InnVest Real Estate Investment Trust
2003 Annual Report

Managing for long-term stability and growth

InnVest
R · E · I · T

Corporate Profile

InnVest Real Estate Investment Trust ("InnVest" or the "REIT") owns the largest hotel portfolio in Canada and has a 50% interest in Choice Hotels Canada Inc., the largest franchiser of hotels in Canada. The REIT owns 123 internationally branded, limited service or mid-scale full service hotels located in every province of Canada (the "hotel portfolio"). The hotel portfolio includes 100 hotels flagged with Choice brands (Comfort Inn®, Quality Inn®, Quality Hotel® and Quality Suites®), 13 under the Travelodge® banner, 9 under the Holiday Inn® Brand, and 1 under the Best Western® Brand.

The relationship with Choice Canada gives InnVest access to one of the strongest global reservation and marketing networks. The manager of InnVest's hotels is Westmont Hospitality Canada Limited. Through strategic relationships, InnVest is well positioned to identify attractive acquisitions in the limited service and mid-market sectors of Canada's hotel industry.

Objectives

InnVest has two primary objectives:

(1) to provide Unitholders with stable and growing cash distributions principally from the ownership of limited service hotels; and

(2) to maximize the long-term unit value of the REIT by continuing to actively manage the hotel assets and to make selective acquisitions that are accretive to earnings and cash flow.

Table of Contents

Trustees

Officers

Kenneth D. Gibson
President and Chief Executive Officer

Tamara L. Lawson
Chief Financial Officer and Secretary

Corporate and Unitholder Information

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Website: www.innvestreit.com

STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Trading Symbol: INN.un

REGISTRAR AND TRANSFER AGENT
Inquiries regarding change of address, registered holdings, transfers and duplicate mailings should be directed to the following:

Computershare Trust Company of Canada
100 University Avenue
11th Floor
Toronto, Ontario
Phone: 1-800-564-6253
Fax: 1-866-249-7775

AUDITORS
Deloitte & Touche LLP
Toronto, Ontario

LEGAL COUNSEL
Davies Ward Phillips & Vineberg LLP
Toronto, Ontario

INVESTOR RELATIONS
Email: investor@innvestreit.com

ANNUAL GENERAL MEETING
4:00 p.m. Eastern Time
Wednesday, May 26, 2004
The Auditorium
TSX (Toronto Stock Exchange)
130 King Street West
Toronto, Ontario, Canada

DISTRIBUTION REINVESTMENT PLAN
Unitholders may acquire units by reinvesting cash distributions without paying brokerage commissions or administrative charges. For general information concerning the Distribution Reinvestment Plan or for a change of address, please contact the transfer agent and registrar.

design: craib Design & communications www.craib.com printed in canada

InnVest outperformed the Canadian hotel industry in 2003, a difficult year, and enters 2004 well positioned for stability and growth.

2003 Operating Highlights

- Maintained monthly cash distributions at $0.09375 per unit
- Maintained higher revenue per available room (RevPAR) than the overall limited service sector of the hotel industry
- Held room rates firm, stepped up sales and marketing initiatives, and controlled costs
- Maintained the quality of hotel properties through ongoing capital improvement program
- Benefited from geographic, brand and customer diversity
- Maintained a strong balance sheet, well within financial leverage limits
- Performance relative to prior year improved steadily beginning in mid-2003

2004 Priorities

- Maximize revenues through room sales and marketing initiatives and managing room rates
- Continue to control operating costs
- Maintain quality of properties through ongoing capital improvement program
- Acquire hotels in the limited service and mid-market hotel segments that are accretive to earnings
- Maximize results in the short term while continuing to execute on our strategy to build value over the longer term

Diversified by International Brands

The REIT owns 123 internationally branded, primarily limited service hotels. The diversity of brands broadens the market reach. International brands bring name recognition, central reservation systems, marketing and customer loyalty programs and quality standards.

Comfort Inn 51.6% *

Comfort Inn is Canada's leading limited service hotel brand as measured by number of locations, with 139 locations in Canada (including the Comfort Inns in the hotel portfolio) and more than 1,900 locations worldwide. InnVest is the largest owner of Comfort Inns in Canada, with approximately 60% of locations, providing substantial economies of scale.

Comfort Inns are typically two-storey, interior corridor buildings located in suburban areas with easy access to primary highways. The Comfort Inns in the hotel portfolio range in size from 59 to 147 guest rooms. Guest rooms generally include cable/satellite television, in-room movies, work desks and data ports. Hotel amenities typically include a breakfast room and meeting space.

Comfort BY CHOICE HOTELS

Quality Suites / Quality Inns 19.3% *

The Quality Suites/Quality Inns in the hotel portfolio range in size from 96 to 254 suites or guest rooms. Suites generally consist of two rooms of approximately 460 square feet in total area. Bedroom amenities typically include king-size beds, cable/satellite television, in-room movies, hair dryers, data ports and separate dressing areas with a mirrored vanity and closet. Living room amenities typically include a pull-out sofa bed, a large work table, in-room coffee makers and a second telephone and television.

Quality Hotels

The Quality Hotels in the hotel portfolio range in size from 140 to 222 guest rooms. Room amenities typically include cable/satellite television, in-room movies, hair dryers, data ports and in-room coffee makers. Hotel amenities typically include meeting space, a breakfast room and guest laundry services.

QUALITY BY CHOICE HOTELS

Travelodge 16.2% *

The Travelodges range in size from 98 to 254 guest rooms. Eight of the Travelodges are multi-storey, mid-scale hotels located in urban areas. The remainder are two-storey, interior corridor buildings located in suburban areas with access to major highways. Guest room amenities typically include cable/satellite television, in-room movies, work desks, data ports, in-room coffee makers and hair dryers.

Travelodge

Holiday Inn and Others 12.9% *

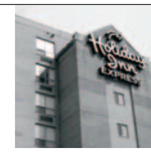
The hotel portfolio also includes individual hotels operated under the Holiday Inn, Holiday Inn Express, and Best Western flags. The Holiday Inns range in size from 136 to 240 guest rooms. There are more than 1,500 Holiday Inn full-service hotels around the world, and the brand offers guests many features to make their stay more enjoyable, including comfortable guest rooms equipped with coffeemakers, hair dryers and irons. Other full-service amenities typically offered are restaurants and room service, a relaxing lounge, swimming pool, fitness center and, for the business traveler, today's Holiday Inn hotel offers 24-hour business services, and meeting facilities.

Holiday Inn

Holiday Inn EXPRESS

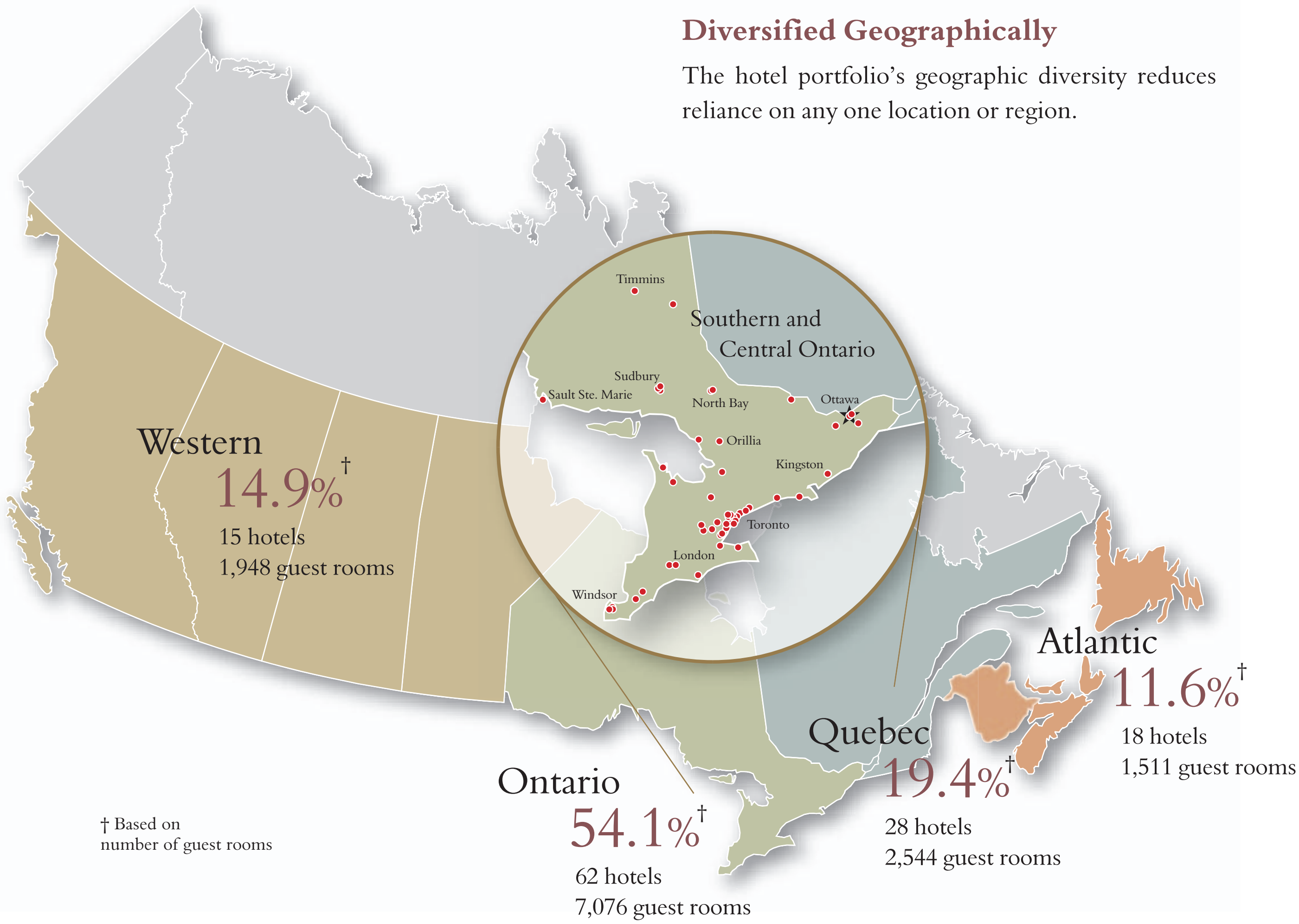
Best Western

* Portion of hotel rooms by brand



Diversified Geographically

The hotel portfolio's geographic diversity reduces reliance on any one location or region.



Diversified by Customer Category

The company's mix of customers by type (corporate business, government, group, leisure, athletic and other) and by origination (Canada, the U.S. and international) aids in providing long-term revenue stability.

Holiday Inn Toronto West

Kenneth Gibson
President and
Chief Executive Officer

"Fiscal 2003 presented a difficult operating environment for our industry. But by holding our rates, controlling our costs and maintaining our properties we managed to perform better than the market, and most importantly, we were able to maintain our distributions to our Unitholders."

I am pleased to provide my second annual report to Unitholders since InnVest Real Estate Investment Trust ("the REIT") went public, and my first for a full year of operations. The theme of this report, Managing for Long-term Stability and Growth, underlines our focus on maximizing returns to Unitholders over the longer term, and managing through periods of unusual challenge while maintaining a longer-term perspective.

Maintained Consistent Distributions

The REIT maintained the level of distributions to Unitholders despite the unusual events that affected the Canadian hospitality industry in 2003. These events included severe acute respiratory syndrome ("SARS"), the war in Iraq, and the resulting drop in tourism. This decision to maintain the level of distributions was made because of our confidence in the REIT's underlying strengths and longer-term outlook. The REIT's capital structure and strong cash position supported this strategy.

The REIT achieved a solid performance given the environment in 2003 and demonstrated steadily increasing operating levels in an improving business environment from mid-2003 into 2004. During the fourth quarter, we achieved 97% of revenues per available room ("RevPAR") achieved in the same quarter of 2002, compared with 89% of prior year RevPAR in the third quarter. We have seen particular improvement in areas that were most affected by SARS and the resulting drop in tourism. In comparison to the prior year, our Ontario properties had a 4.4% decrease in RevPAR in the fourth quarter compared with a 15.7% decrease in the third quarter, while Quebec properties had a 3.6% decrease in RevPAR in the fourth quarter compared with a 6.9% decrease in the third quarter.

Outperformed the Industry

We continued to achieve higher RevPAR and average daily rates ("ADR") than the Canadian limited service sector through our strategy of maintaining room rates while bolstering sales through stepped-up sales and marketing programs. Compared with the limited service segment of the hotel industry, our RevPAR at $49.28 was $4.37 higher while ADR of $81.77 was $2.09 higher.

In addition, we outperformed the overall hotel industry in top line performance, even though 51% of our guest rooms are in Ontario. While RevPAR for the hotel industry declined by 8.1% in 2003, RevPAR for InnVest declined by 7.7%.

The strong geographic, brand and customer diversity of our portfolio tempered the negative effects of the unusual events facing the industry in 2003.

We maximized profitability by complementing our top line initiatives with a disciplined cost control program. InnVest's hotel operating expenses were $3.7 million lower in 2003, including a $1.7 million reduction in administrative and general expenses which reflected our cost management initiatives, and a $2.8 million reduction in direct expenses which resulted from lower occupancy and our focus on tight cost control.

