Pure Multi-Family REIT LP

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

Expressed in thousands of United States dollars

(expressed in thousands of United States dollars)

		June 30, 2018		December 31, 2017
ASSETS				
Non-current assets				
Investment properties (note 3)	**$**	**1,148,815**	$	1,133,501
Current assets				
Prepaid expenses		**2,027**		3,361
Mortgage reserve fund (note 4)		**5,951**		6,421
Amounts receivable		**776**		1,529
Cash and cash equivalents		**17,694**		25,863
		26,448		37,174
TOTAL ASSETS	**$**	**1,175,263**	$	1,170,675
LIABILITIES				
Non-current liabilities				
Mortgages payable (note 5)	**$**	**569,066**	$	571,690
Credit facility (note 6)		**25,803**		25,762
Convertible debentures (note 7)		**21,381**		21,115
Other liabilities (note 9)		**156**		125
		616,406		618,692
Current liabilities				
Mortgages payable (note 5)		**5,576**		4,563
Rental deposits		**1,507**		1,548
Unearned revenue		**1,938**		1,767
Accounts payable and accrued liabilities		**19,486**		25,498
		28,507		33,376
TOTAL LIABILITIES		**644,913**		652,068
PARTNERS' CAPITAL (note 10)		**530,350**		518,607
TOTAL LIABILITIES AND PARTNERS' CAPITAL	**$**	**1,175,263**	$	1,170,675

Subsequent events (note 20)

(expressed in thousands of United States dollars)

	Limited Partners Class A	Limited Partners Class B	General Partner	Convertible Debentures (note 7)	Accumulated Earnings	Total
Balance, December 31, 2017	$ 401,648	$ 1,000	$ -	$ 1,965	$ 113,994	$ 518,607
Debenture conversion	10	-	-	(1)	-	9
Distributions to limited partners	-	-	-	-	(14,887)	(14,887)
Net income for the period	-	-	-	-	26,621	26,621
Balance, June 30, 2018	**$ 401,658**	**$ 1,000**	**$ -**	**$ 1,964**	**$ 125,728**	**$ 530,350**

	Limited Partners Class A	Limited Partners Class B	General Partner	Convertible Debentures (note 7)	Accumulated Earnings	Total
Balance, December 31, 2016	$ 269,187	$ 1,000	$ -	$ 1,984	$ 97,991	$ 370,162
Issuance of units	138,398	-	-	-	-	138,398
Offering costs	(6,142)	-	-	-	-	(6,142)
Debenture conversion	210	-	-	(19)	-	191
Distributions to limited partners	-	-	-	-	(12,307)	(12,307)
Net income for the period	-	-	-	-	33,450	33,450
Balance, June 30, 2017	**$ 401,653**	**$ 1,000**	**$ -**	**$ 1,965**	**$ 119,134**	**$ 523,752**

(expressed in thousands of United States dollars, except units and per unit amounts)

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
REVENUES				
Rental	**$ 27,359**	$ 21,804	**$ 54,472**	$ 42,641
OPERATING EXPENSES (RECOVERIES)				
Insurance	**547**	458	**1,086**	893
Property management	**-**	650	**-**	1,274
Property taxes	**(1,054)**	24	**22,584**	16,318
Property operating expenses	**6,018**	4,803	**11,547**	9,198
	5,511	5,935	**35,217**	27,683
NET RENTAL INCOME	**21,848**	15,869	**19,255**	14,958
NET FINANCE INCOME (EXPENSES)				
Interest income	**5**	46	**12**	67
Interest expense (note 11)	**(6,292)**	(5,187)	**(12,568)**	(10,230)
Distributions to subsidiary's preferred unitholders	**(4)**	(4)	**(8)**	(8)
	(6,291)	(5,145)	**(12,564)**	(10,171)
NET OTHER INCOME (EXPENSES)				
Other income (expense)	**(79)**	(26)	**249**	234
General and administrative	**(2,545)**	(1,240)	**(4,179)**	(2,040)
Fair value adjustments to investment properties (note 3)	**8,115**	11,154	**12,742**	22,495
IFRIC 21 fair value adjustments to investment properties	**(6,356)**	(4,095)	**11,372**	8,190
Franchise taxes	**(129)**	(110)	**(254)**	(216)
	(994)	5,683	**19,930**	28,663
NET INCOME AND COMPREHENSIVE INCOME	**$ 14,563**	$ 16,407	**$ 26,621**	$ 33,450
Earnings per Class A unit				
Basic	**$ 0.18**	$ 0.24	**$ 0.34**	$ 0.53
Diluted (note 19)	**$ 0.18**	$ 0.23	**$ 0.33**	$ 0.51
Weighted average number of Class A units				
Basic	**76,731,540**	65,867,109	**76,731,227**	60,994,875
Diluted (note 19)	**80,761,628**	69,898,967	**80,761,315**	65,026,733
Earnings per Class B unit				
Basic	**$ 2.44**	$ 3.19	**$ 4.47**	$ 7.00
Diluted (note 19)	**$ 2.41**	$ 3.10	**$ 4.42**	$ 6.78
Weighted average number of Class B units				
Basic and diluted	**200,000**	200,000	**200,000**	200,000

