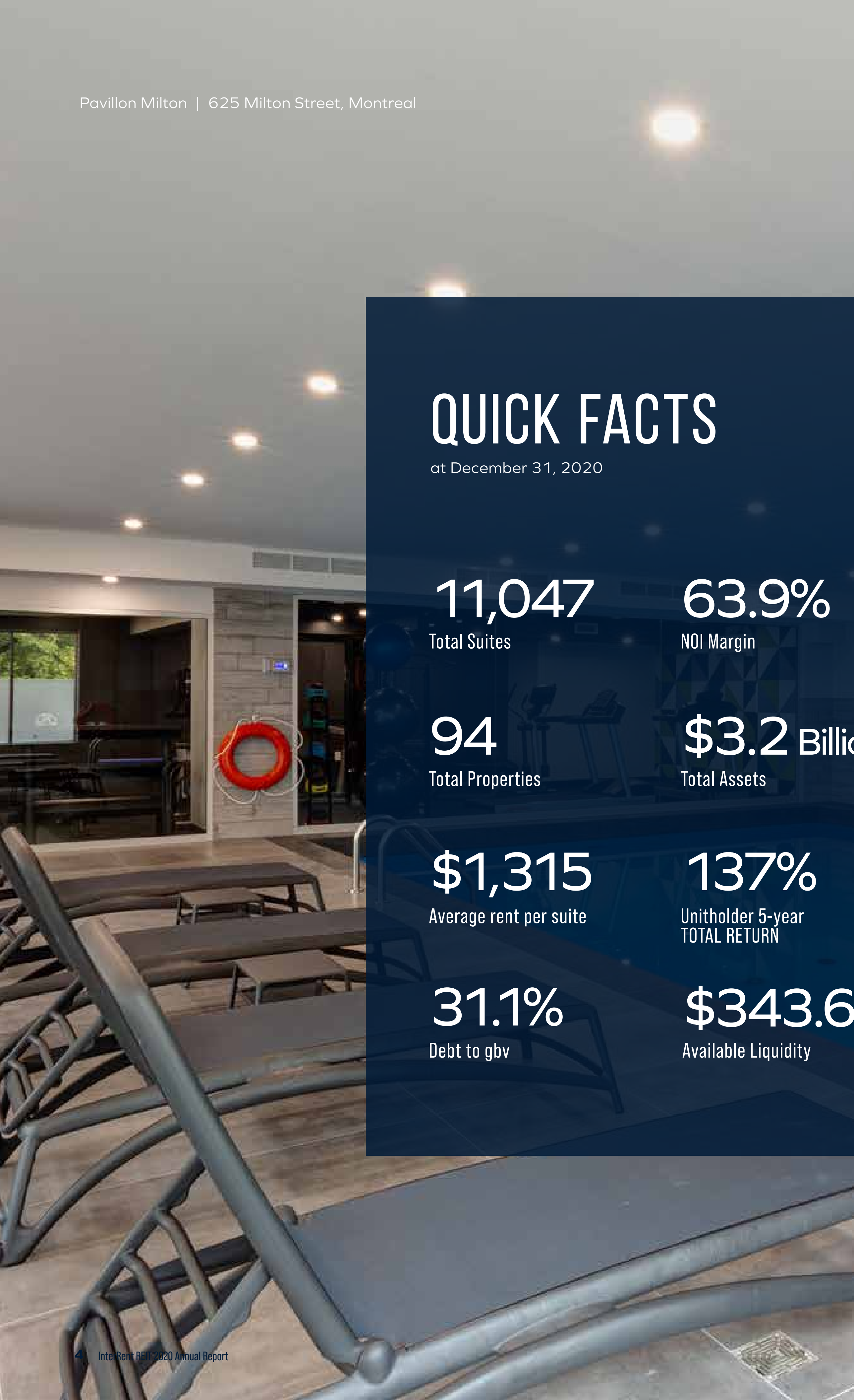
2020 annual report

INTERRENT REIT

CONTENTS

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.

Pavillon Hutchison | 3474 Hutchison St, Montreal



Pavillon Milton | 625 Milton Street, Montreal

QUICK FACTS

at December 31, 2020

11,047
Total Suites

63.9%
NOI Margin

94
Total Properties

$3.2 Billion
Total Assets

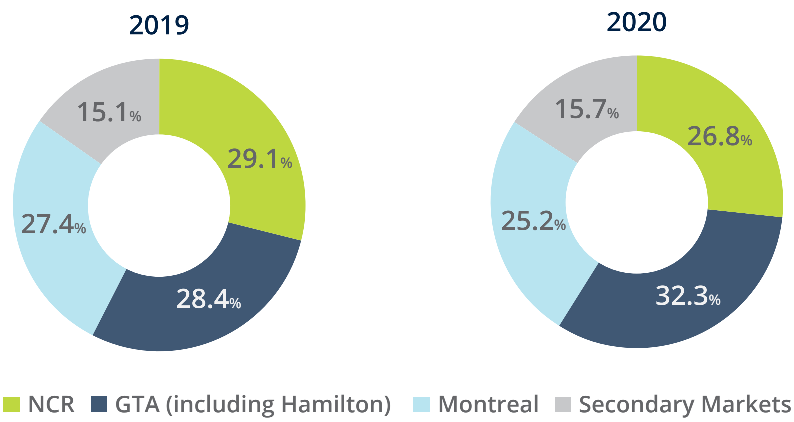
$1,315
Average rent per suite

137%
Unitholder 5-year TOTAL RETURN

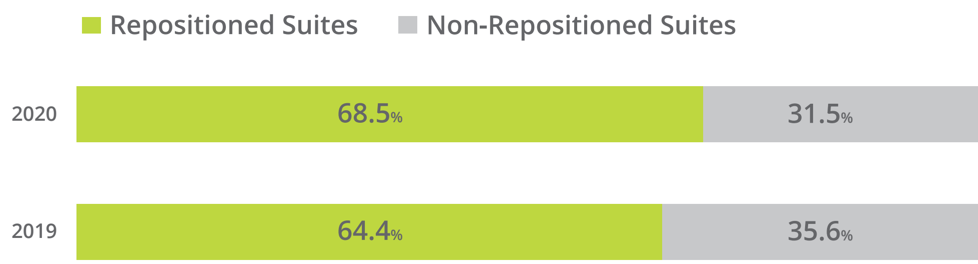
31.1%
Debt to gbv

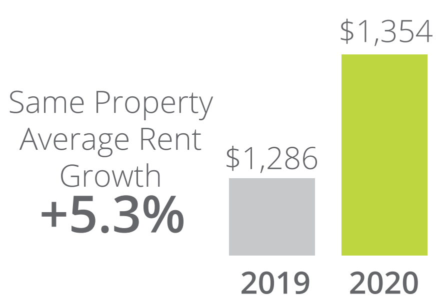
$343.6 Million
Available Liquidity

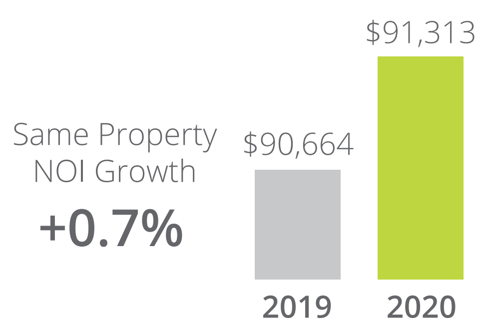
Geographic Exposure by Suite Count



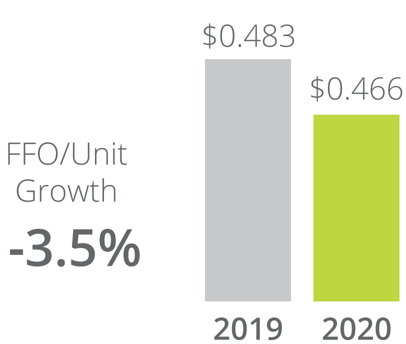
Portfolio Breakdown

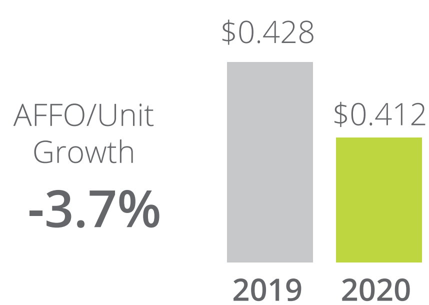






FFO & AFFO per Unit - Diluted





MESSAGE TO OUR UNITHOLDERS

Well, 2020 was quite the year! With everything going in full gear in our business and asset class to start the year, we were hit with a disruptive event that no one saw coming. This event crippled many businesses and more importantly families with often dire consequences.

I have to say we were ahead of many businesses, and even, it seems, our government institutions following the rise of COVID-19 playing across the world. We marshalled ourselves to be pre-emptive in many cases, securing PPE equipment for both our residents and team members. We also started an outreach program, contacting all of our residents to check on their wellness and also to help arrange for the delivery of things like groceries or prescription drugs as needed. In some cases, we were just a friendly voice for those who were most vulnerable.

It is in times like these you really see leaders emerge in many areas of business and society, and I am extremely proud of how our whole team stepped up to help our residents and communities. They were incredible and I have to say I have never received so many positive messages to thank them for their good work.

On the business front, we were extremely challenged with the impact the pandemic had in our urban cores. With post secondary schools and many businesses going virtual and the repeated closure of those that could not go virtual, many vibrant downtown neighborhoods felt more like ghost towns. The emptying out of the downtown cores led to the largest vacancy rate we have ever seen in our business and significantly impacted our operating revenue. Our commitment to providing a clean and safe environment for our valued residents also meant increased operating costs as we increased cleaning efforts and committed substantial resources to their health and safety.

Although we did not expect COVID-19 and the impact it would have, as prudent stewards of the business we knew there would be unforeseen circumstances at some point that would result in difficult times. Over the last few years we have systematically reduced our leverage and invested in our portfolio positioning the REIT to be able to handle distressful situations. Based on our track record of being one of the most prudently run organizations in our asset class, we were able to raise a further $232.5 million during the pandemic to further strengthen our balance sheet.

During 2020, we purchased 880 apartments in our core markets and announced our entry into the Vancouver market in early 2021, which we are very excited about. These new acquisitions shall provide excellent growth opportunities for the company for many years to come.

Our Team is very diversified and inclusive, and this has been part of corporate culture for years. In 2020 we had our first externally managed employee talent survey as part of our broader initiative to engage with team members and provide a forum for anonymous feedback. This is an important step that we will continue to learn from with our team members as we build our future together. I am happy to say that even through a very difficult year, we scored remarkably well overall and in comparison to our benchmark group. We are particularly pleased with our diversity and inclusion score which was our highest rank within the survey and well above similar public and private organizations of our size.

I would like to reiterate how proud and humbled I feel to be a small part of this team. Their selfless acts of kindness saw us as a group donate to over 200 small businesses and over $100,000 to local hospitals in support of COVID-19 efforts. This Team clearly understands how important the community is to us and we are to it.

In closing, though this was a very stressful year for all, we really showed that we have built an extremely sustainable company, laden with lots of very committed and talented people who look out for each other and our communities. It is often said that you really see what people and organizations are made of during challenging times. I believe this is true and our Team rose to the many challenges we faced. The lessons learned and leaders that emerged through this past year have positioned the REIT well for many years to come.

Lastly, as always I would like to say Thank You to our trustees who gave us the confidence and full support when we had to make some very quick decisions. Without that support we would not have been able to navigate as quickly as we did.

Mike McGahan, CEO

WHO WE ARE

We are a 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.

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.

Mission Statement

Our mission is to treat each team member with professionalism, integrity and respect 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.

Integrity

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

Respect

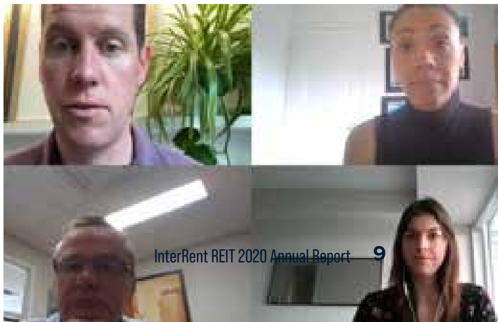
Having and showing respect for our customers, suppliers, Unitholders and communities while maintaining an environment of teamwork and growth.

Service Excellence

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

Strong Teams and Communities

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



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.

1015 Orchard Road, Mississauga

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.

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.

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.

Recycling and Allocation of Capital

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

CREATING VALUE FOR OUR INVESTORS

The REIT has continued to invest heavily in improvements such as amenities, infrastructure, security, and energy efficiency. Approximately $52 million was invested in the REIT's income producing properties in 2020 ($76 million in 2019), and InterRent recorded a fair value gain of approximately $70 million ($353 million in 2019).

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.

Kingsley Place, Montreal

4560 Saint-Catherine W, Montreal

Stoney Creek Towers, Hamilton

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

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

Britannia Portfolio Ottawa, Ontario

The Britannia portfolio is comprised of 286 rental suites including apartment buildings, duplexes and townhomes. It is located in Britannia Village fronting the Ottawa River and Britannia Beach. The properties have easy access to the Ottawa River Parkway and bike path. They are also a short distance from Bayshore Shopping Centre and a grocery store.

286
Total Suites

Significant capital improvements made to this property since acquisition include new landscaping, suite renovations, new signage and improvements to the safety and security of the property. Since acquisition in April 2015, the average rent on suites that have been vacated and subsequently occupied by new residents has increased 74%, while the NOI has increased 60%. The unlevered IRR based on the IFRS value at December 31, 2020, is 19%.

Investment Highlights

Investment Timeframe	5.7 years
Purchase Price	$27.5M
Unlevered IRR	19%*

*IRR based on the IFRS value at December 31, 2020.

718 Lawrence, Hamilton, Ontario

718 Lawrence is a mid-rise building comprised of 55 rental suites. Situated between Bartonville and Rosedale, residents are within close proximity to the Hamilton GO Station, Niagara Escarpment and a variety of restaurants, shops and trails.

55
Total Suites

Capital improvements made to this property since acquisition include renovated kitchens and bathrooms, landscaping, new signage and improvements to the safety and security of the property. Since acquisition in April 2015, the average rent on suites that have been vacated and subsequently occupied by new residents has increased 83%, while the NOI has increased 57%. The unlevered IRR based on the IFRS value at December 31, 2020, is 17%.

Investment Highlights

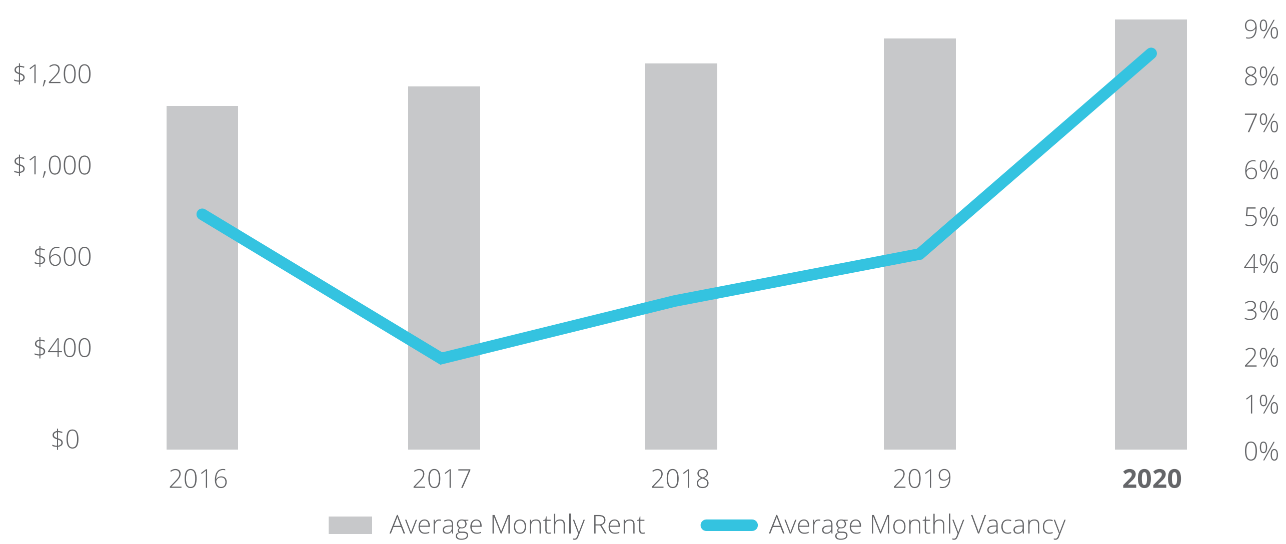
Investment Timeframe	3.1 years
Purchase Price	$6.0M
Unlevered IRR	17%*

*IRR based on the IFRS value at December 31, 2020.

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

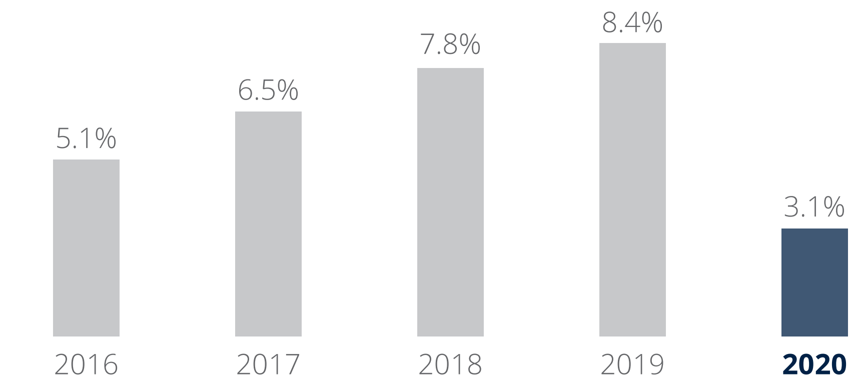


FIVE Year History

In $000s, except as noted	2016	2017	2018	2019	2020	CAGR
Total Suites	8,059	8,660	9,299	10,164	11,047	8.2%
Average Rent Per Suite	$1,064	$1,110	$1,190	$1,260	$1,315	5.4%
Operating Revenue	$97,465	$109,004	$127,286	$145,302	$159,955	13.2%
Net Operating Income (NOI)	$56,867	$66,166	$82,218	$96,194	$102,139	15.8%
NOI %	58.3%	60.7%	64.6%	66.2%	63.9%	n.a.
FFO Per Unit (diluted)	$0.39	$0.42	$0.45	$0.48	$0.47	4.9%
Debt/GBV	55.3%	47.8%	38.9%	32.5%	31.1%	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 Revenue Growth



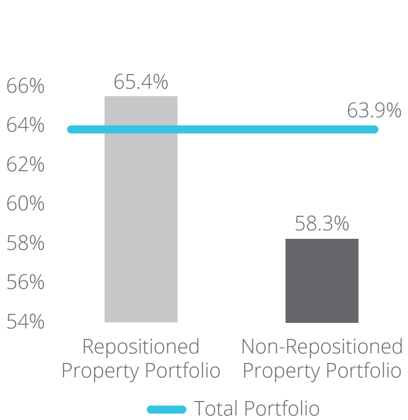
While driving top-line revenue growth is key, managing operating costs is equally critical as it ensures that the growth in revenue makes its way to the bottom line.

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.

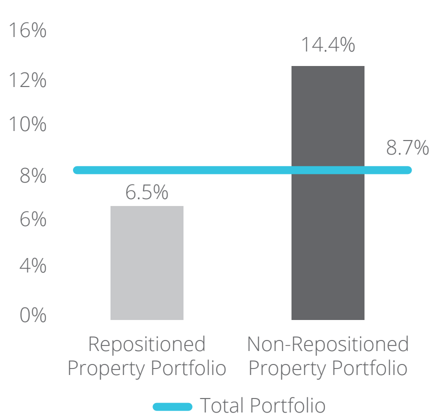
By applying our experience and knowhow, the REIT has been able to achieve above-average rental rates and NOI growth over the past five years.

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 3,334 suites from 2017 to 2020 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



2.56%
WEIGHTED AVERAGE INTEREST RATE

5.2 YEARS
AVERAGE TERM TO MATURITY

31.1%
DEBT-TO-GROSS BOOK VALUE

3.45X
INTEREST COVERAGE RATIO

81%
% OF MORTGAGE DEBT CMHC INSURED

at December 31, 2020

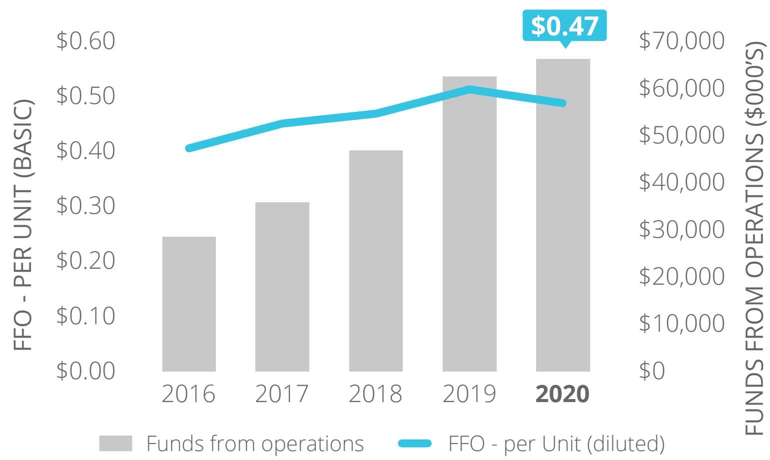
FINANCING FACTS

The acquisitions completed in 2015 and 2016 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 3,334 suites acquired in 2017-2020 were still undergoing various degrees of repositioning initiatives throughout 2020.

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.

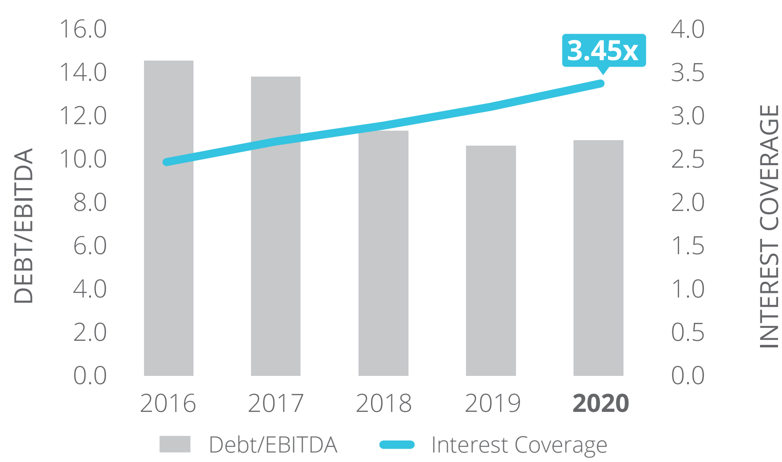
The REIT has experienced significant FFO growth in the past five years, both as an absolute and on a per unit basis. This growth can primarily be attributed to the growth in the overall NOI. Management expects that as recently acquired properties are repositioned and the economy recovers from the COVID-19 pandemic, the REIT will continue to experience above-average FFO per unit growth.

