



Building on Our Strength

625 rue Milton, Montreal, QC.

This mural was completed to honour the 100th anniversary of the birth of Jean Paul Riopelle.

InterRent REIT
Annual Report **2023**

 **interRent**TM
REIT
love it here.TM



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INTERRENT AT A GLANCE

InterRent (TSX:IIP.UN) is a multi-family residential real estate investment trust dedicated to owning, managing, and developing homes for more than 13,000 Canadian households, operating in four core regions – Greater Toronto & Hamilton Area, Greater Montreal Area, National Capital Region and Greater Vancouver Area.

As of December 31, 2023, our portfolio is comprised of 126 communities with a total of 13,907 suites. Our best-in-class operating platform, supported by our high-performing team members, drives profitability and creates long-term value for all stakeholders.



¹This is at 100%.
²Includes 100% of Vancouver portfolio of which InterRent's ownership interest is 50%.
³Includes 100% of a 94-suite community in Mississauga and a 605-suite community in Brampton of which InterRent's ownership interest is 50% and 10%, respectively.
⁴Includes 100% of a 254-suite community in Brossard of which InterRent's ownership interest is 50%.

A WORD FROM OUR CEO

Dear Fellow Unitholders,

In 2023, InterRent once again delivered strong operating and financial performance, marking another successful year of value creation. Leveraging the strength of our high-quality, urban portfolio, the effectiveness of our operating platform, and the dedication and expertise of our team, we navigated a year of interest rate volatility and strategically capitalized on opportunities for growth, both externally and organically.



Building on our strong record

We witnessed four consecutive quarters of double-digit Net Operating Income (NOI) growth and consistent NOI margin expansion. Our debt profile has improved significantly – while financing costs were elevated during the year, we are in a fortified position going into 2024. We ended the year with occupancy reaching the optimal level at 97% and annual Funds from Operations (FFO) hitting \$80.6 million, our highest yet. These strong results have enabled us to increase our distribution by 5% in 2023, continuing our track record of achieving a distribution growth of 5% or more for the twelfth consecutive year.

We continued to deliver on our disciplined acquisition strategy, completing two strategic acquisitions in collaboration with our joint venture partners. One of these acquisitions marks our second office conversion project, following the success of The Slayte, which has achieved lease-up rate of 90% in February 2024. We are thrilled about this new project and the positive impact it will bring to our communities.

Deepening our sustainability commitments

We continued to push forward with our sustainability commitments, focusing not only on enhancing our own performance metrics, but also working towards a more responsible, sustainable, and inclusive future for both our company and the broader industry.

We provided climate training to our entire team, the management, and all members of our Board of Trustees, to further enhance collective climate understanding and commitment throughout our organization.

We established our ISO 50001-aligned Energy Management System, which will function as a roadmap and guide us towards optimized energy use, enhanced operational efficiency, and reduce our greenhouse gas emissions in the process.

In collaboration with external advisors, we have integrated climate considerations into our acquisitions and capital expenditure models, with these enhancements set to shape our strategic decision making in 2024 and forward.

We made important strides in green building certifications. We are thrilled to report that now, over 70% of our suites are certified under the Certified Rental Building Program. This achievement not only reinforces our dedication to environmental responsibility, but also underscores the efficiency of our building operations.

Building upon a legacy of 23 years, the Mike McCann Charity Golf Tournament remains a cornerstone of our commitment to our communities. In 2023, we raised an astounding \$1.7 million, a record high in total donations. We are currently in the process of giving the proceeds to support numerous local charities within the communities we serve.

Starting a new chapter with our refreshed brand identity

Committed to serving the ever-evolving nature of our communities across our growing geographic footprint, we set out on a new chapter of our growth story by unveiling our refreshed brand identity.

This change is the culmination of years of purposeful planning and hard work, after gaining insights by listening to our residents and team members about what truly sets us apart. Our updated logo and brand message – **love it here™**, encapsulates the essence of our identity, where our top priority is always on serving not just our external customers, but also our internal customers – our team of almost 500 members.

We have fostered a culture of excellence throughout our entire organization and our diverse team. This culture, along with our people, will continue to be our most sustainable, competitive advantage.

Closing

Looking back on 2023, I take pride in our collective achievements, as we reinforced the solid foundation that we've built and successfully navigated through a year of volatility and challenges.

Looking ahead, my conviction for our industry and our company has never been stronger. With a balanced strategy, and the right people and resources in place, we're confident in our ability to continue to grow and deliver value for all our stakeholders.

I would like to thank everyone who supported us throughout this year – to our team members, all of whom are paramount to the success of InterRent; to our residents, for entrusting us with the privilege of providing their homes; to our Board, for providing invaluable guidance; and to our unitholders, for sharing and supporting our vision.

I look forward to the year ahead and am excited about what we can achieve together.



Brad Cutsey
President and CEO

2023 HIGHLIGHTS

Financials

We are pleased to report solid financial results, including four consecutive quarters of double-digit NOI growth, consistent NOI margin expansion, and our highest annual FFO.



\$156.3 M

Proportionate Net Operating Income



11.8%

YoY SPNOI Growth



65.6%

NOI MARGIN



\$0.551

FFO/Unit



97.0%

December 2023 Occupancy



5.2%

Distribution Increase



\$252.2 M

December 2023 Available Liquidity



3.6%

YoY FFO/Unit Growth

2023 HIGHLIGHTS

March



Acquired a 605-Suite Community in Brampton with Joint Venture partners

[Click here for the Press Release](#)

May



Published the 3rd Corporate Sustainability Report

August



Sold a 54-suite property in Ottawa at above IFRS value and repurchased 137,200 units under NCIB

August



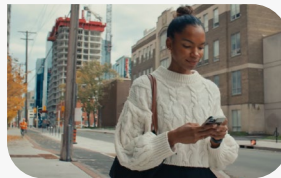
Advancing our second office conversion project, 360 Laurier in Ottawa

December



Certified more than 70% of our communities with the Certified Rental Building Program

December



Revealed refreshed brand identity and new website: irent.com

[Click here for the News Release](#)

November



Lease-up rate at our first office conversion building, The Slayte, exceeded 80%

September



Raised a record-breaking \$1.7 million for charities at the annual Mike McCann Charity Golf Tournament

STRENGTH IN OUR PORTFOLIO

Our quality, well-maintained communities are located in urban and high growth areas.



Vancouver



Vancouver has the highest rent per square foot, driven by low affordability in homeownership and record immigration.

866 suites⁵,
0.70% market penetration.

6.2% of portfolio, 4.6% of NOI.

Ottawa



Ottawa has a stable employment sector with federal government as primary employer. Ottawa has the highest median income of any Canadian metropolitan area.

3,046 suites,
2.8% market penetration.

23.9% of portfolio, 25.2% of NOI.

Greater Toronto & Hamilton Area

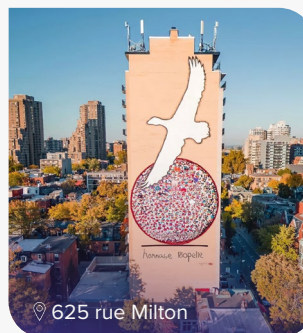


Toronto is the largest urban center in Canada and a major economic and immigration hub. With a growing population, a resilient labour market, and high homeownership costs, the rental market remains tight.

4,738 suites,
1.2% market penetration.

32.6% of portfolio, 35.1% of NOI.

Montreal



Ranked as one of the top student cities in North America, Montreal has four major universities in the downtown core. The city is one of the most affordable places for rents in Canada.

3,243 suites,
0.51% market penetration.

24.4% of portfolio, 20.4% of NOI.

⁵Includes 100% of Vancouver portfolio of which InterRent's ownership interest is 50%.

STRENGTH IN OUR PORTFOLIO

How we create value

We consistently work to create value through using our space more efficiently, investing in property improvements to transform communities, and converting under-utilized buildings to extend their useful life and add supply to a strained housing market.

Reposition

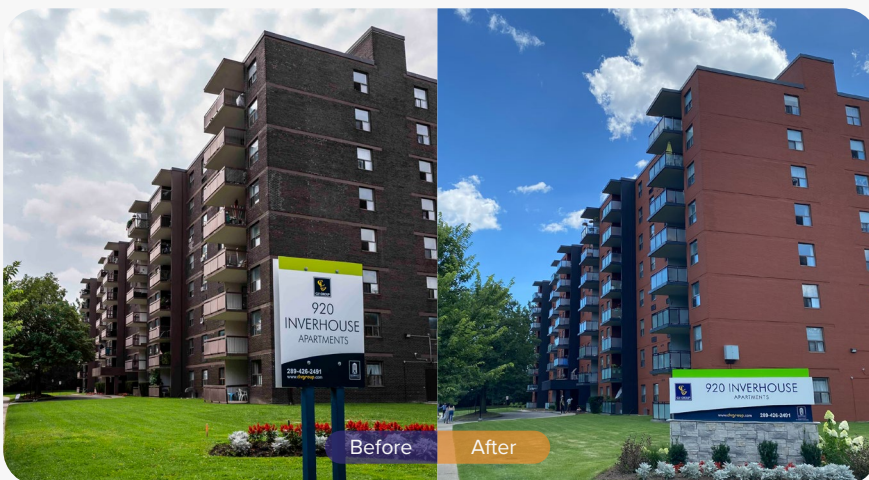
920 Inverhouse Drive, Mississauga, Ontario


Acquisition Year: 2021

Suites: 95

Capital Investment to Date: \$3.11 million

We completed extensive exterior renovation during 2023, creating a vibrant and welcoming community for all residents.



 **1,194** suites were moved into the repositioned portfolio during 2023.

Repurpose

5120 Earnscliffe Street, Montreal, Quebec

We transformed five floors of C-class office space into 36 suites, adding critical housing units in this high-demand area. Enhancements include modernized laundry facilities and the integration of 1Valet smart entry and parcel lockers. This building will also soon serve as our operations team's training centre in Montreal!

Acquisition Year: 2019

Suites Count on Acquisition: 121

Capital Investment to Date: \$11.97 million



 **36** new suites created through converting office space.

STRENGTH IN OUR PORTFOLIO

Office Conversion

473 Albert Street, The Slayte

Suites: 158

Total Project Cost: \$81 million

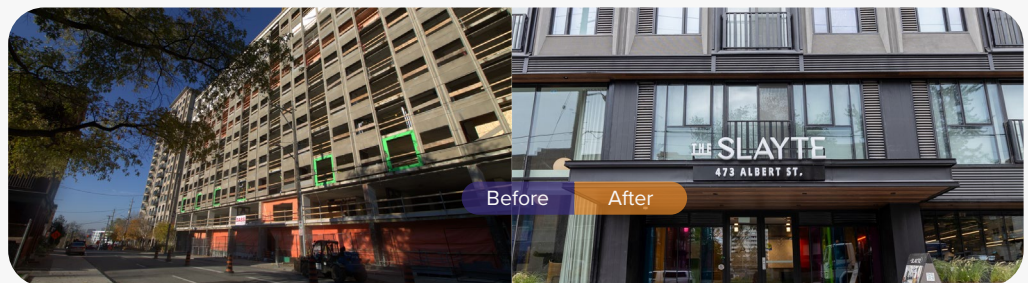
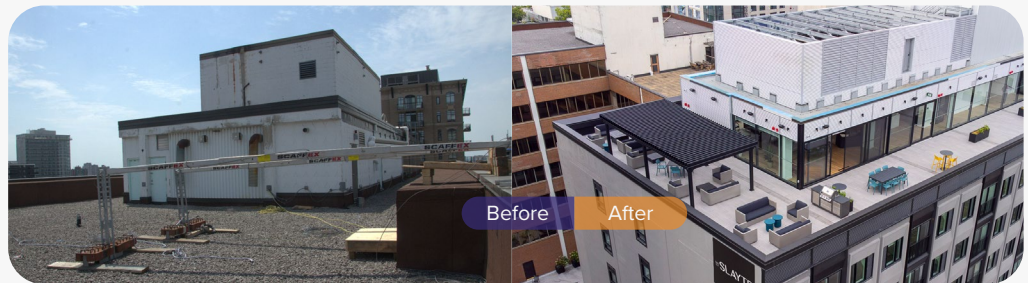
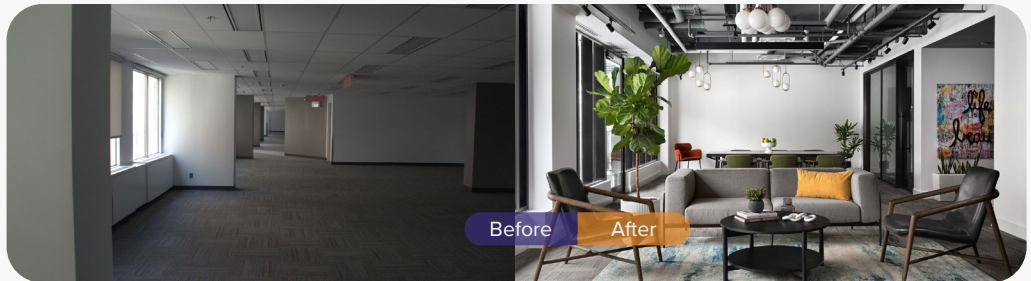
Expected Yield: 4.3%

Expected IRR: >15%

The Slayte was our first office conversion project, showcasing our commitment to repurpose underutilized space into sustainable housing and serving as an inspiration for our future development projects. By reusing the structure, we achieved 55% savings in carbon compared to a typical new build.



Over 90% of all suites were leased up at The Slayte by February 2024.



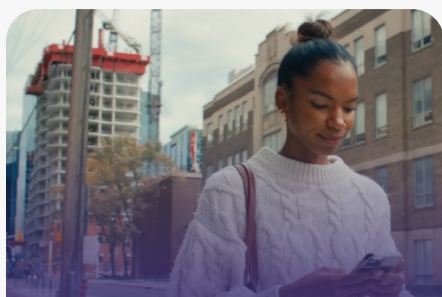
STRENGTH IN OUR PLATFORM

“ INNOVATION AND TECHNOLOGY PLAY A SIGNIFICANT ROLE IN OUR STRATEGY

From the early stages, we've invested in technology to improve efficiencies so that our team can find more time for higher value-add activities and deliver more personalized service to our residents.



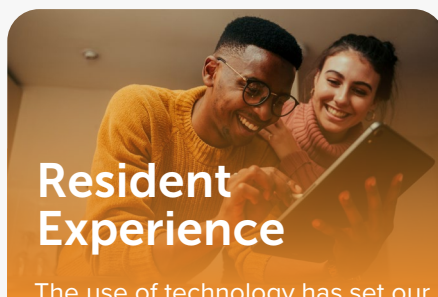
Dave's journey with technology started with a pocket full of coins three decades ago.



Leasing

By leveraging technology, research, and consumer insights, we're able to drive leasing conversions and achieve optimal rents.

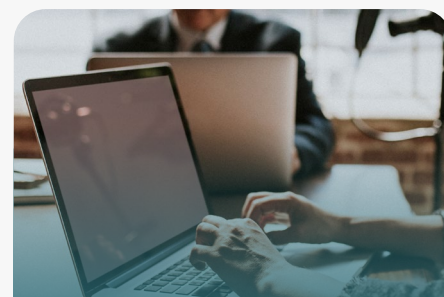
- Prospect targeting and tracking
- Digital and virtual tours experience
- Self-service and online applications
- Pricing optimization leveraging data and analytics



Resident Experience

The use of technology has set our communities apart. We provide our residents with smart and convenient tools that help them stay connected and enhance their experiences.

- Smart communities
- Smart parcel locker systems
- EV charging stations
- Resident online self-service for payments, maintenance requests, amenity bookings and more
- Trigger-based marketing communications using data and personalization to maximize relevance



Internal Processes

We constantly search for new ways to refine our internal operations, streamline processes, scale our platform and enhance our overall performance.

- Analytics and business intelligence
- Mobile-enabled workforce
- Building automation systems
- Automated workflow
- Cloud-centric philosophy

STRENGTH IN OUR CULTURE

OUR CORPORATE CULTURE IS OUR COMPETITIVE ADVANTAGE, WITH **OUR VALUES** FORMING THE FOUNDATION WE BUILD UPON.



QUALITY

Investing in our communities to ensure safe, clean, and high-quality homes for our residents.



CUSTOMER EXPERIENCE

Striving to provide a best-in-class experience for both our external (residents) and internal (team members) customers.



INTEGRITY

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



COMMUNITY BUILDING

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



RESPECT

Creating an inclusive environment where individuality and authenticity are celebrated and where diversity of opinions and interests is respected.



INVENTIVENESS

Having the curiosity and creativity to find innovative solutions to new challenges and fostering an atmosphere where ideas are encouraged from all team members.

MEET THE TEAM



Mike McGahan
Executive Board
Chair



Brad Cutsey
President & CEO,
Trustee



Curt Millar
CFO



Dave Nevins
COO



Will Chan
CIO



Catherine Hébert
CTO



Asad Hanif
VP Acquisitions



Craig Stewart
VP Finance



Chris Willoughby
VP Marketing



2 & 4 Hanover, Brampton, ON

STRENGTH IN OUR CULTURE

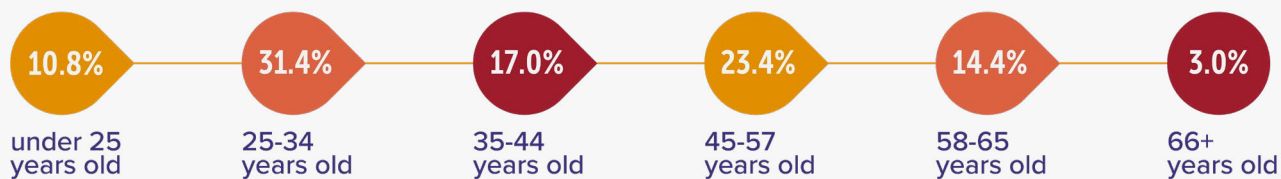
“ AT INTERRENT, WE FIRMLY BELIEVE THAT EMBRACING DIVERSE PERSPECTIVES AND BACKGROUNDS NOT ONLY ENRICHES OUR WORKPLACE, BUT ALSO DRIVES INNOVATION AND SUCCESS.

We have fostered a culture of Inclusion, Diversity, Equity and Accessibility to ensure that our workforce reflects the diverse communities we serve, and create an environment where everyone feels respected, valued, and empowered.

DIVERSITY OF THOUGHT AND EXPERIENCE DRIVES INNOVATION



Our Employees are:



STRENGTH IN OUR CULTURE



Spirit Award: Kalyn

Kalyn lights up our workplace every day with her vibrant energy. Find out how she inspires everyone around her.



Ricky

Ricky started his InterRent journey as a student. Learn about his journey of growth with us.

STRENGTH IN OUR CULTURE

A TRUE REFLECTION OF WHO WE ARE, OUR NEW BRAND IDENTITY IS BUILT ON 3 PILLARS



External Customer: Our residents.



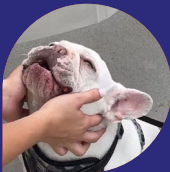
Internal Customer: Our team members.



Our Community love it here.™

145

Number of residents events in 2023



We unveiled our **REFRESHED BRAND IDENTITY** in December 2023 to better align with the evolving needs of our residents and our commitment to surpassing them. The new logo, visual identity, and a redesigned website [irent.com](https://www.irent.com), encapsulate our substantial growth and expanding services across our growing geographic footprint over the past few years. Explore our new look:

NEW LOGO

The new InterRent logo features a modern and dynamic design, drawing inspiration from our vibrant and growing resident community and dedicated team. With a contemporary, simple, and friendly look, the logo symbolizes the essence of our commitment to a seamless resident experience and personalized service.



Before



After

love it here.™, MORE THAN JUST A TAGLINE

The simple and catchy new tagline sets the tone for the experience we aim to cultivate, fostering an environment of shared passion and purpose within the communities among our residents, and equally, internally among our teams.

REDESIGNED WEBSITE WITH NEW DOMAIN NAME IRENT.COM

Our redesigned website features a user-centric design, offering an effortless browsing experience for visitors. The new and simpler domain name, [irent.com](https://www.irent.com), serves as an affirmation for our residents and team members, capturing a powerful sense of belonging and pride.

Check out our new brand commercial video here!