(expressed in thousands of United States dollars)

Six months ended		June 30, 2018		June 30, 2017
Cash provided by (used in)				
OPERATIONS				
Net income	$	**26,621**	$	33,450
Items not involving cash:				
Deferred compensation (note 9)		**31**		-
Amortization of transaction costs and accretion of convertible debentures		**577**		457
IFRIC 21 fair value adjustment to investment properties		**(11,372)**		(8,190)
Fair value adjustments to investment properties		**(12,742)**		(22,495)
Property tax adjustments on acquisitions		**-**		(735)
Interest income		**(12)**		(67)
Interest expense		**11,991**		9,773
Distributions to subsidiary's preferred unitholders		**8**		8
Net change in non-cash working capital items (note 13)		**6,969**		13,024
		22,071		25,225
INVESTING				
Capital additions to investment properties		**(2,572)**		(2,249)
Interest received		**12**		67
Release of cash held in trust		**-**		42,032
Acquisitions of investment properties		**-**		(157,657)
		(2,560)		(117,807)
FINANCING				
Distributions paid to limited partners		**(14,387)**		(11,161)
Interest paid		**(11,884)**		(9,572)
Repayment of mortgages payable		**(1,871)**		(1,837)
Distribution paid to subsidiary's preferred unitholders		**(8)**		(8)
Funds from mortgage reserve fund		**470**		172
Payment of finance transaction costs		**-**		(545)
Mortgage proceeds received		**-**		51,350
Proceeds from issuance of limited partner units		**-**		138,398
Unit offering costs		**-**		(6,143)
		(27,680)		160,654
Net change in cash and cash equivalents		**(8,169)**		68,072
Cash and cash equivalents, beginning of period		**25,863**		20,603
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	**17,694**	$	88,675
Supplemental cash flow information:				
Non-cash financing:				
Distributions to the limited partners included in accounts payable and accrued liabilities	**$**	**2,898**	$	2,898
Conversion of convertible debentures		**10**		210

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

1. PURE MULTI-FAMILY REIT LP INFORMATION

Pure Multi-Family is a limited partnership formed under the *Limited Partnership Act* (Ontario) to indirectly invest in multi-family real estate properties in the United States. Pure Multi-Family was established by Pure Multi-Family Management Limited Partnership (the "Managing GP"), its managing general partner from formation to May 24, 2018, and Pure Multi-Family REIT (GP) Inc. (the "Governing GP"), its governing general partner, pursuant to the terms of a Limited Partnership Agreement (the "LP Agreement"), dated May 8, 2012, as amended and restated May 28, 2015, as further amended August 21, 2015 and as amended and restated May 24, 2018, and as may be amended from time to time. On May 24, 2018, unitholders approved the removal of the Managing GP as a general partner of Pure Multi-Family.

Pure Multi-Family's head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. Pure Multi-Family's property management office is located at 450 – 5810 Tennyson Parkway, Plano, Texas, 75024. A copy of the LP Agreement can be obtained from the Chief Financial Officer of Pure Multi-Family and is available on SEDAR at www.sedar.com.

Pure Multi-Family was established for, among other things, the purposes of:

- acquiring common shares and a Series A preferred share of Pure US Apartments REIT Inc. (the "US REIT");
- temporarily holding cash and investments for the purposes of paying the expenses and liabilities of Pure Multi-Family and making distributions to Unitholders;
- in connection with the undertaking set out above, reinvesting income and gains of Pure Multi-Family and taking other actions besides the mere protection and preservation of Pure Multi-Family property.

The US REIT was established for, among other things, the purposes of acquiring, owning and operating multi-family real estate properties in the United States.

These condensed interim consolidated financial statements for the three and six months ended June 30, 2018 were authorized for issue by the Board of Directors of the Governing GP (the "Board") on August 8, 2018.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

A. Statement of compliance and basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs"). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

Other than as subsequently disclosed, the significant accounting policies applied by Pure Multi-Family in these unaudited condensed interim consolidated financial statements are the same as those applied in Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2017. Additional disclosures are required in annual financial statements; therefore, these unaudited condensed interim consolidated financial statements should be read in conjunction with Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2017.

B. Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The preparation of these condensed interim consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying Pure Multi-Family's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(R) to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2017. There have been no changes in the areas involving judgment or estimate since December 31, 2017.

C. Functional and presentation currency

These condensed interim consolidated financial statements are presented in United States dollars, which is Pure Multi-Family's functional currency.