With our focus on the longer term, we stepped up investment in our ongoing capital improvement program to $7.7 million, from $2.4 million in the 159-days of 2002. We plan to spend $9 million in 2004 to maintain the quality of our properties.

In summary, 2003 presented a difficult operating environment for our industry. But by holding our rates, controlling our costs and maintaining our properties we managed to perform better than the market, and most importantly, we were able to maintain our distributions to our Unitholders.


Travelodge Oshawa

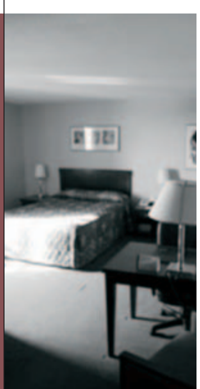

Indoor pool at Travelodge Oshawa

Franchise Business

Our investment in Choice Hotels Canada Inc. ("Choice Canada") continued to benefit InnVest in 2003. Choice Canada has approximately 270 hotels which operate within three distinct market segments: economy brand, mid-market with limited service amenities, and mid-market with full service amenities. Choice Canada outperformed their respective competitive sets within each of these three market segments. Further, Choice Canada continued to grow through the addition of 16 new franchises in 2003, which represented approximately 20% of all new hotel franchises in their competitive set in Canada during the year.

Improving Markets

The unusual events that affected the hotel industry in 2003 are largely behind us and the improving business environment should contribute to improving performance for InnVest. The SARS outbreak which occurred late in the first quarter and the second outbreak late in May severely impacted tourism and business travel in the Greater Toronto Area and to a lesser extent the rest of Ontario and Canada for most of the year. However, as the second half of the year progressed year-over-year comparisons improved.



"We continued to achieve higher RevPAR and ADR than the Canadian limited service sector through our strategy of maintaining room rates while bolstering sales through stepped-up sales and marketing programs."

Looking ahead, hotel industry consultants Pannell Kerr Forster ("PKF") predict that 2004 business levels in Canada's hotel industry will approach those of 2002. PKF is forecasting that there will be 5% growth in occupancy, along with 3% growth in ADR, implying an 8% increase in RevPAR in 2004 compared with 2003.

Renewed Focus on Acquisitions

As business conditions improve, we expect to see further consolidation in the industry and accordingly have stepped up our review of prospective hotel acquisitions. In the Fall of 2003, we appointed a Vice President, Corporate Development to focus on this aspect of our business strategy.

Our recent activities in this area have already yielded results. In the second quarter of 2004, we finalized the acquisition of the 196-room Holiday Inn in Dartmouth, Nova

Scotia at a cost of $8.8 million plus transaction and other closing costs. Also in the second quarter, we completed the acquisition of 8 of the 9 mid-market hotels we agreed to acquire in a deal announced on March 10, 2004. The additional property is expected to close in July, 2004. The total purchase price for this entire 9 property, 1,525 room portfolio is $111.5 million plus transaction costs. Eight of the nine hotels are Holiday Inns located in Ontario and one is a Quality Hotel located in Saskatchewan. These acquisitions are expected to be accretive to earnings in 2004.

InnVest is focused on acquiring mid-market hotels, both in the limited-service and full-service formats. These hotels have similar operating characteristics such as low fixed-costs, serve the same broad market/customer segments, and provide an appropriate breadth of growth opportunities for the REIT. Part of the proceeds from our recent capital markets activities, discussed below, will be used to fund future acquisitions and have further secured the REIT's growth capacity.

Capital Markets and Financing Activity

In October 2003, the Whitehall Funds reduced its investment in the REIT through a secondary offering of 9.75% convertible unsecured subordinated debentures totaling $77.8 million. There was strong demand for the debentures, and the transaction increased the public float of the REIT's securities.

Our market capitalization increased in the early days of the second quarter with the closing of a major financing transaction linked to our portfolio acquisition. To fund the purchase of the nine hotels, InnVest raised gross proceeds of $46 million through the issue of 4,055,000 trust units at $11.35 per unit, and $57.5 million principal amount through the issue of subordinated unsecured convertible debentures with a coupon of 6.25% and convertible at the option of the holder into trust units at $12.50 per unit. The securities were issued by way of a bought deal which closed April 2, 2004.

Pickering Comfort Inn

Breakfast room at
Pickering Comfort Inn

InnVest also tapped the Commercial Mortgage Backed Securities (CMBS) market for the first time, arranging $61.4 million in fixed rate mortgage financing through a major lender. The financing carries a 10-year term and effective interest rates between 6.60% and 6.65%. At the present time, we have drawn on $48.6 million of this facility

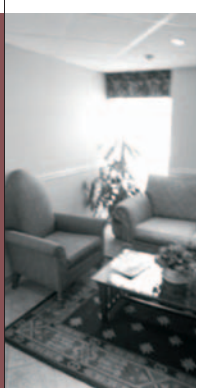
Good Corporate Governance

We are committed to achieving and maintaining good corporate governance practices. We recognize the importance of such practices for providing superior performance and managing risks over the longer term. We are closely monitoring new and proposed corporate governance guidelines and regulatory policy for income trusts to ensure we achieve full compliance.

The board of trustees has a balance of real estate and hotel industry expertise and broader business acumen in finance, administration, legal and other areas. A majority of the board members are independent trustees.

We have a 10-year master hotel management agreement with Westmont which was approved by our board of trustees and is on competitive market terms. We have a non-competition contract with Westmont and Whitehall whereby they must give InnVest first option on Canadian limited service hotel acquisitions.

InnVest is governed by its Declaration of Trust which helps to ensure conservative financial management and define operating parameters which reduce performance risks to a greater extent than most corporations.



Positive Outlook

The events of 2003 and in particular the impact of SARS are considered to be short term in nature and not indicative of the long-term stabilized performance of our portfolio. Since July of 2003, operating results have gradually improved. While we have seen some weakness in the early part of 2004, the remainder of the year is expected to show improvement over 2003.

As the industry continues to recover, InnVest is well positioned due to the geographic, brand and customer diversity of its portfolio.

Our objectives and focus in 2004 continue to be to provide Unitholders with stable and growing cash distributions, and to maximize the long-term value of the REIT by actively managing the hotel assets and making selective acquisitions that are accretive to earnings and cash flow. We monitor distributions on a monthly basis, and we are comfortable with the current distribution level.

We will maximize the long-term value through room sales and marketing initiatives, managing room rates, maximizing non-room revenues, controlling operating costs and maintaining our capital improvement program to ensure our properties remain com-

"Our focus in 2004 will be to grow distributable income by actively managing our existing assets, and by making selective acquisitions."

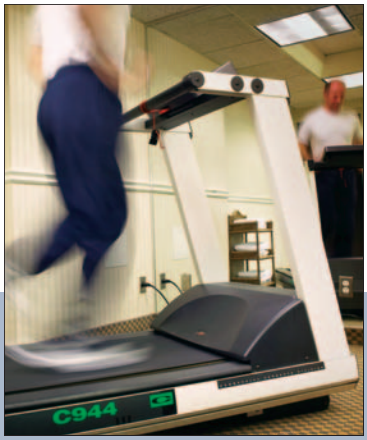
petitive in their markets. We are continually in discussions regarding new acquisition opportunities in the limited service and mid-market segments of our industry, and we have adequate financial resources to support the growth objectives of the REIT.

The true test of an organization is in times of adversity. I want to express my appreciation to the corporate team at InnVest and the operating team at Westmont for their commitment and accomplishments during a difficult year. On behalf of the management team, I would also like to thank the Trustees for their wise counsel and support. Their decisions were always guided by what was in the best long-term interests of Unitholders, and they showed leadership in maintaining distributions to Unitholders. On behalf of management and trustees, I thank you, our Unitholders, for your support and pledge to continue to work hard on your behalf to achieve superior performance and provide an attractive level of distributable income.

Kenneth Gibson
President and Chief Executive Officer

April 13, 2004

Quality Suites Whitby



Fitness Centre at
Quality Suites Whitby

From the CFO and Secretary

"We are focused on managing for long-term stability and growth. InnVest has a high quality, professionally managed property portfolio, a strong balance sheet, stable cash flow, and credit facilities that support acquisition initiatives. We take a conservative approach to financial management, and InnVest's trust indenture contains restrictions and policies that reduce risk."

Tamara Lawson
Chief Financial Officer and Secretary

INTRODUCTION

The following is a discussion of the results of operations and financial condition of InnVest Real Estate Investment Trust ("InnVest" or the "REIT") for the three months and the year ended December 31, 2003, with a comparison with the results of operations of the acquired hotel properties and franchise business during the comparable periods in 2002.

The following management's discussion and analysis should be read in conjunction with the audited consolidated financial statements of the REIT and the notes thereto as at and for the year ended December 31, 2003.

The financial statements of InnVest are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars. Data in tabular form and in the text, unless otherwise indicated, are in thousands of dollars, except for per unit, Average Daily Rate ("ADR"), and Revenue per Available Room ("RevPAR") amounts.

Additional information relating to the REIT, including the REIT's annual information form, can be found at www.sedar.com.

FORWARD–LOOKING INFORMATION

The following discussion, as well as other sections within this annual report, contains forward looking or outlook information with respect to InnVest. Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties are discussed in Management's Discussion and Analysis.

InnVest disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable securities laws.

EXECUTIVE SUMMARY

During the year ended December 31, 2003 a number of unusual events occurred that negatively impacted the Canadian hotel industry, producing a very challenging business environment. The most significant of these events began at the end of the first quarter of 2003 with the beginning of the war in Iraq, the outbreak of severe acute respiratory syndrome ("SARS"), the second outbreak of SARS in May 2003 and the significant strengthening of the Canadian dollar relative to the United States dollar, all of which we will define as "the events of 2003", negatively impacted the performance of our results in 2003.

For the three months ended December 31, 2003, InnVest performed marginally below the same period in 2002, due to the lingering effects of the events of 2003.

For the year ended December 31, 2003, InnVest performed below 2002 levels in terms of revenue and hotel operating income, mainly due to the events of 2003. The performance of our hotel portfolio in 2003 is not considered to be indicative of stable or future performance. The limited service nature of our portfolio tempered the negative effects of the events of 2003 and along with our portfolio's geographical and customer diversity helped InnVest outperform the overall Canadian hotel market in 2003.

Since July 2003, operating levels continued to rebound from the negative variances experienced on a year over year basis. We are expecting that the negative monthly variances to the previous year will continue through the first quarter of 2004, after which we expect to begin to experience growth over the previous year. Pannel Kerr Forster ("PKF") is forecasting that 2004 revenues in the Canadian hotel industry will approach those achieved in 2002.

DESCRIPTION OF INNVEST REIT

OBJECTIVES OF INNVEST

InnVest was established with two objectives: 1) to provide stable and growing cash distributions to Unitholders, and 2) to maximize the long-term value of the REIT by continuing to actively manage the hotel assets and to make selective acquisitions that are expected to be accretive to earnings and cash flow.

OPERATIONS OVERVIEW

InnVest has two operations: (1) It owns Canada's largest portfolio of hotels, measured by the number of hotels and number of guest rooms, the majority of which are in the limited service sector; and (2) a 50% interest in Choice Hotels Canada Inc. ("Choice Canada"), the largest franchisor of hotels in Canada.

Hotel Ownership

As of April 5, 2004, InnVest owned 115 internationally branded limited service or mid-market full service hotels, located in every province of Canada (the "hotel portfolio"). The hotel portfolio includes 99 hotels flagged with Choice brands (Comfort Inn®, Quality Inn®, Quality Hotel® and Quality Suites®), 13 Travelodge® hotels, one Best Western® and two Holiday Inn® brands. A considerable amount of each brand's business is generated through the franchise company's central reservation system. In 2003, for the REIT's Choice branded hotels, the central reservation system generated 21.2% of the business of Comfort Inns, and 23.7% of the business of Quality Hotels and Suites.

Geographically, the REIT's guest rooms are concentrated in Ontario and Quebec (together representing 73% of guest rooms) where the majority of Canada's population and business activity is located, with the balance of properties being in population centres in the Atlantic and Western provinces.

The hotels are typically located near major thoroughfares in urban and suburban areas, near demand generators such as business centres, government and manufacturing facilities, universities, airports and tourist attractions. The hotels have a diverse customer base, including business travelers, leisure travelers, groups, organizations and corporate clients.

Franchise Business

InnVest owns 50% of Choice Canada, which has approximately 270 locations open or under development in Canada, and more than 23,000 guest rooms. The other 50% is owned by Choice Hotels International Inc. ("Choice International"), which is one of the largest hotel franchise companies in the world. In addition to strong international brand recognition, Choice International has a centralized reservation system, sales and marketing programs, and proprietary property management systems. Choice-branded hotels are inspected regularly to ensure quality and consistency of service.

Choice Canada earns franchise revenues by charging monthly royalty fees to hotel owners based on a percentage of the revenue generated by the licenced properties' revenues and by selling franchises. In 1993 Choice Canada was granted a 99-year licence to franchise all Choice hotel brand names in Canada.