▼ FFO and FFO per Unit



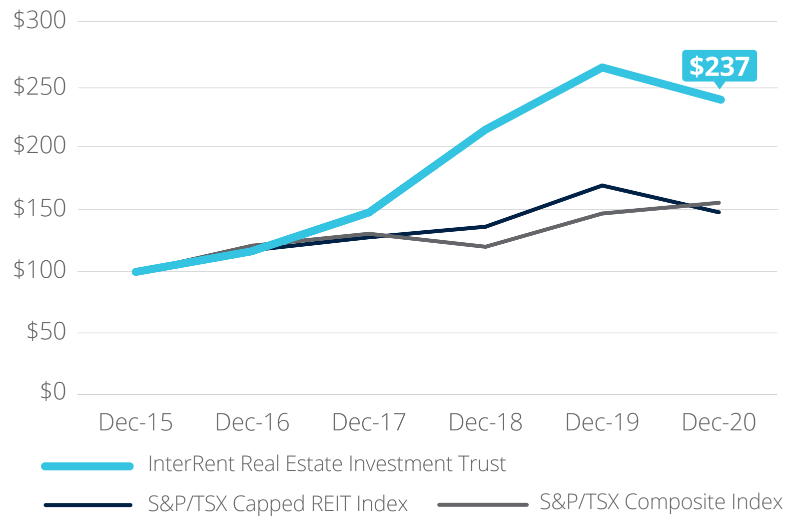
The acquisition of 3,334 suites over the last four years has provided the REIT with a well-situated portfolio that has strong organic growth potential. To achieve this bottom-line revenue growth, the REIT has been investing in the properties. Management anticipates that these investments have positioned the REIT well to produce above average NOI growth as the economy recovers from the COVID-19 pandemic.

▼ Debt/EBITDA and Interest Coverage



The REIT has experienced significant growth in many facets of its business over the past several 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. The COVID-19 pandemic significantly impacted public market returns in 2020; however, InterRent demonstrated resilient results and outperformed the S&P/TSX capped REIT index by 300bps. Management anticipates that as the economy recovers from the pandemic, 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,	2015	2016	2017	2018	2019	2020	Total Return
InterRent Real Estate Investment Trust	$100	$117	$148	$217	$265	$237	137%
S&P/TSX Composite Index	$100	$121	$132	$120	$148	$156	56%
S&P/TSX Capped REIT Index	$100	$118	$129	$137	$169	$147	47%

Source: S&P Global Market Intelligence

PORTFOLIO MAP

GTA
(Including Hamilton)

3,566 Suites

30 Properties

1.0%
Penetration

32.3%
Of Portfolio

373,077
Total Suites in Market

Montréal

2,787 Suites

22 Properties

0.5%
Penetration

25.2%
Of Portfolio

602,897
Total Suites in Market

National
Capital Region

2,965 Suites

28 Properties

3.0%
Penetration

26.8%
Of Portfolio

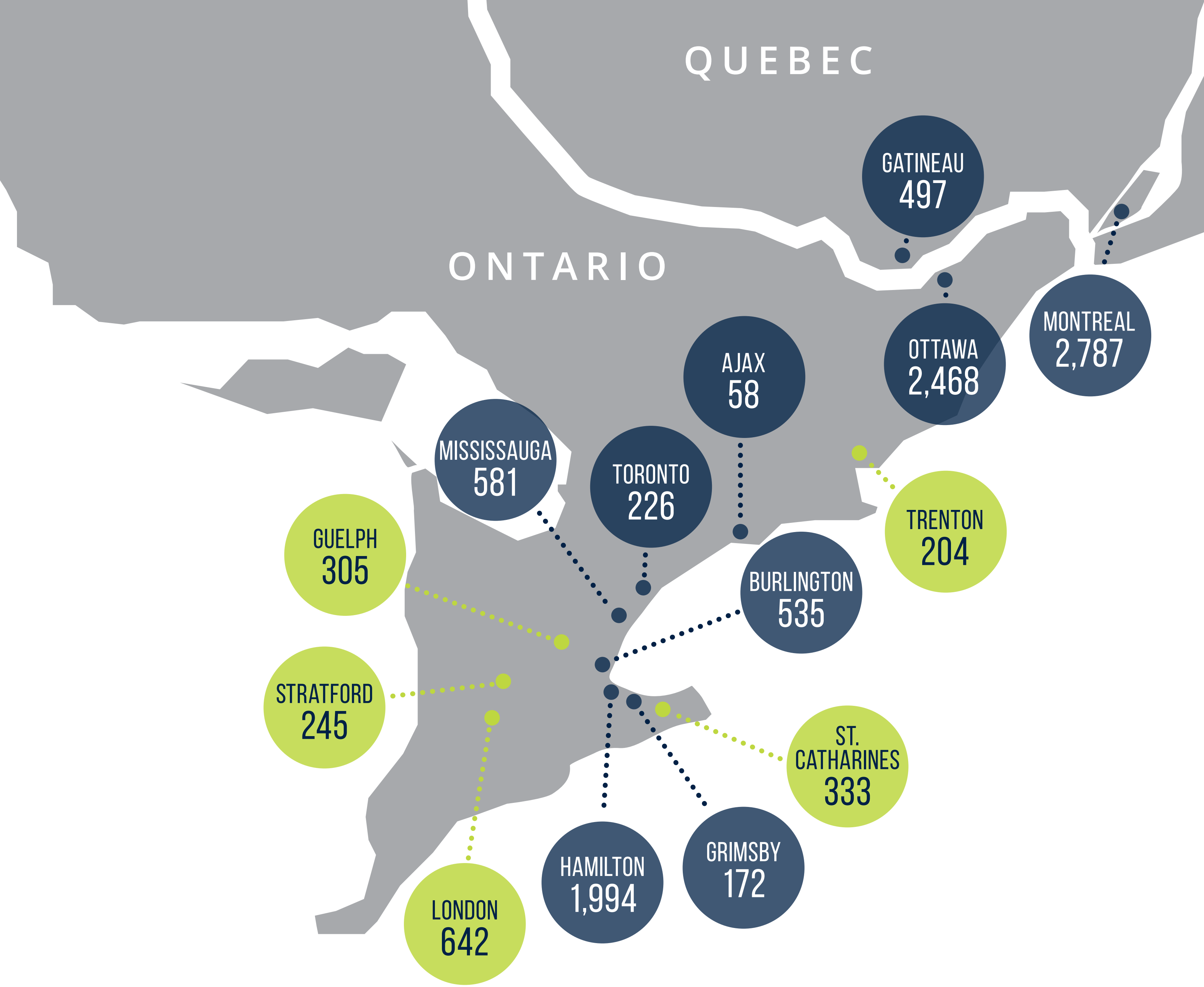
99,075
Total Suites in Market

Secondary Markets

1,729
Suites

14
Properties

15.7%
Of Portfolio



NUMBER OF PROPERTIES
94

NUMBER OF SUITES
11,047

Primary Markets

Secondary Markets

	2019	2020
% Of Repositioned Suites in Portfolio	64%	69%
% Of Non-Repositioned Suites in Portfolio	36%	32%

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 urban, high-growth markets across Canada.

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

Healthy economic regional centres & neighbourhoods

Regions that have stable employment with a significant tech industry which management expects will continue to experience strong economic growth.

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.

Economic record accommodating rental rate growth

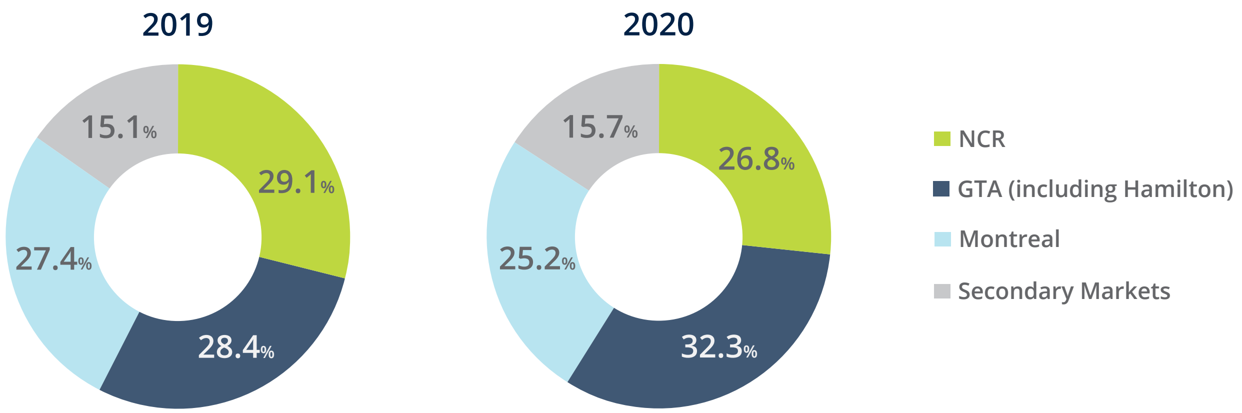
InterRent looks for communities with an existing track record of strong economic growth, preferably where the REIT has experience & success improving rental rates and where existing infrastructure can be leveraged.

Locations that offer stable capitalization rates

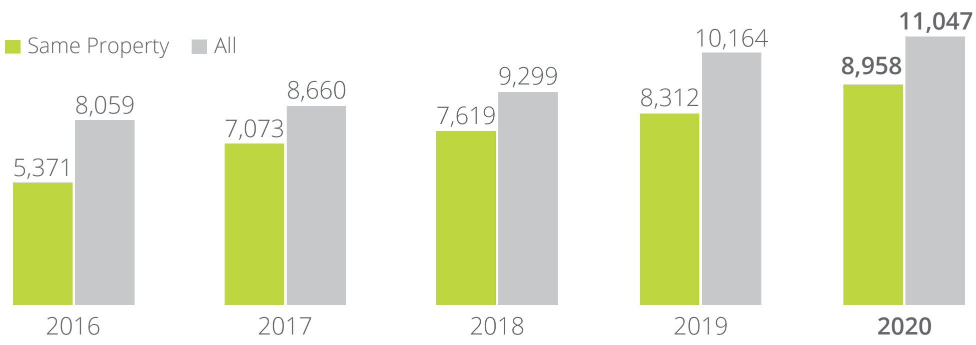
By targeting markets that meet the first three parameters and that also have sufficient supply and demand from investors, InterRent ensures that its markets will maintain relatively stable capitalization rates.

Over the course of 2020, the REIT acquired 880 suites in Ontario and Quebec.

Geographic Exposure by Suite Count



Number of Suites




5160 Gatineau Avenue, Montreal

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:

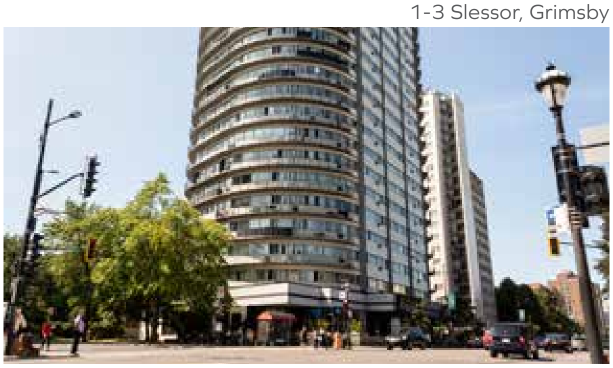
- Healthy Economic Centres
- Strong Demand
- Rental Rate Growth
- Stable Capitalization Rates

500-522 Gordon Avenue, London

Parkway Park, Ottawa

718 Lawrence, Hamilton

1-3 Slessor, Grimsby



Le Colisée, Montreal

35 Brock & 600 John, Hamilton

	Suites
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 (5 properties)	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
2020	
1015 Orchard, Missisauga, ON	57
380 Winona, Ottawa, ON	4
155 Lake Shore, Toronto, ON	34
765 Brown's Line, Toronto, ON	26
15 Don, Hamilton, ON	36
100 Main, Hamilton, ON	295
35 Brock & 600 John, Hamilton, ON	233
500-522 Gordon, London, ON	117
527-531 Gordon, London, ON	78
Total	880
TOTAL	**3,334**

CANADA

Multi-family market overview

The onset of the COVID-19 pandemic brought about a downturn in the Canadian economy that impacted the rental market. Despite the ongoing pandemic, management believes that the rental market will recover in the second half of 2021 as the vaccines are rolled out and borders reopen.

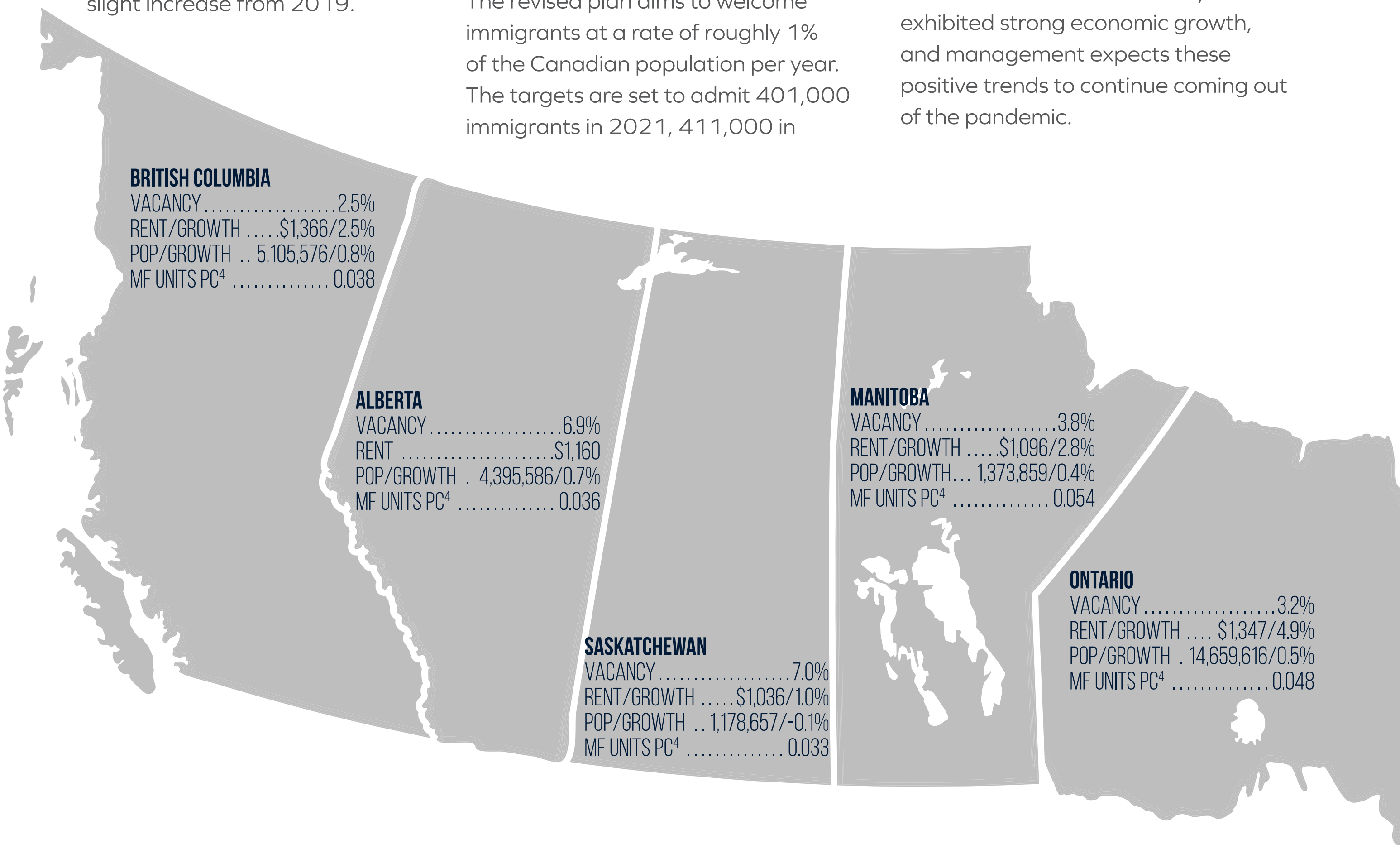
Prior to 2020, CMHC reported that vacancy rates had been steadily declining. In 2020, the rate was 3.2% across the country's CMAs, up from 2.0% in 2019. According to CMHC, national vacancy rates for rental apartments rose to 3.2%, only a slight increase from 2019.

The factors driving the increase are largely attributed to the global pandemic which has reduced immigration, bringing in fewer students and workers who are typically drawn to the rental market. However, Canada maintains its strong rental demand as the average rent for a two-bedroom apartment in the country's CMAs rose by 3.6%, from $1,113 in 2019 to $1,165 in 2020 despite the impacts of the pandemic.

International migration to Canada continues to be the main driver in increasing the demand for rental apartments across the country. Although Canada reported lower levels of immigration in 2020, the federal government has increased their immigration targets for the coming years to make up for the shortfall caused by the pandemic. The revised plan aims to welcome immigrants at a rate of roughly 1% of the Canadian population per year. The targets are set to admit 401,000 immigrants in 2021, 411,000 in 2022, and 421,000 in 2023, an increase of 50,000 immigrants per year from the previous targets

Although unemployment rates have risen throughout the pandemic, they are beginning to decrease as lockdowns are lifted and the vaccine is being distributed. The second quarter saw the largest increase in unemployment levels, up to 13% compared to 5.6% in the same quarter of the previous year. However, throughout the year, as restrictions lessened, economic activity began restoring.

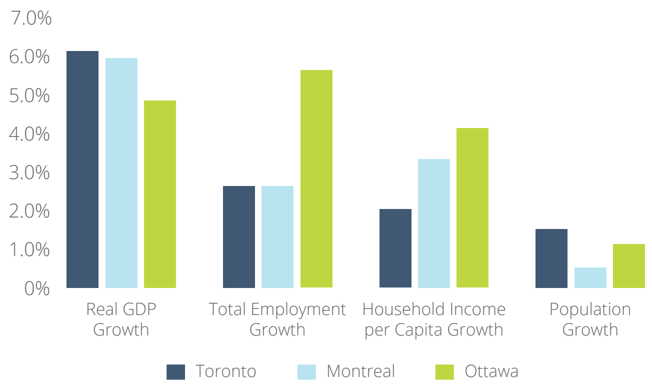
Looking ahead to 2021, Canada shows positive signs of continued rental demand growth, especially in InterRent's core markets. The National Capital Region, the Greater Toronto Area (including Hamilton), and Montréal have historically exhibited strong economic growth, and management expects these positive trends to continue coming out of the pandemic.



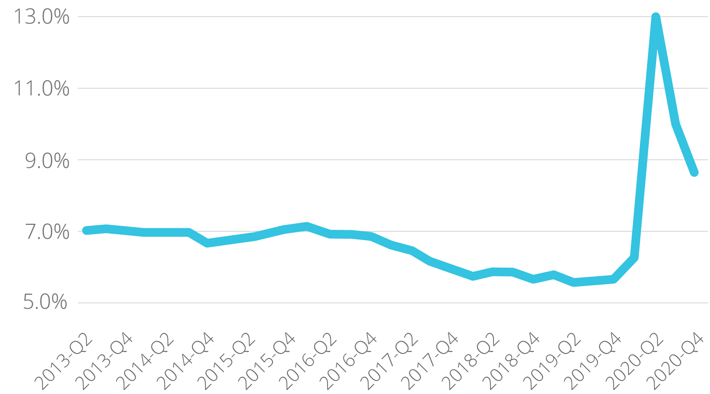
Sources: Vacancy, Average Rent/Growth, and Multifamily Universe obtained from CMHC Primary Rental Market Statistics (Oct. 2020). Population data obtained from Statistics Canada (Population Growth from 2018-2019).

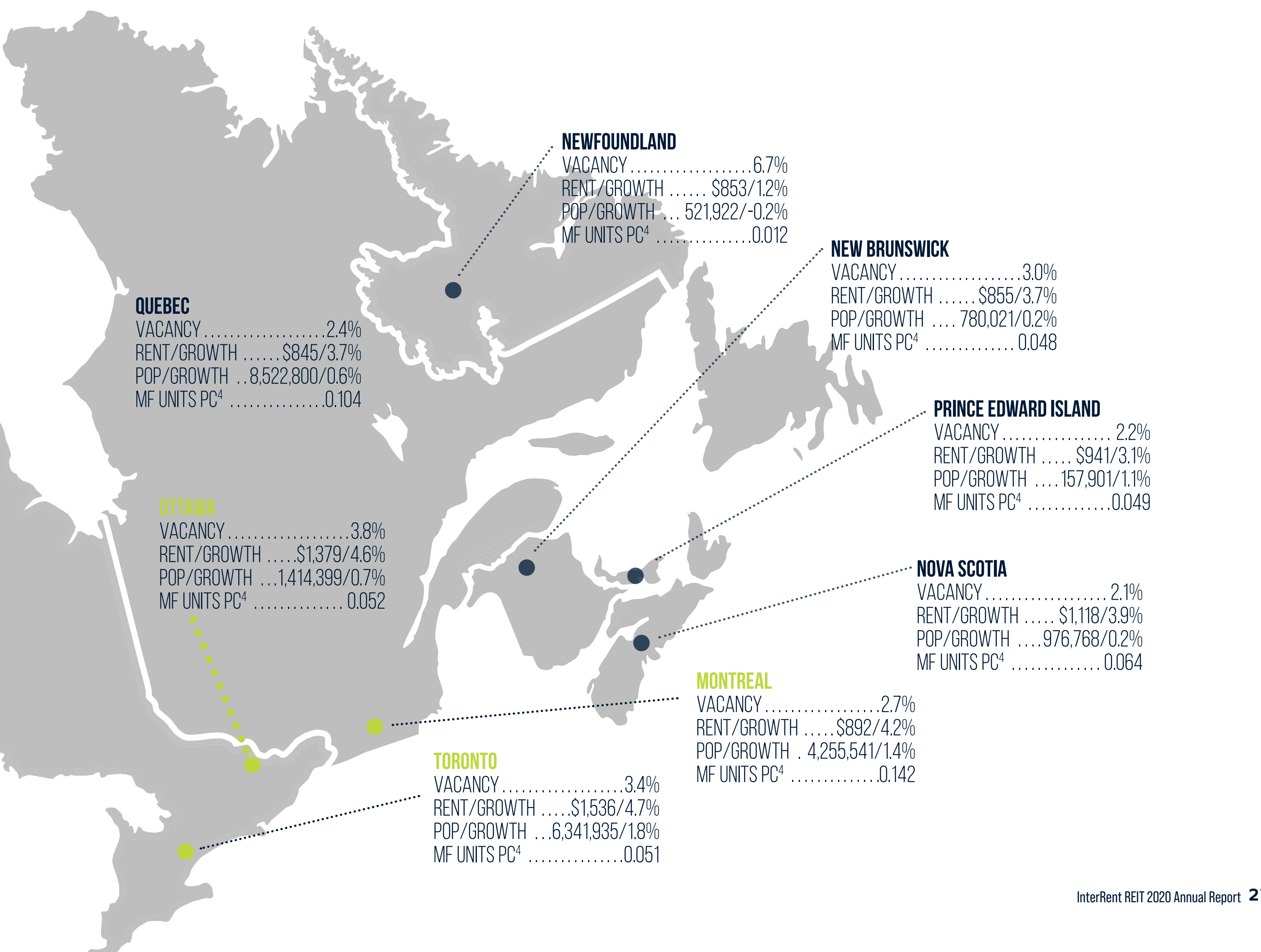
1 CMHC 2 Statistics Canada 3 Conference Board of Canada 4 Multi-Family

▼ Forecast Economic Indicators (2021)[3]



▼ Canada Unemployement[3]





GREATER TORONTO AREA INCLUDING HAMILTON

The Greater Toronto Area including Hamilton continues to be a point of focus for InterRent's growing portfolio. The region has proven to be one of the most stable rental markets in Canada.

