2015 | ANNUAL REPORT

INTERRENT REIT

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.

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Parc Kildare Appartements,
Côte-Saint-Luc, QC

Message to our Unitholders

2015 was an influential year for the REIT. We had a record year for corporate activity and we believe we have developed and grown a strong platform that will drive results for years to come.

We added to our portfolio in 2015 and continued with heavy concentration in our core markets by purchasing 1,702 suites within Ottawa (3,681 suites), Greater Toronto Area (741 suites), and Montreal (280 suites). All of these properties are value creating opportunities.

The core strength of InterRent is our ability to reposition properties. Our key to success is being able to source undervalued assets, and through industry best practices and a repositioning formula that has been proven over time. By capitalizing on our platform we are able to reposition, redevelop or develop properties to maximize operating income and in turn create significant value for our Unitholders.

The competitive landscape of the Multi-family industry is changing and is becoming more institutionalized. This heightened competition for the asset class has driven cap rates to record lows. Now, more than ever, it is important that we differentiate ourselves as "Best in Class" operators. We will continue to accomplish this by investing significantly in the development of our team and by building on our culture of core values. These values include, but are not limited to, quality, respect, stronger teams and communities, integrity and service excellence. We work as a team and place high value on teamwork and collaboration. Our belief is that if we foster respect and growth within our team, it will be reflected out to our customers.

As we look forward into 2016, significant progress has been made on our capital recycling program. Year-to-date we have purchased two properties, totaling 545 rental suites for a total transaction price of $77.2 million. The unconditional agreement to sell the REIT's Kingston and Brantford portfolios, together with the dispositions in Belleville, and Brampton, brings the total sales to date in 2016 to 461 suites, for a combined sale proceeds of $52.5 million.

Mike McGahan, CEO

Photo Courtesy of Pat McGrath/ Ottawa citizen. Reprinted by permission

We are encouraged by improving business conditions and renter demographics in our core markets and are very optimistic about the value creation opportunities that exist in our un-stabilized portfolio, which accounts for approximately 35% of our pro-forma portfolio. In summary, we are very excited about 2016 and remain committed to achieving excellence for all of our Unitholders now and for many years to come.

Yours Sincerely,

Mike McGahan

CEO

Who We Are

We are a team. As a team, we focus on providing attentive care and support to all our customers on a daily basis.

In order to consistently provide exceptional customer service we encourage all team members to think like our customers and act in an entrepreneurial manner that fosters our core values of: Quality; Respect; Strong Teams and Communities; Integrity; and, Service Excellence.

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

Mission Statement

The REIT believes that we can increase Unitholder value and create a growing and sustainable distribution by focusing on our team members. Our mission is to treat each team member with complete professionalism and integrity while supporting the individual needs of each to grow. By doing this, we believe each team member will in turn treat each customer, supplier and stakeholder the same way.

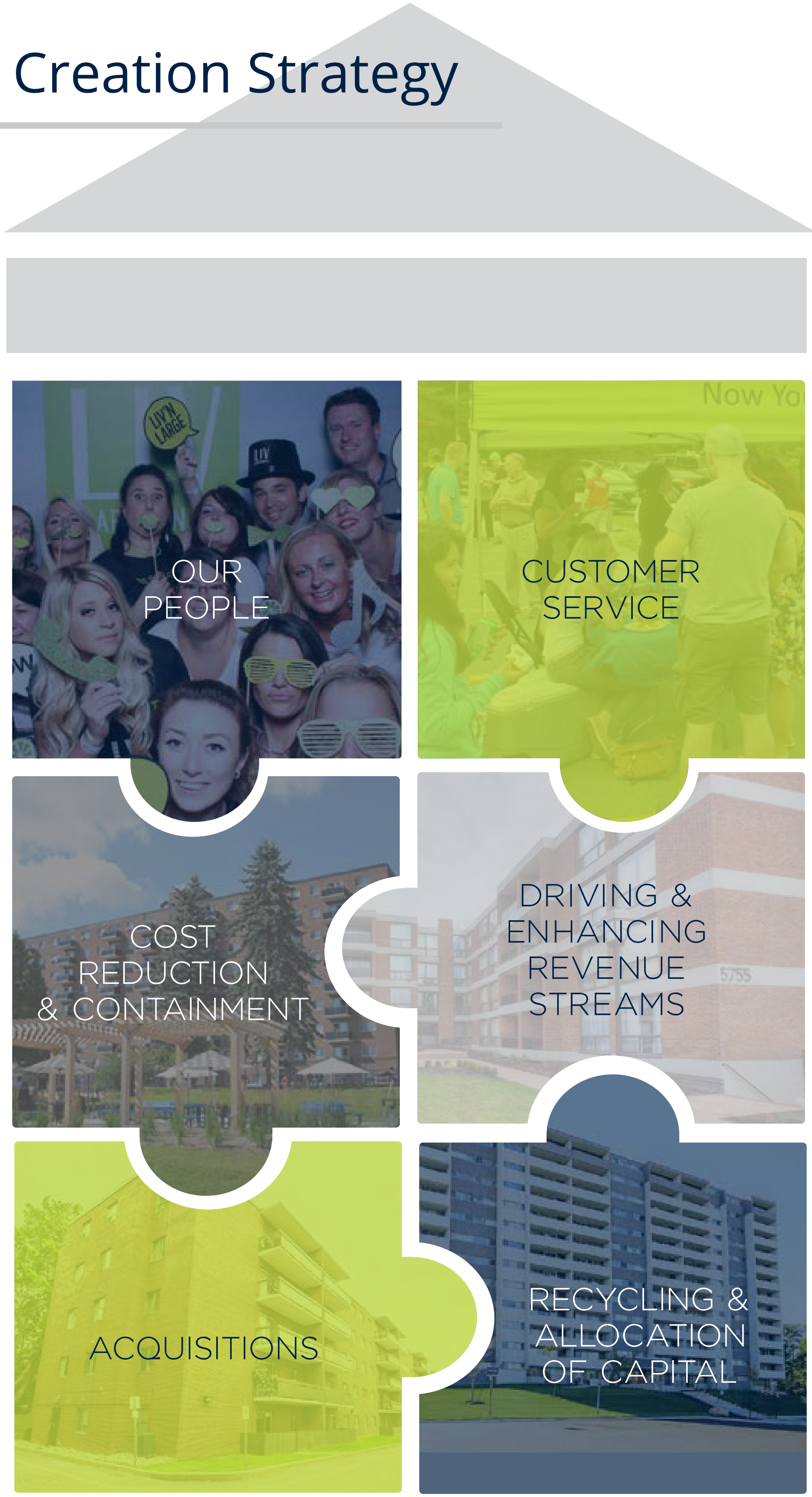
Lakeshore Club,
BURLINGTON, ON

Company 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. We believe our values guide our actions and these demonstrate to our customers who we are.

OUR VALUES INCLUDE:

Value Creation Strategy



One of the keys to long-term success for the REIT is to continue to build on a core philosophy of continuous improvement in all aspects of the business. This is consistently applied to activities such as day to day property operations, property acquisitions, capital investments, financing and administrative matters. The InterRent team has a proven track record of creating value through repositioning rental properties, providing both the experience and ability necessary to continue to grow, improve the REIT, and create value for Unitholders.

Our value creation strategy rests on 6 pillars:

1 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 customers. The team also maintains existing customers' homes, and prepares the homes for new customers.

2 CUSTOMER SERVICE

At the heart of any business is 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 customer experience.

3 COST REDUCTION AND CONTAINMENT

Implement energy-efficient utility programs to lower operating costs while utilizing government programs to leverage investment dollars.

4 DRIVING AND ENHANCING REVENUE STREAMS

The REIT is continuously looking for new revenue streams, or ways to grow existing ones.

5 ACQUISITIONS

InterRent applies a rigorous and disciplined approach to evaluating potential acquisitions. The REIT looks for properties that are in good rental markets but that may be underperforming for a variety of reasons.

6 RECYCLING AND ALLOCATION OF CAPITAL

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

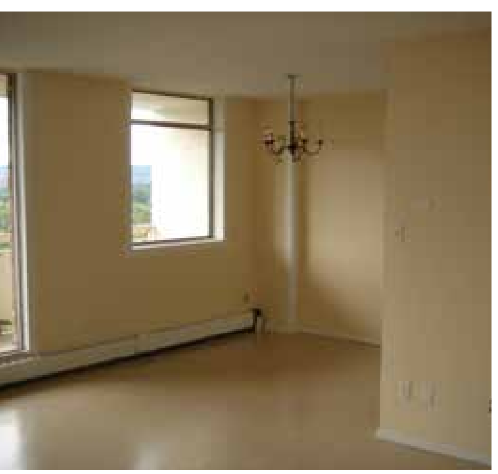
Creating Value for Our Investors

The REIT has continued to invest heavily in improvements, such as first-impression items, suite appearance, amenities, infrastructure and energy efficiency. Approximately $57 million was invested in the REIT's income producing properties in 2015 ($36 million in 2014). In line with InterRent's overall repositioning strategy, most of this was invested in properties that the management believes are capable of achieving significant 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:

Before

After

Bell Street, Ottawa



Halstead Gardens, 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

COMMON AREA UPGRADES

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

Before

After

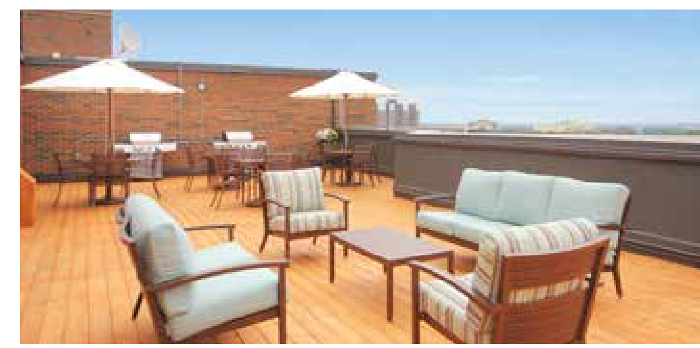
Lakeshore Club, Burlington

Rosemount Apartments, Burlington

ADDED AMENITIES

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

100 Silvercreek Parkway, Guelph



860 Blackthorn, Ottawa

Auburn Park, London

835 Devine, Sarnia

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

Before

After

Lakeshore Club, Burlington

70 Roehampton Avenue, St. Catharines

10 Reid Drive, Mississauga

GREEN INITIATIVES

As part of the redevelopment process, an analysis of all utility items is conducted to determine ways to reduce consumption and overall utility costs. Included are water saving fixtures, efficient lighting, boilers, domestic hot water tanks and more. Additionally, InterRent has sub-metered the bulk of its portfolio which heightens awareness about energy consumption with our customers and promotes energy conservation.

Together for a Better Community

One of the REIT's core values is community. Throughout each year, InterRent organizes and participates in numerous philanthropic events and sustainable programs to give back to our communities across Ontario and Quebec. The following are some of the highlights from 2015:

Breast Cancer Action fitness class

Submissions for the Colour for a Cause campaign

Staff BBQs

Tree of Stars in Head Office

BREAST CANCER ACTION

For the last two years, InterRent REIT and CLV Group have participated in fitness classes during the month of October to raise funds in support of Breast Cancer Action.

INTERRENT SCHOLARSHIP PROGRAM

In 2013, InterRent introduced a Scholarship Program to help the children of employees pursue post-secondary studies.

COLOUR FOR A CAUSE

Make a Wish Foundation (ON & QC)

Across all InterRent REIT sites, children 12 & under coloured and submitted their artwork to their local administration office. We donated $1 to the Make a Wish Foundation for every submission.

BADASS DASH

30 obstacles sprawled across a 7K course, the ultimate adventure race and obstacle course challenge. The event benefits Autism Speaks, working together with the goal of overcoming obstacles for Autism.

SUMMER FRIDAY BBQS

Every Friday, the staff of InterRent and CLV Group gather outside for a staff BBQ (or inside for a pizza day if it is raining). 100% of the proceeds raised goes to local charities.

TREE OF STARS

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

OTTAWA DRAGONBOAT FESTIVAL

InterRent and CLV Group have participated in the Ottawa Dragonboat Festival for the past four years. All proceeds go to various local charities around Ottawa.

InterRent staff supporting the local clubs

THE BOYS & GIRLS CLUBS OF CANADA

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

InterRent REIT has supported several Boys & Girls Clubs across Ontario, including London, Toronto, Niagara, St. Catharines, and Kingston.

Donation ceremony at *Ringside for Youth XXI* event.
Photo Credit: Caroline Phillips / Ottawa Citizen

FOOD DRIVES

Fill-a-Fiat events to benefit Food Banks across ON & QC

We participated in various cities where our InterRent REIT properties are located, including Ottawa, Hamilton, Burlington, Brantford, London and Montreal. Combined donations totaled over 807 lbs of food!

InterRent staff deliver donations to the Ottawa Food Bank

Fill-a-Fiat donations

Resident BBQ - 775 Concession, Hamilton

Cleaning the Capital

CLEANING THE CAPITAL

Tim Horton's

InterRent participated in the Tim Hortons Cleaning the Capital campaign, a citywide cleanup occurs in the spring and fall of every year. Residents come together as a community and combine efforts to make our city clean and green. Litter pickup or graffiti removal projects must be registered, and participating teams, upon request, receive a cleanup starter kit to assist them with their projects. Since 1994, over 1 million volunteers have participated in over 16,000 cleanup projects throughout the city. As a result, an estimated 1.7 million kilograms of waste have been removed from our public spaces and properly disposed of.

InterRent's "LIV Apartments" Volleyball team

HOPE VOLLEYBALL

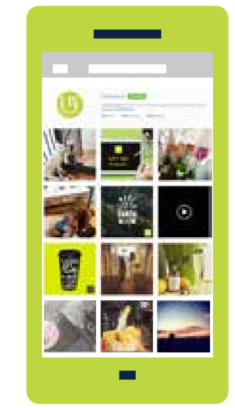
InterRent entered a team into HOPE's flagship Volleyball SummerFest event. Each year, more than 25,000 players and spectators flock to Mooney's Bay Beach in Ottawa for this combination of volleyball and live rock entertainment. These participants have helped HOPE donate over $3.5 million in support of more than 110 local charities.

2015 Charity Recipients

- Perley Rideau
- The Caring and Sharing Exchange
- ALS Canada
- Education Foundation of Ottawa
- Ottawa Network for Education
- Easter Seals Ontario

Social Media

Our multiple social media channels are an important part of our customer retention, brand awareness and lead generation strategies. We strive to open up a two-way conversation with our customers, and social media allows us to accomplish this while simultaneously promoting our brand, products and services. We use our active social presence as a tool for residents to contact us and engage with us, all with a guaranteed quick response time.




September 25, 2015

If you're looking for a great new apartment, this #Saturday is the perfect day to visit our Forest Ridge apartments and town homes in #Ottawa!

Simply stop by 2380 Baseline Rd for our Open House tomorrow, between 11am-4pm, and a CLV Group representative will give you the VIP treatment! #apartmenthunting #Ottawa

344 people reached

Boost Post


5220 Lakeshore Road

BURLINGTON, ONTARIO

5.0 ★★★★★

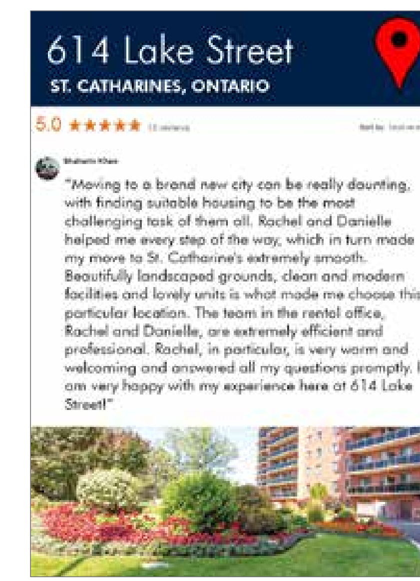
"Having lived in this neighbourhood for 15 years and now down-sizing, I prefer to stay in the area. I found the Lakeshore Club meets all my expectations. Ms. Jody F. was most helpful and very professional in all matters and concerns regarding my moving into my apartment. The follow-up support and availability of all the staff has been much appreciated. I look forward to a most enjoyable time in my new home."


5550 Avenue Trent

CÔTE SAINT-LUC, QUEBEC

4.9 ★★★★★

"The new renovations are amazing. Me and my wife are completely in love with this place. Great charm, quiet, cozy. Lots of light comes in through the windows. The rent is also very affordable. It has access to Montreal West within minutes and downtown within 20 minutes. It also has close access to the 20 if one drives a car and parking in the area is easier to find versus downtown. I am so happy with the management and the changes they made to our new domicile before we moved


614 Lake Street

ST. CATHARINES, ONTARIO

5.0 ★★★★★

"Moving to a brand new city can be really daunting, with finding suitable housing to be the most challenging task of them all. Rachel and Danielle helped me every step of the way, which in turn made my move to St. Catharine's extremely smooth. Beautifully landscaped grounds, clean and modern facilities and lovely units is what made me choose this particular location. The team in the rental office, Rachel and Danielle, are extremely efficient and professional. Rachel, in particular, is very warm and welcoming and answered all my questions promptly. I am very happy with my experience here at 614 Lake Street!"

