Pure Multi-Family REIT LP

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

Expressed in thousands of United States dollars

(expressed in thousands of United States dollars)

		June 30, 2019		December 31, 2018
ASSETS				
Non-current assets				
Investment properties (note 3)	**$**	**1,189,707**	$	1,157,616
Right-of-use asset (note 4)		**651**		-
		1,190,358		1,157,616
Current assets				
Prepaid expenses		**1,926**		3,264
Mortgage reserve fund (note 5)		**4,566**		7,322
Amounts receivable		**150**		541
Cash and cash equivalents		**13,527**		22,625
		20,169		33,752
TOTAL ASSETS	**$**	**1,210,527**	$	1,191,368
LIABILITIES				
Non-current liabilities				
Mortgages payable (note 6)	**$**	**539,734**	$	542,852
Lease liability (note 4)		**561**		-
Credit facility (note 7)		**55,623**		26,844
Convertible debentures (note 8)		**21,939**		21,642
Other liabilities (note 9)		**625**		353
		618,482		591,691
Current liabilities				
Mortgages payable (note 6)		**6,683**		34,634
Lease liability (note 4)		**100**		-
Rental deposits		**1,505**		1,478
Unearned revenue		**1,679**		1,509
Accounts payable and accrued liabilities		**20,446**		27,162
		30,413		64,783
TOTAL LIABILITIES		**648,895**		656,474
PARTNERS' CAPITAL (note 10)		**561,632**		534,894
TOTAL LIABILITIES AND PARTNERS' CAPITAL	**$**	**1,210,527**	$	1,191,368

Subsequent events (note 19)

(expressed in thousands of United States dollars)

	Limited Partners Class A	Limited Partners Class B	General Partner	Convertible Debentures (note 8)	Accumulated Earnings	Total
Balance, December 31, 2018	$ 401,687	$ 1,000	$ -	$ 1,961	$ 130,246	$ 534,894
Distributions to limited partners	-	-	-	-	(14,888)	(14,888)
Net income for the period	-	-	-	-	41,626	41,626
Balance, June 30, 2019	**$ 401,687**	**$ 1,000**	**$ -**	**$ 1,961**	**$ 156,984**	**$ 561,632**

	Limited Partners Class A	Limited Partners Class B	General Partner	Convertible Debentures (note 8)	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**

