquisitions as well as the property management internalization have been accounted for as asset acquisitions.

Income tax

Deferred income taxes are not recognized in the consolidated financial statements on the basis that the Trust can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year. In applying this accounting policy, management has made the judgment that Trust intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future accounting changes

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify whether a transaction meets the definition of a business combination. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

(Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTIES

Investment properties include income properties, properties under development and land held for development.

	December 31, 2019	December 31, 2018
Income properties	**$ 2,713,669**	$ 2,021,874
Properties under development	**34,673**	-
Land held for development	**-**	55,177
	$ 2,748,342	$ 2,077,051

Income properties:

	December 31, 2019	December 31, 2018
Balance, beginning of period	**$ 2,021,874**	$ 1,630,824
Acquisitions (note 5)	**297,436**	129,671
Property capital investments	**76,208**	65,728
Fair value adjustments	**353,160**	195,651
Dispositions (note 6)	**(35,009)**	-
	$ 2,713,669	$ 2,021,874

Properties under development:
Properties that are undergoing a significant amount of development work to prepare the property for use as income properties.

	December 31, 2019	December 31, 2018
Balance, beginning of period	**$ -**	$ -
Acquisitions (note 5)	**22,285**	-
Transfer from land held for development	**10,481**	-
Property capital investments	**1,907**	-
	$ 34,673	$ -

Land held for development:

	December 31, 2019	December 31, 2018
Balance, beginning of period	**$ 55,177**	$ -
Acquisitions (note 5)	**-**	54,540
Property capital investments	**2,116**	637
Transfer to properties under development	**(10,481)**	-
Disposition (note 6)	**(46,812)**	-
	$ -	$ 55,177

The fair value of the income properties at December 31, 2019 and 2018 was determined internally by the Trust. The fair value methodology of the Trust's income properties is considered a level 3 valuation as significant unobservable inputs are required to determine fair value.

The Trust determined the fair value of each income property internally based upon the direct capitalization income approach method of valuation. The fair value was determined by applying a capitalization rate to forecasted stabilized net operating income ("SNOI"), which incorporates turnover estimates, market rent adjustments, allowances for vacancy, management fees, labour and repairs and maintenance for the property. The valuation technique was updated in 2019 to incorporate turnover and market rate estimates. These inputs were not used in the prior year determination of fair value. In order to substantiate management's valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all

(Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTIES (Continued)

of the portfolio at December 31, 2019 (2018 – 32% of the portfolio representing 2,741 suites and the land held for development were appraised by external appraisal firms). These external appraisals provided the Trust with a summary of the major assumptions and market data by city in order for the Trust to complete its internal valuations.

The capitalization rate assumptions for the income properties are included in the following table:

	December 31, 2019		December 31, 2018	
	Range	**Weighted average**	**Range**	**Weighted average**
Capitalization rate	3.25% - 6.00%	4.24%	3.50% - 6.75%	4.38%

The direct capitalization income approach method of valuation requires that SNOI be divided by a capitalization rate ("Cap Rate") to determine a fair value. As such, changes in both SNOI and Cap Rate could significantly alter the fair value of the investment properties. The tables below summarize the impact of changes in both SNOI and Cap Rate on the Trust's fair value of the income properties:

As at December 31, 2019

Forecasted stabilized net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 111,608	$ 113,909	**$ 115,060**	$ 116,211	$ 118,512
Capitalization rate						
-0.25%	3.99%	$ 2,797,198	$ 2,854,872	$ 2,883,709	$ 2,912,546	$ 2,970,221
Cap rate used	**4.24%**	$ 2,632,269	$ 2,686,542	**$ 2,713,669**	$ 2,740,816	$ 2,795,090
+0.25%	4.49%	$ 2,485,706	$ 2,536,958	$ 2,562,584	$ 2,588,209	$ 2,639,461

As at December 31, 2018

Forecasted stabilized operating income		-3%	-1%	As estimated	+1%	+3%
		$ 85,901	$ 87,672	**$ 88,558**	$ 89,444	$ 91,215
Capitalization rate						
-0.25%	4.13%	$ 2,079,934	$ 2,122,819	$ 2,144,262	$ 2,165,704	$ 2,208,589
Cap rate used	**4.38%**	$ 1,961,216	$ 2,001,653	**$ 2,021,874**	$ 2,042,091	$ 2,082,528
+0.25%	4.63%	$ 1,855,319	$ 1,893,573	$ 1,912,700	$ 1,931,827	$ 1,970,081

Land held for development is measured initially at cost, including transaction costs and subsequently measured at fair value.

