

InterRent Real Estate Investment Trust

Consolidated Financial Statements

For the years ended December 31, 2024, and 2023

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of InterRent Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of InterRent Real Estate Investment Trust and its subsidiaries (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statements of income/(loss), changes in unitholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Fair Value of Income Properties

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

The fair value of income properties as at December 31, 2024 is \$4,030,624. Management used an internal valuation model based on the direct capitalization income approach to determine the fair value of income properties as at December 31, 2024. Management engaged an external valuation expert to appraise substantially all of the income properties held as at December 31, 2024. Determining the fair value of income properties required management to make significant estimates and assumptions within the internal valuation model.

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

How our audit addressed the Key Audit Matter

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

- We evaluated the reasonableness of the underlying data used in the calculation of stabilized net operating income, used in management's direct capitalization method by auditing current year net operating income inputs and evaluating forecasted data by benchmarking the data to market information.
- For a sample of income properties, we utilized professionals with specialized skill and knowledge in the field of real estate valuations to assist in:
 - Developing independent ranges for management's assumptions and estimates from comparable market benchmarks; and
 - Evaluating the appropriateness of critical assumptions used by management including the capitalization rate, vacancy rate, and forecasted stabilized net operating income by comparing them to independent regional market data, industry averages, and improved comparable sales.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
February 24, 2025
Toronto, Ontario

InterRent Real Estate Investment Trust

Consolidated Balance Sheets

(Cdn \$ Thousands)

	Note	December 31, 2024	December 31, 2023
Assets			
Investment properties	4	\$ 4,078,627	\$ 4,315,742
Investment in joint ventures	8	53,194	47,454
Prepays and deposits	10	35,972	2,403
Assets held for sale	5	-	45,432
Receivables and other assets	11	22,996	22,760
Cash		4,524	2,547
Total assets		\$ 4,195,313	\$ 4,436,338
Liabilities			
Mortgages payable	12	\$ 1,646,942	\$ 1,650,035
Credit facilities	13	42,000	40,847
Class B LP unit liability	15	-	28,587
Unit-based compensation liabilities	16	47,976	59,721
Lease liabilities	17	1,372	1,672
Tenant rental deposits	18	21,728	19,781
Liabilities associated with assets held for sale	5	-	22,988
Accounts payable and accrued liabilities	14	40,658	39,326
Total liabilities		1,800,676	1,862,957
Unitholders' equity			
Unit capital	20	1,121,494	1,088,679
Retained earnings		1,273,143	1,484,702
Total unitholders' equity		2,394,637	2,573,381
Total liabilities and unitholders' equity		\$ 4,195,313	\$ 4,436,338

Commitments and contingencies (note 30)

Subsequent events (note 31)

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

On behalf of the Trust

Ronald Leslie
Trustee

Brad Cutsey
Trustee

InterRent Real Estate Investment Trust

Consolidated Statements of Income/(Loss)

For the years ended December 31

(Cdn \$ Thousands)

	Note	2024	2023
Operating revenues			
Revenue from investment properties	21	\$ 246,254	\$ 237,135
Operating expenses			
Property operating costs		38,627	38,046
Property taxes		25,832	25,457
Utilities		16,859	18,018
Total operating expenses		81,318	81,521
Net operating income		164,936	155,614
Financing costs	22	57,290	58,974
Administrative costs		17,471	16,616
Income before other income and expenses		90,175	80,024
Other income and expenses			
Fair value adjustments on investment properties	4	(262,791)	11,954
Other income and fees		2,035	2,001
Income from investment in joint ventures	8	32	3,830
Loss on sale of investment properties	7	(1,485)	(32)
Other fair value gains/(losses)	23	18,761	(2,779)
Interest on units classified as financial liabilities	24	(2,373)	(2,758)
Net income/(loss) for the year		\$ (155,646)	\$ 92,240

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

InterRent Real Estate Investment Trust

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31

(Cdn \$ Thousands)

	Trust units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings	Total Unitholders' equity
Balance, January 1, 2023	\$ 1,052,858	\$ 1,724,720	\$ (280,202)	\$ 1,444,518	\$ 2,497,376
Units purchased under NCIB and cancelled (note 20)	(1,998)	-	-	-	(1,998)
Units issued (note 20)	37,819	-	-	-	37,819
Net income for the year	-	92,240	-	92,240	92,240
Distributions declared to Unitholders	-	-	(52,056)	(52,056)	(52,056)
Balance, December 31, 2023	\$ 1,088,679	\$ 1,816,960	\$ (332,258)	\$ 1,484,702	\$ 2,573,381
Balance, January 1, 2024	\$ 1,088,679	\$ 1,816,960	\$ (332,258)	\$ 1,484,702	\$ 2,573,381
Units purchased under NCIB and cancelled (note 20)	(13,483)	-	-	-	(13,483)
Units issued (note 20)	46,298	-	-	-	46,298
Net loss for the year	-	(155,646)	-	(155,646)	(155,646)
Distributions declared to Unitholders (note 25)	-	-	(55,913)	(55,913)	(55,913)
Balance, December 31, 2024	\$ 1,121,494	\$ 1,661,314	\$ (388,171)	\$ 1,273,143	\$ 2,394,637

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

InterRent Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the years ended December 31

(Cdn \$ Thousands)