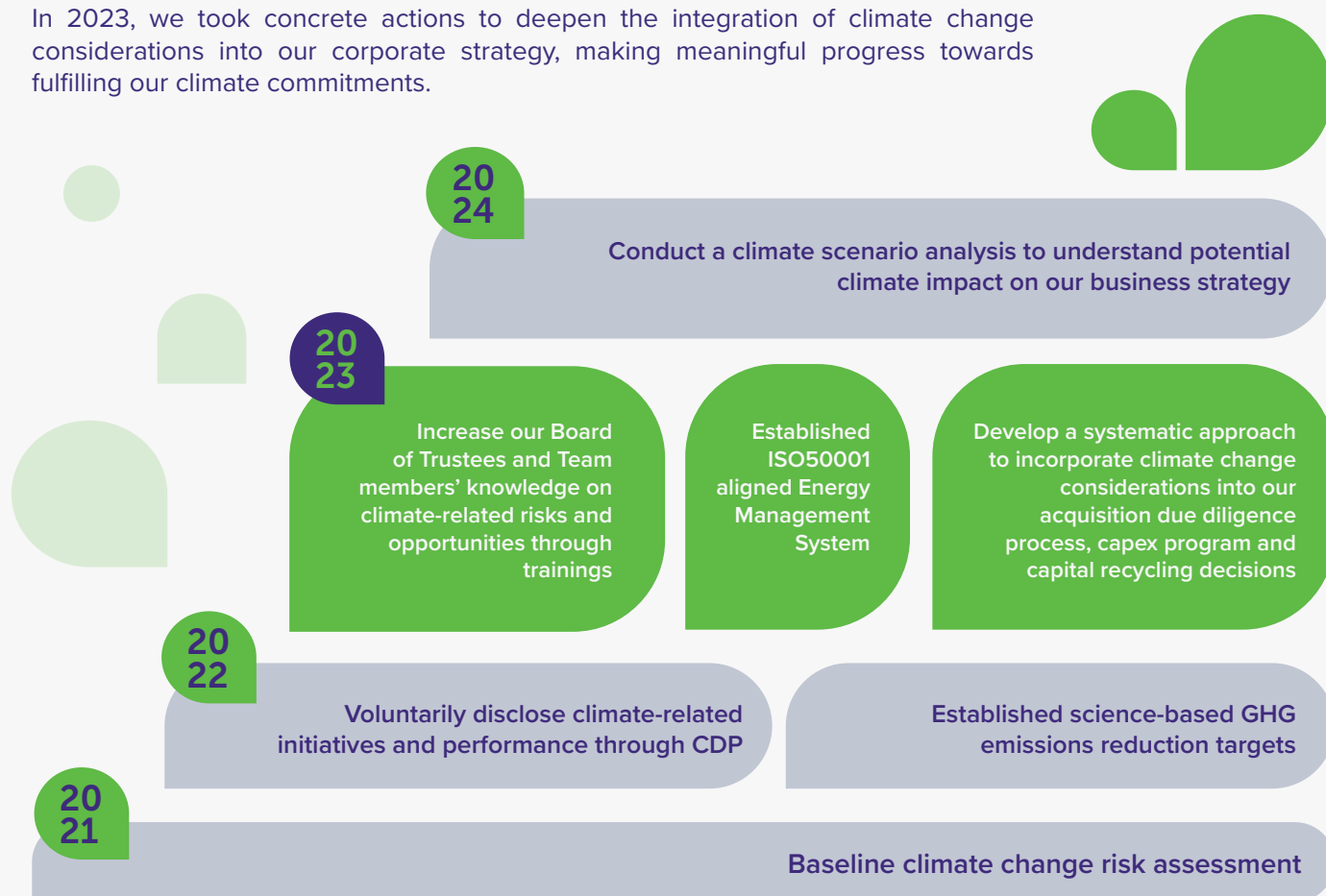


STRENGTH IN OUR SUSTAINABLE MINDSET

“ WE CONTINUE TO BE FIRM BELIEVERS IN SUSTAINABLE AND RESPONSIBLE GROWTH, RECOGNIZING THE PIVOTAL ROLE WE PLAY AND THE RESPONSIBILITIES WE BEAR TOWARDS THE WELLBEING OF OUR RESIDENTS, OUR COMMUNITY, AND OUR ENVIRONMENT.

OUR CLIMATE JOURNEY

In 2023, we took concrete actions to deepen the integration of climate change considerations into our corporate strategy, making meaningful progress towards fulfilling our climate commitments.



We continue to invest in our portfolio, extending the benefit of embodied carbon in existing structures and installing a variety of energy-saving measures and fixtures. Find out more about our commitment to sustainability, our energy-saving initiatives, and more in our **2023 Sustainability Report**, which will be released in the spring.

STRENGTH IN OUR SUSTAINABLE MINDSET



GRESB REAL ESTATE ASSESSMENT

2023 result
A-rating



67

We participated in the GRESB Real Estate Assessment and increased our GRESB score in 2023 assessment and maintained a “Two Green Star” rating. We maintained an A-rating on the GRESB public disclosure survey, outperforming the global average.



MIKE MCCANN CHARITY GOLF TOURNAMENT

We continue to give back to our communities. The 2023 Mike McCann Charity Golf Tournament raised a record \$1,665,000, bringing our grand total to \$8.2 million since inception, thanks to the incredible generosity of our many sponsors and the hard work of our team members. The proceeds are given to a variety of local charities in the communities we operate in.

CHARITIES WE SUPPORT⁶

OTTAWA

- The Royal Ottawa Hospital
- Ottawa Hospital
- The Snowsuit Fund
- Habitat for Humanity
- Shepherds of Good Hope
- Ottawa Foodbank
- Christie Lake Kids

SOUTHWESTERN ONTARIO

- Burlington Community Foundation
- Oak Park Neighbourhood Centre
- Boys and Girls Clubs
- ComKids
- Schulich School of Business

MONTREAL

- The Old Brewery Mission
- Sun Youth Organization

BRITISH COLUMBIA

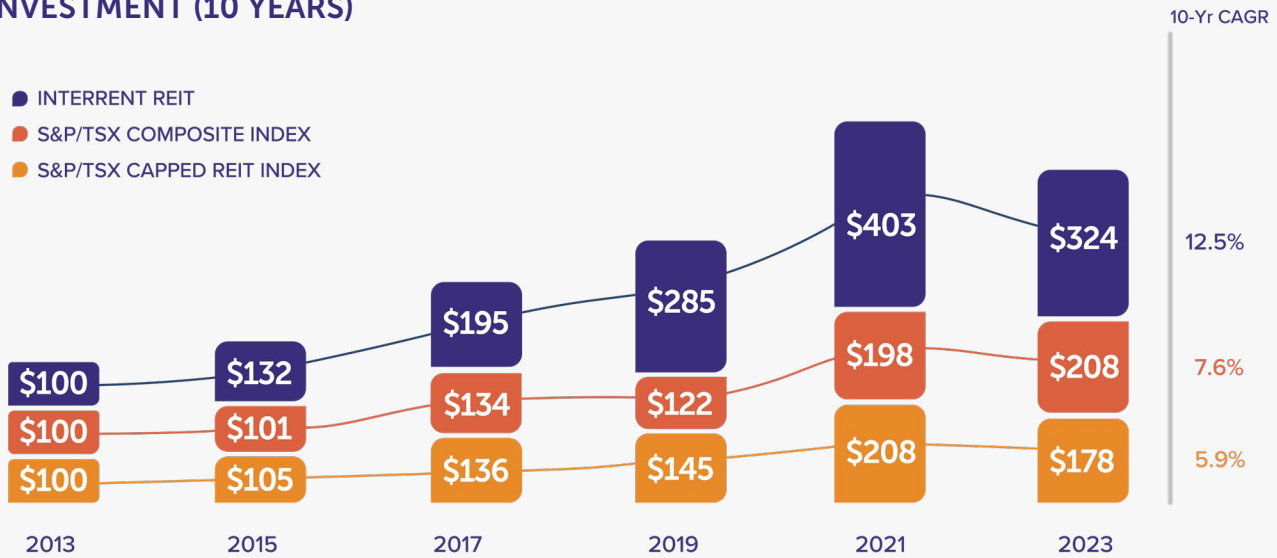
- Boys and Girls Clubs of South Coast BC
- Moose Hide Campaign

⁶ The list is not exhaustive

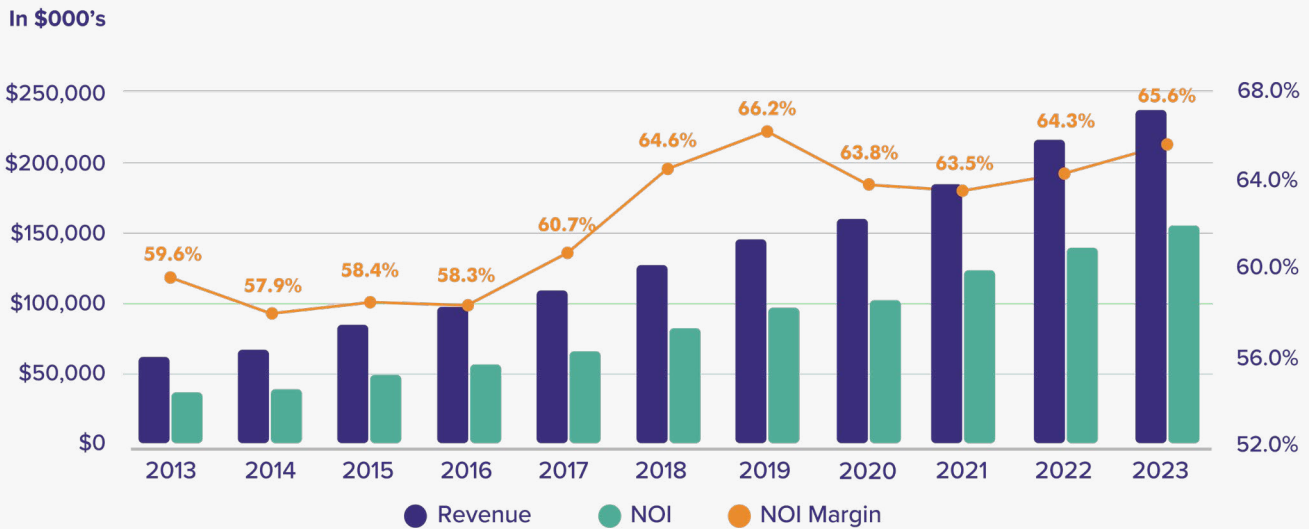
STRENGTH IN OUR TRACK RECORD

Driven by our operating platform, our top performing team, and technology, we have consistently delivered strong performance metrics.

TOTAL RETURN ON A CANADIAN \$100 INVESTMENT (10 YEARS)

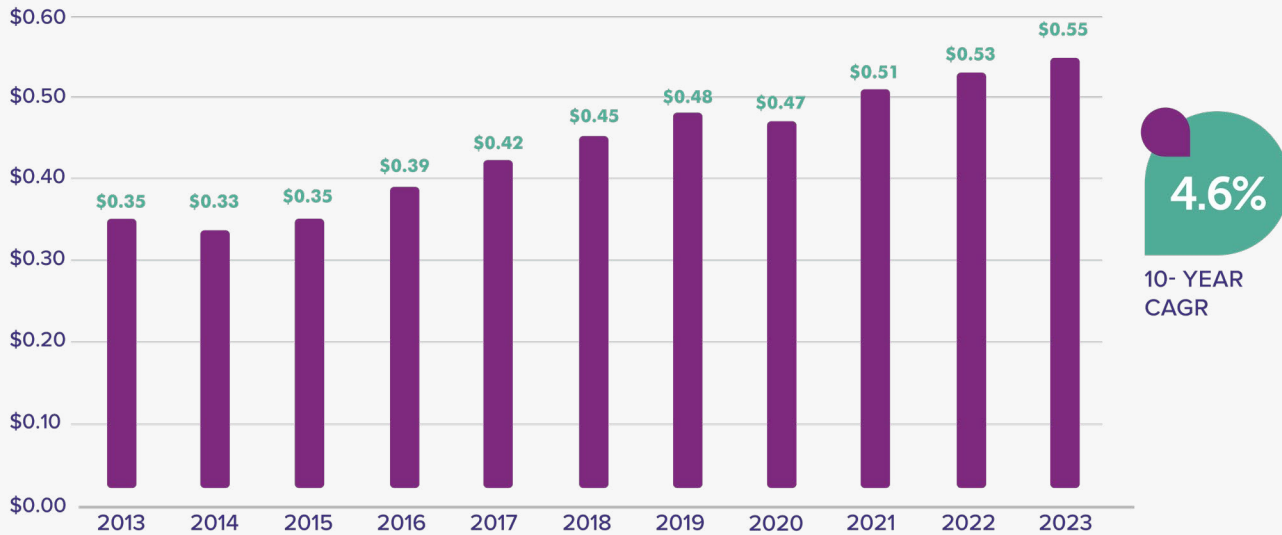


REVENUE & NET OPERATING INCOME

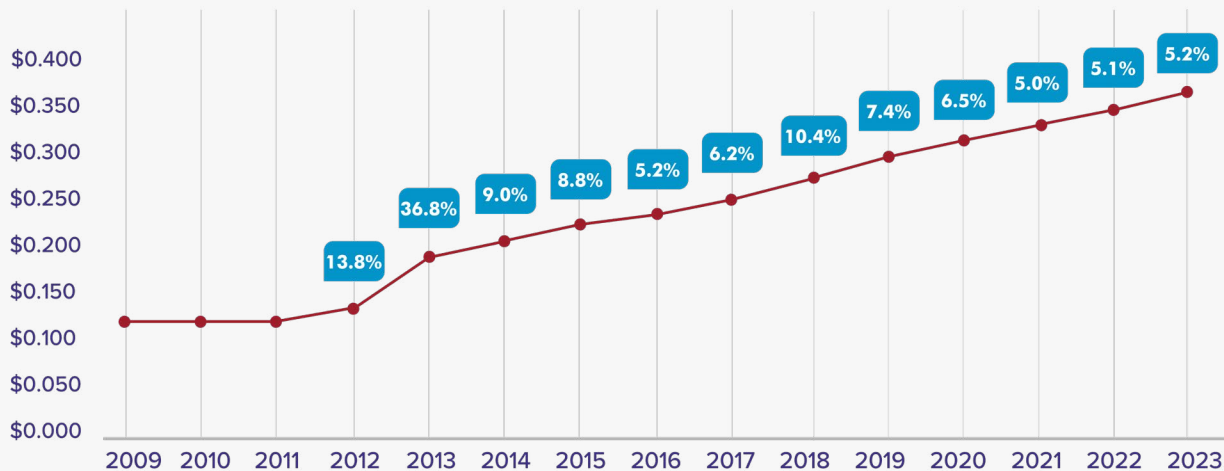


STRENGTH IN OUR TRACK RECORD

FFO PER UNIT



HISTORICAL DISTRIBUTION GROWTH



● Distribution Per Unit

● Distribution Increase

8.2%
CAGR


STRENGTH IN OUR TRACK RECORD

We are committed to maintain an open dialogue and transparency with the investment community. Throughout the year, we have fostered meaningful connections with both institutional and retail investors through meetings, property tours, and participation as panelists in a variety of conferences.

In 2023, we conducted our first investor ESG survey, reaching out to 34 of our top institutional investors, collectively representing nearly a quarter of our outstanding units. With a response rate of 51% from investors based on ownership, we gained valuable insights to inform and enhance our sustainability strategy moving forward.



12
Property Tours



7
Panel Participations



120
Investor 1x1 Meetings


Tour with Us

In 2023, we hosted investor property tours to showcase our diverse communities across different regions. Here is a snapshot of these tours:





Ottawa

- LIV
- West 236
- The Slayte
- Forest Ridge



South Western Ontario

- 30 Edith
- 919 Dufferin
- Battleford & Glen Erin
- 920 Inverhouse
- 2150 Roche
- 5220 Lakeshore



Montreal

- 1101 rue Rachel Est
- 235 rue Sherbrooke Ouest
- 625 rue Milton
- 2121 rue Saint-Mathieu



Vancouver

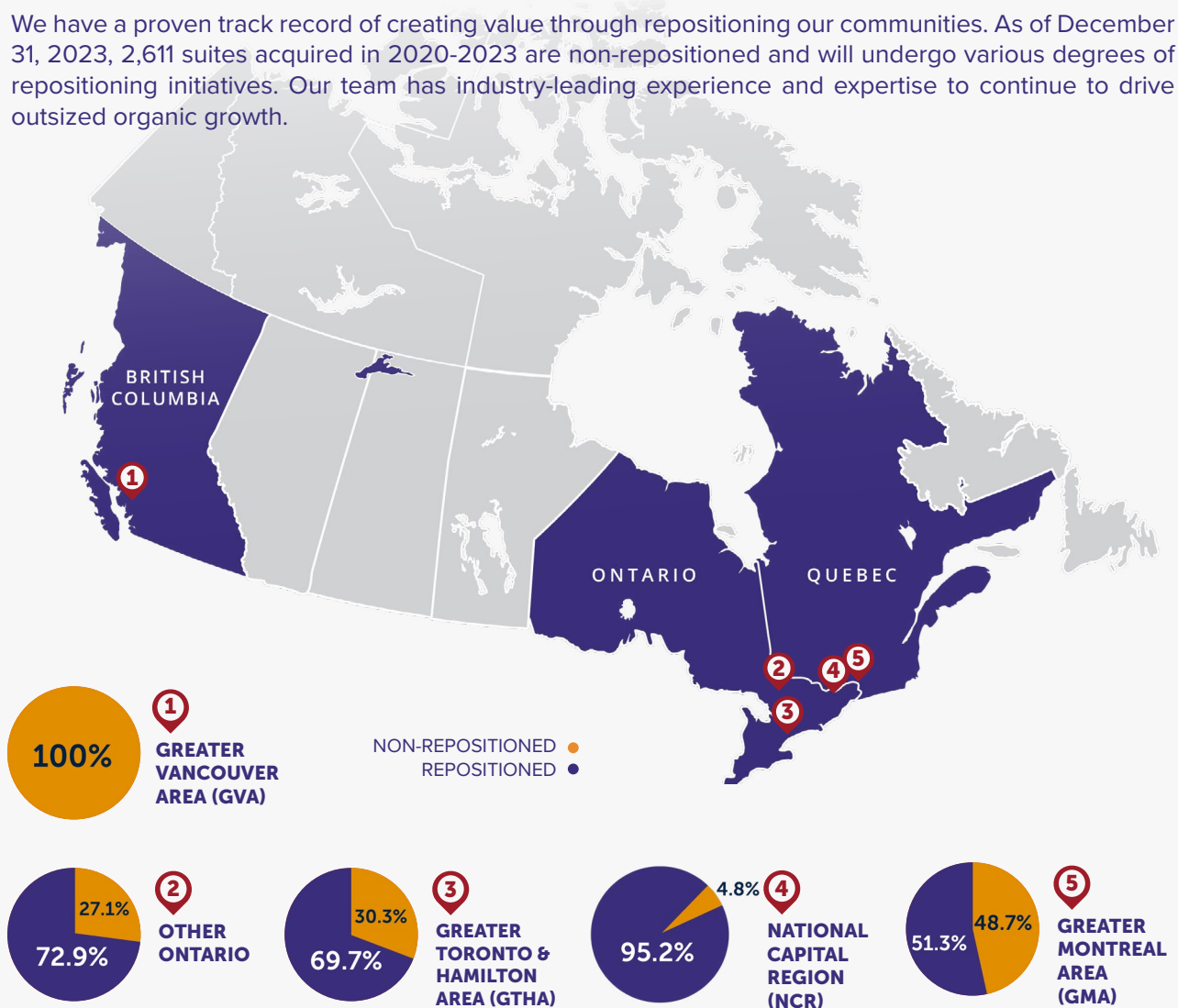
- 1924 & 1885 Barclay
- 1580 Haro
- 855 Jervis
- 1270 Nicola
- 1461 Harwood

STRENGTH IN OUR POTENTIAL

Bolstered by robust industry fundamentals and guided by a balanced strategy, we are well positioned to continue the momentum of our strong performance. We are committed to driving growth and innovation across key strategic areas to deliver sustainable, long-term value for all stakeholders in the years ahead.

1. Reposition Pipeline to Drive Continued Organic Growth




We have a proven track record of creating value through repositioning our communities. As of December 31, 2023, 2,611 suites acquired in 2020-2023 are non-repositioned and will undergo various degrees of repositioning initiatives. Our team has industry-leading experience and expertise to continue to drive outsized organic growth.



STRENGTH IN OUR POTENTIAL

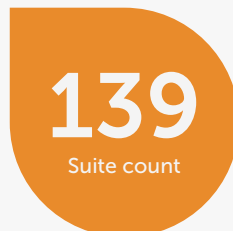
2. Greenfield development opportunities: ability to accelerate growth opportunistically

We have close to 4,000 units at various stage of development in greenfield opportunities in Ottawa and GTHA. We approach development decisions with discipline, remaining vigilant about costs to ensure we are investing for growth and to yield sustainable returns.

PROJECT	CITY	SUITE COUNT	COMMERCIAL Sq. Ft.	OWNERSHIP	TARGET COMPLETION DATE
 Richmond & Churchill	Ottawa	177	11,591	100%	H2 2027
 Burlington GO Lands	Burlington	1,526 (Phases 1-2) 989 (Phases 3-4)	20,081 (Phases 1-2) 19,779 (Phases 3-4)	25%	2032 (Phases 1-2)
 900 Albert Street	Ottawa	1,241	597,368	50%	TBD

3. Second office conversion development in progress

Building on the success of our previous project and drawing from the insights gained, our second office conversion project, 360 Laurier is advancing. This project will add 139 residential suites to address the ongoing shortage for housing, and elevate our portfolio in Ottawa.




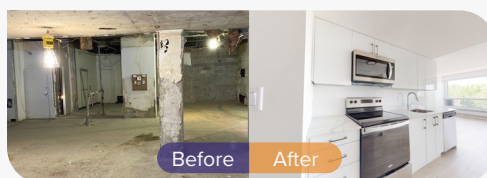
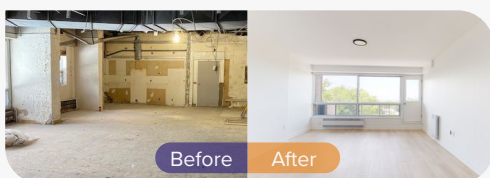
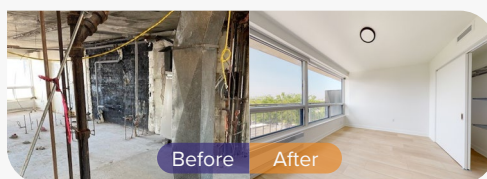
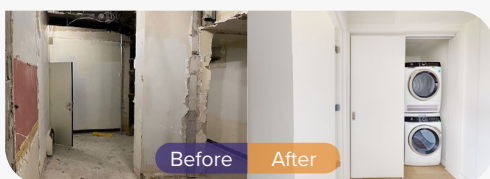
STRENGTH IN OUR POTENTIAL

4.

Unlocking potential in current communities through intensification

We actively evaluate our portfolio for build-out opportunities within our existing communities, identifying approximately 500,000 sqft GFA of net new density from building on vacant or underutilized land in our current communities. These preliminary estimates indicate opportunities to create up to 1,000 net new units. We are strategically reviewing which ones to pursue and when. With our experience and expertise, we are well-positioned to capitalize on these opportunities when they align with our objectives, while striving to deliver much-needed housing suites to our communities.