The two properties under development are valued at acquisition cost plus development costs. The direct capitalization income approach method of valuation is not a reliable measure as the properties are undergoing a significant amount of work which will affect multiple components of the estimated net operating income as well as the Cap Rate. The Trust expects the fair value of the properties to be reliably determinable when development is substantially complete, and will measure both investment properties under development at cost until either its fair value becomes reliably determinable or development is completed (whichever is earlier).

Cash outflow used for additions to investment properties:

	December 31, 2019	December 31, 2018
Property capital investments	**$ (80,231)**	$ (66,365)
Changes in non-cash investing accounts payable and accrued liabilities	**(929)**	4,281
	$ (81,160)	$ (62,084)

(Cdn $ Thousands except unit amounts)

5. INVESTMENT PROPERTY ACQUISITIONS

During the year ended December 31, 2019, the Trust completed the following investment property acquisitions, which have contributed to the operating results effective from the acquisition date:

Acquisition Date	Suite Count	Total Acquisition Costs	Mortgage Funding	Interest Rate	Maturity Date
February 12, 2019	30	$ 8,553	$ 4,608	3.210%	March 1, 2028
February 12, 2019	104	20,171	7,131	3.839%	February 15, 2024
February 12, 2019	33	7,921	2,509	2.760%	November 15, 2022
February 12, 2019	45	12,385	6,541	3.100%	February 15, 2028
February 12, 2019	41	11,980	6,166	3.000%	February 15, 2028
April 3, 2019	74	11,721	-	-%	n/a
April 24, 2019	-[1]	22,285	-	-%	n/a
June 26, 2019	121[2]	39,431	22,000	3.250%	September 30, 2021
July 12, 2019	251	65,584	20,157	2.640%	June 1, 2027
July 12, 2019	293[3]	72,678	15,747	3.960%	February 1, 2024
August 15, 2019	118[4]	23,624	10,379	2.990%	June 1, 2023
October 1, 2019	54	11,174	8,250	2.840%	November 12, 2020
October 31, 2019	17	4,174	-	-%	n/a
October 31, 2019	33	8,040	-	-%	n/a
	1,214	**$ 319,721**	**$ 103,488**		

[1] Vacated office building to be developed into residential suites.
[2] Includes 31,533 sq ft of leasable commercial space.
[3] Includes 7,159 sq ft of leasable commercial space.
[4] Includes 6,295 sq ft of leasable commercial space.

During the year ended December 31, 2018, the Trust completed the following investment property acquisitions:

Acquisition Date	Suite Count	Total Acquisition Costs	Mortgage Funding	Interest Rate	Maturity Date
January 10, 2018	48	$ 5,444	$ 2,618	2.882%	May 15, 2025
February 28, 2018	172	21,994	14,500	BA + 1.70%	March 1, 2021
March 27, 2018	72[1]	37,143	23,000	3.974%	March 27, 2028
March 27, 2018	6[2]	11,252	-	-%	n/a
June 18, 2018	62	10,741	7,000	3.20%	September 15, 2019
September 19, 2018	n/a[3]	44,061	-	-%	n/a
September 25, 2018	138	29,368	-	-%	n/a
September 25, 2018	77	16,122	-	-%	n/a
October 22, 2018	63	8,086	2,015	2.55%	December 1, 2019
	638	**$ 184,211**	**$ 49,133**		

[1] Includes 8,489 sq ft of leasable commercial space.
[2] Includes a parcel of land (0.70 acres) which may be used for future development.
[3] Represents a parcel of land (6.3 acres) which may be used for future development.

Cash outflow used for investment property acquisitions:

	December 31, 2019	December 31, 2018
Total acquisition costs	**$ (319,721)**	$ (184,211)
Fair value adjustment of assumed debt	**1,900**	-
Assumed debt	**73,238**	4,633
	$ (244,583)	$ (179,578)

(Cdn $ Thousands except unit amounts)

6. INVESTMENT PROPERTY DISPOSITIONS

During the year ended December 31, 2019, the Trust completed the following investment property dispositions. These dispositions do not meet the definition of discontinued operations under IFRS.

