InterRent Real Estate Investment Trust

Management's Discussion and Analysis

For The Three Months Ended March 31, 2010

May 6, 2010

FORWARD-LOOKING STATEMENTS

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") of InterRent Real Estate Investment Trust ("InterRent REIT" or the "Trust") contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. This document should be read in conjunction with material contained in the Trust's audited consolidated financial statements for the year ended December 31, 2009 along with InterRent REIT's other publicly filed documents. Forward-looking statements appear in this MD&A under the heading "2010 Outlook" and generally include, but are not limited to, statements with respect to financial performance and equity or debt offerings, new markets for growth, financial position, comparable multi-residential REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

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

- Overall national economic activity
- Regional economic factors, such as employment rates
- Inflationary/deflationary factors
- Long, medium and short term interest rates
- Availability of financing
- Housing starts

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

NON-GAAP MEASURES

Distributable Income, Funds from Operations and Net Operating Income (or, in each case, substantially similar terms) are measures sometimes used by Canadian real estate investment trusts as indicators of financial performance and do not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP").

Distributable Income ("DI") reflects the ability of the Trust to earn income and to make distributions of cash to Unitholders and therefore is considered a measure of cash available for distribution. DI as computed by the Trust may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to distributable income reported by other such issuers. Generally, DI differs from net income, a GAAP measure, in that to determine DI for any period, net income is adjusted for depreciation and amortization and other non-cash operating expenses and non-recurring items. For a complete description of the Trust's definition of Distributable Income, see "*Glossary — Distributable Income" in the Annual Information Form, dated March 29, 2010 ("AIF") filed by the Trust*.

Funds from Operations ("FFO") is a measure of the operating performance of the Trust based on the funds generated from the business before reinvestment or provision for other capital needs. FFO is not a measure defined by GAAP. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies in similar or different industries. Management considers FFO to be an important measure of the Trust's operating performance and is an indicative measure of the Trust's cash generating activities. For a complete description of the Trust's definition of Funds from Operations, see "*Glossary — Funds from Operations" in the AIF.*

Net Operating Income ("NOI") is not a measure defined by GAAP. NOI is a key measure of operating performance in the real estate industry and includes all rental revenues generated at the property level, less related direct costs such as utilities, realty taxes, insurance and on site maintenance wages and salaries. It may not, however, be comparable to similar measures by other real estate investment trusts or companies. As one of the factors that may be considered relevant by readers, management believes that NOI is a useful supplemental measure that may assist prospective investors in assessing the Trust. For a complete description of the Trust's definition of Net Operating Income, see "*Glossary — Net Operating Income" in the AIF.*

Readers are cautioned that DI, FFO and NOI are not alternatives to measures under GAAP and should not, on their own, be construed as indicators of the Trust's performance or cash flows, measures of liquidity or as measures of actual return on Units of the Trust. These non-GAAP measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust. See "*Risks and Uncertainties."*

DECLARATION OF TRUST

The investment policies of the Trust are outlined in the Trust's Amended and Restated Declaration of Trust (the "DOT") dated as of September 30, 2009 and a copy of this document is available on SEDAR (www.sedar.com). Some of the main investment guidelines and operating policies set out in the DOT are as follows:

Investment Guidelines

Pursuant to the DOT, the assets of the Trust may be invested only, and the Trust shall not permit the assets of any subsidiary to be invested otherwise than, in accordance with the following investment guidelines:

- Focus its activities on acquiring, maintaining, improving and managing multi-unit residential revenue producing properties.

- No single asset shall be acquired if the cost of such acquisition (net of the amount of debt secured by the asset) will exceed 15% of the Trust's "Gross Book Value" (as such term is defined in the DOT).

Investments in joint ventures are permitted as long as the Trust's interest is not less than 25%.

Operating Policies

- Overall maximum debt capacity not to exceed 75% of Gross Book Value.
- For individual properties, the maximum debt capacity not to exceed 75% of Gross Book Value, on or after the date which is 12 months from the acquisition date.
- No guaranteeing of third party debt outside its existing structure and potential joint venture partner structures.
- Third party surveys of structural and environmental conditions are required prior to the acquisition of a revenue producing property.

At March 31, 2010 the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

Business Overview

InterRent REIT is an unincorporated, open-ended real estate investment trust created pursuant to the DOT. InterRent REIT was created to invest in income producing multi-family residential properties within Canada initially through the acquisition of InterRent International Properties Inc. (the “Corporation”) and of the Silverstone Group by the way of a plan of arrangement (the “Arrangement”) under the *Business Corporations Act* (Ontario), which was completed on December 7, 2006.