3,566
suites

373,077
total suites in market

30
properties

1.0%
penetration

32.3%
of portfolio

Landmark Place | 100 Main Street E, Hamilton

Over the years, consumer preferences in the GTA have shifted towards the rental market as a result of the high cost of homeownership throughout the region. However, the economic impact of the pandemic has caused vacancies to increase to 3.4%. Despite these higher vacancy rates, rents were resilient in the primary rental market by rising 4.7% on average, sitting at $1,523 according to CMHC.

One of the key demand drivers in the GTA are the inflows of immigrants and non-permanent residents, such as students, who are typically drawn to the rental market. Year after year, the GTA receives the largest share of Ontario's immigrants; however, the COVID-19 pandemic led to a drop in immigration numbers. Even though the area saw a decrease in demand, Toronto's population growth was still highly driven by net immigration. In Toronto, 109% of population growth was attributed to net immigration, compared to Canada seeing only 84%.

With strong rental demand in the region, construction of rental units has not slowed down. In 2020, total apartment starts grew by 5,720, or 67% higher than the same period in the previous year.

The increase can also explain the higher vacancy rates reported this year. According to CMHC, the turnover rate has decreased yet again from 9.5% in 2019 to just 8% in 2020. As demand levels out with supply in the GTA, minimal turnover should restore vacancy rates to their pre-pandemic levels and clearly, less turnover is not slowing down rental increases.

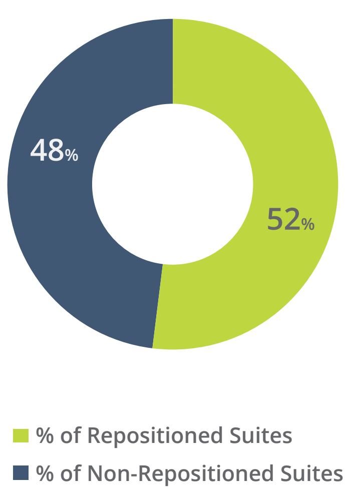
The impacts of the pandemic in terms of changes in lifestyle due to job losses, remote work, and lockdowns have caused downtown Toronto to lose some of its appeal. As a result, consumer preferences have shifted towards more affordable options in suburban areas of the GTA outside of the downtown core, such as, Durham, Peel, and Hamilton.

In Hamilton, favourable rental market conditions have prevailed throughout 2020 as seen in its increase in average rent and reduction in vacancy rates. The city's growth in average rent far exceeded the Ontario Rent Increase Guideline of 2.2%. CMHC reported that the average rent increased by 5.4% this year, up to $1,207, continuing the upwards trend of significant rent increases over the years.

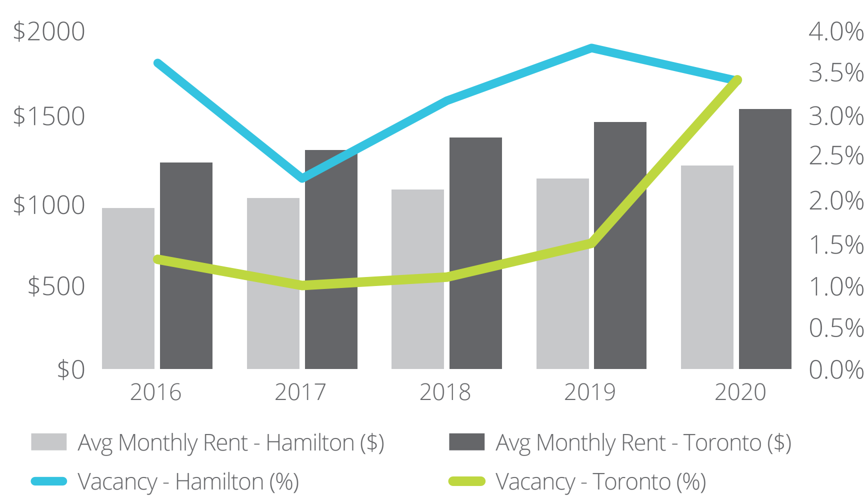
Much of Hamilton's rental demand is driven by the student population. Due to the pandemic, the city saw fewer post-secondary students living in Hamilton as McMaster University closed student residences with courses being delivered completely online. Despite the reduction in the student population migrating to the area, CMHC reported that vacancy rates remained unchanged in 2020, at 3.5%. It is clear that demand for rental units remains relatively high, with little indication of slowing down post-pandemic.

Management believes the demand for rental units in the region will continue trending upwards in 2021 and InterRent remains committed to the GTA (including Hamilton) as one of the core markets in our portfolio.

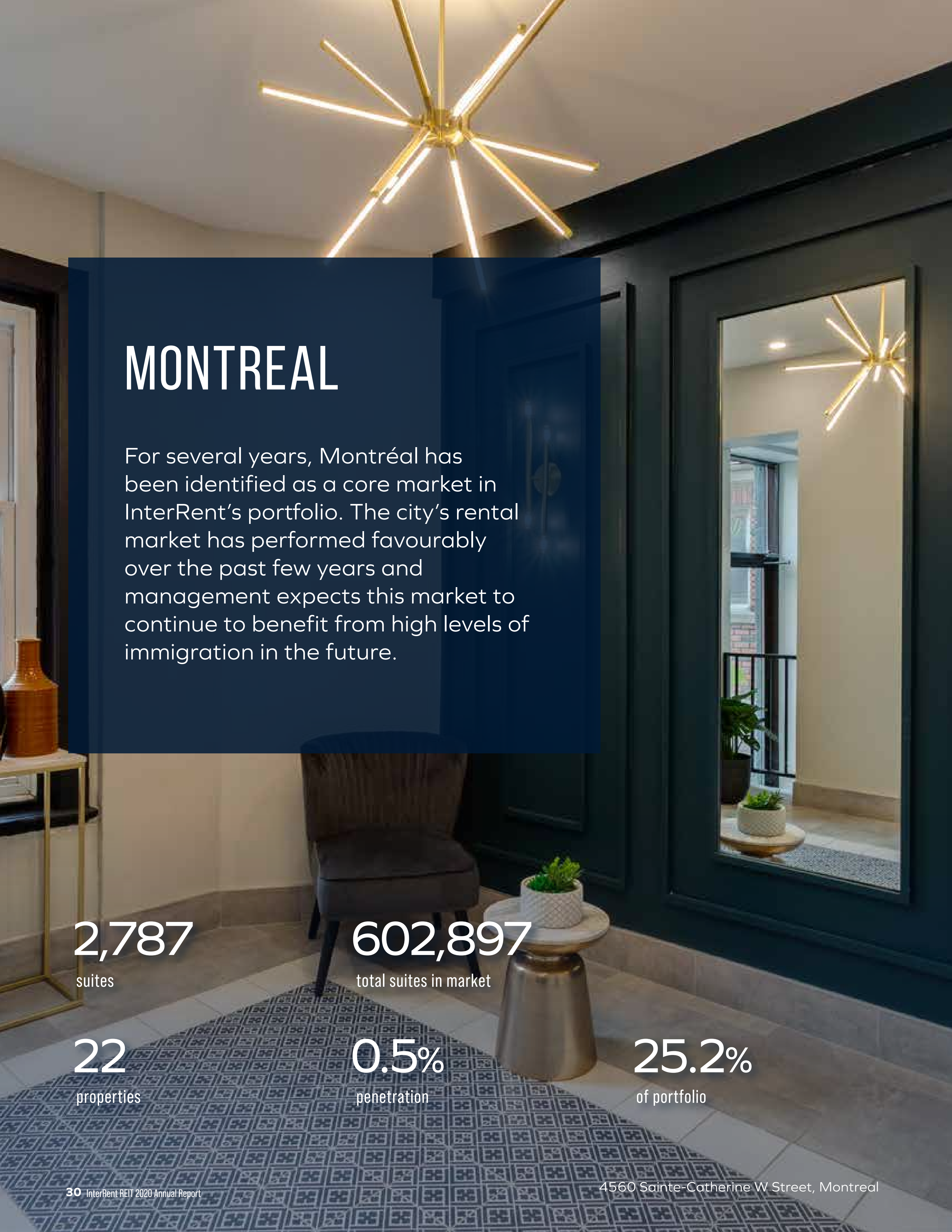
▼ Portfolio Breakdown



▼ Vacancy and Rent Trends[1]



[1] Source: CMHC



MONTREAL

For several years, Montréal has been identified as a core market in InterRent's portfolio. The city's rental market has performed favourably over the past few years and management expects this market to continue to benefit from high levels of immigration in the future.

2,787
suites

602,897
total suites in market

22
properties

0.5%
penetration

25.2%
of portfolio

4560 Sainte-Catherine W Street, Montreal

According to CMHC, the average rent in Montréal rose 4.2% in 2020, up to $891. The average rental growth in the area marks the largest increase since 2003. The Montréal market saw a decrease in its turnover rate from 15.7% in 2019 to 11.4%. Despite the decrease in turnover, the record high rental growth highlights this region's strong demand for apartments as well as consumer preferences towards the rental market.

Montréal vacancy rates have been trending downwards and reached a 15-year low in 2019 at 1.5%, according to CMHC. With the COVID-19 pandemic, there has been an increase in vacancy rates in 2020 to just 2.7%. This increase was partly due to a lack of typical demand from students, immigrants, and non-permanent residents in the rental market. On the other hand, the suburban areas of Montréal saw more stable vacancy rates, sitting at 1.2%.

Migration to Montreal has slowed this year but management believes it will regain its momentum post-pandemic. In comparison to Canada, where net immigration made up 84% of population growth in 2020, Montréal reported 105%. The region's ample employment and educational opportunities continue to attract non-permanent residents such as temporary workers and students, who tend to enter the rental market upon arrival.

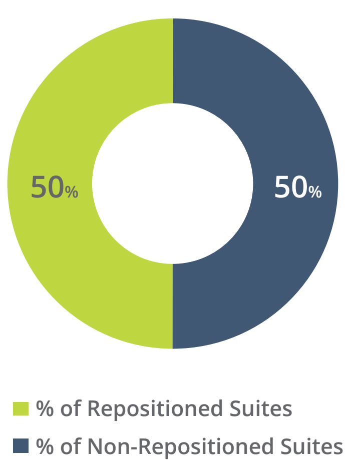
Furthermore, according to CMHC, homeownership among the 15-24 age bracket has been declining, with many of those potential first-time homebuyers preferring the rental market. Similarly, the aging population of Montréal is supporting the rental market, as more individuals are choosing to switch from owning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

Since the previous CMHC survey, roughly 10,600 new rental apartments have been added to the market, 80% of which are in the suburbs. The strong demand for these new units kept vacancy rates stable in the suburb areas, which are largely supported by older households.

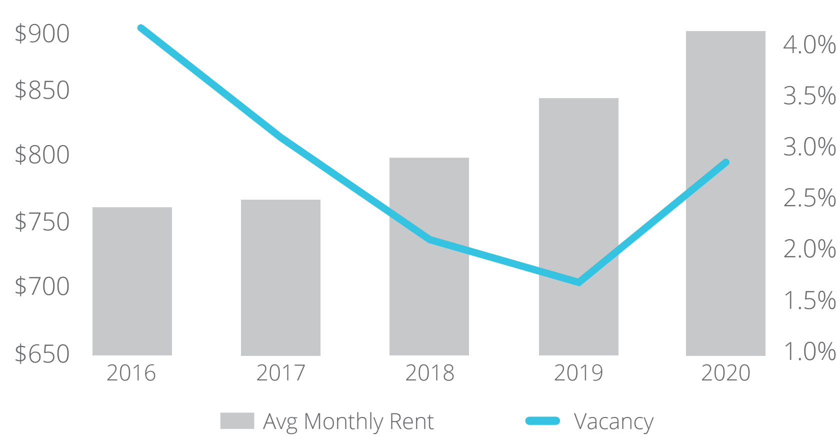
The primary driver of Montréal's economic growth comes from investments in infrastructure projects. The $5.9 billion investment in the Réseau express métropolitain (REM) is the largest public transit project in Québec in the last fifty years. The REM will include 26 stations and span 67km of tracks across the city. The first trains are expected to begin running in 2022. 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.

InterRent foresees strong growth and new opportunities in Montréal for years to come as we continue to focus on the city to strengthen our portfolio.

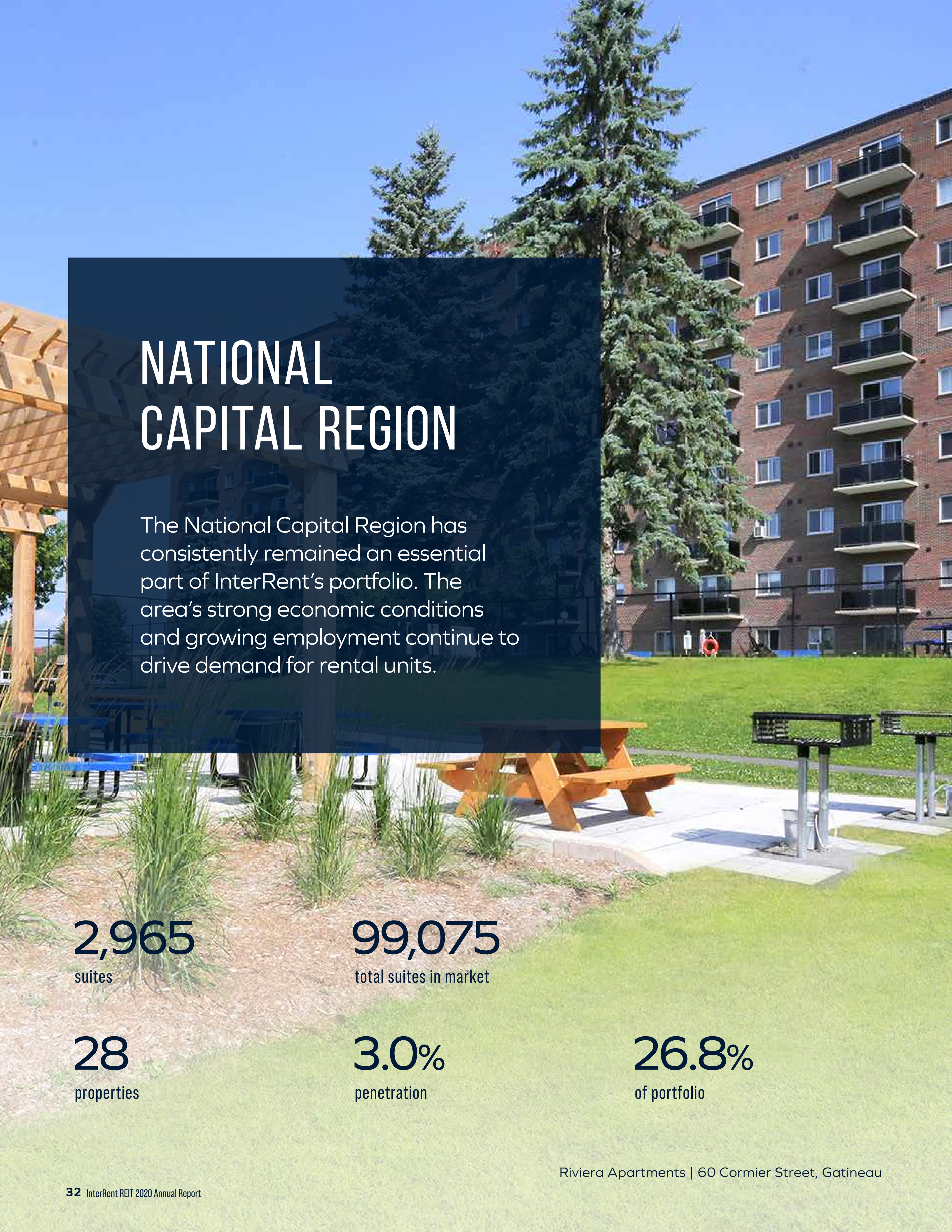
Portfolio Breakdown



Vacancy and Rent Trends[1]



[1] Source: CMHC



NATIONAL CAPITAL REGION

The National Capital Region has consistently remained an essential part of InterRent's portfolio. The area's strong economic conditions and growing employment continue to drive demand for rental units.

2,965
suites

99,075
total suites in market

28
properties

3.0%
penetration

26.8%
of portfolio

Riviera Apartments | 60 Cormier Street, Gatineau

Prior to the COVID-19 pandemic, Ottawa's vacancy was at 1.8% in 2019. According to CMHC, 2020 saw an increase in the vacancy rate to 3.9% which can be attributed to reduced immigration and international student inflows. Despite the increase, the vacancy rate remains solid, and is backed by the rise in average rent of 4.5% from 2019, settling at $1,358. Increases in rent can be explained by the relative stable turnover rates in the NCR that remained unchanged at 17.9% year-over-year.

Over the years, Ottawa's rental market has been driven by strong immigration levels to the city along with a significant number of students attending one of Ottawa's major universities and colleges. Although 2020 saw a decrease in immigration due to the pandemic, the rental market in the NCR continues to be supported by the relative stability in public administration employment.

Ottawa continues to enjoy a positive economic outlook beyond the growing civil service and technology sectors. The city has several major infrastructure projects underway aimed at transforming the capital.

Launched in 2019, the 72-acre LeBreton Flats redevelopment is expected to revitalize the downtown area and bring new opportunities for economic growth in the capital.

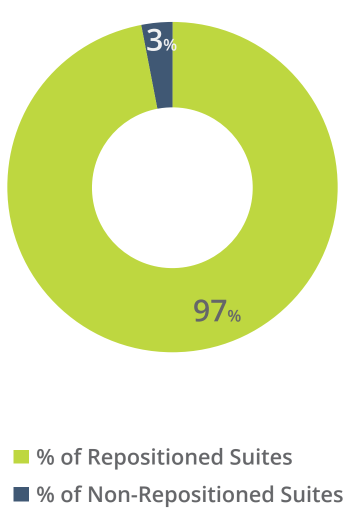
Investment in the O-Train remains ongoing with the North/South Trillium Line train opening in 2022 and the Confederation West line in 2025. When complete, 77% of Ottawa residents will be within 5 kilometers of light rail. A transforming downtown coupled with an improved transit system will further support economic growth while creating employment opportunities in the area. Our development at 900 Albert Street sits conveniently at the link between the Trillium Line (the North/South line) and the Confederation Line (the East/West line) of the LRT. 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.

Looking across the river, Gatineau has also experienced similar rental market trends as seen in Ottawa. According to CMHC, average rent rose to $906, up 2.4% from the previous fiscal year, while the vacancy rate remained unchanged from 2019, sitting at 1.6%.

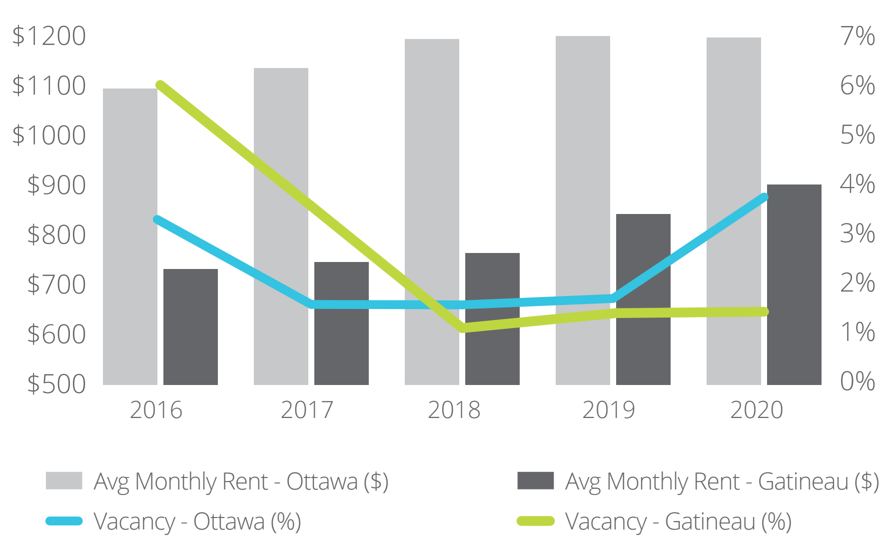
Over the past three years, Gatineau has seen record numbers of units being added to the area's rental stock. Since CMHC's last survey, 1,700 units have been completed, an increase of nearly 40% over the previous year's completions. Demand for the region has been able to keep up with these large increases in supply due to an increasing number of people leaving Ontario to settle in Quebec, three quarters of whom opt for renting upon arrival.

The National Capital Region remains a primary focus for InterRent as we look to grow our portfolio. Both Ottawa and Gatineau have shown a strong track record of economic growth over the past few years, and management believes those trends will continue into 2021 as we recover from the pandemic.