Disposition Date	Suite Count	Sale Price	Net Proceeds	Mortgage(s) Discharged
January 17, 2019	28	$ 2,949	$ 2,835	$ 1,031
January 17, 2019	17	1,585	1,519	-
January 17, 2019	12	1,000	940	-
January 17, 2019	18	1,519	1,455	-
January 17, 2019	70	7,215	7,097	-
January 17, 2019	85	9,015	8,878	-
January 17, 2019	68	6,736	6,541	2,725
January 17, 2019	22	2,090	1,993	880
January 17, 2019	29	3,191	3,076	1,190
May 30, 2019	-	46,812	46,812	-
Total	**349**	**$ 82,112**	**$ 81,146**	**$ 5,826**

A loss of $675 was recognized for the year ended December 31, 2019 in connection with these property dispositions. The loss represents the difference between the net proceeds (sale price less closing costs) and the carrying value of the properties at the date of disposition.

No investment properties were disposed of during the year ended December 31, 2018.

Cash inflow received from sale of investment properties:

	December 31, 2019	December 31, 2018
Proceeds	**$ 81,146**	$ -
Non-cash closing costs	**176**	-
Investment in joint venture	**(5,688)**	-
	$ 75,634	$ -

(Cdn $ Thousands except unit amounts)

7. INVESTMENT IN JOINT VENTURES

The Trust accounts for its joint venture interests using the equity method. The following table details the Trust's ownership interest in its equity accounted investments:

Equity Investee	Location	Principal Activity	December 31, 2019	December 31, 2018
TIP Albert Limited Partnership	Ottawa	Develop, own and operate investment property	33.3%	33.3%
Fairview Limited Partnership	Burlington	Develop, own and operate investment property	25.0%	-

During the year ended December 31, 2019, through a series of transactions, the Trust acquired a 25.0% interest in Fairview Limited Partnership, a joint venture, for $5,688.

The Trust is contingently liable for certain obligations of the joint ventures, up to the Trust's interest. All of the net assets of the joint ventures are available for the purpose of satisfying such obligations and guarantees.

The Trust is responsible to fund its total investment in the joint ventures for the development of the investment property.

The following table shows the changes in the carrying value of the investment in joint ventures:

	December 31, 2019	December 31, 2018
Balance, beginning of period	**$ 17,064**	$ 10,867
Additions	**7,605**	6,197
Share of net income	**24**	-
Distributions	**-**	-
	$ 24,693	$ 17,064
Total transaction costs	**$ 507**	$ 273
Carrying value of the investment in joint venture	**$ 25,200**	$ 17,337

The following tables shows the summarized financial information of the Trust's joint venture:

	December 31, 2019	December 31, 2018
Current assets	**$ 765**	$ 486
Non-current assets	**138,935**	66,854
Current liabilities	**(1,141)**	(648)
Non-current liabilities	**(57,750)**	(15,500)
Net assets	**$ 80,809**	$ 51,192
Trust's share	**$ 24,693**	$ 17,064

	December 31, 2019	December 31, 2018
Revenue	**$ 128**	$ -
Expenses	**32**	-
Net income	**$ 96**	$ -
Trust's share	**$ 24**	$ -

(Cdn $ Thousands except unit amounts)

8. RECEIVABLES AND OTHER ASSETS

	December 31, 2019	December 31, 2018
Current:		
Rents and other receivables, net of allowance for uncollectable amounts	**$ 1,528**	$ 1,940
Tenant inducements [1]	**467**	380
	$ 1,995	$ 2,320
Non-current:		
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of $1,802 (2018 - $1,342)	**$ 1,680**	$ 1,653
Deferred finance fees on credit facilities, net of accumulated amortization of $1,606 (2018 - $1,378)	**239**	245
Loan receivable long-term incentive plan (note 14)	**11,418**	12,529
	$ 13,337	$ 14,427
	$ 15,332	$ 16,747

[1] Comprised of straight-line rent. This amount is excluded from the determination of the fair value of the investment properties.

9. MORTGAGES PAYABLE

Mortgages are secured by the investment properties and bear interest at a weighted average interest rate of 3.02% (December 31, 2018 – 3.04%).

The mortgages mature at various dates between the years 2020 and 2028.

The aggregate future minimum principal payments, including maturities, are as follows:

2020	$ 179,137
2021	76,927
2022	71,011
2023	81,264
2024	69,733
Thereafter	418,937
	897,009
Less: Deferred finance costs and mortgage premiums	(15,500)
	$ 881,509

(Cdn $ Thousands except unit amounts)

10. CREDIT FACILITIES

	December 31, 2019	December 31, 2018
Demand credit facility (i)	**$ -**	$ -
Term credit facility (ii)	**20,435**	-
Term credit facility (iii)	**6,430**	23,550
Term credit facility (iv)	**-**	-
	$ 26,865	$ 23,550

(i) The Trust has a $500 (2018 - $500) demand credit facility with a Canadian chartered bank secured by a general security agreement. The weighted average interest rate on amounts drawn during the year ended December 31, 2019 was 4.45% (2018 – 4.10%).