MARKET OVERVIEW

Limited Service Segment of the Hotel Industry

Approximately 40% of Canada's more than 3,200 hotel properties (with 30 guest rooms or more) are considered limited service hotel properties. Limited service hotels generate a substantial component of their revenues from guest room rentals, generally providing only limited food and beverage or other ancillary services. They tend to target more price-sensitive segments of the market. Hotel ownership in the limited service sector is significantly fragmented, with the majority being family-owned and operated.

Limited service hotels tend to produce more stable cash flow and have higher operating margins than full service hotels. Hotel properties in the limited service segment have shown greater resistance to recessionary economic conditions than their full service counterparts. Furthermore, the limited service segment of the market showed less volatility when faced with the events of 2003. Contributing factors to the stability of the segment include more affordable room rates, the fact that fixed costs represent a smaller proportion of the cost structure and less reliance on fly-to-destination customers.

As a result of the events in 2003, the hotel industry experienced a significant decrease in hotel demand, particularly in the Greater Toronto Area ("GTA"), with spill over to other markets from the decline in tour groups that typically included Toronto in their points of destination. Limited service hotels generally produce more stable cash flow and maintain higher operating margins than their full service competitors and are located typically outside the downtown areas of major cities, which helped them fare much better than full service hotels. According to industry statistics provided by PKF, limited service hotels experienced declines in occupancy and ADR in 2003 over 2002 results of 3.9% and 0.4% respectively, while full service hotels experienced declines in occupancy and ADR in 2003 over 2002 results of 5.7% and 3.8% respectively.

BUSINESS STRATEGY

Operating Strategy

InnVest's operating strategy is to continue to enhance the performance of the hotel portfolio. The manager of the hotel portfolio is Westmont Hospitality Management Canada Limited ("Westmont"), one of the largest privately held owner/operators of hotels in the world. InnVest, through its hotel manager applies four main operating and strategic principles to maximize efficiencies and internal growth: (1) maximizing the performance of each individual hotel; (2) utilizing yield management and market strategies to maximize RevPAR; (3) improving operating efficiencies and economies of scale; and (4) continually maintaining the quality of the portfolio.

Westmont has approximately eight and one-half years remaining on a 10-year master hotel management agreement to manage InnVest's hotel portfolio and is subject to non-competitive arrangements.

Acquisition Strategy

InnVest will seek to increase cash flow and enhance unit value through selective acquisitions that are expected to be accretive to earnings and cash flow.

During 2003, InnVest focused the majority of its efforts on managing its existing hotel portfolio in order to minimize the negative effects of the events of 2003. Market conditions present during the year reduced the level of hotel sales activity as hotel owners decided to hold rather than sell their assets.

In response to the current hotel sales environment and to further diversify its hotel portfolio, InnVest expanded its focus on mid-market hotels, which typically benefit from similar competitive advantages enjoyed by limited service hotels, such as healthy operating margins. As a result of these efforts, InnVest entered into an agreement to acquire the 196 room Holiday Inn Dartmouth, Nova Scotia. This acquisition expands the hotel portfolio further into the mid market segment of the industry, which will enable the REIT to further capitalize on the expected growth for the industry in 2004 and beyond, and to provide industry segment diversity to the hotel portfolio. This acquisition was closed early in the second quarter of 2004 and based upon 2003 results will be immediately accretive to distributable income in 2004.

As a further result of this focus on the mid-market segment, InnVest in early 2004 entered into an agreement to acquire an additional nine hotels with 1,525 rooms, eight of which are Holiday Inn hotels located in Ontario and one that is a Quality hotel located in Saskatchewan. The acquisition will be funded through the issuance of trust units and convertible debentures which closed April 2, 2004, and through the issuance of long-term mortgage debt. These acquisitions are scheduled to close early in the second quarter, giving InnVest the benefit of the seasonal cash flow generated in the second and third quarters of 2004. The acquisition is expected to be virtually seamless, given that the hotels are currently managed by an affiliate of Westmont and little change in the management structure is contemplated.

The vendors of the acquired or to-be-acquired hotel properties are each considered a related party of the REIT as defined in the Declaration of Trust of the REIT. As a result, the Trustees of the REIT established an independent committee comprised of the REIT's Independent Trustees as defined in the Declaration of Trust to assess the transaction. The independent committee retained its own legal counsel for the purpose of this assessment.

In compliance with their obligations under the Declaration of Trust, the Independent Trustees retained various independent third party professionals which they relied upon in their assessment including an appraiser, financial advisor, structural engineer and environmental consultant. Upon completion of their assessment and review of the reports prepared by the independent third party professionals, the Independent Trustees recommended the approval of, and the trustees of the REIT unanimously approved, the acquisitions, in accordance with the terms of the Declaration of Trust.

COMPETITIVE STRENGTHS

InnVest has a number of competitive strengths which should enable it to carry out its business and acquisition strategies:

* With Canada's largest hotel portfolio, InnVest plans to continue to leverage its size and scale to achieve superior operating efficiencies and margins, through centralized purchasing and other functions;
* The strength of its international brands brings name recognition, central reservation systems, marketing and customer loyalty programs and quality standards;

* The 50% ownership interest in Choice Canada brings favourable franchise terms, the benefits of being a franchisor, and provides the right to participate in the maintenance and enforcement of operating standards across the entire portfolio of hotels in Canada, in the approval of any new Choice-branded hotels in Canada and in the removal of any defaulting franchisees;
* Westmont's professional management and extensive experience in Canada and international markets enables InnVest to maximize its performance;
* Geographic and customer diversity offset regional and industry sector cyclicality;
* InnVest has a balanced capital structure, supporting its growth strategy while mitigating risks; and
* The deal-sourcing capabilities of InnVest and Westmont together with their deal-making capacities, position InnVest to make attractive acquisitions.

FINANCIAL PERFORMANCE REVIEW

KEY PERFORMANCE INDICATORS

The key measures that indicate the performance of the hotel industry and the relative strength of participants in the industry are occupancy, ADR and RevPAR. These key performance indicators for the REIT's hotel portfolio by geographic region in Canada for the three months and year ended December 31, 2003 and their comparable periods are as follows:

	Three months ended December 31			Year ended December 31		
	2003	2002	Var %	**2003**	2002	Var %
Occupancy						
Ontario	**56.3%**	58.6%	(3.9)%	**58.9%**	64.2%	(8.3)%
Quebec	**58.1%**	61.3%	(5.2)%	**65.3%**	67.7%	(3.5)%
Atlantic	**57.8%**	55.6%	4.0 %	**66.0%**	65.7%	0.5 %
Western	**46.4%**	49.8%	(6.8)%	**53.3%**	64.6%	(17.5)%
Total	**55.4%**	57.2%	(3.1)%	**60.3%**	65.1%	(7.4)%
ADR						
Ontario	**$82.70**	$83.17	(0.6)%	**$84.73**	$87.08	(2.7)%
Quebec	**$80.45**	$79.12	1.7 %	**$85.13**	$84.36	0.9 %
Atlantic	**$72.97**	$72.09	1.2 %	**$80.27**	$79.24	1.3 %
Western	**$65.58**	$62.79	4.4 %	**$66.98**	$63.93	4.8 %
Total	**$78.70**	$78.55	0.2 %	**$81.77**	$81.94	(0.2)%
RevPAR						
Ontario	**$46.56**	$48.71	(4.4)%	**$49.91**	$55.87	(10.7)%
Quebec	**$46.74**	$48.49	(3.6)%	**$55.59**	$57.08	(2.6)%
Atlantic	**$42.18**	$40.08	5.2 %	**$52.98**	$52.10	1.7 %
Western	**$30.43**	$31.25	(2.6)%	**$35.70**	$41.30	(13.6)%
Total	**$43.57**	$44.93	(3.0)%	**$49.28**	$53.37	(7.7)%

SEASONALITY

Revenues earned from hotel operations fluctuate throughout the year, with the third quarter being the highest due to the increased level of leisure travel in the summer months and the first quarter being the lowest as leisure travel tends to be lower.

Financial Highlights Summary

	Three months ended December 31, 2003	Three months ended December 31, 2002	**Year ended December 31, 2003**	For the period from July 26, 2002 to December 31, 2002
Hotel revenues	**$ 50,287**	$ 51,956	**$ 224,216**	$ 109,230
Hotel expenses	**34,997**	35,052	**144,006**	64,701
Hotel operating income	**15,290**	16,904	**80,210**	44,529
Net income (loss)	**$ (13,414)**	$ 2,672	**$ 10,858**	$ 20,387
Net income (loss) per unit				
- basic	**$ (0.374)**	$ 0.021	**$ 0.071**	$ 0.419
- diluted	**$ (0.374)**	$ 0.021	**$ 0.071**	$ 0.419
Net income (loss)	**$ (13,414)**	$ 2,672	**$ 10,858**	$ 20,387
Add / (deduct)				
Depreciation and amortization (1)	**7,798**	7,517	**30,802**	13,036
Future income tax expense (recovery)	**16,334**	(435)	**13,708**	(752)
Non-cash executive and trustee compensation	**89**	42	**290**	72
Funds from operations (2)	**$ 10,807**	$ 9,796	**$ 55,658**	$ 32,743
Funds from operations per unit (3)				
- basic	**$ 0.218**	$ 0.194	**$ 1.175**	$ 0.720
- diluted	**$ 0.218**	$ 0.194	**$ 1.157**	$ 0.681
Funds from operations	**$ 10,807**	$ 9,796	**$ 55,658**	$ 32,743
Amortization of fair value debt adjustment	**(342)**	(326)	**(1,384)**	(574)
Amortization of deferred financing costs	**366**	352	**1,463**	633
Reserve for replacement of furniture, fixtures and equipment and capital improvements	**(2,012)**	(2,078)	**(8,969)**	(4,369)
Convertible debentures interest	**(1,829)**	(1,828)	**(7,313)**	(3,170)
Distributable income (2)	**$ 6,990**	$ 5,916	**$ 39,455**	$ 25,263
Distributable income per unit (3)				
- basic	**$ 0.170**	$ 0.144	**$ 0.959**	$ 0.615
- diluted	**$ 0.170**	$ 0.144	**$ 0.959**	$ 0.592
Distributions (4)	**$ 11,594**	$ 11,553	**$ 46,280**	$ 20,000
Distributions - per unit (4)	**$ 0.2813**	$ 0.2813	**$ 1.1250**	$ 0.4869

(1) For purposes of the calculation of funds from operations, amortization of deferred finance costs is excluded from depreciation and amortization.

(2) Funds from operations and distributable income are measures of earnings and cash flow commonly used by industry analysts that are not required under Canadian generally accepted accounting principles, and accordingly, may not be comparable to similar measures used by other organizations.

(3) Funds from operations per unit and distributable income per unit have been calculated on a basis consistent with that prescribed by Canadian generally accepted accounting principles for calculating earnings per unit.

(4) Distributions and Distributions - per unit include cash distributions and distributions arising from the Distribution Reinvestment Plan.

HISTORICAL OPERATING RESULTS COMPARISON

InnVest has audited results for the year ended December 31, 2003 and the period from July 26, 2002 to December 31, 2002. The following is a year-over-year comparison using unaudited results for the three months ended December 31, 2003 and 2002 and the year ended December 31, 2002.

Hotel Operating Results

	Three months ended December 31			Year ended December 31 (1)		
	2003	2002	Var %	**2003**	2002	Var %
Occupancy	**55.4%**	57.2%	(3.1%)	**60.3%**	65.1%	(7.4%)
Average daily rates	**$ 78.70**	$ 78.55	0.2%	**$ 81.77**	$ 81.94	(0.2%)
Revenue per available room	**$ 43.57**	$ 44.93	(3.0%)	**$ 49.28**	$ 53.37	(7.7%)
Room revenues	**$ 46,300**	$ 47,742	(3.0%)	**$ 207,784**	$ 224,614	(7.5%)
Total revenues	**$ 50,287**	$ 51,956	(3.2%)	**$ 224,216**	$ 242,771	(7.6%)
Hotel operating expenses and management fees	**$ 29,174**	$ 29,507	(1.1%)	**$ 120,444**	$ 124,907	(3.6%)
Gross operating profit	**$ 21,113**	$ 22,449	(6.0%)	**$ 103,772**	$ 117,864	(12.0%)
Gross operating profit margin	**42.0%**	43.2%	(2.8%)	**46.3%**	48.5%	(4.5%)
Property taxes, rent and insurance	**$ 5,823**	$ 5,545	5.0%	**$ 23,562**	$ 22,789	3.4%
Hotel operating income	**$ 15,290**	$ 16,904	(9.5%)	**$ 80,210**	$ 95,075	(15.6%)
Hotel operating income margin	**30.4%**	32.5%	(6.5%)	**35.8%**	39.2%	(8.7%)

(1) Unaudited data for the year ended December 31, 2002 have been adjusted to reflect the current management fee arrangement.

HOTEL REVENUES

Hotel revenues consist primarily of revenue generated from room occupancy. Revenue from food and beverage services and other miscellaneous revenue streams associated with hotel operations such as space leases, vending commissions, movie rentals, parking and telephone are also included and account for 7.9% of the total revenue of the hotel portfolio for the three months ended December 31, 2003 (2002 - 8.1%) and 7.3% for the year ended December 31, 2003 (2002 - 7.5%).