	Note	2024	2023
Cash flows from (used in) operating activities			
Net income/(loss) for the year		\$ (155,646)	\$ 92,240
Add items not affecting cash			
Income from investment in joint ventures	8	(32)	(3,830)
Amortization		775	987
Loss on sale of investment properties	7	1,485	32
Fair value adjustments on investment properties	4	262,791	(11,954)
Other fair value (gains)/losses	23	(18,761)	2,779
Unit-based compensation expense	16	7,423	6,785
Financing costs	22	57,290	58,974
Interest expense	22	(54,840)	(56,961)
Tenant inducements		3,334	2,241
		103,819	91,293
Net income items related to financing activities	24	329	971
Changes in non-cash operating assets and liabilities	25	(36,667)	(2,645)
Cash from operating activities		67,481	89,619
Cash flows used in investing activities			
Acquisition of investment properties	6	(55,768)	-
Investment in joint ventures	8	(5,828)	(12,464)
Distributions received from joint ventures	8	120	-
Proceeds from sale of investment properties	7	139,565	9,102
Additions to investment properties	4	(63,635)	(108,498)
Cash from (used in) investing activities		14,454	(111,860)
Cash flows from (used in) financing activities			
Mortgage and loan repayments	25	(229,281)	(84,009)
Mortgage advances	25	205,502	100,959
Financing fees		(5,204)	(2,317)
Credit facility advances/(repayments)	25	1,153	40,847
Principal repayments on lease liabilities		(297)	(247)
Trust units issued, net of issue costs	16, 20	237	715
Trust units purchased and cancelled	20	(13,483)	(1,998)
Trust units purchased	20	(917)	-
Deferred units purchased and cancelled		(1,132)	(1,391)
Interest paid on units classified as financial liabilities	24	(329)	(971)
Distributions paid	25	(36,207)	(31,067)
Cash from (used in) financing activities		(79,958)	20,521
Increase (decrease) in cash during the year		1,977	(1,720)
Cash at the beginning of year		2,547	4,267
Cash at end of year		\$ 4,524	\$ 2,547

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

1. ORGANIZATIONAL INFORMATION

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

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

These consolidated financial statements were authorized for issuance by the Trustees of the Trust on February 24, 2025.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all years presented.

Basis of presentation

The Trust presents its consolidated balance sheets based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

These consolidated financial statements have been prepared on a historical cost basis except for:

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

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

Functional currency

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

2. BASIS OF PRESENTATION (Continued)

Basis of consolidation

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

Critical accounting estimates and judgments in applying accounting policies

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

Investment properties

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

Financial liabilities

The fair value measurement of the Class B LP unit and unit-based compensation liabilities require management to make estimates and assumptions that affect the reported amount of the liabilities and the corresponding compensation expense, and gain or loss on changes in fair value. Estimates and assumptions used in determining the fair value of these liabilities include the expected life of the instruments and the volatility of the Trust's unit prices.

Comparative information

Certain comparative figures have been reclassified to conform to the current year's presentation. A small adjustment was made to the weighted average capitalization rate in note 4, from 4.22% to 4.21% to remove the impact of the properties classified as held for sale at December 31, 2023.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES

Property asset acquisitions

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

Investment properties

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

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

Investment properties under development

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

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Joint arrangements

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

Investment in joint ventures

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

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

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

Joint operations

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

Assets held for sale

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

Revenue recognition

Revenue from investment properties includes rents from residents under leases, parking, laundry and other ancillary revenues. Most leases are for one-year terms or less; consequently, the Trust accounts for leases with its residents as operating leases as the Trust has retained substantially all of the risks and benefits of ownership of its investment properties. Lease revenue earned directly from leasing the asset is recognized and measured in accordance with IFRS 16.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

In addition to revenue generated directly from the operating lease, rental revenue includes non-lease revenue earned from the resident, which is recognized and measured under IFRS 15. Non-lease revenue includes laundry, income earned from telephone and cable providers, commercial common area maintenance and ancillary services. These revenues are recognized when earned.

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

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

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

IFRS 15 requires revenue recognized from customer contracts (non-lease components) to be disclosed separately from its other sources of revenue (note 21).

Financial instruments

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

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

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

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

Financial assets at amortized cost

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

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

Financial assets at FVTPL

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

Financial liabilities at amortized cost

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

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

Financial liabilities at FVTPL

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

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

Impairment of financial assets

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

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

Leases, the Trust as a lessee

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

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Trust units

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

Class B LP unit liability

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

Management has designated the Class B LP unit liability as FVTPL, and the Class B LP unit liability is re-measured to fair value at each reporting date with changes recorded in the consolidated statements of income/(loss). The distributions on the Class B LP units are recognized in the consolidated statements of income/(loss) as interest expense.

Unit-based compensation

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

Provisions

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

Income taxes

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Throughout 2024 and 2023, the Trust and its wholly owned subsidiaries satisfied certain conditions available to REITs (the "REIT Exception") under amendments to the Tax Act, intended to permit a corporate income tax rate of nil as long as the specified conditions continue to be met. Without satisfying these conditions, the Trust would have been liable for income taxes.

Investment properties

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

Investment in joint arrangements

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

Property asset acquisitions

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

Income tax

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

3. MATERIAL ACCOUNTING POLICIES (Continued)

Accounting changes made in 2024

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

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or noncurrent. Current and non-current presentation has been added as at December 31, 2024 and 2023 in notes 10, 11, 12, 16, and 17. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments were effective for annual reporting periods beginning on or after January 1, 2024 and had no material impact on the REIT.

Future accounting changes

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18, "Presentation and Disclosure in Financial Statements" was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, "Presentation of Financial Statements", impacts the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The REIT is currently assessing the impact of the new standard.

