

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements

June 30, 2024
(unaudited)

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheets

Unaudited (Cdn \$ Thousands)

	Note	June 30, 2024	December 31, 2023
Assets			
Investment properties	3	\$ 4,226,704	\$ 4,315,742
Investment in joint ventures	6	50,240	47,454
Prepays and deposits		23,843	2,403
Assets held for sale	4	-	45,432
Receivables and other assets	8	28,342	22,760
Cash		47,029	2,547
Total assets		\$ 4,376,158	\$ 4,436,338
Liabilities			
Mortgages payable	9	\$ 1,656,288	\$ 1,650,035
Credit facilities	10	-	40,847
Class B LP unit liability	12	-	28,587
Unit-based compensation liabilities	13	55,607	59,721
Lease liabilities		1,528	1,672
Tenant rental deposits		20,441	19,781
Liabilities associated with assets held for sale	4	-	22,988
Accounts payable and accrued liabilities	11	35,265	39,326
Total liabilities		1,769,129	1,862,957
Unitholders' equity			
Unit capital	15	1,124,243	1,088,679
Retained earnings		1,482,786	1,484,702
Total unitholders' equity		2,607,029	2,573,381
Total liabilities and unitholders' equity		\$ 4,376,158	\$ 4,436,338

Commitments and contingencies (note 25)

Subsequent events (note 26)

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

On behalf of the Trust

Ronald Leslie
Trustee

Brad Cutsey
Trustee

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Statements of Income

For the three and six months ended June 30

Unaudited (Cdn \$ Thousands)

		Three months ended June 30		Six months ended June 30	
	Note	2024	2023	2024	2023
Operating revenues					
Revenue from investment properties	16	\$ 61,435	\$ 58,651	\$ 123,189	\$ 116,360
Operating expenses					
Property operating costs		9,818	9,645	19,136	18,612
Property taxes		6,411	6,260	13,124	12,489
Utilities		3,696	3,873	9,242	10,088
Total operating expenses		19,925	19,778	41,502	41,189
Net operating income		41,510	38,873	81,687	75,171
Financing costs	17	14,133	14,935	29,249	28,793
Administrative costs		4,391	4,469	8,479	7,964
Income before other income and expenses		22,986	19,469	43,959	38,414
Other income and expenses					
Fair value adjustments on investment properties	3	(34,699)	4,353	(26,463)	74,518
Other income and fees		482	466	1,010	848
Income from investment in joint ventures	6	267	3,154	508	3,172
Loss on sale of investment properties	5	(780)	-	(1,730)	-
Other fair value gains/(losses)	18	11,305	10,068	9,673	4,061
Interest on units classified as financial liabilities	19	(633)	(724)	(1,330)	(1,466)
Net income (loss) for the period		\$ (1,072)	\$ 36,786	\$ 25,627	\$ 119,547

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

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the six months ended June 30

Unaudited (Cdn \$ Thousands)

	Trust units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings	Total Unitholders' equity
Balance, January 1, 2023	\$ 1,052,858	\$ 1,724,720	\$ (280,202)	\$ 1,444,518	\$ 2,497,376
Units purchased and cancelled	(171)	-	-	-	(171)
Units issued	27,205	-	-	-	27,205
Net income for the period	-	119,547	-	119,547	119,547
Distributions declared to Unitholders	-	-	(25,662)	(25,662)	(25,662)
Balance, June 30, 2023	\$ 1,079,892	\$ 1,844,267	\$ (305,864)	\$ 1,538,403	\$ 2,618,295
Balance, January 1, 2024	\$ 1,088,679	\$ 1,816,960	\$ (332,258)	\$ 1,484,702	\$ 2,573,381
Units issued (note 15)	35,564	-	-	-	35,564
Net income for the period	-	25,627	-	25,627	25,627
Distributions declared to Unitholders	-	-	(27,543)	(27,543)	(27,543)
Balance, June 30, 2024	\$ 1,124,243	\$ 1,842,587	\$ (359,801)	\$ 1,482,786	\$ 2,607,029

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

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Statements of Cash Flows

For the three and six months ended June 30

Unaudited (Cdn \$ Thousands)