Three months ended December 31, 2003

Room revenues for the three months ended December 31, 2003 were $46.3 million, $1.4 million or 3.0% lower than the $47.7 million generated for the same period in 2002. This decrease was primarily reflected in decreases in occupancy, as occupancy for the hotel portfolio decreased by 3.1%, while ADR increased slightly by $0.15 or 0.2% for a RevPAR decrease of 3.0% compared to 2002. Geographically, the majority of the difference was attributed to our Ontario properties. These results primarily reflect the negative effects on demand due to the lingering effects of the events of 2003, including the strengthening of the Canadian dollar, particularily in the REIT's border town markets.

A geographical comparison of the room revenue variance between the three months ended December 31, 2003 and December 31, 2002 is as follows:

	Rooms	As a % of total	Room revenue variance	As a % of total	Var % over 2002
Greater Toronto Area ("GTA")	1,755	15.2%	$ (334)	23.2%	(4.1%)
Ontario Non-GTA	4,115	35.6%	(812)	56.3%	(4.5%)
Total Ontario	5,870	50.8%	(1,146)	79.5%	(4.4%)
Quebec	2,544	22.0%	(407)	28.2%	(3.6%)
Atlantic	1,315	11.4%	253	(17.5%)	5.2%
Western	1,822	15.8%	(142)	9.8%	(2.7%)
Total	11,551	100.0%	$ (1,442)	100.0%	(3.0%)

Geographically, for the three months ended December 31, 2003, InnVest's Ontario properties, which account for 50.8% of the InnVest portfolio, contributed nearly 80% of the decline in room revenue. The GTA alone, which accounts for only 15.2% of the InnVest portfolio, contributed 23.2% or $334 of the overall decline. As for Ontario Non-GTA properties, our Ottawa, Oshawa, Sudbury and Windsor properties (15 hotels or 1,697 rooms) accounted for over $800 or practically all of the decline in room revenues within this region. The decrease of $407 in Quebec was attributable to properties located in Montreal, as our Montreal properties decreased $546 over the prior year. These results demonstrate the lingering effects of the events of 2003, with Ontario being the most adversely affected.

Year ended December 31, 2003

Room revenues for the year ended December 31, 2003 were $207.8 million, $16.8 million or 7.5% lower than the $224.6 million generated for the same period in 2002. This decrease was primarily reflected in decreases in occupancy, as occupancy for the hotel portfolio decreased by 7.4%, while ADR decreased only slightly by $0.17 or 0.2% for a RevPAR decrease of 7.7% compared to 2002. This compares to an 8.1% decrease over prior year in RevPAR in the overall hotel market in Canada in 2003. Geographically, the majority of the difference was absorbed in our Ontario properties. These results primarily reflect the negative effects to hotel demand of the events of 2003 and the strengthening of the Canadian dollar, particularily in the REIT's border town markets.

A geographical comparison of the room revenue variance between the years ended December 31, 2003 and December 31, 2002 is as follows:

	Rooms	As a % of total	Room revenue variance	As a % of total	Var % over 2002
Greater Toronto Area ("GTA")	1,755	15.2%	$ (7,582)	45.0%	(19.9%)
Ontario Non-GTA	4,115	35.6%	(5,028)	29.9%	(6.2%)
Total Ontario	5,870	50.8%	(12,610)	74.9%	(10.5%)
Quebec	2,544	22.0%	(1,335)	7.9%	(2.5%)
Atlantic	1,315	11.4%	849	(5.0%)	3.5%
Western	1,822	15.8%	(3,734)	22.2%	(13.6%)
Total	11,551	100.0%	$ (16,830)	100.0%	(7.5%)

Geographically, for the year ended December 31, 2003, InnVest's Ontario properties, which account for 50.8% of the InnVest portfolio, contributed nearly 75% of the decline in room revenue. Specifically, the GTA alone, which accounts for only 15.2% of the InnVest portfolio, contributed 45.0% or $7.6 million of the overall decline. As for Ontario Non-GTA properties, our Ottawa, Oshawa, Sudbury and Windsor properties (15 hotels or 1,697 rooms) accounted for $3.0 million or 60.1% of the $5.0 million decline in revenues within this region. The decrease of $1.3 million in Quebec was attributable to properties located in Montreal, as our Montreal properties decreased $1.5 million over the prior year. These results demonstrate, primarily the effects of the events of 2003 to the portfolio during 2003, with our Ontario properties being the most adversely affected. A one time contract for crew business related to an oil and gas project in Edmonton in 2002 accounts for the entire reduction in revenue for the REIT's western hotels.

HOTEL EXPENSES

Three months ended December 31, 2003

Hotel expenses for the three months ended December 31, 2003 stayed relatively constant with the same period in 2002. Property taxes increased $385 or 7.8% over the prior year. Administrative and general expenses decreased by $162 or 2.9% reflecting the continuing cost control initiatives introduced earlier in the year.

Year ended December 31, 2003

For the year ended December 31, 2003, hotel expenses declined $3.7 million or 2.5% over 2002. The largest savings were experienced through a $1.7 million reduction in administrative and general expenses reflecting primarily the effect of cost control initiatives introduced earlier in 2003. Direct expense savings were experienced in all categories as a result of the lower occupancy levels, resulting in further savings of $2.8 million. Increases in property taxes of $1.1 million and insurance of $475 were partially offset by a reduction in operating lease expense of $815, netting out to the $774 increase in fixed charges, an increase of 3.4% over 2002.

HOTEL OPERATING INCOME

Three months ended December 31, 2003

Hotel operating income ("HOI") for the three months ended December 31, 2003 declined $1.6 million to $15.3 million from the $16.9 million achieved in the fourth quarter of 2002. This was a result of lower hotel revenues achieved by the hotel portfolio of $1.7 million, along with relatively constant hotel expenses.

A geographical comparison of the hotel operating income variance between the three months ended December 31, 2003 and December 31, 2002 is as follows:

	Rooms	As a % of total	HOI variance	As a % of total	Var % over 2002
Greater Toronto Area ("GTA")	1,755	15.2%	$ (65)	4.0%	(2.7%)
Ontario Non-GTA	4,115	35.6%	(883)	54.7%	(12.3%)
Total Ontario	5,870	50.8%	(948)	58.7%	(9.9%)
Quebec	2,544	22.0%	(695)	43.1%	(16.7%)
Atlantic	1,315	11.4%	77	(4.8%)	4.4%
Western	1,822	15.8%	(48)	3.0%	(3.5%)
Total	11,551	100.0%	$ (1,614)	100.0%	(9.5%)

The non-GTA Ontario properties accounted for 54.7% of the HOI decrease, and Quebec properties 43.1%. Of the Ontario non-GTA properties, Ottawa and Windsor alone account for $491 or 55.6% of the decrease in this region, while Montreal accounts for $518 or 74.5% of the Quebec property difference.

Year ended December 31, 2003

For the year ended December 31, 2003, lower hotel revenues of $18.6 million were partially offset by lower hotel expenses of $3.7 million, resulting in an HOI decline of $14.9 million, as HOI decreased from $95.1 million achieved in 2002 to $80.2 million in 2003.

A geographical comparison of the hotel operating income variance for the years ended December 31, 2003 and December 31, 2002 is as follows:

	Rooms	As a % of total	HOI variance	As a % of total	Var % over 2002
Greater Toronto Area ("GTA")	1,755	15.2%	$ (5,845)	39.3%	(41.0%)
Ontario Non-GTA	4,115	35.6%	(4,541)	30.6%	(12.6%)
Total Ontario	5,870	50.8%	(10,386)	69.9%	(20.6%)
Quebec	2,544	22.0%	(1,632)	11.0%	(7.3%)
Atlantic	1,315	11.4%	5	-	-
Western	1,822	15.8%	(2,852)	19.1%	(27.3%)
Total	11,551	100.0%	$ (14,865)	100.0%	(15.6%)

Hotel operating income decreased $14.9 million or 15.6% compared to the prior year, with the effects of the events of 2003 being the main contributors. The Ontario properties accounted for 69.9% of the decrease, again demonstrating the negative impact of these events, particularly SARS in 2003. The Western property decrease of $2.9 million or 27.3% is primarily attributable to the loss of one-time crew business noted previously.

OTHER INCOME AND EXPENSES

Other income and expenses consist of interest on mortgages, corporate and administrative costs, capital tax, franchise business income, other income and depreciation and amortization.

The net amount of other income and expenses for the fourth quarter was $13.8 million, which was $521 or 3.6% less than the same quarter in 2002. The main contributors to this change was a $294 savings in interest expense due to lower interest rates in the fourth quarter of 2003 versus 2002, lower capital taxes of $361 due to hotel property ownership being reallocated to non-corporate entities prior to the year end and higher franchise business income of $319 mainly due to an improvement in receivable collections, offset by higher depreciation and amortization of $295.

For the year ended December 31, 2003 the net amount of other income and expenses was $56.5 million, which was consistent with expectations.

INCOME TAXES

Income tax expense increased $15.0 million going from a $118 recovery for the three months ended December 31, 2002 to a $14.9 million expense for the three months ended December 31, 2003. Current income taxes decreased by $1.8 million, primarily as a result of management's decision in the quarter to carry current year income tax losses back to prior years. Future income tax expense is recorded as a result of temporary differences between the measurement of income for tax and accounting purposes for the REIT's corporate subsidiaries. The largest temporary difference is the result of differences between depreciation for accounting purposes and the lesser amount claimed as capital cost allowance for income tax purposes. Temporary differences are recorded at the substantively enacted corporate tax rates at which these differences are expected to reverse. In the current period, as a result of the reversal of previously planned corporate income tax rate reductions in the province of Ontario, substantively enacted tax rates in future years, which were previously expected to decrease, have now been legislated to stay constant in future years for corporations based in Ontario. As a result of InnVest's portfolio exposure to Ontario, the impact of the legislative change led to a $16.8 million increase in future income tax expense.

The REIT previously estimated that approximately 21% of the planned level of distributions made in 2003 would not be currently taxable to the Unitholders. As a result of lower than forecasted operating income and consequently taxable income in 2003, the REIT now estimates that the non-taxable portion of the planned distributions to the Unitholders is 52.5%.

NET INCOME

Three months ended December 31, 2003

Net loss for the three months ended December 31, 2003 was $13.4 million or $0.374 per unit – basic (diluted – $0.374), compared with net income for the three months ended December 31, 2002 of $2.7 million or $0.021 per unit – basic (diluted - $0.021). The variance of $16.1 million is primarily a result of the $15.0 million increase in income tax expense as described above, a $1.6 million decrease in hotel operating income and a $521 decrease in other income and expenses.

Year ended December 31, 2003

Net income for the year ended December 31, 2003 was $10.9 million or $0.071 per unit – basic (diluted - $0.071).

DISTRIBUTABLE INCOME

Three months ended December 31, 2003

Distributable income is not a measure defined under Canadian generally accepted accounting principles, however it is commonly used in the Real Estate Investment Trust industry to measure performance and the relative performance within the industry.

Distributable income for the three months ended December 31, 2003 was $7.0 million or $0.170 per unit – basic (diluted - $0.170). This reflects a $1.1 million increase over the distributable income achieved for the three months ended December 31, 2002 of $5.9 million or $0.144 per unit – basic (diluted - $0.144). The $1.1 million increase is primarily the result of the current income tax expense improvement of $1.8 million discussed previously, partially offset by a decrease in income before depreciation, income taxes and other non-cash items of $702.

Cash distributions for the three-month period were $11.6 million or $0.2813 per unit, which is consistent with the fourth quarter in 2002.

Year ended December 31, 2003

Distributable income for the year was $39.5 million or $0.959 per unit – basic (diluted - $0.959). Cash distributions for the twelve-month period were $46.3 million or $1.125 per unit.

CHANGES IN FINANCIAL CONDITION

The following discussion evaluates the cash flow results of InnVest from operational, investing, and financing activities.

Operating Activities

Funds generated from operating activities were $11.4 million for the three months ended December 31, 2003 and $17.0 million for the three months ended December 31, 2002. The $5.6 million decrease is attributable to a decrease in the changes in non-cash working capital of $6.6 million and the income tax recovery from losses carried back to prior periods recognized in the quarter, reduced by the net of a decline in hotel operating income and a decrease in other income and expenses.

Funds generated from operating activities were $48.1 million for the year ended December 31, 2003, compared with $50.8 million for the period from July 26, 2002 to December 31, 2002.

Financing Activities

Funds from financing activities generated a deficit of $14.8 million for the three months ended December 31, 2003 compared to a $14.2 million deficit for the three months ended December 31, 2002. The majority of this change relates to a $1.4 million decrease in changes in non-cash working capital related to financing activities, less a decrease in cash distributions of $617 related to the implementation of the distribution reinvestment plan.

Funds generated from financing activities were a deficit of $61.9 million for the year ended December 31, 2003. This deficit arose mainly from $44.9 million in distributions paid, $7.2 million in regularly scheduled principal repayments of long-term debt, and $7.3 million in convertible debentures interest.