5120 Earncliffe, Montreal, QC



36
suites created through intensification in 2023.

5.

Enhancing resident experience and generating ancillary revenue

We are constantly exploring innovative ways to serve our residents and elevate their experience by expanding our service offerings within our communities. In doing so, we not only address our residents' needs, but also actively generate and pursue opportunities to increase our ancillary revenue.



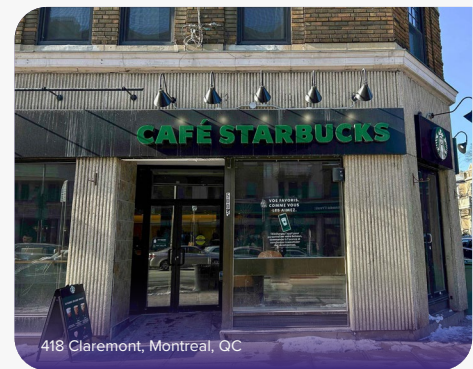
STRENGTH IN OUR POTENTIAL

6.

Commercial Revenue: Office + Retail

Although we are a pure multi-family REIT, we are not losing sight of the commercial opportunities within our portfolio and the diverse avenues to leverage them. The commercial spaces within our communities complement our residential offerings, enhancing our residents' overall living experience and have the potential to drive rental revenues. We continue to consider conversions to residential suites to achieve incremental NOI, while also exploring ways to grow commercial revenue.


~97,000
sqft of commercial space





InterRent REIT

Management's Discussion & Analysis

For the Year Ended December 31, 2023

February 29, 2024



MANAGEMENT'S 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", the "REIT" or the "Trust") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2023, along with InterRent REIT's other publicly filed documents. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results circumstances, performance or expectations, including but not limited to financial performance and equity or debt offerings, new markets for growth, financial position, comparable multi-residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

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

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

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

undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

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

INTERRENT REAL ESTATE INVESTMENT TRUST

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

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

DECLARATION OF TRUST

The investment policies of the Trust are outlined in the Trust’s Amended and Restated Declaration of Trust (the “DOT”) dated as of May 21, 2019, and a copy of this document is available on SEDAR (www.sedarplus.ca).

At December 31, 2023 the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

ACCOUNTING POLICIES

InterRent REIT’s accounting policies are described in note 3 of the audited consolidated financial statements for the year ended December 31, 2023, and December 31, 2022.

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

Proportionate results represent financial information adjusted to reflect the Trust’s equity accounted joint ventures on a proportionately consolidated basis at the Trust’s ownership percentage of the related investment. Under IFRS (GAAP), the Trust’s equity accounted joint ventures are presented on one line in the consolidated balance sheets and the consolidated statement of income (loss) in aggregate. In this MD&A the consolidated balance sheets and consolidated statement of income (loss) are presented as if the joint ventures were proportionately consolidated. The presentation of financial information at the Trust’s proportionate interest provide a more detailed view of performance and reflect how Management operates the business. Reconciliations of the proportionate balance sheet and proportionate statement of income (loss) to those prepared on a GAAP basis are found in the non-IFRS reconciliations and performance measures section of this MD&A.

Gross Rental Revenue, Net Operating Income, Same Property results, Repositioned Property results, Funds from Operations, Adjusted Funds from Operations, Adjusted Cash Flows from Operations and EBITDA (or, in each case, substantially similar terms) are measures sometimes used by Canadian real estate investment trusts as indicators of

financial performance, however they do not have standardized meanings prescribed by IFRS (GAAP). These measures may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to similarly termed measures reported by other such issuers.

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

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

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

Repositioned property results are revenues, expenses and NOI from properties owned by the Trust prior to January 1, 2020.

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

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

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

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

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

OVERVIEW

BUSINESS OVERVIEW AND STRATEGY

InterRent REIT is a growth-oriented real estate investment trust engaged in increasing Unitholder value and creating a growing and sustainable distribution through the acquisition, development, and ownership of multi-residential properties. The REIT generates revenues, cash flows and earnings from rental operations and continually assesses

its assets for accretive capital recycling purposes. InterRent REIT's largest and most consistent source of income is its rental operations, which involves leasing individual suites to residents for lease terms generally ranging from month-to-month to twelve-months.

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

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

During 2023, the Trust purchased a 10% ownership in two properties comprised of 605 suites in Brampton, Ontario for \$18.6 million and purchased a 25% ownership in an office conversion project in Ottawa, Ontario for \$4.4 million. The Trust also disposed of a 54-suite property in Ottawa, Ontario for a sale price of \$11.5 million, or \$213,000 per suite.

As at December 31, 2023, the Trust has 100% ownership interest in 12,088 suites, a 50% financial interest in 1,214 suites, and a 10% financial interest in 605 suites of which: a) 12,399 are included in same property suites, or 97.2% of the portfolio; and, b) 10,145 are included in repositioned property suites, or 79.5% of the portfolio.

With the current immigration targets there will be an increased demand for housing while supply issues in the market are persisting. The Trust is working with various levels of government to try and create policies to encourage more supply and currently has over 4,000 suites under various stages of development with the potential for further intensification at various sites within its portfolio.

OPERATIONS UPDATE

- Total portfolio occupancy of 97.0% for December 2023 was up 180 basis points from 95.2% in September 2023, and represents a 20 basis point increase from December 2022 occupancy of 96.8%. Occupancy remained strong in 2024 and we anticipate being within our normal range of 3-4% overall for Q1 2024.
- Lease-up at the REIT's first office conversion community, The Slayte in Ottawa, reached 89.2% by year end and further improved to 91.1% by the end of February 2024.
- Delivered strong average monthly rent ("AMR") growth of 7.9% for the total portfolio and 7.5% for the same property portfolio for December 2023, as compared to December 2022. AMR growth into 2024 has continued at a rate that is in-line with what we've seen in recent years moving from Q4 to Q1.
- The trend towards lower turnover that we have seen over the last two years appears to be continuing in early 2024. While Q1 is traditionally the quarter with the lowest turnover, early signs are showing that turnover is coming in lower than historical averages.
- The Trust continues to invest in its portfolio as a driver of future organic growth, spending \$30.6 million during the quarter on a proportionate basis, of which \$9.4 million was spent on improvements for non-repositioned properties (\$3,600 per suite), \$4.7 million for the HST self-assessment on 473 Albert, \$0.1 million on the Montreal intensification project, \$1.6 million on properties under development, and \$14.8 million on the repositioned portfolio (\$1,469 per suite). This investment in the portfolio and the programming offered at the properties allows the Trust to capture above average market rents within its various communities, which is of the utmost importance especially in an environment of declining turnover.

OUTLOOK

- a) Management remains committed to growing the REIT in a strategic and structured manner, although timing is being impacted by the current economic environment, future growth is still anticipated to come from:
- i. continuing to source properties in our core markets that allow us to build scale within these areas and apply our repositioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders;
 - ii. continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio;
 - iii. re-deploying capital from areas where management believes that properties have reached their economic peak or that the area will not allow the REIT to reach the desired level of scale;
 - iv. developing purpose-built rental on existing sites that have the ability to add more density; and
 - v. participating in joint ventures where the REIT can add value through its experience and expertise in owning and operating multi-family rentals.
- b) The REIT continues to evaluate intensification opportunities within the portfolio and has completed a project in Montréal, where C-class office space in one of the REIT's existing buildings was converted into 36 new residential units. Occupancy commenced during Q2 2023, and as of February 2024, 34 of the 36 new units have been leased.
- c) In addition to the intensification projects, the REIT is continuing to make progress on its four active developments, see "Properties Under Development" for further details on ongoing development projects.
- d) Disposition Update:
- During the year, the Trust completed the sale of a 54-suite property in Ottawa, Ontario for a sale price of \$11.5 million, or \$213,000 per suite, against a carrying value of \$10.8 million.
 - Subsequent to the end of the year, the trust sold five properties, totaling 224 suites, in Côte-Saint-Luc, Quebec for a sale price of \$46.0 million, or approximately \$205,000 per suite.
 - Proceeds from the sale of properties are used to fund the REIT's capital requirements, pay down debt, and to repurchase units under the NCIB.
- e) Liquidity Update:
- With a debt-to-GBV ratio of 38.1%, the REIT has significant liquidity available through both CMHC insured and conventional mortgage financing to fund future capital programs, development opportunities and acquisitions.
 - The Trust's current credit facilities total \$223.0 million of available credit. There was approximately \$40.8 million drawn on these facilities as at December 31, 2023.
 - Subsequent to the quarter, the REIT successfully financed 2024 maturing mortgages totaling \$183.5 million (maturing loans totaled \$144.9 million) at a weighted average rate of 4.25% (maturing weighted average rate of 6.06%).
 - With proceeds from the financings and dispositions, the REIT further reduced its variable rate exposure, including credit facilities, to below 1%.
 - As of the date of this report, the Trust had approximately \$141.9 million in unencumbered properties that do not have mortgages nor provide security for any credit facilities.

Q4 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's proportionate operating performance for the three months ended December 31, 2023 compared to the same period in 2022:

Selected Consolidated Information In \$000's, except per Unit amounts and other non-financial data	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	Change	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022	Change
Total suites				12,756 ⁽¹⁾	12,610 ⁽¹⁾	+1.2%
Average rent per suite (December)				\$ 1,596	\$ 1,479	+7.9%
Occupancy rate (December)				97.0%	96.8%	+20 bps
Proportionate operating revenues	\$ 61,881	\$ 56,866	+8.8%	\$ 238,180	\$ 216,454	+10.0%
Proportionate net operating income (NOI)	\$ 40,580	\$ 36,539	+11.1%	\$ 156,260	\$ 138,463	+12.9%
NOI %	65.6%	64.3%	+130 bps	65.6%	64.0%	+160 bps
Same Property average rent per suite (December)				\$ 1,585	\$ 1,474	+7.5%
Same Property occupancy rate (December)				97.0%	96.8%	+20 bps
Same Property proportionate operating revenues	\$ 60,608	\$ 56,037	+8.2%	\$ 233,809	\$ 214,576	+9.0%
Same Property proportionate NOI	\$ 39,748	\$ 35,962	+10.5%	\$ 153,399	\$ 137,183	+11.8%
Same Property NOI %	65.6%	64.2%	+140 bps	65.6%	63.9%	+170 bps
Net Income (Loss)	\$ 27,253	\$ (100,950)	-127.0%	\$ 92,240	\$ 103,959	-11.3%
Funds from Operations (FFO)	\$ 20,773	\$ 18,677	+11.2%	\$ 80,602	\$ 76,933	+4.8%
FFO per weighted average unit - diluted	\$ 0.142	\$ 0.129	+10.1%	\$ 0.551	\$ 0.532	+3.6%
Adjusted Funds from Operations (AFFO)	\$ 18,132	\$ 16,031	+13.1%	\$ 70,396	\$ 67,366	+4.5%
AFFO per weighted average unit - diluted	\$ 0.124	\$ 0.110	+12.7%	\$ 0.482	\$ 0.466	+3.4%
Distributions per unit	\$ 0.0930	\$ 0.0885	+5.1%	\$ 0.3630	\$ 0.3450	+5.2%
Adjusted Cash Flow from Operations (ACFO)	\$ 30,617	\$ 24,872	+23.1%	\$ 76,853	\$ 78,446	-2.0%
Debt-to-GBV				38.1%	38.3%	-20 bps
Interest coverage (rolling 12 months)				2.29x	2.70x	-0.41x
Debt service coverage (rolling 12 months)				1.54x	1.65x	-0.11x

⁽¹⁾ Represents 12,088 (2022 - 12,003) suites fully owned by the REIT, 1,214 (2022 - 1,214) suites owned 50% by the REIT, and 605 (2022 - nil) suites owned 10% by the REIT.

• Overall Portfolio:

- Proportionate operating revenues for the quarter increased by \$5.0 million to \$61.9 million, an increase of 8.8% over Q4 2022. Operating revenues for the year increased by \$21.7 million, to \$238.2 million, an increase of 10.0% over 2022.
- Average monthly rent per suite increased to \$1,596 (December 2023) from \$1,479 (December 2022), an increase of 7.9%, and from \$1,576 (September 2023) an increase of 1.3%.
- Occupancy for December 2023 was 97.0%, an increase of 180 basis points compared to September 2023 and an increase of 20 basis points when compared to December 2022.
- Proportionate NOI for the quarter was \$40.6 million, an increase of \$4.0 million, or 11.1%, over Q4 2022. NOI margin for the quarter was 65.6%, an increase of 130 basis points from Q4 2022. Proportionate NOI for the year was \$156.3 million, an increase of \$17.8 million, or 12.9%, over 2022. NOI margin for the year was 65.6%, an increase of 160 basis points over 2022.

• Same Property Portfolio:

- Proportionate operating revenues for the quarter increased by \$4.6 million to \$60.6 million, an increase of 8.2% from Q4 2022. Proportionate operating revenues for the year increased by \$19.2 million to \$233.8 million, an increase of 9.0% from 2022.



- b) Average monthly rent per suite for the same property portfolio increased to \$1,585 (December 2023) from \$1,474 (December 2022), an increase of 7.5%, and from \$1,566 (September 2023) an increase of 1.2%.
 - c) Occupancy for December 2023 was 97.0%, an increase of 180 basis points compared to September 2023 and an increase of 20 basis points when compared to December 2022.
 - d) Same property proportionate NOI for the quarter was \$39.7 million, an increase of \$3.8 million, or 10.5% over Q4 2022. Same property NOI margin for the quarter was 65.6%, an increase of 140 basis points from Q4 2022. Same property proportionate NOI for the year was \$153.4 million, an increase of \$16.2 million, or 11.8% over 2022. Same property NOI margin for the year was 65.6%, an increase of 170 basis points over 2022.
- Repositioned properties had an average monthly rent per suite of \$1,568 and occupancy of 97.3% for December 2023. Repositioned properties had proportionate NOI for the quarter of \$32.6 million and NOI margin of 66.0%. On a full year basis, repositioned properties had proportionate NOI of \$125.3 million and NOI margin of 65.9%.
 - Net income for the year was \$92.2 million, a decrease of \$11.7 million compared to 2022. This decrease was due primarily to unrealized gains and losses on unit-based liabilities, where increases in the Trust's unit price creates unrealized losses, offset by fair value adjustments on investment properties and higher NOI.
 - FFO for the quarter was \$20.8 million, an increase of \$2.1 million, or 11.2%, over Q4 2022 and on a per unit basis increased by 10.1% over Q4 2022. FFO for the year was \$80.6 million, an increase of \$3.7 million, or 4.8%, over 2022 and on a per unit basis increased by 3.6% year-over-year.
 - AFFO for the quarter was \$18.1 million, an increase of \$2.1 million, or 13.1%, over Q4 2022 and on a per unit basis increased by 11.8% over Q4 2022. AFFO for the year was \$70.4 million, an increase of \$3.0 million, or 4.5%, over 2022 and on a per unit basis increased by 3.4% year-over-year.
 - ACFO increased by \$5.7 million, or 23.1%, to \$30.6 million compared to Q4 2022. ACFO for the year decreased by \$1.6 million, or 2.0% to \$76.9 million compared to 2022.
 - Debt-to-GBV at quarter end was 38.1%, a decrease of 20 basis points and a decrease of 50 basis points compared to December 2022 and September 2023, respectively.

PORTFOLIO SUMMARY

The Trust started the year with 12,610 suites. During the year ended December 31, 2023, the Trust:

- acquired a 10% interest in 605 suites in the Greater Toronto & Hamilton Area;
- added 35 suites to existing properties: two in the Greater Toronto & Hamilton Area, one in the Other Ontario region, and 32 in the Greater Montréal Area (31 suites at the Montréal intensification project and one additional suite at another property);
- brought 104 suites online at The Slayte development in the National Capital Region; and
- disposed of a 54-suite property in the National Capital Region.

At December 31, 2023, the Trust owned 12,756 suites. Management continuously reviews the markets that the REIT operates in to maintain a suitable portfolio mix. Management believes there are significant organic growth opportunities within the portfolio through continued robust rent growth, further operational streamlining, and reductions in operating costs. At December 31, 2023, 97.2% of the portfolio was included in same property suites and 79.5% of the portfolio was included in repositioned property suites. The REIT continues to evaluate opportunities within our target markets, as well as other gateway cities in Canada. Given current market conditions, the REIT will remain judicious with its investment strategy in order to continue to grow in a fiscally prudent manner. The following chart shows suite mix by region. InterRent's focus on recycling capital and growing its core markets of the Greater Toronto & Hamilton Area ("GTHA"), National Capital Region ("NCR"), Greater Montréal Area ("GMA"), and Greater Vancouver Area ("GVA") has resulted in approximately 84% of its suites being located in these core markets.

▼ SUITES BY REGION AT DECEMBER 31, 2023

Region	Total Portfolio			Same Property		
	Suites – 100% basis	Suites – proportionate	% of Portfolio	Suites – 100% basis	Suites – proportionate	% of Portfolio
Greater Toronto & Hamilton Area	4,748	4,157	32.6%	4,143	4,096	33.0%
National Capital Region	3,046	3,046	23.9%	2,905	2,905	23.4%
Other Ontario	2,004	2,004	15.7%	2,004	2,004	16.2%
Greater Montreal Area	3,243	3,116	24.4%	2,989	2,989	24.1%
Greater Vancouver Area	866	433	3.4%	809	405	3.3%
Total	13,907	12,756	100.0%	12,850	12,399	100.0%

ACQUISITIONS

During the year, the Trust completed an \$18.6 million acquisition for a 10% ownership stake in a 605-suite community at 2 & 4 Hanover Road in Brampton, Ontario. The acquisition is a joint venture with two partners, with the REIT's initial equity interest being 10% and retaining optionality to increase its ownership to one-third within the first two years after closing. The REIT also acts as property manager on behalf of the joint venture and collects industry standard fees. In the REIT's financial statements, the acquisition is accounted for using the equity method, appearing on one line in the consolidated balance sheet and consolidated statement of income (loss) together with the REIT's other equity accounted joint ventures. In this MD&A, results are presented as if this joint venture had been proportionately consolidated.

The Trust also completed the purchase of a 25% stake in a second office conversion project in Ottawa, Ontario for \$4.4 million.

DISPOSITIONS

During the year, the Trust completed the sale of a 54-suite property in Ottawa, Ontario for a sale price of \$11.5 million, or \$213,000 per suite, against a carrying value of \$10.8 million. Proceeds from the sale were used to fund the REIT's capital requirements, pay down debt, and for unit repurchases under the NCIB.

The Trust also sold five properties in Côte-Saint-Luc, Quebec totaling 224 suites for a sale price of \$46.0 million, or approximately \$205,000 per suite, which closed in February of 2024. The properties are included in assets held for sale in the REIT's December 31, 2023 consolidated balance sheets.

PROPERTIES UNDER DEVELOPMENT

Development activity is another important way through which the REIT generates long-term value through FFO and NAV accretion. The REIT's development pipeline will add much needed housing to Canada's rental market. InterRent's development strategy is to expand its portfolio in supply-constrained markets where acquiring a significant scale of stabilized, new-build rental product would be challenging. Development opportunities are regularly reviewed by Management, and are selectively undertaken based on a rigorous analysis of projected returns relative to the REIT's cost of capital, market dynamics, and broader capital allocation decision making.

The REIT currently has four ongoing development projects that, when complete, could provide over 4,000 additional suites and over 650,000 square feet of commercial and retail space.

Project	City	Suite Count	Commercial Sq. Ft.	Ownership Interest	Target Completion Date
360 Laurier	Ottawa	139	1,736	25.0%	Q3 2025
Richmond & Churchill	Ottawa	177	11,591	100.0%	H2 2027
Burlington GO Lands	Burlington	1,526 (Phases 1-2) 989 (Phases 3-4)	20,081 (Phases 1-2) 19,779 (Phases 3-4)	25.0%	2032 (Phases 1-2)
900 Albert Street	Ottawa	1,241	597,368	50.0%	TBD

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

360 LAURIER

360 Laurier Ave W is an office conversion project located in downtown Ottawa, with 139 residential suites and 1,736 sq ft of retail space across 11 storeys. The site plan control process with minor variances was approved by the City of Ottawa in October 2023. The project draft site plan was approved in December 2023, and the Trust is anticipating the full site plan agreement from the City's legal department in early Q2 2024. Investigative demolition is complete, and full demolition commenced in February. The building permit was submitted December 2023 with comments received in January 2024. The design team continues to work through the construction drawings for tendering.

RICHMOND & CHURCHILL

The zoning bylaw amendment for the property has been successfully approved by the City of Ottawa to allow for a 9-storey mixed-use building, as well as an additional rooftop amenity level. The rezoning allows the REIT to develop 177 residential suites and 11,591 sq ft of commercial space on the site. The site plan application was formally approved February 2022 and the draft Site Plan agreement was received June 2022. The REIT is working through construction drawings to gain a high degree of cost certainty through active tendering based on completed drawings, as well as positioning the REIT with the ability to obtain building permits. The REIT is also exploring incorporating a geothermal heating and cooling technology to minimize long-term operating costs, reduce greenhouse gas emissions, and qualify for potential government incentives and attractive financing.

BURLINGTON GO LANDS

A settlement was reached with the City of Burlington regarding the Phase 1 site plan application, subject to conditions, and was ultimately approved at the Ontario Land Tribunal. The REIT is finalizing working drawings for the building permit. Fulfillment of the site plan conditions and building permit submission is anticipated in Q1 2024. The full site plan contemplates 2,515 residential suites with 39,860 sq ft of commercial space. Phase 1 will include 775 units across two point towers on a 4 storey podium along with 9,304 sq ft of retail space.