		Three months ended June 30		Six months ended June 30	
	Note	2024	2023	2024	2023
Cash flows from (used in) operating activities					
Net income (loss) for the period		\$ (1,072)	\$ 36,786	\$ 25,627	\$ 119,547
Add items not affecting cash					
Income from investment in joint ventures	6	(267)	(3,154)	(508)	(3,172)
Amortization		96	188	324	597
Loss on sale of investment properties	5	780	-	1,730	-
Fair value adjustments on investment properties	3	34,699	(4,353)	26,463	(74,518)
Other fair value gains	18	(11,305)	(10,068)	(9,673)	(4,061)
Unit-based compensation expense	13	1,465	2,326	3,497	4,261
Financing costs	17	14,133	14,935	29,249	28,793
Interest expense	17	(13,506)	(14,461)	(27,997)	(27,878)
Tenant inducements		812	556	1,497	1,103
		25,835	22,755	50,209	44,672
Net income items related to financing activities	19	130	269	329	576
Changes in non-cash operating assets and liabilities	20	(19,770)	840	(25,850)	(9,920)
Cash from operating activities		6,195	23,864	24,688	35,328
Cash flows from (used in) investing activities					
Investment in joint ventures	6	(1,229)	(692)	(2,398)	(10,463)
Distributions received from joint ventures	6	120	-	120	-
Proceeds from sale of investment properties	5	95,289	-	133,565	-
Additions to investment properties	3	(19,916)	(23,792)	(34,436)	(43,713)
Cash from (used in) investing activities		74,264	(24,484)	96,851	(54,176)
Cash flows from (used in) financing activities					
Mortgage and loan repayments	20	(31,436)	(7,502)	(206,635)	(52,545)
Mortgage advances	20	-	-	193,793	25,193
Financing fees		225	(223)	(4,531)	(1,142)
Credit facility advances/(repayments)	20	-	17,015	(40,847)	61,807
Principal repayments on lease liabilities		(73)	(56)	(145)	(105)
Trust units issued, net of issue costs	13, 15	155	604	193	638
Trust units purchased and cancelled	15	-	(171)	-	(171)
Trust units purchased	15	-	(157)	-	(157)
Deferred units purchased and cancelled	13, 15	(234)	(407)	(563)	(698)
Interest paid on Class B LP unit liability	19	(130)	(269)	(329)	(576)
Distributions paid	20	(9,113)	(7,660)	(17,993)	(15,267)
Cash from (used in) financing activities		(40,606)	1,174	(77,057)	16,977
Increase (decrease) in cash during the period		39,853	554	44,482	(1,871)
Cash at the beginning of period		7,176	1,842	2,547	4,267
Cash at end of period		\$ 47,029	\$ 2,396	\$ 47,029	\$ 2,396

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

InterRent Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (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 condensed consolidated interim financial statements for the period ended June 30, 2024 were authorized for issuance by the Trustees of the Trust on August 6, 2024.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The financial statements have been presented in Canadian dollars, which is the Trust's functional currency, rounded to the nearest thousand unless otherwise indicated.

These condensed consolidated interim financial statements should be read in conjunction with the Trust's annual consolidated financial statements for the year ended December 31, 2023.

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 condensed consolidated interim 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.

InterRent Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

2. BASIS OF PRESENTATION (Continued)

Material accounting policies

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2023.

Basis of consolidation

The condensed consolidated interim 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.

Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment when applying the Trust's accounting policies. The critical accounting estimates and judgments have been set out in notes 2 and 3 to the Trust's consolidated financial statements for the year ended December 31, 2023.

Comparative information

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. INVESTMENT PROPERTIES

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

	June 30, 2024	December 31, 2023
Income properties	\$ 4,182,685	\$ 4,276,295
Properties under development	44,019	39,447
	\$ 4,226,704	\$ 4,315,742

Income properties:

	June 30, 2024	December 31, 2023
Balance, beginning of year	\$ 4,321,663	\$ 4,152,141
Dispositions (note 5)	(141,295)	(10,892)
Transfers from properties under development	-	70,173
Property capital investments	28,780	98,287
Fair value adjustments ⁽¹⁾	(26,463)	11,954
	\$ 4,182,685	\$ 4,321,663
Reclassification to assets held for sale (note 4)	-	(45,368)
	\$ 4,182,685	\$ 4,276,295

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

InterRent Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

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Unaudited (Cdn \$ Thousands except unit amounts)

3. INVESTMENT PROPERTIES (Continued)

Properties under development:

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

	June 30, 2024	December 31, 2023
Balance, beginning of year	\$ 39,447	\$ 101,783
Transfer to income properties	-	(70,173)
Property capital investments	4,572	7,837
	\$ 44,019	\$ 39,447

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.