(ii) The Trust has a $55,000 (2018 - $35,000) term credit facility, maturing in 2022, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on ten (2018 – ten) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. The weighted average interest rate on amounts drawn during the year ended December 31, 2019 was 4.47% (2018 – 4.30%).

(iii) The Trust has a $25,000 (2018 - $25,000) term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2018 – one) of the Trust's properties and second collateral mortgages on two (2018 – two) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. The weighted average interest rate on amounts drawn during the year ended December 31, 2019 was 4.60% (2018 – 4.30%).

(iv) The Trust has a $60,000 (2018 - $60,000) term credit facility, maturing in June 2020, with a Canadian chartered bank secured by a general security agreement, first mortgages on two (2018 – two) of the Trust's properties and second collateral mortgages on five (2018 – five) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. The weighted average interest rate on amounts drawn during the year ended December 31, 2019 was 3.83% (2018 – 3.44%).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
Accounts payable	**$ 7,219**	$ 7,218
Accrued liabilities	**18,328**	17,196
Accrued distributions	**3,226**	2,645
Mortgage interest payable	**1,636**	1,512
	$ 30,409	$ 28,571

(Cdn $ Thousands except unit amounts)

12. CLASS B LP UNIT LIABILITY

The Class B LP units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Trust been issued.

The Class B LP units are exchangeable on demand for Trust Units, which in turn are redeemable into cash at the option of the holder. As such, Class B LP units are classified as a financial liability.

A summary of Class B LP Unit activity is presented below:

Number of Units	
Balance – December 31, 2017	**186,250**
Units issued	3,224,516
Balance - December 31, 2018	**3,410,766**
Units issued	-
Balance – December 31, 2019	**3,410,766**

The Class B LP Units represented an aggregate fair value of $53,345 at December 31, 2019 (December 31, 2018 - $44,511). The fair value represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date. Each Class B LP Unit is accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The gains or losses that resulted from changes in the fair value were recorded in the consolidated statement of income.

On February 15, 2018, 3,224,516 Class B LP units were issued at a value of $30,364 as partial consideration for the internalization of the property manager function (note 21).

13. UNIT-BASED COMPENSATION LIABILITIES

Unit-based compensation liabilities are comprised of awards issued under the deferred unit plan ("DUP") and the unit option plan as follows:

	December 31, 2019	December 31, 2018
Unit-based liabilities, beginning of period	**$ 48,392**	$ 27,017
Compensation expense – deferred unit plan	**5,360**	4,643
Property management internalization cost (DUP)	**-**	4,751
Compensation expense – unit option plan	**51**	191
DRIP(1) expense – deferred unit plan	**1,205**	971
DUP units converted, cancelled and forfeited	**(2,296)**	(2,803)
Unit options exercised and expired	**(1,110)**	(1,343)
Loss on fair value of liability (note 18)	**14,468**	14,965
Unit-based liabilities, end of period	**$ 66,070**	$ 48,392

(1) Distribution reinvestment plan

(Cdn $ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

Unit options and deferred units are settled with the issuance of Trust Units. However, due to the fact that Trust Units are redeemable, awards of unit options and deferred units are considered to be cash-settled. As such, the fair value of unit options and deferred units are recognized as a financial liability and re-measured at each reporting date, with changes recognized in the statement of income.

The maximum number of Trust Units issuable under the Trust's equity incentive compensation plans, which includes the DUP and unit options, as well as the long-term incentive plan (note 14) is 7% of the issued and outstanding Trust Units.

(i) DEFERRED UNIT PLAN

The deferred unit plan entitles trustees, officers and employees, at the participant's option, to elect to receive deferred units (elected portion) in consideration for trustee fees or bonus compensation under the employee incentive plan, as the case may be. The Trust matches the elected portion of the deferred units received. The matched portion of the deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e. had they instead been issued as Trust Units on the date of grant).