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

Strategy of InterRent REIT

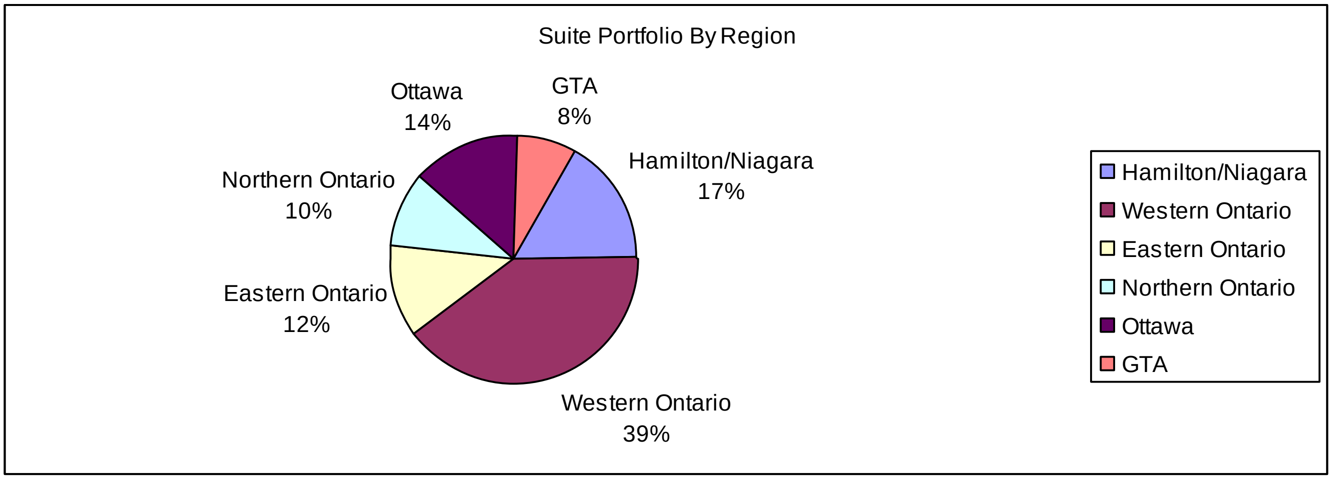
InterRent REIT's strategy is to maintain and develop a portfolio of such properties to generate an attractive long term return to unitholders. This will be achieved primarily within secondary population centres that have growing and stable economies and stable market vacancies. To realize this strategy, it has been determined that the present focus should be on stabilizing the existing portfolio by improving operating efficiencies, improving the impression of the properties, and minimizing vacancies. In addition, management will be looking to potential acquisitions at reasonable costs to further strengthen the portfolio.

The Trust believes that Ontario multi-residential real estate is a favourable asset class to operate within because it offers stability of cash flow and an opportunity for expansion.

InterRent REIT is focused on medium-sized, multi-residential properties in Ontario’s mid-sized population markets, targeting working and middle class, long term renters. Within this market, we believe there are a total of more than 686,000 suites. These properties are held within a fragmented and aging ownership profile and offer significant opportunities to complete strategic acquisitions.

PORTFOLIO SUMMARY

The majority of the Trust’s properties are located in Ontario’s secondary population centres, with 8% of its 4,033 suites situated in the Greater Toronto Area (GTA). Management believes that secondary population centres tend to be more stable, providing higher capitalization rates and less exposure to the condominium units available in the GTA. As at March 31, 2010, InterRent REIT owned and operated properties comprising 4,033 suites. Currently, InterRent REIT’s entire portfolio is situated in the province of Ontario. In keeping with the management strategy of maximizing returns for unitholders and focusing on clusters of buildings within geographical proximity to each other in order to build operational efficiencies and attract focused, professional staff, properties are reviewed on a regular basis to determine if they should be kept or disposed of. In early May of 2010, 4 properties within the GTA were listed to be sold: 1471 King Street; 1485 King Street; 85 King Street and 166 Queens Street. The review and listing process will continue through Q2 and Q3.



PERFORMANCE REVIEW

InterRent REIT generates revenues, cash flows and earnings from two separate sources: rental operations and from the sale of revenue producing properties. InterRent REIT's largest and most consistent source of income is its rental operations, which involves leasing individual suites to tenants for lease terms ranging from month-to-month to twelve-month leases. InterRent REIT also generates income from the sale of revenue-producing properties.

PERFORMANCE MEASURES

DI is computed as outlined in the DOT, which also permits the Trust to pay out DI to Unitholders in the form of monthly distributions, as determined from time to time by the Trust's board of trustees. The tables below provide a reconciliation of FFO and DI, both non-GAAP measures, to their closely related GAAP measures.