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. The Trust engaged the firm once again to review and advise of any significant changes in any of the key input assumptions in the model (such as Cap Rate, turnover estimate and market rent adjustments) as at June 30, 2024, in order for the Trust to complete its internal valuations.

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

	June 30, 2024		December 31, 2023	
	Range	Weighted average	Range	Weighted average
Capitalization rate	3.25% - 6.25%	4.25%	3.25% - 6.25%	4.21%

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Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

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3. INVESTMENT PROPERTIES (Continued)

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 June 30, 2024

Forecasted stabilized net operating income	-3%	-1%	As estimated	+1%	+3%
	\$ 172,431	\$ 175,986	\$ 177,764	\$ 179,542	\$ 183,097
Capitalization rate					
-0.25%	4.00%	\$ 4,310,777	\$ 4,399,659	\$ 4,444,100	\$ 4,488,541
Cap rate used	4.25%	\$ 4,057,202	\$ 4,140,856	\$ 4,182,685	\$ 4,224,509
+0.25%	4.50%	\$ 3,831,802	\$ 3,910,808	\$ 3,950,311	\$ 3,989,814
			\$ 3,950,311	\$ 3,989,814	\$ 4,068,820

As at December 31, 2023

Forecasted stabilized net operating income	-3%	-1%	As estimated	+1%	+3%
	\$ 174,631	\$ 178,232	\$ 180,032	\$ 181,832	\$ 185,433
Capitalization rate					
-0.25%	3.96%	\$ 4,409,875	\$ 4,500,800	\$ 4,546,263	\$ 4,591,725
Cap rate used	4.21%	\$ 4,148,006	\$ 4,233,532	\$ 4,276,295	\$ 4,319,057
+0.25%	4.46%	\$ 3,915,494	\$ 3,996,226	\$ 4,036,592	\$ 4,076,958
			\$ 4,036,592	\$ 4,076,958	\$ 4,157,690

The two (2023 - two) properties under development are valued at acquisition cost plus development costs. The direct capitalization income approach method of valuation is not a reliable measure as the properties are undergoing a significant amount of work which will affect multiple components of the estimated net operating income as well as the Cap Rate. The Trust expects the fair value of the properties to be reliably determinable when development is substantially complete, and will measure both investment properties under development at cost until either its fair value becomes reliably determinable or development is completed (whichever is earlier).

Cash outflow used for additions to investment properties for the three and six months ended:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Property capital investments	\$ (17,663)	\$ (25,818)	\$ (33,352)	\$ (45,680)
Changes in non-cash investing accounts payable and accrued liabilities	(2,253)	2,026	(1,084)	1,967
	\$ (19,916)	\$ (23,792)	\$ (34,436)	\$ (43,713)

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Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

4. ASSETS HELD FOR SALE

As at June 30, 2024, the Trust had no assets classified as 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. 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 5).

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

	June 30, 2024	December 31, 2023
Properties	-	5
Suites	-	224
Investment properties (note 3)	\$ -	\$ 45,368
Prepays and deposits	-	25
Receivables and other assets (note 8)	-	39
	\$ -	\$ 45,432
Mortgages and loan payables	-	22,211
Accounts payable and accrued liabilities (note 11)	-	689
Tenant rental deposits	-	88
	\$ -	\$ 22,988

5. INVESTMENT PROPERTY DISPOSITIONS

During the six months ended June 30, 2024, the Trust completed the following investment property dispositions. These dispositions do not meet the definition of discontinued operations under IFRS:

Disposition Date	Suite Count	Ownership Interest	Sale Price	Closing Costs	Net Proceeds	Mortgage Discharged
February 15, 2024	224	100%	\$ 46,000	\$ 1,771	\$ 44,229	\$ 22,762
June 5, 2024	497	100%	\$ 92,000	\$ 1,967	\$ 90,033	\$ 23,540
June 20, 2024	27	100%	\$ 5,525	\$ 222	\$ 5,303	-

During the six months ended June 30, 2023 the trust did not dispose of any investment properties.