Investing Activities

Funds from investing activities generated a deficit of $2.0 million for the three months ended December 31, 2003 compared to a $7.7 million deficit for the three months ended December 31, 2002. This $5.7 million improvement occurred due to a $5.5 million change in non-cash working capital related to investing activities, as significant accounts payable related to the acquisition of hotel properties were paid in the fourth quarter of 2002.

As part of its regular refurbishment program, InnVest sets aside 4% of revenues for the replacement of furniture, fixture and equipment reserve and capital improvements ("FF&E reserve") shown as restricted cash in the financial statements. The FF&E reserve is managed over the longer term to maintain the hotel properties in order to ensure that they remain competitive in their markets. For the three months and year ended December 31, 2003 a total amount of $2.0 million and $7.7 million respectively was spent on capital items. The FF&E reserve increase in the quarter was relatively constant between 2003 and 2002 and increased $1.3 million in comparison to the balance at December 31, 2002.

The REIT intends to follow a program of completing a significant amount of its property refurbishing work in the first quarter of 2004, as seasonally, the winter months tend to provide less hotel demand in the Canadian hotel industry and it is management's objective to displace a minimal amount of business due to rooms being out of service for refurbishment.

Funds generated from investing activities were a deficit of $9.0 million for the year ended December 31, 2003. The majority of this deficit was due to $7.7 million being spent on capital expenditures.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The following chart summarizes InnVest's future contractual obligations:

	2004	2005	2006	2007	2008	2009 and thereafter
Long-term debt	$ 7,043	$ 7,228	$147,482	$ 3,272	$145,901	$ -
Operating equipment leases	550	511	500	393	290	479
Long-term land leases	1,292	1,417	1,361	1,192	1,196	66,982
Convertible debentures	-	-	-	75,000	-	-
	$ 8,885	$ 9,156	$149,343	$ 79,857	$147,387	$ 67,461

The next material refinancing to occur will be in 2006 when $147.5 million of long-term debt matures. At that time, InnVest will seek refinancing of the debt. InnVest will follow the same strategy in 2008, when $145.9 million of long-term debt matures.

The long-term land leases require a minimum annual average lease payment of $1.3 million in 2004, and expire between the years 2023 and 2088. Future rental charges determined as a percentage of revenues are not included in the amount quoted.

Capital Resources

The REIT had unused operating loan availability of $25.0 million at December 31, 2003 and four hotel properties that remain unencumbered that could generate approximately $6.5 million in mortgage proceeds based on 50% loan to value. The REIT also has an unused acquisition facility of $40 million available to acquire hotel properties and an unused loan facility of $24 million to fund 50% of capital expenditures incurred.

In addition to these resources, InnVest, at its own discretion, sets aside 4% of total hotel revenues for the purpose of the replacement of furniture, fixtures and equipment and for capital improvements. For 2004, it is forecasted that InnVest will spend approximately $9.0 million for this purpose.

During the year ended December 31, 2003, the REIT distributed $46.3 million or $1.125 per unit, of which $1.4 million was distributed in units as part of the Distribution Reinvestment Plan, at the rate of $0.09375 per unit per month, with an additional 3% premium attached to the unit distribution. A regular monthly distribution of $0.09375 per unit for the month of December 2003 was paid in January 2004.

The REIT has a $100 million mortgage loan facility with its main mortgage lender available to repay mortgage debts held by its various other lenders as they mature. The remaining availability of this facility is $74.5 million. Consequently, the REIT has minimal refinancing risk until 2006.

RISKS AND UNCERTAINTIES

The REIT is subject to the normal operating risks consistent with hotel ownership, including the risks described below. The REIT has risk management processes in place, and additionally mitigates business risks through restrictions, limitations and policies placed upon it by its trust indenture as outlined on page 23.

Real Estate Investment Risks

One of the factors contributing to the REIT's income and its ability to make distributions to its Unitholders is its ability to operate the hotel portfolio in a manner that maintains or increases revenues and that generates sufficient hotel operating income.

Hotel Industry Risks

The REIT is subject to the operating risks inherent in the Canadian hotel industry, including:

* Cyclical downturns arising form changes in economic conditions;
* Competition from other hotels;
* Seasonal fluctuations in hotel operating income produced throughout the year;
* Changes in wages, prices, energy costs and construction and maintenance cost that may result from inflation, government regulation, changes in interest rates or currency fluctuations;
* Changes in the level of business, commercial and tourism travel;
* Increase in the supply of accommodations in local markets may adversely affect the results of operations; and
* Availability and pricing of financing for operating or capital requirements.

The REIT mitigates these risks by having a geographically diverse portfolio of hotels, which were acquired at below replacement costs, many of which are in markets with significant barriers to entry. The REIT maintains a $25 million operating line to ensure that the seasonal fluctuation in the generation of cash flow will not affect its ability to operate in the normal course of business.

The REIT also has significant buying power and negotiates favourable national contracts on a regular basis for operating supplies and renovation materials required, and hedges energy costs where deemed appropriate. The REIT's strategy is to maintain customers across several segments, including corporate, government, leisure, local, crew, sports and other groups, and not rely overly on any one segment.

The REIT is required to maintain, by its Trust Indenture, a conservative leverage of 50% or less of its gross asset value (which is defined as total assets before accumulated depreciation less future income tax liability). The vast majority of the REIT's mortgage debt is subject to fixed interest rates, which significantly reduces its exposure to changes in interest rates. The REIT also has the ability to fix interest rates at any time for debts currently subject to floating interest rates.

Trust Indenture

InnVest is governed by its Trust Indenture which is intended to mitigate risks by virtue of the restrictions, limitations and policies for financial and operational management. The following is a list of the restrictions, limitations, and policies:

* Eligible investments are restricted primarily to hotels in Canada;
* A prohibition exists against investing in raw land for development and engaging in the development and construc tion of new real property;
* Individual property mortgages, or mortgages on a pool of properties, cannot exceed 75% of their respective values;
* A limitation on debt of 50% of gross asset value, before convertible debentures exists. The REIT's leverage at December 31, 2003 was 38.9%;
* Limitation on debt of 60% of gross asset value, including convertible debentures exists. The REIT's leverage, including convertible debentures, at December 31, 2003 was 48.3%;
* Units cannot be issued from treasury unless the trustees consider it not to be dilutive to ensuing annual distributions of distributable income to Unitholders;
* A requirement exists to pay distributions of not less than 80% of the annual distributable income, equally on a monthly basis;
* Related party transactions require the approval of two-thirds of the independent trustees and any transfers of real property between related parties requires an independent appraisal; and
* Any material change to the Master Hotel Management Agreement requires two-thirds approval of the independent trustees.

FINANCIAL ACCOUNTING CONSIDERATIONS

Related Party Transactions

FRANCHISE BUSINESS

InnVest owns 50% of Choice Canada. The other 50% is owned by Choice Hotels International, which is one of the largest hotel franchise companies in the world. Choice Canada earns franchise revenues by charging monthly royalty fees to hotel owners based on a percentage of the licensed properties' revenues and by selling franchises. Under the terms of the joint venture agreement between Choice International and a subsidiary of the REIT, InnVest pays a below market royalty fee for its hotels that are franchised under the Choice hotel brands. This arrangement will remain in place for the duration of the joint venture until 2092. Royalty payments paid to Choice Canada by the REIT totaled $1.0 million during 2003.

MANAGEMENT COMPANY

On July 26, 2002, the REIT entered into a Management Agreement for hotel management and accounting services and an Administrative Services Agreement ("the Agreements") with Westmont. Westmont is controlled by a minority Unitholder of the REIT. The Agreements have an initial term of 10 years with two successive five-year renewal terms, subject to the consent of Westmont and approval by the REIT. The Agreements will expire July 25, 2012. The agreement is subject to non-competition arrangements. The Agreements provide for the payment of an annual management fee to Westmont in an amount equal to 3.375% of gross hotel revenues during the term of the Agreements, including renewal periods. In addition, Westmont may receive an annual incentive fee if the REIT achieves distributable income in excess of $1.25 per unit. No management incentive fees were earned in the year.

In addition to the base management fee and incentive fee, Westmont is entitled to reasonable fees based on a percentage of the cost of purchasing certain goods and supplies and certain construction costs and capital expenditures, fees for accounting services, reasonable out-of-pocket costs and expenses, (other than general and administrative expenses or overhead costs except as otherwise provided in the Administrative Services Agreement) and project management and general contractor service fees related to hotel renovations managed by Westmont.

Hedging Transactions

InnVest's Ontario hotel properties have established fixed contracts with a third party for the provision of fixed price electricity. The purpose of these contracts is to reduce the exposure InnVest has to hydro prices in the province of Ontario. The energy contracts set the price of electricity at 52.45 cents/MWh for quantities contracted for. The contracts were established on April 26, 2002, and have a length of 3 years. In the first year of the contract, 100% of the expected usage was contracted for at the fixed price. In the second and third year of the contract, the quantity contracted for at fixed prices declines to 75% and 50% of the expected usage respectively. InnVest pays market rates for the amount of electricity it consumes that are not contracted for at fixed prices. InnVest accounts for this hedge by recording the contracted price of electricity in its accounts for quantities up to the minimum contracted amounts. Electricity usage above this amount is recorded at the market rate.

OUTLOOK

The events of 2003 and in particular the impact of SARS are considered to be short term in nature and not indicative of the long term stabilized performance of our portfolio.

Since July of 2003, operating results have continued to improve. While we expect some continued weakness in the first quarter of 2004, the remainder of the year is expected to show improvement over 2003.

PKF continues to predict that 2004 business levels will approach those of 2002. PKF is forecasting that there will be 5% growth in occupancy, along with 3% growth in ADR, implying an 8% increase in RevPAR in 2004 operating levels. These forecasts imply that 2004 operating levels will continue to approach 2002 operating levels, and it is expected that 2004 will come very close to achieving 2002 operating levels.

As the Canadian hotel industry continues to recover, our priorities continue to be maximizing revenues through room sales and marketing initiatives, maintaining room rates and controlling operating costs. As the industry continues to recover, InnVest is well positioned due to the geographical diversity and limited service to mid-market nature of its portfolio.

Management's Responsibility for the Financial Statements

The consolidated financial statements and management's discussion and analysis contained in this annual report are the responsibility of the management of InnVest Real Estate Investment Trust (the "REIT"). To fulfil this responsibility, the REIT maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate, and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this annual report is consistent with the information contained in the consolidated financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Trustees, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the consolidated financial statements. Their report as auditors is set out below.

The consolidated financial statements have been further examined by the Board of Trustees and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of three independent trustees, reports to the Board of Trustees.

Kenneth Gibson,
President and Chief Executive Officer

Tamara Lawson,
Chief Financial Officer and Secretary

February 20, 2004

Auditors' Report

To the Trustees of InnVest Real Estate Investment Trust,

We have audited the consolidated balance sheets of InnVest Real Estate Investment Trust ("the REIT") as at December 31, 2003 and 2002, and the consolidated statements of net income, unitholders' equity and cash flows for the year ended December 31, 2003 and for the period from July 26, 2002 to December 31, 2002. These financial statements are the responsibility of the REIT's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the year ended December 31, 2003 and the period from July 26, 2002 to December 31, 2002 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
February 20, 2004, except for Note 20, which is as of April 5, 2004

Consolidated Balance Sheets

(in thousands of dollars)	December 31, 2003	December 31, 2002
ASSETS		
Current Assets		
Cash	**$ 3,958**	$ 26,730
Accounts receivable	**7,827**	7,499
Prepaid expenses and other assets	**3,747**	3,865
	15,532	38,094
Restricted cash *(Note 4)*	**13,381**	12,075
Hotel properties *(Note 5)*	**828,491**	850,314
Licence contracts *(Note 6)*	**24,433**	25,749
Deferred financing costs *(Note 7)*	**5,217**	6,680
	$ 887,054	$ 932,912
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 17,197**	$ 18,558
Distributions payable	**3,867**	3,851
Acquisition related liabilities	**759**	9,275
Current portion of long-term debt *(Note 9)*	**7,043**	8,976
	28,866	40,660
Long-term debt *(Note 9)*	**303,883**	310,486
Future income tax liability *(Note 10)*	**135,441**	121,733
	468,190	472,879
Commitments and contingencies *(Note 12)*		
EQUITY		
Unitholders' equity	**343,240**	385,033
Convertible debentures *(Note 14)*	**75,624**	75,000
	418,864	460,033
	$ 887,054	$ 932,912

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

Consolidated Statements of Net Income

(in thousands of dollars, except per unit amounts)	**Year Ended December 31, 2003**	For the Period from July 26, 2002 to December 31, 2002
Hotel revenues	**$ 224,216**	$ 109,230
Hotel expenses		
Operating expenses *(Note 18)*	**112,877**	51,382
Property taxes, rent and insurance	**23,562**	9,626
Management fees *(Note 18)*	**7,567**	3,693
	144,006	64,701
Hotel operating income	**80,210**	44,529
Other (income) and expenses		
Interest on mortgages	**22,224**	9,943
Corporate and administrative *(Note 18)*	**3,249**	1,254
Capital tax	**1,619**	861
Franchise business income	**(2,605)**	(1,258)
Other income	**(249)**	(123)
Depreciation and amortization	**32,265**	13,669
	56,503	24,346
Income before income tax expense (recovery)	**23,707**	20,183
Income tax expense (recovery) *(Note 10)*		
Current	**(859)**	548
Future	**13,708**	(752)
	12,849	(204)
Net income	**$ 10,858**	$ 20,387
Net income per unit – basic *(Note 15)*	**$ 0.071**	$ 0.419
– diluted *(Note 15)*	**$ 0.071**	$ 0.419