FFO Reconciliation In $000's, except per Unit amounts	3 Months Ended March 31, 2010	3 Months Ended March 31, 2009
Net loss from continuing operations	$ (2,618)	$ (2,203)
Add (deduct) items not affecting cash:		
Amortization of capital assets and intangibles	$ 1,797	$ 2,042
Accretion of discount on convertible debentures	$ 393	$ 336
Amortization of deferred finance costs & FV of assumed debt	$ 115	$ 140
Amortization of tenant inducements	$ 50	$ 47
Amortization of deferred leasing commissions	$ 44	$ 33
Unit based compensation	$ 100	$ 65
Funds from operations	$ (119)	$ 460
Funds from operations – per Unit	$ (0.00)	$ 0.03
Weighted average Units outstanding	28,045,435	18,279,057

Distributable Income Reconciliation In $000's, except per unit amounts	3 Months Ended March 31, 2010	3 Months Ended March 31, 2009
Net loss from continuing operations	$ (2,618)	$ (2,203)
Add (deduct) items not affecting cash:		
Amortization of capital assets and intangibles	$ 1,797	$ 2,042
Accretion of discount on convertible debentures	$ 393	$ 336
Amortization of deferred finance costs & FV of assumed debt	$ 115	$ 140
Amortization of tenant inducements	$ 50	$ 47
Amortization of deferred leasing commissions	$ 44	$ 33
Unit based compensation	$ 100	$ 65
Less:		
Amortization of deferred finance charges post December 6, 2006	$ 98	$ 113
Amortization of tenant inducements	$ 50	$ 47
Amortization of deferred leasing commissions	$ 44	$ 33
Maintenance capital expenditures	$ 334	$ 301
Distributable income	$ (645)	$ (34)
Distributable income -- per Unit	$ (0.02)	$ (0.00)
Weighted average Units outstanding	28,045,435	18,279,057

ACCOUNTING POLICIES

InterRent REIT's accounting policies are described in Note 3 of the consolidated financial statements for the year ended December 31, 2009. These statements were prepared in accordance with the recommendations of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In applying these policies, in certain cases it is necessary to use estimates, which management determines using information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. Significant estimates are made with respect to:

i) economic useful life of depreciable assets for purposes of calculating amortization;
ii) fair values of financial instruments;
iii) the valuation of unit-based compensation and unit-based payments;
iv) the valuation of intangible assets and impairment of income producing properties;
v) the allocation of purchase price on acquisitions of income producing properties.

REVIEW OF RENTAL OPERATIONS

In $ 000's	3 Months Ended March 31, 2010		3 Months Ended March 31, 2009	
Gross Rental revenue	$	9,435	$	9,124
Less: Vacancy & rebates	$	1,063	$	563
Other revenue	$	232	$	239
Net revenue	$	8,604	$	8,800
Expenses				
Operating expenses	$	2,041	$	1,603
Utilities	$	2,100	$	2,169
Property taxes	$	1,488	$	1,428
Total expenses	$	5,629	$	5,200
Net operating income	$	2,975	$	3,600
Operating margins		34.6%		40.9%

Operating Revenues

Gross rental revenue for the 3 months ended March 31, 2010 amounted to $9.4 million compared to $9.1 million for the 3 months ended March 31, 2009. This 3.4% increase is attributable to the management's decision to move vacant units to market rent. Management shall continue to do this aggressively through the portfolio in order to continue to create increased value from the existing assets and follow through on its repositioning strategy.

The Trust's average monthly rents were $780 at March 31, 2010 compared to $758 at March 31, 2009, an increase of 2.9%. Overall occupancy decreased to 88.5%, from 94.3% over the same period last year. The decrease in the occupancy rate in the short term is expected as management is being proactive in evicting tenants that are not desireable based on our repositioning strategy. This will continue in the short term as management continues to closely manage its strategy and focus on attracting high quality tenants to its properties.

Annualized rental revenue of the properties, before vacancies, owned by the Trust at March 31, 2010 is approximately $37.6 million. The Trust is sensitive to vacancy rates and a 1% change in vacancy rates would impact the Trust's annualized rental revenue by approximately $377,000.

The following chart represents the true economic vacancies of the portfolio. These vacancy numbers are inclusive of units under renovations.

Region	March 31, 2010	March 31, 2009
Hamilton/Niagara	11.0%	5.5%
Western Ontario	18.4%	10.0%
Eastern Ontario	18.7%	4.7%
Northern Ontario	0.4%	0.7%
Ottawa	2.4%	0.9%
GTA	3.3%	3.7%
Total	11.3%	6.2%

Vacancy rates are higher compared to the previous year for two main reasons: management's decision to move rents immediately to market rents on turnovers beginning in the last quarter of 2009 and a more intense screening of tenant applications has been introduced by property management. Management is of the view that the higher than normal vacancy rates will be of a short term nature and that when improvements are made to the suites and common areas the Trust will obtain the market rent that it desires while attracting a more stable tenant base. This is part of the Trust's repositioning strategy to maximize rental revenues and to drive value for all stakeholders.