Portfolio Breakdown



Vacancy and Rent Trends[1]



[1] Source: CMHC

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.

Matterport Virtual Tour | LIV Apartments, 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

SOCIAL MEDIA

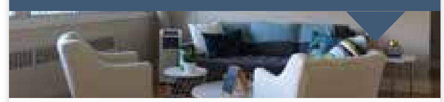
We strive to facilitate a two-way conversation with our residents and actively promote resident retention, brand awareness and lead generation strategies.

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
August 25, 2020 -

One and two bedroom floorplans still available at our Lakeshore Apartments in Mississauga. Relax in the surrounding greenspace.

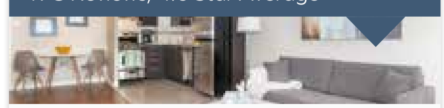
Place Kingsley
MONTREAL, QUEBEC
137 Reviews, 4.4 Star Average



A R | 5.0 ★★★★★

"I had the pleasure of working with my leasing manager Marc Jreidini. Excellent service - he guided me through the application process. Made my relocation experience less stressful. I highly recommend working with him if you have the chance. Clean buildings - management seems to be clear about Covid awareness- makes sure their tenants are happy and safe."

Forest Ridge
OTTAWA, ONTARIO
178 Reviews, 4.6 Star Average



Colleen | 5.0 ★★★★★

"I have been amazed with the ease of the moving process. Stephanie was so helpful and understanding. Very quick to reply and super professional! The building is beautiful. The gym is next level, everything is very clean, and the games room looks super fun! The apartment is newly renovated and cleaned! They really do go above and beyond to make sure you're comfortable! So excited to call this place home."

LIV Apartments 2020 Social Media

966K	People Reached
63,144	Total Impressions
31,330	Total Impressions
1,096	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 **40 others**

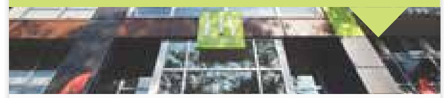
Instagram Our team at 1015 Orchard in Mississauga is ready to help you find your dream apartment! Reach out to see the available 1 and 2

July 3, 2020

LIV Apartments

OTTAWA, ONTARIO

260 Reviews, 4.2 Star Average



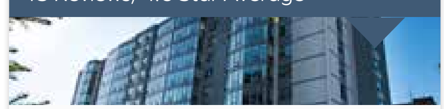
Nathan | 5.0 ★★★★★

"Moving in to LIV was a very easy and positive experience. The employees here are nothing short of amazing and provide exceptional service. Whenever you need anything at all, they are very easy to contact, and they respond very quickly. The building is absolutely stunning. The building is constantly being cleaned and maintained. I would 100% recommend any one to live here."

Lakeshore Club

BURLINGTON, ONTARIO

43 Reviews, 4.6 Star Average



Kerrie | 5.0 ★★★★★

"I recently moved to The Lakeshore Club. My suite is newly renovated and very spacious for myself and 3 children.
The building is beautifully maintained.
An unexpected move during a pandemic. I want to give a special shout out to Carmen ... THANK YOU so much for making this transition a wonderful experience for me and my children. I would not hesitate to recommend The Lakeshore Club.

BUILDING A SUSTAINABLE FOUNDATION

2020 was a decisive year in the REIT's sustainability journey. Not because we dramatically changed the way we do business, but rather that we embarked on building out more structure around our long-standing sustainability initiatives. A natural consequence of this work was that we also became better equipped to share our ESG story in a meaningful way with our stakeholders.

57 Bayswater Avenue, Ottawa

Paramount to our structuring work in 2020 was the expansion of InterRent's ESG committee, now comprised of team members from departments across the organization, senior management, and the Board. This group's mandate is to lead the organization in formalizing and mobilizing the REIT's sustainability strategy as we strive to continue to create long-term value for all stakeholders. We are excited to share the details of this strategy in a more comprehensive way in our sustainability report, which will be published later this year.

Our Stakeholder Approach

As a provider of over 11,000 homes across Canada, the team at InterRent understands and appreciates the significant role and responsibility we have with respect to our residents. Furthermore, the REIT understands that, as a provider of homes, the impact we have extends to the broader communities in which we operate. As such, the REIT has adopted a stakeholder approach and strives to consider four broad stakeholder groups in all business decisions – our residents, our team, our communities, and our investors.

- Our Residents
- Our Team
- Our Communities
- Our Investors

We trust the following pages will demonstrate how we served our stakeholders in 2020 and provide a sense of our future ambitions.

We're also pleased to share this short video, highlighting a year like no other as we look back on 2020.

OUR RESIDENTS

We are delighted that more than 11,000 households in Canada call an InterRent community their home. Our residents are the reason we get out of bed in the morning and our objective is to offer an unsurpassed resident experience.

Our diverse resident base includes students, families, young professionals, and seniors and we appreciate and respect that their needs and expectations are neither homogeneous nor static.

We recognize that 2020 was an unprecedented year for our residents. Almost overnight, our rental suites transformed into workplaces, classrooms, gyms, and places of refuge during uncertain times. We are proud of how quickly the InterRent teams rallied to support our residents in new and innovative ways as we faced the challenges of Covid-19 together.

- In March 2020, we developed an online information hub to provide residents with information regarding the pandemic as well as an online bulletin board for residents to communicate with each other and help their neighbours. (Visit Resident Resources for more details.)
- In March and April 2020, our teams made wellness calls to every resident in our communities to check on their safety and to identify residents in need of additional assistance.
- In June 2020, the REIT introduced several new building protocols and procedures designed to ensure the wellbeing of all our communities. A prominent piece of this roll-out was the launch of our industry-leading cleaning program, CLV Clean & Secure+™.
- During 2020, our leasing teams developed customized rent deferral arrangements with all residents who experienced financial hardship arising from the pandemic.
- In 2020, InterRent's sales and leasing teams implemented an end-to-end contactless rental process so that prospective residents now have the option to enjoy a virtual or self-guided property tour and complete a rental application online.

CLV CLEAN & SECURE+™

The risks of Covid-19 and its variants continue to weigh on our communities in 2021, but our commitment to support our residents is unwavering. We strive to abide by all government regulations across our markets and our CLV Clean & Secure +™ enhanced cleaning program continues to be our standard protocol across all properties. We are leveraging our online information hub to provide regular updates and resources to our residents, and we continue to work with any resident facing financial difficulty as a result of the pandemic to find solutions that allow them to maintain their residence.

Resident Engagement

In 2020, supporting the health and wellbeing of our residents was our primary focus, but we also made strides in adding more structure around our ongoing resident engagement activities so that we can hone in on the services that matter most to our residents.

- In 2020, Covid-19 prevented us from holding many of our traditional in-person resident events, but that didn't stop us from organizing a variety of virtual activities that engaged more than 2,200 residents and saw social media flooded with rainbows and epic Halloween costumes.
- From April to September 2020, when our fitness centres were forced to close in response to government restrictions, we hosted online fitness and yoga classes for our residents which garnered excellent feedback.
- In the summer of 2020, InterRent participated for the second time in a large syndicated multi-family survey across the Canadian market. When asked about the level of satisfaction with their current landlord, our residents gave us an average mark of 73%, which although slightly ahead of the overall market response, pointed us to several key areas where we know we can do better.
- Throughout 2020, we also continued our practice to survey all residents after they move-in, as well as after a maintenance work order has been completed (in Ontario). Through these touchpoints, we gather crucial feedback from our residents to better understand which processes are working well and where there are pain points that need our attention.

We know our residents want more from their homes than a simple place to lay their head. We will continue to engage with and listen to our customers as we continue to build out our engagement programs in 2021 and beyond.





OUR TEAM

The REIT's team members are the lifeblood of the company. Our mission is to treat each team member with professionalism, integrity and respect 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. The result is a family-like culture of high performers who support each other and are committed to deliver on InterRent's strategy every day. In 2020, our amazing teams went above and beyond to serve our stakeholders and we couldn't be prouder. Thank you!

>33%
of Team Members

Employee Ownership

Over 33% of InterRent's team members are owners of the REIT through our Deferred Unit Plan. We are immensely proud of that figure and we recognized that having a more structured understanding of engagement levels and drivers within our employee base would best position us for our next phase of growth.

Employee Engagement

In Nov 2020, we partnered with an independent third party, to deliver our first formal employee engagement survey. The survey was open to all employees and we were delighted to receive an 81% response rate.

- Our results were benchmarked against companies of a similar size across various industries, resulting in a sample size of c.60,000 respondents. This helped us contextualize our overall engagement score of 80%, which outperformed the benchmark by 9 percentage points.
- We are pleased with our inaugural engagement score, but more importantly, we learned that, for our employees, the main engagement drivers are professional growth, senior leadership and diversity & inclusion.
- This reinforced InterRent's decision to become a signatory to the BlackNorth Initiative in 2020, pledging to do our part to end anti-black systemic racism in Canada. We believe that the road to diversity and inclusion is a journey and we will continue to take steps, both big and small, toward creating an environment where everyone feels included and heard, with a sense of belonging.
- The survey results also underscored the importance of continuing to invest in our employees and recognizing their outstanding work and dedication. We support and celebrate our team members' professional growth through our educational assistance program and recognition program, alongside coaching and mentoring at all levels of the company.
- We are pleased with the 82% favourable response to "I have trust and confidence in [senior leadership's] ability to achieve our organization's goals" and are encouraged that our employees think that "senior leaders have painted a compelling vision for our organization". Coupled with meaningful benchmark outperformance around "a strong feeling of team spirit and cooperation in the organization", it's easy to see why, at InterRent, we are excited about our future!

Professional Growth

Senior Leadership

Diversity & Inclusion

Our engagement results provided a starting point for discussion with our teams to ensure we continue to listen and improve upon all aspects of our relationship with our team members. In particular, we see opportunities to sharpen our information and communication channels, and we have targeted deeper dives around compensation and work/life balance.

We are currently creating focus groups with our employees to collectively dig into underlying issues and come up with solutions to get better, starting with our recently launched Diversity & Inclusion (D&I) committee. We believe putting our teams at the heart of the discussion will result in the best outcomes, which is why our D&I committee was formed with team members from departments across the organization.

We always believe there is room for improvement, this is at the very heart of who we are as a company.

> "Employee engagement is a positive, energized state of mind that stems from both a logical and an emotional investment of personal energy that is absorbed in and focused on transforming a work task, a team goal and/or an organization outcome into a meaningful business objective."
>
> TalentMap Definition of Employee Engagement

OUR COMMUNITIES

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

We take our role in the community to heart and offer all full-time permanent employees paid time off to participate in charitable events and activities that mean the most to them.

Even though we couldn't participate in some events in 2020 in person, we continued to support our community partners and were honoured to play a role in fighting Covid-19.

Personal Protective Equipment Donations

We donated over $100,000 in personal protective equipment for use by frontline workers and schools in Ontario and Quebec.

Support Local Initiative

In December 2020, we kicked off an initiative called 'CLV Supports Local' to encourage a post-Covid recovery in our communities. To date we have supported over 200 local merchants across 17 cities in Ontario and Quebec through $100,000 in spending. We also endeavour to keep our supply chain local by working with service contractors and skilled tradespeople based in communities in which we operate.

Community Engagement

At InterRent, family is important. This family orientation drives our culture and we see a clear connection to the youth and family programming of our community partnerships.

- We support several Boys & Girls Clubs across Ontario, which have as their mission 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.
- In Ottawa, we volunteer with the Youth Services Bureau to decorate a tree of stars, where each star represents a donation supporting a child or family in need.
- In Montreal, we partner with the Sun Youth Organization to advance their mission to provide individuals and families in need a range of emergency services that ensure their basic needs and maintain their integrity. We also connect to the organization's contribution to the physical, social, and intellectual development of young people through education, sports, and recreation.

Boys and Girls Club
Repaire jeunesse

Housing and food security initiatives are also a natural extension of our fundamental role as a provider of homes.

- In 2020, we continued our efforts to help address food security issues through holiday food drives in our three main regions, and we look forward to again being able to volunteer to pack and distribute food hampers in 2021.
- At the end of 2020, we ran a successful rental promotion where we offered to donate $1,000 in the name of each new resident who leased a home with InterRent. During the promotional period, we were delighted to donate over $50,000 to various food banks in Ontario and Quebec.
- InterRent provided furnished accommodations to the Interval House of Ottawa, helping to alleviate the high demand for community housing arising from the pandemic and giving women leaving dangerous situations a safe place to stay.

Once we are permitted to, we look forward to again participating in the Mike McCann Memorial Charity Golf Tournament and hope to exceed our outstanding 2019 fundraising efforts of nearly $760,000! Likewise, we are training hard for when we're able to get back out on the Rideau River in the Ottawa Dragonboat Festival where paddlers in 2019 raised an incredible $4.3 million in support of 48 charities.

OUR INVESTORS

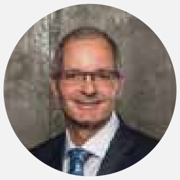
InterRent has always prided itself on open dialogue and transparency with the investment community. The REIT's unit price has experienced substantial appreciation over the past decade, suggesting that our equity story is connecting with the market.

This public market recognition is anchored in a strong corporate governance framework.

- 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 the company.
- The Board consists of six members, five of whom are independent and unrelated to InterRent, and the Board's four committees (Audit, Nominations and Governance, Human Resources and Compensation, and Capital Resources) are chaired by independent members only.
- The gender diversity on the Board of Trustees is currently 17%, and racial diversity is absent. When identifying candidates to recommend for appointment/election to the Board, the Nominations and Governance Committee aspires toward maintaining a Board composition in which women and other diverse candidates comprise a minimum 30% of the Trustees at any given time.
- The REIT publicly discloses its key governance policies and charters on our website. These policies are reviewed on a regular basis by InterRent's Board and a substantial refresh was conducted in 2020 to reflect evolving governance topics

Paul Amirault

Chairman of the Board

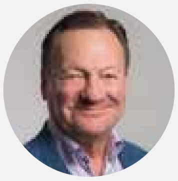


Paul Bouzanis

Chair, Capital Resources Committee

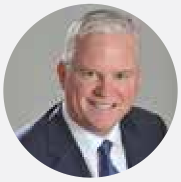
Mike McGahan

Chief Executive Officer



John Jussup

Chair, Nominations and Governance Committee



Ronald Leslie

Chair, Audit Committee

Cheryl Pangborn

Chair, Human Resources and Compensation Committee

Investor Engagement

The REIT's senior leadership team regularly participates in investor conferences and roadshows, while also accommodating individual investor meetings and calls.

- Throughout 2020, despite most investor activities shifting to a virtual format, the REIT hosted more than 125 investor meetings and formally engaged with 12 new institutional investors for the first time.
- The REIT is actively covered by 11 analysts and we began hosting interactive earnings calls, starting with our Q4 2020 results, to ensure that our key messages are understood and to facilitate more transparent two-way conversations with stakeholders.
- In early 2021, the REIT hired a dedicated investor relations resource and we look forward to deepening our relationships with the investment community.

GRESB® REAL ESTATE

The GRESB Real Estate Assessment is an investor-led global ESG benchmark and reporting framework for listed property companies, private property funds, developers and direct real estate investors. The assessment focuses on what investors and the industry consider to be material issues in the sustainability performance of real estate investments, and its methodology allows for comparability across regions, investment vehicles and property types.

- In 2020, InterRent participated in the GRESB Real Estate Assessment for the first time. We did so because we recognized that investors expect robust ESG data to monitor their investments and because we wanted a third-party perspective on our ESG strengths and opportunities, on which we could build our future ambitions.
- Our 2020 submission resulted in a score of 48, which, although disappointing, we understand to be a reasonable result for a first time participant, especially in a year which saw significant changes to the GRESB framework that resulted in many companies receiving lower scores in 2020 than they had in 2019. This first year assessment serves as an important baseline for targeted improvements in 2021 and beyond.
- We were pleased to see our strong social and governance policies recognized, alongside top marks for risk assessments. We provided high data coverage across energy, water, and greenhouse gas emissions, and reaped the benefit of having our performance data checked by an external third-party.
- As expected, many of our target improvement areas require enhanced structure through clear intent and establishing targets, coupled with more comprehensive ESG reporting. In early 2021, we hired a dedicated sustainability resource to do just that and we look forward to sharing our progress with stakeholders later this year.

Climate change

We recognize that the climate crisis is a risk that crosses all stakeholder groups with far-reaching implications. InterRent takes environmental stewardship seriously and, through the leadership of our Energy Management team, constantly searches for ways to reduce energy consumption in our portfolio.

Electrical sub-metering remains one of our largest conservation measures with approximately 84% of the portfolio having sub-metering capabilities in place and an implementation plan for recently acquired properties.

As at December 31, 2020, the REIT had 3,334 non-repositioned suites. In the coming years, these suites will be upgraded according to our internal ESG standards, with every suite renovation featuring:

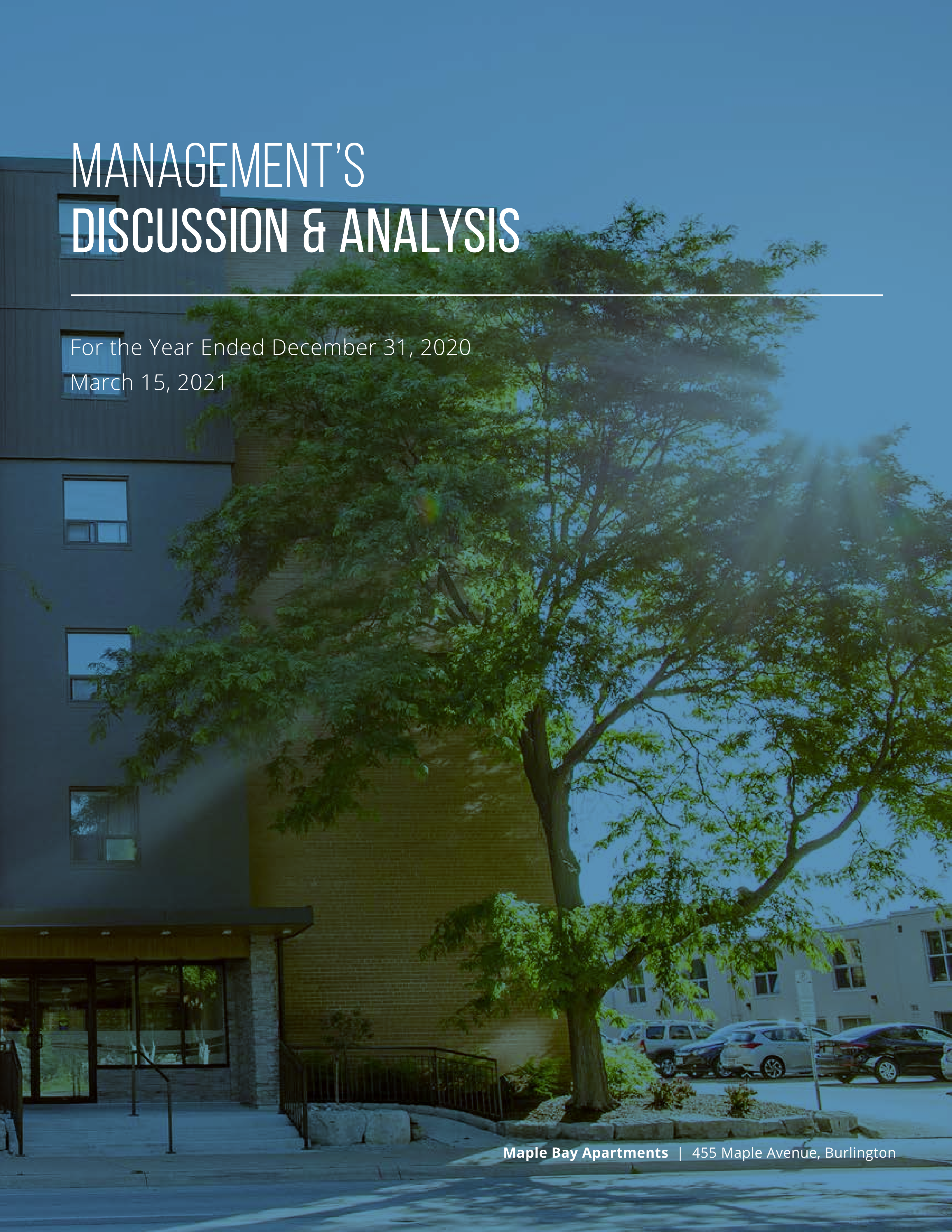
- Energy Star kitchen appliances
- Energy-efficient LED lighting
- Programmable Wi-Fi thermostats
- Low VOC paint
- Low flow toilets, faucets, and shower heads

We will share more details of our 2020 environmental achievements in our upcoming sustainability report and, as with all things, we know there will continually be areas that we can improve upon. At InterRent, we are committed to explore how else we can fulfill our responsibility to combat climate change. We intend to leverage the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to guide our work and will endeavour to engage with all stakeholder groups in defining our ambitions. We will set ambitious climate targets in conjunction with a clear pathway and timeline to deliver them, and we will be transparent in our progress. Climate change is an immense threat facing all of us, and at InterRent, we are committed to act.





Elmridge Gardens, Ottawa



MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2020

March 15, 2021

Maple Bay Apartments | 455 Maple Avenue, Burlington

MANAGEMENT DISCUSSION & ANALYSIS
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") of InterRent Real Estate Investment Trust ("InterRent REIT" 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, 2020 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 duration and impact of the COVID-19 pandemic on the business, operations and financial condition of InterRent REIT and its tenants, as well as on the economy in general, the risks related to the market for InterRent REIT's securities, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by InterRent REIT, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding InterRent REIT securities, lack of availability of growth opportunities, diversification, potential unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the market price of InterRent REIT's trust units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled "Risks and Uncertainties" and in other sections of this Management's Discussion and Analysis.

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

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

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

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

INTERRENT REAL ESTATE INVESTMENT TRUST

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

InterRent REIT's principal objectives are to provide its unitholders ("Unitholders") with stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its trust units (the "Units") through the effective management of its residential multi-family revenue producing properties, the development of multi-family 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, 2020 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, 2020 and 2019.

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.

VIE | 2121 Saint-Mathieu Street, Montreal

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, 2017.

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.

COVID-19 OVERVIEW, RISK AND UPDATE

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus "COVID-19" a global pandemic. The outbreak has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Acting swiftly has often meant that the measures the various levels of government are putting in place are announced early in their development and continue to evolve and change in order to meet the desired outcome. As such, it is not entirely known the extent of all the government programs that might be put in place, how long programs will last, how these programs may change over time, or what their full impact might be. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Trust.

