InterRent REIT Management's Discussion & Analysis

For the Three Months Ended March 31, 2018

May 14, 2018

1910-1922 Elmridge Drive, Ottawa, ON

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" 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, 2017 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

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

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

INTERRENT REAL ESTATE INVESTMENT TRUST

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

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

DECLARATION OF TRUST

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

INVESTMENT GUIDELINES

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

OPERATING POLICIES

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

At March 31, 2018 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, 2017 and note 2 of the condensed consolidated financial statements for March 31, 2018. The Trust implemented the following accounting standards in 2018:

The Trust adopted IFRS 9 Financial Instruments on January 1, 2018 retrospectively with no restatement of comparative periods. The adoption of the new standard by the Trust resulted in no change in measurement or the carrying amount of financial assets and liabilities however the classification of financial instruments and liabilities changed as follows:

- Cash, rents and other receivables, loan receivable long-term incentive plan, mortgage holdbacks and mortgages receivable that were classified as loans and receivables are now classified as amortized cost.
- Mortgages and loans payable, credit facilities, tenant rental deposits and accounts payable and accrued liabilities that were classified as other liabilities are now classified as amortized cost.
- LP Class B unit liability and unit-based compensation liabilities remain unchanged and continue as fair value through profit and loss.

The Trust adopted IFRS 15 Revenue from Contracts with Customers on January 1, 2018 and applied the requirements of the standard retrospectively. The adoption of the new standard by the Trust resulted in no change to the pattern of revenue recognition or the measurement of revenue however additional note disclosure has been added to Note 14 on the disaggregation of the Trust's revenue streams.

The Trust adopted the amendments to IFRS 2 Share-based Payment on January 1, 2018. The adoption of the amendments by the Trust resulted in no change to the presentation to the Trust's condensed consolidated interim financial statements.

The Trust adopted the amendments to IAS 40 Investment Property on January 1, 2018. The adoption of the amendments by the Trust resulted in no change to the presentation to the Trust's condensed consolidated interim financial statements.

The Trust early adopted IFRS 16 Leases on January 1, 2018 and applied the requirements of the standard retrospectively. The adoption of the new standard by the Trust resulted in no change to the presentation to the Trust's condensed consolidated interim financial statements.

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

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, 2015.

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 dated February 2018. 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 2018. 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 and ownership of multi-residential properties. The REIT generates revenues, cash flows and earnings from rental operations and from the sale of revenue producing properties. InterRent REIT's largest and most consistent source of income is its rental operations, which involves leasing individual suites to tenants for lease terms generally ranging from month-to-month to twelve-months.

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

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

The REIT spent 2010 and 2011 focused on repositioning its portfolio of properties, hiring the right resources, training its team and ensuring the core beliefs of customer service and creation of value were firmly entrenched within the organization. With the repositioning well in-hand by the beginning of 2012, the focus shifted to finding well located properties where the REIT could drive down operating costs while increasing rents through sound capital investment, good management and exceptional customer service. As a result of the focus on accretive, sustainable growth, the REIT was able to acquire 4,688 suites in the years 2012 to 2015. In 2016 the REIT recycled capital by disposing of 876 suites in non-core markets while adding 545 suites in core markets and in 2017, the REIT added 473 suites in Montreal and 129 suites in Hamilton for a combined total of 602 suites. In the first quarter of 2018, the REIT added 48 suites in Montreal, 78 suites in Ottawa and 172 suites in Grimsby, near Hamilton for a combined total of 298 suites. The team we have assembled has a proven track record and we believe we have both the experience and ability necessary to execute on our growth strategy in the years to come.

As at March 31, 2018, the Trust has 7,618 same property suites, which represents 85.0% of the overall portfolio and 5,812 repositioned property suites, which represent 64.9% of the overall portfolio.

OUTLOOK

- Management is focused on growing the REIT in a strategic and structured manner. This growth is anticipated to come from: continuing to source properties in our core markets that allow us to build scale within these areas and apply our re-positioning experience and expertise in a manner that continues to provide long term accretion for our Unitholders; continuously looking for new ways and opportunities to drive existing revenues, create new revenue streams and reduce operating costs within our portfolio; 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; developing purpose built rental on existing sites that have the ability to add more density; and, participating in joint ventures for mixed-use sites where the REIT can add value through its experience and expertise in owning and operating multi-family rentals.
- The REIT is committed to purchase two properties in Hamilton (74 suites), for $12.1 million. The properties are adjacent to one another and within close proximity to other existing properties.
- The REIT, along with its joint venture partners, are continuing to make progress on the overall site design for the 900 Albert Street (Ottawa). The 3.6 acre site is the only land parcel situated at the intersection of the Trillium Line (the North/South line) and the Confederation Line (the East/West line) of the LRT and is approved for up to three towers including multi-family, retail and office space.
- There are two ways to capture the upside from the capital invested in the REIT's repositioning programs. The first way is through achieving market rent on suite turnover and the second way is through above guideline increases (AGIs) for existing tenants. The REIT has $1.0 million in annualized rental increases remaining to be rolled out based on previously filed applications and is working on a further $0.2 million. Of the total $1.2 million in AGIs, approximately $0.5 million is scheduled to be rolled out in 2018; $0.4 million in 2019; and, $0.3 million in 2020-22.

Q1 PERFORMANCE HIGHLIGHTS

The following table presents a summary of InterRent's operating performance for the three months ended March 31, 2018 compared to the same period in 2017:

Selected Consolidated Information In $000's, except per Unit amounts and other non-financial data	**3 Months Ended March 31, 2018**	**3 Months Ended March 31, 2017**	**Change**
Total suites	**8,959**	8,283	**+8.2%**
Average rent per suite (March)	**$1,117**	$1,061	**+5.3%**
Occupancy rate (March)	**96.7%**	95.2%	**+150bps**
Operating revenues	**$30,161**	$25,133	**+20.0%**
Net operating income (NOI)	**$18,350**	$14,306	**+28.3%**
NOI %	**60.8%**	56.9%	**+390bps**
Same property average rent per suite (March)	**$1,112**	$1,052	**+5.7%**
Same property occupancy rate (March)	**97.2%**	95.5%	**+170bps**
Same property NOI	**$15,952**	$13,704	**+16.4%**
Same property NOI %	**61.6%**	57.6%	**+400bps**
Net Income/(loss)	**$(11,938)**	$8,292	**n/a**
Funds from Operations (FFO)	**$9,273**	$6,782	**+36.7%**
FFO per weighted average unit - diluted	**$0.105**	$0.091	**+15.4%**
Adjusted Funds from Operations (AFFO)	**$8,098**	$5,811	**+39.4%**
AFFO per weighted average unit - diluted	**$0.092**	$0.078	**+17.9%**
Distributions per unit	**$0.0675**	$0.0608	**+11.0%**
Adjusted Cash Flow from Operations (ACFO)	**$9,603**	$5,932	**+61.6%**
ACFO payout ratio	**63.2%**	77.8%	**-1,460 bps**
Debt to GBV	**44.4%**	50.7%	**-630bps**
Interest coverage (rolling 12 months)	**2.80x**	2.53x	**+0.27x**
Debt service coverage (rolling 12 months)	**1.81x**	1.58x	**+0.23x**

- Overall Portfolio:
  a) Operating revenue for the quarter rose by $5.0 million to $30.2 million, an increase of 20.0% over Q1 2017.
  b) Average monthly rent per suite increased to $1,117 (March 2018) from $1,061 (March 2017), an increase of 5.3%.
  c) Occupancy for March 2018 was 96.7%, a decrease of 120 basis points when compared to December 2017 and an increase of 150 basis points when compared to March 2017.
  d) NOI for the quarter was $18.4 million, an increase of $4.1 million, or 28.3%, over Q1 2017. NOI margin for the quarter was 60.8%, up 390 basis points over Q1 2017.
- Same Property Portfolio:
  a) Operating revenue for the quarter rose by $2.1 million to $25.9 million, an increase of 8.9% over Q1 2017.
  b) Average monthly rent per suite for the same property portfolio increased to $1,112 (March 2018) from $1,052 (March 2017), an increase of 5.7%.
  c) Occupancy for March 2018 was 97.2%, a decrease of 80 basis points when compared to December 2017 and an increase of 170 basis points when compared to March 2017.
  d) NOI for the quarter was $16.0 million, an increase of $2.2 million, or 16.4%, over Q1 2017. Same property NOI margin for the quarter was 61.6%, up 400 basis points over Q1 2017.
- Fair value gain on investment properties in the quarter of $28.2 million was driven by property level operating improvements as well as a reduction in the overall weighted average capitalization rate to 4.50% from 4.55% at December 31, 2017.
- Net income/(loss) for the quarter was $(11.9) million, a decrease of $20.2 million compared to Q1 2017. The decrease was driven primarily by the property management internalization cost of $44.0 million. Removing this non-recurring event, net income would have been $32.1 million.

- FFO for the quarter increased by 36.7% to $9.3 million compared to Q1 2017.
- FFO per Unit for the quarter increased by 15.4% to $0.105 per Unit compared to $0.091 per Unit for Q1 2017.
- AFFO for the quarter increased by 39.4% to $8.1 million compared to Q1 2017.
- AFFO per Unit for the quarter increased by 17.9% to $0.092 per Unit compared to $0.078 per Unit for Q1 2017.
- ACFO for the quarter increased by 61.6% to $9.6 million compared to Q1 2017.
- ACFO payout ratio decreased 1,460 bps to 63.2% compared to 77.8% for Q1 2017.
- Debt to GBV at quarter end was 44.4%, a decrease of 340 basis points from December 2017 (47.8%).
- The Trust completed the internalization of the property management function on February 15, 2018.
- The Trust completed the following investment property transactions during the first quarter:

Transaction Date	Property	City	Region	Property Type	# of Suites	Transaction Price
Q1/17 Acquisitions						
10-Jan-18	5775 Sir Walter Scott Ave	Montreal	Montreal	Residential	48	$5,250,000
28-Feb-18	1-3 Slessor Blvd	Grimsby	Hamilton/Niagara	Residential	172	$21,075,000
27-Mar-18	236 Richmond Rd	Ottawa	Ottawa	Residential/Commercial	72	$36,250,000
27-Mar-18	Richmond & Churchill	Ottawa	Ottawa	Land/Residential	6	$11,000,000
Total Acquisitions					**298**	**$73,575,000**

PORTFOLIO SUMMARY

The Trust started the year with 8,660 suites. During the first quarter of 2018 the Trust purchased four properties totalling 298 suites and added 1 suite in Montreal. At March 31, 2018, the Trust owned 8,959 suites. Management continuously reviews the markets that the REIT operates in to determine if the portfolio mix remains suitable. Management believes that there are significant opportunities within the portfolio to drive rents, reduce operating costs, and streamline operations. At March 31, 2018, approximately 85% of the portfolio was same property suites and approximately 65% of the portfolio was repositioned property suites. Management has identified several cities within its geographical clusters for growth, and has been successful in adding 298 suites within these clusters during the period. We continue to actively seek opportunities within our target markets in order to continue to build our acquisition pipeline and grow the REIT in a fiscally prudent manner. The following graph shows our suite mix by region. InterRent's focus on recycling capital and growing its core markets of GTA (including Hamilton), Ottawa/NCR and Montreal has resulted in approximately 80% of InterRent's suites now being located in these core markets.

▼ Suites By Region at March 31, 2018

Region	Total Portfolio		Same Property	
	# of Suites	Average Rent	# of Suites	Average Rent
Eastern Ontario	204	2.3%	204	2.7%
GTA	1,283	14.3%	1,283	16.8%
Hamilton/Niagara	1,735	19.4%	1,434	18.8%
Northern Ontario	349	3.9%	349	4.6%
Montreal	1,430	16.0%	909	11.9%
Gatineau	497	5.5%	497	6.5%
Ottawa	2,464	27.5%	1,945	25.5%
Western Ontario	997	11.1%	997	13.1%
Total	**8,959**	**100.0%**	**7,618**	**100.0%**