D. Accounting Standards Implemented in 2018

On January 1, 2018, Pure Multi-Family implemented IFRS 15, "Revenue from contracts with customers" (IFRS 15") and IFRS 9, "Financial Instruments" (IFRS 9), in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts on implementation of IFRS 15 and IFRS 9 are described below.

IFRS 15

In 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", replacing IAS 18, "Revenue", IAS 11, "Construction Contracts", and other related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards for insurance contracts, financial instruments and lease contracts. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The majority of Pure Multi's revenue is rental revenue, which is outside the scope of IFRS 15.

Pure Multi-Family adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively. The implementation of IFRS 15 did not have any impact on Pure Multi-Family's revenue streams.

IFRS 9

In 2014, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), and related interpretations. IFRS 9 introduces revised guidance on the classification and measurement of financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Pure Multi-Family implemented the new requirements for classification and measurement, impairment and general hedging on January 1, 2018, retrospectively with no restatement of comparative periods.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: (i) amortized cost, (ii) fair value through other comprehensive income (FVOCI), and (iii) fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: (i) amortized cost or (ii) FVTPL.

The following table summarizes the classification impact upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in changes in measurement or the carrying amount of financial assets and liabilities.

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

Asset/Liability Classification	Category under IAS 39	Category under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Mortgage reserve fund	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Credit facility	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Other liabilities	Other financial liabilities	Amortized cost

Financial assets are not reclassified subsequent to their initial recognition unless a change takes place with regard to the business model for managing financial assets. In such an event, the classification of financial assets would be re-assessed.

E. Accounting standards not yet adopted

Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases* ("IAS 17").

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Pure Multi-Family intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. Pure Multi-Family does not expect the standard to have a material impact on the consolidated financial statements.

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

3. INVESTMENT PROPERTIES

		2018
Balance, as at December 31, 2017	$	1,133,501
Capital additions		2,572
Fair value adjustments to investment properties		12,742
		1,148,815
IFRIC 21 property tax liability adjustment		(11,372)
IFRIC 21 fair value adjustment to investment properties		11,372
Balance as at June 30, 2018	**$**	**1,148,815**

		2017
Balance, as at December 31, 2016	$	778,547
Property acquisitions		329,520
Property tax adjustments on acquisitions and dispositions		2,910
Capital additions		4,922
Fair value adjustments to investment properties		17,602
Balance as at December 31, 2017	**$**	**1,133,501**

The investment properties are pledged as security against the mortgages payable.

Valuations

Investment properties are carried at fair value. As set out in note 3(R), to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2017, in arriving at their estimates of fair value, management and the independent appraisers have used their market knowledge and professional judgment and have not relied solely on historical transactional comparisons.

Independent appraisals were performed by accredited appraisers. Management reviews each appraisal and ensures that the assumptions used are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

Pure Multi-Family does not obtain appraisals for each property at each reporting date. Where Pure Multi-Family does not obtain an appraisal for a specific investment property at the reporting date, management uses specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred. During the six months ended June 30, 2018, Pure Multi-Family obtained independent appraisals on 11 investment properties held at June 30, 2018 (year ended December 31, 2017, Pure Multi-Family obtained independent appraisals on all of the investment properties it held at December 31, 2017). As disclosed in note 3(R), to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2017, where appropriate, management incorporated these appraisals in its determination of fair value for each of the investment properties.

The significant assumptions made relating to the valuations of the investment properties are set out below:

	June 30, 2018		December 31, 2017	
	Weighted average	Range	Weighted average	Range
Capitalization rate	5.17%	4.75% - 6.00%	5.17%	4.75% - 6.00%

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

4. MORTGAGE RESERVE FUND

The mortgage reserve fund consists of cash on deposit requested by the lenders to be retained in escrow to pay for any repairs to the properties and certain costs. These funds will be released to pay the respective obligations or once certain conditions are met, such as completion of repairs. The term of the mortgage reserve fund is less than 12 months.

5. MORTGAGES PAYABLE

	Nominal interest rate	Year of maturity	**June 30, 2018**	December 31, 2017
Valley Ranch	3.51%	2022	**$ 13,680**	$ 13,680
Prairie Creek	4.07%	2030	**44,267**	44,705
Bear Creek	3.45%	2019	**32,080**	32,080
Hackberry Creek	3.90%	2028	**29,500**	29,500
Deer Park	4.21%	2023	**15,662**	15,811
Fountainwood	4.46%	2023	**12,157**	12,278
Walker Commons	3.11%	2019	**28,470**	28,470
Preserve	3.26%	2021	**23,729**	23,983
San Brisas	3.26%	2021	**16,379**	16,554
Park West	4.02%	2030	**36,500**	36,500
Amalfi	3.83%	2027	**45,000**	45,000
Brackenridge	3.72%	2027	**30,600**	30,600
Pure Estates	3.96%	2024	**37,405**	37,824
Pure View	3.92%	2031	**37,456**	37,771
The Avenue	3.40%	2028	**43,000**	43,000
Creekside	3.98%	2027	**20,000**	20,000
Lansbrook	3.27%	2022	**16,500**	16,500
Park 28	3.84%	2032	**14,850**	14,850
Pinnacle at Union Hill	3.32%	2024	**23,750**	23,750
La Villita	3.81%	2032	**24,400**	24,400
Farmers Market	3.67%	2029	**33,500**	33,500
Total mortgages principal payable			**578,885**	580,756
Unamortized mortgage transaction costs			**(4,243)**	(4,503)
Total carrying value of mortgages payable			**574,642**	576,253
Less current portion			**5,576**	4,563
Non-current portion			**$ 569,066**	$ 571,690