A loss of \$1,730 was recognized for the six months ended June 30, 2024 in connection with these dispositions. The loss represents the difference between the net proceeds (sale price less closing costs) and the carrying value of the properties at the date of disposition. Closing costs consist of commissions, legal fees, mortgage discharge penalties, and the write-off of deferred financing fees related to the discharged mortgage.

InterRent Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

5. INVESTMENT PROPERTY DISPOSITIONS (Continued)

Calculation of loss on sale of investment properties for the three and six months ended:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Sale price	\$ 97,525	\$ -	\$ 143,525	\$ -
Less: Book value of investment properties (note 3)	(96,069)	-	(141,295)	-
Excess of sale price over book value	1,456	-	2,230	-
Closing costs	(2,236)	-	(3,960)	-
(Loss)/gain on sale of investment properties	\$ (780)	\$ -	\$ (1,730)	\$ -

Cash inflow received from the sale of investment properties for the three and six months ended:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net proceeds	\$ 95,289	\$ -	\$ 139,565	\$ -
Vendor take-back mortgage issued	-	-	(6,000)	-
	\$ 95,289	\$ -	\$ 133,565	\$ -

6. 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	June 30, 2024	December 31, 2023
TIP Albert Limited Partnership	Ottawa	Develop, own and operate investment property	40.0% ⁽¹⁾	40.0% ⁽¹⁾
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	10.0%	10.0%
OTT A360 Laurier Limited Partnership	Ottawa	Develop, own and operate investment property	25.0%	25.0%

⁽¹⁾ 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 3) as a joint operation (note 7). In total, the Trust holds a 50% interest in the development property.

The Trust is contingently liable for certain obligations of the joint ventures. 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 operation and development of the investment properties. The following table shows the changes in the carrying value of the investment in joint ventures:

	June 30, 2024	December 31, 2023
Balance, beginning of year	\$ 47,454	\$ 31,160
Additions	2,398	12,464
Distributions	(120)	-
Share of net income	508	3,830
	\$ 50,240	\$ 47,454

InterRent Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

6. INVESTMENT IN JOINT VENTURES (Continued)

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

	June 30, 2024	December 31, 2023
Current assets	\$ 4,946	\$ 5,441
Non-current assets	418,590	405,378
Current liabilities	(2,810)	(3,033)
Non-current liabilities	(171,519)	(170,956)
Net assets	\$ 249,207	\$ 236,830
Trust's share	\$ 50,240	\$ 47,454

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Revenue	\$ 3,497	\$ 3,122	\$ 6,971	\$ 3,343
Expenses	(2,176)	(2,087)	(4,421)	(2,178)
Fair value adjustments on investment properties	1,364	30,503	2,520	30,503
Net income	\$ 2,685	\$ 31,538	\$ 5,070	\$ 31,668
Trust's share	\$ 267	\$ 3,154	\$ 508	\$ 3,172

7. JOINT OPERATIONS

The Trust has interest in twenty-three investment properties (December 31, 2023 - twenty-three) and one property under development (December 31, 2023 - 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 (June 30, 2024)	Ownership Interest (December 31, 2023)
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%

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For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

8. RECEIVABLES AND OTHER ASSETS

	June 30, 2024	December 31, 2023
Current:		
Rents and other receivables, net of allowance for uncollectable amounts (note 23(b))	\$ 6,559	\$ 6,593
Lease incentives ⁽¹⁾	1,835	1,163
	\$ 8,394	\$ 7,756
Non-current:		
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of \$5,428 (2023 - \$5,170)	\$ 3,193	\$ 3,321
Deferred finance fees on credit facilities, net of accumulated amortization of \$2,729 (2023 - \$2,607)	405	299
Loan receivable long-term incentive plan (note 14)	7,305	8,311
Right-of-use asset, net of accumulated amortization of \$321 (2023 - \$255)	545	612
Other investments	500	500
Mortgage receivable ⁽²⁾	7,500	1,500
Promissory note receivable ⁽³⁾	500	500
	\$ 19,948	\$ 15,043
	\$ 28,342	\$ 22,799
Reclassification to assets held for sale (note 4)	-	(39)
	\$ 28,342	\$ 22,760

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

⁽²⁾ At June 30, 2024 and December 31, 2023 the balance is comprised of one mortgage with a maturity date of July 2027, at an interest rate of 3.5% for the first two years, and 4.5% for the remaining two years; at June 30, 2024 there is one additional mortgage receivable for \$6,000 with a maturity date of August 2024, at an interest rate of 7.0%. Both mortgages are secured by the related properties and personal guarantees from the buyers of the properties.

