



PURE MULTI-FAMILY REIT LP

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

For the three and six months ended June 30, 2018

Dated: August 8, 2018

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SECTION I

FORWARD-LOOKING DISCLAIMER

The following management's discussion and analysis of the results of operations and the financial condition ("MD&A") of Pure Multi-Family REIT LP ("Pure Multi-Family") for the three and six months ended June 30, 2018 should be read in conjunction with Pure Multi-Family's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 and the audited consolidated financial statements for the year ended December 31, 2017, available on SEDAR at www.sedar.com and on Pure Multi-Family's website at www.puremultifamily.com. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Outlook", "Results of Operations", "Financial Condition", "Liquidity and Capital Resources" and "Risks and Uncertainties" relating to Pure Multi-Family's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

In particular, certain statements in this MD&A discuss Pure Multi-Family's anticipated future events. These statements include, but are not limited to:

- (i) Pure Multi-Family's growth strategy, including the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;
- (ii) maintaining, stabilizing or increasing occupancy levels and rental revenue, which could be impacted by changes in demand for Pure Multi-Family's properties, financial circumstances of tenants, including tenant defaults, the effects of general economic conditions and supply of competitors' properties in proximity to Pure Multi-Family's properties;
- (iii) overall indebtedness levels, which could be impacted by the level of acquisition activity Pure Multi-Family is able to achieve, fair value of its properties and future financing opportunities;
- (iv) tax status of Pure US Apartments REIT Inc., which can be impacted by regulatory changes enacted by governmental authorities;
- (v) anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions;
- (vi) obtaining and maintaining adequate insurance for Pure Multi-Family's properties;
- (vii) anticipated interest rates and exchange rates;
- (viii) growing revenue, net income and cash flows available for distribution; and
- (ix) the review of strategic options available to Pure Multi-Family by a special committee of the board of directors (the "Board of Directors" or the "Board") of the Governing GP (defined herein).

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: unit prices; liquidity; credit risk and tenant concentration; interest rate and other debt related risk; tax risk; ability to access capital markets; lease rollover risk; competition for real property investments; environmental matters; changes in legislation; and indebtedness of Pure Multi-Family.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available, which include, management's current expectations, estimates and assumptions that: proposed acquisitions will be completed on the terms and basis agreed to by Pure Multi-Family,

property acquisition and disposition prospects and opportunities will be consistent with Pure Multi-Family's experience over the past 12 months, the multi-family residential real estate market in the "Sunbelt" region in the United States will remain strong, the global economic environment will remain stable, interest rates will remain low relative to historic norms, and Pure Multi-Family's business strategy, plans, outlook, projections, targets and operating costs will be consistent with Pure Multi-Family's experience over the past 12 months, Pure Multi-Family will be able to maintain occupancy at current levels, tenants will not default on lease terms, governmental regulations and taxation will not change to adversely affect Pure Multi-Family's business and financial results, and Pure Multi-Family will be able to obtain adequate insurance and financing; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to Pure Multi-Family, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of August 8, 2018 and Pure Multi-Family assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

BASIS OF PRESENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information included in this MD&A for the three and six months ended June 30, 2018 includes material information up to August 8, 2018. Except as otherwise stated in this MD&A, all dollar amounts in this MD&A, including per unit amounts, are stated in U.S. dollars.

All references herein to "consolidated" refer to amounts as reported under IFRS. All references to "Pure Multi's interest" refer to a non-IFRS measure presented on a proportionally consolidated basis and assumes Pure Multi-Family prorates and accrues property tax liability and expense based on the time period of ownership throughout a given reporting year. For a reconciliation of Pure Multi-Family's results of operations (consolidated to Pure Multi's interest), see "Results of Operations Reconciliation".

Certain figures in this MD&A are non-IFRS measures, including, Pure Multi's interest, Funds from Operations or FFO, Adjusted Funds from Operations or AFFO, same property net rental income, adjusted same property net rental income, same property revenue, same property average monthly rent per occupied unit, rental revenue - same property, rental revenue - properties acquired/sold, net rental income - same property and net rental income - properties acquired/sold. For an IFRS to non-IFRS reconciliation, see "Results of Operations Reconciliation" and "Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations".

OVERVIEW

About Pure Multi-Family

Pure Multi-Family is a Canadian-based, vertically integrated, internally managed, publicly traded vehicle which offers investors exclusive exposure to U.S. multi-family real estate assets. It offers investors the ability to participate in monthly distributions, with potential for capital appreciation, stemming from ownership of quality apartment assets located in core cities within the Southwestern and Southeastern portions of the U.S., including the States of Texas, Arizona, Georgia and Nevada (collectively, the "Sunbelt").