ANALYSIS OF OPERATING RESULTS

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

In $ 000's	3 Months Ended March 31, 2018		3 Months Ended March 31, 2017	
Gross rental revenue	**$29,500**		$25,463	
Less: vacancy & rebates	**(1,004)**		(1,673)	
Other revenue	**1,665**		1,343	
Operating revenues	**$30,161**		$25,133	
Expenses				
Property operating costs	**4,626**	**15.3%**	4,113	16.4%
Property taxes	**3,948**	**13.1%**	3,430	13.6%
Utilities	**3,237**	**10.8%**	3,284	13.1%
Operating expenses	**$11,811**	**39.2%**	$10,827	43.1%
Net operating income	**$18,350**		$14,306	
Net operating margin	**60.8%**		56.9%	

REVENUE

Gross rental revenue for the three months ended March 31, 2018 increased 15.9% to $29.5 million compared to $25.5 million for the three months ended March 31, 2017. Operating revenue for the quarter was up $5.0 million to $30.2 million, or 20.0% compared to Q1 2017. The Trust owned, on a weighted average basis, 8,770 suites throughout Q1 2018 as compared to 8,124 throughout Q1 2017, an increase of 646 suites over the period. On a weighted average suite basis, operating revenue for the first quarter of 2018 grew by 11.2% over 2017. Operating revenue included $0.5 million from the 60 extended stay suites at LIV which had an average occupancy of approximately 75% for the quarter. These suites are not included in average rent and vacancy below.

The average monthly rent for March 2018 increased to $1,117 per suite from $1,061 (March 2017), an increase of 5.3%. On a same property basis, the average rent increased by $60 per suite to $1,112 (or up 5.7%) over March 2017. The overall increase in average rent is a result of changes in property mix (through the acquisition of properties in our targeted growth markets and dispositions in non-core markets). Management expects to continue to grow rent organically by moving to market rent on suite turnovers, continued roll-out of guideline increases and AGIs, as well as continuing to drive other ancillary revenue streams such as parking, laundry, locker rentals, and cable and telecom revenue share agreements. The REIT has submitted applications to the Landlord and Tenant Board which should result in an increase in rental income of $0.5 million, on an annualized basis, being rolled out in 2018.

▼ Average Rent By Region

Region	Total Portfolio			Same Property		
	March 2018	March 2017	Change	March 2018	March 2017	Change
Eastern Ontario	$1,033	$946	9.2%	$1,033	$946	9.2%
GTA	$1,401	$1,324	5.8%	$1,401	$1,324	5.8%
Hamilton/Niagara	$1,013	$968	4.6%	$1,054	$968	8.9%
Northern Ontario	$920	$898	2.4%	$920	$898	2.4%
Montreal	$963	$917	5.0%	$984	$949	3.7%
Gatineau	$863	$836	3.2%	$863	$836	3.2%
Ottawa (1)	$1,240	$1,155	7.4%	$1,152	$1,102	4.5%
Western Ontario	$1,067	$1,001	6.6%	$1,067	$1,001	6.6%
Total	**$1,117**	**$1,061**	**5.3%**	**$1,112**	**$1,052**	**5.7%**

(1) The number of suites for the region includes all suites at LIV however extended stay suites have been excluded in the calculation of average rent.

InterRent REIT has been successful in increasing rent levels while at the same time passing on hydro sub-metering charges to new tenants. Currently, 85% of the portfolio has submetering capabilities in place.

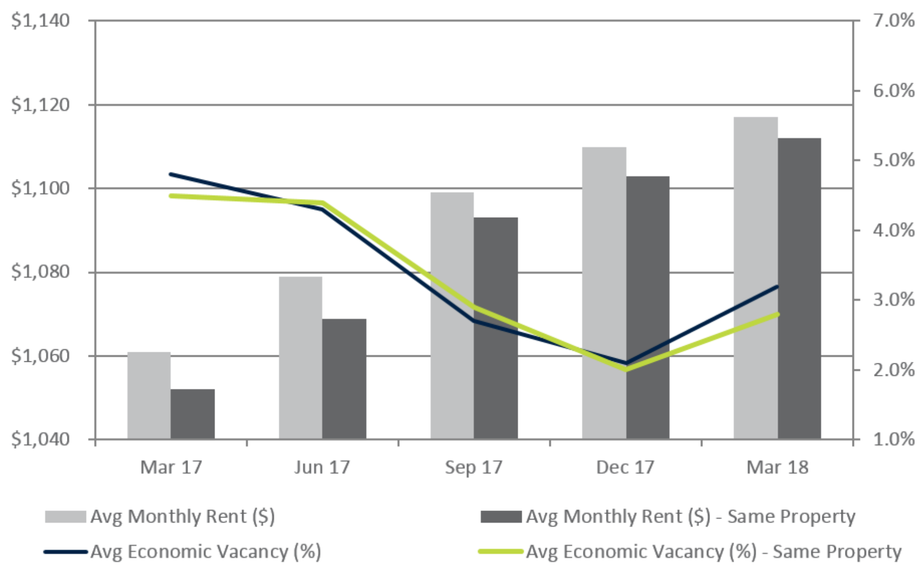
Portfolio Occupancy

As part of the ongoing effort to drive rents throughout the portfolio, the vacancy rate on an annual basis is expected to be in the 4% range once a property is stabilized. Going forward, management believes that minor variations in economic vacancy will continue to occur from one quarter to another given the seasonal nature of rental activity. The rental growth objectives are being achieved as a direct result of:

1. ensuring that properties are well maintained, landscaped and decorated so as to be visually appealing ("curb appeal");
2. ensuring suites are properly repaired and maintained before being rented to new tenants;
3. marketing geared to the right tenant profile;
4. a more stringent screening and credit review process when selecting new tenants; and,
5. ensuring that operations are running as efficiently and cost effectively as possible to ensure the well-being of tenants and tenant enjoyment of their homes.

This is part of the Trust's repositioning strategy to maximize rental revenues, lower operating costs and create value for Unitholders. Management intends to continue to pursue this strategy both within the existing portfolio and as it looks to add new properties within targeted regions.

The following chart represents the economic vacancy for the entire portfolio for the month listed. This data is calculated by taking financial vacancy loss and dividing it by gross rental revenue. All suites in the portfolio are included except for the un-rented and extended stay suites at LIV.