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

Consolidated Statements of Unitholders' Equity

(in thousands of dollars)	**Year Ended December 31, 2003**	For the Period from July 26, 2002 to December 31, 2002
Opening balance	**$ 385,033**	$ –
Original issue of trust units	**–**	387,744
Distribution reinvestment plan units issued *(Note 13)*	**1,367**	–
Costs incurred regarding the distribution reinvestment plan *(Note 13)*	**(39)**	–
Executive and trustee compensation *(Note 13)*	**238**	72
Net income	**10,858**	20,387
Convertible debentures interest and accretion	**(7,937)**	(3,170)
Unit distributions	**(46,280)**	(20,000)
Closing balance	**$ 343,240**	$ 385,033

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

Consolidated Statements of Cash Flows

(in thousands of dollars)	Year Ended December 31, 2003	For the Period from July 26, 2002 to December 31, 2002
OPERATING ACTIVITIES		
Net income	**$ 10,858**	$ 20,387
Add (deduct) items not affecting operations		
Depreciation and amortization	**30,802**	13,036
Future income tax expense (recovery)	**13,708**	(752)
Non-cash executive and trustee compensation	**238**	72
Amortization of fair value debt adjustment	**(1,384)**	(574)
Amortization of deferred financing costs	**1,463**	633
Changes in non-cash working capital	**(7,540)**	17,982
	48,145	50,784
FINANCING ACTIVITIES		
Repayment of long-term debt	**(26,920)**	(225,724)
Proceeds from long-term debt	**19,768**	211,000
Issue of trust units, net of issue costs	**–**	277,055
Costs incurred regarding the distribution reinvestment plan	**(39)**	–
Unit distributions	**(44,897)**	(16,149)
Changes in non-cash working capital related to financing activities	**(2,547)**	1,009
Deferred financing costs	**–**	(7,313)
Convertible debentures interest	**(7,313)**	(3,170)
	(61,948)	236,708
INVESTING ACTIVITIES		
Capital expenditures on hotel properties	**(7,663)**	(2,367)
Asset acquisitions	**–**	(258,313)
Changes in non-cash working capital related to investing activities	**–**	1,993
Increase in restricted cash	**(1,306)**	(2,075)
	(8,969)	(260,762)
(Decrease) increase in cash during the period	**(22,772)**	26,730
Cash, beginning of period	**26,730**	–
Cash, end of period	**$ 3,958**	$ 26,730
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 23,746**	$ 9,816
Cash paid for income taxes (including capital tax)	**$ 2,990**	$ 1,309

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

December 31, 2003 and 2002 (all dollar amounts are in thousands, except per unit amounts)

1. BASIS OF PRESENTATION

InnVest Real Estate Investment Trust (the "REIT") is an unincorporated open-ended real estate investment trust governed by the laws of Ontario. The REIT was established pursuant to a declaration of trust dated January 1, 2002. On July 25, 2002, the REIT raised $300,000 (before issue costs) by issuing units on the Toronto Stock Exchange. These proceeds together with the issue of additional units and convertible debentures were utilized to acquire a portfolio of 114 Canadian hotels with 11,551 guest rooms operated under international brands. These consolidated financial statements represent operations for the year ended December 31, 2003. The REIT began operations on July 26, 2002 therefore the comparative figures shown are for the 159 day period from July 26, 2002 to December 31, 2002.

Revenues earned from hotel operations fluctuate throughout the year, with the third quarter being the highest due to the increased level of leisure travel in the summer months, and the first quarter being the lowest as leisure travel tends to be lower at that time of the year.

2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the REIT and its subsidiaries and the proportionate share of the assets, liabilities, revenues and expenses of joint ventures, including the REIT's 50% interest in Choice Hotels Canada Inc. ("Choice Canada").

USE OF ESTIMATES

The preparation of the REIT's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOTEL PROPERTIES

Hotel properties, consisting of land, buildings and furniture, fixtures and equipment, are stated at the lower of cost less accumulated depreciation and the estimated net recoverable amount.

DEPRECIATION

Depreciation is provided on a straight-line basis over a period not to exceed the following:

Buildings	– 40 years
Building renovations	– 7 years
Furniture and equipment	– 7 years
Paving	– 10 years

DEFERRED FINANCING COSTS

Deferred financing costs consist of commitment fees, underwriting costs and legal costs associated with the sourcing of new debt and the renewal of existing debt of the REIT. These costs are amortized over the term of the applicable debt.

LICENCE CONTRACTS

Licence contracts include franchise contracts related to the REIT's joint venture interest in Choice Canada, and are recorded at the value attributed to the discounted cash flow of the expected earning stream under the contract terms at the time of acquisition. These costs are amortized over the average life or expected renewal life of the contracts, which is estimated to be twenty years.

LONG-TERM DEBT

Long-term debt that was assumed on the acquisition of hotel properties was recorded at its estimated fair value on the date of acquisition (the “fair value amount”). The difference between the fair value amount and the face value of the long-term debt is being amortized to interest expense on a straight-line basis over the then average remaining period until maturity.

REVENUE RECOGNITION

Revenues from hotel operations are recognized when services are provided and ultimate collection is reasonably assured.

Monthly revenues from licence contracts are based on gross room revenue as reported by the franchisees and are recorded when earned with an appropriate provision for estimated uncollectible amounts. Initial franchise fees are recorded as income when the cash has been received and upon execution of binding contracts.

INCOME TAXES

Pursuant to the terms of the Declaration of Trust, the trustees of the REIT are required to make distributions or designate all taxable income earned by the REIT’s unitholders, including the taxable part of net realized capital gains, and will deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required on income earned by the REIT.

The REIT’s corporate subsidiaries are subject to tax on their taxable income. Income taxes are accounted for using the liability method, whereby future income tax assets and liabilities are determined based on differences between the carrying amount of the balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

CONVERTIBLE DEBENTURES

Convertible debentures are recorded as equity as the REIT has the ability to satisfy the interest and principal obligation through the issue of units of the REIT. Interest on the debentures is charged against unitholders’ equity.

EXECUTIVE COMPENSATION PLAN

The senior executives participate in an incentive plan that involves the issue of REIT units. A unit granted through the plan entitles the holder to receive on the vesting date the then current fair market value of the unit plus the value of the cash distributions that would have been paid on the unit if it had been issued on the date of grant assuming the reinvestment of the distribution into REIT units. The payment will be satisfied through the issuance of units. The benefit resulting from the issue of units under this plan is recorded as compensation expense, on a straight-line basis over the vesting period, based on the market price of the REIT units on the date of grant.

3. ASSET ACQUISITIONS

On July 25, 2002, the REIT issued 30,000,000 units on the Toronto Stock Exchange at $10 per unit. The proceeds of $300,000 together with the issuance of 11,068,910 units at a price of $10 per unit and $75,000 convertible debentures were utilized to acquire a portfolio of 114 Canadian hotels.

The net assets acquired are as follows:

Cash	$ 9,356
Restricted cash	10,000
Current assets	19,115
Hotel properties	860,412
Licence contracts	26,320
	925,203
Future income tax liability	(122,485)
Assumption of existing long-term debt	(334,775)
Current liabilities	(14,585)
	$ 453,358

The net consideration paid consists of the following:

Cash	$ 260,969
Units	110,689
Convertible debentures	75,000
Payment of land transfer tax and other acquisition costs	6,700
	$ 453,358

4. RESTRICTED CASH

Substantially all the restricted cash of $13,381 (2002 – $12,075) is being held by various mortgage lenders of the REIT, and is available to undertake capital refurbishments.

5. HOTEL PROPERTIES

	Cost	**Accumulated Depreciation**	**December 31, 2003 Net Book Value**
Land	**$ 58,801**	**$ –**	**$ 58,801**
Buildings	**756,207**	**27,230**	**728,977**
Furniture and equipment	**55,434**	**14,721**	**40,713**
	$ 870,442	**$ 41,951**	**$ 828,491**

	Cost	Accumulated Depreciation	December 31, 2002 Net Book Value
Land	$ 58,801	$ –	$ 58,801
Buildings	752,953	8,155	744,798
Furniture and equipment	51,025	4,310	46,715
	$ 862,779	$ 12,465	$ 850,314

6. LICENCE CONTRACTS

	Cost	Accumulated Amortization	December 31, 2003 Net Book Value
Licence contracts	**$ 26,320**	**$ 1,887**	**$ 24,433**

	Cost	Accumulated Amortization	December 31, 2002 Net Book Value
Licence contracts	$ 26,320	$ 571	$ 25,749

7. DEFERRED FINANCING COSTS

	Cost	Accumulated Amortization	December 31, 2003 Net Book Value
Deferred financing costs	**$ 7,313**	**$ 2,096**	**$ 5,217**

	Cost	Accumulated Amortization	December 31, 2002 Net Book Value
Deferred financing costs	$ 7,313	$ 633	$ 6,680

8. JOINT VENTURES

The following represents the proportionate share of the REIT's interest in joint ventures:

	December 31, 2003	December 31, 2002
Assets	**$ 6,665**	$ 6,262
Liabilities	**2,439**	2,470
Revenues	**4,761**	2,684
Expenses	**2,356**	1,500
Cash flow from:		
Operating activities	**2,740**	1,579
Financing activities	**(2,353)**	(1,497)
Investing activities	**(62)**	(15)

9. LONG-TERM DEBT

	December 31, 2003	December 31, 2002
Mortgages payable	**$ 310,926**	$ 319,462
Less: current portion	**7,043**	8,976
Total long-term debt	**$ 303,883**	$ 310,486

Substantially all of the REIT's assets have been pledged as security under various debt agreements. At December 31, 2003, long-term debt had a weighted average interest rate of 7.4% (2002 – 7.6%). The long-term debt is repayable in blended monthly payments of principal and interest totalling $2,528 (2002 – $2,610) per month, and matures at various dates from April 1, 2004 to July 26, 2008.

Scheduled repayment of long-term debt is as follows:

2004	$ 7,043
2005	7,228
2006	147,482
2007	3,272
2008	145,901
	$ 310,926

The estimated fair value of the REIT's long-term debt at December 31, 2003 was approximately $314,604 (2002 – $319,119). This estimate was determined by discounting expected cash flows at the interest rates currently being offered to the REIT for debt of the same remaining maturities.

Long-term debt includes $39,191 (2002 – $5,990) of mortgages payable, which are subject to floating interest rates. Interest expense will increase by $392 (2002 – $60) for every 1% increase in the base Bankers' Acceptance rate.

The REIT has a $100,000 mortgage loan facility with its main mortgage lender of which $74,524 is available to refinance mortgage debts held by its various other lenders, as they mature.

10. INCOME TAXES

The future income tax liability relates to tax and book basis differences for assets held by corporate subsidiaries of the REIT and consists of the following:

	December 31, 2003	December 31, 2002
Hotel properties	**$ 131,686**	$ 118,893
Licence contracts	**4,293**	4,073
Financing costs	**(538)**	(1,233)
	$ 135,441	$ 121,733

The provision for income taxes is summarized as follows:

	Year Ended December 31, 2003	For the Period from July 26, 2002 to December 31, 2002
Income before income tax expense	**$ 23,707**	$ 20,183
Income tax based on a combined Federal and Provincial Income tax rate of 36.34% (2002 – 38.34%)	**8,615**	7,738
Income tax effect of statutory rate adjustment	**14,088**	–
Tax effect of income attributable to unitholders	**(8,995)**	(8,490)
Future income tax expense (recovery)	**13,708**	(752)
Large corporations tax	**1,091**	548
Recovery of income tax paid	**(1,950)**	–
Income tax expense (recovery)	**$ 12,849**	$ (204)

In respect of the assets and liabilities of the REIT, where income is taxed directly in the hands of the unitholders, the net book value for accounting purposes of those net assets exceeds their tax basis by an amount of approximately $85,863 (2002 – $93,840).

11. GUARANTEES

Effective January 1, 2003, the REIT is required to disclose its obligations undertaken in issuing certain guarantees on the date the guarantee is issued or modified. Where the REIT expects to make a payment in respect of the guarantee, a liability will be recognized to the extent that one has not yet been recognized.

The REIT has not provided to third parties any significant guarantees other than the following:

TRUSTEE AND OFFICER INDEMNIFICATION AGREEMENTS

The REIT has entered into indemnification agreements with its trustees and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the trustees and officers as a result of any lawsuit or any other judicial, administrative proceeding in which the trustees and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to counter parties. The REIT has purchased trustees' and officers' liability insurance. No amount has been recorded in the financial statements with respect to these indemnification agreements.