Hamilton/Niagra, Eastern Ontario and Western Ontario were targeted by management as the areas that were in most need of focused attention and cleanup of the tenant base. Previous tenants were able to rent apartments that management believes they should not have qualified for. These building now have a completely new team of staff that are being trained and actively engaged in driving rents with high quality tenants. We believe the short term pain from this transition will benefit all stakeholders in the long run. Management continues to monitor our strategy on a region by region basis and expects that Western Ontario will be the most challenging area to turn around. If necessary, we may have to back off on our rent increase strategy in the short term to stabilize this area.

Operating Costs

Operating costs for the income-producing properties include repairs and maintenance, insurance, caretaking, superintendents' wages and benefits, property management fees, uncollectible accounts, collection and eviction costs, marketing, advertising and leasing costs. Operating costs for the three months ended March 31, 2010 amounted to $2.0 million or 23.7% of revenue compared to $1.6 million or 18.2% of revenue for the 3 months ended March 31, 2009. The increase in operating costs is due primarily to the property specific reorganizational expenses, such as costs associated with staffing changes, which began with the changeover to third party management that began on October 1, 2009. We expect to see this decrease by the end of Q2.

Property Taxes

Property taxes for the three months ended March 31, 2010 amounted to $1.5 million or 17.3% of revenue compared to $1.4 million or 16.2% of revenue for the 3 months ended March 31, 2009. The Trust is constantly reviewing property tax assessments for its properties. Where appropriate, the Trust will appeal individual property assessments.

Utility Costs

Utility costs for the three months ended March 31, 2010 amounted to $2.1 million or 24.4% of revenue compared to $2.2 million or 24.7% of revenue for the 3 months ended March 31, 2009. The Trust continues to implement various water and electrical energy savings programs. These programs include replacing lighting fixtures with new energy efficient fixtures. In addition, toilets have been replaced at all of the major properties except in Northern Ontario, these are scheduled to be done in the near future.. Based on third party consulting reports, these initiatives should significantly reduce costs in the specific utility area.

Net Operating Income (NOI)

NOI for the three months ended March 31, 2010 amounted to $3.0 million or 34.6% of revenue compared to $3.6 million or 40.9% of revenue for the 3 months ended March 31, 2009.

General and Administrative Costs ("G&A")

G&A costs for the 3 months ended March 31, 2010 amounting to $0.8 million or 9.9% of revenue compared to $0.7 million or 8.2% of revenue for the 3 months ended March 31, 2009.

G&A costs include such items as wages and incentive payments, employee benefits, investor relations, transfer agent listing and filing fees and legal and audit fees as well as one-time costs associated with changes being made to transition to a new Finance and Administration team.

Financing Costs

Financing costs amounted to $2.9 million or 34.2% of revenue for the three months ended March 31, 2010 compared to $3.0 million or 34.6% of revenue for the 3 months ended March 31, 2009.

In $ 000's	3 Months Ended March 31, 2010 Amount	% of Revenue	3 Months Ended March 31, 2009 Amount	% of Revenue
Mortgage interest	$ 1,850	21.5%	$ 1,929	21.9%
Debenture interest	$ 530	6.2%	$ 530	6.0%
Accretive portion of debenture interest	$ 349	4.1%	$ 306	3.5%
Amortization of debt funding expense	$ 114	1.3%	$ 129	1.5%
Amortization of FV of debt	$ 50	0.6%	$ 55	0.6%
Credit facilities	$ 56	0.7%	$ 99	1.1%
Interest income	$ (5)	-0.1%	$ (7)	-0.1%
Total	$ 2,944	34.2%	$ 3,041	34.6%

Subordinated Convertible Debentures

As at March 31, 2010, InterRent REIT had two issues of convertible subordinated debentures outstanding.

The Trust assumed a $5,517,000 subordinated convertible debenture on the acquisition of the Corporation which bears interest at 7.25% and is due on September 22, 2010. The debentures are convertible into Trust Units at $5.50 per Trust Unit at the option of the holder after September 23, 2007.

The Trust issued a $25,000,000 subordinated convertible debenture on January 15, 2008 which bears interest at 7% and is due on January 31, 2013. The debenture is convertible into Trust Units at $4.60 per Trust Unit at the option of the holder prior to maturity.

The Trust accounted for the convertible debentures as a financial instrument in accordance with section 3861 of the CICA handbook, Financial Instrument - Presentation and Disclosure. CICA 3861 requires financial instruments that consist of both elements of debt and equity be accounted for in accordance with the substance of the contractual arrangement on initial recognition. Therefore, as a result of the conversion feature of the debentures, the convertible instrument has been segregated between debt and equity based on the fair value of the debt component. The difference between the estimated fair value of the debts at issuance and the face amount (net of incurred costs) is $6,912,408 and is reflected as "Equity portion of convertible debt" in unitholders' equity. This discount is being amortized to earnings as financing costs over the term of the debentures. In addition, the Trust incurred costs of $1,451,478 in connection with issuing the convertible debt. Of these costs, $1,050,438 has been allocated to the liability component and $401,040 has been allocated to the equity component. The discount on the debts results in a weighted average effective interest rate of 15.5%.