	March 2017	June 2017	September 2017	December 2017	March 2018
Average monthly rents all properties	$1,061	$1,079	$1,099	$1,110	$1,117
Average monthly rents same property	$1,052	$1,069	$1,093	$1,103	$1,112

The overall economic vacancy for March 2018 across the entire portfolio was 3.3%, a reduction of 150 basis points as compared to the 4.8% recorded for March 2017. Economic vacancy for the same property portfolio for March 2018 was 2.8%, a reduction of 170 basis points as compared to the 4.5% recorded for the month ended March 2017.

Overall Vacancy is up slightly from the 2.1% recorded in December 2017 however it is down from March of 2017 on both a total portfolio and same property basis. Except for Montreal and Northern Ontario, all regions are operating within expected ranges as management tries to balance vacancy and rental growth. Northern Ontario has seen increased vacancy over the last 2 years however it has been trending down and the current trend is supportive of being able to return to the vacancy levels we experienced in the later half of 2016. Montreal vacancy is primarily related to properties that are still undergoing repositioning efforts.

▼ Vacancy By Region

Region	Total Portfolio			Same Property		
	March 2018	March 2017	Change	March 2018	March 2017	Change
Eastern Ontario	1.9%	0.5%	+140 bps	1.9%	0.5%	+140 bps
GTA	1.5%	1.4%	+10 bps	1.5%	1.4%	+10 bps
Hamilton/Niagara	2.9%	5.5%	-260 bps	3.0%	5.5%	-250 bps
Northern Ontario	5.3%	6.6%	-130 bps	5.3%	6.6%	-130 bps
Montreal	8.9%	6.1%	+280 bps	6.4%	6.6%	-20 bps
Gatineau	5.5%	8.5%	-300 bps	5.5%	8.5%	-300 bps
Ottawa	1.9%	7.0%	-510 bps	1.9%	6.2%	-430 bps
Western Ontario	2.3%	1.3%	+100 bps	2.3%	1.3%	+100 bps
Total	**3.3%**	**4.8%**	**-150 bps**	**2.8%**	**4.5%**	**-170 bps**

Other Revenue

Other rental revenue for the three months ended March 31, 2018 increased 24.0% to $1.7 million compared to $1.3 million for the three months ended March 31, 2017. The increased revenues from ancillary sources such as parking, laundry, locker rentals and cable and telecom continues to be a focus as it provides organic revenue growth. For the three months ended March 31, 2018, other revenue represents 5.5% of net operating revenue compared to 5.3% for Q1 2017.

PROPERTY OPERATING COSTS

Property operating costs for the investment properties include repairs and maintenance, insurance, caretaking, superintendents' wages and benefits, property management fees (up to the date of internalization, February 15, 2018) and property management salaries and benefits after the date of internalization, uncollectible accounts and eviction costs, marketing, advertising and leasing costs.

Property operating costs for the three months ended March 31, 2018 amounted to $4.6 million or 15.3% of revenue compared to $4.1 million or 16.4% of revenue for the three months ended March 31, 2017. As a percentage of revenue, operating costs decreased by 110 basis points as compared to 2017.

PROPERTY TAXES

Property taxes for the three months ended March 31, 2018 amounted to $3.9 million or 13.1% of revenue compared to $3.4 million or 13.6% of revenue for the three months ended March 31, 2017. The overall increase in taxes is mainly attributable to the increase in suites from the first quarter of 2017 to 2018 as well as increases in assessed property values.

The Trust is constantly reviewing property tax assessments for its properties and this active approach shall continue to help drive down costs. Where appropriate, the Trust will appeal individual property assessments.

UTILITY COSTS

Utility costs for the three months ended March 31, 2018 amounted to $3.2 million or 10.8% of revenue compared to $3.3 million or 13.1% of revenue for the three months ended March 31, 2017. As a percentage of operating revenues and on a per suite basis, utility costs decreased over the same quarter last year due to a combination of the REIT's continued focus on energy efficiency initiatives resulting in lower consumption and lower rates for electricity.

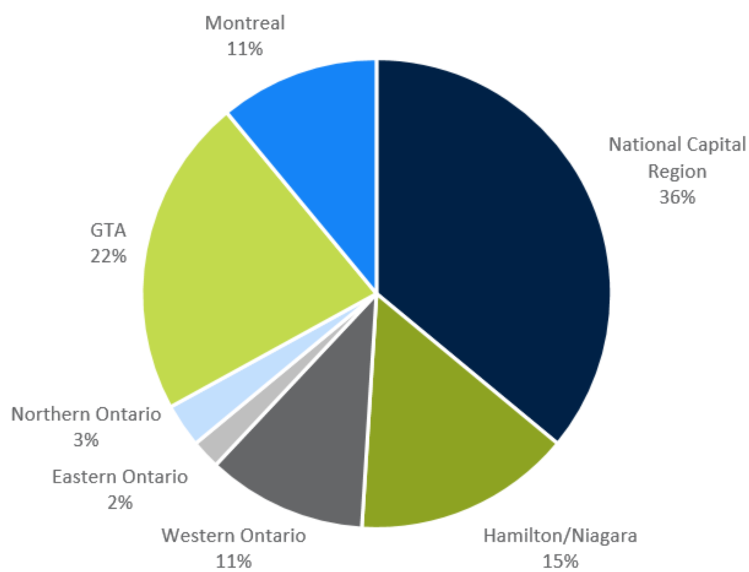
Across the entire portfolio, our hydro sub-metering initiative reduced our electricity costs by 19.6%, or $0.3 million for the quarter. At March 31, 2018, the REIT had 7,322 suites that had the capability to submeter hydro in order to recover the cost. Of the 7,322 suites that have the infrastructure in place, 5,688 suites were on hydro extra leases whereby the REIT is recovering the cost from the tenant. This represents approximately 78% of the submetered suites or approximately 63% of the total portfolio. The REIT currently has submetering in place for approximately 82% of the suites within the portfolio and plans on continuing to roll this program out to new properties as they are acquired.

NET OPERATING INCOME (NOI)

NOI for the three months ended March 31, 2018 amounted to $18.4 million or 60.8% of operating revenue compared to $14.3 million or 56.9% of operating revenue for the three months ended March 31, 2017. The $4.1 million increase in the quarter is as a result of growing the portfolio and increasing operating revenue by 20.0%.