▼ LIV Apartments Social Media - 2015

846 TOTAL LIKES

OUR TOP VIDEO IN 2015: **9.7K** People Reached; **1.4K** Views

556 DAILY AVERAGE IMPRESSIONS

457 FOLLOWERS

199,700 TOTAL IMPRESSIONS

19 BOARDS

552 PINS

29 FOLLOWERS

520,708 VIEWS

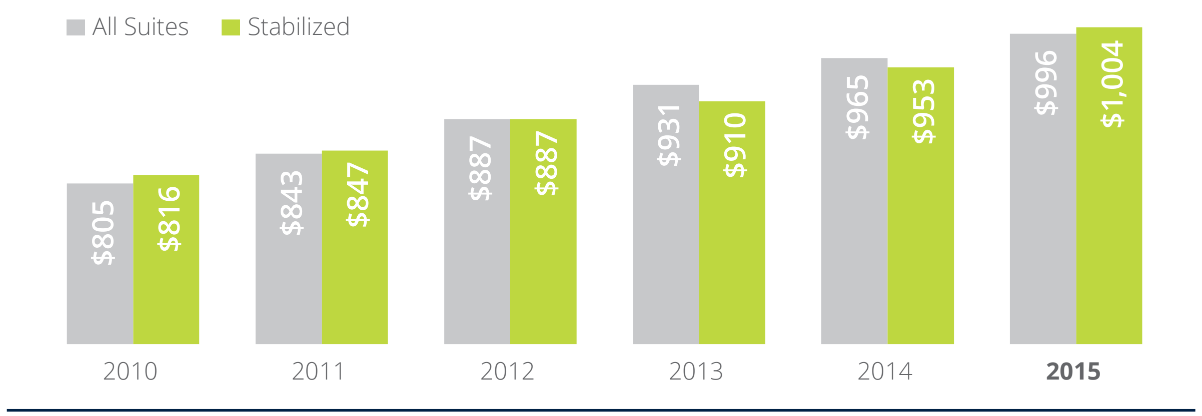
29 FOLLOWERS

426 FOLLOWERS

Financial Information

InterRent's primary objective is to use the proven industry experience of the trustees, management and operations team to (i) provide Unitholders with stable and growing cash distributions from investments in a diversified portfolio of multi-residential properties; (ii) enhance the value of the assets and maximize long-term unit value through the active management of such assets; and, (iii) expand the asset base through accretive acquisitions.

Average Monthly Rent



FIVE Year History

In $000s, except as noted	2010	2011	2012	2013	2014	2015	CAGR
Total Suites	3,998	3,820	4,695	6,048	6,700	8,389	16.0%
Average Rent Per Suite	$805	$843	$887	$931	$965	$996	4.4%
Operating Revenues	$35,352	$38,471	$47,530	$60,506	$65,404	$82,977	18.6%
Net Operating Income (NOI)	$15,913	$20,506	$27,946	$36,041	$37,884	$48,490	25.0%
NOI %	45.0%	53.3%	58.8%	59.6%	57.9%	58.4%	5.4%
FFO Per Unit (basic)	$0.01	$0.13	$0.31	$0.35	$0.33	$0.35	103.6%

FINANCING FACTS

2.7%
WEIGHTED AVERAGE INTEREST RATE

5.0 Years
AVERAGE TERM TO MATURITY

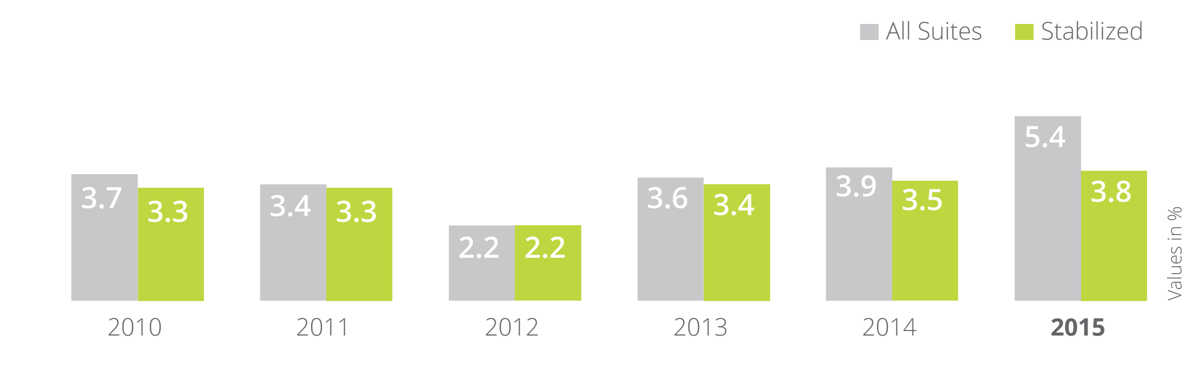
Properties are considered stabilized once the REIT has owned them for 24 months (unless they are in redevelopment, in which case the 24 month period starts once redevelopment is complete). In reality, although the bulk of the work is completed within the first 24 months, the full results of the repositioning efforts often take 36-48 months to be fully reflected in the operational performance of a property. Furthermore, as neighbourhoods change and evolve, the REIT is continuously looking at opportunities to drive rental revenue and NOI upwards by continuing to invest in its stabilized portfolio.

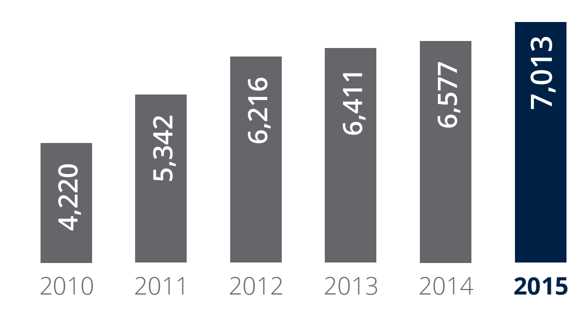
There are three main factors required to create a growing and sustainable distribution: (i) growing top-line revenue by increasing rents and occupancy levels within the existing portfolio; (ii) managing expenses and investing capital in equipment and technology to drive down operating costs; and, (iii) acquiring under-performing properties that are in healthy rental markets and repositioning them.

The REIT's ability to execute on these three factors has allowed InterRent to achieve above-average rental rates and NOI growth over the past five years.

Part of the repositioning process often results in occupancy levels suffering in the short term. With the acquisition of 3,686 suites from 2013 to 2015 (increasing the portfolio by 78%) 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 the optimal overall range to balance vacancy loss against rental growth.

Average Monthly Vacancy





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. As properties are acquired and go through the REIT's repositioning program, there can be a short-term drag on NOI. The REIT managed to continue positive NOI per unit growth in 2015 while growing the suite count by 25%.

54.2%
DEBT-TO-GROSS BOOK VALUE

2.6x
INTEREST COVERAGE RATIO

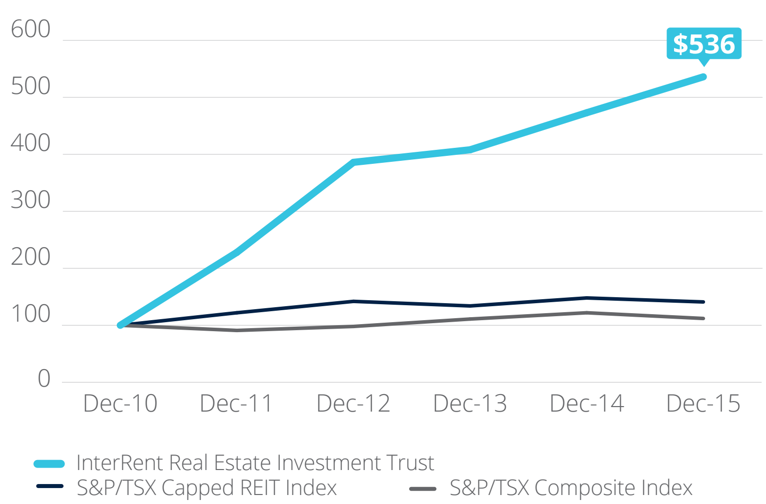
52%
% OF MORTGAGE CMHC INSURED

Financial Information

The acquisitions completed in 2012 and 2013 have for the most part been repositioned, and now form part of the stabilized portfolio. With the physical repositioning substantially complete, the REIT anticipates that those assets will help the REIT to continue providing industry leading same-store NOI growth. The 645 suites acquired in 2014 as well as the 1,702 suites acquired in 2015 are still undergoing various degrees of repositioning initiatives.

The REIT has experienced significant growth in many facets of its business over the past few years, both in aggregate terms (top-line revenue growth and NOI) and in per unit terms (such as FFO per unit). The result of these efforts has been seen in the relative performance in the Trust's unit price over the past five years. Despite both the S&P/TSX Capped REIT Index and the S&P/TSX Composite Index having negative returns in 2015, InterRent provided a total return of over 13%. The entire REIT team is committed to continuing to work hard and to diligently applying InterRent's proven methodology, which is focused on growing the REIT and creating value for Unitholders.

Total Return on a Canadian $100 Investment



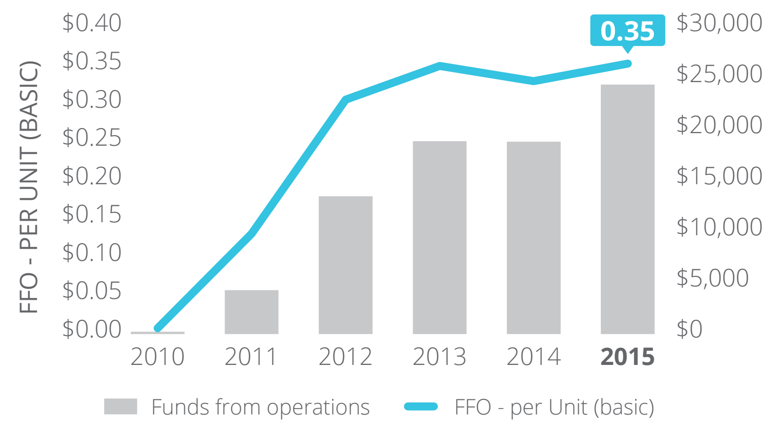
As At Dec 31,	2010	2011	2012	2013	2014	2015	Total Return
InterRent Real Estate Investment Trust	$100	$228	$386	$408	$473	$536	436%
S&P/TSX Composite Index	$100	$91	$98	$111	$122	$112	12%
S&P/TSX Capped REIT Index	$100	$122	$142	$134	$148	$141	41%

Source: SNL, S&P Dow Jones Indices.

Funds from operations is one of the key metrics that is used when measuring a real estate entity, and is one of the methods that is consistent across the multi-family sector.

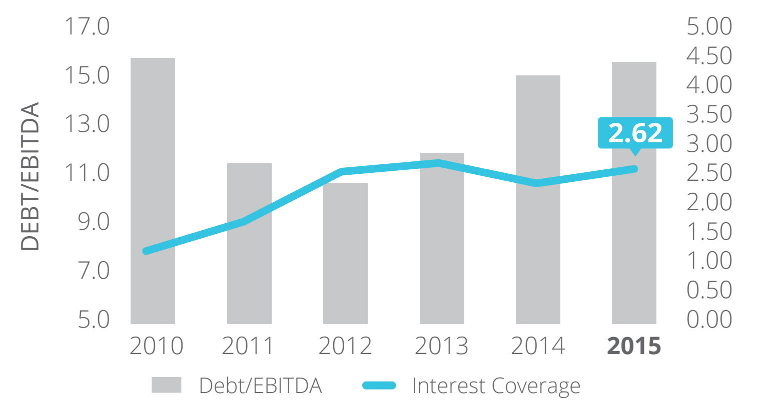
The REIT has experienced significant FFO growth in the past six years, both as a total and on a per unit basis. This growth is due to the growth in overall NOI and reduced interest cost resulting from the decrease in weighted average interest rates on the REIT's mortgages. Management expects that as recently-acquired properties begin to stabilize, the REIT will continue to experience above-average FFO growth.

FFO and FFO per Unit



With the Bell Street (Ottawa) redevelopment acquired in 2013 and other acquisitions in 2014 and 2015, the REIT experienced a short-term reversal of the improving trends in both debt-to-EBITDA and interest coverage in 2013 and 2014. This reversal was a result of the debt that was used to finance the acquisition and repositioning of these non-stabilized properties. The result, as expected, was a short-term increase in the debt-to-EBITDA ratio and a decrease in the interest coverage ratio. Interest coverage began to improve in the later half of 2015 and the REIT expects a similar improvement in the debt-to-EBITDA ratio in the later half of 2016.

Debt/EBITDA and Interest Coverage



GROWTH FACTS

4.0% STABILIZED PORTFOLIO RENTAL GROWTH

26.9% OPERATING REVENUE GROWTH

25.2% PORTFOLIO GROWTH

28.0% NOI GROWTH

NUMBER OF PROPERTIES **84**

NUMBER OF SUITES **8,389**

PRIMARY MARKETS

Market	Properties	Penetration	Of Portfolio	Suites	Total Suites in Market
OTTAWA	23	3.2%	23.5%	1,969	60,878
GATINEAU	1	2.4%	5.9%	497	20,379
AJAX	1	4.3%	0.7%	58	1,334
MONTREAL	3	3.3%	9.3%	781	550,377
BURLINGTON	5	6.2%	5.4%	535	8,575
HAMILTON	6	3.5%	14%	1,175	33,601
MISSISSAUGA	4	2.0%	6.2%	524	26,699
TORONTO	2	0.1%	2.0%	166	257,287

SECONDARY MARKETS

Market	Properties	Penetration	Of Portfolio	Suites	Total Suites in Market
SAULT ST. MARIE	9	7.4%	4.2%	349	4,701
BRAMPTON	1	0.4%	0.4%	44	10,106
BELLEVILLE	3	1.9%	1.3%	111	5,738
STRATFORD	4	12.4%	2.9%	245	1,977
GUELPH	1	4.7%	3.6%	305	6,544
TRENTON	2	12.5%	2.4%	204	1,627
KINGSTON	7	1.5%	2.4%	202	13,359
SARNIA	5	6.2%	4.1%	346	5,605
LONDON	2	1.0%	5.3%	447	42,707
BRANTFORD	2	2.3%	1.2%	103	4,508
NIAGARA FALLS	1	2.2%	0.8%	69	3,175
ST. CATHARINES	2	3.3%	3.1%	259	7,928

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 move rents to market rates, improve operational efficiency as well as to invest in energy-saving initiatives. The REIT's focus is on expanding in its core markets of the GTA (including Hamilton), Montreal and the National Capital Region. Management has identified these markets as having the four parameters critical to InterRent's growth strategy, which are:

1 HEALTHY ECONOMIC REGIONAL CENTRES & NEIGHBOURHOODS

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

2 STRONG DEMAND FOR RENTAL SUITES

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

3 ECONOMIC RECORD ACCOMMODATING RENTAL RATE GROWTH

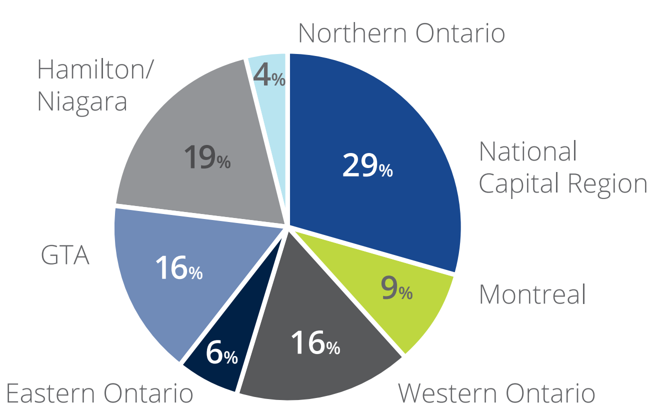
InterRent looks for communities with an economic track record of rising rental rates, preferably where the REIT has experience & success in driving rates up and where existing infrastructure can be leveraged

4 LOCATIONS THAT OFFER STABLE CAPITALIZATION RATES

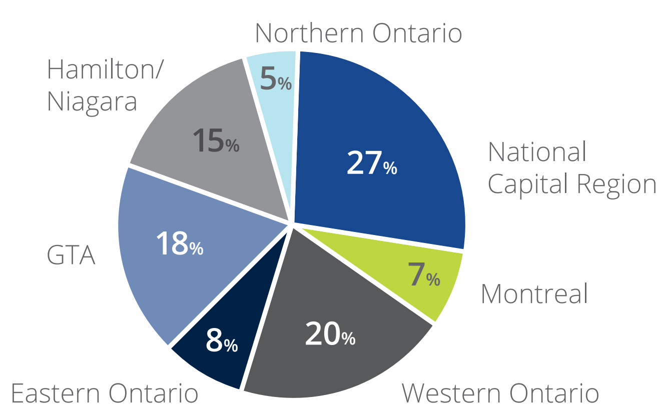
By targeting markets that meet the first three parameters and that also have sufficient supply and demand from investors, InterRent ensures that its markets will maintain relatively stable capitalization rates.