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

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
REVENUES				
Rental	**$ 28,077**	$ 27,359	**$ 55,872**	$ 54,472
OPERATING EXPENSES (RECOVERIES)				
Insurance	**538**	547	**1,076**	1,086
Property taxes	**(426)**	(1,054)	**23,670**	22,584
Property operating expenses	**5,380**	6,018	**10,808**	11,547
	5,492	5,511	**35,554**	35,217
NET RENTAL INCOME	**22,585**	21,848	**20,318**	19,255
NET FINANCE INCOME (EXPENSES)				
Interest income	**5**	5	**18**	12
Interest expense (note 11)	**(6,524)**	(6,292)	**(12,949)**	(12,568)
Distributions to subsidiary's preferred unitholders	**(4)**	(4)	**(8)**	(8)
	(6,523)	(6,291)	**(12,939)**	(12,564)
NET OTHER INCOME (EXPENSES)				
Other income (expense)	**(22)**	(79)	**(26)**	249
General and administrative	**(2,734)**	(2,545)	**(4,472)**	(4,179)
Fair value adjustments to investment properties (note 3)	**17,163**	8,115	**27,140**	12,742
IFRIC 21 fair value adjustments to investment properties	**(6,212)**	(6,356)	**11,860**	11,372
Franchise taxes	**(127)**	(129)	**(255)**	(254)
	8,068	(994)	**34,247**	19,930
NET INCOME AND COMPREHENSIVE INCOME	**$ 24,130**	$ 14,563	**$ 41,626**	$ 26,621
Earnings per Class A unit				
Basic	**$ 0.30**	$ 0.18	**$ 0.52**	$ 0.34
Diluted (note 18)	**$ 0.30**	$ 0.18	**$ 0.51**	$ 0.33
Weighted average number of Class A units				
Basic	**76,736,671**	76,731,540	**76,736,671**	76,731,227
Diluted (note 18)	**80,761,627**	80,761,628	**80,761,627**	80,761,315
Earnings per Class B unit				
Basic	**$ 4.05**	$ 2.44	**$ 6.99**	$ 4.47
Diluted (note 18)	**$ 3.94**	$ 2.41	**$ 6.82**	$ 4.42
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, 2019**		June 30, 2018
Cash provided by (used in)				
OPERATIONS				
Net income	**$**	**41,626**	$	26,621
Items not involving cash:				
Amortization of transaction costs, depreciation of right-of-use asset and accretion of convertible debentures		**693**		577
Fair value adjustments to investment properties		**(27,140)**		(12,742)
IFRIC 21 fair value adjustment to investment properties		**(11,860)**		(11,372)
Distributions to subsidiary's preferred unitholders		**8**		8
Net change in non-cash working capital items (note 13)		**7,744**		7,000
Interest expense		**12,312**		11,991
Interest income		**(18)**		(12)
		23,365		22,071
INVESTING				
Interest received		**18**		12
Capital additions to investment properties		**(4,951)**		(2,572)
		(4,933)		(2,560)
FINANCING				
Credit facility proceeds received		**29,000**		-
Proceeds from mortgage reserve fund		**2,756**		470
Distribution paid to subsidiary's preferred unitholders		**(8)**		(8)
Payment of lease liability		**(47)**		-
Credit facility transaction costs		**(276)**		-
Repayment of mortgages payable		**(31,353)**		(1,871)
Interest paid		**(12,274)**		(11,884)
Distributions paid to limited partners		**(15,328)**		(14,387)
		(27,530)		(27,680)
Net change in cash and cash equivalents		**(9,098)**		(8,169)
Cash and cash equivalents, beginning of period		**22,625**		25,863
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**13,527**	$	17,694
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

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 LP"), its former 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"), most recently amended and restated May 24, 2018, and as may be further amended from time to time. On May 24, 2018, Pure Multi-Family internalized its management concurrent with the unitholders' approval of the removal of the Managing LP as a general partner.

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 or 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, 2019 were authorized for issue by the Board of Directors of the Governing GP (the "Board") on August 8, 2019.

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").

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, 2018. 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, 2018.

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(Q) to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2018.

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. Presentation of financial statements

Pure Multi-Family uses a classified statement of financial position. The consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within twelve months from the reporting date and non-current assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. Pure Multi-Family classifies the statements of income and comprehensive income using the function of expense method, which classifies expenses according to their functions, such as costs of operations or administrative activities.

E. Accounting standards implemented in 2019

IFRS 16

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 and replaces 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. Where a lease is in scope, the main effect of IFRS 16 is its requirement for a lessee to recognize assets and liabilities for long term leases of value results in an increase to assets and financial liabilities.

The majority of Pure Multi-Family's leases are either of low value or of a duration of twelve months or less, which is out of the scope of IFRS 16.

Pure Multi-Family elected to apply the modified retrospective approach, under which the cumulative effect of initial application would be recognized as at January 1, 2019. The information presented for 2018 has not been restated and remains as previously reported under IAS 17. On initial application, Pure Multi Family elected to record the right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of $708,468 were recorded as at January 1, 2019, with no impact on retained earnings, for leases previously recognized as operating leases under IAS 17.

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

3) INVESTMENT PROPERTIES

		2019
Balance, as at December 31, 2018	$	1,157,616
Capital additions		4,951
Fair value adjustments to investment properties		27,140
IFRIC 21 property tax liability adjustment		(11,860)
IFRIC 21 fair value adjustment to investment properties		11,860
Balance as at June 30, 2019	**$**	**1,189,707**

		2018
Balance, as at December 31, 2017	$	1,133,501
Capital additions		5,426
Fair value adjustments to investment properties		18,689
Balance as at December 31, 2018	**$**	**1,157,616**

Valuations

Investment properties are carried at fair value. As set out in note 3(Q), to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2018, 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, 2019, Pure Multi-Family obtained independent appraisals on ten of the investment properties it held at June 30, 2019. As disclosed in note 3(Q), to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2018, 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, 2019		December 31, 2018	
	Weighted average	Range	Weighted average	Range
Capitalization rate	4.99%	4.50% - 5.75%	5.05%	4.50% - 5.75%

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

4) LEASES

Right-of-use Asset and Lease Liability

The application of IFRS 16 requires Pure Multi-Family to make judgements that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining that a contract is in the scope of IFRS 16, determining the contract term, and determining the interest rate used for discounting of future cash flows.

