# InterRent REIT

## Management's Discussion & Analysis

For the Three Months Ended June 30, 2024

**August 6, 2024**

interRent™

# 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 June 30, 2024 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 note 2 of the condensed consolidated interim financial statements for June 30, 2024.

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, 2021.

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.

In the first six months of 2024, the Trust sold five properties comprising 224 suites in Côte Saint-Luc, Québec for a sale price of $46.0 million, or $205,000 per suite; four properties comprising 497 suites and one vacant parcel of land, in Aylmer Québec for a sale price of $92.0 million, or $185,000 per suite; and one property comprising 27 suites in Ottawa, Ontario for $5.5 million, or $204,000 per suite. Altogether, the properties were sold for $2.2 million above their carrying value and the trust received net proceeds of $139.6 million after closing costs.

As at June 30, 2024, the Trust has 100% ownership interest in 11,356 suites, a 50% financial interest in 1,214 suites, and a 10% financial interest in 605 suites, representing 13,175 total suites, of which: a) 12,570 are included in same property suites; and, b) 10,278 are included in repositioned property suites. On a proportionate basis, this amounts to 12,024 total suites, 11,963 on a same property basis (or 95.5% of the portfolio), and 10,278 in repositioned property suites (or 85.5% of the portfolio).

The Government of Canada has recently introduced measures aimed at moderating population growth in the upcoming years, including a cap on international student permits and plans to reduce the proportion of temporary workers in the country. However, according to the latest Bank of Canada Monetary Policy Report, the share of the population represented by non-permanent residents is expected to increase in the near term, suggesting that the Government's planned policies will take longer to reduce inflows and achieve their targets[1].

Although these efforts may help restore Canada's population growth to a more balanced state, it is anticipated that the substantial supply-demand gap in the housing market will persist. 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 96.2% for June 2024 was down 60 basis points from 96.8% in March 2024 and up 80 basis points from 95.4% in June 2023.
- Delivered strong average monthly rent ("AMR") growth of 8.4% for the total portfolio and 6.8% for the same property portfolio for June 2024, as compared to June 2023.
- The Trust signed 640 new leases during the quarter for an average gain-on-lease of 16.1%. As average monthly rents continue to increase, the Trust expects that the average length of its tenancies will also continue to increase.

[1] Bank of Canada. (July 2024). *Monetary Policy Report.*

- The Trust continues to invest in its portfolio as a driver of future organic growth, spending $19.6 million during the quarter on a proportionate basis, of which $4.5 million was spent on improvements for non-repositioned properties ($2,568 per suite), $5.1 million on properties under development, and $10.0 million on the repositioned portfolio ($973 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 is continuing to make progress on its four active developments, see "Properties Under Development" for further details on ongoing development projects.

c) Disposition Update:

   - During the quarter, the Trust sold four properties comprising 497 suites and one vacant parcel of land in Aylmer, Québec for a sale price of $92.0 million, or $185,000 per suite; and one property comprising 27 suites in Ottawa, Ontario for $5.5 million, or $204,000 per suite.
   - Proceeds from the sale of properties were used to fund the REIT's capital requirements, pay down debt, and, subsequent to the quarter, the Trust purchased 405,300 units under the NCIB for $5.0 million, for an average price of $12.33 per unit (all units were purchased for cancellation).

d) Liquidity Update:

   - With a debt-to-GBV ratio of 37.8%, 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 $225.0 million of available credit. There was nothing drawn on these facilities as at June 30, 2024 and the facilities remain undrawn as of August 6, 2024.
   - The Trust has kept its variable rate exposure, including credit facilities, below 1%.
   - As of the date of this report, the Trust had approximately $142.1 million in unencumbered properties that do not have mortgages nor provide security for any credit facilities.
   - The Trust continues to look for opportunities to up-financing existing properties at attractive rates and, at current market rates and subject to underwriting, there is a potential to add an estimated $50 million of debt on the remaining 2024 maturities, and up to $80 million on loans maturing in 2025.

## Q2 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's proportionate operating performance for the three months ended June 30, 2024 compared to the same period in 2023:

| **Selected Consolidated Information** In $000's, except per Unit amounts and other non-financial data | | **3 Months Ended June 30, 2024** | | **3 Months Ended June 30, 2023** | **Change** |
|---|---|---|---|---|---|
| Total suites | | **12,024[(1)]** | | 12,709[(1)] | **-5.4%** |
| Average rent per suite (June) | **$** | **1,660** | $ | 1,531 | **+8.4%** |
| Occupancy rate (June) | | **96.2%** | | 95.4% | **+80 bps** |
| Proportionate operating revenues | **$** | **61,787** | $ | 58,963 | **+4.8%** |
| Proportionate net operating income (NOI) | **$** | **41,733** | $ | 39,068 | **+6.8%** |
| NOI % | | **67.5%** | | 66.3% | **+120 bps** |
| Same Property average rent per suite (June) | **$** | **1,658** | $ | 1,553 | **+6.8%** |
| Same Property occupancy rate (June) | | **96.2%** | | 95.5% | **+70 bps** |
| Same Property proportionate operating revenues | **$** | **59,981** | $ | 55,765 | **+7.6%** |
| Same Property proportionate NOI | **$** | **40,605** | $ | 37,017 | **+9.7%** |
| Same Property proportionate NOI % | | **67.7%** | | 66.4% | **+130 bps** |
| Net Income (Loss) | **$** | **(1,072)** | $ | 36,786 | **-102.9%** |
| Funds from Operations (FFO) | **$** | **23,096** | $ | 19,584 | **+17.9%** |
| FFO per weighted average unit - diluted | **$** | **0.157** | $ | 0.134 | **+17.2%** |
| Adjusted Funds from Operations (AFFO) | **$** | **20,405** | $ | 16,877 | **+20.9%** |
| AFFO per weighted average unit - diluted | **$** | **0.138** | $ | 0.116 | **+19.0%** |
| Distributions per unit | **$** | **0.0945** | $ | 0.0900 | **+5.0%** |
| Adjusted Cash Flow from Operations (ACFO) | **$** | **17,804** | $ | 20,627 | **-13.7%** |
| Debt-to-GBV | | **37.8%** | | 37.7% | **+10 bps** |
| Interest coverage (rolling 12 months) | | **2.39x** | | 2.37x | **+0.02x** |
| Debt service coverage (rolling 12 months) | | **1.59x** | | 1.54x | **+0.05x** |

(1) Represents 11,356 (2023 - 12,041) suites fully owned by the REIT, 1,214 (2023 - 1,214) suites owned 50% by the REIT, and 605 (2023 - 605) suites owned 10% by the REIT.

- Overall Portfolio:
  a) Quarter-to-date and year-to-date revenue and NOI above are impacted by the disposition of the 10 properties during the year. 224 suites were disposed in Q1 2024, and therefore have no contribution to Q2 2024 results, and 524 suites were disposed during Q2 2024 and are only partially contributing.
  b) Proportionate operating revenues for the quarter increased by $2.8 million to $61.8 million, an increase of 4.8% over Q2 2023.
  c) Average monthly rent per suite increased to $1,660 (June 2024) from $1,531 (June 2023), an increase of 8.4%, and from $1,622 (March 2024) an increase of 2.3%.
  d) Occupancy for June 2024 was 96.2%, an increase of 80 basis points when compared to June 2023.
  e) Proportionate NOI for the quarter was $41.7 million, an increase of $2.7 million, or 6.8%, over Q2 2023. NOI margin for the quarter was 67.5%, an increase of 120 basis points from Q2 2023.

- Same Property Portfolio:
  a) Proportionate operating revenues for the quarter increased by $4.2 million to $60.0 million, an increase of 7.6% from Q2 2023.
  b) Average monthly rent per suite for the same property portfolio increased to $1,658 (June 2024) from $1,553 (June 2023), an increase of 6.8%, and from $1,636 (March 2024) an increase of 1.3%.
  c) Occupancy for June 2024 was 96.2%, an increase of 70 basis points when compared to June 2023.

d) Same property proportionate NOI for the quarter was $40.6 million, an increase of $3.6 million, or 9.7% over Q2 2023. Same property NOI margin for the quarter was 67.7%, an increase of 130 basis points from Q2 2023.