A summary of Deferred Unit activity is presented below:

Number of Units	
Balance - December 31, 2017	**2,888,623**
Units issued under deferred unit plan	1,247,608
Reinvested distributions on deferred units	96,955
Deferred units exercised into Trust Units (note 15)	(148,794)
Deferred units purchased and cancelled	(118,396)
Deferred units cancelled	(23,085)
Balance - December 31, 2018	**3,942,911**
Units issued under deferred unit plan	376,081
Reinvested distributions on deferred units	85,135
Deferred units exercised into Trust Units (note 15)	(76,697)
Deferred units purchased and cancelled	(75,871)
Deferred units cancelled	(22,635)
Balance – December 31, 2019	**4,228,924**

The fair value of each unit granted is determined based on the weighted average observable closing market price of the REIT's Trust Units for the ten trading days preceding the date of grant.

The aggregate fair value of vested deferred units was $58,834 at December 31, 2019 (December 31, 2018 - $42,594). The fair value of the vested deferred units represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date, representing the fair value of the redemption price.

On February 15, 2018, 663,277 deferred units were issued as retention bonuses and included in the consideration for the internalization of the property manager function (note 21).

(Cdn $ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

(ii) UNIT OPTIONS

The Trust has a unit option plan and provides for options to be granted to the benefit of employees, Trustees and certain other third parties. The exercise price of options granted under the unit option plan will be determined by the Trustees, but will be at least equal to the volume weighted average trading price of the Trust Units for the five trading days immediately prior to the date the option was granted. The term of any option granted shall not exceed 10 years or such other maximum permitted time period under applicable regulations. At the time of granting options, the Board of Trustees determines the time, or times, when an option or part of an option shall be exercisable. The Trust will not provide financial assistance to any optionee in connection with the exercise of options.

Options granted, exercised and expired during the years ended December 31 are as follows:

	2019		2018	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance, beginning of period	1,006,585	$ 6.11	1,345,850	$ 5.96
Exercised (note 15)	(152,445)	$ 6.12	(329,265)	$ 5.44
Expired	-	$ -	(10,000)	$ 7.67
Balance, end of period	**854,140**	**$ 6.11**	**1,006,585**	**$ 6.11**

Options outstanding at December 31, 2019:

Exercise price	Number of units	Remaining life in years	Number of units exercisable
$ 2.13	50,000	1.48	50,000
$ 5.50	55,000	2.68	55,000
$ 5.65	255,220	3.45	255,220
$ 5.81	227,675	4.96	227,675
$ 7.67	266,245	7.58	266,245
	854,140		**854,140**

Total compensation expense for the year was $51 (2018 - $191). Compensation cost was determined based on an estimate of the fair value using the Black-Scholes option pricing model at date of grant using the following weighted average assumptions for the 2017 grant: market price of unit $7.86, expected option life 6 years, risk-free interest rate 1.67%, expected volatility, based on historical, 25% and expected distribution yield 5.0%.

The weighted average market price of options exercised in the year ended December 31, 2019 was $14.64 (2018 - $10.00).

(Cdn $ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

The unit options represented an aggregate fair value of $7,236 at December 31, 2019 (December 31, 2018 - $5,798). The fair value of unit options is re-valued at each reporting period based on an estimate of the fair value using the Black-Scholes option pricing model using the following weighted average valuation assumptions:

	December 31, 2019	December 31, 2018
Market price of Unit	$ 15.64	$ 13.05
Expected option life	1.7 years	2.3 years
Risk-free interest rate	1.67%	1.88%
Expected volatility (based on historical)	17%	17%
Expected distribution yield	5.0%	5.0%

14. LONG-TERM INCENTIVE PLAN

The Board of Trustees may award long-term incentive plan (“LTIP”) units to certain officers and key employees, collectively the "Participants". The maximum number of Trust Units issuable under the Trust’s equity incentive compensation plans, which includes the long-term incentive plan, as well as the DUP and unit option plan (note 13) is 7% of the issued and outstanding Trust Units. The Participants can subscribe for Trust Units at a purchase price equal to the weighted average trading price of the Trust Units for the five trading days prior to issuance. The purchase price is payable in instalments, with an initial instalment of 5% paid when the Trust Units are issued. The balance represented by a loan receivable (note 8) is due over a term not exceeding ten years. Participants are required to pay interest at a ten-year fixed rate based on the Trust's fixed borrowing rate for long-term mortgage financing and are required to apply cash distributions received on these units toward the payment of interest and the remaining instalments. Participants may pre-pay any remaining instalments at their discretion. The Trust has recourse on the loans receivable and has reasonable assurance that the Trust will collect the full amount of the loan receivable. The loans receivable are secured by the units as well as the distributions on the units. If a Participant fails to pay interest and/or principal, the Trust can enforce repayment which may include the election to reacquire or sell the units in satisfaction of the outstanding amounts.