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 3.72% as at June 30, 2018 (December 31, 2017 - 3.72%).

The mortgages payable are secured by charges on Pure Multi-Family's investment properties.

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

Principal repayments, as of June 30, 2018, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2018 remaining	$	2,692
2019		66,716
2020		7,019
2021		44,286
2022		37,665
Thereafter		420,507
	$	578,885

6. CREDIT FACILITY

On November 28, 2017, Pure Multi-Family entered into a secured revolving credit agreement (the "Facility"), through the US REIT, with a total commitment available of up to $50,000,000. The contract period is 3 years and interest is calculated using the effective interest rate, which was 3.76% for the six months ended June 30, 2018 (year ended December 31, 2017 – 3.64%). Amounts drawn under the Facility bear interest at a variable rate equal to: (i) LIBOR plus a margin ranging from 1.55% to 2.20% per annum, or (ii) a base rate plus a margin ranging from 0.55% to 1.20% per annum. As at June 30, 2018, a balance of $26,000,000 was outstanding (December 31, 2017 - $26,000,000). The Facility is secured by the Fillmore investment property located in Phoenix, Arizona.

The following summarized the face and carrying values of the Facility:

	Face Value	Carrying Value
Balance as at December 31, 2017	$ 26,000	$ 25,762
Amortization of transaction costs	-	41
Balance as at June 30, 2018	**$ 26,000**	**$ 25,803**

	Face Value	Carrying Value
Balance as at December 31, 2016	$ -	$ -
Credit facility draws	29,000	29,000
Credit facility repayments	(3,000)	(3,000)
Credit facility financing costs	-	(245)
Amortization of transaction costs	-	7
Balance as at December 31, 2017	**$ 26,000**	**$ 25,762**

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

7. CONVERTIBLE DEBENTURES

On August 7, 2013, Pure Multi-Family issued 23,000 6.5% convertible unsecured subordinated debentures (each a "6.5% convertible debenture") at a price of $1,000 per 6.5% convertible debenture, for gross proceeds of $23,000,000. The 6.5% convertible debentures mature on September 30, 2020 and are convertible at the holder's option at any time into Class A Units at a conversion price of $5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. On or after September 30, 2016, but prior to September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi-Family, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest thereon, provided the weighted average trading price of the Class A Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is at least 125% of the conversion price. After September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi-Family at any time. During the six months ended June 30, 2018, 10 of the originally issued 23,000 6.5% convertible debentures were converted into Class A Units (December 31, 2017 - 210 Class A Units). At June 30, 2018, $22,770,000 of the face value of the 6.5% convertible debentures was outstanding.

The following summarizes the face and carrying values of the 6.5% convertible debentures:

	Convertible Debentures Face Value	Liability Component Carrying Value	Equity Component Carrying Value
Balance as at December 31, 2017	$ 22,780	$ 21,115	$ 1,965
Conversion of convertible debenture	(10)	(9)	(1)
Amortization of transaction costs	-	95	-
Accretion of liability component	-	180	-
Balance as at June 30, 2018	**$ 22,770**	**$ 21,381**	**$ 1,964**
Balance as at December 31, 2016	$ 22,990	$ 20,793	$ 1,984
Conversion of convertible debenture	(210)	(191)	(19)
Amortization of transaction costs	-	181	-
Accretion of liability component	-	332	-
Balance as at December 31, 2017	**$ 22,780**	**$ 21,115**	**$ 1,965**

8. DEFERRED UNIT PLAN

The Board adopted the Deferred Unit Plan effective as of January 1, 2018. The purpose of the Deferred Unit Plan is to promote a greater alignment of interests between the non-executive Directors and the unitholders. Each Eligible Person (a person who is, on the applicable date, a non-executive Director) may, subject to the conditions of the Deferred Unit Plan, elect to be a participant thereunder. A participant may elect to be paid up to 25% (the "Elected Percentage") of his or her annual retainer (such product being referred to as the "Elected Amount"), in the form of deferred Units (each, a "Deferred Unit") in lieu of cash, provided that Pure Multi-Family shall match the Elected Amount for each participant annually in the form of Deferred Units having a value on each Award Date, being the last business day of each calendar quarter, equal to the Market Value (as defined in the Deferred Unit Plan) on such dates. Under the Deferred Unit Plan, one Deferred Unit shall be equivalent in value to one Unit. The number of Deferred Units (including fractional Deferred Units) to be credited to a participant as of any particular Award Date pursuant to the Deferred Unit Plan are to be calculated by dividing: (i) the amount calculated by multiplying the dollar amount of the participant's Elected Amount by two and dividing that product by four; by (ii) the Market Value of a Unit on the Award Date.