⁽³⁾ At June 30, 2024 and December 31, 2023 the balance is comprised of one promissory note with a maturity date of July 2027, at an interest rate of 3.5% for the first two years, and 4.5% for the remaining two years.

9. MORTGAGES PAYABLE

Mortgages are secured by the investment properties and bear interest at a weighted average interest rate of 3.37% (December 31, 2023 - 3.50%).

The mortgages mature at various dates between the years 2024 and 2034.

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

2024	\$ 94,860
2025	228,830
2026	150,673
2027	214,454
2028	243,635
Thereafter	768,820
	1,701,272
Less: Deferred finance costs and mortgage premiums	(44,984)
	\$ 1,656,288

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For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

10. CREDIT FACILITIES

	June 30, 2024	December 31, 2023
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 \$5,000 (2023 - \$3,000) demand credit facility with a Canadian chartered bank secured by a general security agreement. The weighted average interest rate on amounts drawn during the six months ended June 30, 2024 was 7.70%.
- (ii) The Trust has a \$105,000 (2023 - \$105,000) term credit facility, maturing in 2027, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2023 - zero) of the Trust's properties and second collateral mortgages on nine (2023 - 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 six months ended June 30, 2024 was 7.35%.
- (iii) The Trust has a \$15,000 (2023 - \$15,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2023 - one) of the Trust's properties and second collateral mortgages on one (2023 - 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 six months ended June 30, 2024 was 7.85%.
- (iv) The Trust has a \$100,000 (2023 - \$100,000) term credit facility, maturing in 2026, with a Canadian chartered bank secured by a general security agreement, first mortgages on two (2023 - two) of the Trust's properties and second collateral mortgages on two (2023 - four) 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 six months ended June 30, 2024 was 7.67%.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2024	December 31, 2023
Accounts payable	\$ 6,295	\$ 7,109
Accrued liabilities	20,523	24,698
Accrued distributions	4,654	4,629
Mortgage interest payable	3,793	3,579
	\$ 35,265	\$ 40,015
Reclassification to liabilities associated with assets held for sale (note 4)	-	(689)
	\$ 35,265	\$ 39,326

12. CLASS B LP UNIT LIABILITY

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

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

InterRent Real Estate Investment Trust

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12. CLASS B LP UNIT LIABILITY (Continued)

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

Number of Units	
Balance - December 31, 2022	3,410,766
Units issued	-
Units exchanged for Trust Units	(1,250,000)
Balance - December 31, 2023	2,160,766
Units issued	-
Units exchanged for Trust Units	(2,160,766)
Balance - June 30, 2024	-

During the six months ended June 30, 2024, 2,160,766 Class B LP Units were exchanged for 2,160,766 Trust Units (June 30, 2023 - 1,250,000). 1,974,516 of these units (June 30, 2023 - 1,250,000) were exchanged by a company controlled by an officer and Trustee of the Trust (note 21).

As of June 30, 2024 there are no Class B LP Units outstanding. As of December 31, 2023, the Class B LP Units represented an aggregate fair value of \$28,587. The fair value represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date. Each Class B LP Unit is accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The gains or losses that resulted from changes in the fair value were recorded in the consolidated statement of income.

13. UNIT-BASED COMPENSATION LIABILITIES

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

	June 30, 2024	December 31, 2023
Unit-based liabilities, beginning of year	\$ 59,721	\$ 54,131
Compensation expense - deferred unit plan	1,214	3,263
Compensation expense - performance and restricted unit plan	1,282	1,735
DRIP ⁽¹⁾ expense - deferred unit plan	889	1,655
DRIP ⁽¹⁾ expense - performance and restricted unit plan	112	132
DUP units converted, cancelled and forfeited	(874)	(1,840)
Unit options exercised and expired	(166)	(857)
(Gain)/loss on fair value of liability (note 18)	(6,571)	1,502
Unit-based liabilities, end of period	\$ 55,607	\$ 59,721

⁽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.

The maximum number of Trust Units issuable under the Trust's equity incentive compensation plans, which includes the DUP, the PRU, and unit options, as well as the long-term incentive plan (note 14) is 6% of the issued and outstanding Trust Units.