- Repositioned properties had an average monthly rent per suite of $1,631 and occupancy of 96.3% for June 2024. Repositioned properties had proportionate NOI for the quarter of $35.4 million and NOI margin of 67.6%.
- Net loss for the quarter was $1.1 million, a decrease of $37.9 million compared to Q2 2023. This decrease was due primarily to unrealized gains on the fair value adjustment of investment properties, which was a $7.4 million gain in 2023 and a $34.6 million loss in 2024. This is offset by the increase in NOI and a higher unrealized gain on the revaluation of unit-based liabilities.
- FFO for the quarter was $23.1 million, an increase of $3.5 million, or 17.9%, over Q2 2023 and on a per unit basis increased by 17.2% over Q2 2023.
- AFFO for the quarter was $20.4 million, an increase of $3.5 million, or 20.9%, over Q2 2023 and on a per unit basis increased by 19.0% over Q2 2023.
- ACFO decreased by $2.8 million, or 13.7%, to $17.8 million compared to Q2 2023.
- Debt-to-GBV at quarter end was 37.8%, an increase of 10 basis points compared to June 2023.

## PORTFOLIO SUMMARY

The Trust started the year with 12,756 suites. During the six months ended June 30, 2024, the Trust:

- added five suites to the Greater Montréal Area as part of our conversion of C-Class office space to new residential supply (the Montréal intensification project), which is now fully occupied;
- brought 11 suites online at The Slayte development in the National Capital Region;
- disposed of five properties comprising 224 suites in the Greater Montréal Area;
- disposed of five properties comprising 524 suites in the National Capital region;
- added two suites to existing properties in the Greater Toronto and Hamilton Area; and
- removed two suites at existing properties in the Greater Toronto and Hamilton Area to make room for additional amenities at these properties in order to better serve our residents.

At June 30, 2024, the Trust owned 12,024 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 June 30, 2024, 99.5% of the portfolio was included in same property suites and 85.5% 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 83% of its suites being located in these core markets.

### SUITES BY REGION AT JUNE 30, 2024

| 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 | 34.5% | 4,143 | 4,096 | 34.2% |
| National Capital Region | 2,533 | 2,533 | 21.1% | 2,533 | 2,533 | 21.2% |
| Other Ontario | 2,004 | 2,004 | 16.7% | 2,004 | 2,004 | 16.8% |
| Greater Montreal Area | 3,024 | 2,897 | 24.1% | 3,024 | 2,897 | 24.2% |
| Greater Vancouver Area | 866 | 433 | 3.6% | 866 | 433 | 3.6% |
| Total | 13,175 | 12,024 | 100.0% | 12,570 | 11,963 | 100.0% |

## DISPOSITIONS

During the quarter, the Trust completed the sale of four properties comprising 497 suites as well as a vacant parcel of land in Aylmer, Québec for a sale price of $92.0 million, or $185,000 per suite. The properties were sold for $1.4 million above their carrying value, however selling costs of $2.0 million (which includes commission, legal expense, any unamortized portion of the CMHC insurance premium and mortgage discharge penalties) were incurred as part of the transactions, resulting in a loss on disposition.

The Trust also completed the sale of one property comprising 27 suites in Ottawa, Ontario for $5.5 million, or $204,000 per suite. The property was sold slightly above its carrying value, however selling costs of $0.2 million were incurred as part of the transaction, resulting in a loss on disposition.

Proceeds from the sales were used to fund the REIT's capital requirements, pay down debt, and subsequent to the quarter, purchase units under its NCIB.

## 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)<br>989 (Phases 3-4) | 20,081 (Phases 1-2)<br>19,779 (Phases 3-4) | 25.0% | 2032<br>(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 commenced in May 2023 with minor variances which were approved by the City of Ottawa in October 2023. The project received full site plan approval in April 2024. Investigative demolition is complete, and the full interior demolition is 90% complete. The building permit was approved and issued July 2024. The design team continues to finalize tenders for various aspects of the construction and refine specifications based on value engineering and tender feedback, while commencing construction on site.

## 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 full 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 has been investigating the potential use of various types of low-emission heating and cooling technologies to minimize long-term operating costs, reduce greenhouse gas emissions, and qualify for potential government incentives and attractive financing. Demolition has commenced as of July 2024 and is anticipated to be complete in September 2024.

## 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 Q4 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 September 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 June 30, 2024 | | 3 Months Ended June 30, 2023 | | 6 Months Ended June 30, 2024 | | 6 Months Ended June 30, 2023 | |
|---|---|---|---|---|---|---|---|---|
| Gross rental revenue | **$ 61,260** | | $ 58,346 | | **$ 122,525** | | $ 115,135 | |
| Less: vacancy & rebates | **(2,966)** | | (2,816) | | **(5,651)** | | (5,186) | |
| Other revenue | **3,493** | | 3,433 | | **7,017** | | 6,754 | |
| Operating revenues | **$ 61,787** | | $ 58,963 | | **$ 123,891** | | $ 116,703 | |
| Expenses | | | | | | | | |
| Property operating costs | **9,879** | **16.1%** | 9,695 | 16.4% | **19,253** | **15.5%** | 18,667 | 16.0% |
| Property taxes | **6,451** | **10.4%** | 6,298 | 10.7% | **13,205** | **10.7%** | 12,529 | 10.7% |
| Utilities | **3,724** | **6.0%** | 3,902 | 6.6% | **9,304** | **7.5%** | 10,118 | 8.7% |
| Operating expenses | **$ 20,054** | **32.5%** | $ 19,895 | 33.7% | **$ 41,762** | **33.7%** | $ 41,314 | 35.4% |
| Net operating income | **$ 41,733** | | $ 39,068 | | **$ 82,129** | | $ 75,389 | |
| Net operating margin | **67.5%** | | 66.3% | | **66.3%** | | 64.6% | |

## 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 three months ended June 30, 2024 increased 5.0% to $61.3 million compared to $58.3 million for the three months ended June 30, 2023. Operating revenue for the quarter was up $2.8 million to $61.8 million, or 4.8% compared to Q2 2023.

The Trust owned, on a weighted average basis, 12,407 suites for the three months ended June 30, 2024 as compared to 12,696 for the three months ended June 30, 2023, a decrease of 289 suites over the period. On a per weighted average suite basis, operating revenue for the three months ended June 30, 2024 was an average of $1,660 per month ($1,548 in 2023) a 7.2% year-over-year increase.

Average monthly rent for June 2024 of $1,660 per suite has increased compared to $1,531 for June 2023, (8.4% increase), and $1,622 for March 2024 (2.3% increase). On a same property basis, the average rent increased by $105 per suite (or up 6.8%) over June 2023 and by $22 per suite (or up 1.3%) over March 2024.

### GAIN-ON-LEASE

Organic growth for the REIT occurs in large part from the movement of rental rates from older in-place rents to current market rates when new residents take occupancy. During the three months ended June 30, 2024, new leases resulted in annualized proportionate revenue growth of approximately $1,955 with an average gain-on-lease of 16.1% for the 640 new leases signed this quarter, an increase from the 584 new leases signed during Q2 2023. The 640 new leases signed in the quarter represents 4.9% of the total portfolio. Suite turnover, excluding disposed properties, for the trailing 12 months was 24.3%. The quality of the REIT's operating platform and portfolio, as well as the location of its communities, allows the REIT to achieve higher than average market rents and turnover, thereby driving continued strong rental growth.