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

Upon any cash distribution being paid on the Units prior to a participant's Redemption Date (as defined in the Deferred Unit Plan), Pure Multi-Family will credit additional Deferred Units to the participant's Deferred Unit account. The number of such additional Deferred Units is calculated by dividing: (i) the amount determined by multiplying: (a) the number of Deferred Units in such participant's Deferred Unit account on the record date for the payment of such distribution by (b) the distribution paid per Unit; by (ii) the Market Value of a Unit on the distribution payment date for such distribution.

The Deferred Units credited to a participant's Deferred Unit account shall vest immediately and be redeemable by the participant (or, where the participant has died, his or her estate) following an event, including disability, retirement or death, causing the participant to be no longer an Eligible Person (the "Termination Date"). The Deferred Units credited to a participant's Deferred Unit account may be redeemed in whole or in part during the period (the "Redemption Period") commencing six months after the Termination Date and ending on December 1 of the second calendar year following the participant's termination. Under no circumstances shall Deferred Units be considered units or entitle the participant to any unitholder rights, including without limitation, voting rights, distribution entitlements or rights on liquidation, other than as set out in the Deferred Unit Plan.

The value of the Deferred Units is recognized as Director compensation expense in the period coinciding with the Directors' service period to which the grants relate. The Deferred Units are measured at fair value each reporting period and the change in fair value is recognized as an expense (when Pure Multi-Family's unit price increases) or gain (when Pure Multi-Family's unit price decreases) to compensation expense. For the three and six months ended June 30, 2018, $28,400 and $60,240, respectively, in compensation expense (three and six months ended June 30, 2017 - $nil), was included in G&A expenses.

	Deferred Unit Plan Units		Carrying Value
Balance, December 31, 2017	-	$	-
Granting of units	9,172		60
Distribution units	67		-
Balance as at June 30, 2018	**9,239**	**$**	**60**

9. OTHER LIABILITIES

A. Preferred units of subsidiary

During the year ended December 31, 2013, the US REIT issued 125 preferred units at $1,000 per preferred unit for gross proceeds of $125,000. On consolidation, the preferred units of the US REIT are reflected as a liability of Pure Multi-Family.

The preferred units are non-voting preferred units. Unitholders holding preferred units are entitled to receive dividends from the US REIT at a per annum rate equal to 12.5%, payable on June 30 and December 31 of each year. Unitholders holding preferred units will be allocated such return in priority to any allocations or distributions to all other classes and series of units of the US REIT. However, after payment of such return to unitholders holding preferred units, preferred unitholders are not otherwise entitled to share in the income of the US REIT.

The US REIT may redeem the preferred units at any time, for a price equal to $1,000 per preferred unit, plus accrued and unpaid distributions.

Due to the fixed distributions and preferred treatment for preferred units, they meet the definition of a liability. In addition, the Board does not presently intend to redeem any preferred units within the next year in the ordinary course. Thus, the preferred units are classified as non-current liabilities.

Pure Multi-Family declared distributions of $3,907 during the three months ended June 30, 2018 and $7,813 during the six months ended June 30, 2018 to the preferred unitholders ($3,907 and $7,813, respectively, during the same periods in the prior year).

B. Deferred compensation – Restricted Unit Plan

On May 24, 2018, the unitholders approved an amended and restated restricted unit plan (the "RUP"), which was initially approved by unitholders on May 21, 2014. The RUP provides for the grant of restricted units (each, a "Restricted Unit") to directors, officers, employees, partners and consultants (as such terms are defined in the RUP) of Pure Multi-Family and its affiliates and subsidiaries. As distributions are paid on units, additional restricted units (each, a "Distribution Restricted Unit") will be credited to the participants in an amount determined by dividing the dollar amount of the distributions payable by the fair market value per unit, as defined in the RUP, on the date of the distribution. The Board may establish performance criteria, the achievement of which may be a condition precedent to the grant in whole or in part. As well, the number of Restricted Units granted to a participant may be increased by a "performance factor" established by the Board at the time of grant.