InterRent Real Estate Investment Trust

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13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

(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, 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 15)	(34,480)
Deferred units purchased and cancelled	(25,583)
Deferred units cancelled	(100,521)
Balance - December 31, 2023	4,670,473
Units issued under deferred unit plan	79,997
Reinvested distributions on deferred units	72,470
Deferred units exercised into Trust Units (note 15)	(23,033)
Deferred units purchased and cancelled	(12,500)
Deferred units cancelled	(34,977)
Balance - June 30, 2024	4,752,430

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 \$52,008 at June 30, 2024 (December 31, 2023 - \$56,621). 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. The Board has terminated the unit option plan, the termination of this plan will 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.

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Unaudited (Cdn \$ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

Options granted, exercised and expired during the six months ended June 30 are as follows:

	2024		2023	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance, beginning of year	89,840	\$ 7.35	223,265	\$ 6.55
Exercised	(27,340)	\$ 7.13	(110,925)	\$ 5.77
Expired	-	\$ -	(5,000)	\$ 5.65
Balance, end of period	62,500	\$ 7.45	107,340	\$ 7.40

Options outstanding at June 30, 2024:

Exercise price	Number of units	Remaining life in years	Number of units exercisable
\$ 5.81	7,500	0.46	7,500
\$ 7.67	55,000	3.07	55,000
	62,500		62,500

The weighted average market price of options exercised in the six months ended June 30, 2024 was \$12.84 (2023 - \$13.20).

The unit options represented an aggregate fair value of \$263 at June 30, 2024 (December 31, 2023 - \$496). 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:

	June 30, 2024	December 31, 2023
Market price of Unit	\$ 11.91	\$ 13.23
Expected option life	1.1 years	1.1 years
Risk-free interest rate	3.99%	3.88%
Expected volatility (based on historical)	23%	24%
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 officers and employees 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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13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

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

Number of Units	
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
Units issued under performance and restricted unit plan	193,236
Reinvested distributions on performance and restricted units	9,130
Balance - June 30, 2024	600,608

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 June 30, 2024 was \$3,336 (December 31, 2023 - \$2,604).

14. 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 terminated the LTIP in 2022, the termination of this plan did not impact any currently outstanding awards, but the plan was closed to new issuances. 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 8) is due over a term not exceeding ten years. Participants are required to pay interest at a ten-year fixed rate based on the Trust's fixed borrowing rate for long-term mortgage financing and are required to apply cash distributions received on these units toward the payment of interest and the remaining instalments. Participants may pre-pay any remaining instalments at their discretion. The Trust has recourse on the loans receivable and has reasonable assurance that the Trust will collect the full amount of the loan receivable. The loans receivable are secured by the units as well as the distributions on the units. If a Participant fails to pay interest and/or principal, the Trust can enforce repayment which may include the election to reacquire or sell the units in satisfaction of the outstanding amounts.

Date of award	Number of units	Interest rate	Loan receivable
December 16, 2014	100,000	3.27%	433
June 9, 2015	75,000	3.44%	385
June 30, 2016	275,000	2.82%	1,816
July 28, 2017	320,000	3.09%	2,113
March 5, 2018	285,000	3.30%	2,558
	1,055,000		\$ 7,305

InterRent Real Estate Investment Trust

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15. TRUST UNITS

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

	Trust Units	Amount
Balance - December 31, 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
Units issued from exchange of Class B Units	2,160,766	25,437
Units Issued under the deferred unit plan	23,033	311
Units Issued under distribution reinvestment plan	767,041	9,457
Units Issued from options exercised	27,340	359
Balance - June 30, 2024	147,761,331	\$ 1,124,243

On May 21, 2024, 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 13,736,806 of its Trust Units, or approximately 10% of its public float of 137,368,069 Trust Units as of May 10, 2024, for cancellation over the next 12 months commencing on May 23, 2024 until the earlier of May 22, 2025 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 90,157 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, other designated exchanges, and/or Canadian alternative trading systems.

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 six months ended June 30, 2024, the Trust did not purchase any Trust Units.

For the six months ended June 30, 2023, the Trust purchased and cancelled 13,800 Trust Units for a total of \$171, and purchased 12,500 Trust Units which were in treasury at the end of the quarter, and were cancelled subsequent to the quarter. All purchases occurred at market prices.