Date of award	Number of units	Interest rate	Loan receivable
March 8, 2012	250,000	3.57%	$ 752
June 29, 2012	50,000	3.35%	164
September 11, 2012	100,000	3.35%	463
June 27, 2013	175,000	3.85%	857
December 16, 2014	100,000	3.27%	514
June 9, 2015	75,000	3.44%	435
June 30, 2016	285,000	2.82%	2,064
July 28, 2017	465,000	3.09%	3,333
March 5, 2018	310,000	3.30%	2,836
	1,810,000		$ 11,418

(Cdn $ Thousands except unit amounts)

15. TRUST UNITS

As a result of the redeemable feature of the Trust Units, the Trust Units are defined as a financial liability; however, for the purposes of financial statement classification and presentation, the Trust Units are presented as equity instruments in accordance with IAS 32, Financial Instruments.

	Trust Units	Amount
Balance – December 31, 2017	**83,891,517**	**$ 341,528**
Issued from prospectuses	20,803,500	212,853
Unit issue costs	-	(9,358)
Units redeemed and cancelled	(510)	(5)
Units Issued under long-term incentive plan	335,000	3,226
Units Issued under the deferred unit plan (note 13(i))	148,794	1,610
Units Issued under distribution reinvestment plan	524,451	5,627
Units Issued from options exercised (note 13(ii))	329,265	3,134
Balance – December 31, 2018	**106,032,017**	**$ 558,615**
Issued from prospectuses	14,375,000	201,250
Unit issue costs	-	(8,559)
Units Issued under the deferred unit plan (note 13(i))	76,697	1,045
Units Issued under distribution reinvestment plan	842,562	11,888
Units Issued from options exercised (note 13(ii))	152,445	2,043
Balance – December 31, 2019	**121,478,721**	**$ 766,282**

On July 9, 2019 the Trust completed a bought deal prospectus offering whereby it issued 14,375,000 Trust Units for cash proceeds of $201,250 and incurred $8,559 in issue cost.

On August 9, 2018 the Trust completed a bought deal prospectus offering whereby it issued 10,798,500 Trust Units for cash proceeds of $115,004 and incurred $5,032 in issue cost.

On March 28, 2018 the Trust completed a bought deal prospectus offering whereby it issued 10,005,000 Trust Units for cash proceeds of $97,849 and incurred $4,326 in issue cost.

15. TRUST UNITS (Continued)

Declaration of Trust

The Declaration of Trust authorizes the Trust to issue an unlimited number of units for consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in the Trust are represented by two classes of units: a class described and designated as "Trust Units" and a class described and designated as "Special Voting Units". The beneficial interests of the two classes of units are as follows:

(a) Trust Units

Trust Units represent an undivided beneficial interest in the Trust and in distributions made by the Trust. The Trust Units are freely transferable, subject to applicable securities regulatory requirements. Each Trust Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the Trust Units have no conversion, retraction, redemption or pre-emptive rights.

Trust Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by the Trust of a written redemption notice and other documents that may be required, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per Trust Unit equal to the lesser of:

i) 90% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the twenty-day period ending on the trading day prior to the day on which the Trust Units were surrendered to Trust for redemption; and

ii) 100% of the "closing market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading on the redemption notice date.

(b) Special Voting Units

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of Class B LP units or other securities that are, directly or indirectly, exchangeable for Trust Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders, which is equal to the number of Trust Units that may be obtained upon surrender of the Class B LP unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Trust. There is no value assigned to the Special Voting Units.

(Cdn $ Thousands except unit amounts)

16. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

	2019	2018
Lease revenue [1]	**$ 141,890**	$ 124,310
Non-lease revenue [2]	**3,412**	2,976
	$ 145,302	$ 127,286

[1] Consists of lease revenue from residential, parking and commercial tenants
[2] Consists of revenue from non-lease items such as laundry, commercial common area maintenance and ancillary services

17. FINANCING COSTS

	2019	2018
Mortgages and loans payable	**$ 25,750**	$ 23,585
Credit facilities	**1,695**	1,414
Interest income	**(490)**	(606)
Interest capitalized	**(1,403)**	-
Interest expense	**25,552**	24,393
Amortization of deferred finance costs on mortgages	**915**	1,154
Amortization of deferred finance costs on credit facilities	**228**	218
Amortization of fair value on assumed debt	**(422)**	(200)
	$ 26,273	$ 25,565