A review of the operating leases in place was performed. For leases with terms not exceeding twelve months and for leases of low-value assets, Pure Multi-Family exercised the optional application exemptions under IFRS 16. The lease payments under these contracts are generally recognized on a straight-line basis over the lease term as an operating expense, the value of which is nominal.

In all other leases in which Pure Multi-Family acts as a lessee, the present value of future lease payments is recognized as a financial liability. Lease payments are split into principal and interest portions using the effective interest rate method.

As at the date of transition on January 1, 2019, Pure Multi-Family identified one lease agreement to be recorded in accordance with IFRS 16. Pure Multi-Family is party to an existing operating lease agreement, expiring in 2025, for the lease of its US REIT corporate office, located in Plano, Texas. The lease is recognized, measured and presented in accordance with IFRS 16 - *Leases*.

Valuation of right-of-use asset and lease liability

The lease term determined by Pure Multi-Family comprises the non-cancellable period of the lease contract beginning January 1, 2019 and terminating at the end of the set term of the contract. The same economic useful life is applied to determine the depreciation rate of the right-of-use asset and the interest expense on the lease liability.

The lease liability is initially measured at the present value of the remaining lease payments from the transition date of January 1, 2019, payable over the lease term, and discounted at Pure Multi Family's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in specific criteria including the lease term.

The following table provides a reconciliation of the lease pursuant to IFRS 16:

Operating lease commitments, as at December 31, 2018	$	1,426
Less: Non-lease components per IFRS16		628
Lease liability, balance as at December 31, 2018		798
Discounted using incremental borrowing rate at January 1, 2019		4.05%
Finance lease liability recognized as at January 1, 2019	$	708

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

The lease liability was initially valued at $708,468 using the incremental borrowing rate of 4.05% p.a. as at January 1, 2019. In accordance with IFRS 16, using the modified retrospective approach, an adjustment was made on January 1, 2019 to recognize the lease liability and the accompanying right-of-use asset for the same amount.

	Right-of-Use Asset	Lease Liability	Interest Expense	Lease Payment
Balance as at January 1, 2019	$ 708	$ 708	$ -	$ -
Depreciation on right-of-use asset	(57)	-	-	-
Reduction in lease liability	-	(47)	-	(47)
Interest payment on lease liability	-	-	(14)	(14)
Balance as at June 30, 2019	**$ 651**	**$ (661)**	**$ (14)**	**$ (61)**

Depreciation on the right-of-use asset is included in general and administrative expense in the statement of income and comprehensive income.

There were no leases in the scope of IFRS 16 not yet commenced, to which Pure Multi-Family is committed.

The following table provides the future non-discounted scheduled lease payments:

	2019 remaining	2020	2021	2022	2023	2024 and thereafter
Leases payable	$ 62	$ 125	$ 128	$ 130	$ 133	$ 159

5) 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.

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

6) MORTGAGES PAYABLE

	June 30, 2019	December 31, 2018
Total mortgages principal payable	**$ 550,504**	$ 581,857
Unamortized mortgage transaction costs	**(4,087)**	(4,371)
Total carrying value of mortgages payable	**546,417**	577,486
Less current portion	**6,683**	34,634
Non-current portion	**$ 539,734**	$ 542,852

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

On April 1, 2019, Pure Multi-Family repaid the outstanding mortgage payable on Walker.

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 3.79% as at June 30, 2019 (December 31, 2018 - 3.75%).