Seasonal variation in turnover is expected, and the third quarter of the year is generally the strongest quarter for move-ins. The following table presents the number of new leases signed, as well as the outgoing and newly signed rents on these suites and a calculation of the annualized gain-on-lease.

| Quarter | New Leases[(1)] | Outgoing AMR[(1)] | New AMR[(1)] | Realized Gain-On-Lease[(1)] | Annualized Gain-On-Lease[(2)] |
|---|---|---|---|---|---|
| Q2 2024 | 640 | $ 1,821 | $ 2,115 | 16.1% | $ 1,955 |
| Q1 2024 | 461 | 1,721 | 2,070 | 20.3% | 1,727 |
| Q4 2023 | 801 | 1,724 | 2,021 | 17.2% | 2,669 |
| Q3 2023 | 1,293 | 1,640 | 1,979 | 20.7% | 4,878 |
| **Total/Average** | **3,195** | **$ 1,709** | **$ 2,030** | **18.8%** | **$ 11,229** |

(1) Includes 100% of new leases from joint ventures
(2) Calculated on a proportionate basis

On a same property basis, the REIT signed 622 new leases during the quarter, or 4.9% of the same property portfolio, as compared to 543 for Q2 2023, or 4.3% of the same property portfolio, an increase of 79 leases, or 14.5%.

The REIT estimates the average market rental gap on the total portfolio to be just shy 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.

## ▼ AVERAGE RENT BY REGION[(1)]

| Region | Total Portfolio | | | Same Property | | |
|---|---|---|---|---|---|---|
| | June 2024 | June 2023 | Change | June 2024 | June 2023 | Change |
| Greater Toronto & Hamilton Area | $1,752 | $1,640 | +6.8% | $1,750 | $1,639 | +6.8% |
| National Capital Region[(1)] | $1,774 | $1,577 | +12.5% | $1,774 | $1,668 | +6.4% |
| Other Ontario | $1,610 | $1,514 | +6.3% | $1,610 | $1,514 | +6.3% |
| Greater Montreal Area | $1,417 | $1,308 | +8.3% | $1,417 | $1,320 | +7.3% |
| Greater Vancouver Area | $1,972 | $1,833 | +7.6% | $1,972 | $1,833 | +7.6% |
| **Total** | **$1,660** | **$1,531** | **+8.4%** | **$1,658** | **$1,553** | **+6.8%** |

(1) Excludes extended stay suites.

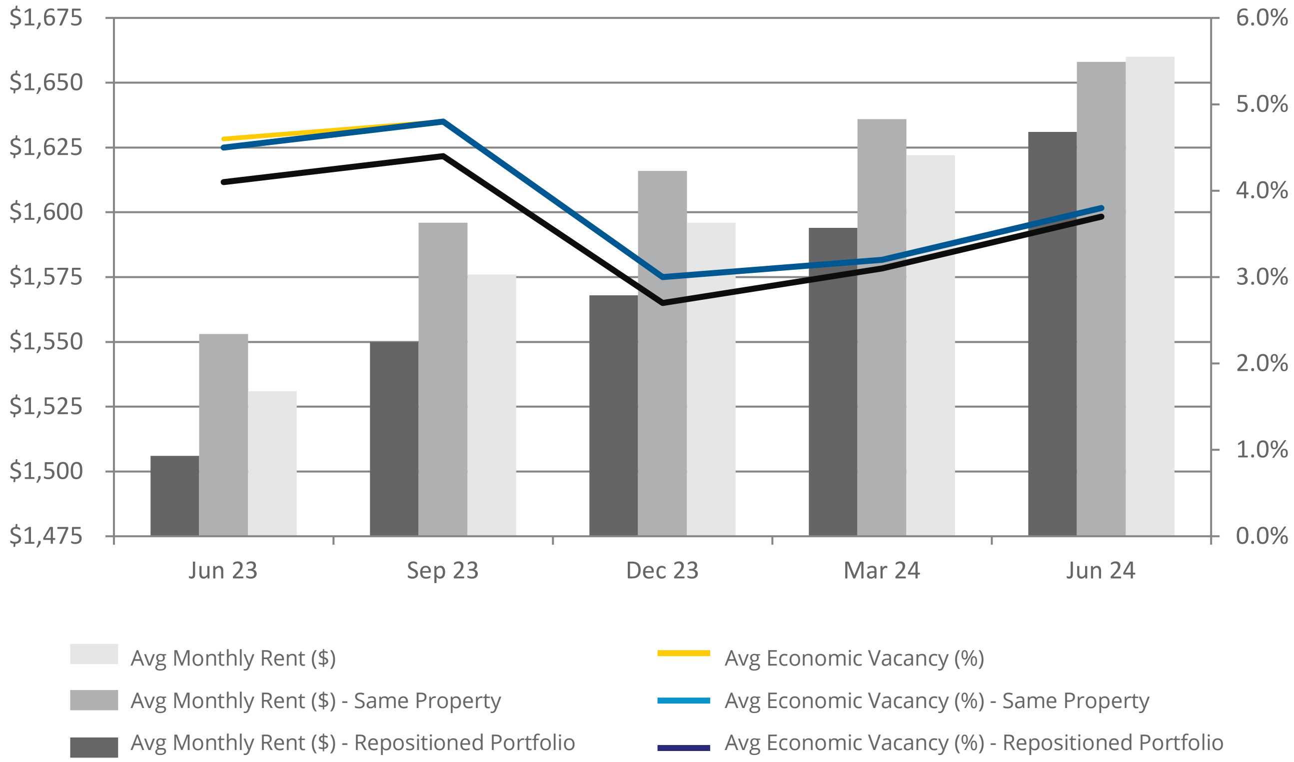
## PORTFOLIO OCCUPANCY

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 community; 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.




| | June 2023 | September 2023 | December 2023 | March 2024 | June 2024 |
|---|---|---|---|---|---|
| Average monthly rents repositioned property | $1,506 | $1,550 | $1,568 | $1,594 | $1,631 |
| Average monthly rents same property | $1,553 | $1,596 | $1,616 | $1,636 | $1,658 |
| Average monthly rents all properties | $1,531 | $1,576 | $1,596 | $1,622 | $1,660 |

The overall economic vacancy for June 2024 across the entire portfolio was 3.8%, an increase of 60 basis points as compared to the 3.2% vacancy in March 2024, and a decrease of 80 basis points from 4.6% in June 2023. This increase in vacancy compared to March 2024 is in line with historical averages. Over the last 5 years, the REIT has seen an average increase in vacancy of 90 basis points between March and June.

The economic vacancy for June 2024 on a same property portfolio basis was 3.8%, an increase of 60 basis points as compared to the 3.2% vacancy in March 2024, and a decrease of 70 basis points from 4.5% in June 2023.

## VACANCY BY REGION

| Region | Total Portfolio | | | Same Property | | |
|---|---|---|---|---|---|---|
| | June 2024 | June 2023 | Change | June 2024 | June 2023 | Change |
| Greater Toronto & Hamilton Area | 3.9% | 4.5% | -60 bps | 3.9% | 4.5% | -60 bps |
| National Capital Region | 3.6% | 3.9% | -30 bps | 3.6% | 3.5% | +10 bps |
| Other Ontario | 5.3% | 5.4% | -10 bps | 5.3% | 5.4% | -10 bps |
| Greater Montreal Area | 2.7% | 5.3% | -260 bps | 2.7% | 5.5% | -280 bps |
| Greater Vancouver Area | 2.5% | 1.9% | +60 bps | 2.5% | 1.9% | +60 bps |
| **Total** | **3.8%** | **4.6%** | **-80 bps** | **3.8%** | **4.5%** | **-70 bps** |

### OTHER REVENUE

Other rental revenue for the three months ended June 30, 2024 was up $0.1 million to $3.5 million compared to June 30, 2023. 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 three months ended June 30, 2024 amounted to $9.9 million or 16.1% of revenue compared to $9.7 million or 16.4% of revenue for the three months ended June 30, 2023. As a percentage of revenue, operating costs decreased by 30 basis points as compared to Q2 2023.

On a per weighted average suite basis, property operating costs for the three months ended June 30, 2024 were $796, a 4.3% increase over $764 for the three months ended June 30, 2023.

### PROPERTY TAXES

Property taxes for the three months ended June 30, 2024 amounted to $6.5 million or 10.4% of revenue compared to $6.3 million or 10.7% of revenue for June 30, 2023. Overall property taxes have increased by $0.2 million however they have decreased as a percentage of operating revenues. The increase is from annual rate increases compared to Q2 2023.