▼ Geographic Exposure by Suite Count

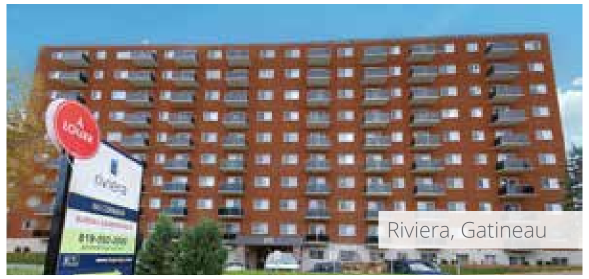
2015



2014



2012 ACQUISITIONS	SUITES
Riviera, Gatineau (QC)	490
2386 & 2400 New Street, Burlington (ON)	230
2757 Battleford Road, Mississauga (ON)	184
2304 Weston Road, Toronto (ON)	96
	1,000


Riviera, Gatineau

2013 ACQUISITIONS	SUITES
Sir Walter Scott, Montreal (QC)	174
Crystal Beach West, Ottawa (ON)	87
70 Roehampton Avenue, St. Catharines (ON)	64
Elmridge, Ottawa (ON)	118
5220 Lakeshore Road, Burlington (ON)	127
Place Kingsley Apartments, Montreal (QC)	327
Bell Street North, Ottawa (ON)	444
	1,341


70 Roehampton, St. Catharines

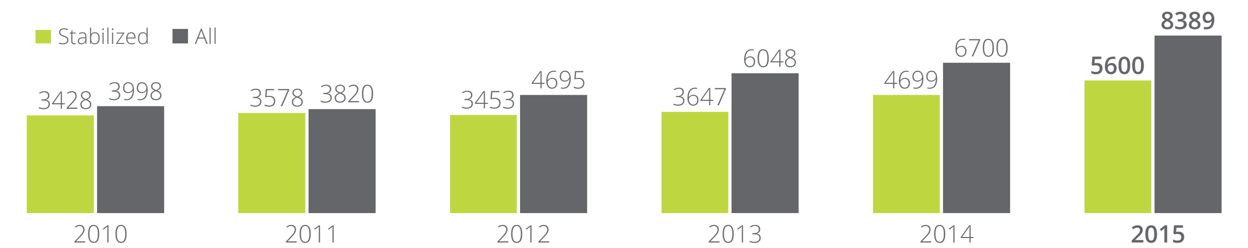
2014 ACQUISITIONS	SUITES
Crystal Beach East, Ottawa (ON)	54
15 Kappele Circle, Stratford (ON)	23
Tindale Court & Quigley Road, Hamilton (ON)	334
6599 Glen Erin, Mississauga (ON)	232
15 Louisa, Ottawa (ON)	2
	645


Lakeshore Club, Burlington

2015 ACQUISITIONS	SUITES
5501 Aldabert, Montreal (QC)	280
Forest Ridge, Ottawa (ON)	393
Britannia Portfolio, Ottawa (ON)	286
Hamilton Portfolio, Hamilton (ON)	618
181 Lebreton & 231 Bell, Ottawa (ON)	2
Maple & Brant, Burlington (ON)	123
	1,702
TOTAL	**4,688**


Forest Ridge, Ottawa

NUMBER OF SUITES



Corporate Governance

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

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

AUDIT COMMITTEE

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

939 Western,
London, ON

Forest Ridge,
OTTAWA, ON

NOMINATIONS AND GOVERNANCE COMMITTEE

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

COMPENSATION COMMITTEE

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

CAPITAL RESOURCES COMMITTEE

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

Management's Discussion & Analysis

FOR THE YEAR ENDED DECEMBER 31, 2015

Riviera,
Gatineau, QC

MANAGEMENT DISCUSSION & ANALYSIS
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FORWARD-LOOKING STATEMENTS

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") of InterRent Real Estate Investment Trust ("InterRent REIT" or the "Trust") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2015 along with InterRent REIT's other publicly filed documents. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results circumstances, performance or expectations, including but not limited to financial performance and equity or debt offerings, new markets for growth, financial position, comparable multi-residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

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

- Overall national economic activity
- Regional economic and demographic factors, such as employment rates and immigration trends
- Inflationary/deflationary factors
- Long, medium and short term interest rates
- Availability of financing
- Housing starts

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 and December 29, 2010, under the laws of the Province of Ontario. InterRent REIT was created to invest in income producing multi-family residential properties within Canada initially through the acquisition of InterRent International Properties Inc. (the "Corporation") and of the Silverstone Group by the way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (Ontario), which was completed on December 7, 2006.

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

DECLARATION OF TRUST

The investment policies of the Trust are outlined in the Trust's Amended and Restated Declaration of Trust (the "DOT") dated as of December 29, 2010 and a copy of this document is available on SEDAR (www.sedar.com). Some of the principal investment guidelines and operating policies set out in the DOT are as follows:

INVESTMENT GUIDELINES

- Focus its activities on acquiring, maintaining, improving and managing multi-unit residential revenue producing properties.
- No single asset shall be acquired if the cost of such acquisition (net of the amount of debt secured by the asset) will exceed 15% of the Trust's "Gross Book Value" (as such term is defined in the DOT).
- Investments in joint ventures are permitted as long as the Trust's interest is not less than 25%.
- No investment will be made that would result in the Trust not qualifying as a "mutual fund trust" as defined in the Income Tax Act (Canada).

OPERATING POLICIES

- Overall indebtedness not to exceed 75% of Gross Book Value, as defined by the DOT.
- For individual properties, the maximum debt capacity not to exceed 75% of its market value, on or after the date which is 12 months from the acquisition date.
- No guaranteeing of third party debt except for subsidiaries or wholly-owned entities of the Trust or potential joint venture partner structures.
- Third party surveys of structural and environmental conditions are required prior to the acquisition of a revenue producing property.
- At December 31, 2015 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, 2015 and 2014.

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

NON-GAAP MEASURES

Funds from Operations, Adjusted Funds from Operations, Net Operating Income 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.

Funds from Operations ("FFO") is a financial measure 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 in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations revised April 2014.

Adjusted Funds from Operations ("AFFO") is presented in this MD&A because management considers this non-GAAP measure to be an important performance indicator in determining the sustainability of future distributions to Unitholders. AFFO begins with FFO and removes the effect of certain non-cash income and expense items and adds a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

A reconciliation of cash flows provided by operating activities to AFFO is presented under "Performance Measures".

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.

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

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

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

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

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

InterRent's primary objective is to use the proven industry experience of the Trustees, management and operational team to: (i) provide Unitholders with stable and growing cash distributions from investments in a diversified portfolio of multi-residential properties; (ii) enhance the value of the assets and maximize long-term Unit value through the active management of such assets; and (iii) expand the asset base through accretive acquisitions.

The REIT spent 2010 and 2011 focused on repositioning its portfolio of properties, hiring the right resources, training its team and ensuring the core beliefs of customer service and creation of value were firmly entrenched within the organization. With the repositioning well in-hand by the beginning of 2012, the focus shifted to finding good quality properties where the REIT could drive down operating costs while increasing rents through sound capital investment, good management and exceptional customer service. As a result of the focus on accretive, sustainable growth, the REIT was able to acquire 2,986 suites in the years 2012 to 2014 and added 1,702 suites in 2015. The team has a proven track record with the experience and ability necessary to execute on the growth strategy in the years to come. At December 31, 2015, approximately 33% (2,789 suites) of the portfolio was non-stabilized compared to approximately 30% (2,001 suites) at December 31, 2014. Non-stabilized properties in any reporting period are those owned by the REIT for less than 24 months.

OUTLOOK

- Management is focused on growing the REIT in a strategic and structured manner. This growth is anticipated to come from: continuing to source properties in our core markets that allow us to build scale within these areas and apply our re-positioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders; continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio; and, re-deploying capital from areas of individual properties where management believes that properties have reached their economic peak, that the area will not allow the REIT to reach the desired level of scale within close geographic proximity, or the area is not a market that the REIT has targeted for growth. In line with this, the REIT has:
    a. Purchased a 127 suite high-rise situated in the Plateau region of Montreal that closed on March 9, 2016;
    b. Disposed of a parcel of land in Hamilton that housed a 17 suite building that had previously been damaged by fire; and,
    c. Of the four properties listed as assets held for sale, one property (44 suites) in Brampton closed in January 2016, and 3 properties (111 suites) in Belleville are under contract and scheduled to close at the end of March, 2016.
- The LIV lease-up phase is well underway and management expects that the lease-up program will take until the end of the third quarter of 2016 to complete.
- At December 31, 2015, there were 5,579 suites within the REIT's portfolio that had the infrastructure in place to track hydro consumption at a suite level in order to be able to pass on these charges to tenants. The 5,579 suites consists of 4,057 suites where hydro is paid by the tenant and 1,522 suites that are equipped with sub-meters and will be moved onto hydro extra leases when the suites turnover. Furthermore, based on the current portfolio, the REIT intends to roll-out the hydro submeter infrastructure to an additional 1,378 suites within the existing portfolio in 2016, for a total of approximately 83%.
- There are two ways to capture the upside from the capital invested in the REIT's repositioning programs. The first way is through achieving market rent on suite turnover and the second way is through above guideline increases (AGIs) for existing tenants. The REIT has $0.8 million in annualized rental increases remaining to be rolled out based on previously filed applications and is working on a further $0.5 million. Of the total $1.3 million in AGIs planned, approximately $0.5 million in 2016; $0.4 million in 2017; and, $0.4 million in 2018/19.

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, 2015 compared to the same period in 2014:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended Dec 31, 2015**	**3 Months Ended Dec 31, 2014**	**Change**	**12 Months Ended Dec 31, 2015**	**12 Months Ended Dec 31, 2014**	**Change**
Total suites	-	-	-	8,389	6,700	+25.2%
Occupancy rate (December)	-	-	-	94.6%	96.1%	-1.5%
Average rent per suite (December)	-	-	-	$996	$965	+3.2%
Operating revenues	$22,498	$17,350	+29.7%	$82,977	$65,404	+26.9%
Net operating income (NOI)	13,192	10,120	+30.4%	48,490	37,884	+28.0%
NOI Margin	58.6%	58.3%	+0.3%	58.4%	57.9%	+0.5%
Stabilized average rent per suite (December)	-	-	-	$1,004	$965	+4.0%
Stabilized NOI	10,177	9,561	+6.4%	39,271	36,928	+6.3%
Stabilized NOI Margin	60.8%	59.4%	+1.4%	59.6%	58.5%	+1.1%
Funds from Operations (FFO)	$6,458	$5,237	+23.3%	$24,425	$18,836	+29.7%
FFO per weighted average unit - basic	$0.091	$0.090	+1.1%	$0.353	$0.326	+8.3%
FFO per weighted average unit - diluted	$0.090	$0.090	-	$0.352	$0.325	+8.3%
Adjusted Funds from Operations (AFFO)	$5,550	$4,535	+22.4%	$21,145	$16,189	+30.6%
AFFO per weighted average unit - basic	$0.078	$0.078	-	$0.306	$0.280	+9.3%
AFFO per weighted average unit - diluted	$0.078	$0.078	-	$0.305	$0.279	+9.3%
Cash distributions per unit	$0.0568	$0.0533	+6.6%	$0.2215	$0.2036	+8.8%
AFFO payout ratio	72.8%	68.3%	+4.5%	72.4%	72.6%	-0.2%
Debt to GBV	-	-	-	54.2%	52.7%	+1.5%
Interest coverage (rolling 12 months)	-	-	-	2.62x	2.38x	+10.1%
Debt service coverage (rolling 12 months)	-	-	-	1.50x	1.38x	+8.7%

- Operating revenue for the quarter rose by $5.1 million to $ $22.5 million, an increase of 29.7% over Q4 2014. Operating revenue for 2015 increased by $17.6 million to $83.0 million, or 26.9%, over 2014.
- Average monthly rent per suite increased to $996 (December 2015) from $965 (December 2014), an increase of 3.2%. Average monthly rent per suite for the stabilized portfolio increased to $1,004 (December 2015) from $965 (December 2014), an increase of 4.0%.
- Economic vacancy was 5.4% in December 2015 compared to 3.9% for December 2014. The increase in overall economic vacancy was driven by an increase in acquisitions and continued repositioning of properties in 2015. Economic vacancy for the stabilized portfolio was 3.8%, in December 2015 compared to 3.9% for December 2014.
- Net Operating Income (NOI) for the quarter was $13.2 million, an increase of $3.1 million, or 30.4%, compared to Q4 2014. NOI margin for the quarter was 58.6%, an increase of 30 basis points compared to Q4 2014.
- NOI for the twelve months ended December 31, 2015 was $48.5 million, an increase of $10.6 million, or 28.0%, compared to 2014. NOI margin for 2015 was 58.4%, an increase of 50 basis points, compared to 2014.
- Operating revenue for the stabilized portfolio rose by 3.9% quarter over comparable quarter, while NOI from the stabilized portfolio increased by 6.4%. For the twelve months ended December 31, 2015, operating revenue for the stabilized portfolio rose by 4.4%, while NOI margin increased by 110 basis points to 59.6%
- Funds from Operations (FFO) for the quarter increased by 23.3% to $6.5 million compared to Q4 2014. FFO for the year increased by 29.7% to $24.4 million compared to 2014.
- Adjusted Funds from Operations (AFFO) for the quarter increased by 22.4% to $5.6 million compared to Q4 2014. AFFO for the year increased by 30.6% to $21.1 million compared to 2014.

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

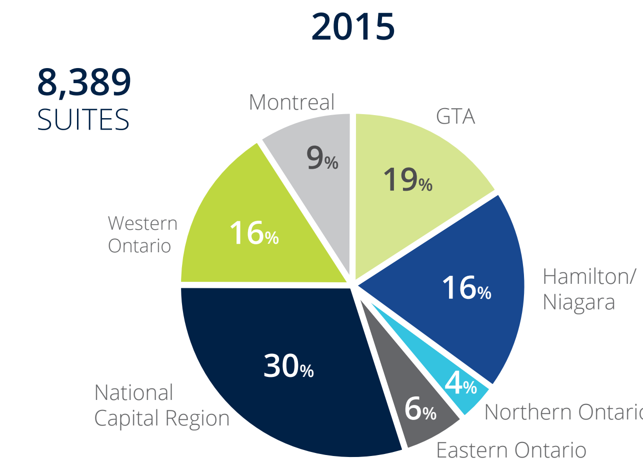
Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price	$ / Suite
Acquisitions							
11-Mar-15	5501 Adalbert Ave	Montreal	Montreal	High rise	280	$32,400,000	$115,714
Q1/15 acquisitions					**280**	**$32,400,000**	**$115,714**
7-Apr-15	Forest Ridge Portfolio	Ottawa	NCR	High rise and Townhomes	393	$58,500,000	$148,855
30-Apr-15	Britannia Portfolio	Ottawa	NCR	Walk-ups and Townhomes	286	$27,450,000	$95,979
15-May-15	54 Louisa Street	Ottawa	NCR	Land	0	$1,250,000	N/A
Q2/15 acquisitions					**679**	**$87,200,00**	**$128,424**
13-Jul-15	181 Lebreton Street	Ottawa	NCR	House	1	$435,000	$435,000
21-Jul-15	231 Bell Street	Ottawa	NCR	House	1	$450,000	$450,000
Q3/15 acquisitions					**2**	**$885,000**	**$442,500**
30-Nov-15	Stoney Creek Portfolio	Hamilton	Hamilton/Niagara	High Rise	618	$50,985,000	$82,500
15-Dec-15	Burlington Portfolio	Burlington	GTA	High Rise	123	$21,000,000	$170,732
Q4/15 acquisitions					**741**	**$71,985,000**	**$97,146**
TOTAL ACQUISITIONS					**1,702**	**$192,470,000**	**$113,085**
Dispositions							
28-Dec-15	27 Bold Street	Hamilton	Hamilton/Niagara	Walk-up	17	$1,555,560	N/A
TOTAL DISPOSITIONS					**17**	**$1,555,560**	

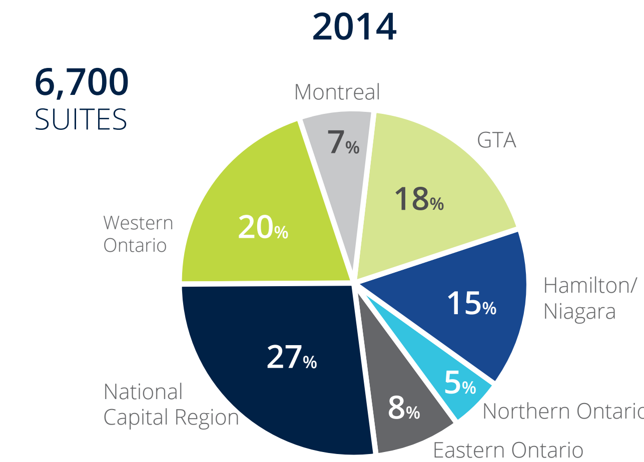
Halstead Gardens,
HAMILTON, ON

PORTFOLIO SUMMARY

The Trust started the year with 6,700 suites (including 444 suites at the redevelopment property in Ottawa and 17 suites at the redevelopment property in Hamilton). During the year ended 2015 the Trust purchased eight properties, totaling 1,702 suites, purchased a parcel of land for future development, added 6 suites to existing properties, reduced the number of suites at LIV by two, and disposed of the redevelopment property in Hamilton after deciding not to proceed with development. At December 31, 2015, the Trust had 8,389 suites including four properties (totaling 155 suites) classified as assets held for sale. 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 non-stabilized portfolio (2,789 suites) and the stabilized portfolio (5,600 suites) to drive rents, reduce operating costs, and streamline operations. At December 31, 2015, approximately 33% of the portfolio was non-stabilized. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 1,702 suites within these clusters during the year and purchased another property in Montreal (127 suites) that closed March 9, 2016. We continue to actively seek opportunities within our target markets in order to continue to build our acquisition pipeline and grow the REIT in a fiscally prudent manner. The following graph shows our suite mix by region.