4. INVESTMENT PROPERTIES

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

	December 31, 2024	December 31, 2023
Income properties	\$ 4,030,624	\$ 4,276,295
Properties under development	48,003	39,447
	\$ 4,078,627	\$ 4,315,742

Income properties:

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ 4,321,663	\$ 4,152,141
Acquisitions (note 6)	55,768	-
Dispositions (note 7)	(141,050)	(10,892)
Transfers from properties under development	-	70,173
Property capital investments	57,034	98,287
Fair value adjustments ⁽¹⁾	(262,791)	11,954
	\$ 4,030,624	\$ 4,321,663
Reclassification to assets held for sale (note 5)	-	(45,368)
	\$ 4,030,624	\$ 4,276,295

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

4. INVESTMENT PROPERTIES (Continued)

Properties under development:

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

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ 39,447	\$ 101,783
Transfer to income properties	-	(70,173)
Property capital investments	8,556	7,837
	\$ 48,003	\$ 39,447

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

The Trust determined the fair value of each income property internally based upon the direct capitalization income approach method of valuation. The fair value was determined by applying a capitalization rate ("Cap Rate") to forecasted stabilized net operating income ("SNOI"), which incorporates turnover estimates, market rent adjustments, allowances for vacancy, management fees, labour and repairs and maintenance for the property. In order to substantiate management's valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all of the portfolio at December 31, 2024, and 2023. These external appraisals provided the Trust with a summary of the major assumptions and market data by city (such as capitalization rate, turnover estimate and market rent adjustments) in order for the Trust to complete its internal valuations.

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

	December 31, 2024		December 31, 2023	
	Range	Weighted average	Range	Weighted average
Capitalization rate	3.25% - 6.25%	4.49%	3.25% - 6.25%	4.21%

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

As at December 31, 2024

		-3%	-1%	As estimated	+1%	+3%
Forecasted stabilized net operating income		\$ 175,546	\$ 179,165	\$ 180,975	\$ 182,785	\$ 186,404
Capitalization rate						
-0.25%	4.24%	\$ 4,140,230	\$ 4,225,596	\$ 4,268,278	\$ 4,310,961	\$ 4,396,327
Cap rate used	4.49%	\$ 3,909,705	\$ 3,990,317	\$ 4,030,624	\$ 4,070,930	\$ 4,151,542
+0.25%	4.74%	\$ 3,703,497	\$ 3,779,858	\$ 3,818,038	\$ 3,856,218	\$ 3,932,579

As at December 31, 2023

		-3%	-1%	As estimated	+1%	+3%
Forecasted stabilized net operating income		\$ 174,631	\$ 178,232	\$ 180,032	\$ 181,832	\$ 185,433
Capitalization rate						
-0.25%	3.96%	\$ 4,409,875	\$ 4,500,800	\$ 4,546,263	\$ 4,591,725	\$ 4,682,651
Cap rate used	4.21%	\$ 4,148,006	\$ 4,233,532	\$ 4,276,295	\$ 4,319,057	\$ 4,404,583
+0.25%	4.46%	\$ 3,915,494	\$ 3,996,226	\$ 4,036,592	\$ 4,076,958	\$ 4,157,690

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

4. INVESTMENT PROPERTIES (Continued)

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

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

	2024	2023
Property capital investments	\$ (65,590)	\$ (106,124)
Changes in non-cash investing accounts payable and accrued liabilities	1,955	(2,374)
	\$ (63,635)	\$ (108,498)

5. ASSETS HELD FOR SALE

As at December 31, 2024, the Trust had no assets classified as held for sale.

As at December 31, 2023, the Trust classified five investment properties (224 suites) as assets held for sale as a result of the Trust initiating an active program to dispose of these properties. As of December 31, 2023, the Trust had committed to sell the properties and the sale closed in February 2024 for a sale price of \$46,000 (note 7).

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

	December 31, 2024	December 31, 2023
Properties	-	5
Suites	-	224
Investment properties (note 4)	\$ -	\$ 45,368
Prepays and deposits (note 10)	-	25
Receivables and other assets (note 11)	-	39
	\$ -	\$ 45,432
Mortgages and loan payables	-	22,211
Accounts payable and accrued liabilities (note 14)	-	689
Tenant rental deposits	-	88
	\$ -	\$ 22,988

6. INVESTMENT PROPERTY ACQUISITIONS

During the year ended December 31, 2024, the Trust completed the following investment property acquisition:

Acquisition Date	Suite Count	Ownership Interest	Total Acquisition Costs ⁽¹⁾	Mortgage Funding	Interest Rate	Maturity Date
October 15, 2024	248	50%	\$ 55,768	-	-	-

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

6. INVESTMENT PROPERTY ACQUISITIONS (Continued)

The total acquisition costs of \$55,768 represent the total cash outflows related to the acquisition of investment properties for the Trust for the year ended December 31, 2024.

7. INVESTMENT PROPERTY DISPOSITIONS

During the year ended December 31, 2024, the Trust completed the following investment property dispositions. These dispositions do not meet the definition of discontinued operations under IFRS:

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

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

Disposition Date	Suite Count	Ownership Interest	Sale Price	Closing Costs	Net Proceeds	Mortgage Discharged
August 28, 2023	54	100%	\$ 11,500	\$ 640	\$ 10,860	6,927

A loss of \$1,485 was recognized for the year ended December 31, 2024 in connection with these dispositions (2023 - \$32). The loss represents the difference between the net proceeds (sale price less closing costs) and the carrying value of the properties at the date of disposition. Closing costs consist of commissions, legal fees, mortgage discharge penalties, and the write-off of deferred financing fees related to the discharged mortgage.