During the six months ended June 30, 2024, 2,160,766 Class B LP Units were exchanged for 2,160,766 Trust Units (June 30, 2023 - 1,250,000). 1,974,516 of these units (June 30, 2023 - 1,250,000) were exchanged by a company controlled by an officer and Trustee of the Trust (note 21).

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15. TRUST UNITS (Continued)

Declaration of Trust

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

(a) Trust Units

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

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

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

(b) Special Voting Units

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

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

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16. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Lease revenue ⁽¹⁾	\$ 60,395	\$ 57,518	\$ 121,014	\$ 114,191
Non-lease revenue ⁽²⁾	1,040	1,133	2,175	2,169
	\$ 61,435	\$ 58,651	\$ 123,189	\$ 116,360

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

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

17. FINANCING COSTS

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Mortgages payable	\$ 14,406	\$ 14,278	\$ 29,303	\$ 28,353
Credit facilities	356	1,063	939	1,405
Interest income	(378)	(105)	(558)	(270)
Interest capitalized to development	(878)	(775)	(1,687)	(1,610)
Interest expense	13,506	14,461	27,997	27,878
Amortization of deferred finance costs on mortgages	573	547	1,176	1,084
Amortization of deferred finance costs on credit facilities	56	82	122	141
Amortization of fair value on assumed debt	(2)	(155)	(46)	(310)
	\$ 14,133	\$ 14,935	\$ 29,249	\$ 28,793

18. OTHER FAIR VALUE GAINS/(LOSSES)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Class B LP unit liability	\$ 3,863	\$ 2,857	\$ 3,150	\$ 845
Unit-based compensation liability (deferred unit plan)	7,069	2,547	5,848	210
Unit-based compensation liability (performance and restricted unit plan)	830	245	662	247
Unit-based compensation liability (option plan)	33	105	61	(46)
Rate swaps (mortgage payable)	(490)	1,639	(471)	765
Forward rate locks (mortgage payable)	-	2,675	423	2,040
	\$ 11,305	\$ 10,068	\$ 9,673	\$ 4,061

19. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Class B LP unit liability	\$ 130	\$ 269	\$ 329	\$ 576
Unit-based compensation (deferred unit plan)	447	419	889	830
Unit-based compensation (performance and restricted unit plan)	56	36	112	60
	\$ 633	\$ 724	\$ 1,330	\$ 1,466

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20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Receivables and other assets	\$ (2,216)	\$ 2,065	\$ (1,257)	\$ 689
Prepaid and deposits	(14,647)	(94)	(21,414)	(6,710)
Accounts payable and accrued liabilities	(3,509)	(1,089)	(3,751)	(4,088)
Tenant rental deposits	602	(42)	572	189
	\$ (19,770)	\$ 840	\$ (25,850)	\$ (9,920)

(b) Net cash distributions to unitholders

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Distributions declared to unitholders	\$ 13,834	\$ 12,882	\$ 27,543	\$ 25,662
Add: Distributions payable at beginning of period	4,573	4,268	4,561	4,255
Less: Distributions payable at end of period	(4,654)	(4,322)	(4,654)	(4,322)
Less: Distributions to participants in the DRIP	(4,640)	(5,168)	(9,457)	(10,328)
	\$ 9,113	\$ 7,660	\$ 17,993	\$ 15,267

(c) Interest paid

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Interest expense	\$ 13,506	\$ 14,461	\$ 27,997	\$ 27,878
Add: Mortgage interest payable at beginning of period	3,819	3,088	3,579	2,906
Less: Mortgage interest payable at end of period	(3,793)	(3,353)	(3,793)	(3,353)
Add: Interest capitalized	878	775	1,687	1,610
Add: Interest income received	378	105	558	270
	\$ 14,788	\$ 15,076	\$ 30,028	\$ 29,311

(d) Reconciliation of liabilities arising from financing activities

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Mortgages payable				
Balance, beginning of period	\$ 1,708,966	\$ 1,677,313	\$ 1,691,307	\$ 1,697,163
Mortgage advances	-	-	193,793	25,193
Repayment of mortgages	(31,436)	(7,502)	(206,635)	(52,545)
Changes in liabilities associated with assets held for sale	23,742	(6,954)	22,807	(6,954)
Balance, end of period	\$ 1,701,272	\$ 1,662,857	\$ 1,701,272	\$ 1,662,857