Amortization

Amortization of capital assets from continuing operations amounted to $1.8 million for the 3 months ended March 31, 2010 compared to $2.0 million for the three months ended March 31, 2009. Included in these amounts is amortization of intangibles amounting to $.03 million for the three months ended March 31, 2010 and $.5 million for the three months ended March 31, 2009.

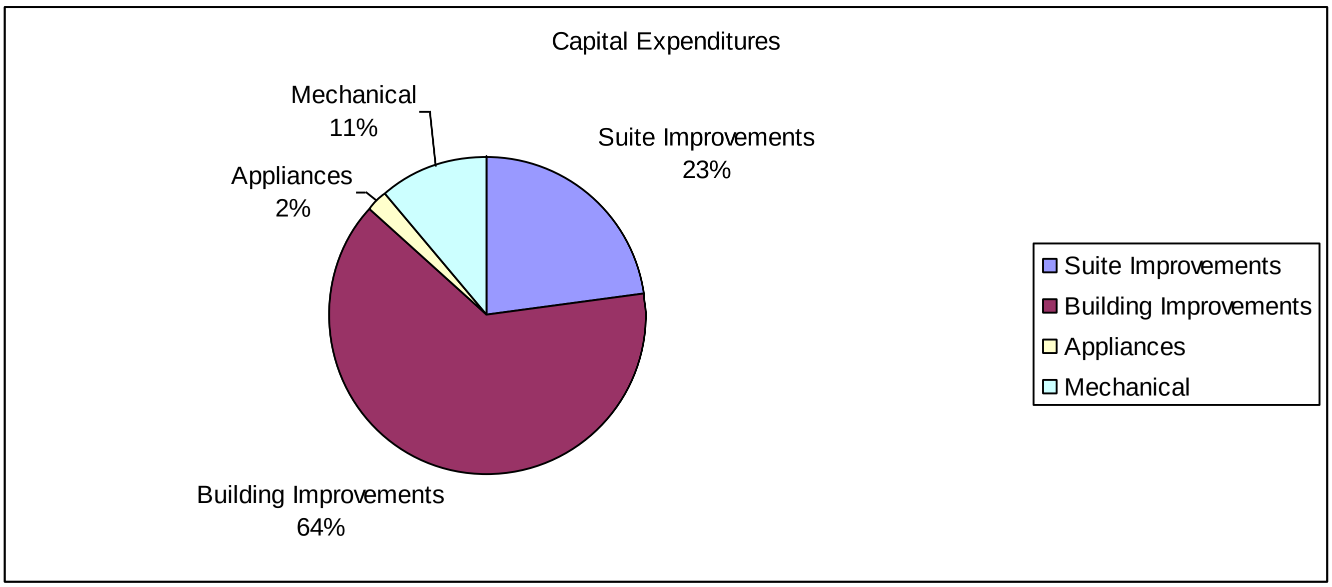
Same Property Revenue and NOI

Same property net revenues for the three months ended March 31, 2010, decreased 2.4% over the same period last year. The Net Operating Income decreased year-over-year by 17.6%.

	3 Months Ended March 31, 2010	3 Months Ended March 31, 2009	Change
Net Revenue	$ 8,456	$ 8,662	-2.4%
NOI	$ 2,903	$ 3,524	-17.6%

Capital Expenditures

For the three months ended March 31, 2010, InterRent REIT invested approximately $1.5 million in its properties compared to $0.9 million invested in the same period last year. The breakdown of these expenditures is itemized in the following graph:



UNITHOLDERS' EQUITY

The following chart shows the changes in reported Unitholders' equity from December 31, 2007 to March 31, 2010.

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2008	18,275,700	$ 89,454,925
Units issued under Distribution Reinvestment Plan	32,411	$ 48,347
Units Issued from Private Placement	9,333,333	$ 14,000,000
Unit issue costs	-	$ (922,600)
Units Issued from options exercised	115,100	$ 626,722
Unit Issued under the Deferred Unit Plan	751,208	$ 1,429,091
Units purchased and cancelled	(475,546)	$ (1,753,100)
December 31, 2009	28,032,206	$ 102,883,385
Units issued under Distribution Reinvestment Plan	44,301	$ 63,615
March 31, 2010	28,076,507	$ 102,947,000

As at March 31, 2010 there were 27,740,401 Units issued and outstanding. In addition, there were 336,106 Class "B" special voting units of InterRent Holdings Limited Partnership ("LP B Units"). Each LP B Unit is exchangeable for Units on a one-for-one basis at the option of the holder. Each LP B Unit entitles the holder, through the special voting unit attached to it, to one vote at any meeting of unitholders. Accordingly, including the LP B Units, the total issued and outstanding number of InterRent REIT voting securities were 28,076,507 as at March 31, 2010.