▼ Suite Portfolio By Region





ANALYSIS OF OPERATING RESULTS

The current and prior period consolidated income statement, and analysis of operating results, does not separately disclose the results from assets held for sale as discontinued operations. Management's position is that the disposal of a property or the classification of a property as held for sale does not constitute a discontinued operation.

In $ 000's	3 Months Ended Dec 31, 2015		3 Months Ended Dec 31, 2014		12 Months Ended Dec 31, 2015		12 Months Ended Dec 31, 2014	
Gross rental revenue	**$22,962**		$17,461		**$83,837**		$66,088	
Less: vacancy & rebates	**(1,544)**		(949)		**(5,181)**		(3,946)	
Other revenue	**1,080**		838		**4,321**		3,262	
Operating revenues	**$22,498**		$17,350		**$82,977**		$65,404	
Expenses								
Property operating costs	**3,983**	**17.7%**	2,937	16.9%	**14,592**	**17.6%**	11,518	17.6%
Property taxes	**3,072**	**13.7%**	2,301	13.3%	**11,366**	**13.7%**	8,867	13.6%
Utilities	**2,251**	**10.0%**	1,992	11.5%	**8,529**	**10.3%**	7,135	10.9%
Operating expenses	**$9,306**	**41.4%**	$7,230	41.7%	**$34,487**	**41.6%**	$27,520	42.1%
Net operating income	**$13,192**		$10,120		**$48,490**		$37,884	
Net operating margin	**58.6%**		58.3%		**58.4%**		57.9%	

REVENUE

Gross rental revenue for the year ended December 31, 2015 increased 26.9% to $83.8 million compared to $66.1 million for the year ended December 31, 2014. Operating revenue for the year was up $17.6 million to $83.0 million, or 26.9% compared to the prior year. This increase was largely the result of a record year of acquisitions as the Trust increased the net suite count by 1,689 suites over the course of the year, to end the year with 8,389 suites versus 6,700 at the end of 2014 (both numbers include the suites at LIV). LIV contributed $1.2 million in operating revenue for the year ended December 31, 2015 compared to $0.1 million in 2014.

The average monthly rent for December 2015 increased to $996 per suite from $965 (December 2014), an increase of 3.2%. On a stabilized basis, the average rent increased by $39 per suite to $1,004 (or up 4.1%) over December 2014. The overall increase in average rent is a result of changes to the stabilized properties as well as the change in property mix (through the acquisition of properties in our targeted growth markets) over the same period in 2014. Management expects to continue to grow rent organically in both the stabilized and non-stabilized properties through 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. The REIT has submitted applications to the Landlord and Tenant Board which should result in an increase in rental income of $0.5 million, on an annualized basis, being rolled out by the end of 2016.

Region	All Properties		Stabilized Properties		Non-stabilized Properties	
	# of Suites	Average Rent	# of Suites	Average Rent	# of Suites	Average Rent
Eastern Ontario	517	$918	517	$918	-	-
GTA	1,317	$1,279	972	$1,287	355	$1,246
Hamilton/Niagara	1,606	$897	654	$1,024	952	$810
Montreal	781	$893	501	$890	280	$899
Northern Ontario	349	$862	349	$862	-	-
NCR – Ottawa (1)	1,969	$1,116	790	$1,120	1,179	$1,110
NCR - Gatineau	497	$813	497	$813	-	-
Western Ontario	1,343	$900	1,320	$899	23	$933
Total	**8,389**	**$996**	**5,600**	**$1,004**	**2,789**	**$977**

(1) The number of suites for the region includes all suites at LIV however only those currently rented have been included in the calculation of average rent.

InterRent REIT has been successful in maintaining rent levels while at the same time passing on hydro sub-metering charges to new tenants. The program began in 2011 for select locations and as a result of that success, it continues to be extended to most of the remaining portfolio as well as new properties as they are acquired. Currently, 67% of the portfolio has submetering capabilities in place with a further 16% of the current portfolio planned for 2016.

	December 2015	September 2015	June 2015	March 2015	December 2014
Average monthly rents all properties(1)	$996	$1,006	$978	$969	$965
Average monthly rents stabilized properties	$1,004	$999	$984	$969	$965

(1) Average monthly rents excluding properties held for sale was $996 for December 2015.

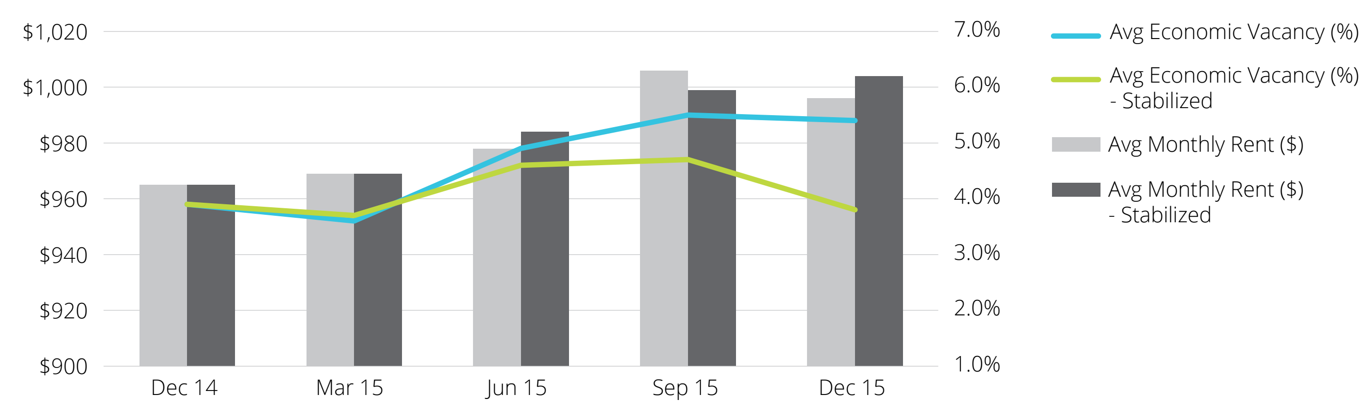
Portfolio Occupancy

Overall economic vacancy was 5.4% for December 2015 compared to 5.5% for September 2015 and 3.9% for December 2014. 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 range of 3% to 4% once a property is stabilized. 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 well maintained, landscaped and decorated so as to be visually appealing ("curb appeal");
2. ensuring suites are properly repaired and maintained before being rented to new tenants;
3. marketing geared to the right tenant profile;
4. a more stringent screening and credit review process when selecting new tenants; and,
5. ensuring that operations are running as efficiently and cost effectively as possible to ensure the well-being of tenants and tenant 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. All suites in the portfolio are included except for the un-rented suites at LIV.



Economic vacancy for the stabilized portfolio for December 2015 was 3.8%, which is down slightly from the 3.9% recorded for December 2014. The overall economic vacancy for December 2015 across the entire portfolio was 5.4%, an increase over the 3.9% recorded for December 2014. The increase in overall economic vacancy is mainly a result of the vacancy related to the non-stabilized properties that are in the process of being repositioned. There are two properties in the GTA region that are included in the stabilized grouping that have recently finished the bulk their repositioning program and still have slightly higher vacancy as a result of the work being completed at the properties and the time required to renovate the suites on turnover to the current standards. The NCR vacancy is as a result of one property in Aylmer that typically runs with higher vacancy than the Ottawa market as well as one property in Ottawa that is now considered stabilized but which is still in a transition phase as part of the repositioning efforts.

Region	All Properties	Stabilized Properties	Non-Stabilized Properties
Eastern Ontario	2.6%	2.6%	n/a
GTA	3.8%	4.2%	1.8%
Hamilton/Niagara	9.2%	5.1%	12.8%
Montreal	3.5%	2.9%	4.7%
Northern Ontario	3.4%	3.4%	n/a
NCR(1)	8.3%	5.5%	10.4%
Western Ontario	1.5%	1.5%	3.7%
Total	5.4%	3.8%	9.5%

(1) Unrented suites during lease up at LIV are not included in the vacancy calculation

OTHER REVENUE

Other rental revenue for the twelve months ended December 31, 2015 increased 32.5% to $4.3 million compared to $3.3 million for the twelve months ended December 31, 2014. The increased revenues from 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, 2015, other revenue represents 5.2% of net revenue as compared to 5.0% for 2014.

PROPERTY OPERATING COSTS

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

Property operating costs for the year ended December 31, 2015 amounted to $14.6 million compared to $11.5 million for 2014. As a percentage of operating revenue, operating costs for 2014 and 2015 were consistent at 17.6% of operating revenue. Increases in insurance expense, advertising and leasing were offset by a reduction in repairs and maintenance costs. LIV operating costs were $0.9 million in 2015 compared to $59 thousand in 2014.

PROPERTY TAXES

Property taxes for the year ended December 31, 2015 amounted to $11.4 million or 13.7% of revenue compared to $8.9 million or 13.6% of revenue for the year ended December 31, 2014. The $2.5 million increase is mainly attributable to the increase in the number of suites 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, 2015 amounted to $8.5 million or 10.3% of revenue compared to $7.1 million or 10.9% of revenue for the year ended December 31, 2014. As a percentage of operating revenues and on a per suite basis, utility costs have decreased over last year.

Across the entire portfolio, the hydro sub-metering initiative reduced electricity costs by $0.9 million, or 9.6% of total utility costs for the year. At December 31, 2015, the REIT had 5,579 suites that had the capability to submeter hydro in order to recover the cost. Of the submetered suites, 4,057 suites were on hydro extra leases whereby the REIT was able to recover the cost. This represents approximately 73% of the submetered suites or approximately 48% of the total portfolio. The REIT currently plans to continue to roll out the submetering capability to another 1,378 suites in the current portfolio to bring the total submetered units to 6,957, or approximately 83% of the current portfolio.

NET OPERATING INCOME (NOI)

NOI for the twelve months ended December 31, 2015 amounted to $48.5 million or 58.4% of operating revenue compared to $37.9 million or 57.9% of operating revenue for the twelve months ended December 31, 2014. The $10.6 million increase in the year is as a result of growing the portfolio and increasing net revenue. On a weighted average per suite basis (excluding the un-rented suites at LIV), NOI increased 5.6% from $6,498 per suite in 2014 to $6,860 per suite in 2015. The NOI for LIV was $0.2 million the year ended December 31, 2015 compared to $(0.1) million in 2014.

NOI from stabilized properties was $39.3 million, or 59.6% of revenue, and NOI from non-stabilized properties was $9.2 million, or 53.9% of revenue. Management continues to focus on top line revenue growth through acquisitions, suite additions, achieving best in market rents 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).

STABILIZED PORTFOLIO PERFORMANCE

Stabilized properties for the three and twelve months ended December 31, 2015 are defined as all properties owned by the Trust continuously for 24 months, and therefore do not take into account the impact on performance of acquisitions or dispositions completed during the period from January 1, 2014 to December 31, 2015. As at December 31, 2015, the Trust has 5,600 stabilized suites, which represents 66.8% of the overall portfolio.

In $ 000's	3 Months Ended Dec 31, 2015		3 Months Ended Dec 31, 2014		12 Months Ended Dec 31, 2015		12 Months Ended Dec 31, 2014	
Gross rental revenue	**$16,851**		$16,153		**$66,233**		$63,628	
Less: vacancy & rebates	**(921)**		(852)		**(3,762)**		(3,739)	
Other revenue	**803**		809		**3,412**		3,207	
Operating revenues	**$16,733**		$16,110		**$65,883**		$63,096	
Expenses								
Property operating costs	**2,804**	**16.8%**	2,651	16.4%	**11,223**	**17.0%**	11,017	17.5%
Property taxes	**2,225**	**13.3%**	2,091	13.0%	**8,829**	**13.4%**	8,424	13.4%
Utilities	**1,527**	**9.1%**	1,807	11.2%	**6,560**	**10.0%**	6,727	10.6%
Operating expenses	**$6,556**	**39.2%**	$6,549	40.6%	**$26,612**	**40.4%**	$26,168	41.5%
Net operating income	**$10,177**		$9,561		**$39,271**		$36,928	
Net operating margin	**60.8%**		59.4%		**59.6%**		58.5%	

For the three months ended December 31, 2015, operating revenues for stabilized properties increased by 3.9% and operating expenses increased by 0.1% as compared to the same period last year. As a result, stabilized NOI has increased by $0.6 million, or 6.4%, as compared to the same period last year. NOI margin for Q4 2015 was 60.8% as compared to 59.4% for Q4 2014, an increase of 140 basis points.

For the twelve months ended December 31, 2015, operating revenues from stabilized properties increased by 4.4% and operating expenses increased by 1.7% as compared to the same period last year. As a result, stabilized NOI for 2015 increased by $2.3 million, or 6.3% as compared to 2014. NOI margin for 2015 was 59.6% as compared to 58.5% for 2014, an increase of 110 basis points.

The average monthly rent for December 2015 for stabilized properties increased to $1,004 per suite from $965 (December 2014), an increase of 4.1%. Economic vacancy for December 2015 for stabilized properties was 3.8%, compared to 3.9% for December 2014.

	December 2015	September 2015	June 2015	March 2015	December 2014
Average monthly rents stabilized properties	$1,004	$999	$984	$969	$965
Average monthly vacancy stabilized properties	3.8%	4.7%	4.6%	3.7%	3.9%

For the twelve months ended December 31, 2015, property operating costs for stabilized properties increased by $0.2 million compared to 2014. Property taxes increased $0.4 million and utility costs decreased $0.2 million compared to 2014. As a percentage of revenue, operating costs and utilities have decreased as compared to 2014 and property taxes have remained constant.

FINANCING AND ADMINISTRATIVE COSTS

In $ OOO's	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Net operating income	**$13,192**	$10,120	**$48,490**	$37,884
Expenses				
Financing costs	**4,873**	3,208	**17,132**	12,759
Administrative costs	**1,745**	1,579	**6,486**	5,935
Income before other income expenses	**$6,574**	$5,333	**$24,872**	$19,190

FINANCING COSTS

Financing costs amounted to $4.9 million or 21.7% of operating revenue for the three months ended December 31, 2015 compared to $3.2 million or 18.5% of operating revenue for the three months ended December 31, 2014.

In $ OOO's	3 Months Ended December 31, 2015		3 Months Ended December 31, 2014	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest[1]	$3,871	17.2%	$3,107	17.9%
Credit facilities[1]	215	1.0%	320	1.9%
Interest income	(23)	(0.1%)	(49)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	810	3.6%	(170)	(1.0%)
Total	$4,873	21.7%	$3,208	18.5%

[1] Net of interest capitalized to redevelopment property.

Financing costs amounted to $17.1 million or 20.6% of revenue for the twelve months ended December 31, 2015 compared to $12.8 million or 19.5% of revenue for the twelve months ended December 31, 2014. As a percentage of operating revenue, financing costs have historically been in the range of 19% to 22%. The change in amortization of deferred finance costs and premiums on assumed debt was due primarily to the early refinancing of a mortgage in 2014 that was assumed at a premium in 2012 as part of an acquisition.

In $ OOO's	12 Months Ended December 31, 2015		12 Months Ended December 31, 2014	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest[1]	$14,688	17.7%	$12,103	18.5%
Credit facilities[1]	419	0.5%	820	1.2%
Interest income	(160)	(0.2%)	(201)	(0.3%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	2,185	2.6%	37	0.1%
Total	$17,132	20.6%	$12,759	19.5%

[1] Net of interest capitalized to redevelopment property.

MORTGAGE INTEREST

Mortgage interest (including interest on vendor take-back loans) 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 those that mature in 2016 and 2017. Management has been able to decrease the weighted average rate of mortgage debt from 3.13% at December 31, 2014 to 2.74% at December 31, 2015. Despite the decrease in interest rates, mortgage debt has increased on an overall basis, mainly attributable to 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, asset management, other professional fees and amortization on corporate assets.

Administrative costs for the twelve months ended December 31, 2015 amounted to $6.5 million or 7.8% of operating revenue compared to $5.9 million or 9.1% of revenue for the twelve months ended December 31, 2014.