On a per weighted average suite basis, property taxes for the three months ended June 30, 2024 were $520, a 4.8% increase over $496 for the three months ended June 30, 2023.

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 three months ended June 30, 2024 amounted to $3.7 million or 6.0% of revenue, compared to $3.9 million or 6.6% of revenue for the three months ended June 30, 2023, a decrease of $0.2 million or 60 basis points as a percentage of operating revenue. On a per weighted average suite basis, utility costs have decreased 2.3% compared to Q2 2023, to $300 per suite. Lower natural gas costs are the primary driver, with a 10% decrease in usage coupled with 13% lower average rate. Electricity and water usage were both in line with the same period in 2023, but average rates were up 7% and 9%, respectively.

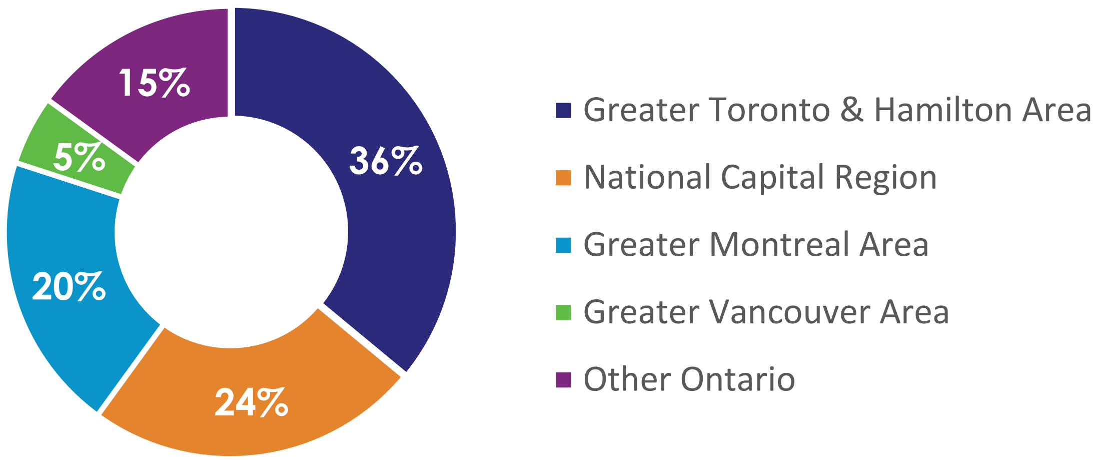
The Trust continues to manage its electricity costs through its hydro sub-metering initiative, which reduced electricity costs by 30.8%, or $0.5 million for the quarter (2023 - $0.5 million). At June 30, 2024, the REIT has approximately 85% of its portfolio that has the capability to sub-meter hydro 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 73% 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 three months ended June 30, 2024 amounted to $41.7 million or 67.5% of operating revenues compared to $39.1 million or 66.3% of operating revenue for the three months ended June 30, 2023. The $2.7 million, or 6.8%, increase was a result of the net impact of the 4.8% increase in operating revenue and the 0.8% increase in operating expenses compared to the same period last year. On a per weighted average suite basis, operating revenues were up 7.2%, operating expenses were up 3.1%, and NOI was up 9.3% for the total portfolio.

Proportionate NOI for the three months ended June 30, 2024 from the same property portfolio was $40.6 million, or 67.7% 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 JUNE 30, 2024




### SAME PROPERTY PROPORTIONATE PORTFOLIO PERFORMANCE

Same property results for the six months June 30, 2024 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, 2023 to June 30, 2024. As at June 30, 2024, the Trust has 11,963 suites in the same property portfolio. The same property portfolio represents 99.5% 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 June 30, 2024 | | 3 Months Ended June 30, 2023 | | 6 Months Ended June 30, 2024 | | 6 Months Ended June 30, 2023 | |
|---|---|---|---|---|---|---|---|---|
| Gross rental revenue | **$ 59,483** | | $ 55,196 | | **$ 118,008** | | $ 109,164 | |
| Less: vacancy & rebates | **(2,875)** | | (2,667) | | **(5,438)** | | (4,944) | |
| Other revenue | **3,373** | | 3,236 | | **6,723** | | 6,367 | |
| Operating revenues | **$ 59,981** | | $ 55,765 | | **$ 119,293** | | $ 110,587 | |
| Expenses | | | | | | | | |
| Property operating costs | **9,514** | **15.9%** | 9,073 | 16.3% | **18,385** | **15.4%** | 17,568 | 15.9% |
| Property taxes | **6,252** | **10.4%** | 5,970 | 10.7% | **12,732** | **10.7%** | 11,911 | 10.8% |
| Utilities | **3,610** | **6.0%** | 3,705 | 6.6% | **8,924** | **7.5%** | 9,626 | 8.7% |
| Operating expenses | **$ 19,376** | **32.3%** | $ 18,748 | 33.6% | **$ 40,041** | **33.6%** | $ 39,105 | 35.4% |
| Net operating income | **$ 40,605** | | $ 37,017 | | **$ 79,252** | | $ 71,482 | |
| Net operating margin | **67.7%** | | 66.4% | | **66.4%** | | 64.6% | |

For the three months ended June 30, 2024, operating revenues for the same property portfolio increased by 7.6% compared to the three months ended June 30, 2023. Property operating costs are down 40 basis points as a percentage of operating revenues, property taxes are down 30 basis points, and utilities are down 60 basis points. This resulted in an overall decrease in operating expenses, as a percentage of operating revenues, of 130 basis points as compared to the same period last year.

The net impact of a 7.6% increase in operating revenue and a 3.3% increase in operating expenses was an increase in same property proportionate NOI of $3.6 million, or 9.7%, as compared to the same period last year. NOI margin for Q2 2024 was 67.7% as compared to 66.4% for Q2 2023, a 130 basis point increase.

The average monthly rent for June 2024 for same property increased to $1,658 per suite from $1,553 (June 2023), an increase of 6.8%. Economic vacancy for June 2024 for same property was 3.8%, compared to 4.5% for June 2023, and 3.2% for March 2024. This increase in vacancy compared to March 2024 is in line with historical averages. Over the last 5 years, the REIT has seen an average increase in same property vacancy of 90 basis points between March and June.

| | June 2023 | September 2023 | December 2023 | March 2024 | June 2024 |
|---|---|---|---|---|---|
| Average monthly rent same property | $1,553 | $1,596 | $1,616 | $1,636 | $1,658 |
| Average monthly vacancy same property | 4.5% | 4.8% | 3.0% | 3.2% | 3.8% |

## 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 June 30, 2024 are defined as all properties owned and operated by the Trust prior to January 1, 2021. As at June 30, 2024, the Trust has 10,278 repositioned property suites, which represents 85.4% 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 June 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Repositioned Property Portfolio | | | Non-Repositioned Property Portfolio | | | Total Portfolio | | |
| Gross rental revenue | $ | 51,748 | | $ | 9,512 | | $ | **61,260** | |
| Less: vacancy & rebates | | (2,409) | | | (557) | | | **(2,966)** | |
| Other revenue | | 2,997 | | | 496 | | | **3,493** | |
| Operating revenues | $ | 52,336 | | $ | 9,451 | | $ | **61,787** | |
| Expenses | | | | | | | | | |
| Property operating costs | | 8,222 | 15.7% | | 1,657 | 17.5% | | **9,879** | **16.1%** |
| Property taxes | | 5,561 | 10.6% | | 890 | 9.4% | | **6,451** | **10.4%** |
| Utilities | | 3,196 | 6.1% | | 528 | 5.6% | | **3,724** | **6.0%** |
| Operating expenses | $ | 16,979 | 32.4% | $ | 3,075 | 32.5% | $ | **20,054** | **32.5%** |
| Net operating income | $ | 35,357 | | $ | 6,376 | | $ | **41,733** | |
| Net operating margin | | 67.6% | | | 67.5% | | | **67.5%** | |