NOI from the same property portfolio was $16.0 million, or 61.6% of operating revenue. Management continues to focus on top line revenue growth through acquisitions, suite additions and ancillary revenue as well as operating cost reductions (such as efficiencies of scale, investment in energy saving initiatives, and investments to reduce ongoing operating costs).

▼ NOI by Region - 3 Months Ended March 31, 2018



SAME PROPERTY PORTFOLIO PERFORMANCE

Same property results for the three months ended March 31, 2018 are defined as all properties owned and operating by the Trust throughout the comparative periods being reported, and therefore do not take into account the impact on performance of acquisitions, dispositions or properties going through a lease-up period completed during the period from January 1, 2017 to March 31, 2018. As at March 31, 2018, the Trust has 7,618 suites in the same property portfolio, which excludes LIV because the property went through a lease-up period during 2017. The same property portfolio represents 85.0% of the overall portfolio.

In $ 000's	3 Months Ended March 31, 2018		3 Months Ended March 31, 2017	
Gross rental revenue	$25,320		$23,997	
Less: vacancy & rebates	(768)		(1,449)	
Other revenue	1,365		1,246	
Operating revenues	$25,917		$23,794	
Expenses				
Property operating costs	3,644	14.0%	3,591	15.1%
Property taxes	3,442	13.3%	3,306	13.9%
Utilities	2,879	11.1%	3,193	13.4%
Operating expenses	$9,965	38.4%	$10,090	42.4%
Net operating income	$15,952		$13,704	
Net operating margin	61.6%		57.6%	

For the three months ended March 31, 2018, operating revenues for same property increased by 8.9% and operating expenses decreased by 1.2% as compared to the same period last year. As a result, same property NOI has increased by $2.2 million, or 16.4%, as compared to the same period last year. NOI margin for Q1 2018 was 61.6% as compared to 57.6% for Q1 2017, an increase of 400 basis points.

The average monthly rent for March 2018 for same property increased to $1,112 per suite from $1,052 (March 2017), an increase of 5.7%. Economic vacancy for March 2018 for same property was 2.8%, compared to 4.5% for March 2017.

	March 2017	June 2017	September 2017	December 2017	March 2018
Average monthly rents same property portfolio	$1,052	$1,069	$1,093	$1,103	$1,112
Average monthly vacancy same property portfolio	4.5%	4.4%	2.9%	2.0%	2.8%

For the Same property portfolio, the property operating costs and property taxes decreased as a percentage of operating revenues. Utilities also decreased as a percentage of operating revenues and were $0.3 million less than Q1 2017. The decrease in utility costs stems from a combination of the REIT's continued focus on energy efficiency initiatives resulting in lower consumption and lower rates for electricity.

REPOSITIONED PROPERTY 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 what the tenant turnover at the property is like. Repositioned property suites for the three months ended March 31, 2018 are defined as all properties owned and operated by the Trust prior to January 1, 2015. As at March 31, 2018, the Trust has 5,812 repositioned property suites, which represents 64.9% of the overall portfolio.

In $ 000's	3 Months Ended March 31, 2018					
	Repositioned Property Portfolio		Non- Repositioned Property Portfolio		Total Portfolio	
Gross rental revenue	$20,464		$9,036		**$29,500**	
Less: vacancy & rebates	(543)		(461)		**(1,004)**	
Other revenue	1,219		446		**1,665**	
Operating revenues	$21,140		$9,021		**$30,161**	
Expenses						
Property operating costs	3,158	14.9%	1,468	16.3%	**4,626**	**15.3%**
Property taxes	2,680	12.7%	1,268	14.1%	**3,948**	**13.1%**
Utilities	2,096	9.9%	1,141	12.6%	**3,237**	**10.7%**
Operating expenses	$7,934	37.5%	$3,877	43.0%	**$11,811**	**39.2%**
Net operating income	$13,206		$5,144		**$18,350**	
Net operating margin	62.5%		57.0%		**60.8%**	

The average monthly rent for March 2018 for the repositioned property portfolio was $1,163 per suite and the economic vacancy for March 2018 was 2.4% whereas the non-repositioned properties had an average monthly rent of $1,033 per suite and an economic vacancy of 5.0% for March 2018.

Region	Repositioned Property Portfolio			Non-Repositioned Property Portfolio		
	Suites	Average Rent	Vacancy	Suites	Average Rent	Vacancy
Eastern Ontario	204	$1,033	1.9%	-	-	-
GTA	1,160	$1,423	1.3%	123	$1,192	3.0%
Hamilton/Niagara	816	$1,127	3.5%	919	$912	2.3%
Northern Ontario	349	$920	5.3%	-	-	-
Montreal	502	$944	2.4%	928	$973	12.4%
Gatineau	497	$863	5.5%	-	-	-
Ottawa	1,287	$1,320	1.7%	1,177	$1,157	2.0%
Western Ontario	997	$1,067	2.3%	-	-	-
Total	**5,812**	**$1,163**	**2.4%**	**3,147**	**$1,033**	**5.0%**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FINANCING AND ADMINISTRATIVE COSTS

In $ OOO's	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Net operating income	**$18,350**	$14,306
Expenses		
Financing costs	**6,323**	5,220
Administrative costs	**2,596**	2,155
Income before other income expenses	**$9,431**	$6,931

FINANCING COSTS

Financing costs amounted to $6.3 million or 21.0% of revenue for the three months ended March 31, 2018 compared to $5.2 million or 20.8% of revenue for the three months ended March 31, 2017. As a percentage of revenue, financing costs have historically been in the range of 19% to 22%.

In $ OOO's	3 Months Ended March 31, 2018		3 Months Ended March 31, 2017	
	Amount	% of Revenue	Amount	% of Revenue
Cash based:				
Mortgage interest	**$5,474**	**18.2%**	$4,411	17.6%
Credit facilities	**610**	**2.0%**	660	2.6%
Interest income	**(79)**	**(0.3%)**	(48)	(0.2%)
Non Cash based:				
Amortization of deferred finance cost and premiums on assumed debt	**318**	**1.1%**	197	0.8%
Total	**$6,323**	**21.0%**	$5,220	20.8%

Mortgage Interest

Mortgage interest (including interest on vendor take-back loans) is one of the single largest expense line items for InterRent REIT. Given the current rates in the market for both CMHC insured and conventional mortgages, it is management's expectation that it will be able to continue to refinance existing mortgages as they come due at rates that are in line with the overall weighted average. Mortgage debt has increased on an overall basis, mainly attributable to up-financing for property acquisitions and repositioning.