SALE OF ASSETS, FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES AND GAIN/LOSS ON FINANCIAL LIABILITIES

In $ OOO's	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Income before other income and expenses	**$6,574**	$5,333	**$24,872**	$19,190
Loss on sale of assets	**(5)**	-	**(5)**	-
Fair value adjustments of investment properties	**5,153**	1,393	**27,057**	6,679
Unrealized gain/(loss) on financial liabilities	**7**	(1,155)	**(1,632)**	(1,495)
Distributions expense on units classified as financial liabilities	**(126)**	(106)	**(488)**	(392)
Net income	**$11,603**	$5,465	**$49,804**	$23,982

SALE OF ASSETS

During the year ended December 31, 2015, the Trust sold the property that was damaged by fire in 2014 and was included in redevelopment properties. The property was sold for $1.6 million and a loss of $5 thousand was recognized on the sale as a result of fees associated with the sale. There were no dispositions in the year ended December 31, 2014.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2015 and 2014 was determined internally by the Trust. In order to substantiate management's valuation, approximately 36% of the portfolio was appraised by external valuation professionals throughout 2015 (approximately 44% in 2014). For the twelve month period ended December 31, 2015, a fair value gain of $27.1 million was recorded on the financial statements as a result of changes in the fair value of investment properties. The increase in the fair value of the properties over last year was attributed in part to the gain on LIV as prior year, the property was valued at acquisition cost plus redevelopment costs. The direct capitalization income approach method of valuation was not a reliable measure as the property was undergoing a significant amount of work which affected multiple components of the estimated NOI as well as the Cap Rate. The remainder of the fair value gain has been driven primarily by improvements in operating results stemming from the repositioning of the properties and the capital invested over the last five years as well as minor changes to the capitalization rate. The weighted average capitalization rate used across the portfolio at the end of Q4 2015 was 5.15% as compared to 5.40% for Q4 2014 and 5.21% for Q3 2015. The decrease in the weighted average capitalization rate has been driven primarily by the properties added to our Income Properties in 2015.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a closing price of $6.56 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, 2015 was $12.1 million and a corresponding fair value loss of $1.6 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2015.

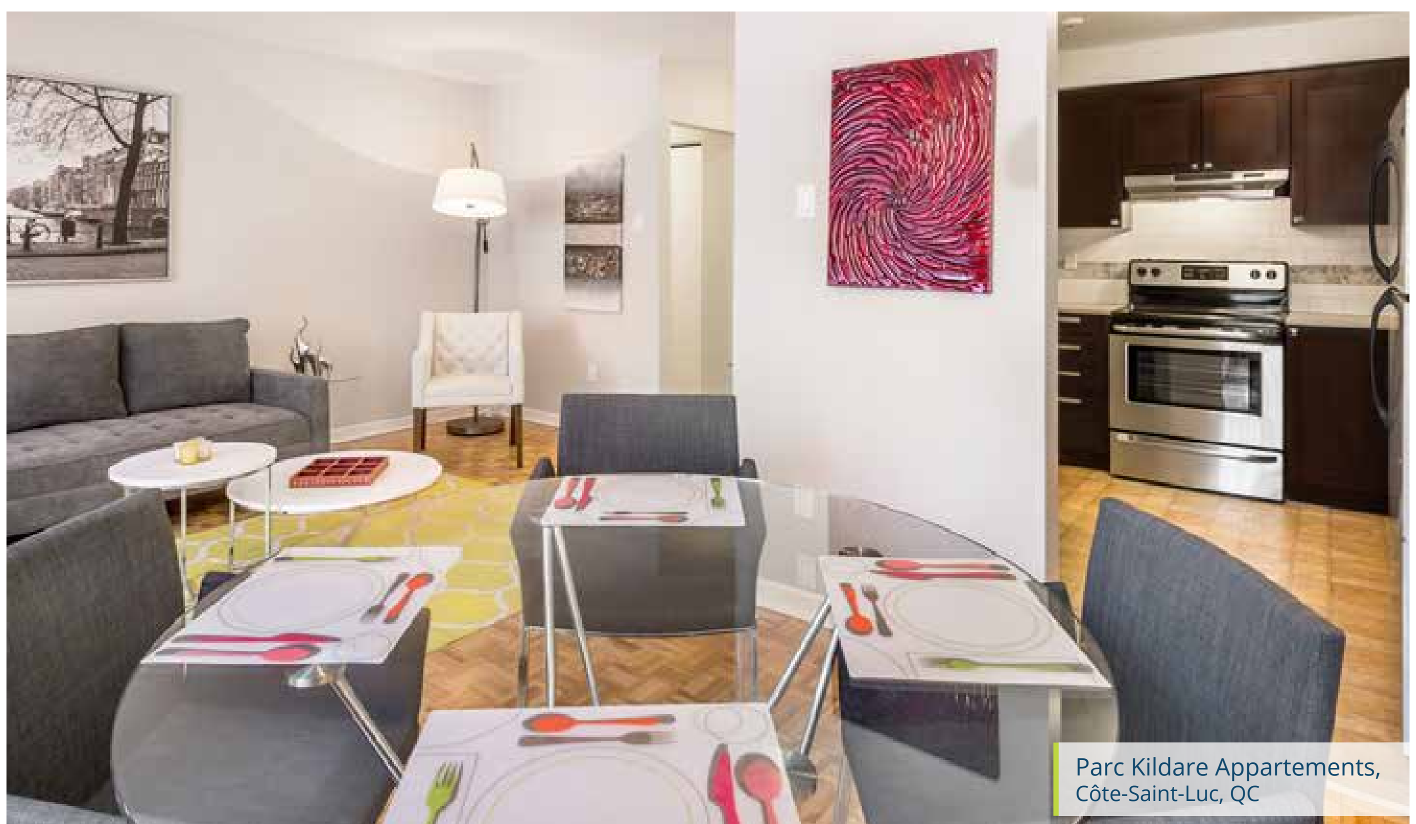
The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2015 at $1.8 million and a corresponding fair value gain of $0.1 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2015. The intrinsic value of the vested options is $1.8 million.

The Trust used a closing price of $6.56 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the LP Class B unit liability. The total fair value of these Units recorded on the consolidated balance sheet at December 31, 2015 was $1.2 million and a corresponding fair value loss of $0.1 million was recorded on the consolidated statement of income for the twelve months ended December 31, 2015.

In $ OOO's	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Fair value gain(loss) on financial liabilities:				
Deferred unit compensation plan	**$(73)**	$(819)	**$(1,611)**	$(1,338)
Option plan	**91**	(241)	**85**	(37)
LP Class B unit liability	**(11)**	(95)	**(106)**	(120)
Fair value gain (loss) on financial liabilities	**$7**	$(1,155)	**$(1,632)**	$(1,495)

DISTRIBUTION EXPENSE

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



Parc Kildare Appartements,
Côte-Saint-Luc, QC

INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2014 to December 31, 2015.

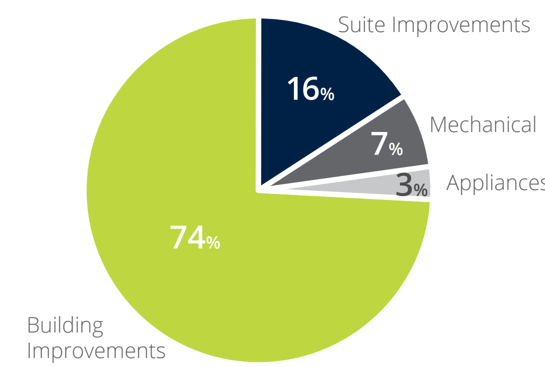
In $ OOO's	December 31, 2015
Balance, December 31, 2014	$909,430
Acquisitions	197,893
Property capital investments	57,345
Fair value gains	27,057
Dispositions	(1,582)
	$1,190,143
Redevelopment costs	30,070
Total investment properties	$1,220,213
Properties held for sale	(19,084)
	$1,201,129

The Trust acquired eight properties (1,702 suites) and a parcel of land for a combined total of $198 million during the year ended December 31, 2015 and sold the property damaged by fire in 2014 that was included in redevelopment properties.

The fair value of the portfolio at December 31, 2015 was determined internally by the Trust. In order to substantiate management's valuation, approximately 36% of the portfolio was appraised by external valuation professionals throughout 2015. For the twelve month period ended December 31, 2015, a fair value gain of $27.1 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

For the twelve month period ended December 31, 2015, the Trust invested $87.4 million (2014 – $57.9 million) in the portfolio. Approximately $65.2 million, or 74.6% of the capital invested in the portfolio, was invested in properties that were classified as either non-stabilized or redevelopment properties at any time in 2015. The breakdown of expenditures for the year are itemized in the following graph.

▼ **Capital Expenditures**



UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2014 to December 31, 2015.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2014	58,114,625	$168,232
Units issued under prospectus	11,719,000	75,002
Issue costs	-	(3,660)
Units issued under long-term incentive plan	75,000	476
Units issued under the deferred unit plan	275,829	1,699
Units issued under distribution reinvestment plan	704,209	4,352
Units issued from options exercised	156,820	942
December 31, 2015	**71,045,483**	**$247,043**

As at December 31, 2015 there were 71,045,483 Trust Units issued and outstanding.

NORMAL COURSE ISSUER BID

On August 27, 2015, 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 5,669,710 of its Trust Units, or approximately 10% of its public float of 56,698,359 Trust Units as of August 24, 2015, for cancellation over a 12 month period commencing on September 1, 2015 until the earlier of August 31, 2016 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 14,913 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 twelve month period ended December 31, 2015, the Trust did not purchase any Trust Units.

DISTRIBUTIONS

The distributions were $0.2215 for 2015 and $0.2036 for 2014. The Trust is currently making monthly distributions of $0.01925 per Unit, which equates to $0.231 per Unit on an annualized basis. For the year ended December 31, 2015, the Trust's FFO and AFFO was $0.35 and $0.31 per unit respectively, compared to $0.33 and $0.28 for the year ended December 31, 2014.

Distributions to Unitholders were as follows:

In $ OOO's	12 Months Ended December 31, 2015	12 Months Ended December 31, 2014
Distributions declared to Unitholders	$ 15,413	$ 11,728
Distributions reinvested through DRIP	(4,352)	(2,772)
Distributions declared to Unitholders, net of DRIP	$ 11,061	$ 8,956
DRIP participation rate	28.2%	23.6%

Our Declaration of Trust provides our 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.

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 Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Net income	$11,603	$5,465	$49,804	$23,982
Cash flows from operating activities	10,428	7,890	35,313	22,151
Distributions paid (1)	2,807	2,248	10,798	8,886
Distributions declared (1)	4,042	3,101	15,454	11,766
Excess of net income over distributions paid	8,796	3,217	39,006	15,096
Excess of net income over distributions declared	7,561	2,364	34,350	12,216
Excess of cash flows from operations over distributions paid	7,621	5,642	24,515	13,265
Excess of cash flows from operations over distributions declared	6,386	4,789	19,859	10,385

(1) Includes distributions on LP Class B units

For the three and twelve months ended December 31, 2015, cash flows from operating activities exceeded distributions paid by $7.6 million and $24.5 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.

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Trust units	70,941,959	57,957,713	68,924,542	57,558,261
LP Class B units	186,250	186,250	186,250	186,250
Weighted average units outstanding - Basic	71,128,209	58,143,963	69,110,792	57,744,511
Unexercised dilutive options (1)	288,158	262,580	288,158	262,580
Weighted average units outstanding - Diluted	71,416,367	58,406,543	69,398,950	58,007,091

(1) Calculated using the treasury method

PERFORMANCE MEASURES

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

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

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Net income	$11,603	$5,465	$49,804	$23,982
Add (deduct):				
Fair value adjustments on investment property	(5,153)	(1,393)	(27,057)	(6,679)
Loss on sale of assets	5	-	5	-
Unrealized (gain) loss on financial instruments	(7)	1,155	1,632	1,495
Interest expense on puttable units classified as liabilities	10	10	41	38
Funds from Operations (FFO)	$6,458	$5,237	$24,425	$18,836
FFO per weighted average unit - basic	$0.091	$0.090	$0.353	$0.326
FFO per weighted average unit - diluted	$0.090	$0.090	$0.352	$0.325

AFFO Reconciliation from FFO In $000's, except per Unit amounts and Units outstanding	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Funds from Operations	$6,458	$5,237	$24,425	$18,836
Add (deduct):				
Maintenance capital investment	(908)	(702)	(3,280)	(2,647)
Adjusted Funds from Operations (AFFO)	$5,550	$4,535	$21,145	$16,189
AFFO per weighted average unit - basic	$0.078	$0.078	$0.306	$0.280
AFFO per weighted average unit - diluted	$0.078	$0.078	$0.305	$0.279

CASH GENERATED FROM OPERATING ACTIVITIES TO AFFO RECONCILIATION

The following table reconciles AFFO to cash flow from operations in accordance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures":

AFFO Reconciliation from cash flow In $000's	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014
Cash flow from operations	**$10,428**	$7,890	**$35,313**	$22,151
Change in non-cash working capital	**(2,300)**	(1,864)	**(4,323)**	1,237
Tenant inducements	**(289)**	(267)	**(998)**	(1,124)
Amortization	**(50)**	(31)	**(135)**	(70)
Amortization of finance costs	**(810)**	170	**(2,185)**	(38)
Unit-based compensation	**(521)**	(661)	**(3,247)**	(3,320)
Maintenance capital investment	**(908)**	(702)	**(3,280)**	(2,647)
Adjusted Funds from Operations (AFFO)	**$5,550**	$4,535	**$21,145**	$16,189

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	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total suites	8,389	7,665	7,663	6,985	6,700	6,464	6,128	6,103
Occupancy rate (last month of Q)	94.6%	94.5%	95.1%	96.4%	96.1%	96.6%	94.2%	96.4%
Average rent per suite (last month of Q)	$996	$1,006	$978	$969	$965	$948	$947	$938
Operating revenues	$22,498	$21,570	$20,648	$18,261	$17,350	$16,518	$15,704	$15,832
Net operating income (NOI)	13,192	13,278	12,254	9,766	10,120	10,163	9,201	8,400
NOI Margin	58.6%	61.6%	59.3%	53.5%	58.3%	61.5%	58.6%	53.1%
Funds from Operations (FFO)	$6,458	$7,183	$6,399	$4,385	$5,237	$5,283	$4,496	$3,820
FFO per weighted average unit - basic	$0.091	$0.101	$0.091	$0.069	$0.090	$0.091	$0.078	$0.066
FFO per weighted average unit - diluted	$0.090	$0.101	$0.090	$0.068	$0.090	$0.091	$0.078	$0.066
Adjusted Funds from Operations (AFFO)	$5,550	$6,355	$5,589	$3,651	$4,535	$4,608	$3,861	$3,185
AFFO per weighted average unit - basic	$0.078	$0.090	$0.079	$0.057	$0.078	$0.080	$0.067	$0.055
AFFO per weighted average unit - diluted	$0.078	$0.089	$0.079	$0.057	$0.078	$0.079	$0.067	$0.055
Cash distributions per unit	$0.057	$0.055	$0.055	$0.055	$0.05	$0.05	$0.05	$0.05
AFFO payout ratio	73%	61%	69%	96%	68%	63%	75%	90%
Stabilized average rent per suite	$1,004	$999	$984	$969	$965	$957	$946	$937
Stabilized NOI Margin	60.8%	62.6%	60.7%	54.1%	59.4%	61.9%	59.0%	53.8%
Debt to GBV	54.2%	51.1%	51.5%	47.3%	52.7%	50.3%	49.2%	48.7%
Interest coverage (rolling 12 months)	2.62x	2.55x	2.46x	2.38x	2.38x	2.43x	2.50x	2.62x
Debt service coverage (rolling 12 months)	1.50x	1.46x	1.41x	1.37x	1.38x	1.41x	1.46x	1.55x

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LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 54.2% of Gross Book Value ("GBV") at December 31, 2015. 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, 2015	December 31, 2014
Total assets per Balance Sheet	$1,231,656	$920,648
Mortgages payable and vendor take-back loans	$607,465	$433,924
Lines of credit	60,125	51,126
Total debt	$667,590	$485,050
Debt to GBV	54.2%	52.7%

With a DOT limit of 75% of Debt-to-Gross Book Value, InterRent REIT has the ability to further leverage the existing portfolio to assist with future investments in new assets. The Trust is conscious of the current credit environment and how this affects the ability of the Trust to grow. Management continues to evaluate on-going repositioning efforts, potential new acquisition opportunities as well as potential dispositions in order to continue to grow the 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, 2015	12 Months Ended December 31, 2014
NOI	$48,490	$37,884
Less: Administrative costs	6,486	5,935
EBITDA	$42,004	$31,949
Interest expense [(1)]	16,047	13,450
Interest coverage ratio	**2.62x**	**2.38x**
Contractual principal repayments	11,927	9,624
Total debt service payments	$27,974	$23,074
Debt service coverage ratio	**1.50x**	**1.38x**

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

MORTGAGE AND DEBT SCHEDULE

The following schedule summarizes the aggregate future minimum principal payments and debt maturities for the mortgages and vendor take-back loans (excluding assets for sale) of InterRent REIT.

Year Maturing	Mortgage Balances At December 31, 2015 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2016	$210,970	34.6%	2.40%
2017	$130,046	21.3%	2.86%
2018	$8,453	1.4%	2.63%
2019	$15,500	2.6%	2.66%
2020	$45,145	7.4%	2.54%
Thereafter	$199,576	32.7%	3.18%
Total	$609,690	100%	2.74%

At December 31, 2015, the average term to maturity of the mortgage debt was approximately 5.0 years and the weighted average cost of mortgage debt was 2.74%. At December 31, 2015, approximately 52% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust added two mortgages to properties acquired in the quarter for $50.3 million, re-financed seven properties which increased mortgage debt by $18.1 million and paid down $2.8 million in mortgage principal. The net result at December 31, 2015 compared to September 30, 2015 was:

- An increase in average term to maturity of the mortgage debt to 5.0 years from 4.8 years;
- A decrease in the weighted average cost of mortgage debt to 2.74% from 2.81% ; and,
- An increase in the mortgage debt backed by CMHC insurance to approximately 52% from 47%.