These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Trust and may include residents' ability to pay rent in full or at all, temporary or long-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks and the Trust's ability to access capital on acceptable terms or at all. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact operations and the financial performance of the Trust.

The health and safety of residents and team members remains the Trust's top priority. InterRent REIT took quick action at the beginning of the COVID-19 crisis by introducing several new building protocols and procedures designed to ensure the wellbeing of all our communities. The Trust has also placed a high priority on maintaining strong, ongoing communication with our residents through multiple channels. The Trust recognizes that the pandemic has created significant hardship for many residents. Accordingly, the Trust is working to support residents experiencing financial difficulties through various means. The Trust has been extremely encouraged by the goodwill, positive sentiment, and community spirit that our residents have shown in the face of the pandemic and in response to the Trust's actions.

OPERATIONS UPDATE:

- InterRent REIT has collected over 99% of October, November and December residential rents and the current trend for January and February is in line with previous months.
- Currently we have entered into rent deferral agreements with approximately 0.40% of our residential residents.
- InterRent REIT has issued rent increases however, all increases since April had been credited as a means of helping our communities through the pandemic. Credits were reduced significantly in September and have been immaterial since that time.
- InterRent REIT has enhanced cleaning for all of its buildings and as part of the commitment to these protocols has launched our CLV Clean & Secure+TM program (see https://www.interrentreit.com/clv-clean-and-secure-plus/ for more details).
- InterRent REIT has developed an online information hub to provide residents and stakeholders with information regarding the pandemic as well as an online Bulletin Board for residents to communicate with each other and provide assistance to their fellow residents.
- The Trust has continued to actively engage with residents to check on their safety and to identify residents in need of additional assistance.
- InterRent REIT's sales and leasing teams have implemented an end-to-end contactless rental process. Prospective residents now have the option of seeing living accommodations and completing applications online or in person.
- Since the beginning has:
  - invested $246 million in maintaining and improving its properties which has provided the REIT with a very defensive portfolio well-positioned to face uncertain economic times; and,
  - significantly reduced leverage with Debt to GBV ratio declining from 55.3% at December 31, 2016 to 31.1% at December 31, 2020.

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 2020, the REIT:

- purchased one property comprised of 57 suites in Mississauga for $18.15 million;
- purchased a property with 4 suites which is contiguous to our development site at Richmond/Churchill in Ottawa for $1.35 million;
- purchased two properties totalling 60 suites in Toronto for $17.7 million;
- purchased four properties totalling 564 suites in Hamilton for $141.7 million;
- purchased two properties totalling 195 suites in London for $34.2 million; and
- purchased an additional 14.17% ownership stake in the development site at 900 Albert Street.

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, 2020, the Trust has 8,953 Same Property suites, which represents 81.0% of the overall portfolio and 7,713 Repositioned Property suites, which represent 69.8% of the overall portfolio. The core markets of GTA (including Hamilton), Ottawa/NCR and Montreal represent approximately 84% of InterRent's portfolio.

OUTLOOK

- The REIT continues to take measures to ensure the health and safety of both our residents and team members as well as making sure operational disruptions due to COVID-19 are minimized. Management remains committed to growing the REIT in a strategic and structured manner and although timing may be impacted by the current pandemic, future growth is still anticipated to come from:

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

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

  c) re-deploying capital from areas where management believes that properties have reached their economic peak or that the area will not allow the REIT to reach the desired level of scale;

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

  e) participating in joint ventures 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 114 suites in St. Catharines, for $22.0 million that closed in January 2021 as well as acquired a 50% interest in 15 properties (614 suites) in Metro Vancouver for $146.25 million (half of the total acquisition price of $292.5 million). The REIT is also committed to purchase a building with 157 suites in St. Catharines, for $31.4 million, as well as two buildings with 45 suites in Vancouver, for $18.9 million, in April 2021.

- 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 158 residential suites: The REIT submitted its 2nd Site Plan Application in Q4 2020 and is waiting for a full comment set from the City of Ottawa. Concurrent to this, a minor variance application had been submitted, and approval granted in February 2021 for specific site variances allowing for the planned use. Consultants are currently working on Building Permit documents with submission anticipated by end of Q1 2021. The REIT has entered into an agreement with a construction contractor to being pre-construction activities. Construction activities are expected to begin late Spring 2021.
    - 900 Albert Street, Ottawa (TIP Albert joint venture and direct ownership) – development: Site Plan Application was approved by City Council in July 2020. The approved Site Plan Application allows for 1,241 units, 423,764 sq ft of office space, and 87,844 sq ft of retail space. The REIT continues to work with its partners and external consultants to develop detailed design plans in order to deliver an offering that reflects not only the current needs of the market but also incorporates concepts and technologies to ensure its continued relevance as rental housing needs continue to evolve;
    - Richmond & Churchill, Ottawa – development: Zoning By-Law Amendment (ZBA) and Site Plan Application (SPA) comments from the first submission to the City of Ottawa were received at the end of Q3 2020. A second SPA addressing City comments had been submitted at the end of Q4 2020. A formal Urban Design Review Panel submission and presentation was also completed in the same period and comments received in January 2021. Once a full set of SPA comments are received from the City, consultants will proceed with a final ZBA and SPA package, anticipated in Q2 2021. The development currently contemplates 184 residential suites and 18,706 sq ft of commercial space; and,
    - Burlington GO Lands (Fairview joint venture) – Site Plan Application (SPA) was submitted in Q1 2020 and comments were received from City staff and external agencies. A second SPA was submitted in October 2020. Partial comments from the City have been received and the REIT expects the remainder of comments to be received by the end of Q1 2021. The partners continue to work on further design development based on the partial comments received to date, with the anticipation of submitting the final SPA package in Q2 2021. The current submission proposes 2,494 residential suites with 42,976 sq ft of commercial space.
- Liquidity Update:
    - The REIT had $51.6 million in cash as of December 31, 2020.
    - The REIT had no outstanding balance on any current credit facilities. The REIT has $172 million in current facilities; the ability to increase the current facilities by a further $60 million; and, an undrawn mortgage facility of $60 million, providing a total of $292 million of available credit.
    - To-date, mortgage financings and renewals have progressed on schedule with no significant delays noted as a result of COVID-19. During the fourth quarter, the REIT completed three CMHC mortgage re-financings for net proceeds of $42.0 million. Proceeds are to fund the REIT's capital program, developments and future acquisitions.
    - With a debt to GBV ratio of 31.1%, the REIT has significant liquidity available through both CMHC insured and conventional mortgage financing to finance future capital programs, development opportunities and acquisitions

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, 2020 compared to the same period in 2019:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	Change	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019	Change
Total suites	-	-	-	11,047	10,164	+8.7%
Average rent per suite (December)	-	-	-	$1,315	$1,260	+4.4%
Occupancy rate (December)	-	-	-	91.3%	95.6%	-430bps
Operating revenues	$41,864	$39,199	+6.8%	$159,955	$145,302	+10.1%
Net operating income (NOI)	26,365	26,206	+0.6%	102,139	96,194	+6.2%
NOI %	63.0%	66.9%	-390bps	63.9%	66.2%	-230bps
Same Property average rent per suite (December)	-	-	-	$1,354	$1,286	+5.3%
Same Property occupancy rate (December)	-	-	-	92.4%	96.7%	-430bps
Same Property NOI	22,397	23,896	-6.3%	91,313	90,664	+0.7%
Same Property NOI %	64.1%	67.4%	-330bps	64.7%	66.3%	-160bps
Net Income	$57,517	$264,975	-78.3%%	$150,648	$384,889	-60.9%
Funds from Operations (FFO)	$15,964	$15,723	+1.5%	$62,868	$56,706	+10.9%
FFO per weighted average unit – diluted	$0.112	$0.126	-11.1%	$0.466	$0.483	-3.5%
Adjusted Funds from Operations (AFFO)	$14,193	$13,938	+1.8%	$55,577	$50,303	+10.5%
AFFO per weighted average unit – diluted	$0.100	$0.111	-9.9%	$0.412	$0.428	-3.7%
Distributions per unit	$0.08008	$0.07583	+5.6%	$0.31258	$0.29334	+6.6%
Adjusted Cash Flow from Operations (ACFO)	$20,177	$19,036	+6.0%	$62,780	$61,064	+2.8%
Debt to GBV	-	-	-	31.1%	32.5%	-140bps
Interest coverage (rolling 12 months)	-	-	-	3.45x	3.12x	+0.33x
Debt service coverage (rolling 12 months)	-	-	-	1.95x	1.87x	+0.08x

- Overall Portfolio:
  a) Operating revenue for the quarter rose by $2.7 million to $41.9 million, an increase of 6.8% over Q4 2019. Operating revenue for the year ended 2020 increased by $14.7 million, or 10.1% year-over-year, to $160.0 million.
  b) Average monthly rent per suite increased to $1,315 from $1,260 (December 2020 vs 2019), an increase of 4.4%.
  c) Occupancy for December 2020 was 91.3%, down from 92.1% in September 2020 and down 430 bps when compared to December 2019.
  d) NOI for the quarter increased by 0.6%, or $0.2 million, to $26.4 million compared to Q4 2019. For the quarter, NOI as a percentage of revenues was 63.0%, a decrease of 390 basis points compared to Q4 2019. NOI for the twelve months ended December 31, 2020 was $102.1 million, an increase of $5.9 million, or 6.2%, compared to 2019. NOI margin for the year ended 2020 was 63.9%, a decrease of 230 basis points compared to 2019. NOI for the year included $1.9 million of COVID-19 related operating expenses.

- Same Property Portfolio:
  a) Operating revenue for the quarter decreased by $0.5 million to $34.9 million, a decrease of 1.5% over Q4 2019. Operating revenue for the year ended 2020 increased by $4.2 million to $141.0 million, or 3.1%, over 2019.
  b) Average monthly rent per suite increased to $1,354 from $1,286 (December 2020 vs 2019), an increase of 5.3%.
  c) Occupancy for December 2020 was 92.4%, down from 93.0% in September 2020 and down 430 bps when compared to December 2019.
  d) NOI for the quarter decreased by 6.3%, or $1.5 million, to $22.4 million compared to Q4 2019. For the quarter, NOI as a percentage of revenues was 64.1%, a decrease of 330 basis points compared to Q4 2019. NOI for the twelve months ended December 31, 2020 was $91.3 million, an increase of $0.6 million, or 0.7%, compared to 2019. NOI margin for the year ended 2020 was 64.7%, a decrease of 160 basis points compared to 2019. NOI for the year included $1.6 million of COVID-19 related operating expenses.

- Repositioned properties had an average monthly rent per suite of $1,371, occupancy of 93.5% for December 2020 and an NOI margin for the quarter of 64.7% and for the year of 65.4%.
- Net income for the year was $150.6 million, a decrease of $234.2 million compared to 2019. The decrease was driven primarily by the net decrease in fair value gain on investment properties of $283.1 million ($70.1 million in 2020 compared to $353.2 million in 2019) offset by the higher non-cash fair value gains on unit-based liabilities and Class B unit liability from the Unit price depreciation in the year.
- FFO for the quarter increased by 1.5% to $16.0 million compared to Q4 2019. FFO for the year increased by 10.9% to $62.9 million compared to 2019.
- FFO per Unit for the quarter decreased by 11.1% to $0.112 per Unit compared to $0.126 per Unit for Q4 2019. FFO per Unit for the year decreased by 3.5% to $0.466 per Unit compared to $0.483 per Unit for 2019.
- AFFO for the quarter increased by 1.8% to $14.2 million compared to Q4 2019. AFFO for the year increased by 10.5% to $55.6 million compared to 2019.
- AFFO per Unit for the quarter decreased by 9.9% to $0.100 per Unit compared to $0.111 per Unit for Q4 2019. AFFO per Unit for the year decreased by 3.7% to $0.412 per Unit compared to $0.428 per Unit for 2019.
- Adjusted Cash Flow from Operations (ACFO) for the quarter increased by 6.0% to $20.2 million compared to Q4 2019. ACFO for the year increased by 2.8% to $62.8 million compared to 2019.
- Debt-to-GBV ratio at year end was 31.1%, a decrease of 140 basis points from December 2019.
- The Trust completed the following investment property acquisitions during the year:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price
27-Feb-20	1015 Orchard Road	Mississauga	GTA	Residential	57	$18,150
31-Mar-20	380 Winona Street	Ottawa	NCR	Development	4(1)	$1,350
Q1/20 Acquisitions					**61**	**$19,500**
16-Jul-20	765 Brown's Line	Toronto	GTA	Residential	26	$7,000
16-Jul-20	155 Lake Shore Drive	Toronto	GTA	Residential	34	$10,700
23-Jul-20	15 Don Street	Hamilton	Hamilton	Residential	36	$5,220
21-Sep-20	35 Brock Street	Hamilton	Hamilton	Residential / Commercial	123	$33,200
21-Sep-20	600 John Street	Hamilton	Hamilton	Residential	110	$27,300
21-Sep-20	100 Main Street E	Hamilton	Hamilton	Residential / Commercial	295	$76,000
21-Sep-20	500-522 Gordon Avenue	London	Western	Residential	117	$20,500
21-Sep-20	527-531 Gordon Avenue	London	Western	Residential	78	$13,700
Q3/20 Acquisitions					**819**	**$193,620**
14-Oct-20	900 Albert Street	Ottawa	NCR	Development	n/a(2)	$13,410
Q4/20 Acquisitions					**n/a**	**$13,410**
Total 2020 Acquisitions					**880**	**$226,530**

(1) Development site (0.11 acres) includes a fourplex which will be operated during the interim period prior to construction.

(2) Represents a 14.17% direct ownership in the development site at 900 Albert Street (which along with its 33.33% investment in the development property through its joint venture with TIP Albert LP, the Trust holds a 47.5% interest in the development property).

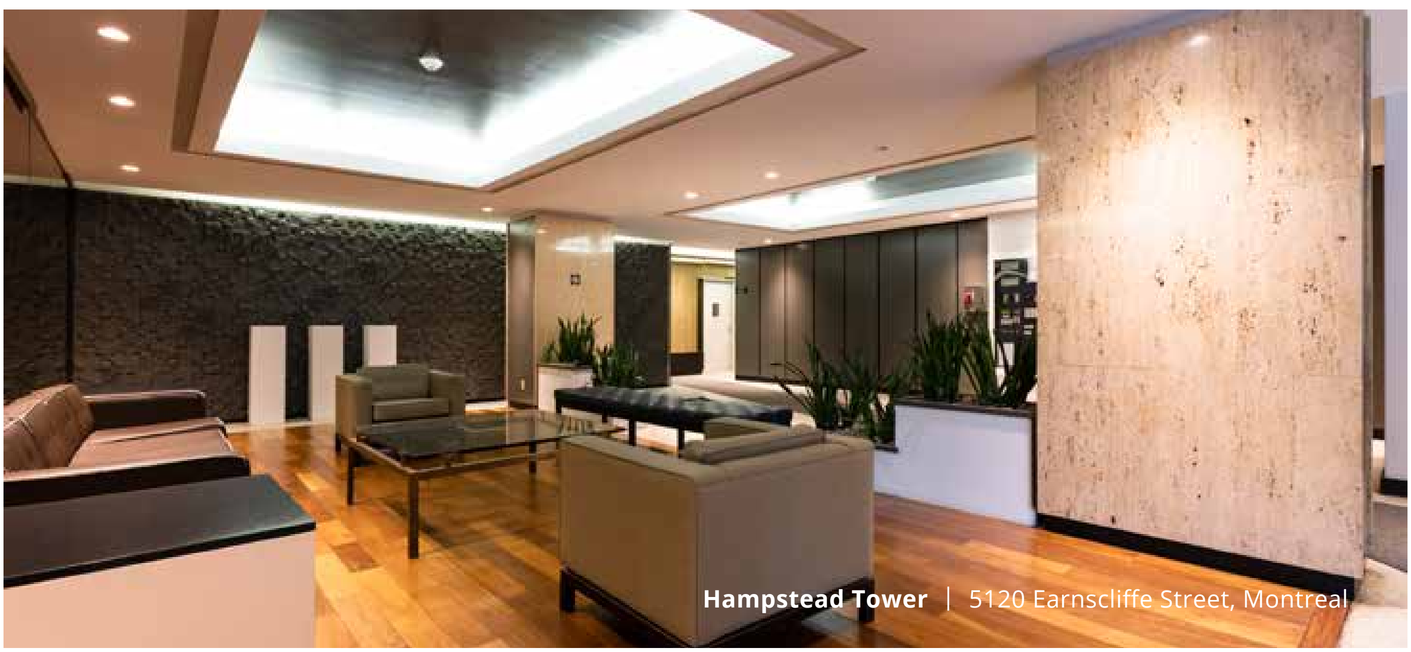
PORTFOLIO SUMMARY

The Trust started the year with 10,164 suites. During the year ended 2020 the Trust purchased eleven investment properties (totalling 880 suites) including a property with 4 suites which is contiguous to our development site at Richmond/Churchill in Ottawa and a 14.17% direct ownership in the development site at 900 Albert. The Trust also added a suite to a property in Hamilton and two suites at two properties in Montreal. At December 31, 2020, the Trust owned 11,047 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, 2020, 81.0% of the portfolio was same property suites and 69.8% of the portfolio was repositioned property suites. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 880 suites, as well as adding to its development sites 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 REIT announced in January 2021 that it had acquired a 50% interest in 15 properties (614 suites) in Metro Vancouver.

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 84% of InterRent's suites now being located in these core markets.

▼ Suites By Region at December 31, 2020

Region	Total Portfolio		Same Property	
	Suites	% of Portfolio	Suites	% of Portfolio
Eastern Ontario	204	1.9%	204	2.3%
GTA	1,400	12.7%	1,283	14.3%
Hamilton/Niagara	2,499	22.6%	1,861	20.8%
Montreal	2,787	25.2%	1,647	18.4%
Gatineau	497	4.5%	497	5.6%
Ottawa	2,468	22.3%	2,464	27.5%
Western Ontario	1,192	10.8%	997	11.1%
Total	**11,047**	**100.0%**	**8,953**	**100.0%**



Hampstead Tower | 5120 Earnscliffe Street, Montreal

ANALYSIS OF OPERATING RESULTS

In $ 000's	3 Months Ended December 31, 2020		3 Months Ended December 31, 2019		12 Months Ended December 31, 2020		12 Months Ended December 31, 2019	
Gross rental revenue	**$43,452**		$38,402		**$162,083**		$143,150	
Less: vacancy & rebates	**(4,303)**		(1,700)		**(12,196)**		(6,790)	
Other revenue	**2,715**		2,497		**10,068**		8,942	
Operating revenues	**$41,864**		$39,199		**$159,955**		$145,302	
Expenses								
Property operating costs	**6,733**	**16.1%**	5,624	14.3%	**26,550**	**16.6%**	20,988	14.4%
Property taxes	**5,105**	**12.2%**	4,368	11.1%	**19,405**	**12.1%**	17,443	12.0%
Utilities	**3,661**	**8.7%**	3,001	7.7%	**11,861**	**7.4%**	10,677	7.4%
Operating expenses	**$15,499**	**37.0%**	$12,993	33.1%	**$57,816**	**36.1%**	$49,108	33.8%
Net operating income	**$26,365**		$26,206		**$102,139**		$96,194	
Net operating margin	**63.0%**		66.9%		**63.9%**		66.2%	

REVENUE

Gross rental revenue for the year ended December 31, 2020 increased 13.2% to $162.1 million compared to $143.2 million for the year ended December 31, 2019. Operating revenue for the year was up $14.7 million to $160.0 million, or 10.1% compared to the prior year. The Trust owned, on a weighted average basis, 10,461 suites throughout 2020 (11,047 suites at the end of 2020) as compared to 9,628 throughout 2019 (10,164 at the end of 2019), an increase of 833 suites from 2019. On a weighted average suite basis, gross rental revenue for 2020 grew by 4.2% over 2019.

The average monthly rent for the month of December 2020 increased to $1,315 per suite from $1,260 (December 2019), an increase of 4.4%. On a Same Property basis, the average rent increased by $68 per suite to $1,354 (or up 5.3%) over December 2019. 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 2020	December 2019	Change	December 2020	December 2019	Change
Eastern Ontario	$1,288	$1,213	+6.2%	$1,288	$1,213	+6.2%
GTA	$1,635	$1,593	+2.6%	$1,664	$1,593	+4.5%
Hamilton/Niagara	$1,242	$1,155	+7.5%	$1,227	$1,163	+5.5%
Montreal	$1,150	$1,097	+4.8%	$1,158	$1,112	+4.1%
Gatineau	$1,031	$976	+5.6%	$1,031	$976	+5.6%
Ottawa	$1,484	$1,430	+3.8%	$1,509	$1,430	+5.5%
Western Ontario	$1,257	$1,231	+2.1%	$1,312	$1,231	+6.6%
Total	**$1,315**	**$1,260**	**+4.4%**	**$1,354**	**$1,286**	**+5.3%**

[1] Excludes extended stay suites.

The REIT estimates that the average market rent on the total portfolio under normal conditions to be in excess of 25% however in light of the current economic environment, the current mark to market rental gap is estimated to be approximately 20% higher than the average in-place rent of $1,315. The REIT is continuing to carefully monitor the demand in the market and will adjust rents based on balancing short-term occupancy against long term rental revenue growth.