Distributions

The Trust is currently making monthly distributions of $0.01 per Unit.

For the three months ended March 31, 2010, the Trust's Distributable Income was $(0.02) per unit while the distributions were $0.03 per unit. This shortfall was funded by lines of credit.

Normal Course Issuer Bid ("NCIB")

On December 19, 2008 the Trust announced that it had filed with the TSX a notice of intention to make a normal course issuer bid to purchase, for cancellation, up to $2,480,000 principal amount of its 7% Series A convertible redeemable unsecured subordinated debentures with a maturity date of January 31, 2013, representing 10% of the public float of such Debentures. The Trust believes that the purchase and subsequent cancellation of Debentures represents an accretive use of capital and affords liquidity to those who desire to sell their Debentures. The TSX accepted InterRent REIT's NCIB on January 6, 2009. As of March 31, 2010, the Trust has not purchased any of the Series A convertible debentures. The NCIB expired as of January 7, 2010 and has not been renewed as of the date hereof.

LIQUIDITY AND CAPITAL RESOURCES

InterRent REIT's overall debt level was at 66.4% of Gross Book Value ("GBV") at March 31, 2010. GBV is a non-GAAP term that is defined in the DOT. It is determined by taking total reported assets of the Trust and adding back accumulated amortization on the income-producing properties. The following chart sets out the Trust's computed debt to GBV:

In 000's, except per unit amounts	March 31, 2010	December 31, 2009
Total assets per Balance Sheet	$ 263,668	$ 263,987
Reported accumulated amortization	$ 16,670	$ 15,033
Total assets	$ 280,338	$ 279,020
Mortgages payable, including vendor take-back loans	$ 155,477	$ 156,306
Debentures	$ 25,125	$ 24,732
Lines of credit and bank indebtedness	$ 5,307	$ 1,220
Total debt	$ 185,909	$ 182,258
Debt to GBV	66.3%	65.3%

With a DOT limit of 75% of Debt-to-Gross Book Value, InterRent REIT has the ability to further leverage the existing portfolio to assist with future investment in new assets. The Trust is conscious of the current credit environment and how this affects the ability of the Trust to grow. The Trust is focusing its efforts on internal growth and producing improved operating results from the current portfolio. Properties that are not performing to the expectations of the Trust will be evaluated and may eventually be sold. Proceeds from the sale of these properties may be used for future acquisitions, capital improvements or to reduce debt.

As at March 31, 2010, InterRent REIT had a $4,483,000 operating facility with a financial institution bearing interest at 3.0% above the prime bank lending rate. This line of credit is secured by collateral second mortgages on eleven of the Trust's properties. As at March 31, 2010, this facility was not utilized.

In addition, InterRent REIT had a $5,000,000 demand operating facility with a Canadian chartered bank bearing interest at 1% above the prime lending rate. This line of credit is secured by collateral mortgages on seventeen of the Trust's properties. As at March 31, 2010, the Trust had utilized $4,915,000 of this facility.

MORTGAGE AND DEBT SCHEDULE

The following schedule summarizes the debt maturities for the mortgages, vendor take-back loans and the convertible debentures of InterRent REIT.

Year Maturing	Mortgage and Debt Balances At March 31, 2010	Weighted Average by Maturity	Weighted Average Interest Rate
2011	$ 25,345,556	13.4%	5.42%
2012	$ 9,234,054	4.9%	4.95%
2013	$ 70,219,596	37.1%	5.34%
2014	$ 32,718,914	17.3%	4.28%
2015	$ 2,981,676	1.6%	4.30%
Thereafter	$ 48,571,650	25.7%	5.05%
Total	$189,071,446	100.0%	5.06%

At March 31, 2010, the average term to maturity of the mortgage debt was approximately 3.6 years and the weighted average cost of fixed mortgage debt was 4.67 %. The weighted average cost of mortgages and convertible debt was 5.06%.

InterRent REIT is eligible to obtain government-backed insurance under the National Housing Act, which is administered by CMHC. Insuring through CMHC enables the Trust to secure lower interest rate mortgages. At March 31, 2010, approximately 70% of InterRent REIT's mortgage debt was backed by this insurance.

The Trust had either refinanced or has been approved for refinancing on all of the mortgage debt scheduled to mature in Q1 and Q2 of 2010 and continues to refinance the outstanding mortgages as they mature in 2010.

Recent Accounting Pronouncements Issued and Not Yet Applied

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. The Trust is currently evaluating the impact of adopting these sections on its consolidated financial statements.