During the year the Trust added six mortgages to properties acquired in the year for $136.3 million, re-financed twenty two properties which increased mortgage debt by $52.5 million and paid down $11.9 million in mortgage principal. The net result at December 31, 2015 compared to December 31, 2014 was:

- An increase in average term to maturity of the mortgage debt to 5.0 years from 3.9 years;
- A decrease in the weighted average cost of mortgage debt to 2.74% from 3.13% ; and,
- A slight increase in the mortgage debt backed by CMHC insurance to approximately 52% from 51%.

As at December 31, 2015, the Trust had the following credit facilities:

- A $0.5 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2015, the Trust had no balance outstanding under this facility.
- A $17.5 million term credit facility, maturing in 2016, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on twelve of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2015, the Trust had utilized $17.3 million of this facility.
- A $25.0 million term credit facility, maturing in 2018, 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 nine of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at December 31, 2015, the Trust had utilized $15.8 million of this facility.
- A $27.0 million term credit facility, maturing in 2017, with a Canadian chartered bank secured by a general security agreement, first mortgages on three of the Trust's properties and second collateral mortgages on six 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, 2015, the Trust had utilized $27.0 million of this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The effective date for IFRS 9 is for periods beginning on or after January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Trust's consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact of IFRS 15 and intends to adopt the new standard on the required effective date.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract: i.e. the customer ("lessee") and the supplier ("lessor"). From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. IFRS 16 is effective as of January 1, 2019; however, a company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. Management is currently assessing the impact of IFRS 16 and intends to adopt the new standard on the required effective date.

IAS 1 *Presentation of Financial Statements*

This amendment clarifies guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. This amendment is effective for years beginning on or after January 1, 2016.

RISKS AND UNCERTAINTIES

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

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

Current Economic Risks

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

Real Estate Industry Risk

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

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

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

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

Multi-Unit Residential Sector Risk

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

Environmental Risks

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

Competition Risk

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

General Uninsured Losses

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

Credit Risk - Leases

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

Local Real Estate Market Risk and Asset Concentration

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

Rent Control Legislation Risk

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

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

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

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

Utility and Property Tax Risk

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

Operational Risk

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

Renovation Risks

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

Fluctuations and Availability of Cash Distributions

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

Market Price of Units

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

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

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

Ability of Unitholders to Redeem Units

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

Regulatory Approvals Risk

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

Changes in Legislation

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

Investment Eligibility

The Trust will endeavour to ensure that the Units, continue to be qualified investments for Plans. However, there can be no assurance that this will be so. The Tax Act imposes penalties for the acquisition or holding by Plans of non-qualified investments. Any Notes distributed to, and received by, a Unitholder on an in specie redemption of Units will not be a qualified investment for Plans.

The Units will continue to be qualified investments for Plans, provided that the Trust qualifies as a "mutual fund trust" under the Tax Actor the Units are listed on a designated stock exchange (which includes the TSX). Even though the Units are qualified investments, a holder of a tax-free savings account ("TFSA") or an annuitant under a registered retirement savings plan ("RRSP") or registered retirement income fund ("RRIF") will be liable to a penalty tax if the Units are "prohibited investments" for such TFSA, RRSP or RRIF. Units will generally not be "prohibited investments" unless the holder of the TFSA, or annuitant of the RRSP or RRIF, does not deal at arm's length with the Trust for purposes of the Tax Act; or has a "significant interest" (within the meaning of the Tax Act) in the Trust. The Units will also generally not be prohibited investments if they are "excluded property" (as defined in the Tax Act). Individuals who hold Units in a TFSA, RRSP or RRIF should consult their own tax advisors regarding the potential application of the prohibited investment rules in their particular circumstances.

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. A trust resident in Canada will generally be a SIFT trust for a particular taxation year for purposes of the Tax Act if, at any time during the taxation year, investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more "non-portfolio properties" as defined in the Tax Act. Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections to Canada. 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").

SIFT Taxation Regime

Pursuant to the SIFT Rules, distributions of a SIFT trust's "non-portfolio earnings" are not deductible to the SIFT trust in computing its income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than dividends) from, and taxable capital gains from the disposition of, non-portfolio properties. The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions 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. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit if paid to any individual resident in Canada. Distributions that are paid as returns of capital will not attract this tax.

The REIT Exception

A trust that satisfies the REIT Exception is excluded from the definition of a SIFT trust in the Tax Act and is therefore not subject to the SIFT Rules. In addition to the trust being resident in Canada throughout the year, the following five criteria must be met in order for the Trust to qualify for the REIT Exception:

1. at each time in the Taxation Year, the total fair market value at that time of all “non-portfolio properties” that are “qualified REIT properties” held by the Trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the Trust;
2. not less than 90% of the Trust’s “gross REIT revenue” for the taxation year is from one or more of the following: “rent from real or immovable properties”, interest, capital gains from dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions of “eligible resale properties”;
3. not less than 75% of the Trust’s gross REIT revenue for the taxation year is derived from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, from dispositions of real or immovable properties that are capital properties;
4. at no time in the Taxation Year can the total fair market value of properties comprised of real or immovable property that is capital property, an “eligible resale property”, cash, deposits (within the meaning of the Canada Deposit Insurance Corporation Act or with a branch in Canada of a bank or a credit union), indebtedness of Canadian corporations represented by banker’s acceptances, and debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions be less than 75% of the “equity value” (in each case, as defined in the Tax Act) of the Trust at that time; and
5. investments in the Trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

The SIFT Rules contain a “look-through rule” under which a trust could qualify for the REIT Exception where it holds properties indirectly through intermediate entities, provided that each such entity, assuming it were a trust, would satisfy paragraphs (1) through (4) of the REIT Exception above.

The REIT Exception does not fully accommodate the current business structures used by many Canadian REITs, and contains a number of technical tests that many Canadian REITs, including the Trust, may find difficult to satisfy.

The Trust will endeavour to ensure that the Trust will qualify for the REIT Exception at all times during each Taxation Year, and each direct and indirect subsidiary of the Trust will qualify as an “excluded subsidiary entity” (as defined in the Tax Act) such that the Trust will not be a SIFT Trust within the meaning of the SIFT Rules at any time. However, there can be no assurance that this will be so. There can also be no assurance that the investments or activities undertaken by the Trust in a Taxation Year will not result in the Trust failing to qualify for the REIT Exception for that Taxation Year.

If the Trust does not qualify for the REIT Exception for a Taxation Year, the SIFT Rules will apply to the Trust for that year. Application of the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders. Such adverse tax consequences may impact the future level of cash distributions made by the Trust, the ability of the Trust to undertake future financings and acquisitions and could also adversely affect the marketability of the Trust’s securities.

The Trust believes that it will qualify for the REIT Exception throughout 2016 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. 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 are not taxed and instead reduce the adjusted cost base of the Unitholder’s Units.

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

Other Canadian Tax Matters

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

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

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

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

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

Unitholders Limited Liability

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

Structural Subordination of Debt

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

Statutory Remedies

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

Outstanding Indebtedness

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

Dependence on Key Personnel

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

Potential Conflicts of Interest

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

Dilution

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

Restrictions on Potential Growth and Reliance on Credit Facilities

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

Proposed Property Acquisitions

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

Property Acquisition Risks

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

Interest Risk

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

Appraisals of Properties

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

Debt and Distributable Income

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

Legal Proceedings

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

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

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

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

Financial Risk Management and Financial Instruments

A. **Overview**

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

B. **Credit Risk**

Credit risk represents the financial loss that the Trust would experience if a tenant failed to meet its obligations in accordance with the terms and conditions of the lease. The Trust's credit risk is attributable to its rents and other receivables, loan receivable long-term incentive plan, mortgage holdbacks and mortgages receivable.

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, estimated by the Trust's management based on prior experience and their assessment of the current economic environment. The Trust establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of rents and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and an overall loss component established based on historical trends. At December 31, 2015, the Trust had past due rents and other receivables of $2.3 million net of an allowance for doubtful accounts of $0.6 million which adequately reflects the Trust's credit risk.

The Trust believes that the concentration of credit risk of accounts receivable is limited due to its broad tenant base, dispersed across varying geographic locations.

The Trust has established various internal controls, such as credit checks and security deposits, designed to mitigate credit risk. While the Trust's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Trust's current credit loss experience will improve.

The amounts shown in the audited consolidated balance sheet as mortgage holdbacks relate primarily to amounts that were released upon the completion of repairs to certain buildings. Mortgages receivable represent vendor take back loans on the sale of buildings and are secured by the building. Management believes there is minimal credit risk due to the nature of these amounts receivable and the underlying collateral.

C. **Liquidity Risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 19 in the December 31, 2015 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.

As at December 31, 2015, the Trust had credit facilities as described in note 9 in the December 31, 2015 audited consolidated financial statements.

Note 8 in the December 31, 2015 audited consolidated financial statements reflects the contractual maturities for mortgage and loans payable of the Trust at December 31, 2015, 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 and loans 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 and loans 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 and loans payable, excluding assets held for sale, and credit facilities is approximately $677 million as at December 31, 2015 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, 2015, approximately 26% 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 $0.8 million for the year ended December 31, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2015 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

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

i. Accounts Payable (net of amounts receivable)

As at December 31, 2015, $1.9 million (December 31, 2014 - $1.0 million) was included in accounts payable and accrued liabilities, net of amounts receivable, which are due to companies controlled by an officer of the Trust. The amounts were non-interest bearing and due on demand.

ii. Services

During the year ended December 31, 2015 the Trust incurred $8.8 million (December 31, 2014 - $7.4 million) in services from companies controlled by an officer of the Trust. Of the services received approximately $4.5 million (December 31, 2014 - $3.7 million) has been capitalized to the investment properties and the remaining amounts are included in operating and administrative costs.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Trust's Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Trust's disclosure controls and procedures as of December 31, 2015 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, 2015, 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, 2015, which have materially affected, or are reasonably likely to materially affect, the Trust's internal controls over financial reporting.

SUBSEQUENT EVENTS

The Trust completed the sale of one property (44 suites) on January 11, 2016 that was included in assets held for sale for a sale price of $8.7 million.

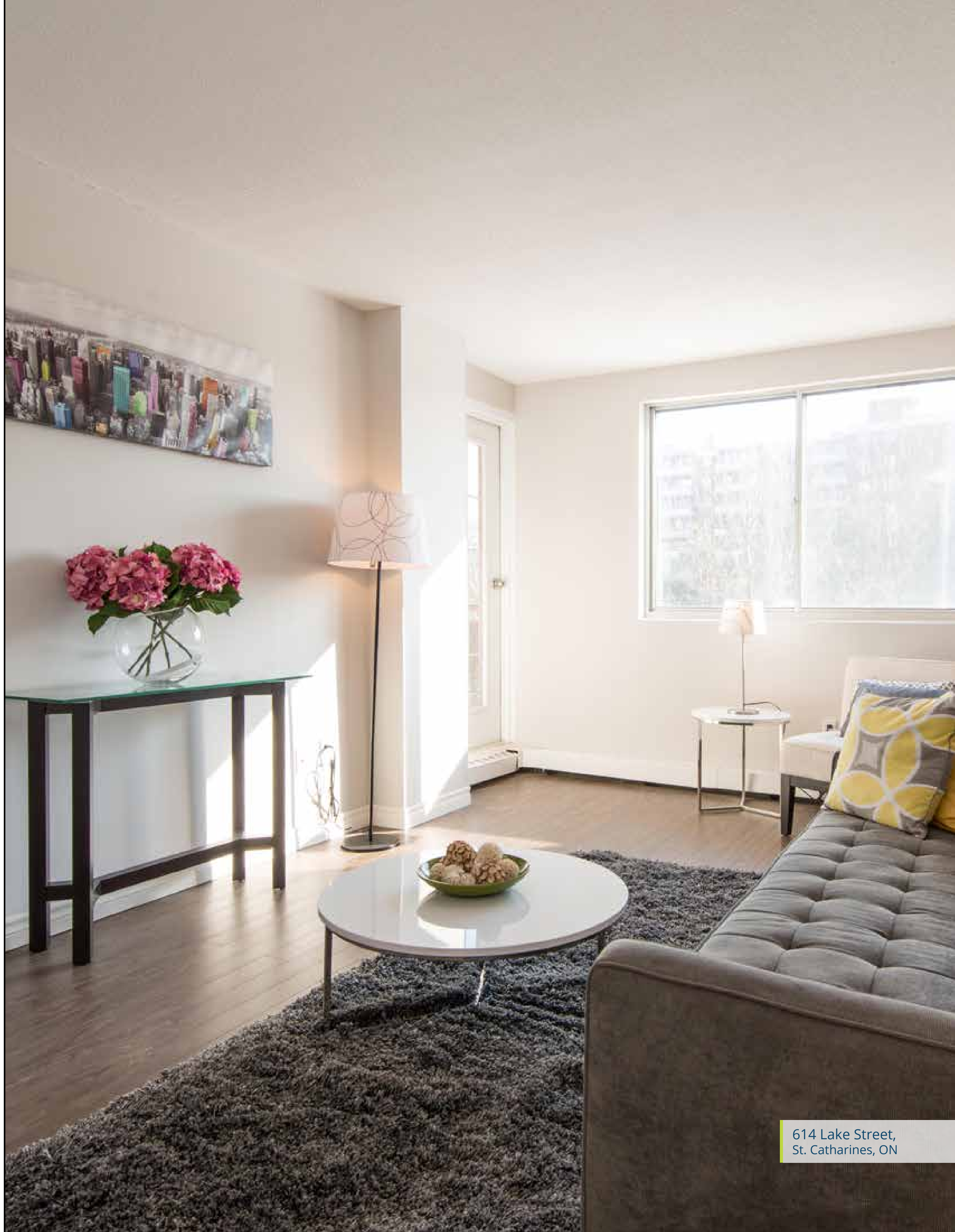
The Trust purchased one property (127 suites) that closed on March 9, 2016 for a purchase price of approximately $21.5 million.

OUTSTANDING SECURITIES DATA

As of March 9, 2016, the Trust had issued and outstanding: (i) 71,209,711 units; (ii) LP Class B Units that are exchangeable for 186,250 units of the Trust; (iii) options exercisable to acquire 1,348,600 units of the Trust; and (iv) deferred units that are redeemable for 2,066,757 units of the Trust.

ADDITIONAL INFORMATION

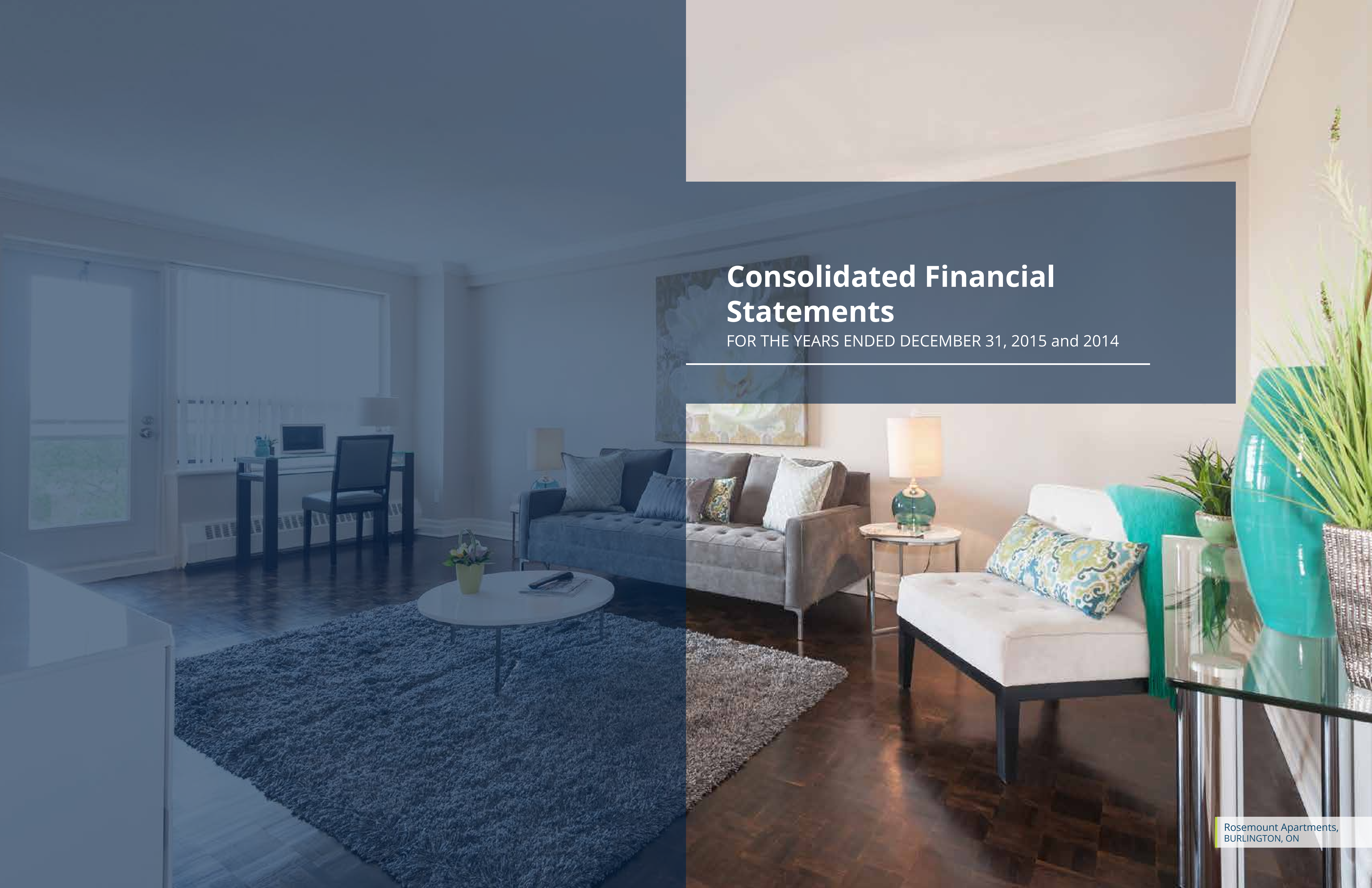
Additional information concerning InterRent REIT, including InterRent REIT's annual information form, is available on SEDAR at www.sedar.com.