ADMINISTRATIVE COSTS

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

Administrative costs for the three months ended March 31, 2018 amounted to $2.7 million or 8.6% of revenue compared to $2.2 million or 8.6% of revenue for the three months ended March 31, 2017.

OTHER INCOME AND EXPENSES

In $ OOO's	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Income before other income and expenses	**$9,431**	$6,931
Other income and expenses		
Property management internalization cost	**(43,993)**	-
Fair value adjustments of investment properties	**28,230**	2,125
Unrealized loss on financial liabilities	**(5,290)**	(604)
Distributions expense on units classified as financial liabilities	**(316)**	(160)
Net income/(loss)	**$(11,938)**	$8,292

PROPERTY MANAGEMENT INTERNALIZATION COSTS

On February 15, 2018, the REIT entered into an agreement with CLV Group Inc. (the "Property Manager") to internalize the REIT's property management function. Upon closing of the transaction, a subsidiary of the REIT acquired the Property Manager's REIT-related property management business for a total consideration of $38.0 million to the Property Manager (3,224,516 Class B LP limited partnership units (exchangeable on a one-for-one basis) at a value of approximately $9.42 per unit, or $30.4 million and $7.6 million in cash) and $3.1 million in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The total consideration, including all future vesting of deferred units, is approximately $44.2 million. The REIT also incurred approximately $2.0 million in transaction related costs.

In the period the REIT recorded $44.0 million in property management internalization costs. The remaining $2.2 million relating to the future vesting of the matched portion of the retention bonuses to employees will be expensed over the next 5 years as administrative costs.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The fair value of the portfolio at March 31, 2018 was determined internally by the Trust. In order to substantiate management's valuation, market evidence from third party appraisers is incorporated on a continual basis. For the three month period ended March 31, 2018, a fair value gain of $28.2 million was recorded on the financial statements as a result of changes in the fair value of investment properties. The increase in the fair value of the properties over the quarter has been driven by improvements in operating results as well as adjustments to capitalization rates in certain geographic markets. The weighted average capitalization rate used across the portfolio at the end of Q1 2018 was 4.50% as compared to 4.55% for Q4 2017 and 4.95% for Q1 2017. The change in the weighted average capitalization rate is a result of acquisitions, the decrease in capitalization rates on properties that have undergone significant repositioning, and the compression of cap rates in Ontario and Quebec that has been driven by continued strong demand for multi-family assets within these markets.

UNREALIZED FAIR VALUE GAIN/LOSS ON FINANCIAL LIABILITIES

The Trust used a price of $10.12 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 March 31, 2018 was $32.7 million and a corresponding fair value loss of $2.0 million was recorded on the consolidated statement of income for the three months ended March 31, 2018.

The Trust determined the fair value of the option plan (unit-based compensation liability) at March 31, 2018 at $3.7 million and a corresponding fair value loss of $0.9 million was recorded on the condensed consolidated statement of income for the three months ended March 31, 2018. The intrinsic value of the vested options is $4.0 million.

The Trust used a price of $10.12 based on the closing price of the TSX listed InterRent REIT Trust Units to determine the fair value of the LP Class B unit liability. The total fair value of these Units recorded on the condensed consolidated balance sheet at March 31, 2018 was $34.5 million and a corresponding fair value loss of $2.4 million was recorded on the condensed consolidated statement of income for the three months ended March 31, 2018.

In $ OOO's	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Fair value gain/(loss) on financial liabilities:		
Deferred unit compensation plan	**$(1,965)**	$(396)
Option plan	**(873)**	(169)
LP Class B unit liability	**(2,452)**	(39)
Fair value gain/(loss) on financial liabilities	**$(5,290)**	$(604)

DISTRIBUTION EXPENSE

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

INVESTMENT PROPERTIES

The following chart shows the changes in investment properties from December 31, 2017 to March 31, 2018.

In $ OOO's	March 31, 2018
Balance, December 31, 2017	$1,630,824
Acquisitions	75,770
Property capital investments	7,734
Fair value gains	28,230
Total investment properties	$1,742,558

The Trust acquired four properties (298 suites), which included a parcel of land which may be used for future development, for $75.8 million during the three month period ended March 31, 2018.

The fair value of the portfolio at March 31, 2018 was determined internally by the Trust. In order to substantiate management's valuation, market evidence from third party appraisers is incorporated on a continual basis. For the three month period ended March 31, 2018, a fair value gain of $28.2 million was recorded on the financial statements as a result of changes in the fair value of investment properties.

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 what the tenant turnover at the property is like. For the purpose of identifying capital expenditures related to properties being repositioned, for 2017 the REIT uses a cut-off of December 31, 2014. 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, 2015, 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 5,812 suites in the REIT's portfolio that were acquired prior January 1, 2015 and are considered repositioned properties for the purpose of calculating maintenance capital investment.

For the three month period ended March 31, 2018, the Trust invested $7.7 million in the portfolio. Of the $7.7 million invested in the first three months of the year, $3.6 million was invested in the repositioning properties. Of the remaining $4.1 million, $2.9 million was invested in value enhancing initiatives and $1.2 million was related to sustaining and maintaining existing spaces.

UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2017 to March 31, 2018.

Summary of Unitholders' Capital Contributions	Trust Units	Amount (in $'000)
December 31, 2017	83,891,517	$341,528
Units issued under prospectus	10,005,000	97,849
Issue costs	-	(4,324)
Units issued under long-term incentive plan	335,000	3,226
Units issued under the deferred unit plan	8,474	81
Units issued under distribution reinvestment plan	103,436	941
Units issued from options exercised	157,365	1,365
March 31, 2018	94,500,792	$440,666

On March 28, 2018 the Trust completed a bought deal prospectus whereby it issued 10,005,000 Trust Units for cash proceeds of $97,849 and incurred $4,324 in issue cost.

As at March 31, 2018 there were 94,500,792 Trust Units issued and outstanding.