Calculation of loss on sale of investment properties:

	2024	2023
Sale price	\$ 143,525	\$ 11,500
Less: Book value of investment properties (note 4)	(141,050)	(10,892)
Excess of sale price over book value	2,475	608
Closing costs	(3,960)	(640)
Gain (loss) on sale of investment properties	\$ (1,485)	\$ (32)

Cash inflow received from the sale of investment properties:

	2024	2023
Net proceeds	\$ 139,565	\$ 10,860
Vendor take-back mortgage issued (note 11)	(6,000)	(1,500)
Vendor take-back mortgage payment received (note 11)	6,000	-
Promissory note issued (note 11)	-	(500)
Non-cash closing costs	-	242
	\$ 139,565	\$ 9,102

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

8. INVESTMENT IN JOINT VENTURES

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

Equity Investee	Location	Principal Activity	December 31, 2024	December 31, 2023
TIP Albert Limited Partnership	Ottawa	Develop, own and operate investment property	40.0% ⁽¹⁾	40.0% ⁽¹⁾
Fairview Limited Partnership	Burlington	Develop, own and operate investment property	25.0%	25.0%
2-4 Hanover Limited Partnership	Brampton	Own and operate investment property	10.0%	10.0%
OTT A360 Laurier Limited Partnership	Ottawa	Develop, own and operate investment property	25.0%	25.0%

⁽¹⁾ TIP Albert Limited Partnership has ownership interest of 83.33% in 801 Albert Street Inc. The Trust has ownership interest of 33.33% in 801 Albert Street Inc. through its 40% ownership in TIP Albert Limited Partnership. The Trust holds the remaining ownership of 16.67% interest directly in 801 Albert Street Inc. This 16.67% interest is reported under Property under Development (note 4) as a joint operation (note 9). In total, the Trust holds a 50% interest in the development property.

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

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

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ 47,454	\$ 31,160
Additions	5,828	12,464
Distributions	(120)	-
Share of net income/(loss)	32	3,830
	\$ 53,194	\$ 47,454

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

	December 31, 2024	December 31, 2023
Current assets	\$ 9,048	\$ 5,441
Non-current assets	427,221	405,378
Current liabilities	(5,436)	(3,033)
Non-current liabilities	(174,586)	(170,956)
Net assets	\$ 256,247	\$ 236,830
Trust's share	\$ 53,194	\$ 47,454

	2024	2023
Revenue	\$ 14,536	\$ 10,223
Expenses	(8,863)	(6,555)
Fair value adjustments on investment properties	(5,402)	34,660
Net income	\$ 271	\$ 38,328
Trust's share	\$ 32	\$ 3,830

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

9. JOINT OPERATIONS

The Trust has interest in twenty-four investment properties (December 31, 2023 - twenty-three) and one property under development (December 31, 2023 - one) that are subject to joint control and have been determined to be joint operations. The Trust records only its proportionate share of the assets, liabilities and the results of operations of the joint operations. The assets, liabilities and results of joint operations are included within the respective line items of the consolidated balance sheets and consolidated statements of income/loss. The Trust's ownership in the joint operations are as follows:

Joint Operation	Region	Type	Ownership Interest (December 31, 2024)	Ownership Interest (December 31, 2023)
Vancouver No. 1 Apartments Partnership	Greater Vancouver Area	Investment properties	50.00%	50.00%
Ontario No. 1 Apartments Partnership	Greater Toronto and Hamilton Area	Investment properties	50.00%	50.00%
Quebec No. 1 Apartments Partnership	Greater Montréal Area	Investment properties	50.00%	50.00%
801 Albert Street Inc.	National Capital Region	Properties under development	16.67%	16.67%

10. PREPAIDS AND DEPOSITS

Current	\$	4,351	\$	2,143
Non-current		31,621		260
	\$	35,972	\$	2,403

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

11. RECEIVABLES AND OTHER ASSETS

	December 31, 2024	December 31, 2023
Rents and other receivables, net of allowance for uncollectable amounts (note 28(b))	\$ 7,241	\$ 6,593
Lease incentives ⁽¹⁾	2,119	1,163
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of \$5,812 (2023 - \$5,170)	\$ 3,094	\$ 3,321
Deferred finance fees on credit facilities, net of accumulated amortization of \$2,804 (2023 - \$2,607)	346	299
Loan receivable long-term incentive plan (note 19)	7,217	8,311
Right-of-use asset, net of accumulated amortization of \$388 (2023 - \$255)	479	612
Other investments	500	500
Mortgage receivable ⁽²⁾	1,500	1,500
Promissory note receivable ⁽³⁾	500	500
	\$ 22,996	\$ 22,799
Reclassification to assets held for sale (note 5)	-	(39)
	\$ 22,996	\$ 22,760
Current	\$ 10,159	\$ 9,083
Non-current	12,837	13,677
	\$ 22,996	\$ 22,760

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

⁽²⁾ At December 31, 2024 and December 31, 2023 the balance is comprised of one mortgage with a maturity date of July 2027, at an interest rate of 3.5% for the first two years, and 4.5% for the remaining two years. The mortgage is secured by the related properties and a personal guarantee from the buyer of the property. During the year ended December 31, 2024 a mortgage receivable for \$6,000 was repaid.

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

12. MORTGAGES PAYABLE

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

The mortgages mature at various dates between the years 2025 and 2034.