900 ALBERT STREET

The site plan application was approved by Ottawa City Council in July 2020 and the final site plan agreement is currently ongoing. The approved site plan application allows for 1,241 residential suites and 511,608 sq ft of commercial space. The REIT continues to work with its partner and external consultants to develop detailed design plans in order to deliver an offering that reflects not only the current needs of the market but also incorporates concepts and technologies to ensure its continued relevance as rental housing needs continue to evolve. Management continues to monitor, and is encouraged by, the redevelopment progress in the broader LeBreton Flats area. A study of the contemplated residential, office, and retail mix is underway to optimize the layout of the site relative to current market conditions to maximize potential value. A pedestrian bridge to the LRT station has been erected by the City and is anticipated to be completed by Q3 2024.

ANALYSIS OF PROPORTIONATE OPERATING RESULTS

The following operating results are presented on a proportionate basis, inclusive of the Trust's proportionate share of equity accounted joint ventures, for the periods indicated. For a reconciliation to the Trust's operating results as reported under GAAP, see the "Non-IFRS Reconciliations and Performance Measures" section of this MD&A.

In \$ 000's	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 months Ended December 31, 2022
Gross rental revenue	\$ 61,065	\$ 55,926	\$ 236,106	\$ 216,558
Less: vacancy & rebates	(2,749)	(2,472)	(11,545)	(13,467)
Other revenue	3,565	3,412	13,619	13,363
Operating revenues	\$ 61,881	\$ 56,866	\$ 238,180	\$ 216,454
Expenses				
Property operating costs	9,676 15.6%	9,286 16.3%	38,228 16.1%	35,977 16.6%
Property taxes	6,752 10.9%	5,907 10.4%	25,577 10.7%	23,851 11.0%
Utilities	4,873 7.9%	5,134 9.0%	18,115 7.6%	18,163 8.4%
Operating expenses	\$ 21,301 34.4%	\$ 20,327 35.7%	\$ 81,920 34.4%	\$ 77,991 36.0%
Net operating income	\$ 40,580	\$ 36,539	\$ 156,260	\$ 138,463
Net operating margin	65.6%	64.3%	65.6%	64.0%

REVENUE

Management expects to continue to grow rent organically, as well as continuing to drive other ancillary revenue streams such as parking, commercial, laundry, cable and telecom revenue share agreements, and locker rentals.

Gross rental revenue for the year ended December 31, 2023 increased 9.0% to \$236.1 million compared to \$216.6 million for the year ended December 31, 2022. Operating revenue for the year was up \$21.7 million to \$238.2 million, or 10.0% compared to 2022. The Trust owned, on a weighted average basis, 12,697 suites for the year ended December 31, 2023 as compared to 12,516 for the year ended December 31, 2022, an increase of 181 suites over the period. On a per weighted average suite basis, operating revenue for 2023 was an average of \$1,563 per month (\$1,441 in 2022) an 8.5% year over year increase.

Average monthly rent for December 2023 of \$1,596 per suite has increased compared to \$1,479 for December 2022, (7.9% increase), and \$1,576 for September 2023 (1.3% increase). On a same property basis, the average rent increased by \$111 per suite (or up 7.5%) over December 2022 and by \$19 per suite (or up 1.2%) over September 2023.

▼ AVERAGE RENT BY REGION⁽¹⁾

Region	Total Portfolio			Same Property		
	December 2023	December 2022	Change	December 2023	December 2022	Change
Greater Toronto & Hamilton Area	\$1,700	\$1,561	+8.9%	\$1,698	\$1,564	+8.6%
National Capital Region ⁽¹⁾	\$1,651	\$1,543	+7.0%	\$1,623	\$1,532	+5.9%
Other Ontario	\$1,566	\$1,445	+8.4%	\$1,566	\$1,445	+8.4%
Greater Montreal Area	\$1,379	\$1,289	+7.0%	\$1,359	\$1,268	+7.2%
Greater Vancouver Area	\$1,909	\$1,768	+8.0%	\$1,932	\$1,792	+7.8%
Total	\$1,596	\$1,479	+7.9%	\$1,585	\$1,474	+7.5%

⁽¹⁾ Excludes extended stay suites.

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

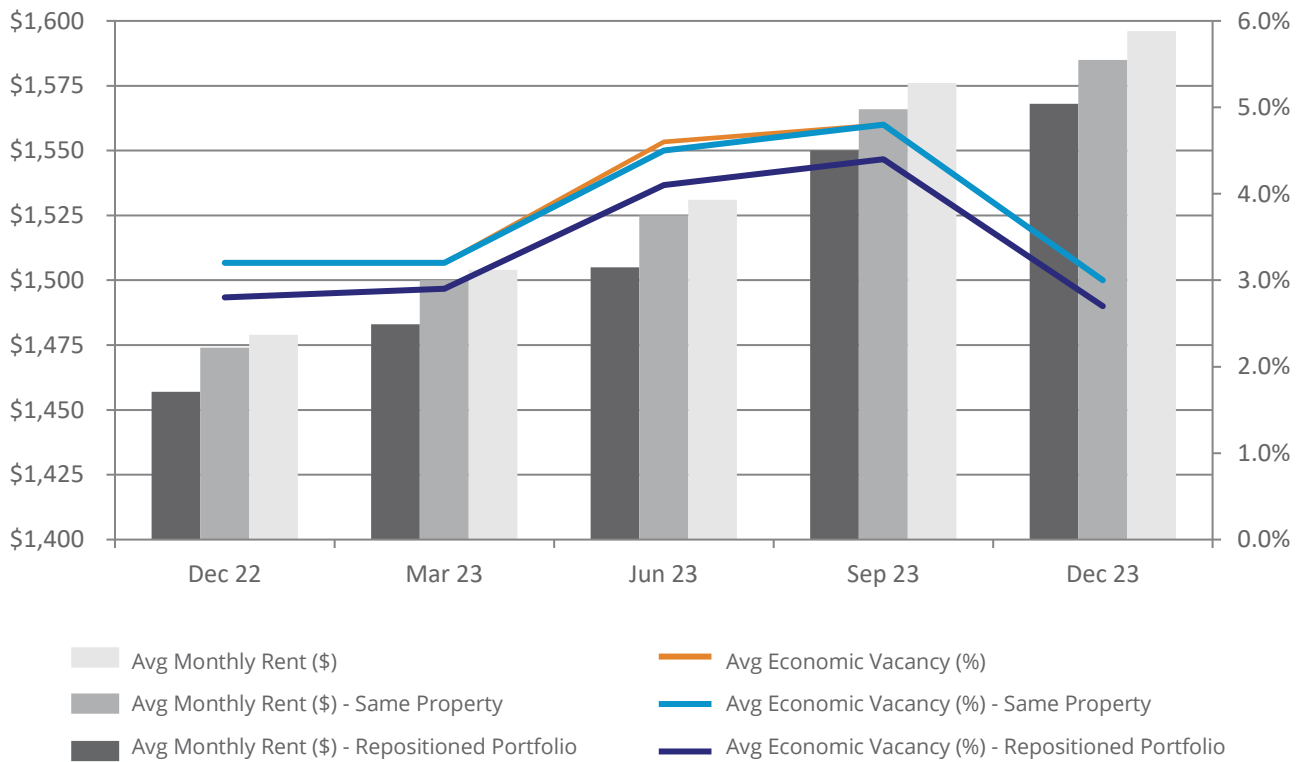
PORTFOLIO OCCUPANCY

As part of the ongoing effort to balance organic revenue growth and occupancy levels, the vacancy rate on an annual basis is expected to be in the 3%-4% range once a property is repositioned. Going forward, management believes that minor variations in economic vacancy will continue to occur from one quarter to another given the seasonal nature of rental activity. The rental growth objectives are being achieved as a direct result of:

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

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

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



	December 2022	March 2023	June 2023	September 2023	December 2023
Average monthly rents repositioned property	\$1,457	\$1,483	\$1,505	\$1,550	\$1,568
Average monthly rents same property	\$1,474	\$1,500	\$1,525	\$1,566	\$1,585
Average monthly rents all properties	\$1,479	\$1,504	\$1,531	\$1,576	\$1,596

The overall economic vacancy for December 2023 across the entire portfolio was 3.0%, a decrease of 180 basis points as compared to the 4.8% vacancy in September 2023, and a decrease of 20 basis points from 3.2% in December 2022.

The economic vacancy for December 2023 on a same property portfolio basis was 3.0%, a decrease of 180 basis points as compared to the 4.8% vacancy in September 2023, and a decrease of 20 basis points from 3.2% in December 2022. The Greater Vancouver Area is experiencing higher vacancy as it undergoes the repositioning process, and management expects this to normalize in subsequent quarters.

Amortization of rebates for 2023 was down \$2.0 million or 48% from 2022. Use of rebates peaked during the pandemic, and due to the IFRS recognition of rebates, the impact continued into 2022 as those rebates were amortized.

▼ VACANCY BY REGION

Region	Total Portfolio			Same Property		
	December 2023	December 2022	Change	December 2023	December 2022	Change
Greater Toronto & Hamilton Area	3.2%	3.0%	+20 bps	3.2%	3.0%	+20 bps
National Capital Region	2.5%	2.7%	-20 bps	2.3%	2.7%	-40 bps
Other Ontario	3.2%	3.2%	no change	3.2%	3.2%	no change
Greater Montreal Area	2.6%	4.1%	-150 bps	2.6%	3.9%	-130 bps
Greater Vancouver Area	6.7%	3.3%	+340 bps	6.6%	3.5%	+310 bps
Total	3.0%	3.2%	-20 bps	3.0%	3.2%	-20 bps

OTHER REVENUE

Other rental revenue for the year ended December 31, 2023 was up \$0.2 million to \$13.6 million compared to 2022. Increased revenues from commercial space as well as ancillary sources such as parking, laundry, locker rentals, and cable and telecom continues to be a focus as a source of organic revenue growth.

PROPERTY OPERATING COSTS

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

Property operating costs for the year ended December 31, 2023 amounted to \$38.2 million or 16.1% of revenue compared to \$36.0 million or 16.6% of revenue for the year ended December 31, 2022. As a percentage of revenue, operating costs decreased by 50 basis points as compared to 2022.

PROPERTY TAXES

Property taxes for the year ended December 31, 2023 amounted to \$25.6 million or 10.7% of revenue compared to \$23.9 million or 11.0% of revenue for 2022. Overall property taxes have increased by \$1.7 million however they have decreased as a percentage of operating revenues. The increase is from the slightly higher suite count (\$0.2 million) and annual rate increases (\$1.5 million) compared to 2022.

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, 2023 amounted to \$18.1 million or 7.6% of revenue, compared to \$18.2 million or 8.4% of revenue in 2022, a decrease of \$0.1 million or 80 basis points as a percentage of operating revenue. On a per suite basis, utility costs have decreased 1.7% compared to 2022, to \$1,427 per suite. A 10% decrease in natural gas usage was the biggest driver, driven by a combination of fewer heating degree days than in the prior year as well as the Trust's investment in energy-efficient boilers and Building Automation Systems. On average, natural gas rates were up 3% year-over-year across the portfolio due primarily to the increase in the federal carbon charge. Electricity costs on a per suite basis are consistent with last year with a 5% increase in average rates offset by a 7% decrease in usage.

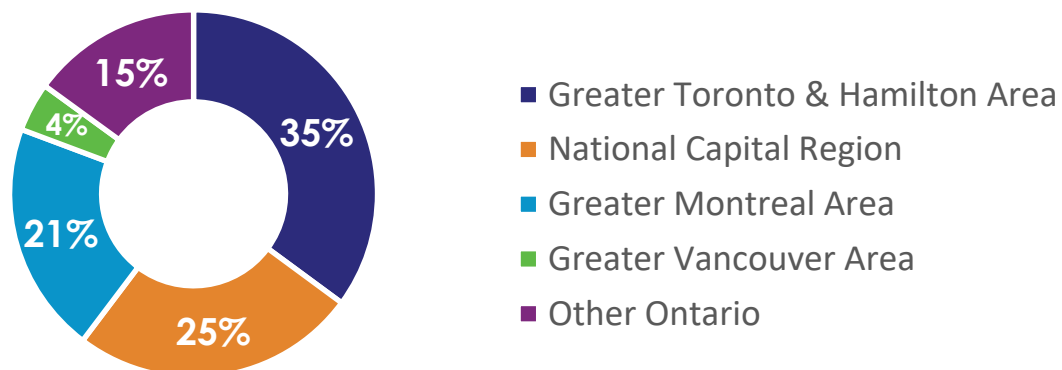
The Trust continues to manage its electricity costs through its hydro sub-metering initiative, which reduced electricity costs by 27.1%, or \$2.1 million for the year (2022 - \$2.0 million). At December 31, 2023, the REIT has approximately 83% of its portfolio that has the capability to sub-meter hydro in order to recover the cost. Of these, approximately 85% were on hydro extra leases whereby the resident either pays the local utility provider directly or the REIT recovers the cost from the resident. This represents approximately 71% of the total portfolio. Having residents responsible for utility costs encourages more conscientious behaviour and lowers consumption.

PROPORTIONATE NET OPERATING INCOME (NOI)

Proportionate NOI for the year ended December 31, 2023 amounted to \$156.3 million or 65.6% of operating revenues compared to \$138.5 million or 64.0% of operating revenue for the year ended December 31, 2022. The \$17.8 million, or 12.9%, increase was driven primarily by top line rent growth, as well as a reduction in vacancy and rebates.

Proportionate NOI for the year ended December 31, 2023 from the same property portfolio was \$153.4 million, or 65.6% of operating revenue. Management continues to focus on top line revenue growth through selective acquisitions, suite additions, organic revenue growth and ancillary revenue as well as operating cost reductions (such as efficiencies of scale, investment in energy saving initiatives, and investments in infrastructure and technology).

▼ NOI BY REGION – 3 MONTHS ENDED DECEMBER 31, 2023



SAME PROPERTY PROPORTIONATE PORTFOLIO PERFORMANCE

Same property results for the year ended December 31, 2023 are defined as all properties owned and operated by the Trust throughout the comparative periods being reported, and therefore do not take into account the impact on performance of acquisitions, dispositions or properties going through a lease-up during the period from January 1, 2022 to December 31, 2023. As at December 31, 2023, the Trust has 12,399 suites in the same property portfolio. The same property portfolio represents 97.2% of the overall portfolio.

The following same property operating results are presented on a proportionate basis, inclusive of the Trust's proportionate share of equity accounted joint ventures, for the periods ended:

In \$ 000's	3 Months Ended December 31, 2023		3 Months Ended December 31, 2022		12 Months Ended December 31, 2023		12 Months Ended December 31, 2022	
Gross rental revenue	\$ 59,893		\$ 55,128		\$ 231,826		\$ 214,777	
Less: vacancy & rebates	(2,698)		(2,425)		(11,289)		(13,368)	
Other revenue	3,413		3,334		13,272		13,167	
Operating revenues	\$ 60,608		\$ 56,037		\$ 233,809		\$ 214,576	
Expenses								
Property operating costs	9,442	15.5%	9,172	16.3%	37,411	16.0%	35,646	16.7%
Property taxes	6,643	11.0%	5,823	10.4%	25,187	10.8%	23,692	11.0%
Utilities	4,775	7.9%	5,080	9.1%	17,812	7.6%	18,055	8.4%
Operating expenses	\$ 20,860	34.4%	\$ 20,075	35.8%	\$ 80,410	34.4%	\$ 77,393	36.1%
Net operating income	\$ 39,748		\$ 35,962		\$ 153,399		\$ 137,183	
Net operating margin	65.6%		64.2%		65.6%		63.9%	

For the year ended December 31, 2023, operating revenues for the same property portfolio increased by 9.0% compared to 2022. Property operating costs are down 70 basis points as a percentage of operating revenues, property taxes are down 20 basis points, and utilities are down 80 basis points. This resulted in an overall decrease in operating expenses, as a percentage of operating revenues, of 170 basis points as compared to the same period last year.

The net impact of a 9.0% increase in operating revenue and a 3.9% increase in operating expenses was an increase in same property proportionate NOI of \$16.2 million, or 11.8%, as compared to the same period last year. NOI margin for 2023 was 65.6% as compared to 63.9% for 2022, a 170 basis point increase.

The average monthly rent for December 2023 for same property increased to \$1,585 per suite from \$1,474 (December 2022), an increase of 7.5%. Economic vacancy for December 2023 for same property was 3.0%, compared to 3.2% for December 2022.

	December 2022	March 2023	June 2023	September 2023	December 2023
Average monthly rent same property	\$1,474	\$1,500	\$1,525	\$1,566	\$1,585
Average monthly vacancy same property	3.2%	3.2%	4.5%	4.8%	3.0%

REPOSITIONED PROPERTY PROPORTIONATE PORTFOLIO PERFORMANCE

The Trust's repositioning program following the acquisition of a property typically spans 3 to 4 years, depending on how significant the capital requirements are and on the resident turnover at the property. Repositioned property suites for the three months ended December 31, 2023 are defined as all properties owned and operated by the Trust prior to January 1, 2020. As at December 31, 2023, the Trust has 10,145 repositioned property suites, which represents 79.5% of the overall portfolio.

The following repositioned property operating results are presented on a proportionate basis, inclusive of the Trust's proportionate share of equity accounted joint ventures, for the periods indicated. For a table detailing the Trust's repositioned property operating results on a GAAP basis, see the "Non-IFRS Reconciliations and Performance Measures" section of this MD&A.

In \$ 000's	3 Months Ended December 31, 2023								
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio				
Gross rental revenue	\$	48,727	\$	12,338	\$	61,065			
Less: vacancy & rebates		(2,026)		(723)		(2,749)			
Other revenue		2,680		885		3,565			
Operating revenues	\$	49,381	\$	12,500	\$	61,881			
Expenses									
Property operating costs		7,617	15.4%	2,059	16.4%	9,676	15.6%		
Property taxes		5,394	10.9%	1,358	10.9%	6,752	10.9%		
Utilities		3,788	7.7%	1,085	8.7%	4,873	7.9%		
Operating expenses	\$	16,799	34.0%	\$	4,502	36.0%	\$	21,301	34.4%
Net operating income	\$	32,582		\$	7,998		\$	40,580	
Net operating margin		66.0%			64.0%			65.6%	

In \$ 000's	12 Months Ended December 31, 2023								
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio				
Gross rental revenue	\$	188,377	\$	47,729	\$	236,106			
Less: vacancy & rebates		(8,619)		(2,926)		(11,545)			
Other revenue		10,400		3,219		13,619			
Operating revenues	\$	190,158	\$	48,022	\$	238,180			
Expenses									
Property operating costs		30,480	16.1%	7,748	16.1%	38,228	16.1%		
Property taxes		20,438	10.7%	5,139	10.7%	25,577	10.7%		
Utilities		13,897	7.3%	4,218	8.8%	18,115	7.6%		
Operating expenses	\$	64,815	34.1%	\$	17,105	35.6%	\$	81,920	34.4%
Net operating income	\$	125,343		\$	30,917		\$	156,260	
Net operating margin		65.9%			64.4%			65.6%	

The average monthly rent for December 2023 for the repositioned property portfolio was \$1,568 per suite and the economic vacancy for December 2023 was 2.7% whereas the non-repositioned properties had an average monthly rent of \$1,703 per suite and an economic vacancy of 4.3% for December 2023.

Region	Repositioned Property Portfolio			Non-Repositioned Property Portfolio		
	Suites	December 2023 Average Rent	December 2023 Vacancy	Suites	December 2023 Average Rent	December 2023 Vacancy
Greater Toronto & Hamilton Area	2,889	\$1,700	3.2%	1,268	\$1,702	3.2%
National Capital Region	2,901	1,622	2.3%	145	2,217	5.0%
Other Ontario	1,535	1,617	2.9%	469	1,402	4.4%
Greater Montreal Area	2,820	1,353	2.3%	296	1,627	4.4%
Greater Vancouver Area	-	-	-	433	1,909	6.7%
Total	10,145	\$1,568	2.7%	2,611	\$1,703	4.3%

PROPORTIONATE FINANCING AND ADMINISTRATIVE COSTS

Financing and administrative costs below are presented on a proportionate basis, inclusive of the Trust's proportionate share of equity accounted joint ventures, for the periods indicated. For a reconciliation to the Trust's financing and administrative costs as reported under GAAP, see the "Non-IFRS Reconciliations and Performance Measures" section of this MD&A.

In \$ 000's	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Net operating income	\$ 40,580	\$ 36,539	\$ 156,260	\$ 138,463
Expenses				
Financing costs	15,558	13,930	59,254	46,442
Administrative costs	4,401	3,842	16,618	14,682
Income before other income and expenses	\$ 20,621	\$ 18,767	\$ 80,388	\$ 77,339

FINANCING COSTS

Financing costs amounted to \$15.6 million or 25.1% of operating revenue for the three months ended December 31, 2023 compared to \$13.9 million or 24.5% of operating revenue for the three months ended December 31, 2022.

In \$ 000's	3 Months Ended December 31, 2023			3 Months Ended December 31, 2022		
	GAAP Basis	Proportionate Basis		GAAP Basis	Proportionate Basis	
	Amount	Amount	% of Revenue	Amount	Amount	% of Revenue
Cash based:						
Mortgage interest	\$ 15,107	\$ 15,487	25.0%	\$ 14,098	\$ 14,304	25.1%
Credit facilities	788	788	1.3%	271	271	0.5%
Interest capitalized	(878)	(1,161)	(1.9%)	(872)	(1,078)	(1.9%)
Interest income	(112)	(112)	(0.2%)	(170)	(170)	(0.3%)
Non-Cash based:						
Amortization of deferred finance cost and premiums on assumed debt	556	556	0.9%	603	603	1.1%
Total	\$ 15,461	\$ 15,558	25.1%	\$ 13,930	\$ 13,930	24.5%

Financing costs amounted to \$59.0 million or 24.9% of operating revenue for the year ended December 31, 2023 compared to \$46.4 million or 21.5% of operating revenue for the year ended December 31, 2022.