614 Lake Street,
St. Catharines, ON

Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of
InterRent Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of InterRent Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of income, changes in unitholders' equity and cash flows for the years ended December 31, 2015 and December 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of InterRent Real Estate Investment Trust and its subsidiaries as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014, in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 9, 2016
Toronto, Ontario

Consolidated Balance Sheets
(Cdn $ Thousands)

	Note	December 31, 2015	December 31, 2014
Assets			
Investment properties	4	**$1,201,129**	$909,430
Prepaids and deposits		**2,972**	2,997
Assets held for sale	6	**19,188**	-
Other assets	7	**7,596**	7,555
Cash		**771**	666
Total assets		**$1,231,656**	$920,648
Liabilities			
Mortgages and loans payable	8	**$600,811**	$433,924
Credit facilities	9	**60,125**	51,126
LP Class B unit liability	11	**1,222**	1,116
Unit-based compensation liabilities	12	**13,858**	11,358
Tenant rental deposits		**7,429**	5,600
Liabilities related to assets held for sale	6	**7,032**	-
Accounts payable and accrued liabilities	10	**34,277**	23,824
Total liabilities		**724,754**	526,948
Unitholders' equity			
Unit capital	14	**247,043**	168,232
Retained earnings		**259,859**	225,468
Total unitholders' equity		**506,902**	393,700
Total liabilities and unitholders' equity		**$1,231,656**	$920,648

Subsequent events (note 24)

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

Approved on behalf of the Trust *Jacie Levinson* Chairman *Michael McGahan* Trustee

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

	Note	2015	2014
Operating revenues			
Revenue from investment properties		**$82,977**	$65,404
Operating expenses			
Property operating costs		**14,592**	11,518
Property taxes		**11,366**	8,867
Utilities		**8,529**	7,135
		34,487	27,520
Net operating income		**48,490**	37,884
Financing costs	15	**17,132**	12,759
Administrative costs		**6,486**	5,935
		23,618	18,694
Income from operations before other income and expenses		**24,872**	19,190
Other income and expenses			
Loss on disposition of assets	6	**(5)**	-
Fair value adjustments of investment properties	4	**27,057**	6,679
Other fair value losses	16	**(1,632)**	(1,495)
Interest on units classified as financial liabilities	17	**(488)**	(392)
Net income for the year		**$49,804**	$23,982

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, 2014	$163,292	$233,861	$(20,647)	$213,214	$376,506
Units issued	4,940	-	-	-	4,940
Net income for the year	-	23,982	-	23,982	23,982
Distributions declared to Unitholders	-	-	(11,728)	(11,728)	(11,728)
Balance, December 31, 2014	$168,232	$257,843	$(32,375)	$225,468	$393,700
Balance, January 1, 2015	$168,232	$257,843	$(32,375)	$225,468	$393,700
Units issued	78,811	-	-	-	78,811
Net income for the year	-	49,804	-	49,804	49,804
Distributions declared to Unitholders	-	-	(15,413)	(15,413)	(15,413)
Balance, December 31, 2015	**$247,043**	**$307,647**	**$(47,788)**	**$259,859**	**$506,902**

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	2015	2014
Cash flows from (used in) operating activities			
Net income for the year		**$ 49,804**	$ 23,982
Add items not affecting cash			
Amortization		**135**	70
Loss on disposition of investment property	6	**5**	-
Fair value adjustments on investment properties	4	**(27,057)**	(6,679)
Other fair value losses	16	**1,632**	1,495
Unit-based compensation expense	12	**3,247**	3,320
Financing costs	15	**17,132**	12,759
Interest expense	15	**(14,947)**	(12,721)
Tenant inducements		**998**	1,124
		30,949	23,350
Net income items related to financing activities	17	**41**	38
Changes in non-cash operating assets and liabilities:			
Other assets		**(1,051)**	(1,099)
Prepaids and deposits		**-**	(974)
Accounts payable and accrued liabilities		**3,382**	129
Tenant rental deposits		**1,992**	707
Cash from operating activities		**35,313**	22,151
Cash flows from (used in) investing activities			
Acquisition of investment properties	5	**(197,893)**	(78,043)
Proceeds from sale of investment properties	6	**1,577**	-
Additions to investment properties	4	**(80,433)**	(52,336)
		(276,749)	(130,379)
Cash flows from (used in) financing activities			
Mortgage and loan repayments		**(126,081)**	(80,156)
Mortgage advances		**302,977**	147,110
Financing fees		**(5,290)**	(1,851)
Credit facility advances (repayments)		**8,999**	51,126
Trust units issued, net of issue costs	14	**71,862**	440
Deferred units purchased and cancelled	14	**(128)**	(123)
Interest paid on units classified as financial liabilities	17	**(41)**	(38)
Distributions paid		**(10,757)**	(8,848)
		241,541	107,660
Increase/(decrease) in cash during the year		**105**	(568)
Cash at the beginning of year		**666**	1,234
Cash at end of year		**$ 771**	$ 666

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 December 29, 2010, 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 9, 2016.

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.

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 undergoing redevelopment 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 LP Class B unit liability which are measured at fair value.

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.

Functional currency

The Trust and its subsidiaries functional currency is Canadian dollars.

2. BASIS OF PRESENTATION (Continued)

Critical accounting estimates

The preparation of these consolidated financial statements requires management to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. Actual results may differ from these estimates.

Investment properties

Investment properties (except for investment properties undergoing redevelopment 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, vacancy rates, standard costs and net operating income.

Financial liabilities

The measurement of the LP Class B 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 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

Investment properties

The Trust's investment properties include multi-family residential properties that are held to earn rental income, capital appreciation or properties that are being 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.

a) Income properties

Income 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 income properties are recorded in the consolidated statement of income in the period in which they arise. Income properties are not amortized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment properties under redevelopment

Properties under redevelopment include properties that will undergo 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 redevelopment properties includes the cost of acquiring the property and direct redevelopment costs, realty taxes and borrowing costs directly attributable to the redevelopment. Capitalization of costs continue until all activities necessary to prepare the property for its intended use as a rental property are substantially complete.

Under the requirements of IAS 40, an investment property under redevelopment 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 redevelopment is not reliably determinable, but the Trust expects the fair value of the property to be reliably determinable when redevelopment is complete, it measures that investment property under redevelopment at cost until either its fair value becomes reliably determinable or redevelopment is completed (whichever is earlier).

Assets held for sale

Investment properties and related assets are reclassified to assets held for sale when it is expected that their carrying amounts will be recovered principally through a sale transaction rather than continuing use, the property is available for immediate sale, and a sale is highly probable. The Trust presents assets classified as held for sale and their associated liabilities separately from other assets and liabilities beginning from the period in which they were first classified as 'for sale'. Assets held for sale are measured at the lower of carrying value and fair value less costs to sell except for investment properties which are measured at fair value at each reporting period.

The gain or loss from the sale of an investment property is recognized when title passes to the purchaser (control is transferred) upon closing at which time all or substantially all of the funds are receivable, or have been received, and the conditions of the sale have been completed.

Revenue recognition

Revenue from investment properties includes rents, parking and other sundry revenues. Most leases are for one-year terms or less; consequently, the Trust accounts for leases with its tenants as operating leases. Revenue from investment properties is recognized as revenue over the terms of the related lease agreements as they become due and collection is reasonably assured.

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.

Ancillary rental income includes laundry and income earned from telephone and cable providers and is recorded as earned.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of income.

The Trust does not currently hold any derivative assets.

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost, using the effective interest method, less a provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the holder. 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.

Cash, rents and other receivables, loan receivable long-term incentive plan, mortgage holdbacks and mortgages receivable are classified as loans and receivables.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if they are designated as such by management, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of income.

Management has designated the LP Class B unit liability and unit-based compensation liability as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Trust's other financial liabilities include credit facilities, accounts payable and accrued liabilities, tenant rental deposits and mortgages and loans payable.

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.

Fair value measurement

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

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

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data
- Level 3: Valuation techniques for which any significant input is not based on observable market data

Trust units

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LP Class B unit liability

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

Provisions

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

Income taxes

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

Throughout 2014 and 2015, the Trust and its wholly owned subsidiaries satisfied certain conditions available to REITs (the “REIT Exception”) under amendments to the Tax Act, intended to permit a corporate income tax rate of nil as long as the specified conditions continue to be met. Without satisfying these conditions, the Trust would have been liable for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical judgments in applying accounting policies

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

Investment properties

Management makes judgments in determining the extent and frequency of independent appraisals and establishing an internal valuation model to measure fair value of investment properties. With respect to properties under redevelopment, management makes judgments to determine the reliability of fair value of investment properties undergoing redevelopment and the related costs included in the property value as well as identifying the point at which substantial completion of the property occurs.

Leases

Management makes judgments in determining whether leases in which the Trust is the lessor are operating or finance leases, and determined that all of its leases are operating leases. The accounting treatment of leases as finance leases would have a significant effect on the measurement of transactions and balances in the consolidated financial statements.

Property acquisitions

When investment properties are acquired, management is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. All of the Trust’s property acquisitions have been accounted for as asset acquisitions. Accounting treatment of property acquisitions as business combinations could result in significant differences in the measurement of balances and transactions.

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.

Assets held for sale

Investment properties are reclassified to assets held for sale when it is expected that their carrying amounts will be recovered principally through a sale transaction rather than continuing use, the property is available for immediate sale, and a sale is highly probable. Application of this accounting policy requires management to make judgments regarding the likelihood assets will be sold.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future accounting changes

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The effective date for IFRS 9 is for periods beginning on or after January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Trust's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact of IFRS 15 and intends to adopt the new standard on the required effective date.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract: i.e. the customer ("lessee") and the supplier ("lessor"). From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. IFRS 16 is effective as of January 1, 2019; however, a company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. Management is currently assessing the impact of IFRS 16 and intends to adopt the new standard on the required effective date.

IAS 1 Presentation of Financial Statements

This amendment clarifies guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. This amendment is effective for years beginning on or after January 1, 2016.

Notes to Consolidated Financial Statements
(Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTIES

	December 31, 2015	December 31, 2014
Composed of:		
Income properties	**$ 1,201,129**	$ 836,721
Redevelopment properties	**-**	72,709
	$ 1,201,129	$ 909,430

Income properties:
All investment properties other than redevelopment properties.

	December 31, 2015	December 31, 2014
Balance, beginning of year	**$ 836,721**	$ 719,560
Acquisitions (note 5)	**197,893**	76,008
Property capital investments	**57,345**	35,624
Fair value adjustments	**10,471**	6,679
Transfer to redevelopment properties	**-**	(1,150)
Transfer from redevelopment properties	**117,783**	-
	$ 1,220,213	$ 836,721
Reclassification to assets held for sale (note 6)	**(19,084)**	-
Balance, end of year	**$ 1,201,129**	$ 836,721

Redevelopment properties:
Property that is undergoing a significant amount of redevelopment work to prepare the property for use as income properties.

	December 31, 2015	December 31, 2014
Balance, beginning of year	**$ 72,709**	$ 47,260
Acquisition (note 5)	**-**	2,035
Redevelopment costs	**30,070**	22,264
Fair value adjustments	**16,586**	-
Transfer from income properties	**-**	1,150
Transfer to income properties	**(117,783)**	-
Disposition (note 6)	**(1,582)**	-
Balance, end of year	**$ -**	$ 72,709

The fair value of the income properties at December 31, 2015 and 2014 was determined internally by the Trust. The fair value methodology of the Trust's investment properties is considered a level 3 as significant unobservable inputs are required to determine fair value. The Trust determined the fair value of each income property internally based upon the direct capitalization income approach method of valuation. The fair value was determined by applying a capitalization rate to stabilized net operating income ("NOI"), which incorporates allowances for vacancy, management fees, labour and repairs and maintenance for the property. In order to substantiate management's valuation, approximately 36% of the portfolio, representing 3,004 suites, was appraised by external valuation professionals throughout the year (2014 – 44% of the portfolio representing 2,735 suites). These external appraisals provided the Trust with a summary of the major assumptions and market data by city in order for the Trust to complete its internal valuations.

(Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTIES (Continued)

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

	December 31, 2015		December 31, 2014	
	Range	Weighted average	Range	Weighted average
Capitalization rate	4.25% - 6.75%	5.15%	4.50% - 6.63%	5.40%

The direct capitalization income approach method of valuation requires that an estimated annual net operating income ("NOI") be divided by a capitalization rate ("Cap Rate") to determine a fair value. As such, changes in both NOI and Cap Rate could significantly alter the fair value of the investment properties. The tables below summarize the impact of changes in both NOI and Cap Rate on the Trust's fair value of the income properties which includes assets held for sale:

As at December 31, 2015

Net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 60,956	$ 62,213	**$ 62,841**	$ 63,469	$ 64,726
Capitalization rate						
-0.25%	4.90%	$ 1,243,995	$ 1,269,645	$ 1,282,469	$ 1,295,294	$ 1,320,943
Cap rate used	**5.15%**	$ 1,183,607	$ 1,208,011	**$ 1,220,213**	$ 1,232,416	$ 1,256,820
+0.25%	5.40%	$ 1,128,811	$ 1,152,085	$ 1,163,722	$ 1,175,359	$ 1,198,634

As at December 31, 2014

Net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 43,827	$ 44,731	**$ 45,183**	$ 45,635	$ 46,538
Capitalization rate						
-0.25%	5.15%	$ 851,018	$ 868,565	$ 877,338	$ 886,112	$ 903,659
Cap rate used	**5.40%**	$ 811,619	$ 828,354	**$ 836,721**	$ 845,088	$ 861,823
+0.25%	5.65%	$ 775,707	$ 791,701	$ 799,698	$ 807,695	$ 823,689

The redevelopment property in Ottawa acquired May 14, 2013 was valued at acquisition cost plus redevelopment costs at December 31, 2014. The direct capitalization income approach method of valuation was not a reliable measure as the property was undergoing a significant redevelopment program which effected multiple components of the estimated NOI as well as the Cap Rate. The work on the redevelopment property in Ottawa was substantially completed by the end of the third quarter of 2015. As such, the property, along with the associated land acquired in February 2014, was transferred out of redevelopment properties in September 2015 at fair value, using the direct capitalization income approach based on estimated normalized NOI less estimated costs to complete, and into income properties.

Cash outflow used for additions to investment properties:

	December 31, 2015	December 31, 2014
Property capital investments	**$ (57,345)**	$ (35,624)
Redevelopment costs	**(30,070)**	(22,264)
Changes in non-cash investing accounts payable and accrued liabilities	**6,982**	5,552
	$ (80,433)	$ (52,336)

5. INVESTMENT PROPERTY ACQUISITIONS

During the year ended December 31, 2015, 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
March 11, 2015	280	$ 33,016	$ 24,300	1.94%	March 15, 2016
April 7, 2015	393	59,420	41,000	Prime - 0.50%	August 1, 2016
April 30, 2015	286	28,056	20,750	2.5% and 2.7%	May 1, 2016 and May 1, 2017
May 14, 2015	-	1,521	-	-%	n/a
July 13, 2015	1	494	-	-%	n/a
July 21, 2015	1	467	-	-%	n/a
November 30, 2015	618	52,844	36,000	BA + 2.00%	November 30, 2017
December 15, 2015	123	22,075	14,250	BA + 1.80%	June 15, 2017
	1,702	$ 197,893	$ 136,300		

The acquisition on May 14, 2015 was a parcel of land for future development potential.

During the year ended December 31, 2014, the Trust completed the following investment property acquisitions:

Acquisition Date	Suite Count	Total Acquisition Costs	Mortgage Funding	Interest Rate	Maturity Date
February 14, 2014	-	$ 2,035	$ -	-%	n/a
February 25, 2014	54	7,435	5,000	2.57%	March 15, 2015
June 10, 2014	23	1,978	1,410	2.79%	July 1, 2015
July 28, 2014	334	25,115	17,000	2.75%	August 15, 2015
December 1, 2014	232	41,023	31,000	2.65%	December 1, 2015
December 3, 2014	2	457	-	-%	n/a
	645	$ 78,043	$ 54,410		

The acquisition on February 14, 2014 was a parcel of land which was used as a parking lot for a property that was being redeveloped.

(Cdn $ Thousands except unit amounts)

6. ASSETS HELD FOR SALE

As at December 31, 2015, the Trust classified four investment properties (155 suites) as assets held for sale as a result of the Trust initiating an active program to dispose of these properties (December 31, 2014 – none). The following tables set forth the assets and liabilities associated with these properties.