JOINT VENTURE MORTGAGE GUARANTEE

The REIT and its subsidiaries have provided their guarantee on a mortgage payable by a joint venture in which they have an interest. The REIT and its subsidiaries have the right, if called on this guarantee, to acquire the interest of the lender in the mortgage payable and realize on the security held by such lender. The amount of the mortgage payable is $1,149.

INDEMNIFICATION OF UNDERWRITERS

The REIT has entered into agreements that provide for indemnification to third parties in underwriting agreements. These indemnifications generally require the REIT to indemnify the counter parties for costs incurred as a result of losses from litigation that may be suffered by the counter parties arising from the transactions. These types of indemnifications normally extend over an unspecified period of time and do not provide for any limit on the maximum potential amount.

12. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The REIT is committed under various equipment operating leases to minimum annual rental payments as follows:

2004	$	550
2005		511
2006		500
2007		393
2008		290
2009 and thereafter		479
	$	2,723

In addition, the REIT is committed under long-term land leases to minimum annual lease payments of approximately $1,292 (2002 – $1,294). The land leases expire between 2023 and 2088. Rentals that are determined as a percentage of revenues with no minimum amounts are excluded from these figures.

CONTINGENCIES

The REIT is subject to lawsuits and claims arising in the ordinary course of business. Management believes that the resolution of such matters will not have a material adverse effect on the REIT's financial position or future results of operations.

13. UNITHOLDERS' EQUITY

The REIT was established pursuant to a declaration of trust dated January 1, 2002 when one unit was issued for ten dollars. The REIT is authorized to issue an unlimited number of units, each of which represents an equal undivided beneficial interest in any distributions from the REIT. All units are of the same class with equal rights and privileges.

	Units	Amount
Units issued at Initial Public Offering, net of issue costs	30,000,000	$ 277,055
Units issued to purchase hotel properties (Note 3)	11,068,910	110,689
Units issued under trustee compensation plan	7,000	–
Balance at December 31, 2002	41,075,910	387,744
Units issued under trustee compensation plan	7,867	70
Units issued under executive compensation plan	18,483	168
Units issued under distribution reinvestment plan	145,602	1,367
Balance at December 31, 2003	41,247,862	$ 389,349

TRUSTEE COMPENSATION PLAN

The members of the Board of Trustees receive 50% of their annual retainer in units (based on the then current market price of the units). The REIT has set aside 100,000 units in reserve for this purpose. During the year ended December 31, 2003, there were 7,867 units issued under the Trustee Compensation Plan.

EXECUTIVE COMPENSATION PLAN

The senior executives participate in the executive compensation plan under which units are granted by the Board of Trustees from time to time. The REIT has reserved a maximum of 1,000,000 units for issuance under the plan. A unit granted through the plan entitles the holder to receive on the vesting date the then current fair market value of the unit plus the value of the cash distributions that would have been paid on the unit if it had been issued on the date of grant assuming the reinvestment of the distribution into REIT units. The payment will be satisfied through the issuance of units.

On July 17, 2002, the Board of Trustees approved the granting of 49,500 units to the senior executives for services rendered. The units granted on July 17, 2002 vest equally over a three year period on each annual anniversary date of grant. On July 17, 2003, 16,500 of the originally granted units along with 1,983 units accumulated from distributions vested.

The following table summarizes the status of the executive compensation plan at December 31, 2003:

Date	Unvested Executive Units	Units Accumulated from Distributions	Total Units
July 17, 2002	49,500	7,771	57,271
July 17, 2003 – units vested	(16,500)	(1,983)	(18,483)
	33,000	5,788	38,788

DISTRIBUTION REINVESTMENT PLAN ("DRIP")

The REIT has a DRIP whereby eligible Canadian unitholders may elect to have their distributions of income from the REIT automatically reinvested in additional units. Unitholders who so elect will receive a further bonus distribution of units equal in value to 3% of each distribution that was reinvested.

14. CONVERTIBLE DEBENTURES

The convertible debentures bear interest at the rate of 9.75% per annum payable semi-annually in arrears and mature on June 30, 2007. Each $1 principal amount of convertible debentures are convertible at the option of the holder into 93.0233 units (representing a conversion price of $10.75 per unit). The convertible debentures are redeemable, in whole or from time to time in part, on and after July 1, 2005 at the option of the REIT, provided that the volume-weighted average trading price of the units for a stipulated period prior to the date on which the notice of redemption is given exceeds 115% of the conversion price. The REIT has the option to satisfy its obligation to pay the principal amount of the convertible debentures due at maturity or upon redemption, in whole or in part, by issuing the number of units equal to the principal amount of convertible debentures then outstanding divided by 95% of the volume-weighted average trading price of the units for a stipulated period prior to the date of redemption or maturity, as applicable.

In accordance with Canadian GAAP, the holder conversion option was valued separately from the convertible debentures at $2,850, being the estimated fair market value of the option on the date the security was issued. The debenture discount equal to the value of the option is being accreted to Unitholders' Equity over the term of the convertible debentures.

The convertible debenture balance has been recorded as equity as the REIT has the ability to satisfy its obligations (principal and interest) under the terms of such instrument through the issue of units.

15. PER UNIT INFORMATION

Net income per unit calculations are based on the following:

	Year Ended December 31, 2003		For the Period from July 26, 2002 to December 31, 2002	
		Weighted Average Units		Weighted Average Units
Net income	$ 10,858	41,130,961	$ 20,387	41,075,910
Convertible debentures interest and accretion	(7,937)	–	(3,170)	–
Net income – basic	2,921	41,130,961	17,217	41,075,910
Dilutive effect of executive compensation plan	–	13,337	–	11,878
Net income – diluted	$ 2,921	41,144,298	$ 17,217	41,087,788

Distributable income per unit calculations are based on the following (Note 16):

	Year Ended December 31, 2003		For the Period from July 26, 2002 to December 31, 2002	
		Weighted Average Units		Weighted Average Units
Distributable income	$ 39,455	41,130,961	$ 25,263	41,075,910
Convertible debentures interest	–	–	3,170	6,976,744
Dilutive effect of executive compensation plan	–	13,337	–	11,878
Distributable income – diluted	$ 39,455	41,144,298	$ 28,433	48,064,532

The convertible debentures have been excluded from certain diluted calculations because the impact of this conversion would not be dilutive.

16. DISTRIBUTABLE INCOME

Distributions to unitholders are computed based on distributable income as defined by the Declaration of Trust.

Distributable income means net income in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back depreciation and amortization, amortization of fair value debt adjustment and future income tax recovery, excluding any gains or losses on the disposition of real property and future income taxes, deducting the amount calculated, at 4% of hotel revenues, for the reserve for the replacement of furniture, fixtures and equipment and capital improvements, and the interest on convertible debentures that is not included in the computation of net income, and making any other adjustments determined by the trustees of the REIT in their discretion.

	Year Ended December 31, 2003	For the Period from July 26, 2002 to December 31, 2002
Net income	**$ 10,858**	$ 20,387
Add (deduct)		
Depreciation and amortization	**32,265**	13,669
Amortization of fair value debt adjustment	**(1,384)**	(574)
Future income tax expense (recovery)	**13,708**	(752)
Reserve for replacement of furniture, fixtures and equipment and capital improvements	**(8,969)**	(4,369)
Non-cash executive and trustee compensation	**290**	72
Convertible debentures interest	**(7,313)**	(3,170)
	28,597	4,876
Distributable income	**39,455**	25,263
Distributions in excess of distributable income (retention of distributable income)	**6,825**	(5,263)
Distributions	**$ 46,280**	$ 20,000
Distributable income per unit – basic	**$ 0.959**	$ 0.615
– diluted	**$ 0.959**	$ 0.592

Distributable income is a measure of cash flow that is not required under Canadian generally accepted accounting principles, and, accordingly, may not be comparable to similar measures used by other issuers. Distributable income per unit has been calculated on a basis consistent with that prescribed by Canadian generally accepted accounting principles for calculating earnings per unit.

17. FINANCIAL INSTRUMENTS

FAIR VALUE

The REIT's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of long-term debt is based on management estimates for mortgages payable. The management estimates are based on discounting cash flows required under the mortgages at the interest rate currently estimated to be available for loans with similar terms. Based on these estimates, the fair value of the REIT's long-term debt as at December 31, 2003 is more than its carrying value by approximately $3,678.

INTEREST RATE RISK

The vast majority of the REIT's long-term debt bears interest at fixed rates and the REIT has the ability to fix the interest rates on its floating rate of debt at any time. There are no maturities of long-term debt until April 1, 2004. Accordingly, the REIT is not currently subject to any material interest rate risk.

CREDIT RISK

Due to the nature of the hotel business, the REIT is not exposed to any significant credit risk.

18. MANAGEMENT AGREEMENTS

On July 26, 2002, the REIT entered into a Management Agreement for hotel management and accounting services and an Administrative Services Agreement ("the Agreements") with Westmont Hospitality Management Canada Limited ("Westmont"). Westmont is controlled by a minority unitholder of the REIT. The Agreements have an initial term of 10 years with two successive five-year renewal terms, subject to the consent of Westmont and approval by the REIT. The Agreements will expire July 25, 2012. The Agreements provide for the payment of an annual management fee to Westmont in an amount equal to 3.375% of gross revenues during the term of the Agreements, including renewal periods. In addition, Westmont may receive an annual incentive fee if the REIT achieves distributable income in excess of $1.25 per unit. No management incentive fees were earned in the period.

In addition to the base management fee and incentive fee, Westmont is entitled to reasonable fees based on a percentage of the cost of purchasing certain goods and supplies and certain construction costs and capital expenditures, fees for accounting services, reasonable out-of-pocket costs and expenses, (other than general and administrative expenses or overhead costs except as otherwise provided in the Administrative Services Agreement) and project management and general contractor service fees related to hotel renovations managed by Westmont.

During the year ended December 31, 2003 and for the period from July 26, 2002 to December 31, 2002, the fees charged to the REIT pursuant to the Agreements were as follows:

	Year Ended December 31, 2003	For the Period from July 26, 2002 to December 31, 2002
Management fees	**$ 7,567**	$ 3,693
Accounting services (included in hotel operating expenses)	**1,708**	734
Administrative services (included in corporate and administrative expenses)	**550**	234
Project management and general contractor services (capitalized in hotel properties)	**205**	69
	$ 10,030	$ 4,730

In addition, salaries of REIT employees paid by Westmont and reimbursed by the REIT, were $228 (2002 – $170). Included in accounts payable and accrued liabilities are amounts outstanding at December 31, 2003 totalling $670 (2002 – $722).

19. SEGMENTED FINANCIAL INFORMATION

The REIT operates hotel properties throughout Canada. Information related to these properties by geographic segment is presented below. The accounting policies used in the preparation of the segmented information are the same as those described for the REIT in Note 2 – Significant Accounting Policies. The REIT primarily evaluates operating performance based on hotel operating income. All key financing, investing and capital allocation decisions are centrally managed.

	Western	Ontario	Quebec	Atlantic	Total
Year ended December 31, 2003					
Hotel revenues	**$ 25,809**	**$ 116,479**	**$ 55,564**	**$ 26,364**	**$ 224,216**
Hotel expenes	**18,227**	**76,437**	**34,767**	**14,575**	**144,006**
Hotel operating income	**$ 7,582**	**$ 40,042**	**$ 20,797**	**$ 11,789**	**$ 80,210**
Period from July 26, 2002 to December 31, 2002					
Hotel revenues	$ 12,388	$ 58,491	$ 25,916	$ 12,435	$ 109,230
Hotel expenses	8,002	35,162	15,139	6,398	64,701
Hotel operating income	$ 4,386	$ 23,329	$ 10,777	$ 6,037	$ 44,529
Capital expenditures					
Year ended December 31, 2003	**$ 762**	**$ 4,829**	**$ 1,477**	**$ 595**	**$ 7,663**
For the period from July 26, 2002 to December 31, 2002	$ 356	$ 1,408	$ 435	$ 168	$ 2,367
Hotel properties					
December 31, 2003	**$ 65,557**	**$ 471,974**	**$ 190,184**	**$ 100,776**	**$ 828,491**
December 31, 2002	$ 67,675	$ 483,530	$ 195,506	$ 103,603	$ 850,314

20. SUBSEQUENT EVENT

On April 5, 2004 the REIT purchased the Holiday Inn Dartmouth, Nova Scotia for $8,800. The acquisition was financed, on an interim basis through the REIT's operating line.

On March 10, 2004 the REIT entered into an agreement with various entities (the "Vendors") to purchase eight Holiday Inn hotels located in Ontario and one Quality Hotel located in Saskatchewan (the "Acquired Hotels"). The aggregate purchase price is $111.5 million and the acquisition is scheduled to close early in the second quarter.

Some of the investors in the Vendors are affiliates with Westmont. In addition, Westmont Hospitality Management Ltd., an affiliate of Westmont, is currently the manager of the Acquired Hotels.

On April 2, 2004 the REIT issued 4,055,000 units for estimated net proceeds of $46,024 and $57,500 of 6.25% convertible subordinated debentures for estimated net proceeds of $54,944. The proceeds of these issues will be used to partially fund the acquisition of the Acquired Hotels.