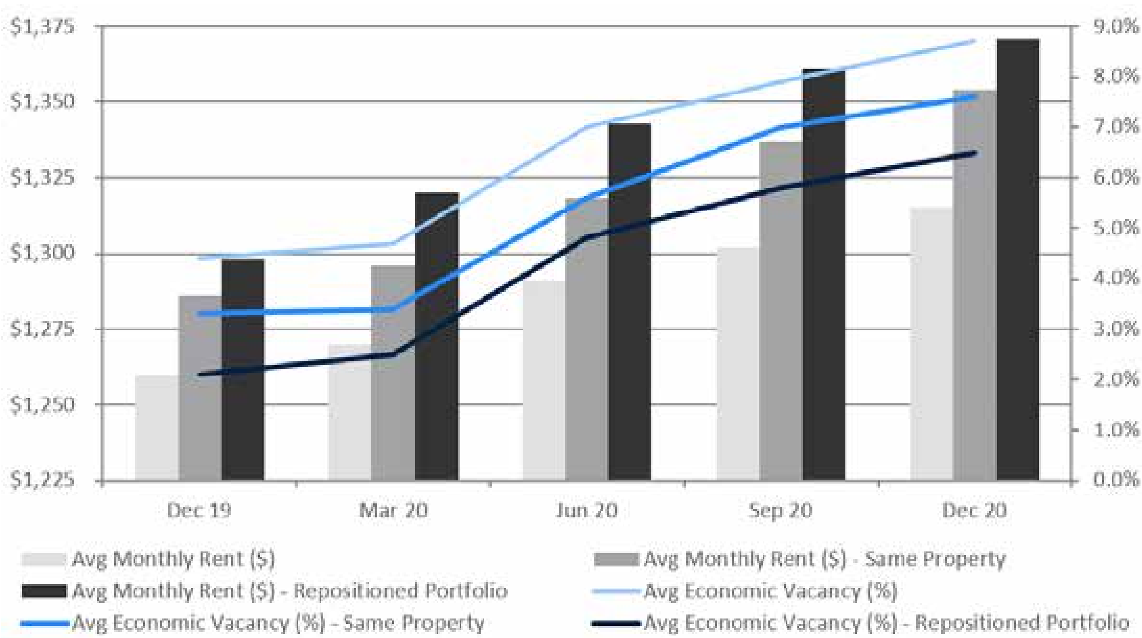
Portfolio Occupancy

As part of the ongoing effort to 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 2019	March 2020	June 2020	September 2020	December 2020
Average monthly rents all properties	$1,260	$1,270	$1,291	$1,302	$1,315
Average monthly rents Same Property portfolio	$1,286	$1,296	$1,318	$1,337	$1,354
Average monthly rents Repositioned Property portfolio	$1,298	$1,320	$1,343	$1,361	$1,371

The overall economic vacancy for December 2020 across the entire portfolio was 8.7%, an increase of 430 basis points as compared to the 4.4% recorded for December 2019. Compared to September 2020, economic vacancy across the entire portfolio has increased by 80 basis points. Economic vacancy for the Same Property portfolio for December 2020 was 7.6%, compared to 3.3% at December 2019. Compared to September 2020, economic vacancy for the Same Property portfolio has increased by 60 basis points. Economic vacancy for the Repositioned Property portfolio for December 2020 was 6.5%, compared to 2.1% at December 2019. Compared to September 2020, economic vacancy for the Repositioned Property portfolio has increased by 70 basis points.

The impact in leasing activity from COVID-19 seen in the second and third quarters as a result of the government mandated shutdowns (including immigration and international students) continued throughout the fourth quarter. The REIT believes that when immigration returns to more normalized levels and post secondary institutions resume in-class learning, strong rental demand will return and will drive down vacancy and upward rental pressure will resume. The REIT continues to believe that capturing market rents is critical as the market trend to lower turnover continues and as such reviews every property closely to balance short term vacancy with long term value creation.

▼ Vacancy By Region

Region	Total Portfolio			Same Property		
	December 2020	December 2019	Change	December 2020	December 2019	Change
Eastern Ontario	1.0%	7.6%	-660 bps	1.0%	7.6%	-660 bps
GTA	6.6%	1.6%	+500 bps	5.9%	1.6%	+430 bps
Hamilton/Niagara	6.1%	3.6%	+250 bps	2.7%	3.6%	-90 bps
Montreal	14.2%	11.2%	+300 bps	14.6%	8.5%	+610 bps
Gatineau	2.1%	1.7%	+40 bps	2.1%	1.7%	+40 bps
Ottawa	11.2%	1.8%	+940 bps	11.0%	1.8%	+920 bps
Western Ontario	3.0%	1.6%	+140 bps	2.6%	1.6%	+100 bps
Total	**8.7%**	**4.4%**	**+430 bps**	**7.6%**	**3.3%**	**+430 bps**

Other Revenue

Other rental revenue for the twelve months ended December 31, 2020 increased 12.6% to $10.1 million compared to $8.9 million for 2019. 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, 2020, other revenue represents 6.3% of net revenue as compared to 6.2% for 2019.

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, 2020 amounted to $26.6 million or 16.6% of revenue compared to $21.0 million or 14.4% of revenue for the year ended December 31, 2019. As a percentage of revenue, operating costs increased by 220 basis points as compared to 2019 due in part to increased cleaning, supplies and staffing costs of approximately $1.9 million, or 1.2% of revenue, associated with the COVID-19 pandemic (see COVID-19 Overview, Risk and Update section.

PROPERTY TAXES

Property taxes for the year ended December 31, 2020 amounted to $19.4 million or 12.1% of revenue compared to $17.4 million or 12.0% of revenue for the year ended December 31, 2019. The $2.0 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, 2020 amounted to $11.9 million or 7.4% of revenue compared to $10.7 million or 7.4% of revenue for the year ended December 31, 2019. As a percentage of operating revenues and on a per suite basis, utility costs have increased slightly over last year due to higher rates for electricity, gas and water in Ontario.

Across the entire portfolio, the hydro sub-metering initiative reduced electricity costs by 25.8%, or $1.7 million for the year. At December 31, 2020, the REIT had approximately 84% of its portfolio (9,300 suites) that had the capability to submeter hydro in order to recover the cost. Of the 9,300 suites that have the infrastructure in place, 7,268 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant, which represents approximately 66% of the total portfolio. The REIT plans on continuing to roll this program out to new properties as they are acquired.

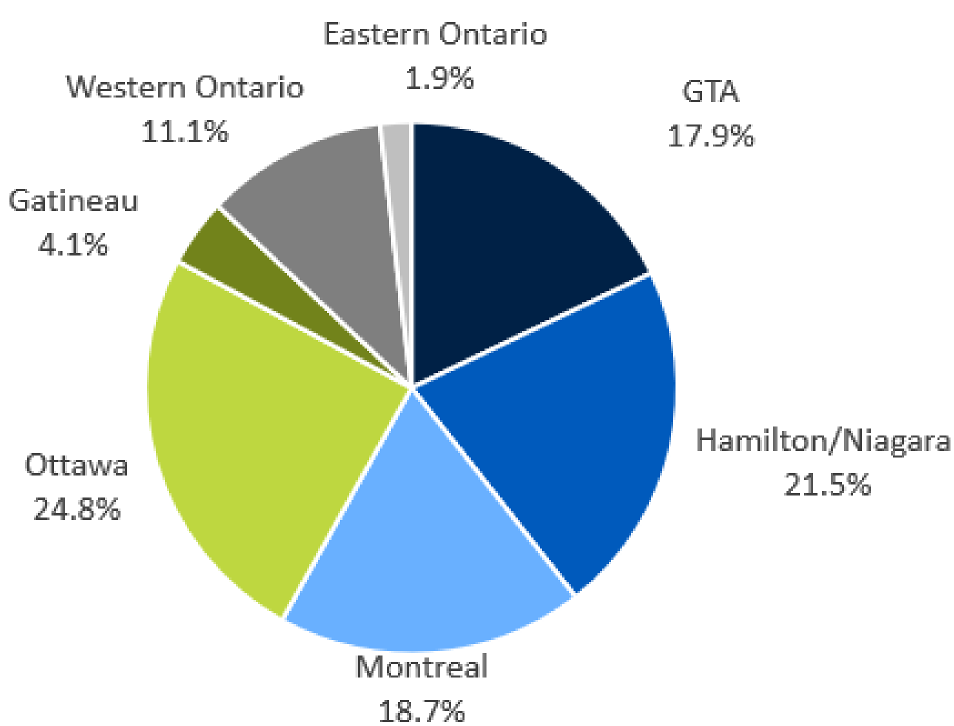
NET OPERATING INCOME (NOI)

NOI for the three months ended December 31, 2020 amounted to $26.4 million or 63.0% of operating revenue compared to $26.2 million or 66.9% of operating revenue for the three months ended December 31, 2019. The $0.2 million increase in the quarter is as a result of growing the portfolio and increasing gross revenue by 13.2% and offset by the increased effect of higher vacancy and COVID related costs in property operating costs.

NOI for the twelve months ended December 31, 2020 amounted to $102.1 million or 63.9% of operating revenue compared to $96.2 million or 66.2% of operating revenue for the twelve months ended December 31, 2019. The $5.9 million increase in the year is as a result of growing the portfolio and increasing gross revenue by 13.2% and offset by the increased effect of higher vacancy and COVID related costs in property operating costs. On a weighted average per suite basis, NOI decreased 2.3% from $9,991 per suite in 2019 to $9,764 per suite in 2020.

NOI for the twelve months ended December 31, 2020 from the Same Property portfolio was $91.3 million, or 64.7% 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, 2020**



SAME PROPERTY PORTFOLIO PERFORMANCE

Same Property results for the three and twelve months ended December 31, 2020 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, 2019 to December 31, 2020. As at December 31, 2020, the Trust has 8,953 suites in the Same Property portfolio. The Same Property portfolio represents 81.0% of the overall portfolio.

In $ 000's	3 Months Ended December 31, 2020		3 Months Ended December 31, 2019		12 Months Ended December 31, 2020		12 Months Ended December 31, 2019	
Gross rental revenue	**$36,137**		$34,605		**$141,768**		$134,674	
Less: vacancy & rebates	**(3,240)**		(1,198)		**(8,947)**		(5,898)	
Other revenue	**2,042**		2,057		**8,217**		8,026	
Operating revenues	**$34,939**		$35,464		**$141,038**		$136,802	
Expenses								
Property operating costs	**5,523**	**15.8%**	4,985	14.1%	**22,707**	**16.1%**	19,752	14.4%
Property taxes	**4,203**	**12.0%**	3,943	11.1%	**17,035**	**12.1%**	16,451	12.0%
Utilities	**2,816**	**8.1%**	2,640	7.4%	**9,983**	**7.1%**	9,935	7.3%
Operating expenses	**$12,542**	**35.9%**	$11,568	32.6%	**$49,725**	**35.3%**	$46,138	33.7%
Net operating income	**$22,397**		$23,896		**$91,313**		$90,664	
Net operating margin	**64.1%**		67.4%		**64.7%**		66.3%	

For the three months ended December 31, 2020, operating revenues for Same Property decreased by 1.5% (Gross revenue increase of 4.4% offset by higher vacancy) and operating expenses increased by 8.4% as compared to the same period last year. As a result, Same Property NOI has decreased by $1.5 million, or 6.3%, as compared to the same period last year. NOI margin for Q4 2020 was 64.1% as compared to 67.4% for Q4 2019, a decrease of 330 basis points. As a percentage of revenue, property operating costs increased 10.8% as compared to 2019. Costs associated with the COVID-19 pandemic represented approximately $0.2 million of the $0.5 million increase in property operating costs.

For the twelve months ended December 31, 2020, operating revenues from Same Property increased by 3.1% (Gross revenue increase of 5.3% offset by higher vacancy) and operating expenses increased by 7.8% as compared to the same period last year. As a result, Same Property NOI for 2020 increased by $0.6 million, or 0.7% as compared to 2019. NOI margin for 2020 was 64.7% as compared to 66.3% for 2019, a decrease of 160 basis points. As a percentage of revenue, property operating costs were 170 basis points higher than 2019, whereas property taxes and utilities remained the same as 2019. Costs associated with the COVID-19 pandemic represented approximately $1.6 million of the $3.0 million increase in property operating costs.

The average monthly rent for the month of December 2020 for Same Property increased to $1,354 per suite from $1,286 (December 2019), an increase of 5.3%. Economic vacancy for the month of December 2020 for Same Property was 7.6%, compared to 3.3% for December 2019.

	December 2019	March 2020	June 2020	September 2020	December 2020
Average monthly rents Same Property portfolio	$1,286	$1,296	$1,318	$1,337	$1,354
Average monthly vacancy Same Property portfolio	3.3%	3.4%	5.6%	7.0%	7.6%

REPOSITIONED PROPERTY PORTFOLIO PERFORMANCE

The Trust's repositioning program following the acquisition of a property typically spans three to four 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, 2020 are defined as all properties owned and operated by the Trust prior to January 1, 2017. As at December 31, 2020, the Trust has 7,713 repositioned property suites, which represents 69.8% of the overall portfolio, and 3,334 non-repositioned suites.

In $ 000's	3 Months Ended December 31, 2020					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	$31,659		$11,793		**$43,452**	
Less: vacancy & rebates	(2,461)		(1,842)		**(4,303)**	
Other revenue	1,696		1,019		**2,715**	
Operating revenues	$30,894		$10,970		**$41,864**	
Expenses						
Property operating costs	4,695	15.2%	2,038	18.6%	**6,733**	**16.1%**
Property taxes	3,717	12.0%	1,388	12.6%	**5,105**	**12.2%**
Utilities	2,487	8.1%	1,174	10.7%	**3,661**	**8.7%**
Operating expenses	$10,899	35.3%	$4,600	41.9%	**$15,499**	**37.0%**
Net operating income	$19,995		$6,370		**$26,365**	
Net operating margin	64.7%		58.1%		**63.0%**	

In $ 000's	12 Months Ended December 31, 2020					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	124,279		$37,804		**$162,083**	
Less: vacancy & rebates	(6,587)		(5,609)		**(12,196)**	
Other revenue	6,890		3,178		**10,068**	
Operating revenues	$124,582		$35,373		**$159,955**	
Expenses						
Property operating costs	19,168	15.4%	7,382	20.9%	**26,550**	**16.6%**
Property taxes	15,106	12.1%	4,299	12.1%	**19,405**	**12.1%**
Utilities	8,795	7.1%	3,066	8.7%	**11,861**	**7.4%**
Operating expenses	$43,069	34.6%	$14,747	41.7%	**$57,816**	**36.1%**
Net operating income	$81,513		$20,626		**$102,139**	
Net operating margin	65.4%		58.3%		**63.9%**	

The average monthly rent for December 2020 for the Repositioned Property portfolio was $1,371 per suite and the economic vacancy for December 2020 was 6.5% whereas the non-repositioned properties had an average monthly rent of $1,185 per suite and an economic vacancy of 14.4% for December 2020.

Region	Repositioned Property Portfolio			Non-Repositioned Property Portfolio		
	Suites	December 2020 Average Rent	December 2020 Vacancy	Suites	December 2020 Average Rent	December 2020 Vacancy
Eastern Ontario	204	$1,288	1.0%	-	-	-
GTA	1,283	$1,664	5.9%	117	$1,319	16.6%
Hamilton/Niagara	1,435	$1,278	2.9%	1,064	$1,192	10.6%
Montreal	911	$1,137	7.7%	1,876	$1,156	17.3%
Gatineau	497	$1,031	2.1%	-	-	-
Ottawa	2,386	$1,464	11.1%	82	$2,066	13.6%
Western Ontario	997	$1,312	2.6%	195	$978	5.8%
Total	**7,713**	**$1,371**	**6.5%**	**3,334**	**$1,185**	**14.4%**

FINANCING AND ADMINISTRATIVE COSTS

In $ 000's	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Net operating income	**$26,365**	$26,206	**$102,139**	$96,194
Expenses				
Financing costs	**6,490**	6,791	**26,331**	26,273
Administrative costs	**3,564**	3,390	**11,599**	12,034
Income before other income expenses	**$16,311**	$16,025	**$64,209**	$57,887

FINANCING COSTS

Financing costs amounted to $6.5 million or 15.5% of operating revenue for the three months ended December 31, 2020 compared to $6.8 million or 17.3% of operating revenue for the three months ended December 31, 2019.

In $ 000's	3 Months Ended December 31, 2020		3 Months Ended December 31, 2019	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$6,312**	**15.1%**	$6,742	17.2%
Credit facilities	**279**	**0.7%**	344	0.9%
Interest capitalized	**(208)**	**(0.5%)**	(324)	(0.8%)
Interest income	**(147)**	**(0.4%)**	(112)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**254**	**0.6%**	141	0.3%
Total	**$6,490**	**15.5%**	$6,791	17.3%

Financing costs amounted to $26.3 million or 16.4 % of revenue for the twelve months ended December 31, 2020 compared to $26.3 million or 18.1% of revenue for the twelve months ended December 31, 2019.

In $ 000's	12 Months Ended December 31, 2020		12 Months Ended December 31, 2019	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$25,490**	**15.9%**	$25,750	17.7%
Credit facilities	**1,389**	**0.9%**	1,695	1.2%
Interest capitalized	**(935)**	**(0.6%)**	(1,403)	(1.0%)
Interest income	**(635)**	**(0.4%)**	(490)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**1,022**	**0.6%**	721	0.5%
Total	**$26,331**	**16.4%**	$26,273	18.1%

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, 2020 amounted to $11.6 million or 7.3% of operating revenue. This included approximately $0.6 million in non-recurring restructuring charges and approximately $0.4 million in reduced incentive compensation. Removing the aforementioned items, the resulting Administrative costs for 2020 are inline with the $11.3 million ($12 million net of $0.7 non-recurring) incurred for the twelve months ended December 31, 2019.

OTHER INCOME AND EXPENSES

In $ 000's	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Income before other income and expenses	**$16,311**	$16,025	**$64,209**	$57,887
Other income and expenses				
Income from joint ventures	**9**	10	**40**	24
Loss on sale of investment properties	**-**	-	**-**	(675)
Fair value adjustments of investment properties	**50,830**	242,824	**70,110**	353,160
Unrealized gain/(loss) on financial liabilities	**(9,004)**	6,687	**18,736**	(23,302)
Distributions expense on units classified as financial liabilities	**(629)**	(571)	**(2,447)**	(2,205)
Net income	**$57,517**	$264,975	**$150,648**	$384,889

SALE OF ASSETS

There were no dispositions in the year ended December 31, 2020. 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.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2020 and 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, 2020 and 2019. For the year ended December 31, 2020, a fair value gain of $70.1 million was recorded on the financial statements as a result of changes in the fair value of investment properties. For the year 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 2019 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 2020 was 4.16% as compared to 4.24% for Q4 2019 and 4.23% for Q3 2020. The change in the weighted average capitalization rate is a result of acquisitions, 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. Provided the demand in the market for multi-family assets continues, as well as taking into consideration recent transactions, the REIT anticipates that capitalization rates for its portfolio could continue to compress further in 2021.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a closing price of $13.69 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, 2020 was $53.2 million and a corresponding fair value gain of $10.8 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2020.

The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2020 at $5.0 million and a corresponding fair value gain of $1.3 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2020.

The Trust used a closing price of $13.69 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, 2020 was $46.7 million and a corresponding fair value gain of $6.6 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2020.

In $ 000's	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Fair value gain/(loss) on financial liabilities:				
Deferred unit compensation plan	**$(4,530)**	$3,760	**$10,765**	$(11,791)
Option plan	**(756)**	471	**1,320**	(2,497)
LP Class B unit liability	**(3,718)**	2,456	**6,651**	(8,834)
Fair value gain/(loss) on financial liabilities	**$(9,004)**	$6,687	**$18,736**	$(23,302)

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.

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INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2019 to December 31, 2020.

In $ 000's	December 31, 2020
Balance, December 31, 2019	$2,748,342
Acquisitions	232,523
Property capital investments	55,265
Fair value gains	70,110
Total investment properties	$3,106,240

The Trust acquired eleven investment properties (880 suites) for $232.5 million during the twelve month period ended December 31, 2020.

The Trust's repositioning program following the acquisition of a property typically spans three to four 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 2020 the REIT uses a cut-off of December 31, 2016. 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, 2017, 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 7,713 suites in the REIT's portfolio that were acquired prior to January 1, 2017 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

For the twelve month period ended December 31, 2020, the Trust invested $55.3 million (2019 – $80.2 million) in the portfolio. Of the $55.3 million invested in the year, $23.0 million was invested in the non-repositioned properties and $2.9 million was invested in properties under development. Of the remaining $29.4 million, $22.1 million was invested in value enhancing initiatives and $7.3 million was related to sustaining and maintaining existing spaces.

The fair value of the portfolio at December 31, 2020 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, 2020. For the twelve month period ended December 31, 2020, a fair value gain of $70.1 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2019 to December 31, 2020.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2019	121,478,721	$766,282
Units issued under prospectuses	15,709,000	230,137
Issue costs	-	(9,676)
Units issued under the deferred unit plan	61,195	914
Units issued under distribution reinvestment plan	1,070,389	14,519
Units issued from options exercised	97,395	1,350
December 31, 2020	138,416,700	$1,003,526

On June 4, 2020 the Trust completed a bought deal prospectus whereby it issued 15,709,000 Trust Units for cash proceeds of $230,137 and incurred $9,676 in issue cost.

As at December 31, 2020 there were 138,416,700 Trust Units issued and outstanding.

DISTRIBUTIONS

The distributions were $0.31258 for 2020 and $0.29334 for 2019. The Trust is currently making monthly distributions of $0.027125 per Unit, which equates to $0.3255 per Unit on an annualized basis. For the year ended December 31, 2020, the Trust's FFO and AFFO was $0.47 and $0.41 per unit respectively, compared to $0.48 and $0.43 for the year ended December 31, 2019.