| In $ 000's | 6 Months Ended June 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Repositioned Property Portfolio | | | Non-Repositioned Property Portfolio | | | Total Portfolio | | |
| Gross rental revenue | $ | 103,651 | | $ | 18,874 | | $ | **122,525** | |
| Less: vacancy & rebates | | (4,597) | | | (1,054) | | | **(5,651)** | |
| Other revenue | | 6,061 | | | 956 | | | **7,017** | |
| Operating revenues | $ | 105,115 | | $ | 18,776 | | $ | **123,891** | |
| Expenses | | | | | | | | | |
| Property operating costs | | 16,004 | 15.2% | | 3,249 | 17.3% | | **19,253** | **15.5%** |
| Property taxes | | 11,313 | 10.8% | | 1,892 | 10.1% | | **13,205** | **10.7%** |
| Utilities | | 7,991 | 7.6% | | 1,313 | 7.0% | | **9,304** | **7.5%** |
| Operating expenses | $ | 35,308 | 33.6% | $ | 6,454 | 34.4% | $ | **41,762** | **33.7%** |
| Net operating income | $ | 69,807 | | $ | 12,322 | | $ | **82,129** | |
| Net operating margin | | 66.4% | | | 65.6% | | | **66.3%** | |

The average monthly rent for June 2024 for the repositioned property portfolio was $1,631 per suite and the economic vacancy for June 2024 was 3.7% whereas the non-repositioned properties had an average monthly rent of $1,828 per suite and an economic vacancy of 4.2% for June 2024.

| Region | Repositioned Property Portfolio | | | Non-Repositioned Property Portfolio | | |
|---|---|---|---|---|---|---|
| | Suites | June 2024 Average Rent | June 2024 Vacancy | Suites | June 2024 Average Rent | June 2024 Vacancy |
| Greater Toronto & Hamilton Area | 3,568 | $1,741 | 3.9% | 589 | $1,822 | 4.1% |
| National Capital Region | 2,377 | $1,743 | 3.2% | 156 | $2,246 | 8.1% |
| Other Ontario | 1,732 | $1,619 | 5.4% | 272 | $1,555 | 4.7% |
| Greater Montreal Area | 2,601 | $1,389 | 2.5% | 296 | $1,661 | 3.7% |
| Greater Vancouver Area | - | - | - | 433 | $1,972 | 2.5% |
| **Total** | **10,278** | **$1,631** | **3.7%** | **1,746** | **$1,828** | **4.2%** |

## 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 June 30, 2024 | 3 Months Ended June 30, 2023 | 6 Months Ended June 30, 2024 | 6 Months Ended June 30, 2023 |
|---|---|---|---|---|
| Net operating income | **$ 41,733** | $ 39,068 | **$ 82,129** | $ 75,389 |
| Expenses | | | | |
| Financing costs | **14,225** | 15,026 | **29,433** | 28,888 |
| Administrative costs | **4,391** | 4,469 | **8,481** | 7,965 |
| Income before other income and expenses | **$ 23,117** | $ 19,573 | **$ 44,215** | $ 38,536 |

### FINANCING COSTS

Total proportionate financing costs amounted to $14.2 million or 23.0% of operating revenue for the three months ended June 30, 2024 compared to $15.0 million or 25.5% of operating revenue for the three months ended June 30, 2023.

| In $ 000's | 3 Months Ended June 30, 2024 | | | 3 Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | GAAP Basis | Proportionate Basis | | GAAP Basis | Proportionate Basis | |
| | Amount | Amount | % of Revenue | Amount | Amount | % of Revenue |
| Cash based: | | | | | | |
| Mortgage interest | **$ 14,406** | **$ 14,616** | **23.6%** | $ 14,278 | $ 14,585 | 24.8% |
| Credit facilities | **356** | **356** | **0.6%** | 1,063 | 1,062 | 1.8% |
| Interest capitalized | **(878)** | **(1,071)** | **(1.7%)** | (775) | (990) | (1.7%) |
| Interest income | **(378)** | **(378)** | **(0.6%)** | (105) | (105) | (0.2%) |
| Non-Cash based: | | | | | | |
| Amortization of deferred finance cost and premiums on assumed debt | **627** | **702** | **1.1%** | 474 | 474 | 0.8% |
| Total | **$ 14,133** | **$ 14,225** | **23.0%** | $ 14,935 | $ 15,026 | 25.5% |

Financing costs amounted to $29.4 million or 23.8% of operating revenue for the six months ended June 30, 2024 compared to $28.9 million or 24.8% of operating revenue for the six months ended June 30, 2023.

| | 6 Months Ended June 30, 2024 | | | 6 Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | GAAP Basis | Proportionate Basis | | GAAP Basis | Proportionate Basis | |
| In $ 000's | Amount | Amount | % of Revenue | Amount | Amount | % of Revenue |
| Cash based: | | | | | | |
| Mortgage interest | $ 29,303 | $ 29,812 | 24.1% | $ 28,353 | $ 28,817 | 24.7% |
| Credit facilities | 939 | 939 | 0.8% | 1,405 | 1,405 | 1.2% |
| Interest capitalized | (1,687) | (2,087) | (1.7%) | (1,610) | (1,979) | (1.7%) |
| Interest income | (558) | (558) | (0.5%) | (270) | (270) | (0.2%) |
| Non-Cash based: | | | | | | |
| Amortization of deferred finance cost and premiums on assumed debt | 1,252 | 1,327 | 1.1% | 915 | 915 | 0.8% |
| Total | $ 29,249 | $ 29,433 | 23.8% | $ 28,793 | $ 28,888 | 24.8% |

Mortgage interest represents a significant expense for the REIT. Compared to the same periods in 2023, mortgage interest costs for the quarter were consistent and up $1.0 million on a year-to-date basis. The primary driver for this change was a $38.4 million increase in the outstanding mortgage balances on June 30, 2024 compared to the previous year. This increase is from refinancing activities carried out throughout 2023 and 2024, offset by discharged mortgages on dispositions and regular principal paydowns. The impact of the increased mortgage debt was mitigated by a reduction in the weighted average interest to 3.37% from 3.43% in the preceding year. Despite experiencing volatility throughout the quarter, CMHC insured mortgage rates ended at levels comparable to the beginning of the period. At the end of the quarter, five and ten-year CMHC rates were approximately 4.25% and 4.45%, respectively. The REIT continues to actively manage its mortgage ladder, closely monitor the debt markets, and utilizes early rate locks or hedges to strategically mitigate interest rate risk where appropriate.

For the quarter ending June 30, 2024, the REIT benefited from reduced debt levels on its credit facilities, attributable to the strategic application of proceeds from financing activities and capital recycling efforts. This resulted in a decrease of $0.7 million and $0.5 million in credit facilities costs for the first three and six months of the year, respectively, when compared to 2023. In addition to the reduced debt levels on its credit facilities, the Bank of Canada lowered the overnight rate by 25bps in June 2024, followed by another 25bps reduction in July 2024, in response to the unfolding economic slowdown, moderating inflationary trends, and emerging slack in the labour market.

As at June 30, 2024, the REIT's variable rate exposure was under 1%.

The REIT capitalized comparable amounts of interest to its development projects for the current quarter and year-to-date when compared to 2023. 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.

The successful execution of the capital recycling program also provided the with REIT excess liquidity during the latter parts of the quarter. This resulted in an increase in interest income of $0.3 million for both the three and six months ended June 30, 2024.

### 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 three months ended June 30, 2024 amounted to $4.4 million, or 7.1% of proportionate operating revenue, compared to $4.5 million for the same period in 2023, being 7.6% of proportionate operating revenue.

During the three months ended June 30, 2024, the Trust incurred $0.2 million of property management costs (2023 - $0.3 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.