Distribution Restricted Units vest at the same time and in the same proportion as the associated Restricted Units. The number of a participant's Restricted Units and Distribution Restricted Units which vest is the number of Restricted Units and Distribution Restricted Units credited to the participant's Restricted Unit account during the vesting period multiplied by a performance factor, if any, determined by the Board from time to time and set out in the grant agreement. Subject to the terms of the respective grant agreement, the maximum performance factor will not exceed 200%. The expiry date applicable to Distribution Restricted Units is the same as that applicable to the associated Restricted Units.

Subject to the provisions of the RUP and the grant agreement, Restricted Units and any associated Distribution Restricted Units granted or earned as outlined in the grant agreement, shall vest and become available for redemption on the third anniversary of the grant date. However, the Restricted Units granted to a participant and any associated Distribution Restricted Units shall not vest, and the participant shall not be entitled to such Restricted Units or associated Distribution Restricted Units if the performance criteria, which are specified in the grant agreements, are not met. The participant shall then be entitled to redeem such vested Restricted Units in accordance to the RUP and the grant agreement and receive the payout amount. Vested Restricted Units and Distribution Restricted Units must be redeemed no later than December 31 in the year of vesting.

It is Pure Multi-Family's intention to settle all vested Restricted Units and Distribution Restricted Units on a cash basis.

Grant and Redemption of Restricted Units and Distribution Restricted Units

For the six months ended June 30, 2018, eight employees were granted an aggregate of 71,319 Restricted Units at an average price of $7.27 per Restricted Unit to be vested over a three year period. As at June 30, 2018, no Restricted Units or Distribution Restricted Units were eligible for redemption.

Valuation

The Restricted Units and Distribution Restricted Units are measured at fair value each reporting period and the change in fair value is recognized as an expense (when Pure Multi-Family's unit price increases) or a gain (when Pure Multi-Family's unit price decreases) to compensation expense. For the three and six months ended June 30, 2018, $31,223 in compensation expense (three and six months ended June 30, 2017 - $nil), was included in G&A expenses in relation to the grant of Restricted Units and the associated Distribution Restricted Units recognized as at June 30, 2018.

($000's, except unit amounts)	Restricted Unit Plan Units	Carrying Value
Balance, December 31, 2017	-	$ -
Granting of units	3,962	29
Distribution units	616	4
Fair value adjustment	-	(2)
Balance as at June 30, 2018	4,578	$ 31

In determining the fair value of the RUP liability at each reporting period, Pure Multi-Family's closing unit price is used to value the total Restricted Units and Distribution Restricted Units outstanding. In addition, Pure Multi-Family determines whether the performance criteria or performance factor, as applicable, will be met for each grant, and used the following weighted average assumptions in the determination of the fair value:

Distribution per unit, per month	$ 0.03125
Closing unit price as at June 30, 2018	$ 6.82

Included in compensation expense for the three and six months ended June 30, 2018 is a fair value gain of $2,059 (three and six months ended June 30, 2017 - $nil) relating to the Restricted Units and Distribution Restricted Units due to the decrease in the price of the Class A Units since the grant date of April 17, 2018.

10. PARTNERS' CAPITAL

A. Limited Partners and General Partner

The capital of Pure Multi-Family consists of an unlimited number of Class A Units and Class B units (each a "Class B Unit") and the interest held by the Governing GP. Except as set out in the LP Agreement, no Class A Unit or Class B Unit has any preference or priority over another. The Governing GP has made a capital contribution of $20 to Pure Multi-Family and has no further obligation to contribute capital.

On May 30, 2012, the Managing GP subscribed for 200,000 Class B units of Pure Multi-Family. On August 12, 2016, a Determination Event, as defined in the LP Agreement, occurred as a result of Pure Multi-Family's market capitalization exceeding $300,000,000 for a period of 10 consecutive trading days. Upon the occurrence of the Determination Event, the number of Class A Units, into which the Class B Units may be converted to, was fixed at 2,665,835. Pure Multi-Family has not issued any additional Class B Units.

As defined in the LP Agreement, the Governing GP has discretion to allocate revenue and expenses on a basis which ensures a fair distribution among unitholders. For the six months ended June 30, 2018 and the year ended December 31, 2017, the Governing GP has allocated the revenue and expenses based on the weighted average number of Class A Units outstanding during the reporting periods and the respective Class B Units, per the Specified Ratio, as described in the LP Agreement. For the six months ended June 30, 2018, 3.36% of net income was allocated to the Class B Units (six months ended June 30, 2017 – 4.19%).

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

During the six months ended June 30, 2018 the following transaction occurred:

(a) On February 2, 2018, ten 6.5% convertible debentures were converted at a conversion price of $5.65 into 1,769 Class A Units. Pure Multi-Family issued the Class A Units from treasury.

	June 30, 2018	December 31, 2017
Class A Units outstanding, beginning of year	76,729,771	56,068,506
Class A Units issued, public offering	-	20,624,100
Class A Units issued, debentures converted	1,769	37,165
Class A Units outstanding, end of year	**76,731,540**	**76,729,771**

Pure Multi-Family is authorized to issue an unlimited number of Class A Units and Class B Units.