Distributions to Unitholders were as follows:

In $ 000's	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Distributions declared to Unitholders	**$ 41,057**	$ 33,408
Distributions reinvested through DRIP	**(14,518)**	(11,888)
Distributions declared to Unitholders, net of DRIP	**$ 26,539**	$ 21,520
DRIP participation rate	**35.4%**	35.6%

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, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Trust units	**138,249,190**	121,295,432	**131,127,137**	113,499,289
LP Class B units	**3,410,766**	3,410,766	**3,410,766**	3,410,766
Weighted average units outstanding - Basic	**141,659,956**	124,706,198	**134,537,903**	116,910,055
Unexercised dilutive options [1]	**409,382**	520,643	**409,382**	520,643
Weighted average units outstanding - Diluted	**142,069,338**	125,226,841	**134,947,285**	117,430,698

[1]Calculated using the treasury method

PERFORMANCE MEASURES

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

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

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Net income	**$57,517**	$264,975	**$150,648**	$384,889
Add (deduct):				
Fair value adjustments on investment property	**(50,830)**	(242,824)	**(70,110)**	(353,160)
Loss on sale of investment properties	**-**	-	**-**	675
Unrealized (gain)/loss on financial instruments	**9,004**	(6,687)	**(18,736)**	23,302
Interest expense on puttable units classified as liabilities	**273**	259	**1,066**	1,000
Funds from Operations (FFO)	**$15,964**	$15,723	**$62,868**	$56,706
FFO per weighted average unit - basic	**$0.113**	$0.126	**$0.467**	$0.485
FFO per weighted average unit - diluted	**$0.112**	$0.126	**$0.466**	$0.483

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Funds from Operations	**$15,964**	$15,723	**$62,868**	$56,706
Add (deduct):				
Actual maintenance capital investment	**(1,771)**(1)	(1,785)(2)	**(7,291)**(1)	(6,403)(3)
Adjusted Funds from Operations (AFFO)	**$14,193**	$13,938	**$55,577**	$50,303
AFFO per weighted average unit - basic	**$0.100**	$0.112	**$0.413**	$0.430
AFFO per weighted average unit - diluted	**$0.100**	$0.111	**$0.412**	$0.428

(1) Maintenance capital investment total is for the 7,713 repositioned suites for 2020

(2) Maintenance capital investment total is for the 6,547 repositioned suites for the three months ended December 31, 2019

(3) Maintenance capital investment total is for the 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, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Cash generated from operating activities	**$12,452**	$20,362	**$61,943**	$72,588
Add (deduct):				
Changes in non-cash working capital not indicative of sustainable cash flows	**9,750**	600	**9,150**	(4,400)
Amortization of finance costs	**(254)**	(141)	**(1,022)**	(721)
Actual maintenance capital investment	**(1,771)**	(1,785)	**(7,291)**	(6,403)
ACFO	**20,177**	19,036	**62,780**	61,064
Distributions declared (1)	**11,350**	9,462	**42,123**	34,408
Excess of ACFO over distributions declared	**8,827**	9,574	**20,657**	26,656
ACFO payout ratio	**56.3%**	49.7%	**67.1%**	56.3%

(1) Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2020, ACFO exceeded distributions declared by $8.8 million and $20.7 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, 2020	3 Months Ended December 31, 2019	12 Months Ended December 31, 2020	12 Months Ended December 31, 2019
Net income	**$57,517**	$264,975	**$150,648**	$384,889
Cash flows from operating activities	**12,452**	20,362	**61,943**	72,588
Distributions paid (1)	**7,203**	5,725	**26,988**	21,945
Distributions declared (1)	**11,350**	9,462	**42,123**	34,408
Excess of net income over distributions paid	**50,314**	259,250	**123,660**	362,944
Excess of net income over distributions declared	**46,167**	255,513	**108,525**	350,481
Excess of cash flows from operations over distributions paid	**5,249**	14,637	**34,955**	50,643
Excess of cash flows from operations over distributions declared	**1,102**	10,900	**19,820**	38,180

(1) Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2020, cash flows from operating activities exceeded distributions paid by $5.2 million and $35.0 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	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Suites	11,047	11,046	10,226	10,226	10,164	10,060	9,398	9,203
Average rent per suite (last month of Q)	$1,315	$1,302	$1,291	$1,270	$1,260	$1,248	$1,227	$1,204
Occupancy rate (last month of Q)	91.3%	92.1%	93.0%	95.3%	95.6%	95.5%	95.3%	95.8%
Operating revenues	$41,864	$39,719	$39,004	$39,368	$39,199	$37,630	$34,742	$33,731
NOI	26,364	26,228	24,839	24,708	26,206	25,785	23,042	21,160
NOI %	63.0%	66.0%	63.7%	62.8%	66.9%	68.5%	66.3%	62.7%
Same Property average rent per suite	$1,354	$1,337	$1,318	$1,296	$1,286	$1,274	$1,236	$1,209
Same Property Occupancy rate	92.4%	93.0%	94.4%	96.6%	96.7%	96.0%	95.6%	95.8%
Same Property NOI	22,397	23,455	22,807	22,654	23,896	23,532	22,395	20,842
Same Property NOI %	64.1%	66.4%	64.8%	63.7%	67.4%	68.3%	66.4%	62.9%
FFO	$15,964	$17,170	$15,250	$14,484	$15,723	$15,955	$13,413	$11,614
FFO per weighted average unit - diluted	$0.112	$0.121	$0.117	$0.115	$0.126	$0.129	$0.121	$0.105
AFFO	$14,193	$15,070	$13,752	$12,562	$13,938	$14,534	$12,219	$9,611
AFFO per weighted average unit - diluted	$0.100	$0.106	$0.105	$0.100	$0.111	$0.117	$0.111	$0.087
Distributions per unit	$0.0801	$0.0775	$0.0775	$0.0775	$0.0758	$0.0725	$0.0725	$0.0725
ACFO	$20,177	$15,416	$18,157	$9,030	$19,036	$17,254	$15,032	$9,742
Debt to GBV	31.1%	30.9%	28.0%	33.4%	32.5%	35.0%	40.0%	39.4%
Interest coverage (rolling 12 months)	3.45x	3.38x	3.28x	3.18	3.12x	3.07x	2.99x	2.97x
Debt service coverage (rolling 12 months)	1.95x	1.96x	1.93x	1.90x	1.87x	1.84x	1.81x	1.81x

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 31.1% of Gross Book Value ("GBV") at December 31, 2020. 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, 2020	December 31, 2019
Total assets per Balance Sheet	$3,214,047	$2,791,856
Mortgages payable	$999,595	$881,509
Lines of credit	-	26,865
Total debt	$999,595	$908,374
Debt to GBV	31.1%	32.5%

With a DOT limit of 75% of Debt-to-Gross Book Value, InterRent REIT has the ability to further leverage the existing portfolio to assist with future 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, 2020	12 Months Ended December 31, 2019
NOI	$102,139	$96,194
Less: Administrative costs	11,599	12,034
EBITDA	$90,540	$84,158
Interest expense [(1)]	26,244	26,954
Interest coverage ratio	**3.45x**	**3.12x**
Contractual principal repayments	20,256	18,161
Total debt service payments	$46,500	$45,115
Debt service coverage ratio	**1.95x**	**1.87x**

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

MORTGAGE AND DEBT SCHEDULE

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

Year Maturing	Mortgage Balances At December 31, 2020 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2021	$199,021	19.5%	2.16%
2022	$75,459	7.4%	2.82%
2023	$85,782	8.4%	2.77%
2024	$74,324	7.3%	3.70%
2025	$110,555	10.8%	2.21%
Thereafter	$474,675	46.6%	2.87%
Total	$1,019,816	100%	2.56%

At December 31, 2020, the average term to maturity of the mortgage debt was approximately 5.2 years and the weighted average cost of mortgage debt was 2.56%. At December 31, 2020, approximately 81% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust assumed one mortgage on a property acquired in the quarter for $3.6 million; up-financed three mortgages for $42.0 million and paid down $5.6 million in mortgage principal. The net result at December 31, 2020 compared to September 30, 2020 was:

- No change in the average term to maturity of the mortgage debt of 5.2 years;
- A decrease in the weighted average cost of mortgage debt to 2.56% from 2.63%; and,
- No change in the mortgage debt backed by CMHC insurance at approximately 81%.

During the year the Trust assumed one mortgage and added six mortgages for seven properties that were acquired in the year for a combined amount of $102.6 million; re-financed ten properties which increased mortgage debt by $114.1 million; repaid two mortgages of $73.6 million; and paid down $20.3 million in mortgage principal.

The net result at December 31, 2020 compared to December 31, 2019 was:

- An increase in average term to maturity of the mortgage debt to 5.2 years from 5.1 years;
- A decrease in the weighted average cost of mortgage debt to 2.56% from 3.02%; and,
- An increase in the mortgage debt backed by CMHC insurance to 81% from 79%.

As at December 31, 2020, the Trust had the following credit facilities:

- $2.0 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2020, 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, 2020, the Trust had no balance outstanding under this facility.
- A $15.0 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 one of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2020, the Trust had no balance outstanding under this facility.
- A $100.0 million term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, first mortgages on two of the Trust's properties and second collateral mortgages on four of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. As at December 31, 2020, the Trust had no balance outstanding under this facility.


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ACCOUNTING

FUTURE ACCOUNTING CHANGES

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

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

RISKS AND UNCERTAINTIES

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

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

Current 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.

Cyber Security Risk

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

Market Price of Units

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

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

As holders of Units, Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against the Trust. The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation 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 2020 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.

Pandemic Risk and Economic Downturn

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

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

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.

Joint Arrangements

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

Zoning and Approval

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

Debt and Distributable Income

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

Legal Proceedings

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

Financial Risk Management and Financial Instruments

A. **Overview**

The Trust is exposed to credit risk, liquidity risk and market risk. The Trust's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholders value. Risk management strategies, as discussed below, are designed and implemented to ensure the Trust's risks and the related exposures are consistent with its business objectives and risk tolerance.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time but has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact: the Trust's tenants and their ability to pay rent (credit risk); and/or, the debt and equity markets and the Trust's ability to access debt and/or capital on acceptable terms, or at all (liquidity risk), all of which could materially adversely affect the Trust's operations and financial performance.

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, 2020, the Trust had past due rents and other receivables of $3.5 million net of an allowance for doubtful accounts of $1.8 million which adequately reflects the Trust's credit risk.

C. **Liquidity Risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 23 (c) in the December 31, 2020 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, 2020, the Trust had credit facilities as described in note 10 in the December 31, 2020 audited consolidated financial statements.

Note 9 in the December 31, 2020 audited consolidated financial statements reflects the contractual maturities for mortgage payable of the Trust at December 31, 2020, excluding interest payments. The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on going operations, management assesses the Trust's liquidity risk to be low.

D. **Fair Value**

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

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable, and credit facilities is approximately $1,051 million as at December 31, 2020 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, 2020, approximately 2% (December 31, 2019 – 12%) 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 $0.5 million for the year ended December 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2020 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

There have been no transactions with related parties during the twelve months ended December 31, 2020 and 2019.

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, 2020 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, 2020, 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, 2020, 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 114 suites in St. Catharines Ontario that closed on January 21, 2021 for a purchase price of approximately $22.0 million.

The Trust, together with Crestpoint Real Estate Investments Ltd. ("Crestpoint"), acquired 15 properties (614 suites) in Metro Vancouver (the "Acquisition Portfolio") for a combined purchase price of approximately $292.5 million on January 28, 2021. Under the arrangements, InterRent REIT and Crestpoint will each own a 50% interest in the Acquisition Portfolio. The Trust will property manage the Acquisition Portfolio and collect industry standard fees. The acquisition was financed with a combination of cash and new short-term debt.

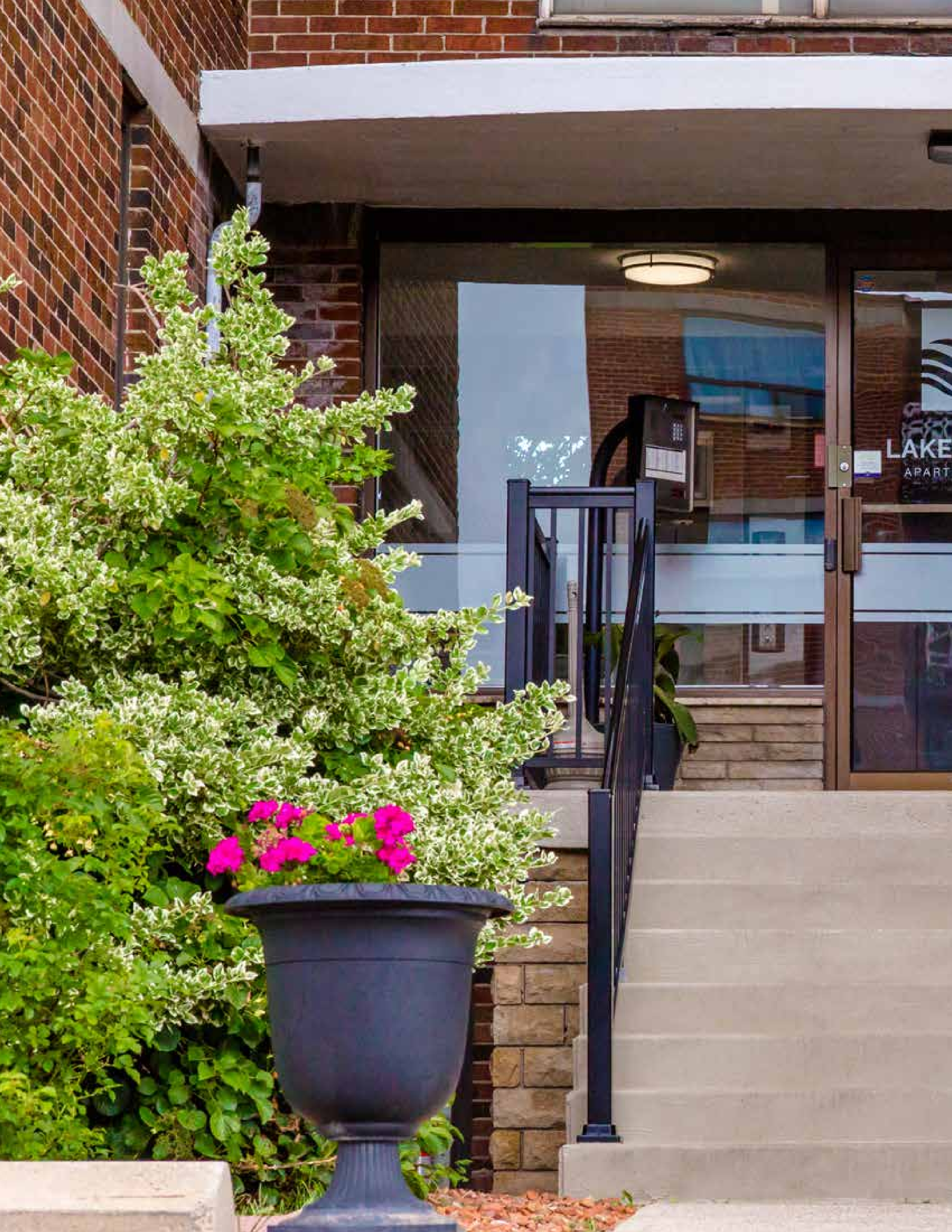
The Trust is committed to purchase a property with 157 suites in St. Catharines Ontario for $31.4 million that is expected to close in April 2021 and two properties with a combined 45 suites in Vancouver for a combined purchase price of $18.9 million that is also expected to close in April 2021.

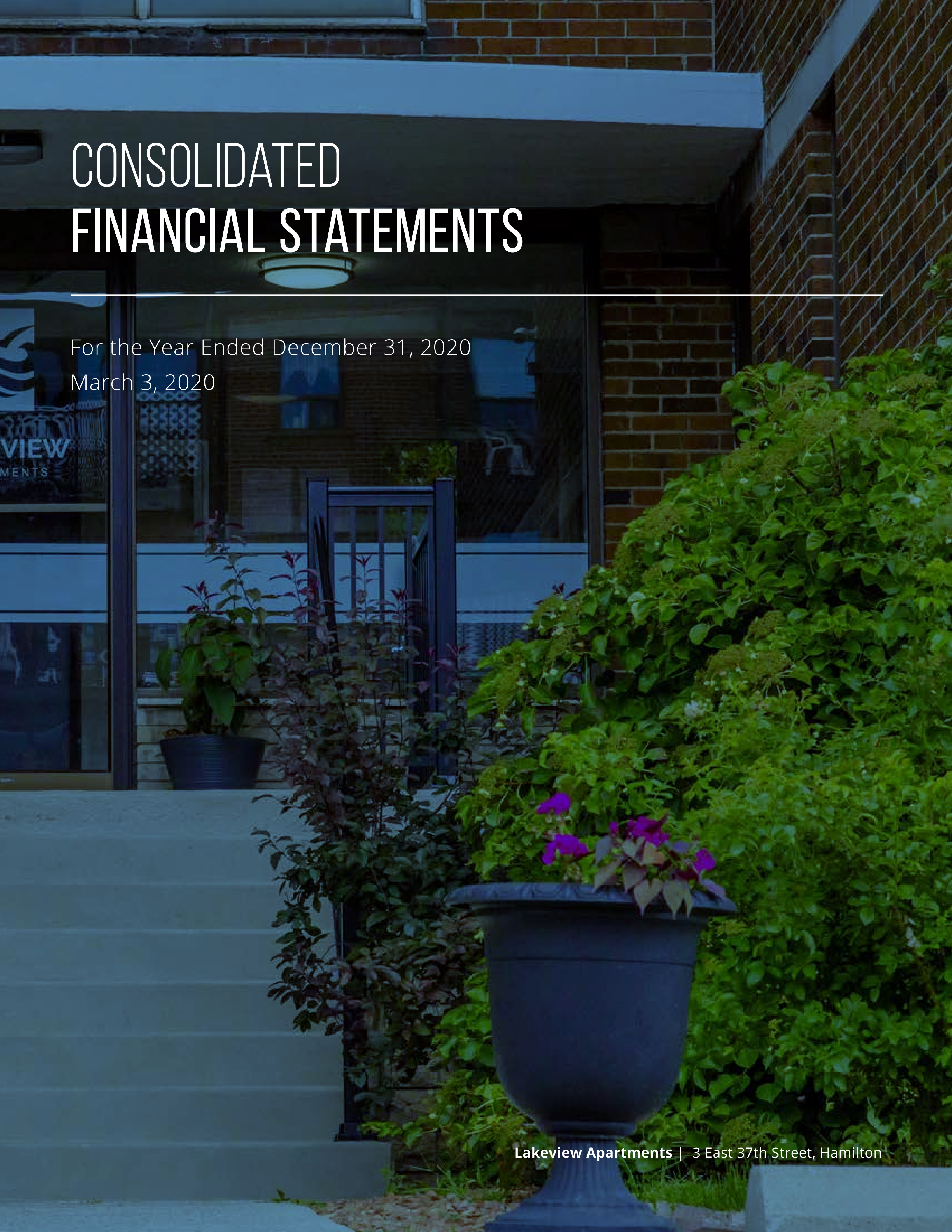
OUTSTANDING SECURITIES DATA

As of March 15, 2021, the Trust had issued and outstanding: (i) 138,642,413 units; (ii) Class B LP Units that are exchangeable for 3,410,766 units of the Trust; (iii) options exercisable to acquire 737,345 units of the Trust; and (iv) deferred units that are redeemable for 4,516,034 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.





CONSOLIDATED
FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
March 3, 2020

Lakeview Apartments | 3 East 37th Street, Hamilton

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, 2020 and 2019 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, 2020 and 2019, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value of Income Properties

Refer to consolidated financial statements note 2 - Basis of presentation - Critical accounting estimates, note 3 - Significant accounting policies - Critical judgments in applying accounting policies, and note 4 - Investment properties.

The fair market value of income properties as at December 31, 2020 is $3,053,856, which represents approximately 95% of total assets as at December 31, 2020. Management used an internal valuation model based on the direct capitalization income approach to determine the fair value of income properties as at December 31, 2020. Management engaged an external valuation expert to provide appraisals for substantially all of the income properties held as at December 31, 2020 and a summary of major assumptions and market data by city to validate its internal model.

We identified the valuation of fair value of income properties as a key audit matter because management made significant assumptions relating to the capitalization rate, vacancy rate, and forecasted stabilized net operating income of each income property used in its internal model. These significant assumptions involve a high degree of estimation uncertainty and complexity. This has resulted in significant audit effort, including the use of valuation specialists and a high degree of auditor judgment and subjectivity to evaluate the audit evidence obtained.

How our audit addressed the Key Audit Matter

Our audit procedures related to the valuation of income properties included the following, among others:

- We evaluated the appropriateness of the underlying data used in the calculation of stabilized net operating income, used in management's direct capitalization method.

- We assessed the competency and objectivity of those involved in the valuation of income properties, including management's internal valuation team and management's external valuation specialists, by considering their qualifications and expertise.

- We compared the forecasted stabilized net operating income from management's prior year internal valuation model to the actual results.

- For a sample of properties, we utilized an internal valuation specialist to assist in:

  - o Developing independent ranges for management's assumptions and estimates from comparable market benchmarks for similar assets in similar locations; and

  - o Evaluating the appropriateness of assumptions used by management including the capitalization rate, vacancy rate, and forecasted stabilized net operating income by comparing them to independent regional market data, industry averages, and improved comparable sales.

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 the Management 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of this auditor's report. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 15, 2021
Toronto, Ontario

Consolidated Balance Sheets
(Cdn $ Thousands)

	Note	**December 31, 2020**	December 31, 2019
Assets			
Investment properties	4	**$ 3,106,240**	$ 2,748,342
Investment in joint ventures	7	**28,012**	25,200
Prepaids and deposits		**11,395**	2,229
Receivables and other assets	8	**16,758**	15,332
Cash		**51,642**	753
Total assets		**$ 3,214,047**	$ 2,791,856
Liabilities			
Mortgages payable	9	**$ 999,595**	$ 881,509
Credit facilities	10	**-**	26,865
Class B LP unit liability	12	**46,694**	53,345
Unit-based compensation liabilities	13	**58,200**	66,070
Tenant rental deposits		**13,338**	11,722
Accounts payable and accrued liabilities	11	**27,449**	30,409
Total liabilities		**1,145,276**	1,069,920
Unitholders' equity			
Unit capital	15	**1,003,526**	766,282
Retained earnings		**1,065,245**	955,654
Total unitholders' equity		**2,068,771**	1,721,936
Total liabilities and unitholders' equity		**$ 3,214,047**	$ 2,791,856

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	2020	2019
Operating revenues			
Revenue from investment properties	16	**$ 159,955**	$ 145,302
Operating expenses			
Property operating costs		**26,550**	20,988
Property taxes		**19,405**	17,443
Utilities		**11,861**	10,677
Total operating expenses		**57,816**	49,108
Net operating income		**102,139**	96,194
Financing costs	17	**26,331**	26,273
Administrative costs		**11,599**	12,034
Income before other income and expenses		**64,209**	57,887
Other income and expenses			
Fair value adjustments on investment properties	4	**70,110**	353,160
Loss on disposition of investment properties	6	**-**	(675)
Income from investment in joint ventures	7	**40**	24
Other fair value gains/(losses)	18	**18,736**	(23,302)
Interest on units classified as financial liabilities	19	**(2,447)**	(2,205)
Net income for the year		**$ 150,648**	$ 384,889

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, 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**
Balance, January 1, 2020	$ 766,282	$ 1,100,427	$ (144,773)	$ 955,654	$ 1,721,936
Units issued (note 15)	237,244	-	-	-	237,244
Net income for the year	-	150,648	-	150,648	150,648
Distributions declared to Unitholders	-	-	(41,057)	(41,057)	(41,057)
Balance, December 31, 2020	**$ 1,003,526**	**$ 1,251,075**	**$ (185,830)**	**$ 1,065,245**	**$ 2,068,771**

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	2020	2019
Cash flows from (used in) operating activities			
Net income for the year		**$ 150,648**	$ 384,889
Add items not affecting cash			
Income from investment in joint ventures	7	**(40)**	(24)
Amortization		**642**	533
Loss on disposition of investment properties	6	**-**	675
Fair value adjustments on investment properties	4	**(70,110)**	(353,160)
Other fair value (gains)/losses	18	**(18,736)**	23,302
Unit-based compensation expense	13	**6,927**	6,616
Financing costs	17	**26,331**	26,273
Interest expense	17	**(25,309)**	(25,552)
Tenant inducements		**921**	601
		71,274	64,153
Net income items related to financing activities	19	**1,066**	1,000
Changes in non-cash operating assets and liabilities	20	**(10,397)**	7,435
Cash from operating activities		**61,943**	72,588
Cash flows from (used in) investing activities			
Acquisition of investment properties	5	**(228,911)**	(244,583)
Investment in joint ventures	7	**(2,772)**	(1,901)
Proceeds from sale of investment properties	6	**-**	75,634
Additions to investment properties	4	**(59,025)**	(81,160)
Cash used in investing activities		**(290,708)**	(252,010)
Cash flows from (used in) financing activities			
Mortgage and loan repayments	20	**(185,944)**	(23,991)
Mortgage advances	20	**305,139**	30,250
Financing fees		**(5,701)**	(350)
Credit facility advances/(repayments)	20	**(26,865)**	3,315
Trust units issued, net of issue costs	15	**220,921**	193,624
Deferred units purchased and cancelled	13,15	**(908)**	(1,251)
Interest paid on units classified as financial liabilities	19	**(1,066)**	(1,000)
Distributions paid	20	**(25,922)**	(20,945)
Cash from financing activities		**279,654**	179,652
Increase in cash during the year		**50,889**	230
Cash at the beginning of year		**753**	523
Cash at end of year		**$ 51,642**	$ 753

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 15, 2021.