## 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 June 30, 2024 | 3 Months Ended June 30, 2023 | 6 Months Ended June 30, 2024 | 6 Months Ended June 30, 2023 |
|---|---|---|---|---|
| Income before other income and expenses | **$ 23,117** | $ 19,573 | **$ 44,215** | $ 38,536 |
| Other income and expenses | | | | |
| Fair value adjustments of investment properties | **(34,563)** | 7,403 | **(26,211)** | 77,568 |
| Other income and fees | **482** | 466 | **1,010** | 848 |
| Loss on sale of investment properties | **(780)** | - | **(1,730)** | - |
| Unrealized gain/(loss) on financial liabilities | **11,305** | 10,068 | **9,673** | 4,061 |
| Distributions expense on units classified as financial liabilities | **(633)** | (724) | **(1,330)** | (1,466) |
| Net income (loss) | **$ (1,072)** | $ 36,786 | **$ 25,627** | $ 119,547 |

### 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 three months ended June 30, 2024, the Trust sold five investment properties for a total of $97.5 million compared to a carrying value of $96.0 million. The properties were sold for $1.5 million above their carrying value, however selling costs of $2.2 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 $0.7 million loss on disposition.

## FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at June 30, 2024 and 2023 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. 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 capitalization rate, turnover rate and market rental rate estimates) as at June 30, 2024. For the three months ended June 30, 2024, a proportionate fair value loss of $34.6 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 June 30, 2024 was 4.25%, up 8 basis point from 4.17% at March 31, 2024, and up 18 basis points from the 4.07% for Q2 2023.

## UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a price of $11.91 (June 30, 2023 - $12.82) 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 June 30, 2024 was $52.0 million and a corresponding fair value gain of $7.1 million was recorded on the consolidated statement of income for the three months ended June 30, 2024.

The total fair value of the performance and restricted units recorded on the consolidated balance sheet at June 30, 2024 was $3.3 million with $0.8 million fair value gain recorded on the consolidated statement of income for the three months ended June 30, 2024.

The Trust determined the fair value of the option plan (unit-based compensation liability) at June 30, 2024 was $0.3 million with a minimal fair value gain recorded on the consolidated statement of income for the three months ended June 30, 2024.

The total fair value of the Class B LP Unit Liability recorded on the consolidated balance sheet at June 30, 2024 was nil as all remaining units were exchanged during the quarter. Prior to exchange, there was a $3.9 million fair value gain recorded on the consolidated statement of income for the three months ended June 30, 2024.

The Trust uses rate swaps and forward rate locks in order to reduce its exposure to movements in interest rates. As a result of the market interest rates at the end of the quarter and settlements during the quarter, the REIT recognized an unrealized loss of $0.5 million on interest rate swaps for the three months ended June 30, 2024.

| In $ 000's | 3 Months Ended June 30, 2024 | 3 Months Ended June 30, 2023 | 6 Months Ended June 30, 2024 | 6 Months Ended June 30, 2023 |
|---|---|---|---|---|
| Fair value gain/(loss) on financial liabilities: | | | | |
| Deferred unit compensation plan | **$ 7,069** | $ 2,547 | **$ 5,848** | $ 210 |
| Performance and restricted unit compensation plan | **830** | 245 | **662** | 247 |
| Option plan | **33** | 105 | **61** | (46) |
| Class B LP unit liability | **3,863** | 2,857 | **3,150** | 845 |
| Rate swaps | **(490)** | 1,639 | **(471)** | 765 |
| Forward rate locks | **-** | 2,675 | **423** | 2,040 |
| Fair value gain/(loss) on financial liabilities | **$ 11,305** | $ 10,068 | **$ 9,673** | $ 4,061 |

## 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, 2023 to June 30, 2024:

| In $ 000's | June 30, 2024 | |
|---|---|---|
| | GAAP Basis | Proportionate Basis |
| Balance, December 31, 2023 | $ 4,315,742 | $ 4,389,547 |
| Dispositions | (141,295) | (141,295) |
| Changes in assets held for sale | 45,368 | 45,368 |
| Property capital investments | 33,352 | 36,767 |
| Fair value losses | (26,463) | (26,211) |
| Total investment properties | $ 4,226,704 | $ 4,304,176 |

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 2024 the REIT uses a cut-off of December 31, 2020. 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, 2021, 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 10,278 suites in the REIT's portfolio that were acquired prior to January 1, 2021 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 $36.8 million during the six months ended June 30, 2024 on a proportionate basis, of which $6.8 million was spent on improvements for non-repositioned properties ($3,881 per suite), $7.8 million on properties under development, and $22.2 million on the repositioned portfolio ($2,160 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.

## UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2023 to June 30, 2024.

| Summary of Unitholders' Capital Contributions | Trust Units | Amount (in $ 000's) |
|---|---|---|
| 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 |
| **June 30, 2024** | **147,761,331** | **$1,124,243** |

As at June 30, 2024 there were 147,761,331 Trust Units issued and outstanding. During the six months ended June 30, 2024 2,160,766 Class 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. 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 $0.0945 and $0.0900 for the three months ended June 30, 2024 and 2023, 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 three months ended June 30, 2024, the Trust's FFO and AFFO were $0.157 and $0.138 per unit (diluted) respectively, compared to $0.134 and $0.116 for the three months ended June 30, 2023.

Distributions to Unitholders are as follows:

| In $ 000's | 3 Months Ended June 30, 2024 | 3 Months Ended June 30, 2023 | 6 Months Ended June 30, 2024 | 6 Months Ended June 30, 2023 |
|---|---|---|---|---|
| Distributions declared to Unitholders | **$ 13,834** | $ 12,882 | **$ 27,543** | $ 25,662 |
| Distributions reinvested through DRIP | **(4,640)** | (5,168) | **(9,457)** | (10,328) |
| Distributions declared to Unitholders, net of DRIP | **$ 9,194** | $ 7,714 | **$ 18,086** | $ 15,334 |
| DRIP participation rate | **33.5%** | 40.1% | **34.3%** | 40.2% |

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 June 30, 2024 | 3 Months Ended June 30, 2023 | 6 Months Ended June 30, 2024 | 6 Months Ended June 30, 2023 |
|---|---|---|---|---|
| Trust units | **145,719,301** | 142,613,765 | **145,356,667** | 142,326,034 |
| LP Class B units | **1,830,802** | 3,327,433 | **1,995,784** | 3,396,954 |
| Weighted average units outstanding - Basic | **147,550,103** | 145,941,198 | **147,352,451** | 145,722,988 |
| Unexercised dilutive options [1] | **24,522** | 48,007 | **24,522** | 48,007 |
| Weighted average units outstanding - Diluted | **147,574,625** | 145,989,205 | **147,376,973** | 145,770,995 |

[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 $000's, except per Unit amounts and Units outstanding | **3 Months Ended June 30, 2024** | **3 Months Ended June 30, 2023** | **6 Months Ended June 30, 2024** | **6 Months Ended June 30, 2023** |
|---|---|---|---|---|
| Net income (loss) | **$ (1,072)** | $ 36,786 | **$ 25,627** | $ 119,547 |
| Add (deduct): | | | | |
| Fair value adjustments on investment property | **34,699** | (4,353) | **26,463** | (74,518) |
| Loss on sale of investment properties | **780** | - | **1,730** | - |
| Adjustment for equity accounted joint ventures | **(136)** | (3,050) | **(252)** | (3,050) |
| Unrealized (gain) loss on financial instruments | **(11,305)** | (10,068) | **(9,673)** | (4,061) |
| Interest expense on puttable units classified as liabilities | **130** | 269 | **329** | 576 |
| Funds from Operations (FFO) | **$ 23,096** | $ 19,584 | **$ 44,224** | $ 38,494 |
| FFO per weighted average unit - basic | **$ 0.157** | $ 0.134 | **$ 0.300** | $ 0.264 |
| FFO per weighted average unit - diluted | **$ 0.157** | $ 0.134 | **$ 0.300** | $ 0.264 |

| **AFFO Reconciliation** In $000's, except per Unit amounts and Units outstanding | **3 Months Ended June 30, 2024** | **3 Months Ended June 30, 2023** | **6 Months Ended June 30, 2024** | **6 Months Ended June 30, 2023** |
|---|---|---|---|---|
| Funds from Operations | **$ 23,096** | $ 19,584 | **$ 44,224** | $ 38,494 |
| Add (deduct): | | | | |
| Actual maintenance capital investment | **(2,691)[1]** | (2,707)[1] | **(5,285)[1]** | (5,187)[1] |
| Adjusted Funds from Operations (AFFO) | **$ 20,405** | $ 16,877 | **$ 38,939** | $ 33,307 |
| AFFO per weighted average unit - basic | **$ 0.138** | $ 0.116 | **$ 0.264** | $ 0.229 |
| AFFO per weighted average unit - diluted | **$ 0.138** | $ 0.116 | **$ 0.264** | $ 0.228 |