18. OTHER FAIR VALUE LOSSES

	2019	2018
Class B LP unit liability	**$ (8,834)**	$ (12,446)
Unit-based compensation liability (deferred unit plan)	**(11,971)**	(11,386)
Unit-based compensation liability (option plan)	**(2,497)**	(3,579)
	$ (23,302)	$ (27,411)

19. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	2019	2018
Class B LP unit liability	**$ 1,000**	$ 860
Unit-based compensation liability (deferred unit plan)	**1,205**	971
	$ 2,205	$ 1,831

(Cdn $ Thousands except unit amounts)

20. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash operating assets and liabilities

	2019	2018
Receivables and other assets	$ 274	$ (1,567)
Prepaid and deposits	4,105	(3,421)
Accounts payable and accrued liabilities	1,943	(65)
Tenant rental deposits	1,113	709
	$ 7,435	$ (4,344)

(b) Net cash distributions to unitholders

	2019	2018
Distributions declared to unitholders	$ 33,408	$ 26,696
Add: Distributions payable at beginning of year	2,563	1,888
Less: Distributions payable at end of year	(3,138)	(2,563)
Less: Distributions to participants in the DRIP	(11,888)	(5,627)
	$ 20,945	$ 20,394

(c) Interest paid

	2019	2018
Interest expense	$ 25,552	$ 24,393
Add: Mortgage interest payable at beginning of year	1,512	1,093
Less: Mortgage interest payable at end of year	(1,636)	(1,512)
Add: Interest capitalized	1,403	-
Add: Interest income received	490	606
	$ 27,321	$ 24,580

(d) Reconciliation of liabilities arising from financing activities

Mortgages payable	2019	2018
Balance, beginning of year	$ 817,512	$ 746,361
Mortgage advances	30,250	219,264
Assumed mortgages	73,238	4,633
Repayment of mortgages	(23,991)	(152,746)
Balance, end of year	$ 897,009	$ 817,512

Credit Facilities	2019	2018
Balance, beginning of year	$ 23,550	$ 59,130
Advances of credit facilities	3,315	-
Repayment of credit facilities	-	(35,580)
Balance, end of year	$ 26,865	$ 23,550

(Cdn $ Thousands except unit amounts)

21. RELATED PARTY TRANSACTIONS

The transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below.

(i) Services

There were no related party transactions during the year ended December 31, 2019.

During the year ended December 31, 2018, the Trust incurred $992 in property, asset and project management services and shared legal services (prior to property management internalization) from companies controlled by an officer of the Trust. Of the services received approximately $182 has been capitalized to the investment properties and the remaining amounts are included in operating and administrative costs.

(ii) Property management internalization

On February 15, 2018, the REIT entered into an agreement with CLV Group Inc. (the "Property Manager") to internalize the REIT's property management function. Upon closing of the transaction, a subsidiary of the REIT acquired the Property Manager's REIT-related property management business for a total consideration of $37,955 to the Property Manager (3,224,516 Class B LP units (exchangeable on a one-for-one basis) at a value of approximately $9.42 per unit, or $30,364 and $7,591 in cash) and $3,098 in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The total consideration, including all future vesting of deferred units, is approximately $44,151. The REIT also incurred approximately $2,048 in transaction related costs.

During the year ended December 31, 2018, the REIT recorded $43,993 in property management internalization costs. The remaining $2,100 relating to the future vesting of the matched portion of the retention bonuses to employees will be expensed over the next 5 years as administrative costs. There was no activity during the year ended December 31, 2019.

(iii) Key management remuneration

Key management consists of the Trustees and executive management team of the Trust. Compensation paid or payable is provided in the following table.

	2019	2018
Salaries and other short-term employee benefits	**$ 1,962**	$ 1,382
Deferred unit plan	**2,338**	2,447[1]
	$ 4,300	$ 3,829

[1] Excludes retention bonuses issued as part of the property management internalization

Loans outstanding from key management for indebtedness relating to the LTIP at December 31, 2019 were $11,041 (December 31, 2018 - $12,149). Deferred unit plan includes accrued compensation for key management at December 31, 2019 for $2,005 (December 31, 2018 - $2,145).

22. CAPITAL RISK MANAGEMENT

The Trust's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its unitholders. The Trust defines capital that it manages as the aggregate of its unitholders' equity, which is comprised of issued capital and retained earnings, Class B LP units and deferred unit capital and options recorded as unit-based compensation liabilities.