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

2025	\$ 301,184
2026	150,806
2027	214,628
2028	243,779
2029	162,868
Thereafter	617,069
	1,690,334
Less: Deferred finance costs and mortgage premiums	(43,392)
	\$ 1,646,942

	December 31, 2024	December 31, 2023
Current	\$ 294,977	\$ 278,951
Non-current	1,351,965	1,371,084
	\$ 1,646,942	\$ 1,650,035

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

13. CREDIT FACILITIES

	December 31, 2024	December 31, 2023
Demand credit facility ⁽ⁱ⁾	\$ -	\$ -
Term credit facility ⁽ⁱⁱ⁾	-	40,807
Term credit facility ⁽ⁱⁱⁱ⁾	30,000	-
Term credit facility ^(iv)	12,000	40
	\$ 42,000	\$ 40,847

- (i) The Trust has a \$5,000 (2023 - \$3,000) demand credit facility with a Canadian chartered bank secured by a general security agreement. The weighted average interest rate on amounts drawn during the year ended December 31, 2024 was 7.65%.
- (ii) The Trust has a \$105,000 (2023 - \$105,000) term credit facility, maturing in 2027, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2023 - zero) of the Trust's properties and second collateral mortgages on nine (2023 - eight) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. The weighted average interest rate on amounts drawn during the year ended December 31, 2024 was 7.14%.
- (iii) The Trust has a \$100,000 (2023 - \$100,000) term credit facility, maturing in 2026, with a Canadian chartered bank secured by a general security agreement, first mortgages on two (2023 - two) of the Trust's properties and second collateral mortgages on two (2023 - four) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. The weighted average interest rate on amounts drawn during the year ended December 31, 2024 was 5.84%. As the amount is maturing in 2026, it is classified as a non-current liability.
- (iv) The Trust has a \$15,000 (2023 - \$15,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2023 - one) of the Trust's properties and second collateral mortgages on one (2023 - one) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. The weighted average interest rate on amounts drawn during the year ended December 31, 2024 was 6.93%. As the amount is maturing in 2025, it is classified as a current liability.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
Accounts payable	\$ 3,704	\$ 7,109
Accrued liabilities	28,303	24,698
Accrued distributions	4,879	4,629
Mortgage interest payable	3,772	3,579
	\$ 40,658	\$ 40,015
Reclassification to liabilities associated with assets held for sale (note 5)	-	(689)
	\$ 40,658	\$ 39,326

All accounts payable and accrued liabilities are classified as current liabilities.

15. CLASS B LP UNIT LIABILITY

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

15. CLASS B LP UNIT LIABILITY (Continued)

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

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

During the year ended December 31, 2024, 2,160,766 Class B LP Units were exchanged for 2,160,766 Trust Units (December 31, 2023 - 1,250,000). 1,974,516 of these units (December 31, 2023 - 1,250,000) were exchanged by a company controlled by an officer and Trustee of the Trust (note 26).

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

Class B Units were redeemable on demand by the holder and were therefore classified as current liabilities.

16. UNIT-BASED COMPENSATION LIABILITIES

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

	December 31, 2024	December 31, 2023
Unit-based liabilities, beginning of year	\$ 59,721	\$ 54,131
Compensation expense - deferred unit plan	2,814	3,263
Compensation expense - performance and restricted unit plan	2,565	1,735
Distribution - deferred unit plan	1,817	1,655
Distribution - performance and restricted unit plan	227	132
DUP units converted, cancelled and forfeited	(2,158)	(1,840)
Unit options exercised and expired	(210)	(857)
(Gain)/loss on fair value of liability (note 23)	(16,800)	1,502
Unit-based liabilities, end of year	\$ 47,976	\$ 59,721
Current ⁽¹⁾	\$ 47,357	\$ 59,029
Non-current	619	692
	\$ 47,976	\$ 59,721

⁽¹⁾ Deferred units and unit options are redeemable on demand by the holder and are therefore classified as current liabilities

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

16. UNIT-BASED COMPENSATION LIABILITIES (Continued)

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

The maximum number of Trust Units issuable under the Trust's equity incentive compensation plans, which includes the DUP, the PRU, and unit options, as well as the long-term incentive plan (note 19) is 6% of the issued and outstanding Trust Units.

(i) DEFERRED UNIT PLAN

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

A summary of Deferred Unit activity is presented below:

Number of Units	Non-Management Trustees	Other Participants	Total
Balance - December 31, 2022	283,249	4,255,976	4,539,225
Units issued under deferred unit plan	68,287	91,711	159,998
Reinvested distributions on deferred units	9,353	122,481	131,834
Deferred units exercised into Trust Units (note 20)	-	(34,480)	(34,480)
Deferred units purchased and cancelled	-	(25,583)	(25,583)
Deferred units cancelled	-	(100,521)	(100,521)
Balance - December 31, 2023	360,889	4,309,584	4,670,473
Units issued under deferred unit plan	76,693	90,950	167,643
Reinvested distributions on deferred units	12,174	142,003	154,177
Deferred units exercised into Trust Units (note 20)	(12,500)	(75,366)	(87,866)
Deferred units purchased and cancelled	(12,500)	(32,103)	(44,603)
Deferred units cancelled	-	(57,582)	(57,582)
Balance - December 31, 2024	424,756	4,377,486	4,802,242

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

The aggregate fair value of vested deferred units was \$45,242 at December 31, 2024 (December 31, 2023 - \$56,621). The fair value of the vested deferred units represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date, representing the fair value of the redemption price.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

16. UNIT-BASED COMPENSATION LIABILITIES (Continued)

(ii) UNIT OPTIONS

The Trust had a unit option plan that provided for options to be granted to the benefit of employees, Trustees and certain other third parties. In May of 2022, the Board terminated the unit option plan, the termination of this plan did not impact any currently outstanding options, but the plan was closed to new issuances. The exercise price of options granted under the unit option plan was determined by the Trustees, but was at least equal to the volume weighted average trading price of the Trust Units for the five trading days immediately prior to the date the option was granted. The term of any option granted did not exceed 10 years or such other maximum permitted time period under applicable regulations. At the time of granting options, the Board of Trustees determined the time, or times, when an option or part of an option was exercisable. The Trust did not provide financial assistance to any optionee in connection with the exercise of options.