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the adoption of IFRS on the consolidated financial statements of the Trust will be significant and, as such, the Trust has developed a convergence plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. The Trust continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be an on-going one as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

Transition to IFRS

In February 2008, the Canadian Accounting standards Board ("AcSB") confirmed that Canadian public entities will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011 (the "changeover date"). InterRent Real Estate Investment Trust ("InterRent REIT") will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information.

In May 2008, the Canadian Securities Administrators issued Staff notice 52-320, which provides guidance on the disclosure of changes in expected accounting policies related to the changeover to IFRS. In accordance with the notice, for purposes of the year ended December 31, 2009. InterRent REIT is required to discuss the status of the key elements and timing of its changeover plan.

Key Elements	Status
Accounting Policies • Identify differences in GAAP and IFRS accounting policies • Selection of IFRS accounting policies • Design revised financial statements format	• Reviewing the impact of differences expected to be completed by end of second quarter 2010
Information Technology and Systems • Identify new information requirements under IFRS and develop IT strategies to meet these requirements.	• Review of external system to the REIT's current accounting software • Completed by end of second quarter 2010
Internal Control over Financial Reporting and Disclosure Controls • A full review of all existing control procedures and the impact on internal control over financial reporting on new accounting policies	• The REIT has begun a preliminary analysis on internal controls over financial reporting • To be completed by the end of fourth quarter 2010 • Continued on-going review in 2011
Financial Reporting Expertise • Define the appropriate level of IFRS expertise for the transition team, senior management and the Audit Committee	• Project team expertise is being identified and will be finalized at the beginning of the second quarter 2010 • Appropriate on-going training will occur throughout the project with both staff and members of the Audit Committee
Business Activities • Assess the impact of IFRS transition on such activities as debt covenants, capital requirements, hedging activities and compensation arrangements.	• This assessment will be on-going in 2010. The impact on the Declaration of Trust will be identified and reviewed in the second quarter 2010.

Summary of Key Difference between IFRS and GAAP

Identified below are the material changes in the Trust's accounting policies that may impact InterRent's Consolidated Financial Statements, as a result of the adoption of IFRS.

Income producing properties

Income producing properties will be classified as Investment Property under IFRS. IAS 40 defines investment property as property held to earn rentals or for capital appreciation or both. Once the properties are classified as Investment Properties, InterRent will choose between using either the fair value model (subject to limited exceptions) or the cost model. When the fair value model is chosen, changes in fair value will need to be recognized in profit or loss. Disclosure of the fair value of all investment property is required, regardless of the measurement model used. InterRent will also determine the mechanism of determining the fair values of the properties at every reporting date (i.e. whether it would employ services of third party valuation specialists, or available in-house resources). Deemed cost election for the entire Income producing properties can also be made under IFRS 1 on the date of transition.

Intangible assets

Should the fair value model be adopted for valuing the income producing properties, InterRent will need to re-evaluate whether the intangible assets, especially those relating to tenant relationships and in-place leases are potentially already considered in the valuation of the income producing properties. It may be likely that separate intangible assets do not exist once all investment properties are recorded at fair value.

Impairment of Assets

InterRent will factor in discounting in its impairment analysis of income producing properties and intangible assets, upon transition, and determine whether there are additional impairment charges.

If there is an indication that an asset may be impaired the recoverable amount will be estimated for each individual asset. If it is not possible to estimate the recoverable amount of the individual asset, InterRent will determine the recoverability of the cash generating unit (“CGU”) to which the asset belongs.

Additionally under IFRS, impairment write downs recorded earlier can be subsequently reversed upon changes in circumstances and events.

Assets held for sale and discontinued operations

Currently, assets held for sale are presented as separate line items in the balance sheet, as there is no current and non-current classification in the Trust’s financial statements. IFRS 5 prescribes that assets classified as non-current shall not be reclassified as current assets until they meet the criteria to be classified as held for sale. In other words, once the assets meet the held for sale criteria, they would have to be presented as current assets. This could also have an impact on the Trust’s financial ratios. Additionally, under IFRS, continuing involvement in a business operation by an entity after disposal does not preclude it from being treated as a discontinued operation. Should InterRent have such continuing involvement in any of its disposed properties, they may still be treated as discontinued operations under IFRS.

Income Taxes

All deferred tax assets will need to be assessed based on the ‘probable’ criteria. Deferred tax assets mainly relate to operating losses, which can be carried forward and applied against future taxable income. The potential benefit of these losses has not been recognized in the financial statements as deferred income tax assets and a full valuation allowance has been made. Upon transition, all deferred taxes will be assessed based on the ‘probable’ criteria.

Risks and Uncertainties

A comprehensive description of the risks and uncertainties can be found in InterRent REIT’s December 31, 2009 MD&A and other securities filings at www.sedar.com.