On March 23, 2004, the REIT obtained a $61,375 credit facility to fund the balance of the purchase price related to the acquisition of the Acquired Hotels. The loans will bear interest at an annual rate of 195 to 200 basis points above the 10-year Government of Canada benchmark bond. The REIT will be required to repay the loans in equal monthly payments of interest and principal based on a 25-year amortization period.

COMFORT INNS

Hotel	Address	Year Built	Guest Rooms
Alma Comfort Inn	870 avenue du Pont Sud Alma, Quebec	1989	61
Amherst Comfort Inn	143 South Albion Street Amherst, Nova Scotia	1988	61
Ancienne-Lorette Comfort Inn	1255 boulevard Duplessis Quebec City, Quebec	1985	59
Baie-Comeau Comfort Inn	745 boulevard Lafleche Baie-Comeau, Quebec	1989	61
Beauport Comfort Inn	240 boulevard Ste. Anne Beauport, Quebec	1990	80
Boucherville Comfort Inn	96 boul. de Mortagne Boucherville, Quebec	1986	100
Brampton Comfort Inn	5 Rutherford Road South Brampton, Ontario	1986	108
Brandon Comfort Inn	925 Middleton Avenue Brandon, Manitoba	1987	81
Bridgewater Comfort Inn	49 North Street Bridgewater, Nova Scotia	1990	62
Brossard Comfort Inn	7863 boulevard Taschereau Brossard, Quebec	1988	100
Burlington Comfort Inn	3290 South Service Road Burlington, Ontario	1982	99
Cambridge Comfort Inn	220 Holiday Inn Drive Cambridge, Ontario	1986	83
Campbellton Comfort Inn	111 Val D'Amour Road Campbellton, New Brunswick	1988	60
Charlottetown Comfort Inn	112 Trans Canada Hwy. Charlottetown, Prince Edward Island	1989	81
Chatham Comfort Inn	1100 Richmond Street Chatham, Ontario	1986	81
Chicoutimi Comfort Inn	1595 boulevard Talbot Chicoutimi, Quebec	1988	81
Chilliwack Comfort Inn	45405 Luckakuck Way Chilliwack, British Columbia	1991	83
Cobourg Comfort Inn	121 Densmore Road Cobourg, Ontario	1988	62
Corner Brook Comfort Inn	41 Maple Valley Road Corner Brook, Newfoundland	1988	78
Dartmouth Comfort Inn	456 Windmill Road Dartmouth, Nova Scotia	1984	81
Dorval Comfort Inn	340 avenue Michel Jasmin Dorval, Quebec	1988	98
Downsview Comfort Inn	66 Norfinch Drive North York, Ontario	1983	144
Drummondville Comfort Inn	1055 rue Hains Drummondville, Quebec	1985	59
Dryden Comfort Inn	522 Government Road Dryden, Ontario	1988	62
Edmonton Comfort Inn	17610 - 100 th Avenue Edmonton, Alberta	1990	100
Edmundston Comfort Inn	5 Bateman Avenue Edmundston, New Brunswick	1987	81
Fredericton Comfort Inn	255 Prospect Street West Fredericton, New Brunswick	1984	101
Gatineau Comfort Inn	630 boulevard la Gappe Gatineau, Quebec	1988	81
Guelph Comfort Inn	480 Silvercreek Parkway Guelph, Ontario	1986	80
Hamilton Comfort Inn	173/183 Centennial Parkway N. Hamilton, Ontario	1984	60
Huntsville Comfort Inn	86 King William Street Huntsville, Ontario	1989	73
Kanata Comfort Inn	222 Hearst Way Kanata, Ontario	1984	146
Kapuskasing Comfort Inn	172 Government Road East Kapuskasing, Ontario	1987	66
Kenora Comfort Inn	1230 Highway 17 East Kenora, Ontario	1990	76
Kingston Comfort Inn [1]	55 Warne Crescent Kingston, Ontario	1987	103
Kirkland Lake Comfort Inn	455 Government Road West Kirkland Lake, Ontario	1987	65
Laval Comfort Inn	2055 Autoroute des Laurentides Laval, Quebec	1988	121
Lèvis Comfort Inn	10 du Vallon est Levis, Quebec	1988	100
London Comfort Inn	1156 Wellington Road London, Ontario	1982	79
Midland Comfort Inn	980 King Street Midland, Ontario	1990	60
Miramichi Comfort Inn	201 Edward Street Miramichi, New Brunswick	1988	69
Mississauga Comfort Inn	1500 Matheson Boulevard East Mississauga, Ontario	1982	121
Moncton Magnetic Hill Comfort Inn	2495 Mountain Road Moncton, New Brunswick	1984	59
Moncton Maplewood Comfort Inn	20 Maplewood Drive Moncton, New Brunswick	1988	78
New Glasgow Comfort Inn	740 Westville Road New Glasgow, Nova Scotia	1987	62
Newmarket Comfort Inn	1230 Journey's End Circle Newmarket, Ontario	1988	102
Orillia Comfort Inn	75 Progress Drive Orillia, Ontario	1989	80
Oshawa Comfort Inn	605 Bloor Street West Oshawa, Ontario	1984	80
Ottawa East Comfort Inn	1252 Michael Street Ottawa East, Ontario	1982	69
Owen Sound Comfort Inn	995 9 th Avenue East Owen Sound, Ontario	1987	60
Parry Sound Comfort Inn	120 Bowes Street Parry Sound, Ontario	1987	61
Pembroke Comfort Inn	959 Pembroke Street East Pembroke, Ontario	1985	61
Pickering Comfort Inn	533 Kingston Road Pickering, Ontario	1985	147
Pointe Claire Comfort Inn	700 boulevard St. Jean Pointe Claire, Quebec	1985	100
Prince Albert Comfort Inn	3863 2 nd Avenue West Prince Albert, Saskatchewan	1987	62
Regina Comfort Inn	3221 East Eastgate Drive Regina, Saskatchewan	1986	99
Rimouski Comfort Inn	455 boulevard St-Germain ouest Rimouski, Quebec	1988	81
Rivière-du-Loup Comfort Inn	85 boulevard Cartier Rivière-du-Loup, Quebec	1988	69
Rouyn-Noranda Comfort Inn	1295 avenue Larivière Rouyn-Noranda, Quebec	1988	80
Saint John Comfort Inn	1155 Fairville Blvd. St. John, New Brunswick	1984	59
Saskatoon Comfort Inn	2155 Northridge Drive Saskatoon, Saskatchewan	1986	80
Sault Ste. Marie Comfort Inn	333 Great Northern Road Sault Ste. Marie, Ontario	1983	82
Sept-Iles Comfort Inn	854 boulevard Laure Sept-Iles, Quebec	1989	61
Sherbrooke Comfort Inn	4295 boulevard Bourque Sherbrooke, Quebec	1985	59
Simcoe Comfort Inn	85 The Queensway East Simcoe, Ontario	1986	61
St. Catharines Comfort Inn	2 Dunlop Drive St. Catharines, Ontario	1987	100
Ste. Foy Comfort Inn	7320 boulevard Wilfrid-Hamel Sainte Foy, Quebec	1988	79

[1] InnVest owns 50% of Kingston Comfort Inn

Sudbury 2nd Avenue Comfort Inn	440 2nd Avenue North Sudbury, Ontario	1989	81
Sudbury Regent Street Comfort Inn	2171 Regent Street South Sudbury, Ontario	1986	80
Swift Current Comfort Inn	1510 South Service Road East Swift Current, Saskatchewan	1987	74
Sydney Comfort Inn	368 Kings Road Sydney, Nova Scotia	1987	62
Thetford Mines Comfort Inn	123 boulevard Frontenac ouest Thetford Mines, Quebec	1989	63
Thunder Bay Comfort Inn	660 West Arthur Street Thunder Bay, Ontario	1987	80
Timmins Comfort Inn	939 Algonquin Boulevard East Timmins, Ontario	1987	91
Trenton Comfort Inn	68 Monogram Place Trenton, Ontario	1988	76
Trois-Rivières Comfort Inn	6255 rue Corbeil Trois-Rivières, Quebec	1988	80
Truro Comfort Inn	12 Meadow Drive Truro, Nova Scotia	1988	81
Val d'Or Comfort Inn	1665 Troisième Avenue Val d'Or, Quebec	1988	81
Waterloo Comfort Inn	190 Weber Street North Waterloo, Ontario	1987	85
Windsor Dougall Avenue Comfort Inn	2955 Dougall Avenue Windsor, Ontario	1984	80
Windsor Huron Church Comfort Inn	2765 Huron Church Road Windsor, Ontario	1987	100
Winnipeg Airport Comfort Inn	1770 Sargent Avenue Winnipeg, Manitoba	1987	81
Winnipeg South Comfort Inn	3109 Pembina Highway Winnipeg, Manitoba	1986	85
Yarmouth Comfort Inn	96 Starr's Road Yarmouth, Nova Scotia	1988	80

HOLIDAY INNS

Hotel	Address	Year Built	Guest Rooms
Holiday Inn Burlington [1]	3036 South Service Road Burlington, Ontario	1973	240
Holiday Inn Calgary [1] Macleod Trail South	4206 Macleod Trail South Calgary, Alberta	1974	152
Holiday Inn Dartmouth Harbourview [1]	101 Wyse Road Halifax-Dartmouth, Nova Scotia	1966	196
Holiday Inn Guelph [1]	601 Scottsdale Drive Guelph, Ontario	1973	136
Holiday Inn Kingston [1]	2 Princess Street Kingston, Ontario	1965	197
Holiday Inn Hotel and Suites Ottawa-Kanata [1]	101 Kanata Avenue Kanata, Ontario	1999	152
Holiday Inn Toronto Airport East [1]	600 Dixon Road Toronto, Ontario	1960's	191
Holiday Inn Toronto West [1]	100 Britannia Road East Mississauga, Ontario	1987	138

QUALITY SUITES/QUALITY INNS

Hotel	Address	Year Built	Guest Rooms
Laval Quality Suites	2035 Autoroute des Laurentides Laval, Quebec	1991	115
London Quality Suites	1120 Dearness Drive London, Ontario	1990	118
Montreal Quality Inn	1214 rue Crescent Montreal, Quebec	1966	96
Pointe Claire Quality Suites	6300 Trans Canada Hwy. Pointe Claire, Quebec	1990	162
Quebec City Quality Suites	1600 rue Bouvier Quebec City, Quebec	1989	119
Toronto Airport Quality Suites	262 Carlingview Drive Toronto, Ontario	1989	254
Whitby Quality Suites	1700 Champlain Avenue Whitby, Ontario	1990	104
Windsor Quality Suites	250 Dougall Avenue Windsor, Ontario	1990	128

QUALITY HOTELS

Hotel	Address	Year Built	Guest Rooms
Anjou Quality Hotel	8100 avenue Neuville Anjou, Quebec	1990	158
Bloor Quality Hotel	280 Bloor Street West Toronto, Ontario	1990	209
Lombard Street Quality Hotel Toronto	111 Lombard Street Toronto, Ontario	1988	196
Missisauga Quality Hotel Airport	5599 Ambler Drive Mississauga, Ontario	1982	222
Montréal Quality Hotel	3440 avenue du Parc Montreal, Quebec	1989	140
Ottawa Quality Hotel	290 Rideau Street Ottawa, Ontario	1989	212
Regina Quality Hotel [1]	1717 Victoria Avenue Regina, Saskatchewan	1962	126
St. John's Quality Hotel	2 Hill O'Chips St. John's, Newfoundland	1990	160

TRAVELODGES

Hotel	Address	Year Built	Guest Rooms
Travelodge Burlington	950 Walkers Line Burlington, Ontario	1985	116
Travelodge Calgary Airport	2750 Sunridge Boulevard NE Calgary, Alberta	1982	203
Travelodge Calgary Macleod Trail	9206 Macleod Trail South Calgary, Alberta	1980	254
Travelodge Edmonton South	10320 - 45 th Avenue South Edmonton, Alberta	1977	219
Travelodge Edmonton West	18320 Stony Plain Road Edmonton, Alberta	1980	220
Travelodge Ingersoll	20 Samnah Crescent Ingersoll, Ontario	1989	98
Travelodge North Bay	1525 Seymour Street North Bay, Ontario	1989	100
Travelodge North York	50 Norfinch Drive Toronto, Ontario	1986	183
Travelodge Oshawa	940 Champlain Avenue Oshawa, Ontario	1989	120
Travelodge Ottawa East	1486 Innes Street Gloucester, Ontario	1984	129
Travelodge Regina East	1110 East Victoria Avenue Regina, Saskatchewan	1979	181
Travelodge Scarborough	20 Milner Business Court Toronto, Ontario	1984	155
Travelodge Sudbury	1401 Paris Street Sudbury, Ontario	1990	140

OTHER HOTELS

Hotel	Address	Year Built	Guest Rooms
Best Western North Bay	700 Lakeshore Drive North Bay, Ontario	1977	130
North York Holiday Inn Express	30 Norfinch Drive North York, Ontario	1989	163

[1] Acquired in April, 2004

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