B. Normal Course Issuer Bid

In September 2017, Pure Multi-Family received approval from the TSX Venture Exchange to commence a normal course issuer bid ("NCIB"), allowing for the purchase for cancellation of up to 1,000,000 Class A Units. The NCIB commenced on October 3, 2017 and will expire on October 2, 2018, or such earlier date as Pure Multi-Family completes its purchases pursuant to the NCIB. Purchases subject to this NCIB will be carried out pursuant to open market transactions through the facilities of the TSX-V by CIBC on behalf of Pure Multi-Family in accordance with applicable regulatory requirements. All Class A Units purchased by Pure Multi-Family under the NCIB will be returned to treasury and cancelled. During the six months ended June 30, 2018, Pure Multi-Family did not purchase and cancel any Class A Units under the NCIB.

11. INTEREST EXPENSE

Interest expense consists of the following:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Mortgage interest	$ 5,394	$ 4,585	$ 10,788	$ 9,036
Convertible debenture interest	370	372	740	737
Credit facility interest	238	-	463	-
Amortization of transaction costs and accretion of convertible debentures	290	230	577	457
	$ 6,292	**$ 5,187**	**$ 12,568**	**$ 10,230**

12. INCOME TAXES

A. Current income taxes

Pure Multi-Family's indirect Canadian subsidiary, Pure Multi-Family Management Ltd. ("Management Co"), is a taxable Canadian corporation subject to Canadian income tax. Pure Multi-Family has recorded a provision for current income tax related expense to Management Co of $18,280 for the six months ended June 30, 2018 (six months ended June 30, 2017 - $24,904), which is included in other income (expenses) in the consolidated statement of comprehensive income.

B. Deferred income taxes

No deferred income taxes have been recorded by Pure Multi-Family.

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Six months ended	
Cash provided by (used in)	June 30, 2018	June 30, 2017
Amounts receivable	$ 753	$ 479
Prepaid expenses	1,334	574
Accounts payable and accrued liabilities	4,752	11,538
Unearned revenue	171	186
Rental deposits	(41)	247
	$ 6,969	**$ 13,024**

14. CAPITAL MANAGEMENT

The LP Agreement provides for a maximum indebtedness level of up to 70% of the gross book value. The term "indebtedness" means any obligation of Pure Multi-Family for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of Pure Multi-Family arising from the issuance of subordinated notes, but excluding any premium in respect of indebtedness assumed by Pure Multi-Family for which Pure Multi-Family has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, preferred units of subsidiary, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The LP Agreement defines “gross book value” as the book value of the assets of Pure Multi-Family plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by Pure Multi-Family. Pure Multi-Family’s indebtedness is 53.0% as at June 30, 2018 (December 31, 2017 - 53.4%). Pure Multi-Family was in compliance with all of its investment and debt restrictions during the six months ended June 30, 2018 and the year ended December 31, 2017.

There were no changes in Pure Multi-Family’s approach to capital management during the six months ended June 30, 2018.

15. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of Pure Multi-Family’s financial instruments, including cash and cash equivalents, amounts receivable, mortgage reserve fund, and accounts payable and accrued liabilities, the carrying amounts approximate the fair value due to the short-term nature of the instruments.

The fair value of the mortgages payable and preferred units have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates are either provided by lenders or are observable in the open market. The fair value of the convertible debentures and restricted unit plan have been calculated using quoted prices in active markets.

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

The following table presents, where different, the carrying amount and fair value of Pure Multi-Family's financial instruments:

	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	$ 574,642	$ 530,610	$ 576,253	$ 547,121
Credit facility	25,803	26,000	25,762	26,000
Convertible debentures	21,381	27,997	21,115	23,919

16. RELATED PARTY TRANSACTIONS

Managing GP

Pure Multi-Family is related to the Managing GP, by virtue of having an officer and director in common (Stephen Evans).

Pure Multi-Family declared distributions to the Managing GP in the amount of $249,922 during the three months ended June 30, 2018 and $499,844 during the six months ended June 30, 2018 ($249,922 and $499,844, respectively, during the same periods in the prior year). Included in accounts payable and accrued liabilities at June 30, 2018 was $249,922 (December 31, 2017 - $nil) payable to the Managing GP.

Tipton Asset Group, Inc.

Tipton Asset Group, Inc. ("Tipton") was the property manager for Pure Multi-Family up until September 30, 2017. Pure Multi-Family was related to Tipton by virtue of having an officer and director in common (Bryan Kerns) with a subsidiary of Pure Multi-Family until December 31, 2017. As of January 1, 2018, Tipton was no longer considered a related party to Pure Multi-Family, as Mr. Kerns was not reappointed as an officer and director with Pure Multi-Family or any of its subsidiaries.