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.

Accounting standards implemented in 2020

IFRS 3 Business Combinations

The amendments to IFRS 3, Business Combinations ("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 Trust adopted the amendments to IFRS 3 on January 1, 2020. The adoption of the amendments by the Trust resulted in no change to the presentation to the Trust's consolidated financial statements.

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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Trust. Any estimates are therefore subject to significant uncertainty, and may materially and adversely affect the Trust's operations and financial results.

In light of the COVID-19 pandemic, management has made judgments in determining the valuation inputs used in its internal valuation model to measure fair value of investment properties. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at December 31, 2020 (note 4).

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.

2. BASIS OF PRESENTATION (Continued)

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Joint Arrangements

The Trust enters into joint arrangements which include joint ventures and joint operations. A joint arrangement is an arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control. Joint control exists when the joint arrangements require the unanimous consent of the parties sharing control for decisions about relevant activities.

Investment in joint ventures

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.

The Trust's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint ventures 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 ventures since the acquisition date less any identified impairment loss. Distributions received from a joint ventures 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 ventures.

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

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Trust records only its proportionate share of the assets, liabilities and the results of operations of the joint operation. The assets, liabilities and results of joint operations are included within the respective line items of the consolidated balance sheets and consolidated statements of income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019 and 2020, 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.

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 ventures

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Future accounting changes

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

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

(Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTIES

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

	December 31, 2020	December 31, 2019
Income properties	**$ 3,053,856**	$ 2,713,669
Properties under development	**52,384**	34,673
	$ 3,106,240	$ 2,748,342

Income properties:

	December 31, 2020	December 31, 2019
Balance, beginning of period	**$ 2,713,669**	$ 2,021,874
Acquisitions (note 5)	**217,684**	297,436
Property capital investments	**52,393**	76,208
Fair value adjustments	**70,110**	353,160
Dispositions (note 6)	**-**	(35,009)
	$ 3,053,856	$ 2,713,669

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

	December 31, 2020	December 31, 2019
Balance, beginning of period	**$ 34,673**	$ -
Acquisitions (note 5)	**14,839**	22,285
Transfer from land held for development	**-**	10,481
Property capital investments	**2,872**	1,907
	$ 52,384	$ 34,673

Land held for development:

	December 31, 2020	December 31, 2019
Balance, beginning of period	**$ -**	$ 55,177
Property capital investments	**-**	2,116
Transfer to properties under development	**-**	(10,481)
Disposition (note 6)	**-**	(46,812)
	$ -	$ -

The fair value of the income properties at December 31, 2020 and 2019 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 ("Cap 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. 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, 2020 and 2019. These external appraisals provided the Trust with a summary of the major assumptions and market data by city (such as capitalization rate, turnover estimate and market rent adjustments) in order for the Trust to complete its internal valuations.

(Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTIES (Continued)

In reviewing the forecasted SNOI and cap rates, management considers many economic factors including, but not limited to, the effect that the COVID-19 pandemic has had on the major assumptions (specifically lower turnover estimates and higher allowances for vacancy).

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

	December 31, 2020		December 31, 2019	
	Range	**Weighted average**	**Range**	**Weighted average**
Capitalization rate	3.25% - 5.75%	4.16%	3.25% - 6.00%	4.24%

The direct capitalization income approach method of valuation requires that SNOI be divided by a 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, 2020

Forecasted stabilized net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 123,229	$ 125,770	**$ 127,040**	$ 128,310	$ 130,851
Capitalization rate						
-0.25%	3.91%	$ 3,151,632	$ 3,216,614	$ 3,249,105	$ 3,281,596	$ 3,346,578
Cap rate used	**4.16%**	$ 2,962,231	$ 3,023,308	**$ 3,053,856**	$ 3,084,385	$ 3,145,462
+0.25%	4.41%	$ 2,794,304	$ 2,851,918	$ 2,880,726	$ 2,909,533	$ 2,967,147

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

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

The three (2019 – 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 these investment properties under development at cost until either their fair value becomes reliably determinable or development is completed (whichever is earlier).

Cash outflow used for additions to investment properties:

	December 31, 2020	December 31, 2019
Property capital investments	**$ (55,265)**	$ (80,231)
Changes in non-cash investing accounts payable and accrued liabilities	**(3,760)**	(929)
	$ (59,025)	$ (81,160)

(Cdn $ Thousands except unit amounts)

5. INVESTMENT PROPERTY ACQUISITIONS

During the year ended December 31, 2020, 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 27, 2020	57	$ 18,604	$ 13,613	2.59%	March 2, 2021
March 31, 2020	4[(1)]	1,429	-	-%	n/a
July 16, 2020	26	7,520	-	-%	n/a
July 16, 2020	34	11,496	-	-%	n/a
July 23, 2020	36	5,551	-	-%	n/a
September 21, 2020	123[(2)]	33,961	16,600	1.58%	October 1, 2021
September 21, 2020	110	27,911	13,650	1.58%	October 1, 2021
September 21, 2020	295[(3)]	77,670	38,000	1.58%	October 1, 2021
September 21, 2020	117	20,963	10,250	1.58%	October 1, 2021
September 21, 2020	78	14,008	6,850	1.58%	October 1, 2021
October 14, 2020	-[(4)]	13,410	3,612	Prime + 1%	Demand facility
	880	**$ 232,523**	**$ 102,575**		

[(1)] Development site (0.11 acres) includes a fourplex which will be operated during the interim period prior to construction.
[(2)] Includes 886 sq ft of leasable commercial space.
[(3)] Includes 62,271 sq ft of leasable commercial space.
[(4)] Represents a 14.17% direct ownership in the development site at 900 Albert Street, Ottawa (see note 7)

During the year ended December 31, 2019, the Trust completed the following investment property acquisitions:

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.

Cash outflow used for investment property acquisitions:

	December 31, 2020	December 31, 2019
Total acquisition costs	**$ (232,523)**	$ (319,721)
Fair value adjustment of assumed debt	**-**	1,900
Assumed debt	**3,612**	73,238
	$ (228,911)	$ (244,583)

(Cdn $ Thousands except unit amounts)

6. INVESTMENT PROPERTY DISPOSITIONS

No investment properties were disposed of during the year ended December 31, 2020.

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.

Cash inflow received from sale of investment properties:

	December 31, 2020	December 31, 2019
Proceeds	**$ -**	$ 81,146
Non-cash closing costs	**-**	176
Investment in joint ventures	**-**	(5,688)
	$ -	$ 75,634

(Cdn $ Thousands except unit amounts)

7. INVESTMENT IN JOINT VENTURES

The Trust accounts for its interest in joint ventures 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, 2020	December 31, 2019
TIP Albert Limited Partnership	Ottawa	Develop, own and operate investment property	38.83%[1]	33.3%
Fairview Limited Partnership	Burlington	Develop, own and operate investment property	25.0%	25.0%

[1] On October 14, 2020, TIP Albert Limited Partnership decreased its ownership in the development site at 900 Albert Street Ottawa from 100% to 85.83%. Also on that date, the Trust acquired a direct ownership of 14.17% of the development site reported under Property under Development (see note 5) as a joint operation and increased its ownership in TIP Albert Limited Partnership to 38.83% (which continues to represent a 33.3% interest in the development property). In total, the Trust holds a 47.5% interest in the development property.

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, 2020	December 31, 2019
Balance, beginning of period	**$ 24,693**	$ 17,064
Additions	**2,772**	7,605
Share of net income	**40**	24
Distributions	**-**	-
	$ 27,505	$ 24,693
Transaction costs	**$ 507**	$ 507
Carrying value of the investment in joint ventures	**$ 28,012**	$ 25,200

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

	December 31, 2020	December 31, 2019
Current assets	**$ 7,357**	$ 765
Non-current assets	**139,671**	138,935
Current liabilities	**(368)**	(1,141)
Non-current liabilities	**(64,137)**	(57,750)
Net assets	**$ 82,523**	80,809
Trust's share	**$ 27,505**	$ 24,693

	December 31, 2020	December 31, 2019
Revenue	**$ 227**	$ 128
Expenses	**66**	32
Net income	**$ 161**	$ 96
Trust's share	**$ 40**	$ 24

(Cdn $ Thousands except unit amounts)

8. RECEIVABLES AND OTHER ASSETS

	December 31, 2020	December 31, 2019
Current:		
Rents and other receivables, net of allowance for uncollectable amounts (note 23(b))	**$ 1,717**	$ 1,528
Tenant inducements [1]	**1,401**	467
	$ 3,118	$ 1,995
Non-current:		
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of $2,273 (2019 - $1,802)	**$ 2,417**	$ 1,680
Deferred finance fees on credit facilities, net of accumulated amortization of $1,778 (2019 - $1,606)	**197**	239
Loan receivable long-term incentive plan (note 14)	**11,026**	11,418
	$ 13,640	$ 13,337
	$ 16,758	$ 15,332

(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 2.56% (December 31, 2019 – 3.02%).

The mortgages mature at various dates between the years 2021 and 2031.

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

2021	$ 199,021
2022	75,459
2023	85,782
2024	74,324
2025	110,555
Thereafter	474,675
	1,019,816
Less: Deferred finance costs and mortgage premiums	(20,221)
	$ 999,595

(Cdn $ Thousands except unit amounts)

10. CREDIT FACILITIES

	December 31, 2020	December 31, 2019
Demand credit facility (i)	**$ -**	$ -
Term credit facility (ii)	**-**	20,435
Term credit facility (iii)	**-**	6,430
Term credit facility (iv)	**-**	-
	$ -	$ 26,865

(i) The Trust has a $2,000 (2019 - $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, 2020 was 3.27% (2019 – 4.45%).

(ii) The Trust has a $55,000 (2019 - $35,000) term credit facility, maturing in 2022, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on nine (2019 – 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, 2020 was 3.46% (2019 – 4.47%).

(iii) The Trust has a $15,000 (2019 - $25,000) term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2019 – one) of the Trust's properties and second collateral mortgages on one (2019 – 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, 2020 was 3.42% (2019 – 4.60%).

(iv) The Trust has a $100,000 (2019 - $60,000) term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, first mortgages on two (2019 – two) of the Trust's properties and second collateral mortgages on four (2019 – 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, 2020 was 3.64% (2019 – 3.83%).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Accounts payable	**$ 3,774**	$ 7,219
Accrued liabilities	**17,985**	18,328
Accrued distributions	**3,847**	3,226
Mortgage interest payable	**1,843**	1,636
	$ 27,449	$ 30,409

(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, 2018	**3,410,766**
Units issued	-
Balance - December 31, 2019	**3,410,766**
Units issued	-
Balance – December 31, 2020	**3,410,766**

The Class B LP Units represented an aggregate fair value of $46,694 at December 31, 2020 (December 31, 2019 - $53,345). 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.

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, 2020	December 31, 2019
Unit-based liabilities, beginning of period	**$ 66,070**	$ 48,392
Compensation expense – deferred unit plan	**5,546**	5,360
Compensation expense – unit option plan	**-**	51
DRIP[1] expense – deferred unit plan	**1,381**	1,205
DUP units converted, cancelled and forfeited	**(1,822)**	(2,296)
Unit options exercised and expired	**(890)**	(1,110)
(Gain)/Loss on fair value of liability (note 18)	**(12,085)**	14,468
Unit-based liabilities, end of period	**$ 58,200**	$ 66,070

[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, 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**
Units issued under deferred unit plan	326,703
Reinvested distributions on deferred units	100,877
Deferred units exercised into Trust Units (note 15)	(61,195)
Deferred units purchased and cancelled	(47,139)
Deferred units cancelled	(23,954)
Balance – December 31, 2020	**4,524,216**

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 $53,174 at December 31, 2020 (December 31, 2019 - $58,834). 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.

(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:

	2020		**2019**	
	Number of units	**Weighted average exercise price**	**Number of units**	**Weighted average exercise price**
Balance, beginning of period	854,140	$ 6.11	1,006,585	$ 6.11
Exercised (note 15)	(97,395)	$ 4.73	(152,445)	$ 6.12
Balance, end of period	**756,745**	**$ 6.28**	**854,140**	**$ 6.11**

Options outstanding at December 31, 2020:

Exercise price	**Number of units**	**Remaining life in years**	**Number of units exercisable**
$ 5.50	55,000	1.68	55,000
$ 5.65	252,500	2.45	252,500
$ 5.81	225,500	3.96	225,500
$ 7.67	223,745	6.57	223,745
	756,745		**756,745**

Total compensation expense for the year was $nil (2019 - $51). 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, 2020 was $15.60 (2019 - $14.64).

(Cdn $ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

The unit options represented an aggregate fair value of $5,026 at December 31, 2020 (December 31, 2019 - $7,236). 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, 2020	December 31, 2019
Market price of Unit	$ 13.69	$ 15.64
Expected option life	1.5 years	1.7 years
Risk-free interest rate	0.22%	1.67%
Expected volatility	31%	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%	$ 700
June 29, 2012	25,000	3.35%	77
September 11, 2012	100,000	3.35%	448
June 27, 2013	150,000	3.85%	716
December 16, 2014	100,000	3.27%	500
June 9, 2015	75,000	3.44%	427
June 30, 2016	285,000	2.82%	2,034
July 28, 2017	465,000	3.09%	3,291
March 5, 2018	310,000	3.30%	2,833
	1,760,000		$ 11,026

(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, 2018	**106,032,017**	**$ 558,615**
Issued from prospectus	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**
Issued from prospectus	15,709,000	230,137
Unit issue costs	-	(9,676)
Units Issued under the deferred unit plan (note 13(i))	61,195	914
Units Issued under distribution reinvestment plan	1,070,389	14,519
Units Issued from options exercised (note 13(ii))	97,395	1,350
Balance – December 31, 2020	**138,416,700**	**$ 1,003,526**

On June 4, 2020, the Trust completed a bought deal prospectus offering whereby it issued 15,709,000 Trust Units for cash proceeds of $230,137 and incurred $9,676 in issue cost.

On May 5, 2020, the TSX approved the Trust's normal course issuer bid ("Bid") for a portion of its Trust Units. Under the Bid, the Trust may acquire up to a maximum of 11,481,830 of its Trust Units, or approximately 10% of its public float of 114,818,300 Trust Units as of April 30, 2020, for cancellation over the next 12 months commencing on May 11, 2020 until the earlier of May 10, 2021 or the date on which the Trust has purchased the maximum number of Trust Units permitted under the Bid. The number of Trust Units that can be purchased pursuant to the Bid is subject to a current daily maximum of 125,709 Trust Units (being 25% of the average daily trading volume), except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. Purchases will be made at market prices through the facilities of the TSX.

For the year ended December 31, 2020, the Trust did not purchase any Trust Units.

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.

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:

	2020	2019
Lease revenue (1)	**$ 156,460**	$ 141,890
Non-lease revenue (2)	**3,495**	3,412
	$ 159,955	$ 145,302

(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

	2020	2019
Mortgages and loans payable	**$ 25,490**	$ 25,750
Credit facilities	**1,389**	1,695
Interest income	**(635)**	(490)
Interest capitalized	**(935)**	(1,403)
Interest expense	**25,309**	25,552
Amortization of deferred finance costs on mortgages	**1,455**	915
Amortization of deferred finance costs on credit facilities	**172**	228
Amortization of fair value on assumed debt	**(605)**	(422)
	$ 26,331	$ 26,273

18. OTHER FAIR VALUE GAINS/(LOSSES)

	2020	2019
Class B LP unit liability	**$ 6,651**	$ (8,834)
Unit-based compensation liability (deferred unit plan)	**10,765**	(11,971)
Unit-based compensation liability (option plan)	**1,320**	(2,497)
	$ 18,736	$ (23,302)

19. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	2020	2019
Class B LP unit liability	**$ 1,066**	$ 1,000
Unit-based compensation liability (deferred unit plan)	**1,381**	1,205
	$ 2,447	$ 2,205

(Cdn $ Thousands except unit amounts)

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2020	2019
Receivables and other assets	**$ (3,031)**	$ 274
Prepaid and deposits	**(9,166)**	4,105
Accounts payable and accrued liabilities	**184**	1,943
Tenant rental deposits	**1,616**	1,113
	$ (10,397)	$ 7,435

(b) Net cash distributions to unitholders

	2020	2019
Distributions declared to unitholders	**$ 41,057**	$ 33,408
Add: Distributions payable at beginning of year	**3,138**	2,563
Less: Distributions payable at end of year	**(3,755)**	(3,138)
Less: Distributions to participants in the DRIP	**(14,518)**	(11,888)
	$ 25,922	$ 20,945

(c) Interest paid

	2020	2019
Interest expense	**$ 25,309**	$ 25,552
Add: Mortgage interest payable at beginning of year	**1,636**	1,512
Less: Mortgage interest payable at end of year	**(1,843)**	(1,636)
Add: Interest capitalized	**935**	1,403
Add: Interest income received	**635**	490
	$ 26,672	$ 27,321

(d) Reconciliation of liabilities arising from financing activities

Mortgages payable	2020	2019
Balance, beginning of year	**$ 897,009**	$ 817,512
Mortgage advances	**305,139**	30,250
Assumed mortgages	**3,612**	73,238
Repayment of mortgages	**(185,944)**	(23,991)
Balance, end of year	**$ 1,019,816**	$ 897,009

Credit Facilities	2020	2019
Balance, beginning of year	**$ 26,865**	$ 23,550
Advances of credit facilities	**-**	3,315
Repayment of credit facilities	**(26,865)**	-
Balance, end of year	**$ -**	$ 26,865

(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 years ended December 31, 2020 and 2019.

(ii) 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.

	2020	2019
Salaries and other short-term employee benefits	**$ 1,962**	$ 1,962
Deferred unit plan	**1,744**	2,338
	$ 3,706	$ 4,300

Loans outstanding from key management for indebtedness relating to the LTIP at December 31, 2020 were $10,654 (December 31, 2019 - $11,041). Deferred unit plan includes accrued compensation for key management at December 31, 2020 for $1,425 (December 31, 2019 - $2,005).

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, 2020 and 2019.

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, 2020, the debt-to-gross book value ratio is 31.1% (December 31, 2019 – 32.5%).

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, 2020 and 2019.

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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time but has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact: the Trust's tenants and their ability to pay rent (credit risk); and/or, the debt and equity markets and the Trust's ability to access debt and/or capital on acceptable terms, or at all (liquidity risk), all of which could materially adversely affect the Trust's operations and financial performance.

23. FINANCIAL RISK MANAGEMENT (Continued)

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.

At December 31, 2020, the Trust had past due rents and other receivables of $3,529 (December 31, 2019 - $2,674), net of an allowance for doubtful accounts of $1,812 (December 31, 2019 - $1,147) 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, 2020 and 2019, 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.

(Cdn $ Thousands except unit amounts)

23. FINANCIAL RISK MANAGEMENT (Continued)

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, 2020 are as follows:

Year	Mortgages and loans payable	Mortgage and loan interest [1]	Credit facilities	Accounts payable and accrued liabilities	Total
2021	$199,021	$ 24,152	$ -	$ 27,449	$ 250,622
2022	75,459	20,818	-	-	96,277
2023	85,782	18,228	-	-	104,010
2024	74,324	15,820	-	-	90,144
2025	110,555	14,337	-	-	124,892
Thereafter	474,675	41,477	-	-	516,152
	$1,019,816	**$ 134,832**	**$ -**	**$ 27,449**	**$ 1,182,097**

(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, 2020, approximately 2% (December 31, 2019 – 12%) 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 $503 for the year ended December 31, 2020 (2019 - $1,354).

(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 $1,050,628 (December 31, 2019 - $931,624) excluding any deferred financing costs.

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

December 31, 2020	**Level 1**	**Level 2**	**Level 3**
Assets			
Investment properties	-	-	$ 3,106,240
Liabilities			
Unit-based compensation liability	-	$ 58,200	-
Class B LP unit liability	-	46,694	-

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	-

25. COMMITMENTS AND CONTINGENCIES

The Trust is committed to purchase a property (157 suites) in St. Catharines Ontario in April 2021 for a purchase price of approximately $31,400 and two properties (45 suites) in Vancouver in April 2021 for a combined purchase price of approximately $18,900.

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 (114 suites) in St. Catharines Ontario that closed on January 21, 2021 for a purchase price of approximately $22,000.

The Trust, together with Crestpoint Real Estate Investments Ltd. ("Crestpoint"), acquired 15 properties (614 suites) in Metro Vancouver (the "Acquisition Portfolio") for a combined purchase price of approximately $292,500 on January 28, 2021. Under the arrangements, the Trust and Crestpoint will each own a 50% interest in the Acquisition Portfolio. The Trust will property manage the Acquisition Portfolio and collect industry standard fees. The acquisition was financed with a combination of cash and new short-term debt.

EXCHANGE AND SYMBOL

TSX: IIP.UN

UNITS OUTSTANDING

138,416,700
(as at December 31, 2020)

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WEBSITE

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ANNUAL MEETING

Thursday June 17, 2021
At 11:00 ET

INTERRENT
REIT