[1] Maintenance capital investment total is for the 10,278 (2023 - 10,168) repositioned suites

The following table shows the proportionate NOI and FFO contributions from properties disposed during 2024 for the periods ended:

| **Disposed Properties** In $000's | **3 Months Ended June 30, 2024** | **3 Months Ended June 30, 2023** | **6 Months Ended June 30, 2024** | **6 Months Ended June 30, 2023** |
|---|---|---|---|---|
| Proportionate NOI | **$ 899** | $ 1,739 | **$ 2,451** | $ 3,463 |
| FFO | **$ 705** | $ 1,190 | **$ 1,891** | $ 2,351 |

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**<br>In $000's, except per Unit amounts and Units outstanding | **3 Months Ended June 30, 2024** | **3 Months Ended June 30, 2023** | **6 Months Ended June 30, 2024** | **6 Months Ended June 30, 2023** |
|---|---|---|---|---|
| Cash generated from operating activities | **$ 6,195** | $ 23,864 | **$ 24,688** | $ 35,328 |
| Add (deduct): | | | | |
| Changes in non-cash working capital not indicative of sustainable cash flows | **15,000** | - | **15,000** | (300) |
| Amortization of finance costs | **(627)** | (474) | **(1,252)** | (915) |
| Principal portion of lease payments | **(73)** | (56) | **(145)** | (105) |
| Actual maintenance capital investment | **(2,691)** | (2,707) | **(5,285)** | (5,187) |
| ACFO | **$ 17,804** | $ 20,627 | **$ 33,006** | $ 28,821 |
| Distributions declared [1] | **$ 13,964** | $ 13,151 | **$ 27,872** | $ 26,238 |
| Excess of ACFO over distributions declared | **$ 3,840** | $ 7,476 | **$ 5,134** | $ 2,583 |
| ACFO payout ratio | **78.4%** | 63.8% | **84.4%** | 91.0% |

[1] Includes distributions on LP Class B units

For the three months ended June 30, 2024, ACFO exceeded distributions declared by $3.8 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 June 30, 2024** | **3 Months Ended June 30, 2023** | **6 Months Ended June 30, 2024** | **6 Months Ended June 30, 2023** |
|---|---|---|---|---|
| Net income (loss) | **$ (1,072)** | $ 36,786 | **$ 25,627** | $ 119,547 |
| Cash flows from operating activities | **6,195** | 23,864 | **24,688** | 35,328 |
| Distributions paid [1] | **9,243** | 7,929 | **18,322** | 15,843 |
| Distributions declared [1] | **13,964** | 13,151 | **27,872** | 26,238 |
| Excess (deficit) of net income/loss compared to distributions paid | **(10,315)** | 28,857 | **7,305** | 103,704 |
| Excess (deficit) of net income/loss compared to distributions declared | **(15,036)** | 23,635 | **(2,245)** | 93,309 |
| Excess (deficit) of cash flows from operations over distributions paid | **(3,048)** | 15,935 | **6,366** | 19,485 |
| Excess (deficit) of cash flows from operations over distributions declared | **(7,769)** | 10,713 | **(3,184)** | 9,090 |

[1] Includes distributions on LP Class B units

For the three months ended June 30, 2024, distributions paid exceeded cash flows from operating activities by $3.0 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.

## RECONCILIATION OF Q2 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 June 30, 2024 | | | 3 Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | GAAP Basis | Adjustments for Proportionate Interest | Proportionate Share Basis | GAAP Basis | Adjustments for Proportionate Interest | Proportionate Share Basis |
| **Operating revenues** | | | | | | |
| Revenue from Investment properties | $ 61,435 | $ 352 | $ 61,787 | $ 58,651 | $ 312 | $ 58,963 |
| **Operating expenses** | | | | | | |
| Property operating costs | 9,818 | 61 | 9,879 | 9,645 | 50 | 9,695 |
| Property taxes | 6,411 | 40 | 6,451 | 6,260 | 38 | 6,298 |
| Utilities | 3,696 | 28 | 3,724 | 3,873 | 29 | 3,902 |
| Total operating expenses | 19,925 | 129 | 20,054 | 19,778 | 117 | 19,895 |
| **Net operating income** | 41,510 | 223 | 41,733 | 38,873 | 195 | 39,068 |
| Financing costs | 14,133 | 92 | 14,225 | 14,935 | 91 | 15,026 |
| Administrative costs | 4,391 | - | 4,391 | 4,469 | - | 4,469 |
| **Income before other income and expenses** | 22,986 | 131 | 23,117 | 19,469 | 104 | 19,573 |
| **Other income and expenses** | | | | | | |
| Fair value adjustments on investment properties | (34,699) | 136 | (34,563) | 4,353 | 3,050 | 7,403 |
| Other income and fees | 482 | - | 482 | 466 | - | 466 |
| Income from investment in joint ventures | 267 | (267) | - | 3,154 | (3,154) | - |
| Loss on sale of investment properties | (780) | - | (780) | - | - | - |
| Other fair value gains/losses | 11,305 | - | 11,305 | 10,068 | - | 10,068 |
| Interest on units classified as financial liabilities | (633) | - | (633) | (724) | - | (724) |
| **Net income (loss) for the period** | $ (1,072) | $ - | $ (1,072) | $ 36,786 | $ - | $ 36,786 |

## RECONCILIATION OF YTD 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:

| | 6 Months Ended June 30, 2024 | | | 6 Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|
| In $ 000's | GAAP Basis | Adjustments for Proportionate Interest | Proportionate Share Basis | GAAP Basis | Adjustments for Proportionate Interest | Proportionate Share Basis |
| **Operating revenues** | | | | | | |
| Revenue from Investment properties | $ 123,189 | $ 702 | $ 123,891 | $ 116,360 | $ 343 | $ 116,703 |
| **Operating expenses** | | | | | | |
| Property operating costs | 19,136 | 117 | 19,253 | 18,612 | 55 | 18,667 |
| Property taxes | 13,124 | 81 | 13,205 | 12,489 | 40 | 12,529 |
| Utilities | 9,242 | 62 | 9,304 | 10,088 | 30 | 10,118 |
| Total operating expenses | 41,502 | 260 | 41,762 | 41,189 | 125 | 41,314 |
| **Net operating income** | 81,687 | 442 | 82,129 | 75,171 | 218 | 75,389 |
| Financing costs | 29,249 | 184 | 29,433 | 28,793 | 95 | 28,888 |
| Administrative costs | 8,479 | 2 | 8,481 | 7,964 | 1 | 7,965 |
| **Income before other income and expenses** | 43,959 | 256 | 44,215 | 38,414 | 122 | 38,536 |
| **Other income and expenses** | | | | | | |
| Fair value adjustments on investment properties | (26,463) | 252 | (26,211) | 74,518 | 3,050 | 77,568 |
| Other income and fees | 1,010 | - | 1,010 | 848 | - | 848 |
| Income from investment in joint ventures | 508 | (508) | - | 3,172 | (3,172) | - |
| Loss on sale of investment properties | (1,730) | - | (1,730) | - | - | - |
| Other fair value gains/losses | 9,673 | - | 9,673 | 4,061 | - | 4,061 |
| Interest on units classified as financial liabilities | (1,330) | - | (1,330) | (1,466) | - | (1,466) |
| **Net income (loss) for the period** | $ 25,627 | $ - | $ 25,627 | $ 119,547 | $ - | $ 119,547 |