	December 31, 2015	December 31, 2014
Properties	**4**	-
Suites	**155**	-
Investment properties (note 4)	**$ 19,084**	$ -
Prepaids and deposits	**25**	-
Other assets (note 7)	**79**	-
Assets held for sale	**$ 19,188**	$ -
Mortgages and loans payable	**$ 6,654**	$ -
Accounts payable and accrued liabilities (note 10)	**215**	-
Tenant rental deposits	**163**	-
Liabilities related to assets held for sale	**$ 7,032**	$ -

During the year ended December 31, 2015, the Trust completed the disposition of a property damaged by fire in 2014 that was included in redevelopment properties for cash proceeds of $1,577. A loss of $5 was recognized in the year ended December 31, 2015.

No investment properties were disposed of during the year ended December 31, 2014.

7. OTHER ASSETS

	December 31, 2015	December 31, 2014
Current:		
Mortgage holdbacks	**$ -**	$ 2
Rents and other receivables, net of allowance for uncollectable amounts	**1,701**	1,271
Mortgages receivable [(1)]	**-**	1,620
Tenant inducements [(2)]	**852**	524
	$ 2,553	$ 3,417
Reclassification to assets held for sale (note 6)	**(79)**	-
	$ 2,474	$ 3,417
Non-current:		
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of $365 (2014 - $280)	**948**	269
Deferred finance fees on credit facilities, net of accumulated amortization of $652 (2014 - $465)	**305**	291
Mortgages receivable [(1)]	**308**	308
Loan receivable long-term incentive plan (note 13)	**3,561**	3,271
	$ 5,122	$ 4,139
	$ 7,596	$ 7,555

(1) At December 31, 2015, the balance is comprised of one mortgage with a maturity of 19 months and an interest rate of 2%. At December 31, 2014 the balance is comprised of three mortgages with maturity dates ranging from 7 to 31 months at interest rates from 2% to 3.5%. Mortgages are secured by the related property and a general security agreement.

(2) Comprised of straight-line rent. This amount is excluded from the determination of the fair value of the investment properties.

8. MORTGAGES AND LOANS PAYABLE

Mortgages and vendor take-back loans are secured by the investment properties and bear interest at a weighted average interest rate of 2.74% (December 31, 2014 – 3.13%).

The mortgages and vendor take-back loans mature at various dates between the years 2016 and 2025.

Excluding mortgages on the four properties included in assets held for sale (see note 6), the aggregate future minimum principal payments, including maturities, are as follows:

2016	$ 210,970
2017	130,046
2018	8,453
2019	15,500
2020	45,145
Thereafter	199,576
	609,690
Less: Deferred finance costs and mortgage premiums	8,879
	$ 600,811

9. CREDIT FACILITIES

	December 31, 2015	December 31, 2014
Demand credit facility [(i)]	**$ -**	$ -
Term credit facility [(ii)]	**17,325**	9,176
Term credit facility [(iii)]	**15,800**	14,950
Term credit facility [(iv)]	**27,000**	27,000
	$ 60,125	$ 51,126

(i) The Trust has a $500 (2014 - $500) demand credit facility with a Canadian chartered bank secured by a general security agreement (2014 – first collateral mortgage on one of the Trust's properties). The weighted average interest rate on amounts drawn during the year ended December 31, 2015 was 3.29% (2014 – 4.00%).

(ii) The Trust has a $17,500 (2014 - $17,500) term credit facility, maturing in 2016, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on twelve (2014 – 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, 2015 was 3.54% (2014 – 3.75%).

(iii) The Trust has a $25,000 (2014 - $15,000) term credit facility, maturing in 2018, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2014 – one) of the Trust's properties and second collateral mortgages on nine (2014 – seven) 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, 2015 was 3.54% (2014 – 3.75%).

(iv) The Trust has a $27,000 (2014 - $27,000) term credit facility, maturing in 2017, with a Canadian chartered bank secured by a general security agreement, first mortgages on three of the Trust's properties (2014 – three) and second collateral mortgages on six (2014 – eight) 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, 2015 was 3.04% (2014 – 3.28%).

(Cdn $ Thousands except unit amounts)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	December 31, 2014
Accounts payable	**$ 7,632**	$ 4,521
Accrued liabilities	**24,464**	17,203
Accrued distributions	**1,371**	1,067
Mortgage interest payable	**1,025**	1,033
	$ 34,492	$ 23,824
Reclassification to liabilities related to assets held for sale (note 6)	**(215)**	-
	$ 34,277	$ 23,824

11. LP CLASS B UNIT LIABILITY

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

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

Number of Units	
Balance – December 31, 2013	**186,250**
Units issued	-
Balance - December 31, 2014	**186,250**
Units issued	-
Balance – December 31, 2015	**186,250**

The LP Class B Units represented an aggregate fair value of $1,222 at December 31, 2015 (December 31, 2014 - $1,116). 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 LP Class B 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.

12. 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, 2015	December 31, 2014
Unit-based liabilities, beginning of period	**$ 11,358**	$ 7,963
Compensation expense – deferred unit plan	**2,474**	2,357
Compensation expense – unit option plan	**326**	608
DRIP[(1)] expense – deferred unit plan	**447**	355
DUP units converted, cancelled and forfeited	**(1,827)**	(708)
Unit options exercised and expired	**(446)**	(592)
Loss on fair value of liability (note 16)	**1,526**	1,375
Unit-based liabilities, end of period	**$ 13,858**	$ 11,358

[(1)] Distribution reinvestment plan

12. 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 consolidated statement of income.

(i) DEFERRED UNIT PLAN

The deferred unit plan allows the Trust to issue a maximum number of Trust Units equal to 6.0% of the Trust's issued and outstanding Trust Units (decreased from 7.5% by unitholder approval on June 14, 2013). The 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 management 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). The deferred unit plan must be reapproved by the unitholders every three years. The deferred unit plan was approved on June 14, 2013 for another three years.

A summary of Deferred Unit activity is presented below:

Number of Units	
Balance - December 31, 2013	**1,418,874**
Units issued under deferred unit plan	535,811
Reinvested distributions on deferred units	64,744
Deferred units exercised into Trust Units	(105,343)
Deferred units purchased and cancelled	(18,569)
Deferred units cancelled	(4,837)
Balance - December 31, 2014	**1,890,680**
Units issued under deferred unit plan	426,496
Reinvested distributions on deferred units	71,595
Deferred units exercised into Trust Units (note 14)	(275,829)
Deferred units purchased and cancelled	(17,217)
Deferred units cancelled	(6,408)
Balance – December 31, 2015	**2,089,317**

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.

As of December 31, 2015, the 947,986 deferred units, which represent the vested portion, have an intrinsic value of $6,219 (December 31, 2014 – 878,944 deferred units had an intrinsic value of $5,265).

The fair value of such vested 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.

12. UNIT-BASED COMPENSATION LIABILITIES (Continued)

(ii) UNIT OPTIONS

The Trust has an incentive unit option plan (the "Plan"). The Plan provides for options to be granted to the benefit of employees, Trustees and certain other third parties. The maximum number of Trust Units allocated to and made available to be issued under the Plan shall not exceed 2,000,000. As at December 31, 2015, 455,820 options have been granted and exercised, 1,350,680 options have been granted and remain outstanding and 193,500 options remain available for grant. 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:

	2015		2014	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance, beginning of period	1,546,000	$ 4.97	1,273,000	$ 4.23
Granted	-	-	471,000	$ 5.81
Exercised (note 14)	(156,820)	$ 3.16	(193,000)	$ 2.13
Expired	(38,500)	$ 5.76	(5,000)	$ 5.50
Balance, end of period	**1,350,680**	**$ 5.16**	**1,546,000**	**$ 4.97**

Options outstanding at December 31, 2015:

Exercise price	Number of units	Remaining life in years	Number of units exercisable
$ 2.13	202,080	5.48	202,080
$ 5.50	125,000	6.68	125,000
$ 5.65	571,100	7.46	571,100
$ 5.34	7,500	7.87	7,500
$ 5.81	445,000	8.97	297,500
	1,350,680		**1,203,180**

Fair value of unit options granted for the year ended December 31, 2014 amounted to $487 of which $155 was recognized immediately, due to immediate vesting, and $332 is being recognized over the two year vesting period starting December 2014. Total compensation expense for the year was $326 (2014 - $608). 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 2014 grant: market price of unit $5.72, expected option life 5 years, risk-free interest rate 1.34%, expected volatility, based on historical, 34% and expected distribution yield 5.0%.

The weighted average market price of options exercised in the year ended December 31, 2015 was $6.32 (2014 - $5.48).

Notes to Consolidated Financial Statements
(Cdn $ Thousands except unit amounts)

12. UNIT-BASED COMPENSATION LIABILITIES (Continued)

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, 2015	December 31, 2014
Market price of Unit	$ 6.56	$ 5.99
Expected option life	2.6 years	3.5 years
Risk-free interest rate	0.53%	1.17%
Expected volatility (based on historical)	20%	29%
Expected distribution yield	5.0%	5.0%

The intrinsic value of the exercisable options at December 31, 2015 was $1,800 (December 31, 2014 - $1,406).

13. 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" up to a maximum of 1,000,000 units. As at December 31, 2015, 47,500 LTIP units are available to be issued. 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 7) 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
May 10, 2010	15,000	5.00%	$ 11
March 8, 2012	250,000	3.57%	891
June 29, 2012	50,000	3.35%	191
September 11, 2012	100,000	3.35%	502
June 27, 2013	187,500	3.85%	966
December 16, 2014	100,000	3.27%	548
June 9, 2015	75,000	3.44%	452
	777,500		$ 3,561

(Cdn $ Thousands except unit amounts)

14. 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, 2013	**57,204,747**	**$ 163,292**
Units Issued under long-term incentive plan	100,000	581
Units Issued under the deferred unit plan	105,343	584
Units Issued under distribution reinvestment plan	511,535	2,772
Units Issued from options exercised	193,000	1,003
Balance – December 31, 2014	**58,114,625**	**$ 168,232**
Issued from prospectus	11,719,000	75,002
Unit issue costs	-	(3,660)
Units Issued under long-term incentive plan	75,000	476
Units Issued under the deferred unit plan (note 12(i))	275,829	1,699
Units Issued under distribution reinvestment plan	704,209	4,352
Units Issued from options exercised (note 12(ii))	156,820	942
Balance – December 31, 2015	**71,045,483**	**$ 247,043**

On February 19, 2015 the Trust completed a bought deal prospectus whereby it issued 11,719,000 Trust Units for cash proceeds of $75,002 and incurred $3,660 in issue cost.

On August 27, 2015, 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 5,669,710 of its Trust Units, or approximately 10% of its public float of 56,698,359 Trust Units as of August 24, 2015, for cancellation over a 12 month period commencing on September 1, 2015 until the earlier of August 31, 2016 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 14,913 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, 2015, the Trust did not purchase any Trust Units under the Bid.

14. 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 LP Class B 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 LP Class B 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)

15. FINANCING COSTS

	2015	2014
Mortgages and loans payable	**$ 14,971**	$ 12,438
Credit facilities	**1,236**	1,212
Interest income	**(160)**	(201)
Interest capitalized to redevelopment properties	**(1,100)**	(728)
Interest expense	**14,947**	12,721
Amortization of deferred finance costs on mortgages	**2,133**	1,182
Amortization of deferred finance costs on credit facilities	**251**	224
Amortization of fair value on assumed debt	**(199)**	(1,368)
	$ 17,132	$ 12,759

16. OTHER FAIR VALUE GAINS/(LOSSES)

	2015	2014
LP Class B unit liability	**$ (106)**	$ (120)
Unit-based compensation liability (deferred unit plan)	**(1,611)**	(1,338)
Unit-based compensation liability (option plan)	**85**	(37)
	$ (1,632)	$ (1,495)

17. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	2015	2014
LP Class B unit liability	**$ 41**	$ 38
Unit-based compensation liability (deferred unit plan)	**447**	354
	$ 488	$ 392

18. RELATED PARTY TRANSACTIONS

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

(i) Accounts Payable (net of amounts receivable)

As at December 31, 2015, $1,933 (December 31, 2014 - $1,032) was included in accounts payable and accrued liabilities, net of amounts receivable, which are due to companies that are controlled by an officer of the Trust. The amounts were non-interest bearing and due on demand.

(ii) Services

During the year ended December 31, 2015, the Trust incurred $8,843 (2014 - $7,405) in property, asset and project management services and shared legal services from companies controlled by an officer of the Trust. Of the services received approximately $4,506 (2014 - $3,700) has been capitalized to the investment properties and the remaining amounts are included in operating and administrative costs.

(iii) Key management remuneration

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

	2015	2014
Salaries and other short-term employee benefits	**$ 878**	$ 1,071
Deferred unit plan	**1,881**	1,375
Unit option plan	**-**	264
Gain on fair value of unit-based compensation liabilities	**2,490**	1,947
	$ 5,249	$ 4,657

Loans outstanding from key management for indebtedness relating to the LTIP at December 31, 2015 were $3,561 (December 31, 2014 - $3,271). Deferred unit plan includes accrued compensation for key management at December 31, 2015 for $1,620 (December 31, 2014 - $1,135).

19. 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, LP Class B 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, 2015 and 2014.

(Cdn $ Thousands except unit amounts)

19. CAPITAL RISK MANAGEMENT (Continued)

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, 2015, the debt to gross book value ratio is 54.2% (December 31, 2014 – 52.7%).

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, 2015 and 2014.

20. FINANCIAL RISK MANAGEMENT

a) Overview

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

b) Credit Risk

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

The amounts disclosed as rents and other receivables and loan receivable long-term incentive plan in the consolidated balance sheets are net of allowances for doubtful accounts, estimated by the Trust’s management based on prior experience and their assessment of the current economic environment. The Trust establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of rents and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and an overall loss component established based on historical trends. At December 31, 2015, the Trust had past due rents and other receivables of $2,338 (December 31, 2014 - $2,293), net of an allowance for doubtful accounts of $637 (December 31, 2014 - $1,022) which adequately reflects the Trust's credit risk.

The Trust believes that the concentration of credit risk of accounts receivable is limited due to its broad tenant base, dispersed across varying geographic locations.

The Trust has established various internal controls, such as credit checks and security deposits, designed to mitigate credit risk. While the Trust's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Trust's current credit loss experience will improve.

The amounts shown in the consolidated balance sheet for 2014 as mortgage holdbacks relate primarily to amounts that were released upon the completion of repairs to certain buildings. Mortgages receivable represent vendor take back loans on the sale of buildings and are secured by the building. Management believes there is minimal credit risk due to the nature of these amounts receivable and the underlying collateral.

20. FINANCIAL RISK MANAGEMENT (Continued)

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 19 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.

As at December 31, 2015 and 2014, the Trust had credit facilities as described in note 9.

The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on-going operations, management assesses the Trust's liquidity risk to be low.

The contractual maturities and repayment obligations of the Trust’s financial liabilities as at December 31, 2015 are as follows:

Year	Mortgages and loans payable	Mortgage and loan interest (1)	Credit facilities	Tenant rental deposits	Accounts payable and accrued liabilities	Liabilities related to assets held for sale	Total
2016	$210,970	$14,855	$17,325	$7,429	$34,277	$7,032	$291,888
2017	130,046	9,969	27,000	-	-	-	167,015
2018	8,453	7,716	15,800	-	-	-	31,969
2019	15,500	7,392	-	-	-	-	22,892
2020	45,145	6,528	-	-	-	-	51,673
Thereafter	199,576	17,689	-	-	-	-	217,265
	$609,690	**$64,149**	**$60,125**	**$7,429**	**$34,277**	**$7,032**	**$782,702**

(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, 2015, approximately 26% (December 31, 2014 – 0%) 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 $879 for the year ended December 31, 2015 (2014 - $165).

(Cdn $ Thousands except unit amounts)

21. 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 and loans 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 and loans 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 and loans payable, excluding assets held for sale, and credit facilities, which are measured at a fair value level 2, is approximately $676,792 (December 31, 2014 - $497,376) excluding any deferred financing costs.

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

December 31, 2015	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	$1,201,129
Liabilities			
Unit-based compensation liability	-	$13,858	-
LP Class B unit liability	-	1,222	-

December 31, 2014	Level 1	Level 2	Level 3
Assets			
Income properties	-	-	$836,721
Redevelopment property	-	-	1,663
Liabilities			
Unit-based compensation liability	-	$11,358	-
LP Class B unit liability	-	1,116	-

22. CONTINGENCIES

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.

23. COMPARATIVE RESULTS

Certain amounts in the prior year consolidated financial statements have been reclassified in order to conform to the presentation adopted in the current year. None of these changes in presentation affect previously reported results of operations.

24. SUBSEQUENT EVENTS

The Trust completed the sale of one property (44 suites) on January 11, 2016 that was included in assets held for sale (note 6) for a sale price of $8,675.

The Trust purchased one property (127 suites) that closed on March 9, 2016 for a purchase price of approximately $21,550.

EXCHANGE AND SYMBOL

TSX: IIP.UN

UNITS OUTSTANDING

71,045,483
(as at December 31,2015)

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ANNUAL MEETING

Wednesday May 18, 2016
at 11:00 ET
2600-160 Elgin Street
Ottawa, ON, K1P 1C3

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