Compensation

The Directors who are not affiliated with or employees of the Managing GP receive annual compensation, in addition to and where applicable, fees for attending meetings of the directors or any committee, and acting as committee chairs and members. As well, the Governing GP indirectly reimburses such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi-Family reimburses the Governing GP for such amounts. In addition, Pure Multi-Family has obtained insurance coverage for such directors. Compensation is reviewed on an annual basis, giving consideration to Pure Multi-Family's growth and the extent of its portfolio.

Key corporate personnel have the authority and responsibility for planning, directing and controlling the activities of Pure Multi-Family, directly or indirectly. Pure Multi-Family's key personnel include the Chief Executive Officer, Chief Financial Officer, Vice Presidents and the Directors.

Salaries, bonuses, directors' fees and other short-term employee benefits and incentives are accrued when earned and are as follows:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Salaries, directors' fees, and other short-term benefits	$ 597	$ 448	$ 1,193	$ 838
Restricted unit based compensation expense	28	-	28	-

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

The increase in key corporate personnel compensation during the six months ended June 30, 2018, compared to the six months ended June 30, 2017, was primarily driven by the addition of a key management employee, due to the internalization of the property management function, whose compensation was not included in the prior period, and an increase in directors' fees, which was largely driven by the formation of a special committee and the addition of a new director.

There were no Restricted Units or Distribution Restricted Units eligible for redemption at June 30, 2018.

17. LEASES

Property Lease Revenue

Pure Multi-Family, through the US REIT, has entered into lease agreements on its investment properties. The residential property leases typically have lease terms of 1 to 12 months. Future minimum rental revenue to be earned under non–cancellable operating leases is $48,616,999 as at June 30, 2018 (December 31, 2017 - $49,710,451).

Operating Lease Commitment

Pure Multi-Family has an operating lease agreement, expiring in 2025, for the lease of the US REIT corporate office located in Plano, Texas, with total payments of approximately $1.0 million required over the lease term.

18. FAIR VALUE MEASUREMENT

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the financial statements is as follows:

	June 30, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	$ -	$ -	$ 1,148,815	$ -	$ -	$ 1,133,501
Mortgages payable	-	530,610	-	-	547,121	-
Credit facility	-	26,000	-	-	26,000	-
Convertible debentures	27,997	-	-	23,919	-	-
Preferred units of subsidiary	-	125	-	-	125	-
Deferred compensation	31	-	-	-	-	-

There have been no transfers between the levels during the year.

As disclosed above, the fair value methodology for Pure Multi-Family's investment properties is considered Level 3, as significant unobservable inputs are required to determine fair value. Refer to note 3 for a description of how management determines fair value and for further details of the average capitalization rates and ranges for investment properties.

Investment properties as at June 30, 2018 and December 31, 2017 have been valued using the overall capitalization rate ("OCR") method, an income based approach, whereby the stabilized net operating income is capitalized at the requisite OCR.

Valuations determined by the OCR method are most sensitive to changes in capitalization rates.

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate at June 30, 2018:

	OCR Sensitivity	
Rate sensitivity	Fair value	Change in fair value
+ 75 basis points	$ 1,002,807	$ (146,008)
+ 50 basis points	1,047,157	(101,658)
+ 25 basis points	1,095,625	(53,190)
Base rate (5.17%)	1,148,815	-
- 25 basis points	1,207,452	58,637
- 50 basis points	1,272,424	123,609
- 75 basis points	1,344,821	196,006

19. DILUTED EARNINGS PER CLASS A UNIT

The components of diluted earnings per share are summarized in the following tables:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Basic net income and comprehensive income	$ 14,563	$ 16,407	$ 26,621	$ 33,450
Dilutive interest expense [(1)]	508	493	1,015	985
Diluted net income and comprehensive income	15,071	16,900	27,636	34,435
Diluted net income and comprehensive income allocated to Class A unitholders	**14,590**	**16,279**	**26,753**	**33,079**
Diluted net income and comprehensive income allocated to Class B unitholders	**$ 481**	**$ 621**	**$ 883**	**$ 1,356**

Notes:
(1) Dilutive interest expense includes the removal of the interest expense related to the dilutive 6.5% convertible debentures.

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Weighted average number of Class A units – basic	76,731,540	65,867,109	76,731,540	60,994,875
Dilutive effect of the conversion of convertible debentures using the treasury stock method [(1)]	4,030,088	4,031,858	4,030,088	4,031,858
Weighted average number of Class A units – dilutive)	**80,761,628**	**69,898,967**	**80,761,315**	**65,026,733**

Notes:
(1) Conversion of 6.5% convertible debentures based on exercise price of $5.65 per Class A Unit.

20. SUBSEQUENT EVENTS

On July 26, 2018, Pure Multi-Family drew $1,000,000 against the Facility, bringing the outstanding balance to $27,000,000.