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

	2024		2023	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance, beginning of year	89,840	\$ 7.35	223,265	\$ 6.55
Exercised	(34,840)	\$ 6.84	(120,925)	\$ 5.92
Expired	-	\$ -	(12,500)	\$ 6.86
Balance, end of year	55,000	\$ 7.67	89,840	\$ 7.35

Options outstanding at December 31, 2024:

Exercise price	Number of units	Remaining life in years	Number of units exercisable
\$ 7.67	55,000	2.57	55,000
	55,000		55,000

The weighted average market price of options exercised in the year ended December 31, 2024 was \$10.61 (2023 - \$13.15).

The unit options represented an aggregate fair value of \$133 at December 31, 2024 (December 31, 2023 - \$496). The fair value of unit options is re-valued at each reporting period based on an estimate of the fair value using the Black-Scholes option pricing model using the following weighted average valuation assumptions:

	December 31, 2024	December 31, 2023
Market price of Unit	\$ 10.15	\$ 13.23
Expected option life	1.1 years	1.1 years
Risk-free interest rate	2.93%	3.88%
Expected volatility (based on historical)	21%	24%
Expected distribution yield	5.0%	5.0%

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

16. UNIT-BASED COMPENSATION LIABILITIES (Continued)

(iii) PERFORMANCE AND RESTRICTED UNIT PLAN

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

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

Number of Units	
Balance - December 31, 2022	213,150
Units issued under performance and restricted unit plan	175,133
Reinvested distributions on performance and restricted units	9,959
Balance - December 31, 2023	398,242
Units issued under performance and restricted unit plan	193,236
Reinvested distributions on performance and restricted units	19,027
Removed by performance factor on vested performance units	(84,876)
Balance - December 31, 2024	525,629

The initial fair value of each unit granted is determined based on the weighted average observable closing market price of the REIT's Trust Units for the five trading days preceding the date of grant. The fair value of the performance units is estimated at each reporting period using a Monte Carlo pricing model. Changes in fair value are recognized in the consolidated statement of income/loss.

The liability for performance and restricted units is recognized on a pro-rated basis over the vesting period. The aggregate fair value of the performance and restricted units at December 31, 2024 was \$2,601 (December 31, 2023 - \$2,604). Vested performance and restricted units, or those within 1 year of their vesting date are classified as current liabilities, the remainder are classified as non-current.

17. LEASE LIABILITIES

The aggregate future lease principal payments are as follows:

2025	\$	341
2026		335
2027		351
2028		286
2029		59
Thereafter		-
	\$	1,372

18. TENANT RENTAL DEPOSITS

Tenant rental deposits are classified as current liabilities.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

19. LONG-TERM INCENTIVE PLAN

In the past, the Board awarded long-term incentive plan ("LTIP") units to certain officers and key employees, collectively the "Participants". The Board terminated the LTIP in 2022, the termination of this plan did not impact any currently outstanding awards, but the plan was closed to new issuances. The Participants could subscribe for Trust Units at a purchase price equal to the weighted average trading price of the Trust Units for the five trading days prior to issuance. The purchase price is payable in instalments, with an initial instalment of 5% paid when the Trust Units are issued. The balance represented by a loan receivable (note 11) is due over a term not exceeding ten years. Participants are required to pay interest at a ten-year fixed rate based on the Trust's fixed borrowing rate for long-term mortgage financing and are required to apply cash distributions received on these units toward the payment of interest and the remaining instalments. Participants may pre-pay any remaining instalments at their discretion. The Trust has recourse on the loans receivable and has reasonable assurance that the Trust will collect the full amount of the loan receivable. The loans receivable are secured by the units as well as the distributions on the units. If a Participant fails to pay interest and/or principal, the Trust can enforce repayment which may include the election to reacquire or sell the units in satisfaction of the outstanding amounts.

Date of award	Number of units	Interest rate	Loan receivable
December 16, 2014	100,000	3.27%	\$ 421
June 9, 2015	75,000	3.44%	378
June 30, 2016	275,000	2.82%	1,789
July 28, 2017	320,000	3.09%	2,086
March 5, 2018	285,000	3.30%	2,543
	1,055,000		\$ 7,217

20. TRUST UNITS

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

	Trust Units	Amount
Balance - December 31, 2022	141,888,874	\$ 1,052,858
Units purchased under NCIB and cancelled	(157,200)	(1,998)
Units issued from exchange of Class B Units	1,250,000	15,115
Units issued under the deferred unit plan	34,480	449
Units issued under distribution reinvestment plan	1,646,072	20,683
Units issued from options exercised	120,925	1,572
Balance - December 31, 2023	144,783,151	\$ 1,088,679
Units purchased under NCIB and cancelled ⁽¹⁾	(1,210,300)	(13,483)
Units issued from exchange of Class B Units (note 15)	2,160,766	25,437
Units issued under the deferred unit plan (note 16)	87,866	1,026
Units issued under distribution reinvestment plan	1,647,081	19,388
Units issued from options exercised (note 16)	34,840	447
Balance - December 31, 2024	147,503,404	\$ 1,121,494

⁽¹⁾ Includes \$257 for the 2% tax on Trust Unit repurchases, which became effective on January 1, 2024

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

20. TRUST UNITS (Continued)

On May 21, 2024, the TSX approved the Trust's normal course issuer bid ("Bid") for a portion of its Trust Units. Under the Bid, the Trust may acquire up to a maximum of 13,736,806 of its Trust Units, or approximately 10% of its public float of 137,368,069 Trust Units as of May 10, 2024, for cancellation over the next 12 months commencing on May 23, 2024 until the earlier of May 22, 2025 or the date on which the Trust has purchased the maximum number of Trust Units permitted under the Bid. The number of Trust Units that can be purchased pursuant to the Bid is subject to a current daily maximum of 90,157 Trust Units (being 25% of the average daily trading volume), except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. Purchases will be made at market prices through the facilities of the TSX, other designated exchanges, and/or Canadian alternative trading systems.