DISTRIBUTIONS

The Trust is currently making monthly distributions of $0.0225 per Unit, which equates to $0.270 per Unit on an annualized basis. For the three months ended March 31, 2018, the Trust's FFO and AFFO was $0.105 and $0.091 per unit respectively, compared to $0.091 and $0.078 for the three months ended March 31, 2017, while the distributions were $0.0675 for 2018 and $0.0608 for 2017.

Distributions to Unitholders are as follows:

In $ OOO's	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Distributions declared to Unitholders	**$ 5,907**	$ 4,603
Distributions reinvested through DRIP	**(941)**	(1,169)
Distributions declared to Unitholders, net of DRIP	**$ 4,966**	$ 3,434
DRIP participation rate	**15.9%**	25.4%

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

WEIGHTED AVERAGE NUMBER OF UNITS

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

	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Trust units	**84,314,580**	74,207,013
LP Class B units	**3,410,766**	186,250
Weighted average units outstanding - Basic	**87,725,346**	74,393,263
Unexercised dilutive options [1]	**472,022**	318,026
Weighted average units outstanding - Diluted	**88,197,368**	74,711,289

[1] Calculated using the treasury method

PERFORMANCE MEASURES

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

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

FFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended March 31, 2018**	**3 Months Ended March 31, 2017**
Net income/(loss)	**$(11,938)**	$8,292
Add (deduct):		
Fair value adjustments on investment property	**(28,230)**	(2,125)
Property management internalization cost [1]	**43,993**	-
Unrealized loss on financial instruments	**5,290**	604
Interest expense on puttable units classified as liabilities	**158**	11
Funds from Operations (FFO)	**$9,273**	$6,782
FFO per weighted average unit - basic	**$0.106**	$0.091
FFO per weighted average unit - diluted	**$0.105**	$0.091

[1] Property management internalization costs are added back to Net income/(loss) in determining FFO as it represents a one-time transaction event that is not indicative our normal operations and helpful as a useful measure of recurring economic earnings.

AFFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended March 31, 2018**	**3 Months Ended March 31, 2017**
Funds from Operations	**$9,273**	$6,782
Add (deduct):		
Actual maintenance capital investment	**(1,175)**[1]	(971)[2]
Adjusted Funds from Operations (AFFO)	**$8,098**	$5,811
AFFO per weighted average unit - basic	**$0.092**	$0.078
AFFO per weighted average unit - diluted	**$0.092**	$0.078

[1] Maintenance capital investment total is calculated for the 5,812 repositioned suites for 2018
[2] Maintenance capital investment total is calculated for the 4,725 repositioned suites for 2017

Weighted average units outstanding (basic) increased by 13,332,083, or 17.9%, this quarter over Q1 2017. Despite this increase, FFO per unit increased to $0.106 from $0.091, an increase of 16.5% and AFFO per unit increased to $0.092 from $0.078, an increase of 17.9%.

Adjusted Cash Flow from Operations (ACFO) was introduced in February 2017, and updated February 2018, in REALpac's "White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS" as a sustainable, economic cash flow metric. Management believes ACFO can be a useful measure to evaluate the Trusts ability to fund distributions to unitholders. ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS. ACFO is calculated in accordance with the REALpac definition but may differ from other REIT's methods and accordingly, may not be comparable to ACFO reported by other issuers.

ACFO Reconciliation In $000's, except per Unit amounts and Units outstanding	**3 Months Ended March 31, 2018**	**3 Months Ended March 31, 2017**
Cash generated from operating activities	**$2,490**	$7,100
Add (deduct):		
Property management internalization cost [1]	**8,606**	-
Amortization of finance costs	**(318)**	(197)
Actual maintenance capital investment	**(1,175)**	(971)
ACFO	**9,603**	5,932
Distributions declared [2]	**6,065**	4,614
Excess of ACFO over distributions declared	**3,538**	1,318
ACFO payout ratio	**63.2%**	77.8%

[1] The cash effect of the property management internalization costs are added back to Cash from operating activities in determining ACFO as it represents a one-time transaction event that is not indicative our normal operations and helpful as a useful measure of sustainable cash flow.

[2] Includes distributions on LP Class B units.

For the three months ended March 31, 2018, ACFO exceeded distributions declared by $3.5 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 $000's	**3 Months Ended March 31, 2018**	**3 Months Ended March 31, 2017**
Net income/(loss)	**$(11,938)**	$8,292
Cash flows from operating activities	**2,490**	7,100
Distributions paid [1]	**4,886**	3,228
Distributions declared [1]	**6,065**	4,614
Excess/(shortfall) of net income over distributions paid	**(16,824)**	5,064
Excess/(shortfall) of net income over distributions declared	**(18,003)**	3,678
Excess/(shortfall) of cash flows from operations over distributions paid	**(2,396)**	3,872
Excess/(shortfall) of cash flows from operations over distributions declared	**(3,575)**	2,486

[1] Includes distributions on LP Class B units

For the three months ended March 31, 2018, distributions paid were in excess of cash flows from operating activities by $2.4 million due to the $8.6 million cash outflow associated with the property management internalization transaction that occurred February 15, 2018. The shortfall in cash from operations was funded by mortgage up-financings tied to the appreciation on the Trust's investment properties. Net income is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value change on financial instruments, which are not reflective of the Trust's ability to make distributions. Amounts retained in excess of the declared distributions are used to fund acquisitions and capital expenditure requirements.

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 44.4% of Gross Book Value ("GBV") at March 31, 2018. 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	March 31, 2018	December 31, 2017
Total assets per Balance Sheet	$1,775,020	$1,658,445
Mortgages payable and vendor take-back loans	$778,374	$733,414
Lines of credit	10,329	59,130
Total debt	$788,703	$792,544
Debt to GBV	44.4%	47.8%

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

INTEREST AND DEBT SERVICE COVERAGE

The following schedule summarizes the interest and debt service coverage ratios for InterRent for the comparable rolling 12 month periods ending March 31st:

In $000's	12 Months Ended March 31, 2018	12 Months Ended March 31, 2017
NOI	$70,210	$58,196
Less: Administrative costs	9,541	7,931
EBITDA	$60,669	$50,265
Interest expense (1)	21,635	19,870
Interest coverage ratio	**2.80x**	**2.53x**
Contractual principal repayments	11,881	12,031
Total debt service payments	$33,516	$31,901
Debt service coverage ratio	**1.81x**	**1.58x**

(1) Interest expense includes interest on mortgages and credit facilities and interest income, and excludes interest (distributions) on units classified as financial liabilities.