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20. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

Credit facilities	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Balance, beginning of period	\$ -	\$ 44,792	\$ 40,847	\$ -
Advances of credit facilities	-	17,015	-	61,807
Repayment of credit facilities	-	-	(40,847)	-
Balance, end of period	\$ -	\$ 61,807	\$ -	\$ 61,807

21. RELATED PARTY TRANSACTIONS

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

(i) Accounts Payable (net of amounts receivable)

As at June 30, 2024, \$nil (December 31, 2023 - \$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 six months ended June 30, 2024, the Trust incurred \$437 (June 30, 2023 - \$1,096) 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 six months ended June 30, 2024, a company controlled by an officer and Trustee of the Trust exchanged 1,974,516 Class B LP Units for 1,974,516 Trust Units (June 30, 2023 - 1,250,000). All Class B LP Units are exchangeable at the option of the holder and the exchange occurred at market prices (note 12).

22. CAPITAL RISK MANAGEMENT

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

The Trust manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Trust's working capital requirements. In order to maintain or adjust its capital structure, the Trust, upon approval from its Board of Trustees, may issue or repay long-term debt, issue units, repurchase units through a normal course issuer bid, pay distributions or undertake other activities as deemed appropriate under the specific circumstances. The Board of Trustees reviews and approves any material transactions out of the ordinary course of business, including approval of all acquisitions of investment properties, as well as capital and operating budgets. There have been no changes to the Trust's capital risk management policies for the six months ended June 30, 2024 from the year ended December 31, 2023.

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22. CAPITAL RISK MANAGEMENT (Continued)

The Trust monitors capital using a debt to gross book value ratio, as defined in the Declaration of Trust which requires the Trust to maintain a debt to gross book value ratio below 75%. As at June 30, 2024, the debt to gross book value ratio is 37.8% (December 31, 2023 - 38.1%).

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 six month period ended June 30, 2024 and the year ended December 31, 2023.

23. FINANCIAL RISK MANAGEMENT

a) Overview

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

b) Credit Risk

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

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

For its rents receivable, the Trust conducts credit assessments for all prospective tenants and, where permitted, obtains 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 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 June 30, 2024, the Trust had past due rents and other receivables of \$9,921 (December 31, 2023 - \$9,907), net of an allowance for doubtful accounts of \$3,362 (December 31, 2023 - \$3,314) which adequately reflects the Trust's credit risk.

InterRent Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

23. 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 22 to the condensed consolidated interim 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 June 30, 2024, the Trust had credit facilities as described in note 10.

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

The undiscounted contractual maturities and repayment obligations of the Trust's financial liabilities, excluding mortgages on assets held for sale, as well as unit-based compensation liabilities and Class B LP unit liability as their redemption time is uncertain, as at June 30, 2024 are as follows:

Year	Mortgages payable	Mortgage interest ⁽¹⁾	Credit facilities	Lease liabilities principal outstanding	Accounts payable and accrued liabilities	Total
2024	\$ 94,860	\$ 27,753	\$ -	\$ 182	\$ 35,265	\$ 158,060
2025	228,830	48,855	-	315	-	278,000
2026	150,673	42,445	-	335	-	193,453
2027	214,454	38,846	-	351	-	253,651
2028	243,635	29,483	-	286	-	273,404
Thereafter	768,820	67,169	-	59	-	836,048
	\$1,701,272	\$ 254,551	\$ -	\$ 1,528	\$ 35,265	\$1,992,616

⁽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 June 30, 2024, less than 1% (December 31, 2023 - 5%) 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 \$156 for the six months ended June 30, 2024 (2023 - \$532).

InterRent Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2024 and 2023 and as at December 31, 2023

Unaudited (Cdn \$ Thousands except unit amounts)

24. FAIR VALUE MEASUREMENT

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable, and credit facilities, which are measured at a fair value level 2, is approximately \$1,707,730 (December 31, 2023 - \$1,761,676) excluding any deferred financing costs.

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

June 30, 2024	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	4,226,704
Interest rate swap asset ⁽¹⁾	-	1,158	-
Liabilities			
Unit-based compensation liability	-	55,607	-
December 31, 2023			
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	-

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

25. 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.

26. SUBSEQUENT EVENTS

Subsequent to the quarter, the Trust purchased 405,300 units under the normal course issuer bid for \$4,999.