In \$ 000's	12 Months Ended December 31, 2023			12 Months Ended December 31, 2022		
	GAAP Basis	Proportionate Basis		GAAP Basis	Proportionate Basis	
	Amount	Amount	% of Revenue	Amount	Amount	% of Revenue
Cash based:						
Mortgage interest	\$ 58,063	\$ 59,218	25.0%	\$ 44,386	\$ 44,952	20.8%
Credit facilities	3,176	3,176	1.3%	2,004	2,004	0.9%
Interest capitalized	(3,627)	(4,502)	(1.9%)	(2,100)	(2,666)	(1.2%)
Interest income	(651)	(651)	(0.3%)	(480)	(480)	(0.2%)
Non-Cash based:						
Amortization of deferred finance cost and premiums on assumed debt	2,013	2,013	0.8%	2,632	2,632	1.2%
Total	\$ 58,974	\$ 59,254	24.9%	\$ 46,442	\$ 46,442	21.5%

Financing costs increased during both the three months and the year ended December 31, 2023, compared to the corresponding periods in 2022. This increase was primarily driven by refinancing activities and successful up-financing initiatives carried out throughout 2022 and 2023, which led to a higher level of outstanding mortgage debt with a higher weighted average interest rate. Additionally, the REIT experienced higher levels of debt on its credit facilities compared the corresponding periods, with interest rates higher than those of the equivalent prior period as variable rates rose through 2022 and 2023.

The REIT capitalized more interest in 2023 than in the prior year, resulting from an increased value in properties under development throughout much of 2023 as well as increased rates compared to the prior period. The REIT capitalizes the amount of interest that could have been avoided during the development period if expenditures for the assets had not been made. In assessing avoidable interest, the REIT first applies interest from any liabilities secured by the properties under development whose funds are used specifically for that property. To the extent that expenditures exceed those liabilities, the REIT then uses the prevailing rate on its drawn credit facilities. To the extent the expenditures exceed the drawn amounts on its credit facilities, the REIT then uses the prevailing CMHC insured mortgage rate to calculate the remaining interest.

Mortgage interest is one of the single largest expense line items for the REIT. Throughout 2023, there was considerable rate volatility as the Bank of Canada combatted persistent inflation, while periods of uncertainty affected the debt markets. Over the course of the year, CMHC insured mortgage rates fluctuated significantly, ranging from 3.50% to 5.25% for 5-year terms and from 3.60% to 5.30% for 10-year terms.

The REIT has remained proactive in managing its mortgage ladder during Q4, closely monitoring the debt markets and utilizing early rate locks or hedges when deemed advantageous to mitigate interest rate risk.

ADMINISTRATIVE COSTS

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

Administrative costs for the year ended December 31, 2023 amounted to \$16.6 million, or 7.0% of operating revenue, compared to \$14.7 million for the same period in 2022, being 6.8% of operating revenue. Approximately 5% of the 2023 figure relates to ESG actions (in line with 2022), including the impact of InterRent's initiative to support refugees from Ukraine and Afghanistan, foundational work for the REIT's climate commitments, and various biodiversity initiatives across the portfolio.

During the year ended December 31, 2023, the Trust incurred \$0.8 million of property management costs (2022 - \$0.5 million). These costs represent salaries, employee benefits, travel, and other expenses incurred in order to earn fees for the property and project management services for 1,819 residential suites within its joint operations and joint ventures. Property management fees are presented in other income and fees.

In December of 2023 the Trust revealed a refresh of its brand identity to better reflect the evolving needs of its customers. The change includes a new logo, visual identity, and a redesigned website. To support this initiative, the Trust incurred \$0.2 million (2022 - nil) of incremental administrative costs during the year.

PROPORTIONATE OTHER INCOME AND EXPENSES

The following table of other income and expenses is presented on a proportionate basis, inclusive of the Trust's proportionate share of equity accounted joint ventures, for the periods indicated. For a reconciliation to the Trust's other income and expenses as reported under GAAP, see the "Non-IFRS Reconciliations and Performance Measures" section of this MD&A.

In \$ 000's	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Income before other income and expenses	\$ 20,621	\$ 18,767	\$ 80,388	\$ 77,339
Other income and expenses				
Fair value adjustments of investment properties	14,775	(107,714)	15,420	(8,325)
Other income and fees	593	328	2,001	1,218
Loss on sale of investment properties	-	-	(32)	-
Unrealized gain/(loss) on financial liabilities	(8,094)	(11,611)	(2,779)	36,529
Distributions expense on units classified as financial liabilities	(642)	(720)	(2,758)	(2,802)
Net income (loss)	\$ 27,253	\$ (100,950)	\$ 92,240	\$ 103,959

OTHER INCOME AND FEES

The Trust has contractual arrangements and receives compensation to perform the property and project management services for 1,819 residential suites within its joint operations and joint ventures.

SALE OF ASSETS

During the year ended December 31, 2023, the Trust sold one investment property for a total transaction price of \$11.5 million compared to a carrying value of \$10.8 million. The property was sold for \$0.7 million above its fair market value however selling costs of \$0.7 million (which includes commission, legal expense and any unamortized portion of the CMHC insurance premium) were incurred as part of the transactions, resulting in a small loss on disposition.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at December 31, 2023 and 2022 was determined internally by the Trust. In order to substantiate management's valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all of the portfolio at December 31, 2023 and 2022. For the year ended December 31, 2023, a proportionate fair value gain of \$15.4 million was recorded as a result of changes in the fair value of investment properties. The weighted average capitalization rate used across the portfolio at the end of 2023 was 4.22%, unchanged from Q3 2023 and up 18 basis points from the 4.04% for Q4 2022.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a price of \$13.23 (December 31, 2022 - \$12.80) 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, 2023 was \$56.6 million and a corresponding fair value loss of \$1.7 million was recorded on the consolidated statement of income for the year ended December 31, 2023.

The total fair value of the performance and restricted units recorded on the consolidated balance sheet at December 31, 2023 was \$2.6 million with \$0.2 million fair value gain recorded on the consolidated statement of income for the year ended December 31, 2023.

The Trust determined the fair value of the option plan (unit-based compensation liability) at December 31, 2023 was \$0.1 million with a minimal fair value loss recorded on the consolidated statement of income for the year ended December 31, 2023.

The total fair value of the Class B LP Unit Liability recorded on the consolidated balance sheet at December 31, 2023 was \$28.6 million with a minimal fair value loss recorded on the consolidated statement of income for the year ended December 31, 2023.

The Trust uses rate swaps and forward rate locks in order to reduce its exposure to movements in interest rates. During the year, the Trust entered into eight forward rate locks to effectively lock-in interest rates on upcoming planned financings. As a result of the market interest rates at year end and settlements during the year, the REIT recognized an unrealized loss of \$0.8 million on interest rate swaps and an unrealized loss of \$0.4 million on forward rate locks.

In \$ 000's	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Fair value gain/(loss) on financial liabilities:				
Deferred unit compensation plan	\$ (3,120)	\$ (5,340)	\$ (1,679)	\$ 18,215
Performance and restricted unit compensation plan	(58)	(107)	216	(26)
Option plan	(56)	(281)	(39)	885
Class B LP unit liability	(1,599)	(4,536)	(41)	15,383
Rate swaps	(1,632)	(113)	(813)	2,072
Forward rate locks	(1,629)	(1,234)	(423)	-
Fair value gain/(loss) on financial liabilities	\$ (8,094)	\$ (11,611)	\$ (2,779)	\$ 36,529

DISTRIBUTION EXPENSE

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

INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2022 to December 31, 2023:

In \$ 000's	December 31, 2023	
	GAAP Basis	Proportionate Basis
Balance, December 31, 2022	\$ 4,253,924	\$ 4,298,865
Acquisitions	-	22,504
Dispositions	(10,892)	(10,892)
Reclassification to assets held for sale	(45,368)	(45,368)
Property capital investments	106,124	109,018
Fair value gains	11,954	15,420
Total investment properties	\$ 4,315,742	\$ 4,389,547

The Trust's repositioning program following the acquisition of a property typically spans 3 to 4 years, depending on how significant the capital requirements are and on the resident turnover at the property. For the purpose of identifying capital expenditures related to properties being repositioned, for 2023 the REIT uses a cut-off of December 31, 2019. Any property purchased after this date is considered a repositioning property and capital expenditures are all part of the program to improve the property by lowering operating costs and/or enhancing

revenue. For properties acquired prior to January 1, 2020, management reviews the capital expenditures to identify and allocate, to the best of its abilities, those that relate to enhancing the value of the property (either through lowering operating costs or increasing revenue) and those expenditures that relate to sustaining and maintaining the existing space. There are 10,145 suites in the REIT's portfolio that were acquired prior to January 1, 2020 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

The Trust continues to invest in its portfolio as a driver of future organic growth, spending \$109.0 million on a proportionate basis during the year of which \$32.8 million was spent on improvements for non-repositioned properties (\$12,562 per suite), \$4.7 million for the HST self-assessment on 473 Albert, \$3.1 million on the Montreal intensification project, \$11.3 million on properties under development, and \$57.1 million on the repositioned portfolio (\$5,628 per suite). This significant level of capital expenditures allows the Trust to rejuvenate multi-family supply, thereby extending the life of the properties, and creates safe living spaces that our residents can be proud to call home.

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2022 to December 31, 2023.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in \$ 000's)
December 31, 2022	141,888,874	\$1,052,858
Units purchased and cancelled	(157,200)	(1,998)
Units issued from exchange of Class B units	1,250,000	15,115
Units issued under the deferred unit plan	34,480	449
Units issued under distribution reinvestment plan	1,646,072	20,683
Units issued from options exercised	120,925	1,572
December 31, 2023	144,783,151	\$1,088,679

As at December 31, 2023 there were 144,783,151 Trust Units issued and outstanding. During the year ended December 31, 2023 the Trust purchased 157,200 units for \$2.0 million. Average price per Unit was \$12.71 and all units purchased were cancelled. A company controlled by an officer and Trustee of the Trust exchanged 1,250,000 Class B LP Units for 1,250,000 Trust Units. All Class B LP Units are exchangeable at the option of the holder and the exchange occurred at market prices.

DISTRIBUTIONS

The distributions per Unit were \$0.3630 and \$0.3450 for the years ended December 31, 2023 and 2022, respectively. The Trust is currently making monthly distributions of \$0.0315 per Unit, which equates to \$0.378 per Unit on an annualized basis. For the year ended December 31, 2023, the Trust's FFO and AFFO were \$0.551 and \$0.482 per unit (diluted) respectively, compared to \$0.532 and \$0.466 for the year ended December 31, 2022.

Distributions to Unitholders are as follows:

In \$ 000's	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Distributions declared to Unitholders	\$ 52,056	\$ 48,664
Distributions reinvested through DRIP	(20,683)	(18,208)
Distributions declared to Unitholders, net of DRIP	\$ 31,373	\$ 30,456
DRIP participation rate	39.7%	37.4%

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

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Trust units	144,576,192	141,641,870	143,354,903	140,980,833
LP Class B units	2,160,766	3,410,766	2,773,780	3,410,766
Weighted average units outstanding - Basic	146,736,958	145,052,636	146,128,683	144,391,599
Unexercised dilutive options ⁽¹⁾	47,290	95,772	47,290	95,772
Weighted average units outstanding - Diluted	146,784,248	145,148,408	146,175,973	144,487,371

⁽¹⁾ Calculated using the treasury method.

NON-IFRS RECONCILIATIONS AND PERFORMANCE MEASURES

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

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

FFO Reconciliation In \$000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Net income	\$ 27,253	\$ (100,950)	\$ 92,240	\$ 103,959
Add (deduct):				
Fair value adjustments on investment property	(14,644)	107,714	(11,954)	8,325
Loss on sale of investment properties	-	-	32	-
Adjustment for equity accounted joint ventures	(131)	-	(3,466)	-
Unrealized (gain) loss on financial instruments	8,094	11,611	2,779	(36,529)
Interest expense on puttable units classified as liabilities	201	302	971	1,178
Funds from Operations (FFO)	\$ 20,773	\$ 18,677	\$ 80,602	\$ 76,933
FFO per weighted average unit - basic	\$ 0.142	\$ 0.129	\$ 0.552	\$ 0.533
FFO per weighted average unit - diluted	\$ 0.142	\$ 0.129	\$ 0.551	\$ 0.532

AFFO Reconciliation In \$000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Funds from Operations	\$ 20,773	\$ 18,677	\$ 80,602	\$ 76,933
Add (deduct):				
Actual maintenance capital investment	(2,641) ⁽¹⁾	(2,646) ⁽¹⁾	(10,206) ⁽¹⁾	(9,567) ⁽¹⁾
Adjusted Funds from Operations (AFFO)	\$ 18,132	\$ 16,031	\$ 70,396	\$ 67,366
AFFO per weighted average unit - basic	\$ 0.124	\$ 0.111	\$ 0.482	\$ 0.467
AFFO per weighted average unit - diluted	\$ 0.124	\$ 0.110	\$ 0.482	\$ 0.466

⁽¹⁾ Maintenance capital investment total is for the 10,145 (2022 - 8,951) repositioned suites

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

ACFO Reconciliation In \$000's, except per Unit amounts and Units outstanding	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Cash generated from operating activities	\$ 33,885	\$ 27,863	\$ 89,619	\$ 91,181
Add (deduct):				
Changes in non-cash working capital not indicative of sustainable cash flows	-	300	(300)	(350)
Amortization of finance costs	(556)	(603)	(2,013)	(2,632)
Principal portion of lease payments	(71)	(42)	(247)	(186)
Actual maintenance capital investment	(2,641)	(2,646)	(10,206)	(9,567)
ACFO	\$ 30,617	\$ 24,872	\$ 76,853	\$ 78,446
Distributions declared ⁽¹⁾	\$ 13,663	\$ 12,844	\$ 53,027	\$ 49,842
Excess of ACFO over distributions declared	\$ 16,954	\$ 12,028	\$ 23,826	\$ 28,604
ACFO payout ratio	44.6%	51.6%	69.0%	63.5%

⁽¹⁾ Includes distributions on LP Class B units

For the year ended December 31, 2023, ACFO exceeded distributions declared by \$23.8 million. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

CASH FROM OPERATING ACTIVITIES AND CASH DISTRIBUTIONS

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

In \$ 000's	3 Months Ended December 31, 2023	3 Months Ended December 31, 2022	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
Net income (loss)	\$ 27,253	\$ (100,950)	\$ 92,240	\$ 103,959
Cash flows from operating activities	33,885	27,863	89,619	91,181
Distributions paid ⁽¹⁾	8,395	7,873	32,038	31,373
Distributions declared ⁽¹⁾	13,663	12,844	53,027	49,842
Excess (deficit) of net income/loss compared to distributions paid	18,858	(108,823)	60,202	72,586
Excess (deficit) of net income/loss compared to distributions declared	13,590	(113,794)	39,213	54,117
Excess of cash flows from operations over distributions paid	25,490	19,990	57,581	59,808
Excess of cash flows from operations over distributions declared	20,222	15,019	36,592	41,339

⁽¹⁾ Includes distributions on LP Class B units

For the year ended December 31, 2023, cash flows from operating activities exceeded distributions paid by \$57.6 million. Net income (loss) is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value change on financial instruments, which are not reflective of the Trust's ability to make distributions. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

QUARTERLY PERFORMANCE HIGHLIGHTS

Selected Consolidated Information In \$000's, except per Unit amounts and other non-financial data	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total suites	12,756	12,728	12,709	12,689	12,610	12,573	12,573	12,445
Average rent per suite ⁽¹⁾	\$ 1,596	\$ 1,576	\$ 1,531	\$ 1,504	\$ 1,479	\$ 1,462	\$ 1,433	\$ 1,404
Occupancy rate ⁽¹⁾	97.0%	95.2%	95.4%	96.8%	96.8%	95.6%	95.1%	95.5%
Proportionate operating revenues	\$ 61,881	\$ 59,596	\$ 59,963	\$ 57,740	\$ 56,866	\$ 54,866	\$ 52,845	\$ 51,877
Proportionate net operating income (NOI)	\$ 40,580	\$ 40,291	\$ 39,068	\$ 36,321	\$ 36,539	\$ 36,309	\$ 33,446	\$ 32,169
NOI %	65.6%	67.6%	66.3%	62.9%	64.3%	66.2%	63.3%	62.0%
Same Property average rent per suite ⁽¹⁾	\$ 1,585	\$ 1,566	\$ 1,523	\$ 1,498	\$ 1,474	\$ 1,460	\$ 1,430	\$ 1,404
Same Property occupancy rate ⁽¹⁾	97.0%	95.2%	95.4%	96.9%	96.8%	95.6%	95.1%	95.5%
Same Property proportionate operating revenues	\$ 60,608	\$ 58,493	\$ 57,787	\$ 56,915	\$ 56,037	\$ 54,064	\$ 52,662	\$ 51,814
Same Property proportionate NOI	\$ 39,748	\$ 39,527	\$ 38,334	\$ 35,781	\$ 35,962	\$ 35,769	\$ 33,322	\$ 32,129
Same Property NOI %	65.6%	67.6%	66.3%	62.9%	64.2%	66.2%	63.3%	62.0%
Net Income (loss)	\$ 27,253	\$ (54,560)	\$ 36,786	\$ 82,761	\$ (100,950)	\$ 32,670	\$ 77,607	\$ 94,632
FFO	\$ 20,773	\$ 21,303	\$ 19,584	\$ 18,910	\$ 18,677	\$ 20,309	\$ 18,880	\$ 19,067
FFO per weighted average unit - diluted	\$ 0.142	\$ 0.146	\$ 0.134	\$ 0.130	\$ 0.129	\$ 0.140	\$ 0.131	\$ 0.133
AFFO	\$ 18,132	\$ 18,925	\$ 16,877	\$ 16,430	\$ 16,031	\$ 17,806	\$ 16,262	\$ 17,267
AFFO per weighted average unit - diluted	\$ 0.124	\$ 0.129	\$ 0.116	\$ 0.113	\$ 0.110	\$ 0.123	\$ 0.113	\$ 0.120
Distributions per unit	\$ 0.0930	\$ 0.0900	\$ 0.0900	\$ 0.0900	\$ 0.0885	\$ 0.0855	\$ 0.0855	\$ 0.0855
ACFO	\$ 30,617	\$ 17,415	\$ 20,627	\$ 8,194	\$ 24,872	\$ 23,756	\$ 16,648	\$ 13,170
Debt-to-GBV	38.1%	38.6%	37.7%	38.0%	38.3%	37.4%	37.3%	36.4%
Interest coverage (rolling 12 months)	2.29x	2.30x	2.37x	2.52x	2.70x	2.96x	3.19x	3.31x
Debt service coverage (rolling 12 months)	1.54x	1.52x	1.54x	1.59x	1.65x	1.75x	1.82x	1.84x

⁽¹⁾ Last month of the quarter

RECONCILIATION OF Q4 PROPORTIONATE INCOME STATEMENT

The following table reconciles the Trust's consolidated statement of income (loss) on a GAAP basis to a proportionate basis for the periods ended:

In \$ 000's	3 Months Ended December 31, 2023			3 Months Ended December 31, 2022		
	GAAP Basis	Adjustments for Proportionate Interest	Proportionate Share Basis	GAAP Basis	Adjustments for Proportionate Interest	Proportionate Share Basis
Operating revenues						
Revenue from Investment properties	\$ 61,526	\$ 355	\$ 61,881	\$ 56,855	\$ 11	\$ 56,866
Operating expenses						
Property operating costs	9,617	59	9,676	9,284	2	9,286
Property taxes	6,711	41	6,752	5,907	-	5,907
Utilities	4,831	42	4,873	5,134	-	5,134
Total operating expenses	21,159	142	21,301	20,325	2	20,327
Net operating income	40,367	213	40,580	36,530	9	36,539
Financing costs	15,461	97	15,558	13,930	-	13,930
Administrative costs	4,401	-	4,401	3,844	(2)	3,842
Income before other income and expenses	20,505	116	20,621	18,756	11	18,767
Other income and expenses						
Fair value adjustments on investment properties	14,644	131	14,775	(107,714)	-	(107,714)
Other income and fees	593	-	593	328	-	328
Income from investment in joint ventures	247	(247)	-	11	(11)	-
Loss on sale of investment properties	-	-	-	-	-	-
Other fair value gains/losses	(8,094)	-	(8,094)	(11,611)	-	(11,611)
Interest on units classified as financial liabilities	(642)	-	(642)	(720)	-	(720)
Net income for the period	\$ 27,253	\$ -	\$ 27,253	\$ (100,950)	\$ -	\$ (100,950)

RECONCILIATION OF FULL YEAR PROPORTIONATE INCOME STATEMENT

The following table reconciles the Trust's consolidated statement of income (loss) on a GAAP basis to a proportionate basis for the years ended:

In \$ 000's	12 Months Ended December 31, 2023			12 Months Ended December 31, 2022		
	GAAP Basis	Adjustments for Proportionate Interest	Proportionate Share Basis	GAAP Basis	Adjustments for Proportionate Interest	Proportionate Share Basis
Operating revenues						
Revenue from Investment properties	\$ 237,135	\$ 1,045	\$ 238,180	\$ 216,400	\$ 54	\$ 216,454
Operating expenses						
Property operating costs	38,046	182	38,228	35,963	14	35,977
Property taxes	25,457	120	25,577	23,851	-	23,851
Utilities	18,018	97	18,115	18,163	-	18,163
Total operating expenses	81,521	399	81,920	77,977	14	77,991
Net operating income	155,614	646	156,260	138,423	40	138,463
Financing costs	58,974	280	59,254	46,442	-	46,442
Administrative costs	16,616	2	16,618	14,679	3	14,682
Income before other income and expenses	80,024	364	80,388	77,302	37	77,339
Other income and expenses						
Fair value adjustments on investment properties	11,954	3,466	15,420	(8,325)	-	(8,325)
Other income and fees	2,001	-	2,001	1,218	-	1,218
Income from investment in joint ventures	3,830	(3,830)	-	37	(37)	-
Loss on sale of investment properties	(32)	-	(32)	-	-	-
Other fair value gains/losses	(2,779)	-	(2,779)	36,529	-	36,529
Interest on units classified as financial liabilities	(2,758)	-	(2,758)	(2,802)	-	(2,802)
Net income for the period	\$ 92,240	\$ -	\$ 92,240	\$ 103,959	\$ -	\$ 103,959