The Trust manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Trust's working capital requirements. In order to maintain or adjust its capital structure, the Trust, upon approval from its Board of Trustees, may issue or repay long-term debt, issue units, repurchase units through a normal course issuer bid, pay distributions or undertake other activities as deemed appropriate under the specific circumstances. The Board of Trustees reviews and approves any material transactions out of the ordinary course of business, including approval of all acquisitions of investment properties, as well as capital and operating budgets. There have been no changes to the Trust's capital risk management policies for the years ended December 31, 2019 and 2018.

The Trust monitors capital using a debt to gross book value ratio, as defined in the Declaration of Trust which requires the Trust to maintain a debt-to-gross book value ratio below 75%. As at December 31, 2019, the debt-to-gross book value ratio is 32.5% (December 31, 2018 – 38.9%).

In addition, the Trust is subject to financial covenants in its mortgages payable and credit facilities such as minimum tangible net worth, interest coverage, debt service coverage and leverage ratio (similar to debt to gross book value as calculated in the Declaration of Trust). The Trust was in compliance with all financial covenants throughout the years ended December 31, 2019 and 2018.

23. FINANCIAL RISK MANAGEMENT

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) tenants 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.

For its rents receivable, the Trust conducts credit assessments for all prospective tenants and, where permitted, obtains a security deposit to assist in potential recoveries. The Trust monitors its collection process on a monthly basis and all receivables from past tenants and tenant receivables over 30 days are provided for in allowances for doubtful accounts.

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.

(Cdn $ Thousands except unit amounts)

23. FINANCIAL RISK MANAGEMENT (Continued)

At December 31, 2019, the Trust had past due rents and other receivables of $2,674 (December 31, 2018 - $2,922), net of an allowance for doubtful accounts of $1,147 (December 31, 2018 - $982) 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 22 to the consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities (excluding derivative and other financial instruments reported as liabilities at fair value) when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. In addition, liquidity and capital availability risks are mitigated by diversifying the Trust's sources of funding, maintaining a staggered debt maturity profile and actively monitoring market conditions.

As at December 31, 2019 and 2018, the Trust had credit facilities as described in note 10.

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.

The undiscounted contractual maturities and repayment obligations of the Trust's financial liabilities, excluding unit-based compensation liabilities and Class B LP unit liability as their redemption time is uncertain, as at December 31, 2019 are as follows:

Year	Mortgages and loans payable	Mortgage and loan interest [1]	Credit facilities	Accounts payable and accrued liabilities	Total
2020	$179,137	$ 24,720	$ -	$ 30,409	$ 234,266
2021	76,927	19,922	6,430	-	103,279
2022	71,011	17,927	20,435	-	109,373
2023	81,264	15,409	-	-	96,673
2024	69,733	13,074	-	-	82,807
Thereafter	418,937	43,150	-	-	462,087
	$897,009	**$ 134,202**	**$ 26,865**	**$ 30,409**	**$ 1,088,485**

(1) Based on current in-place interest rates for the remaining term to maturity.

d) 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, 2019, approximately 12% (December 31, 2018 – 13%) of the Trust's mortgage debt is at variable interest rates and the Trust's credit facilities bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately $1,354 for the year ended December 31, 2019 (2018 - $1,510).

(Cdn $ Thousands except unit amounts)

24. FAIR VALUE MEASUREMENT

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.

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, which are measured at a fair value level 2, is approximately $931,624 (December 31, 2018 - $832,626) excluding any deferred financing costs.

The following table presents the fair values by category of the Trust's assets and liabilities:

December 31, 2019	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	$ 2,748,342
Liabilities			
Unit-based compensation liability	-	$ 66,070	-
Class B LP unit liability	-	53,345	-

December 31, 2018	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	$ 2,077,051
Liabilities			
Unit-based compensation liability	-	$ 48,392	-
Class B LP unit liability	-	44,511	-

25. COMMITMENTS AND CONTINGENCIES

The Trust is committed to purchase a property (4 suites) which is contiguous to our development site at Richmond Churchill and will become part of the land assembly in March 2020 for a purchase price of approximately $1,350.

In the ordinary course of business activities, the Trust may be contingently liable for litigation and claims with tenants, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

26. SUBSEQUENT EVENTS

The Trust purchased a property (57 suites) that closed on February 27, 2020 for a purchase price of approximately $18,150.

Le Mistral | 1111 Mistral Street, Montreal

EXCHANGE AND SYMBOL

TSX: IIP.UN

UNITS OUTSTANDING

121,478,721
(as at December 31, 2019)

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WEBSITE

www.interrentreit.com

ANNUAL MEETING

Tuesday August 4, 2020
At 11:00 ET

INTERRENT
REIT