Principal repayments, as of June 30, 2019, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2019 remaining	$ 3,281
2020	7,017
2021	44,284
2022	37,663
2023	32,360
Thereafter	425,899
	$ 550,504

7) 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. On April 1, 2019, Pure Multi-Family increased the available commitment to $70,000,000 and renewed the 3-year contract term of the Facility, maturing on April 1, 2022. The Facility is secured by the Fillmore property located in Phoenix, Arizona and the Walker Commons property located in Houston, Texas.

The contract period is 3 years and interest is calculated using the effective interest rate, which was 4.25% for the six months ended June 30, 2019 (year ended December 31, 2018 – 4.13%). 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, 2019, a balance of $56,000,000 was outstanding (December 31, 2018 - $27,000,000).

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

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

	Face Value	Carrying Value
Balance as at December 31, 2018	$ 27,000	$ 26,844
Credit facility draws	29,000	29,000
Credit facility financing costs		(276)
Amortization of transaction costs	-	55
Balance as at June 30, 2019	**$ 56,000**	**$ 55,623**

	Face Value	Carrying Value
Balance as at December 31, 2017	$ 26,000	$ 25,762
Credit facility draws	1,000	1,000
Amortization of transaction costs	-	82
Balance as at December 31, 2018	**$ 27,000**	**$ 26,844**

8) CONVERTIBLE DEBENTURES

On August 7, 2013, Pure Multi-Family issued 23,000 6.5% convertible unsecured subordinated debentures (the "Debentures" or 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 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. After September 30, 2018, the Debentures may be redeemed by Pure Multi-Family at any time. During the three and six months ended June 30, 2019, none of the originally issued 23,000 Debentures were converted into Class A Units (December 31, 2018 – 39 converted into Class A Units). At June 30, 2019, $22,741,000 of the face value of the Debentures were outstanding.

The following summarizes the face and carrying values of the Debentures:

	Convertible Debentures Face Value	Liability Component Carrying Value	Equity Component Carrying Value
Balance as at December 31, 2018	$ 22,741	$ 21,642	$ 1,961
Amortization of transaction costs	-	103	-
Accretion of liability component	-	194	-
Balance as at June 30, 2019	**$ 22,741**	**$ 21,939**	**$ 1,961**
Balance as at December 31, 2017	$ 22,780	$ 21,115	$ 1,965
Conversion of convertible debenture	(39)	(35)	(4)
Amortization of transaction costs	-	195	-
Accretion of liability component	-	367	-
Balance as at December 31, 2018	**$ 22,741**	**$ 21,642**	**$ 1,961**

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. Thus, the preferred units are classified as non-current liabilities.

Pure Multi-Family declared distributions of $7,813 during the six months ended June 30, 2019 to the preferred unitholders (six months ended June 30, 2018 - $7,813)

B. Deferred Unit Plan

The value of the deferred units (each a "Deferred Unit"), including distribution 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, 2019, compensation expense of $27,283 and $55,037, respectively (three and six months ended June 30, 2018 - $28,400 and $60,240), is included within G&A expenses.

($000's, except unit amounts)	Deferred Unit Plan Units		Carrying Value
Balance as at December 31, 2018	17,817	$	115
Granting of units	7,323		50
Distribution units	576		4
Fair value adjustment	-		1
Balance as at June 30, 2019	**25,716**	**$**	**170**
Balance as at December 31, 2017	-	$	-
Granting of units	17,421		111
Distribution units	396		3
Fair value adjustment	-		1
Balance as at December 31, 2018	**17,817**	**$**	**115**

C. Restricted Unit Plan

Grant and Redemption of Restricted Units and Distribution Restricted Units

During the six months ended June 30, 2019, certain employees were granted an aggregate of 87,603 restricted units (each a "Restricted Unit") at an average price of $6.00 (CDN$8.23) to be vested over a three-year period (issued during year ended December 31, 2018 - 71,319 Restricted Units at an average price of $7.27 (CDN$9.17) per Restricted Unit). As at June 30, 2019, 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, 2019, $127,943 and $217,353, respectively, in compensation expense (three and six months ended June 30, 2018 - $31,223 and $31,223, respectively), is included within G&A expenses in relation to the grant of Restricted Units and the associated distribution restricted units recognized as at June 30, 2019.