On May 17, 2023, the TSX approved the Trust's normal course issuer bid ("Bid") for a portion of its Trust Units. Under the Bid, the Trust may acquire up to a maximum of 13,582,032 of its Trust Units, or approximately 10% of its public float of 135,820,320 Trust Units as of May 12, 2023, for cancellation over the next 12 months commencing on May 23, 2023 until the earlier of May 22, 2024 or the date on which the Trust has purchased the maximum number of Trust Units permitted under the Bid. The number of Trust Units that can be purchased pursuant to the Bid is subject to a current daily maximum of 78,080 Trust Units (being 25% of the average daily trading volume), except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. Purchases will be made at market prices through the facilities of the TSX.

For the year ended December 31, 2024, the Trust purchased and cancelled 1,210,300 Trust Units for a total of \$13,226 (2023 - 157,200 Trust Units for a total of \$1,998) and purchased 90,000 Trust Units for a total of \$917 which were in treasury at the end of the year, and were cancelled subsequent to the year. All purchases occurred at market prices. Purchases after the year were done through an Automatic Unit Purchase Plan, and the amounts above exclude the 2% tax on Trust Unit repurchases which became effective January 1, 2024.

Subsequent to the year, an additional 3,227,054 units were purchased and cancelled for \$32,192 (note 31).

During the year ended December 31, 2024, 2,160,766 Class B LP Units were exchanged for 2,160,766 Trust Units (December 31, 2023 - 1,250,000). 1,974,516 of these units (December 31, 2023 - 1,250,000) were exchanged by a company controlled by an officer and Trustee of the Trust (note 26).

On December 16, 2024 the Trust announced a suspension of the Dividend Reinvestment Plan until further notice. As a result, Unitholders will receive distributions in cash following the December 16, 2024 distribution.

Declaration of Trust

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

20. TRUST UNITS (Continued)

(a) Trust Units

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

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

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

(b) Special Voting Units

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

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

21. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

	2024	2023
Lease revenue ⁽¹⁾	\$ 241,891	\$ 232,819
Non-lease revenue ⁽²⁾	4,363	4,316
	\$ 246,254	\$ 237,135

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

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

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

22. FINANCING COSTS

	2024	2023
Mortgages payable	\$ 57,597	\$ 58,063
Credit facilities	1,926	3,176
Interest income	(1,250)	(651)
Interest capitalized to properties under development	(3,433)	(3,627)
Interest expense	54,840	56,961
Amortization of deferred finance costs on mortgages	2,315	2,191
Amortization of deferred finance costs on credit facilities	197	299
Amortization of fair value on assumed debt	(62)	(477)
	\$ 57,290	\$ 58,974

23. OTHER FAIR VALUE GAINS/(LOSSES)

	2024	2023
Class B LP unit liability	\$ 3,150	\$ (41)
Unit-based compensation liability (deferred unit plan)	13,847	(1,679)
Unit-based compensation liability (performance and restricted unit plan)	2,795	216
Unit-based compensation liability (option plan)	158	(39)
Rate swap (mortgage payable)	(1,612)	(813)
Forward rate locks (mortgage payable)	423	(423)
	\$ 18,761	\$ (2,779)

24. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	2024	2023
Class B LP unit liability	\$ 329	\$ 971
Unit-based compensation (deferred unit plan)	1,817	1,655
Unit-based compensation (performance and restricted unit plan)	227	132
	\$ 2,373	\$ 2,758

25. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2024	2023
Receivables and other assets	\$ (4,263)	\$ (404)
Prepaid and deposits	(32,627)	(117)
Accounts payable and accrued liabilities	(1,636)	(3,767)
Tenant rental deposits	1,859	1,643
	\$ (36,667)	\$ (2,645)

(b) Net cash distributions to unitholders

	2024	2023
Distributions declared to unitholders	\$ 55,913	\$ 52,056
Add: Distributions payable at beginning of year	4,561	4,255
Less: Distributions payable at end of year	(4,879)	(4,561)
Less: Distributions to participants in the DRIP	(19,388)	(20,683)
	\$ 36,207	\$ 31,067

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

25. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

(c) Interest paid

	2024	2023
Interest expense	\$ 54,840	\$ 56,961
Add: Mortgage interest payable at beginning of year	3,579	2,906
Less: Mortgage interest payable at end of year	(3,772)	(3,579)
Add: Interest capitalized	3,433	3,627
Add: Interest income received	1,250	651
	\$ 59,330	\$ 60,566

(d) Reconciliation of liabilities arising from financing activities

Mortgages payable	2024	2023
Balance, beginning of year	\$ 1,691,307	\$ 1,697,163
Mortgage advances	205,502	100,959
Assumed mortgages	-	-
Repayment of mortgages	(229,281)	(84,009)
Changes in liabilities associated with assets held for sale	22,806	(22,806)
Balance, end of year	\$ 1,690,334	\$ 1,691,307

Credit facilities	2024	2023
Balance, beginning of year	\$ 40,847	\$ -
Advances of credit facilities	42,000	80,907
Repayment of credit facilities	(40,847)	(40,060)
Balance, end of year	\$ 42,000	\$ 40,847

26. RELATED PARTY TRANSACTIONS

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

(i) Accounts Payable (net of amounts receivable)

As at December 31, 2024 and 2023 there were no amounts included in accounts payable and accrued liabilities which are due to companies that are controlled by an officer and Trustee of the Trust.