REPOSITIONED PROPERTY OPERATING RESULTS (GAAP BASIS)

The following table presents the Trust's repositioned property operating results on a GAAP basis for the periods ended:

In \$ 000's	3 Months Ended December 31, 2023					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	\$ 48,727		\$ 12,005		\$ 60,732	
Less: vacancy & rebates	(2,026)		(716)		(2,742)	
Other revenue	2,680		856		3,536	
Operating revenues	\$ 49,381		\$ 12,145		\$ 61,526	
Expenses						
Property operating costs	7,617	15.4%	2,000	16.5%	9,617	15.6%
Property taxes	5,394	10.9%	1,317	10.8%	6,711	10.9%
Utilities	3,788	7.7%	1,043	8.6%	4,831	7.9%
Operating expenses	\$ 16,799	34.0%	\$ 4,360	35.9%	\$ 21,159	34.4%
Net operating income	\$ 32,582		\$ 7,785		\$ 40,367	
Net operating margin	66.0%		64.1%		65.6%	

In \$ 000's	12 Months Ended December 31, 2023					
	Repositioned Property Portfolio		Non-Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	\$ 188,377		\$ 46,734		\$ 235,111	
Less: vacancy & rebates	(8,619)		(2,879)		(11,498)	
Other revenue	10,400		3,122		13,522	
Operating revenues	\$ 190,158		\$ 46,977		\$ 237,135	
Expenses						
Property operating costs	30,480	16.1%	7,566	16.1%	38,046	16.1%
Property taxes	20,438	10.7%	5,019	10.7%	25,457	10.7%
Utilities	13,897	7.3%	4,121	8.8%	18,018	7.6%
Operating expenses	\$ 64,815	34.1%	\$ 16,706	35.6%	\$ 81,521	34.4%
Net operating income	\$ 125,343		\$ 30,271		\$ 155,614	
Net operating margin	65.9%		64.4%		65.6%	

RECONCILIATION OF PROPORTIONATE BALANCE SHEET

The following table reconciles the Trust's consolidated balance sheet on a GAAP basis to a proportionate basis as at:

In \$ 000's	December 31, 2023			December 31, 2022		
	GAAP Basis	Adjustments for Proportionate Interest	Proportionate Share Basis	GAAP Basis	Adjustments for Proportionate Interest	Proportionate Share Basis
Assets						
Investment properties	\$ 4,315,742	\$ 73,805	\$ 4,389,547 ⁽¹⁾	\$ 4,253,924	\$ 44,941	\$ 4,298,865 ⁽¹⁾
Investment in joint ventures	47,454	(47,454)	-	31,160	(31,160)	-
Prepays and deposits	2,403	45	2,448	2,639	-	2,639
Assets held for sale	45,432	-	45,432	-	-	-
Receivables and other assets	22,760	4,365	27,125	23,603	3,865	27,468
Cash	2,547	791	3,338	4,267	611	4,878
Total Assets	\$ 4,436,338	\$ 31,552	\$ 4,467,890	\$ 4,315,593	\$ 18,257	\$ 4,333,850
Liabilities						
Mortgages payable	\$ 1,650,035	\$ 31,098	\$ 1,681,133	\$ 1,654,449	\$ 18,133	\$ 1,672,582
Credit facilities	40,847	-	40,847	-	-	-
Class B LP unit liability	28,587	-	28,587	43,658	-	43,658
Unit-based compensation liabilities	59,721	-	59,721	54,131	-	54,131
Lease liabilities	1,672	-	1,672	1,903	-	1,903
Tenant rental deposits	19,781	115	19,896	18,226	-	18,226
Liabilities associated with assets held for sale	22,988	-	22,988	-	-	-
Accounts payable and accrued liabilities	39,326	339	39,665	45,850	124	45,974
Total liabilities	1,862,957	31,552	1,894,509	1,818,217	18,257	1,836,474
Unitholders' equity						
Unit capital	1,088,679	-	1,088,679	1,052,858	-	1,052,858
Retained earnings	1,484,702	-	1,484,702	1,444,518	-	1,444,518
Total Unitholders' equity	2,573,381	-	2,573,381	2,497,376	-	2,497,376
Total liabilities and Unitholders' equity	\$ 4,436,338	\$ 31,552	\$ 4,467,890	\$ 4,315,593	\$ 18,257	\$ 4,333,850

⁽¹⁾ Proportionate investment properties consists of \$4,298,385 of income producing properties (December 2022 - \$4,152,141) and \$91,162 of properties under development (December 2022 - \$146,724).

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 38.1% of Gross Book Value ("GBV") at December 31, 2023. 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, 2023	December 31, 2022
Total assets per balance sheet	\$ 4,436,338	\$ 4,315,593
Mortgages payable	1,650,035	\$ 1,654,449
Credit facilities	40,847	-
Total debt	\$ 1,690,882	\$ 1,654,449
Debt-to-GBV	38.1%	38.3%

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

INTEREST AND DEBT SERVICE COVERAGE

The following schedule summarizes the interest and debt service coverage ratios for InterRent for the comparable rolling 12-month periods ending December 31, 2023 (GAAP basis):

In \$000's	12 Months Ended December 31, 2023	12 Months Ended December 31, 2022
NOI	\$ 155,614	\$ 138,423
Less: Administrative costs	16,616	14,679
EBITDA	\$ 138,998	\$ 123,744
Interest expense ⁽¹⁾	\$ 60,588	\$ 45,910
Interest coverage ratio	2.29x	2.70x
Contractual principal repayments	\$ 29,806	\$ 28,936
Total debt service payments	\$ 90,394	\$ 74,846
Debt service coverage ratio	1.54x	1.65x

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

MORTGAGE AND DEBT SCHEDULE

The following schedule summarizes the aggregate future minimum principal payments and debt maturities for the mortgages of InterRent REIT, excluding mortgages associated with assets held for sale:

Year Maturing	Mortgage Balances At December 31, 2023 (in \$ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2024	\$ 281,226	16.6%	5.56%
2025	\$ 226,642	13.4%	3.25%
2026	\$ 144,141	8.5%	2.84%
2027	\$ 212,074	12.5%	3.74%
2028	\$ 241,153	14.3%	3.13%
Thereafter	\$ 586,071	34.7%	2.98%
Total	\$ 1,691,307	100.0%	3.50%

At December 31, 2023, the average term to maturity of the mortgage debt was approximately 4.7 years and the weighted average cost of mortgage debt was 3.50%. At December 31, 2023, approximately 83% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the year, the Trust closed on three new mortgages for gross loan proceeds of \$67.7 million, up-financed two mortgages for gross loan proceeds of \$33.3 million (maturing loans totaled \$20.2 million), renewed ten mortgages totaling \$119.3 million, and renewed a mortgage facility totaling \$67.5 million (net of a \$27.2 million paydown). Further to this the Trust assumed two mortgages totaling \$13.8 million as part of acquisitions through its joint ventures, accounted through the equity method on the financial statements. The net result at December 31, 2023 compared to December 31, 2022 was:

- Slight drop in overall term to maturity, to 4.7 years in 2023 from 5.2 years at the end of 2022;
- An increase in the weighted average cost of mortgage debt to 3.50% from 3.22%; and
- A slight increase in the mortgage debt backed by CMHC from 82% to 83%

As at December 31, 2023, the Trust had the following credit facilities:

- A \$3.0 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at prime plus a pre-defined spread. As at December 31, 2023, the Trust had no amounts drawn on this facility.
- A \$105.0 million term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on eight of the Trust's properties. Interest is charged at a pre-defined spread for prime advances and banker's acceptances. As at December 31, 2023, the Trust had utilized \$40.8 million of this facility.
- A \$15.0 million term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, a first mortgage on one of the Trust's properties and second collateral mortgages on one of the Trust's properties. Interest is charged at prime plus a pre-defined spread. As at December 31, 2023, the Trust had a minimal amount outstanding on this facility.
- A \$100.0 million term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, first mortgages on two of the Trust's properties and second collateral mortgages on four of the Trust's properties. Interest is charged at a pre-defined spread for prime advances and banker's acceptances. As at December 31, 2023, the Trust had no amounts drawn on this facility.

ACCOUNTING

FUTURE ACCOUNTING CHANGES

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

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or noncurrent. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The implementation of these amendments will not have a significant impact on the Trust as the balance sheet is presented on a liquidity basis.

RISKS AND UNCERTAINTIES

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

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

CURRENT ECONOMIC RISKS

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

REAL ESTATE INDUSTRY RISK

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

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

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

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

MULTI-UNIT RESIDENTIAL SECTOR RISK

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

PROPERTY VALUATION RISK

The Trust conducts a valuation assessment on its properties on a quarterly basis. Property values fluctuate over time in response to market factors and the underlying inputs used in the valuation model, and therefore the fair value of the Trust's portfolio could change materially. The Trust is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the valuation model. In order to substantiate the management's valuation, the Trust engages a leading independent real estate appraisal firm to provide appraisals for substantially all of the portfolio on an annual basis. Errors in the inputs or assumptions may result in an inaccurate valuation of the properties. Any changes to the value of the Trust's properties may impact Unitholder value.

INFLATION RISKS

Although the inflation rate in Canada has declined since June 2022, it still remains at a high level. The rate of inflation impacts the economic and business environments in which the Trust operates. Recent inflationary pressures experienced domestically and globally, external supply constraints, tight labour markets and strong demand for

goods and resources, together with the imposition by governments of higher interest rates or wage and price controls as a means of curbing inflationary increases, will put pressure on the Trust's development, financing, operation and labour costs and could negatively impact levels of demand for real property.

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

ENVIRONMENTAL AND CLIMATE CHANGE RISKS

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

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

ESG TARGETS AND COMMITMENTS RISK

InterRent has announced certain targets and ambitions relating to ESG. To achieve these goals and to respond to changing market demand, InterRent may incur additional costs and invest in new technologies. It is possible that the return on these investments may be less than InterRent expects, which may have an adverse effect on its business, financial condition and reputation.

PANDEMICS AND OTHER PUBLIC HEALTH CRISES RISK

Pandemics and other public health crises can result in significant economic disruptions, slowdowns and increased volatility in financial markets, which could have adverse consequences on InterRent including, but not limited to,

business continuity interruptions, disruptions and costs of development activities, unfavorable market conditions, and threats to the health and safety of employees. Such occurrences could also potentially affect the market price for the equity securities of InterRent, its current credit rating, total return and distributions. InterRent's residents may also face economic challenges as a result of a pandemic or other public health crisis that may adversely affect their ability to pay rent in full, on a timely basis or at all. Such events could materially adversely affect InterRent's operations, reputation and financial condition, including the fair value of InterRent's properties.

JOINT VENTURE AND CO-OWNERSHIP RISK

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

COMPETITION RISK

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

GENERAL UNINSURED LOSSES

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

CREDIT RISK - LEASES

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

LOCAL REAL ESTATE MARKET RISK AND ASSET CONCENTRATION

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

RENT CONTROL LEGISLATION RISK

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

Certain provinces of Canada have enacted residential tenancy legislation which imposes, among other things, rent control guidelines that limit the Trust's ability to raise rental rates at its properties. Limits on the Trust's ability to

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

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

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

UTILITY AND PROPERTY TAX RISK

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

OPERATIONAL RISK

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

RENOVATION RISKS

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

DEVELOPMENT RISK

Development projects are subject to risks associated with (i) a failure to receive, or a delay in receiving, zoning, occupancy and other required permits and authorizations; (ii) construction delays, cost overruns, or other unanticipated increases to project costs; (iii) the availability of project financing; (iv) the ability to achieve timely occupancy upon completion; (v) the potential that the Trust will incur costs on projects which are not completed; and (vi) contractor and subcontractor disputes, strikes, labour disputes, or supply disruptions. The above risks could result in additional delays or expenses and could impact the Trust's operations and financial results.

SUPPLY CHAIN RISK

On January 1, 2024, an Act to enact the Fight Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff ("Supply Chains Act") came into force. Starting in May 2024, the Supply Chains Act introduce a public reporting requirement that will apply to many governmental institutions and private sector businesses, including InterRent. While there are no identified instances of InterRent using forced labour or child labour in its supply chain, there is a risk that InterRent's supply chain may have actual or alleged forced or child labour. Should such an instance arise, InterRent would be required to take measures to address such a claim or risk of a claim, including disrupting its supply chain operations in pursuit of such a remedy, which could result in operational, financial, business or reputational harm.

FLUCTUATIONS AND AVAILABILITY OF CASH DISTRIBUTIONS

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

CYBER SECURITY RISK

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

MARKET PRICE OF UNITS

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

DILUTION RISK

InterRent may, in its sole discretion, issue additional Units, or securities convertible or exchangeable into Units, from time to time, and the voting power and/or economic interest of Unitholders may be diluted thereby. InterRent cannot predict the size or nature of future sales or issuances of securities, or the effect, if any, that such future sales and issuances will have on the market price of the Units.

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.

UNITHOLDER ACTIVISM RISK

Responding to activist campaigns that contest or conflict with InterRent's governance and strategic direction can be costly and time-consuming, disrupting business operations and diverting the attention and resources of the Board of Trustees, management, and employees. Unitholder activism may result in uncertainty relating to the leadership, governance and strategic direction of InterRent, which could adversely affect or undermine InterRent's ability to execute on its strategy, harm InterRent's business and create adverse volatility in the market price and trading volume of Trust Units. Events such as these could adversely affect InterRent's operating and financial results.

REGULATORY APPROVALS RISK

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

CHANGES IN LEGISLATION

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

SIFT RULES

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

THE REIT EXCEPTION

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

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

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

OTHER CANADIAN TAX MATTERS

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

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

INVESTMENT ELIGIBILITY

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

RISKS ASSOCIATED WITH DISCLOSURE CONTROLS AND PROCEDURES ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

UNITHOLDERS LIMITED LIABILITY

Recourse for any liability of the Trust is intended to be limited to the assets of the Trust. The Amended and Restated Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an "annuitant") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees. Because of uncertainties in the law relating

to investment trusts, there is a risk (which is considered by counsel to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of the Trust (to the extent that claims are not satisfied by the Trust) in respect of contracts which the Trust enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trust will seek to limit recourse under all of its material contracts to the assets of the Trust. However, in conducting its affairs, the Trust will be indirectly acquiring real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. Trustees will use all reasonable efforts to have any such obligations under mortgages on such properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the Trust may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Trust, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Trust where the liability is not disavowed as described above. Ontario has enacted legislation intended to remove uncertainty about the liability of Unitholders of publicly traded trusts. *The Trust Beneficiaries' Liability Act, 2004*, implemented on January 1, 2005, is a clear legislative statement that the Unitholders of a trust that is a reporting issuer and governed by the laws of Ontario will not be personally liable for the obligations and liabilities of the trust or any of its trustees that arise after *The Trust Beneficiaries' Liability Act, 2004*, came into force, which *The Trust Beneficiaries' Liability Act, 2004*, states was December 16, 2004.

STRUCTURAL SUBORDINATION OF DEBT

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

STATUTORY REMEDIES

The Trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement 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 downturn, 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.

WORKFORCE AVAILABILITY AND TALENT MANAGEMENT

InterRent's ability to provide services to its residents is dependent on the availability of well-trained employees and contractors to service our residents as well as complete required maintenance and capital upgrades on our buildings. InterRent must balance the requirement to maintain adequate staffing levels while balancing the overall cost to the Trust. The inability to attract and retain an adequate workforce could have a material impact on the Trust's ability to maintain its buildings and service its residents.

POTENTIAL CONFLICTS OF INTEREST

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

DILUTION

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

RESTRICTIONS ON POTENTIAL GROWTH AND RELIANCE ON CREDIT FACILITIES

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

PROPOSED PROPERTY ACQUISITIONS

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

PROPERTY ACQUISITION RISKS

InterRent's acquisition and investment strategy and market selection process may not ultimately be successful and may not provide positive returns on investment. The acquisition of properties or portfolios of properties entails risks that include the following, any of which could adversely affect InterRent's financial position and results of operations and its ability to meet its obligations: (i) InterRent may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties identified; (ii) properties acquired may fail to achieve the occupancy or rental rates projected at the time of the acquisition decision, which may result in the properties' failure to achieve the returns projected; (iii) InterRent's pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase InterRent's total acquisition costs; (iv) InterRent's investigation of a property or building prior to acquisition, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase its acquisition cost; and (v) representations and warranties obtained from third party vendors may not adequately protect against unknown, unexpected or undisclosed liabilities and any recourse against such vendors may be limited by the financial capacity of such vendors.

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

INTEREST RISK

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

APPRAISALS OF PROPERTIES

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

JOINT ARRANGEMENTS

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

ZONING AND APPROVAL

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

DEBT AND DISTRIBUTABLE INCOME

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

LEGAL PROCEEDINGS

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

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) Overview

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

b) Credit Risk

The Trust's credit risk is attributable to its rents and other receivables and loan receivable long-term incentive plan. Credit risk arises from the possibility that: (i) residents may experience financial difficulty and be unable to fulfil their lease commitments; and (ii) a party defaults on the repayment of their debt causing a financial loss to the Trust.

The Trust has established various internal controls designed to mitigate credit risk such as credit checks and, where permitted, adequate security to assist in potential recoveries. While the Trust's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Trust's current credit loss experience will improve. The Trust monitors its collection process on a regular basis and all receivables from past residents and resident receivables over 30 days are provided for in allowances for doubtful accounts. The Trust believes that the concentration of credit risk of accounts receivable is limited due to its broad resident base, dispersed across varying geographic locations.

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

The amounts disclosed as rents and other receivables and loan receivable long-term incentive plan in the consolidated balance sheet are net of allowances for doubtful accounts. At December 31, 2022, the Trust had past due rents and other receivables of \$9.9 million net of an allowance for doubtful accounts of \$3.3 million which adequately reflects the Trust's credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 25(c) in the December 31, 2023 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, 2023, the Trust had credit facilities as described in note 12 in the December 31, 2022 consolidated financial statements.

Note 11 in the December 31, 2023 consolidated financial statements reflects the contractual maturities for mortgage payable of the Trust at December 31, 2023, excluding interest payments. The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on-going operations, management assesses the Trust's liquidity risk to be low.

d) Fair Value

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

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable and credit facilities is approximately \$1,762 million as at December 31, 2023 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, 2023, approximately 5% (December 31, 2022 – 3%) of the Trust's mortgage debt was at variable interest rates. The Trust's credit facilities bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately \$1.1 million for the year ended December 31, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2023 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

The Audit Committee and Nominations and Governance Committee have reviewed and recommended approval to the Board, and the Board has subsequently approved, the entering into of a services agreement with CLV Group Developments to carry out certain entitlement, development, and construction services on behalf of the REIT in relation to the REITs developments. CLV Group Developments is a private company controlled by an officer and Trustee of the REIT with a long track record of developing and constructing multifamily properties in Ontario. In order to mitigate the potential conflict of interest, both firms retained separate and independent legal representation for this matter. In addition, an independent external consultant reviewed the services to be supplied and provided a report in regards to the typical range of fees that would be charged for such services. The fees included in the agreement are either at or below the bottom end of the range provided by the consultant. During the year ended December 31, 2023, the Trust incurred \$1.6 million (2022 - \$2.4 million) in entitlement, development, and construction management services related to the agreement which have been capitalized to the investment properties.

During the year ended December 31, 2023, 1,250,000 Class B LP Units were exchanged for 1,250,000 Trust Units (December 31, 2022 - nil) by a company controlled by an officer and Trustee of the Trust. All Class B LP Units are exchangeable at the option of the holder and the exchange occurred at market prices.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), 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. Management, including the CEO and CFO, recognizes that any controls and procedures, no matter

how well-designed and operated, will have limitations and can only provide reasonable, and not absolute, assurance of achieving the desired control objectives.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2023, the CEO and CFO evaluated, or caused to be evaluated under their direct supervision, the design and operating effectiveness of InterRent's disclosure controls and procedures (as defined in National Instrument 52-109, Certificate of Disclosure in Issuer's Annual and Interim Filings) and based on this evaluation, have concluded that such disclosure controls and procedures were appropriately designed and operating effectively.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As of December 31, 2023, the CEO and CFO evaluated, or caused to be evaluated under their direct supervision, the effectiveness of InterRent's internal controls over financial reporting (as defined in National Instrument 52-109, Certificate of Disclosure in Issuer's Annual and Interim Filings) using the COSO International Control – Integrated Framework (2013), published by the Committee of Sponsoring Organization of the Treadway Commission. Based on that assessment, the CEO and CFO determined that internal controls over financial reporting were appropriately designed and operating effectively.

No changes were made in the design of internal controls over financial reporting during the period ended December 31, 2023 that have materially affected, or are likely to materially affect, InterRent's internal controls over financial reporting.

OUTSTANDING SECURITIES DATA

As of February 29, 2024, the Trust had issued and outstanding: (i) 145,062,147 units; (ii) LP Class B Units that are exchangeable for 2,160,766 units of the Trust; (iii) options exercisable to acquire 107,340 units of the Trust; and (iv) deferred units that are redeemable for 4,682,851 units of the Trust. Additionally, the Trust has 296,962 Restricted Units and 296,962 Performance Units outstanding under the Trust's Performance and Restricted Unit Plan.

SUBSEQUENT EVENTS

Subsequent to the end of the year, the Trust has sold five properties (224 suites) in Côte Saint-Luc, Quebec which closed in February of 2024 that were included in assets held for sale for a sale price of \$46.0 million.

COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation. Adjustments have been made to the Consolidated Balance Sheet, Consolidated Statement of Profit and Loss, Consolidated Statements of Cash Flows, and the relevant accompanying notes for the fiscal year ended December 31, 2022 to reclassify certain transaction and other costs from the carrying value of joint ventures to investment properties and to reclassify certain payroll-related costs from general and administrative expenses to property operating costs. \$880 was moved from investment in joint ventures to investment properties to improve the clarity of the disclosure around the Trust's share of the net assets of the joint ventures. \$800 was moved from general and administrative expenses to property operating costs to better align certain costs with the nature of the expense.

ADDITIONAL INFORMATION

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

InterRent Real Estate Investment Trust

Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of InterRent Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of InterRent Real Estate Investment Trust and its subsidiaries (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of income, changes in unitholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value of Income Properties

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

The fair market value of income properties as at December 31, 2023 is \$4,276,295, which represents approximately 96% of total assets. Management used an internal valuation model based on the direct capitalization income approach to determine the fair value of income properties as at December 31, 2023. Management engaged an external valuation expert to provide appraisals for substantially all of the income properties held as at December 31, 2023 and a summary of major assumptions and market data by city to validate its internal model.

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

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How our audit addressed the Key Audit Matter

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

- We evaluated the appropriateness of the underlying data used in the calculation of stabilized net operating income, used in management's direct capitalization method.
- We assessed the competency and objectivity of those involved in the valuation of income properties, including management's internal valuation team and management's external valuation specialists, by considering their qualifications and expertise.
- We compared the forecasted stabilized net operating income from management's prior year internal valuation model to the actual results.
- For a sample of properties, we utilized an internal valuation specialist to assist in:
 - Developing independent ranges for management's assumptions and estimates from comparable market benchmarks for similar assets in similar locations; and
 - Evaluating the appropriateness of assumptions used by management including the capitalization rate, vacancy rate, and forecasted stabilized net operating income by comparing them to independent regional market data, industry averages, and improved comparable sales.

Other Information

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
February 29, 2024
Toronto, Ontario

InterRent Real Estate Investment Trust

Consolidated Balance Sheets

(Cdn \$ Thousands)

	Note	December 31, 2023	December 31, 2022
Assets			
Investment properties	4	\$ 4,315,742	\$ 4,253,924
Investment in joint ventures	8	47,454	31,160
Prepays and deposits		2,403	2,639
Assets held for sale	5	45,432	-
Receivables and other assets	10	22,760	23,603
Cash		2,547	4,267
Total assets		\$ 4,436,338	\$ 4,315,593
Liabilities			
Mortgages payable	11	\$ 1,650,035	\$ 1,654,449
Credit facilities	12	40,847	-
Class B LP unit liability	14	28,587	43,658
Unit-based compensation liabilities	15	59,721	54,131
Lease liabilities		1,672	1,903
Tenant rental deposits		19,781	18,226
Liabilities associated with assets held for sale	5	22,988	-
Accounts payable and accrued liabilities	13	39,326	45,850
Total liabilities		1,862,957	1,818,217
Unitholders' equity			
Unit capital	17	1,088,679	1,052,858
Retained earnings		1,484,702	1,444,518
Total unitholders' equity		2,573,381	2,497,376
Total liabilities and unitholders' equity		\$ 4,436,338	\$ 4,315,593

Commitments and contingencies (note 27)

Subsequent events (note 28)

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

On behalf of the Trust

Ronald Leslie
Trustee

Brad Cutsey
Trustee

InterRent Real Estate Investment Trust

Consolidated Statements of Income

For the years ended December 31

(Cdn \$ Thousands)

	Note	2023	2022
Operating revenues			
Revenue from investment properties	18	\$ 237,135	\$ 216,400
Operating expenses			
Property operating costs		38,046	35,963
Property taxes		25,457	23,851
Utilities		18,018	18,163
Total operating expenses		81,521	77,977
Net operating income		155,614	138,423
Financing costs	19	58,974	46,442
Administrative costs		16,616	14,679
Income before other income and expenses		80,024	77,302
Other income and expenses			
Fair value adjustments on investment properties	4	11,954	(8,325)
Other income and fees		2,001	1,218
Income from investment in joint ventures	8	3,830	37
Loss on sale of investment properties	7	(32)	-
Other fair value gains/(losses)	20	(2,779)	36,529
Interest on units classified as financial liabilities	21	(2,758)	(2,802)
Net income for the year		\$ 92,240	\$ 103,959

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

InterRent Real Estate Investment Trust

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, 2022	\$ 1,030,780	\$ 1,620,761	\$ (231,538)	\$ 1,389,223	\$ 2,420,003
Units issued (note 17)	22,078	-	-	-	22,078
Net income for the year	-	103,959	-	103,959	103,959
Distributions declared to Unitholders	-	-	(48,664)	(48,664)	(48,664)
Balance, December 31, 2022	\$ 1,052,858	\$ 1,724,720	\$ (280,202)	\$ 1,444,518	\$ 2,497,376
Balance, January 1, 2023	\$ 1,052,858	\$ 1,724,720	\$ (280,202)	\$ 1,444,518	\$ 2,497,376
Units purchased and cancelled (note 17)	(1,998)	-	-	-	(1,998)
Units issued (note 17)	37,819	-	-	-	37,819
Net income for the year	-	92,240	-	92,240	92,240
Distributions declared to Unitholders	-	-	(52,056)	(52,056)	(52,056)
Balance, December 31, 2023	\$ 1,088,679	\$ 1,816,960	\$ (332,258)	\$ 1,484,702	\$ 2,573,381

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

InterRent Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the years ended December 31

(Cdn \$ Thousands)

	Note	2023	2022
Cash flows from (used in) operating activities			
Net income for the year		\$ 92,240	\$ 103,959
Add items not affecting cash			
Income from investment in joint ventures	8	(3,830)	(37)
Amortization		987	1,257
Loss on sale of investment properties	7	32	-
Fair value adjustments on investment properties	4	(11,954)	8,325
Other fair value (gains)/losses	20	2,779	(36,529)
Unit-based compensation expense	15	6,785	7,570
Financing costs	19	58,974	46,442
Interest expense	19	(56,961)	(43,810)
Tenant inducements		2,241	4,162
		91,293	91,339
Net income items related to financing activities	21	971	1,178
Changes in non-cash operating assets and liabilities	22	(2,645)	(1,336)
Cash from operating activities		89,619	91,181
Cash flows used in investing activities			
Acquisition of investment properties	6	-	(74,393)
Investment in joint ventures	8	(12,464)	(1,604)
Other investments		-	(250)
Proceeds from sale of investment properties	7	9,102	-
Additions to investment properties	4	(108,498)	(121,301)
Cash used in investing activities		(111,860)	(197,548)
Cash flows from (used in) financing activities			
Mortgage and loan repayments	22	(84,009)	(352,124)
Mortgage advances	22	100,959	655,096
Financing fees		(2,317)	(21,361)
Credit facility advances/(repayments)	22	40,847	(140,495)
Principal repayments on lease liabilities		(247)	(186)
Trust units issued, net of issue costs	15	715	414
Trust units purchased and cancelled	17	(1,998)	-
Deferred units purchased and cancelled		(1,391)	(1,401)
Interest paid on units classified as financial liabilities	21	(971)	(1,178)
Distributions paid	22	(31,067)	(30,195)
Cash from financing activities		20,521	108,570
Increase (decrease) in cash during the year		(1,720)	2,203
Cash at the beginning of year		4,267	2,064
Cash at end of year		\$ 2,547	\$ 4,267

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

1. ORGANIZATIONAL INFORMATION

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

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

These consolidated financial statements were authorized for issuance by the Trustees of the Trust on February 29, 2024.

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 under development where fair value is not reliably determinable);
- ii) Financial assets and financial liabilities classified as "fair value through profit and loss", which are measured at fair value; and
- iii) Unit-based compensation liabilities and Class B LP unit liability, which are measured at fair value.

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

Basis of consolidation

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

2. BASIS OF PRESENTATION (Continued)

Functional currency

The Trust and its subsidiaries' functional currency is Canadian dollars and all figures are rounded to the nearest thousand except when otherwise noted.

Critical accounting estimates and judgments in applying accounting policies

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

Investment properties

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

Financial liabilities

The fair value measurement of the Class B LP unit and unit-based compensation liabilities require management to make estimates and assumptions that affect the reported amount of the liabilities and the corresponding compensation expense, 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.

Comparative information

Certain comparative figures have been reclassified to conform to the current year's presentation. Adjustments have been made to the Consolidated Balance Sheet, Consolidated Statement of Profit and Loss, Consolidated Statements of Cash Flows, and the relevant accompanying notes for the fiscal year ended December 31, 2022 to reclassify certain transaction and other costs from the carrying value of joint ventures to investment properties and to reclassify certain payroll-related costs from general and administrative expenses to property operating costs. \$880 was moved from investment in joint ventures to investment properties to improve the clarity of the disclosure around the Trust's share of the net assets of the joint ventures. \$800 was moved from general and administrative expenses to property operating costs to better align certain costs with the nature of the expense.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES

Property asset acquisitions

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

Investment properties

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

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

Investment properties under development

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

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

Interest is capitalized to Properties Under Development using the amount of interest that would have been avoided during the development period if expenditures for the asset had not been made.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Joint arrangements

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

Investment in joint ventures

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

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

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

Joint operations

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

Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use in accordance with IFRS 5. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable. Investment properties classified as held for sale continue to be held at fair value in accordance with IAS 40. Non-current assets held for sale and their associated liabilities are presented separately from other assets and liabilities on the consolidated balance sheets and in the notes to the consolidated financial statements beginning from the period in which they were first classified as held for sale.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Compensation is earned from project and property management services provided to the jointly controlled properties and is recorded in other income and fees as the services are provided.

IFRS 15 requires revenue recognized from customer contracts (non-lease components) to be disclosed separately from its other sources of revenue (note 18).

Financial instruments

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

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

- Cash, rents and other receivables, mortgage receivable, promissory note receivable, and loan receivable long-term incentive plan, are classified as amortized cost.
- Interest rate swaps and forward rate locks are classified as fair value through profit and loss.
- Mortgages and loans payable, credit facilities, tenant rental deposits and accounts payable and accrued liabilities are classified as amortized cost.
- Class B LP unit liability and unit-based compensation liabilities are classified as fair value through profit and loss.

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets at amortized cost

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

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

Financial assets at FVTPL

Derivative financial assets, consisting of interest rate swaps and forward rate locks, are classified as FVTPL, are measured at fair value, with changes recognized in the consolidated statement of income, and are presented on the consolidated balance sheets in mortgages payable.

Financial liabilities at amortized cost

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

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

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if they are classified as held for trading, or they are derivative liabilities. Derivative financial liabilities, consisting of interest rate swaps and forward rate locks, are presented on the consolidated balance sheets in mortgages payable. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of income.

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

Impairment of financial assets

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

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

Leases, the Trust as a lessee

At the inception of a contract, the Trust assesses whether a contract is, or contains, a lease by assessing if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration using the definition of a lease in IFRS 16. The Trust recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, however it applies the recognition exemptions for leases of low-value assets and short-term leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost less any accumulated amortization and are included within receivables and other assets. Such right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are measured at the present value of lease payments to be made over the lease term less any variable payments and lease incentives receivable. Variable payments are recognized as an expense in the period in which the event or condition that triggers the payment occurs. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to the purchase underlying asset.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Trust units

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

Class B LP unit liability

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

Unit-based compensation

The Trust maintains compensation plans which include the granting of deferred, performance, and restricted units to Trustees and employees, and previously maintained a unit option plan. The Trust records the expense associated with these awards over the vesting period. Unit options, deferred, performance, and restricted units are settled with the issuance of Trust Units. However, due to the fact that Trust Units are redeemable, awards of unit options, deferred, performance, and restricted units are considered to be cash-settled. As such, the fair value of unit options, deferred, performance, and restricted units are recognized as a liability and re-measured at each reporting date, with changes recognized in the consolidated statements of income. The additional deferred, performance, and restricted units earned on the deferred, performance, and restricted 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 2023 and 2022, 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.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Critical judgments in applying accounting policies

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

Investment properties

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

Investment in joint arrangements

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

Property asset acquisitions

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

Income tax

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Future accounting changes

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

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or noncurrent. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact on the Trust as the balance sheet is presented on a liquidity basis.

4. INVESTMENT PROPERTIES

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

	December 31, 2023	December 31, 2022
Income properties	\$ 4,276,295	\$ 4,152,141
Properties under development	39,447	101,783
	\$ 4,315,742	\$ 4,253,924

Income properties:

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 4,152,141	\$ 3,998,193
Acquisitions (note 6)	-	72,600
Dispositions (note 7)	(10,892)	-
Transfers from properties under development	70,173	-
Property capital investments	98,287	89,673
Fair value adjustments ¹	11,954	(8,325)
	\$ 4,321,663	\$ 4,152,141
Reclassification to assets held for sale (note 5)	(45,368)	-
	\$ 4,276,295	\$ 4,152,141

⁽¹⁾ Includes fair value adjustments on income properties and income properties held for sale

Properties under development:

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

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 101,783	\$ 64,907
Acquisitions (note 6)	-	2,431
Transfer to income properties	(70,173)	-
Property capital investments	7,837	34,445
	\$ 39,447	\$ 101,783

The fair value of the income properties is determined internally by the Trust. The fair value methodology of the Trust's income properties is considered a level 3 valuation as significant unobservable inputs are required to determine fair value.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

4. INVESTMENT PROPERTIES (Continued)

The Trust determined the fair value of each income property internally based upon the direct capitalization income approach method of valuation. The fair value was determined by applying a capitalization rate ("Cap Rate") to forecasted stabilized net operating income ("SNOI"), which incorporates turnover estimates, market rent adjustments, allowances for vacancy, management fees, labour and repairs and maintenance for the property. In order to substantiate management's valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all of the portfolio at December 31, 2023, and 2022. These external appraisals provided the Trust with a summary of the major assumptions and market data by city (such as capitalization rate, turnover estimate and market rent adjustments) in order for the Trust to complete its internal valuations.

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

	December 31, 2023		December 31, 2022	
	Range	Weighted average	Range	Weighted average
Capitalization rate	3.25% - 6.25%	4.22%	3.00% - 5.75%	4.04%

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

As at December 31, 2023

	-3%	-1%	As estimated	+1%	+3%
Forecasted stabilized net operating income					
	\$ 175,046	\$ 178,655	\$ 180,460	\$ 182,265	\$ 185,874
Capitalization rate					
-0.25%	3.97%				
Cap rate used	4.22%				
+0.25%	4.47%				
	\$ 4,409,224	\$ 4,500,136	\$ 4,545,592	\$ 4,591,048	\$ 4,681,960
	\$ 4,148,014	\$ 4,233,540	\$ 4,276,295	\$ 4,319,066	\$ 4,404,592
	\$ 3,916,022	\$ 3,996,765	\$ 4,037,136	\$ 4,077,508	\$ 4,158,251

As at December 31, 2022

	-3%	-1%	As estimated	+1%	+3%
Forecasted stabilized net operating income					
	\$ 162,714	\$ 166,069	\$ 167,746	\$ 169,423	\$ 172,778
Capitalization rate					
-0.25%	3.79%				
Cap rate used	4.04%				
+0.25%	4.29%				
	\$ 4,293,235	\$ 4,381,756	\$ 4,426,016	\$ 4,470,276	\$ 4,558,796
	\$ 4,027,565	\$ 4,110,607	\$ 4,152,141	\$ 4,193,650	\$ 4,276,693
	\$ 3,792,858	\$ 3,871,062	\$ 3,910,163	\$ 3,949,265	\$ 4,027,468

The two (2022 - three) properties under development are valued at acquisition cost plus development costs. The direct capitalization income approach method of valuation is not a reliable measure as the properties are undergoing a significant amount of work which will affect multiple components of the estimated net operating income as well as the Cap Rate. The Trust expects the fair value of the properties to be reliably determinable when development is substantially complete, and will measure both investment properties under development at cost until either its fair value becomes reliably determinable or development is completed (whichever is earlier).

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

4. INVESTMENT PROPERTIES (Continued)

Cash outflow used for additions to investment properties for the years ended:

	2023	2022
Property capital investments	\$ (106,124)	\$ (123,745)
Changes in non-cash investing accounts payable and accrued liabilities	(2,374)	2,444
	\$ (108,498)	\$ (121,301)

5. ASSETS HELD FOR SALE

As at December 31, 2023, the Trust classified five investment properties (224 suites) as assets held for sale as a result of the Trust initiating an active program to dispose of these properties (December 31, 2022 - none). As of December 31, 2023, the Trust had committed to sell the properties and the sale closed in February 2024 for a sale price of \$46,000 (note 28).

The following tables set forth the assets and liabilities associated with these properties.

	December 31, 2023	December 31, 2022
Properties	5	-
Suites	224	-
Investment properties (note 4)	\$ 45,368	\$ -
Prepays and deposits	25	-
Receivables and other assets (note 10)	39	-
	\$ 45,432	\$ -
Mortgages and loan payables	22,211	-
Accounts payable and accrued liabilities (note 13)	689	-
Tenant rental deposits	88	-
	\$ 22,988	\$ -

6. INVESTMENT PROPERTY ACQUISITIONS

During the year ended December 31, 2023, the Trust did not complete any investment property acquisitions.

During the year ended December 31, 2022, the Trust completed the following investment property acquisitions:

Acquisition Date	Suite Count	Ownership Interest	Total Acquisition Costs ⁽¹⁾	Mortgage Funding ⁽¹⁾	Interest Rate	Maturity Date
January 24, 2022	36	50%	\$ 8,726	\$ 5,363	BA + 1.35%	January 28, 2023
February 28, 2022	21	50%	4,849	2,965	BA + 1.35%	January 28, 2023
June 30, 2022	254	50%	59,025	34,191	4.02%	December 1, 2027
September 8, 2022 ⁽²⁾	0	2.5%	2,431	638	BA + 1.00%	September 30, 2022
	311		\$ 75,031	\$ 43,157		

⁽¹⁾ The total acquisition costs and mortgage funding represent the Trust's ownership interest.

⁽²⁾ During 2022, the Trust acquired an additional 2.5% stake in the development site at 900 Albert Street Ottawa bringing the Trust's direct economic ownership up to 16.67%. In total, the Trust owns a 50% stake in the development property through a combination of its direct investment in the project and its ownership in the TIP Albert Limited Partnership joint venture. See notes 8 and 9 for more information.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

6. INVESTMENT PROPERTY ACQUISITIONS (Continued)

Cash outflow used for investment property acquisitions:

	2023	2022
Total acquisition costs	\$ -	\$ (75,031)
Assumed debt	-	638
	\$ -	\$ (74,393)

7. INVESTMENT PROPERTY DISPOSITIONS

During the year ended December 31, 2023, the Trust completed the following investment property disposition. This disposition does not meet the definition of discontinued operations under IFRS:

Disposition Date	Suite Count	Ownership Interest	Sale Price	Net Proceeds	Mortgage Discharged
August 28, 2023	54	100%	\$ 11,500	\$ 10,860	\$ 6,927

During the year ended December 31, 2022 the trust did not dispose of any investment properties.

A loss of \$32 was recognized for the year ended December 31, 2023 in connection with this disposition. The loss represents the difference between the net proceeds (sale price less closing costs) and the carrying value of the properties at the date of disposition.

Cash inflow received from the sale of investment properties:

	2023	2022
Net Proceeds	\$ 10,860	\$ -
Vendor take-back mortgage issued (note 10)	(1,500)	-
Promissory note issued (note 10)	(500)	-
Non-cash closing costs	242	-
	\$ 9,102	\$ -

8. INVESTMENT IN JOINT VENTURES

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

Equity Investee	Location	Principal Activity	December 31, 2023	December 31, 2022
TIP Albert Limited Partnership	Ottawa	Develop, own and operate investment property ⁽¹⁾	40.0%	40.0%
Fairview Limited Partnership	Burlington	Develop, own and operate investment property	25.0%	25.0%
2-4 Hanover Limited Partnership	Brampton	Own and operate investment property ⁽²⁾	10.0%	-
OTT A360 Laurier Limited Partnership	Ottawa	Develop, own and operate investment property ⁽³⁾	25.0%	-

⁽¹⁾ On September 8, 2022 TIP Albert Limited Partnership sold 2.5% of its interest in 801 Albert Street Inc., the development site at 900 Albert Street Ottawa, to the Trust for consideration of \$2,385. Following this transaction, TIP Albert Limited Partnership has ownership interest of 83.33% in 801 Albert Street Inc. The Trust has ownership interest of 33.33% in 801 Albert Street Inc. through its 40% ownership in TIP Albert Limited Partnership. The Trust holds the remaining ownership of 16.67% interest directly in 801 Albert Street Inc. This 16.67% interest is reported under Property under Development (note 4) as a joint operation (note 9). In total, the Trust holds a 50% interest in the development property.

⁽²⁾ On March 27, 2023 the Trust acquired a 10% interest in the properties located at 2 & 4 Hanover Road in Brampton, Ontario for a purchase price of \$18,550 (net consideration of \$8,875 after debt assumed on acquisition).

⁽³⁾ On July 10, 2023 the Trust acquired a 25% interest in the property located at 360 Laurier Avenue, Ottawa, Ontario for a purchase price of \$4,375 (net consideration of \$1,205 after debt assumed on acquisition).