($000's, except unit amounts)	Restricted Unit Plan Units	Carrying Value
Balance as at December 31, 2018	18,557	$ 113
Granting of units	24,054	159
Distribution units	4,270	28
Fair value adjustment	-	30
Balance as at June 30, 2019	**46,881**	**$ 330**
Balance as at December 31, 2017	-	$ -
Granting of units	15,848	115
Distribution units	2,709	18
Fair value adjustment	-	(20)
Balance as at December 31, 2018	**18,557**	**$ 113**

In determining the fair value of the restricted unit plan 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, 2019	$ 7.36

Included in general and administrative expense for the three and six months ended June 30, 2019 is a fair value expense of $25,546 and $30,093, respectively (three and six months ended June 30, 2018 - gain of $2,059 and $2,059, respectively) relating to the Restricted Units and distribution restricted units.

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

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 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 LP 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, 2019 and the year ended December 31, 2018, 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, 2019, 3.36% of net income was allocated to the Class B units (year ended December 31, 2018 – 3.36%).

	June 30, 2019	December 31, 2018
Class A Units outstanding, beginning of year	76,736,671	76,729,771
Class A Units issued, debentures converted	-	6,900
Class A Units outstanding, end of period	**76,736,671**	**76,736,671**

B. Normal Course Issuer Bid

In September 2017, Pure Multi-Family received approval from the TSX Venture Exchange ("TSX-V") 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 expired on October 2, 2018. Pure Multi-Family did not purchase any Class A Units under this NCIB.

In November 2018, Pure Multi-Family received approval from the TSX-V to commence a NCIB, allowing for the purchase for cancellation of up to 1,500,000 Class A Units. The NCIB commenced on November 20, 2018 and expires on November 19, 2019, or such earlier date as Pure Multi-Family completes its purchases pursuant to the NCIB. On April 29, 2019, Pure Multi-Family commenced trading on the Toronto Stock Exchange ("TSX") and simultaneously received approval on its NCIB by the TSX. Purchases subject to this NCIB will be carried out pursuant to open market transactions through the facilities of the TSX and other Canadian marketplaces 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, 2019, Pure Multi-Family did not purchase any Class A Units under this NCIB.

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

11) INTEREST EXPENSE

Interest expense consists of the following:

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Mortgage interest	$ 5,219	$ 5,394	$ 10,671	$ 10,788
Convertible debenture interest	370	370	739	740
Credit facility interest	596	238	889	463
Interest on lease liability	7	-	14	-
Amortization of transaction costs and accretion of convertible debentures	332	290	636	577
	$ 6,524	**$ 6,292**	**$ 12,949**	**$ 12,568**

12) INCOME TAXES

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

13) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Six months ended	
Cash provided by (used in)	June 30, 2019	June 30, 2018
Amounts receivable	$ 391	$ 753
Prepaid expenses	1,338	1,334
Accounts payable and accrued liabilities	5,546	4,752
Other liabilities	272	31
Unearned revenue	171	171
Rental deposits	26	(41)
	$ 7,744	**$ 7,000**

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 51.6% as at June 30, 2019 (December 31, 2018 – 52.6%). Pure Multi-Family was in compliance with all of its investment and debt restrictions during the six months ended June 30, 2019 and the year ended December 31, 2018.

There were no changes in Pure Multi-Family's approach to capital management during the six months ended June 30, 2019.

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

15) RELATED PARTY TRANSACTIONS

Managing LP

Pure Multi-Family is related to the Managing LP, by virtue of having an officer and director in common (Stephen Evans, Pure Multi-Family's Chief Executive Officer).

Pure Multi-Family declared distributions to the Managing LP in the amount of $249,922 during the three months ended June 30, 2019 and $499,844 during the six months ended June 30, 2019 ($249,922 and $499,844, respectively, during the same periods in the prior year). Included in accounts payable and accrued liabilities at June 30, 2019 was $249,922 (December 31, 2018 - $939,688) payable to the Managing LP.