Outlook for 2010

- Management continues to focus its' attention on repositioning the portfolio with the goal of driving higher rents.

- Management will continue to focus its attention on energy saving initiatives, including replacing all lighting fixtures with energy efficient lighting systems, replacing old boilers with newer energy efficient systems and installing new water efficiency systems such as showerheads and low flush toilets.

- A detailed analysis of the portfolio has already begun and management will be divesting of some properties and repositioning other's over the near term. Management expects to finance the repositioning of the portfolio with funds generated from the sale of these non-core assets.

- Management will continue to implement a comprehensive marketing program to drive rent and occupancy.

- The Trust continues to refinance maturing mortgage debt at very attractive market rates. The Trust believes that it is well positioned to meet its financing objectives at reasonable rates.

- The Trust will focus efforts on training programs and reinforcing best practices for its staff to ensure that operational efficiencies are achieved.

Disclosure Controls and Procedures and Internal Controls

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

The preparation of this information is supported by a set of disclosure controls and procedures implemented by management. In the year ended March 31, 2010, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at March 31, 2010. The evaluation was performed in accordance with the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators.

As at March 31, 2010, the Chief Executive Officer and the Chief Financial Officer evaluated the design of the Trust's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at March 31, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Financial Risk Management and Financial Instruments

a) Overview

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

b) Credit Risk

Credit risk represents the financial loss that the Trust would experience if a tenant failed to meet its obligations in accordance with the terms and conditions of the lease. The Trust's credit risk is attributable to its accounts receivable, mortgage holdbacks and mortgages receivable.

The amounts disclosed as accounts receivable in the consolidated balance sheet are net of allowances for doubtful accounts, estimated by the Trust's management based on prior experience and their assessment of the current economic environment. The Trust establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures and an overall loss component established based on historical trends. At March 31, 2010, the Trust had accounts receivable of $684,566, net of an allowance for doubtful accounts of approximately $308,000 which adequately reflects the Trust's credit risk.

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

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

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

c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 13 to the consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

As at March 31, 2010, the Trust had a $4,483,000 operating facility with a financial institution bearing interest at prime plus 3.0%. This line of credit is secured by collateral second mortgages on eleven of the Trust's properties. As at March 31, 2010, this facility was not utilized. In addition, the Trust had a $5,000,000 demand operating facility with a Canadian chartered bank bearing interest at 1% above the prime lending rate. This line of credit is secured by collateral mortgages on seventeen of the Trust's properties. As at March 31, 2010, the Trust had utilized $4,915,000 of this facility.

Notes 7 and 8 reflect the contractual maturities for mortgage and debenture debt of the Trust at March 31, 2010, excluding interest payments. The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on-going operations, management assesses the Trust's liquidity risk to be low.

d) Fair Value

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

The fair value of the mortgages and vendor take back loans 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, vendor take-back loans, credit facilities and subordinated convertible debentures is approximately $188,650,000.

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.

Off-Balance Sheet Arrangements

As of March 31, 2010 the company does not have any off-balance sheet arrangements in place.

Related Party Transactions

The transactions with related parties are incurred in the normal course of business and are measured at the exchange amounts, believed to represent fair value. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

(i) Accounts Payable

As at March 31, 2010, $139,000 (year ended December 31, 2009 - $85,500) was included in accounts payable and accrued liabilities which is due to companies which are controlled by officers and/or trustees of the Trust. The amounts were non-interest bearing and due on demand.

(ii) Services

During the period ended March 31, 2010, the Trust paid approximately $35,100 (year ended December 31, 2009 - $157,000) to this company for laundry and office services.

During the period ended March 31, 2010 the Trust incurred $740,000 (year ended December 31, 2009 - $1,178,000) in expenditures from a company controlled by an officer of the Trust. Of the services received approximately $257,000 (year ended December 31, 2009 - $192,000) has been capitalized to the income producing properties and the remaining amounts are included in administrative costs.

OUTSTANDING SECURITIES DATA

As of May 6, 2010, the Trust had issued and outstanding: (i) 27,758,232 units; (ii) LP B Units that are exchangeable for 336,106 units of the Trust; (iii) options exercisable to acquire 50,000 units of the Trust; (iv) deferred units that are redeemable for 190,758 units of the Trust; (iv) $25,000,000 principal amount of convertible unsecured subordinated debentures due January 31, 2013 with a coupon rate of 7.0% per annum that are convertible at a price of $4.60 per trust unit at the option of the holder; and (v) $5.517 million aggregate principal amount of subordinated convertible debentures due September 22, 2010 with a coupon rate of 7.25% that are convertible into units of the Trust at a price of $5.50 per trust unit at the option of the holder.

ADDITIONAL INFORMATION

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