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

8. INVESTMENT IN JOINT VENTURES (Continued)

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

The Trust is responsible to fund its total investment in the joint ventures for the development of the investment property. The following table shows the changes in the carrying value of the investment in joint ventures:

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 31,160	\$ 29,892
Additions	12,464	1,231
Share of net income	3,830	37
	\$ 47,454	\$ 31,160

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

	December 31, 2023	December 31, 2022
Current assets	\$ 5,441	\$ 4,078
Non-current assets	405,378	155,519
Current liabilities	(3,033)	(411)
Non-current liabilities	(170,956)	(63,500)
Net assets	\$ 236,830	\$ 95,686
Trust's share	\$ 47,454	\$ 31,160

	2023	2022
Revenue	\$ 10,223	\$ 217
Expenses	(6,555)	64
Fair value adjustments on investment properties	34,660	-
Net income	\$ 38,328	\$ 153
Trust's share	\$ 3,830	\$ 37

9. JOINT OPERATIONS

The Trust has interest in twenty-three investment properties (December 31, 2022 – twenty-three) and one property under development (December 31, 2022 - one) that are subject to joint control and have been determined to be joint operations. The Trust records only its proportionate share of the assets, liabilities and the results of operations of the joint operations. The assets, liabilities and results of joint operations are included within the respective line items of the consolidated balance sheets and consolidated statements of income. The Trust's ownership in the joint operations are as follows:

Joint Operation	Region	Type	Ownership Interest (December 31, 2023)	Ownership Interest (December 31, 2022)
Vancouver No. 1 Apartments Partnership	Greater Vancouver Area	Investment properties	50.00%	50.00%
Ontario No. 1 Apartments Partnership	Greater Toronto and Hamilton Area	Investment properties	50.00%	50.00%
Quebec No. 1 Apartments Partnership	Greater Montréal Area	Investment properties	50.00%	50.00%
801 Albert Street Inc.	National Capital Region	Properties under development	16.67%	16.67%

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

10. RECEIVABLES AND OTHER ASSETS

	December 31, 2023	December 31, 2022
Current:		
Rents and other receivables, net of allowance for uncollectable amounts (note 25(b))	\$ 6,593	\$ 8,464
Lease incentives ⁽¹⁾	1,163	631
	\$ 7,756	\$ 9,095
Non-current:		
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of \$5,170 (2022 - \$4,316)	\$ 3,321	\$ 4,337
Deferred finance fees on credit facilities, net of accumulated amortization of \$2,607 (2022 - \$2,308)	299	387
Loan receivable long-term incentive plan (note 16)	8,311	8,501
Right-of-use asset, net of accumulated amortization of \$255 (2022 - \$122)	612	783
Other investments	500	500
Mortgage receivable ⁽²⁾	1,500	-
Promissory note receivable ⁽³⁾	500	-
	\$ 15,043	\$ 14,508
	\$ 22,799	\$ 23,603
Reclassification to assets held for sale (note 5)	(39)	-
	\$ 22,760	\$ 23,603

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

⁽²⁾ At December 31, 2023 the balance is comprised of one mortgage with a maturity date of July 2027, at an interest rate of 3.50% for the first two years, and 4.50% for the remaining two years. The mortgage is secured by the related property and a personal guarantee.

⁽³⁾ At December 31, 2023 the balance is comprised of one promissory note with a maturity date of July 2027, at an interest rate of 3.50% for the first two years, and 4.50% for the remaining two years.

11. MORTGAGES PAYABLE

Mortgages are secured by the investment properties and bear interest at a weighted average interest rate of 3.50% (December 31, 2022 - 3.22%).

The mortgages mature at various dates between the years 2024 and 2033.

The aggregate future minimum principal payments, including maturities and excluding mortgages on assets held for sale, are as follows:

2024	\$ 281,226
2025	226,642
2026	144,141
2027	212,074
2028	241,153
Thereafter	586,071
	1,691,307
Less: Deferred finance costs and mortgage premiums	(41,272)
	\$ 1,650,035

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

12. CREDIT FACILITIES

	December 31, 2023	December 31, 2022
Demand credit facility ⁽ⁱ⁾	\$ -	\$ -
Term credit facility ⁽ⁱⁱ⁾	40,807	-
Term credit facility ⁽ⁱⁱⁱ⁾	40	-
Term credit facility ^(iv)	-	-
	\$ 40,847	\$ -

- (i) The Trust has a \$3,000 (2022 - \$3,000) demand credit facility with a Canadian chartered bank secured by a general security agreement. No amounts were drawn for the year ended December 31, 2023. (Weighted average interest rate on amounts drawn during the year ended December 31, 2022 - 4.33%).
- (ii) The Trust has a \$105,000 (2022 - \$105,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on eight (2022 - eight) 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, 2023 was 6.85% (2022 - 2.22%).
- (iii) The Trust has a \$15,000 (2022 - \$15,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2022 - one) of the Trust's properties and second collateral mortgages on one (2022 - one) 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, 2023 was 7.61% (2022 - 4.36%).
- (iv) The Trust has a \$100,000 (2022 - \$100,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, first mortgages on two (2022 - two) of the Trust's properties and second collateral mortgages on four (2022 - four) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. No amounts were drawn for the year ended December 31, 2023. (Weighted average interest rate on amounts drawn during the year ended December 31, 2022 - 2.59%).

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2023	December 31, 2022
Accounts payable	\$ 7,109	\$ 6,495
Accrued liabilities	24,698	32,092
Accrued distributions	4,629	4,357
Mortgage interest payable	3,579	2,906
	\$ 40,015	\$ 45,850
Reclassification to liabilities associated with assets held for sale (note 5)	(689)	-
	\$ 39,326	\$ 45,850

14. CLASS B LP UNIT LIABILITY

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

14. CLASS B LP UNIT LIABILITY (continued)

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

Number of Units	
Balance - December 31, 2021	3,410,766
Units issued	-
Balance - December 31, 2022	3,410,766
Units issued	-
Units exchanged for Trust Units	(1,250,000)
Balance - December 31, 2023	2,160,766

During the year ended December 31, 2023, 1,250,000 Class B LP Units were exchanged for 1,250,000 Trust Units (December 31, 2022 - nil) by a company controlled by an officer and Trustee of the Trust (note 23).

The Class B LP Units represented an aggregate fair value of \$28,587 at December 31, 2023 (December 31, 2022 - \$43,658). The fair value represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date. Each Class B LP Unit is accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The gains or losses that resulted from changes in the fair value were recorded in the consolidated statement of income.

15. 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, 2023	December 31, 2022
Unit-based liabilities, beginning of year	\$ 54,131	\$ 70,492
Compensation expense - deferred unit plan	3,263	5,060
Compensation expense - performance and restricted unit plan	1,735	886
DRIP ⁽¹⁾ expense - deferred unit plan	1,655	1,583
DRIP ⁽¹⁾ expense - performance and restricted unit plan	132	41
DUP units converted, cancelled and forfeited	(1,840)	(4,149)
Unit options exercised and expired	(857)	(708)
(Gain)/Loss on fair value of liability (note 20)	1,502	(19,074)
Unit-based liabilities, end of year	\$ 59,721	\$ 54,131

⁽¹⁾ Distribution reinvestment plan

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

15. UNIT-BASED COMPENSATION LIABILITIES (Continued)

The maximum number of Trust Units issuable under the Trust's equity incentive compensation plans, which includes the DUP, the Performance and Restricted Unit plan, and unit options, as well as the long-term incentive plan (note 16) is 6% of the issued and outstanding Trust Units.

(i) DEFERRED UNIT PLAN

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

A summary of Deferred Unit activity is presented below:

Number of Units	
Balance - December 31, 2021	4,451,933
Units issued under deferred unit plan	298,350
Reinvested distributions on deferred units	122,389
Deferred units exercised into Trust Units (note 17)	(217,913)
Deferred units purchased and cancelled	(92,808)
Deferred units cancelled	(22,726)
Balance - December 31, 2022	4,539,225
Units issued under deferred unit plan	159,998
Reinvested distributions on deferred units	131,834
Deferred units exercised into Trust Units (note 17)	(34,480)
Deferred units purchased and cancelled	(25,583)
Deferred units cancelled	(100,521)
Balance - December 31, 2023	4,670,473

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

The aggregate fair value of vested deferred units was \$56,621 at December 31, 2023 (December 31, 2022 - \$51,861). The fair value of the vested deferred units represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date, representing the fair value of the redemption price.

(ii) UNIT OPTIONS

The Trust had a unit option plan that provided for options to be granted to the benefit of employees, Trustees and certain other third parties. On May 11, 2022 the Board terminated the unit option plan, the termination of this plan did not impact any currently outstanding options, but the plan is now closed to new issuances. The exercise price of options granted under the unit option plan was determined by the Trustees, but was 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 did not exceed 10 years or such other maximum permitted time period under applicable regulations. At the time of granting options, the Board of Trustees determined the time, or times, when an option or part of an option was exercisable. The Trust did not provide financial assistance to any optionee in connection with the exercise of options.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

15. UNIT-BASED COMPENSATION LIABILITIES (Continued)

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

	2023		2022	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance, beginning of year	223,265	\$ 6.55	291,652	\$ 6.44
Exercised	(120,925)	\$ 5.92	(68,387)	\$ 6.09
Expired	(12,500)	\$ 6.86	-	-
Balance, end of year	89,840	\$ 7.35	223,265	\$ 6.55

Options outstanding at December 31, 2023:

Exercise price	Number of units	Remaining life in years	Number of units exercisable
\$ 5.81	15,500	0.96	15,500
\$ 7.67	74,340	3.57	74,340
	89,840		89,840

The weighted average market price of options exercised in the year ended December 31, 2023 was \$13.15 (2022 - \$16.11).

The unit options represented an aggregate fair value of \$496 at December 31, 2023 (December 31, 2022 - \$1,317). 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, 2023	December 31, 2022
Market price of Unit	\$ 13.23	\$ 12.80
Expected option life	1.1 years	0.9 years
Risk-free interest rate	3.88%	4.06%
Expected volatility (based on historical)	24%	23%
Expected distribution yield	5.0%	5.0%

(iii) PERFORMANCE AND RESTRICTED UNIT PLAN

The performance and restricted unit plan enables the Trustees to grant performance units and restricted units to employees and officers of the REIT. Performance units vest on the vesting date set out in the grant agreement according to a performance payout criteria, based on the REIT's relative performance against peers and achievement against sustainability goals. Restricted units vest 100% on the vesting date set out in the grant agreement. The performance and restricted units earn additional units for the distributions that would otherwise have been paid on the units (i.e. had they instead been issued as Trust Units on the date of grant).

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15. UNIT-BASED COMPENSATION LIABILITIES (Continued)

A summary of performance and restricted unit activity is presented below:

Number of Units	
Balance - December 31, 2021	-
Units issued under performance and restricted unit plan	209,592
Reinvested distributions on performance and restricted units	3,558
Balance - December 31, 2022	213,150
Units issued under performance and restricted unit plan	175,133
Reinvested distributions on performance and restricted units	9,959
Balance - December 31, 2023	398,242

The initial 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 five trading days preceding the date of grant. The fair value of the performance units is estimated at each reporting period using a Monte Carlo pricing model. Changes in fair value are recognized in the consolidated statement of income.

The liability for performance and restricted units is recognized on a pro-rated basis over the vesting period. The aggregate fair value of the performance and restricted units on the balance sheet at December 31, 2023 was \$2,604 (December 31, 2022 - \$953).

16. LONG-TERM INCENTIVE PLAN

In the past, the Board awarded long-term incentive plan ("LTIP") units to certain officers and key employees, collectively the "Participants". The Board has terminated the LTIP, the termination of this plan will not impact any currently outstanding awards, but the plan is now closed to new issuances. The maximum number of Trust Units issuable under the Trust's equity incentive compensation plans, which includes the long-term incentive plan, as well as the DUP, the Performance and Restricted Unit plan, and the unit option plan (note 15) is 6% of the issued and outstanding Trust Units. The Participants could 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 10) 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
September 11, 2012	100,000	3.35%	\$ 388
June 27, 2013	125,000	3.85%	534
December 16, 2014	100,000	3.27%	444
June 9, 2015	75,000	3.44%	392
June 30, 2016	275,000	2.82%	1,842
July 28, 2017	320,000	3.09%	2,141
March 5, 2018	285,000	3.30%	2,570
	1,280,000		\$ 8,311

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

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17. 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, 2021	140,179,844	\$ 1,030,780
Units Issued under the deferred unit plan	217,913	2,748
Units Issued under distribution reinvestment plan	1,422,730	18,208
Units Issued from options exercised	68,387	1,122
Balance - December 31, 2022	141,888,874	\$ 1,052,858
Units purchased and cancelled	(157,200)	(1,998)
Units issued from exchange of Class B Units	1,250,000	15,115
Units Issued under the deferred unit plan	34,480	449
Units Issued under distribution reinvestment plan	1,646,072	20,683
Units Issued from options exercised	120,925	1,572
Balance - December 31, 2023	144,783,151	\$ 1,088,679

On May 17, 2023, 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 13,582,032 of its Trust Units, or approximately 10% of its public float of 135,820,320 Trust Units as of May 12, 2023, for cancellation over the next 12 months commencing on May 23, 2023 until the earlier of May 22, 2024 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 78,080 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, 2023 the Trust purchased and cancelled 157,200 Trust Units for a total of \$1,998. All purchases occurred at market prices.

On May 9, 2022, 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 13,357,843 of its Trust Units, or approximately 10% of its public float of 133,578,439 Trust Units as of May 2, 2022, for cancellation over the next 12 months commencing on May 16, 2022 until the earlier of May 15, 2023 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 93,790 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, 2022 the Trust did not purchase any Trust Units.

During the year ended December 31, 2023, 1,250,000 Class B LP Units were exchanged for 1,250,000 Trust Units (December 31, 2022 - nil) by a company controlled by an officer and Trustee of the Trust (note 23). All Class B LP Units are exchangeable at the option of the holder and the exchange occurred at market prices.

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(Cdn \$ Thousands except unit amounts)

17. TRUST UNITS (Continued)

Declaration of Trust

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

(a) Trust Units

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

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

- i) 90% of the “market price” of the Trust Units on the principal market on which the Trust Units are quoted for trading during the twenty-day period ending on the trading day prior to the day on which the Trust Units were surrendered to Trust for redemption; and
- ii) 100% of the “closing market price” of the Trust Units on the principal market on which the Trust Units are quoted for trading on the redemption notice date.

(b) Special Voting Units

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

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

18. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

	2023	2022
Lease revenue ⁽¹⁾	\$ 232,819	\$ 211,872
Non-lease revenue ⁽²⁾	4,316	4,528
	\$ 237,135	\$ 216,400

⁽¹⁾ Consists of lease revenue from residential, parking and commercial tenants

⁽²⁾ Consists of revenue from non-lease items such as laundry, commercial common area maintenance and ancillary services

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Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

19. FINANCING COSTS

	2023	2022
Mortgages payable	\$ 58,063	\$ 44,386
Credit facilities	3,176	2,004
Interest income	(651)	(480)
Interest capitalized to properties under development	(3,627)	(2,100)
Interest expense	56,961	43,810
Amortization of deferred finance costs on mortgages	2,191	2,960
Amortization of deferred finance costs on credit facilities	299	291
Amortization of fair value on assumed debt	(477)	(619)
	\$ 58,974	\$ 46,442

20. OTHER FAIR VALUE GAINS/(LOSSES)

	2023	2022
Class B LP unit liability	\$ (41)	\$ 15,383
Unit-based compensation liability (deferred unit plan)	(1,679)	18,215
Unit-based compensation liability (performance and restricted unit plan)	216	(26)
Unit-based compensation liability (option plan)	(39)	885
Rate swap (mortgage payable)	(813)	2,072
Forward rate locks (mortgage payable)	(423)	-
	\$ (2,779)	\$ 36,529

21. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	2023	2022
Class B LP unit liability	\$ 971	\$ 1,178
Unit-based compensation (deferred unit plan)	1,655	1,583
Unit-based compensation (performance and restricted unit plan)	132	41
	\$ 2,758	\$ 2,802

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2023	2022
Receivables and other assets	\$ (404)	\$ (7,379)
Prepaid and deposits	(117)	216
Accounts payable and accrued liabilities	(3,767)	4,255
Tenant rental deposits	1,643	1,572
	\$ (2,645)	\$ (1,336)

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

22. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

(b) Net cash distributions to unitholders

	2023	2022
Distributions declared to unitholders	\$ 52,056	\$ 48,664
Add: Distributions payable at beginning of year	4,255	3,994
Less: Distributions payable at end of year	(4,561)	(4,255)
Less: Distributions to participants in the DRIP	(20,683)	(18,208)
	\$ 31,067	\$ 30,195

(c) Interest paid

	2023	2022
Interest expense	\$ 56,961	\$ 43,810
Add: Mortgage interest payable at beginning of year	2,906	2,172
Less: Mortgage interest payable at end of year	(3,579)	(2,906)
Add: Interest capitalized	3,627	2,100
Add: Interest income received	651	480
	\$ 60,566	\$ 45,656

(d) Reconciliation of liabilities arising from financing activities

Mortgages payable	2023	2022
Balance, beginning of year	\$ 1,697,163	\$ 1,393,553
Mortgage advances	100,959	655,096
Assumed mortgages	-	638
Repayment of mortgages	(84,009)	(352,124)
Transfer to liabilities associated with assets held for sale	(22,806)	-
Balance, end of year	\$ 1,691,307	\$ 1,697,163

Credit facilities	2023	2022
Balance, beginning of year	\$ -	\$ 140,495
Advances of credit facilities	80,907	14,990
Repayment of credit facilities	(40,060)	(155,485)
Balance, end of year	\$ 40,847	\$ -

InterRent Real Estate Investment Trust

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23. RELATED PARTY TRANSACTIONS

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

(i) Accounts Payable (net of amounts receivable)

As at December 31, 2023, \$nil (December 31, 2022 - \$nil) was included in accounts payable and accrued liabilities, net of amounts receivable and including applicable sales tax, which are due to companies that are controlled by an officer and Trustee of the Trust. The amounts were non-interest bearing and due on demand.

(ii) Services

During the year ended December 31, 2023, the Trust incurred \$1,628 (2022 - \$2,356) in entitlement, development, and construction management services related to development projects from companies controlled by an officer and Trustee of the Trust. The services received have been capitalized to the investment properties.

(iii) Exchange of Class B LP Units

During the year ended December 31, 2023, 1,250,000 Class B LP Units were exchanged for 1,250,000 Trust Units (December 31, 2022 - nil) by a company controlled by an officer and Trustee of the Trust (note 17). All Class B LP Units are exchangeable at the option of the holder and the exchange occurred at market prices.

(iv) 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:

	2023	2022
Salaries and other short-term employee benefits	\$ 2,275	\$ 2,405
Deferred unit plan	1,000	732
Performance and restricted unit plan	2,240	2,354
	\$ 5,515	\$ 5,491

Loans outstanding from key management for indebtedness relating to the LTIP at December 31, 2023 were \$8,075 (December 31, 2022 - \$8,262). As of 2022, the executive management team of the Trust earns awards under the performance and restricted unit plan instead of the deferred unit plan.

24. CAPITAL RISK MANAGEMENT

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

24. CAPITAL RISK MANAGEMENT (Continued)

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, 2023 and 2022.

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, 2023, the debt to gross book value ratio is 38.1% (December 31, 2022 - 38.3%).

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, 2023 and 2022.

25. 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, mortgage receivable, promissory note receivable, and loan receivable long-term incentive plan.

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

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

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

At December 31, 2023, the Trust had past due rents and other receivables of \$9,907 (December 31, 2022 - \$11,313), net of an allowance for doubtful accounts of \$3,314 (December 31, 2022 - \$2,849) which adequately reflects the Trust's credit risk.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

25. 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 24 to the consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities (excluding derivative and other financial instruments reported as liabilities at fair value) when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. In addition, liquidity and capital availability risks are mitigated by diversifying the Trust's sources of funding, maintaining a staggered debt maturity profile and actively monitoring market conditions.

As at December 31, 2023, the Trust had credit facilities as described in note 12.

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

The undiscounted contractual maturities and repayment obligations of the Trust's financial liabilities, excluding unit-based compensation liabilities and Class B LP unit liability as their redemption time is uncertain, as at December 31, 2023 are as follows:

Year	Mortgages payable	Mortgage interest ⁽¹⁾	Credit facilities	Lease liabilities principal outstanding	Accounts payable and accrued liabilities	Total
2024	\$ 281,226	\$ 46,638	\$ 40,847	\$ 326	\$ 39,326	\$ 408,363
2025	226,642	41,163	-	315	-	268,120
2026	144,141	34,931	-	335	-	179,407
2027	212,074	30,944	-	351	-	243,369
2028	241,153	21,683	-	286	-	263,122
Thereafter	586,071	59,490	-	59	-	645,620
	\$1,691,307	\$ 234,849	\$ 40,847	\$ 1,672	\$ 39,326	\$2,008,001

⁽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, 2023, approximately 5% (December 31, 2022 - 3%) of the Trust's mortgage debt is at variable interest rates and the Trust's credit facilities also bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately \$1,111 for the year ended December 31, 2023 (2022 - \$2,279).

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

26. FAIR VALUE MEASUREMENT

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable, and credit facilities, which are measured at a fair value level 2, is approximately \$1,761,676 (December 31, 2022 - \$1,666,048) excluding any deferred financing costs.

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

December 31, 2023	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	4,315,742
Interest rate swap asset ⁽¹⁾	-	1,629	-
Liabilities			
Unit-based compensation liability	-	59,721	-
Class B LP unit liability	-	28,587	-
Forward rate lock liability ⁽¹⁾	-	423	-

December 31, 2022	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	4,253,924
Interest rate swap asset ⁽¹⁾	-	2,442	-
Liabilities			
Unit-based compensation liability	-	54,131	-
Class B LP unit liability	-	43,658	-

⁽¹⁾ Interest rate swap asset and forward rate lock liability presented on the consolidated balance sheets in mortgages payable

27. COMMITMENTS AND 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.

28. SUBSEQUENT EVENTS

Subsequent to the end of the year, the Trust has sold five properties (224 suites) in Côte Saint-Luc, Quebec which closed in February of 2024 that were included in assets held for sale (note 5) for a sale price of \$46,000.

INVESTOR INFORMATION

InterRent REIT is listed on the Toronto stock exchange.
Ticker symbol: TSX:IIP.UN

INVESTOR RELATIONS

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Thank You!

InterRent REIT
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