### 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 | June 30, 2024 GAAP Basis | June 30, 2024 Adjustments for Proportionate Interest | June 30, 2024 Proportionate Share Basis | December 31, 2023 GAAP Basis | December 31, 2023 Adjustments for Proportionate Interest | December 31, 2023 Proportionate Share Basis |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Investment properties | **$ 4,226,704** | **$ 77,472** | **$ 4,304,176**[(1)] | $ 4,315,742 | $ 73,805 | $ 4,389,547[(1)] |
| Investment in joint ventures | **50,240** | **(50,240)** | **-** | 47,454 | (47,454) | - |
| Prepaids and deposits | **23,843** | **18** | **23,861** | 2,403 | 45 | 2,448 |
| Assets held for sale | **-** | **-** | **-** | 45,432 | - | 45,432 |
| Receivables and other assets | **28,342** | **3,358** | **31,700** | 22,760 | 4,365 | 27,125 |
| Cash | **47,029** | **853** | **47,882** | 2,547 | 791 | 3,338 |
| **Total Assets** | **$ 4,376,158** | **$ 31,462** | **$ 4,407,619** | $ 4,436,338 | $ 31,552 | $ 4,467,890 |
| **Liabilities** | | | | | | |
| Mortgages payable | **$ 1,656,288** | **$ 31,069** | **$ 1,687,357** | $ 1,650,035 | $ 31,098 | $ 1,681,133 |
| Credit facilities | **-** | **-** | **-** | 40,847 | - | 40,847 |
| Class B LP unit liability | **-** | **-** | **-** | 28,587 | - | 28,587 |
| Unit-based compensation liabilities | **55,607** | **-** | **55,607** | 59,721 | - | 59,721 |
| Lease liabilities | **1,528** | **-** | **1,528** | 1,672 | - | 1,672 |
| Tenant rental deposits | **20,441** | **143** | **20,584** | 19,781 | 115 | 19,896 |
| Liabilities associated with assets held for sale | **-** | **-** | **-** | 22,988 | - | 22,988 |
| Accounts payable and accrued liabilities | **35,265** | **249** | **35,514** | 39,326 | 339 | 39,665 |
| **Total liabilities** | **1,769,129** | **31,461** | **1,800,590** | 1,862,957 | 31,552 | 1,894,509 |
| **Unitholders' equity** | | | | | | |
| Unit capital | **1,124,243** | **-** | **1,124,243** | 1,088,679 | - | 1,088,679 |
| Retained earnings | **1,482,786** | **-** | **1,482,786** | 1,484,702 | - | 1,484,702 |
| **Total unitholders' equity** | **2,607,029** | **-** | **2,607,029** | 2,573,381 | - | 2,573,381 |
| **Total liabilities and unitholders' equity** | **$ 4,376,158** | **$ 31,461** | **$ 4,407,619** | $ 4,436,338 | $ 31,552 | $ 4,467,890 |

(1) Proportionate investment properties consists of $4,205,201 of income producing properties (December 2023 - $4,298,385) and $98,975 of properties under development (December 2023 - $91,162).

## LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 37.8% of Gross Book Value ("GBV") at June 30, 2024. 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 | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Total assets per balance sheet | $ 4,376,158 | $ 4,436,338 |
| Mortgages payable | 1,656,288 | $ 1,650,035 |
| Credit facilities | - | 40,847 |
| Total debt | $ 1,656,288 | $ 1,690,882 |
| Debt-to-GBV | 37.8% | 38.1% |

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 June 30, 2024 (GAAP basis):

| In $000's | 12 Months Ended June 30, 2024 | 12 Months Ended June 30, 2023 |
|---|---|---|
| NOI | $ 162,130 | $ 148,401 |
| Less: Administrative costs | 17,131 | 15,688 |
| EBITDA | $ 144,999 | $ 132,713 |
| Interest expense [1] | $ 60,784 | $ 56,091 |
| **Interest coverage ratio** | **2.39x** | **2.37x** |
| Contractual principal repayments | $ 30,188 | $ 30,220 |
| Total debt service payments | $ 90,972 | $ 86,311 |
| **Debt service coverage ratio** | **1.59x** | **1.54x** |

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

## MORTGAGE AND DEBT SCHEDULE

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

| Year Maturing | Mortgage Balances At June 30, 2024 (in $ 000's) | Weighted Average by Maturity | Weighted Average Interest Rate |
|---|---|---|---|
| 2024 | $ 94,860 | 5.6% | 5.04% |
| 2025 | $ 228,830 | 13.5% | 3.26% |
| 2026 | $ 150,673 | 8.9% | 3.00% |
| 2027 | $ 214,454 | 12.6% | 3.75% |
| 2028 | $ 243,635 | 14.3% | 3.13% |
| Thereafter | $ 768,820 | 45.1% | 3.28% |
| Total | $ 1,701,272 | 100.0% | 3.37% |

At June 30, 2024, the average term to maturity of the mortgage debt was approximately 4.8 years and the weighted average cost of mortgage debt was 3.37%. At June 30, 2024, approximately 90% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter, the Trust discharged one mortgage in connection with the disposal of investment properties, totaling $23.5 million, that was held as a liability associated with assets held for sale in Q1. There was no significant activity in the remaining portfolio of mortgages:

- Slight drop in overall term to maturity, to 4.8 years from 5.1 years at the end of March;
- No change in the weighted average cost of mortgage debt, at 3.37%; and
- No change in the mortgage debt backed by CMHC, at 90%

As at June 30, 2024, the Trust had the following credit facilities:

- A $5.0 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at a floating rate plus a pre-defined spread. As at June 30, 2024, the Trust had no amounts drawn on this facility.
- A $105.0 million term credit facility, maturing in 2027, with a Canadian chartered bank secured by a general security agreement, first mortgage on one of the Trust's properties and second collateral mortgages on nine of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at June 30, 2024, the Trust had no amounts drawn on 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 a floating rate plus a pre-defined spread. As at June 30, 2024, the Trust had no amounts drawn on this facility.
- A $100.0 million term credit facility, maturing in 2026, 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 two of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at June 30, 2024, the Trust had no amounts drawn on this facility.

# ACCOUNTING

## RISKS AND UNCERTAINTIES

A comprehensive description of the risks and uncertainties can be found in InterRent REIT's December 31, 2023 MD&A and other securities filings at www.sedarplus.com.

### 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 June 30, 2024, the Trust had past due rents and other receivables of $9.9 million net of an allowance for doubtful accounts of $3.4 million which adequately reflects the Trust's credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 23(c) in the June 30, 2024 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 June 30, 2024, the Trust had credit facilities as described in note 10 in the June 30, 2024 condensed consolidated financial statements.

Note 9 in the June 30, 2024 condensed consolidated financial statements reflects the contractual maturities for mortgages payable of the Trust at June 30, 2024. 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 $1,706 million as at June 30, 2024 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 June 30, 2024, less than 1% (December 31, 2023 - 5%) of the Trust's mortgage debt was at variable interest rates. The Trust's credit facilities bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately $0.2 million for the six months ended June 30, 2024.

## OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2024 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 three months ended June 30, 2024, the Trust incurred $0.2 million (2023 - $0.3 million) in entitlement, development, and construction management services related to the agreement which have been capitalized to the investment properties.

During the quarter, 1,974,516 Class B LP Units were exchanged for 1,974,516 Trust Units 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.

## OUTSTANDING SECURITIES DATA

As of August 6, 2024, the Trust had issued and outstanding: (i) 147,897,231 units; (ii) options exercisable to acquire 62,500 units of the Trust; and (iii) deferred units that are redeemable for 4,764,536 units of the Trust. Additionally, the Trust has 301,103 Restricted Units and 301,103 Performance Units outstanding under the Trust's Performance and Restricted Unit Plan.

## SUBSEQUENT EVENTS

Subsequent to the quarter, the Trust purchased 405,300 units under the normal course issuer bid at a weighted average Unit price of $12.33 for $5.0 million. All units were purchased for cancellation.

## ADDITIONAL INFORMATION

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