16) 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 $51,231,380 as at June 30, 2019 (December 31, 2018 - $48,323,432).

As a lessor, for leases with terms not exceeding twelve months, Pure Multi-Family exercised the optional application exemptions under IFRS 16. The lease payments under these rental contracts are generally recognized on a straight-line basis over the lease term as rental revenue.

In accordance with the adoption of IFRS 15, Management has evaluated the lease and non-leases components of its revenue and has determined the following allocations:

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Rental Revenue	$ 25,915	$ 25,287	$ 51,597	$ 50,399
Parking revenue, storage revenue and property management recoveries [(1)]	1,498	1,381	2,987	2,755
Other services fees [(1)]	664	691	1,288	1,318

Notes:
(1) Amounts represent revenue recognized in accordance with IFRS 15.

17) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

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, credit facility, preferred units and lease liability 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, deferred unit plan 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, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	$ 546,417	$ 493,916	$ 577,486	$ 521,720
Credit facility	55,623	56,000	26,844	27,000
Convertible debentures	21,939	29,427	21,642	24,560

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, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	$ -	$ -	$ 1,189,707	$ -	$ -	$ 1,157,616
Mortgages payable	-	493,916	-	-	521,720	-
Credit facility	-	56,000	-	-	27,000	-
Convertible debentures	29,427	-	-	24,560	-	-
Lease liability	-	666	-	-	-	-
Preferred units of subsidiary	-	125	-	-	125	-

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, 2019 and December 31, 2018 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.

The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate at June 30, 2019:

	OCR Sensitivity	
Rate sensitivity	Fair value	Change in fair value
+ 75 basis points	$ 1,033,758	$ (155,949)
+ 50 basis points	1,080,975	(108,732)
+ 25 basis points	1,132,729	(56,978)
Base rate (4.99%)	1,189,707	-
- 25 basis points	1,252,749	63,042
- 50 basis points	1,322,880	133,173
- 75 basis points	1,401,375	211,668

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

18) DILUTED EARNINGS PER CLASS A UNIT

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

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Basic net income and comprehensive income	$ 24,130	$ 14,563	$ 41,626	$ 26,621
Dilutive interest expense [(1)]	519	508	1,036	1,015
Diluted net income and comprehensive income	24,649	15,071	42,662	27,636
Diluted net income and comprehensive income allocated to Class A unitholders	**23,861**	**14,590**	**41,299**	**26,753**
Diluted net income and comprehensive income allocated to Class B unitholders	**$ 788**	**$ 481**	**$ 1,363**	**$ 883**

Notes:
(1) Dilutive interest expense includes the removal of the interest expense related to the dilutive Debentures.

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Weighted average number of Class A units – basic	76,736,671	76,731,540	76,736,671	76,731,227
Dilutive effect of the conversion of convertible debentures using the treasury stock method [(1)]	4,024,956	4,030,088	4,024,956	4,030,088
Weighted average number of Class A units – dilutive)	**80,761,627**	**80,761,628**	**80,761,627**	**80,761,315**

Notes:
(1) Conversion of the Debentures based on exercise price of $5.65 per Class A Unit.

19) SUBSEQUENT EVENTS

- Between July 1, 2019 and August 8, 2019, 5,259 of the remaining outstanding 22,741 Debentures were converted into 930,794 Class A Units.
- On July 18, 2019, Pure Multi-Family announced that it entered into an arrangement agreement with an affiliate of Cortland Partners, LLC ("Cortland") pursuant to which Cortland will acquire all of the outstanding Class A units (the "Units") of Pure Multi-Family for US$7.61 per Class A unit in an all-cash transaction ("Transaction") valued at US$1.2 billion including net debt. The Transaction will involve Cortland acquiring all of the Units for US$7.61 per Unit, including the expected re-designation of all 200,000 Class B units outstanding of Pure Multi-Family into 2,665,835 Units and all Restricted Units and Deferred Units that vest on change of control. The Transaction is structured as a statutory plan of arrangement under the British Columbia Business Corporations Act. Completion of the Transaction is subject to customary conditions, including approval by unitholders at a special meeting, court approval and regulatory approvals.