2386 & 2400 New Street,
Burlington, ON

MORTGAGE AND DEBT SCHEDULE

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

Year Maturing	Mortgage Balances At March 31, 2018 (in $ 000's)	Weighted Average by Maturity	Weighted Average Interest Rate
2018	$163,783	20.7%	3.27%
2019	$42,844	5.4%	3.30%
2020	$93,921	11.9%	2.84%
2021	$50,215	6.3%	3.46%
2022	$69,076	8.7%	2.83%
Thereafter	$372,238	47.0%	2.84%
Total	$792,077	100%	2.97%

At March 31, 2018, the average term to maturity of the mortgage debt was approximately 5.1 years and the weighted average cost of mortgage debt was 2.97%. At March 31, 2018, approximately 68% of InterRent REIT's mortgage debt was backed by CMHC insurance.

During the quarter the Trust assumed one mortgage and added two mortgages for two properties that were acquired in the quarter for a combined amount of $40.1 million, re-financed one properties which increased mortgage debt by $8.9 million and paid down $3.3 million in mortgage principal. The net result at March 31, 2018 compared to December 31, 2017 was:

- An increase in the average term to maturity of the mortgage debt to 5.1 years from 4.9 years;
- An increase in the weighted average cost of mortgage debt to 2.97% from 2.81% ; and,
- An increase in the mortgage debt backed by CMHC insurance to approximately 68% from 67%.

As at March 31, 2018, the Trust had the following credit facilities:

- A $0.5 million demand credit facility with a Canadian chartered bank secured by a general security agreement. Interest is charged at a floating rate plus a pre-defined spread. As at March 31, 2018, the Trust had utilized $0.1 million of this facility.
- A $35.0 million term credit facility, maturing in 2019, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on ten of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. As at March 31, 2018, the Trust had no balance outstanding under this facility.
- A $25.0 million term credit facility, maturing in 2018, with a Canadian chartered bank secured by a general security agreement, a first mortgage on 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 March 31, 2018, the Trust had utilized $5.2 million of this facility.
- A $60.0 million term credit facility, maturing in 2020, 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 five of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. As at March 31, 2018, the Trust had utilized $5.0 million of this facility.

ACCOUNTING

RISKS AND UNCERTAINTIES

A comprehensive description of the risks and uncertainties can be found in InterRent REIT's December 31, 2017 MD&A and other securities filings at www.sedar.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**

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

The amounts disclosed as rents and other receivables and loan receivable long-term incentive plan in the consolidated balance sheet are net of allowances for doubtful accounts, estimated by the Trust's management based on prior experience and their assessment of the current economic environment. The Trust establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of rents and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and an overall loss component established based on historical trends. At March 31, 2018, the Trust had past due rents and other receivables of $2.1 million net of an allowance for doubtful accounts of $0.8 million which adequately reflects the Trust's credit risk.

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

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

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

C. **Liquidity Risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 20 in the March 31, 2018 condensed 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 March 31, 2018, the Trust had credit facilities as described in note 8 in the March 31, 2018 condensed consolidated financial statements.

Note 7 in the March 31, 2018 condensed consolidated financial statements reflects the contractual maturities for mortgage and loans payable of the Trust at March 31, 2018, excluding interest payments. The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on going operations, management assesses the Trust's liquidity risk to be low.

D. **Fair Value**

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

The fair value of the mortgages and loans payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages and loans payable and credit facilities is approximately $801 million as at March 31, 2018 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 March 31, 2018, approximately 28% 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 $0.7 million for the three months ended March 31, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2018 the Trust did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

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

i. Accounts Payable (net of amounts receivable)

As at March 31, 2018, $0.3 million (December 31, 2017 - $1.1 million) was included in accounts payable and accrued liabilities, net of amounts receivable, which are due to companies controlled by an officer of the Trust. The amounts were non-interest bearing and due on demand.

ii. Services

During the three month period ended March 31, 2018 the Trust incurred $1.0 million (2017 - $1.7 million) in services from companies controlled by an officer of the Trust. Of the services received approximately $0.2 million (2017 - $0.4 million) has been capitalized to the investment properties and the remaining amounts are included in operating and administrative costs.

iii. Property Management Internalization

On February 15, 2018, the REIT entered into an agreement with CLV Group Inc. (the "Property Manager") to internalize the REIT's property management function. Upon closing of the transaction, a subsidiary of the REIT acquired the Property Manager's REIT-related property management business for a total consideration of $38.0 million to the Property Manager (3,224,516 Class B LP limited partnership units (exchangeable on a one-for-one basis) at a value of approximately $9.42 per unit, or $30.4 million and $7.6 million in cash) and $3.1 million in deferred units as retention bonuses to employees being transferred to InterRent (to be matched and vest over a period of up to 5 years in accordance with the Deferred Unit Plan). The total consideration, including all future vesting of deferred units, is approximately $44.1 million. The REIT also incurred approximately $2.0 million in transaction related costs.

In the period the REIT recorded $44.0 million in property management internalization costs. The remaining $2.1 million relating to the future vesting of the matched portion of the retention bonuses to employees will be expensed over the next 5 years as administrative costs.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Pursuant to Canadian Securities Administrators requirements 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, InterRent REIT's Chief Executive Officer and Chief Financial Officer have satisfied themselves that as at March 31, 2018:

1. the design of disclosure controls and procedures was appropriate in order to provide reasonable assurance that material information relating to InterRent REIT is made known to us by others;
2. the design of internal controls over financial reporting was appropriate in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with GAAP; and,
3. there have been no changes in InterRent REIT's internal controls over financial reporting during the quarter that has materially affected, or is reasonably likely to materially affect, InterRent REIT's internal controls over financial reporting.

OUTSTANDING SECURITIES DATA

As of May 14, 2018, the Trust had issued and outstanding: (i) 94,550,201 units; (ii) LP Class B Units that are exchangeable for 3,410,766 units of the Trust; (iii) options exercisable to acquire 1,168,485 units of the Trust; and (iv) deferred units that are redeemable for 4,088,020 units of the Trust.

ADDITIONAL INFORMATION

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