(ii) Services

During the year ended December 31, 2024, the Trust incurred \$787 (December 31, 2023 - \$1,388) in entitlement, development, and construction management services related to development projects from companies controlled by an officer and Trustee of the Trust. The services received have been capitalized to the investment properties.

(iii) Exchange of Class B LP Units

During the year ended December 31, 2024, a company controlled by an officer and Trustee of the Trust exchanged 1,974,516 Class B LP Units for 1,974,516 Trust Units (December 31, 2023 - 1,250,000). All Class B LP Units are exchangeable at the option of the holder and the exchange occurred at market prices (note 15).

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

26. RELATED PARTY TRANSACTIONS (Continued)

(iv) Key management remuneration

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

	2024	2023
Salaries and other short-term employee benefits	\$ 2,344	\$ 2,275
Deferred unit plan	1,020	1,000
Performance and restricted unit plan	2,147	2,240
	\$ 5,511	\$ 5,515

Loans outstanding from key management for indebtedness relating to the LTIP at December 31, 2024 were \$6,989 (December 31, 2023 - \$8,075). As of 2022, the executive management team of the Trust earns awards under the performance and restricted unit plan instead of the deferred unit plan.

27. CAPITAL RISK MANAGEMENT

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

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

The Trust monitors capital using a debt-to-gross book value ratio, as defined in the Declaration of Trust which requires the Trust to maintain a debt-to-gross book value ratio below 75%. As at December 31, 2024, the debt-to-gross book value ratio is 40.3% (December 31, 2023 - 38.1%).

In addition, the Trust is subject to financial covenants in its mortgages payable and credit facilities such as minimum tangible net worth, interest coverage, debt service coverage and leverage ratio (similar to debt-to-gross book value as calculated in the Declaration of Trust). The Trust was in compliance with all financial covenants throughout the year ended December 31, 2024 and the year ended December 31, 2023.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

28. FINANCIAL RISK MANAGEMENT

a) Overview

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

b) Credit Risk

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

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

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

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

At December 31, 2024, the Trust had past due rents and other receivables of \$10,536 (December 31, 2023 - \$9,907), net of an allowance for doubtful accounts of \$3,295 (December 31, 2023 - \$3,314) 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 27 to the condensed consolidated interim financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities (excluding derivative and other financial instruments reported as liabilities at fair value) when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. In addition, liquidity and capital availability risks are mitigated by diversifying the Trust's sources of funding, maintaining a staggered debt maturity profile and actively monitoring market conditions.

As at December 31, 2024, the Trust had credit facilities as described in note 13.

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.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

28. FINANCIAL RISK MANAGEMENT (Continued)

The undiscounted contractual maturities and repayment obligations of the Trust's financial liabilities, excluding unit-based compensation liabilities as their redemption time is uncertain, as at December 31, 2024 are as follows:

Year	Mortgages payable	Mortgage interest ⁽¹⁾	Credit facilities	Lease liabilities principal outstanding	Accounts payable and accrued liabilities	Total
2025	\$ 301,184	\$ 49,623	\$ 42,000	\$ 341	\$ 40,658	\$ 433,806
2026	150,806	42,871	-	335	-	194,012
2027	214,628	39,266	-	351	-	254,245
2028	243,779	29,896	-	286	-	273,961
2029	162,868	21,486	-	59	-	184,413
Thereafter	617,069	46,268	-	-	-	663,337
	\$1,690,334	\$ 229,410	\$ 42,000	\$ 1,372	\$ 40,658	\$2,003,774

⁽¹⁾ Based on current in-place interest rates for the remaining term to maturity.

d) Market Risk

Market risk includes the risk that changes in interest rates will affect the Trust's cash flows or the fair value of its financial instruments.

At December 31, 2024, approximately 2% (December 31, 2023 - 5%) of the Trust's mortgage debt is at variable interest rates and the Trust's credit facilities also bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately \$327 for the year ended December 31, 2024 (2023 - \$1,111).

29. FAIR VALUE MEASUREMENT

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable, and credit facilities, which are measured at a fair value level 2, is approximately \$1,722,237 (December 31, 2023 - \$1,761,676) excluding any deferred financing costs.

InterRent Real Estate Investment Trust

Notes to Consolidated Financial Statements

(Cdn \$ Thousands except unit amounts)

29. FAIR VALUE MEASUREMENT (Continued)

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

December 31, 2024	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	4,078,627
Interest rate swap asset ⁽¹⁾	-	17	-
Liabilities			
Unit-based compensation liability	-	47,976	-
December 31, 2023			
Assets			
Investment properties	-	-	4,315,742
Interest rate swap asset ⁽¹⁾	-	1,629	-
Liabilities			
Unit-based compensation liability	-	59,721	-
Class B LP unit liability	-	28,587	-
Forward rate lock liability ⁽¹⁾	-	423	-

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

30. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Trust may be contingently liable for litigation and claims with residents, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

31. SUBSEQUENT EVENTS

Subsequent to the end of the year, an additional 3,227,054 units were purchased under the normal course issuer bid for \$32,192. All units were purchased for cancellation.

Subsequent to the end of the year, the Trust sold one property (28 suites) in Ottawa, Ontario for a sale price of \$9,500 which closed in February 2025. Additionally, subsequent to the end of the year, the Trust has committed to sell one property (104 suites) in Montréal, Quebec for a sale price of \$26,527.