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, through Pure US Apartments REIT Inc. (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.

Operational and Financial Highlights *(all metrics stated at Pure Multi’s interest ⁽¹⁾)*

	As at		
	June 30, 2018	December 31, 2017	December 31, 2016
Number of properties	22	22	15
Number of residential units	7,085	7,085	5,229
Portfolio average year of construction	2007	2007	2006
Physical occupancy	95.5%	93.7%	92.8%
Leased occupancy	97.7%	95.0%	94.9%
Investment properties (000’s)	\$ 1,148,815	\$ 1,133,501	\$ 778,547
Mortgages payable (000’s)	\$ 574,642	\$ 576,253	\$ 447,827
Credit facility (000’s)	\$ 25,803	\$ 25,762	-
Weighted average effective interest rate on mortgages payable	3.72%	3.72%	3.74%
Loan to gross book value	53.0%	53.4%	55.2%

Pure Multi’s interest <i>(\$000s, except per unit basis) (all per unit amounts based on basic weighted average number of units outstanding)</i>	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Total rental revenue ⁽²⁾	\$ 27,359	\$ 21,804	\$ 54,472	\$ 42,641
Total operating expense ⁽²⁾	11,867	10,491	23,845	20,228
Total net rental income ⁽²⁾	15,492	11,313	30,627	22,413
Net rental income margin	56.6%	51.9%	56.2%	52.6%
Basic weighted average number of units outstanding				
Class A units	76,731,540	65,867,109	76,731,227	60,994,875
Class B units	200,000	200,000	200,000	200,000
Funds from operations (“FFO”) ⁽²⁾	6,446	4,792	13,877	10,220
per Class A unit	0.08	0.07	0.17	0.16
per Class B unit	1.08	0.93	2.33	2.14
Payout ratio	115.5%	141.9%	107.3%	120.4%
Adjusted funds from operations (“AFFO”) ⁽²⁾	6,005	4,428	12,994	9,515
per Class A unit	0.08	0.07	0.16	0.15
per Class B unit	1.01	0.86	2.18	1.99
Payout ratio	124.0%	153.6%	114.6%	129.3%

Notes:

⁽¹⁾ The adjustments from the IFRS measure to Pure Multi’s interest (non-IFRS measure) is limited to the prorating and accrual of the property tax liability and expense on all portfolio investments, based on the time period of ownership throughout the given reporting year. As a result, balances other than property tax expense and the corresponding fair value adjustments agree directly to the IFRS financial statements.

⁽²⁾ For an IFRS to non-IFRS reconciliation, see “Results of Operations Reconciliation” and “Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations”.

Pure Multi-Family continues to maintain a conservative debt profile with fixed interest rate debt representing 95.7% of total entity level debt and variable interest rate debt representing only 4.3%, as at June 30, 2018. At the property level, the mortgages payable have a weighted average interest rate of 3.72% per annum and an average mortgage term to maturity of 8.4 years.

Based on Pure Multi's interest, for the three months ended June 30, 2018, rental revenue was \$27,358,851 and net rental income was \$15,491,523, representing increases of \$5,554,887, or 25.5%, and \$4,178,236, or 36.9%, respectively, compared to the same period in the prior year. For the six months ended June 30, 2018, rental revenue was \$54,471,911 and net rental income was \$30,627,488, representing increases of \$11,831,075, or 27.7% and \$8,214,720, or 36.7%, respectively, compared to the same period in the prior year.

For three and six months ended June 30, 2018, the net rental income margin increased to 56.6% and 56.2%, respectively, compared to 51.9% and 52.6% during the same periods in the prior year. The increase in net rental income margins were primarily due to the elimination of property management fees through the internalization of property management.

For the three months ended June 30, 2018, Pure Multi-Family earned an average monthly rent per occupied unit of \$1,272, or \$1.397 per square foot, across its portfolio (three months ended June 30, 2017 - \$1,243 and \$1.363, respectively), representing an increase in the average monthly rent per occupied unit of 2.3%, or 2.5% per square foot, compared to the same period in the prior year. For the six months ended June 30, 2018, Pure Multi-Family earned an average monthly rent per occupied unit of \$1,270, or \$1.395 per square foot, across its portfolio (six months ended June 30, 2017 - \$1,242 and \$1.362, respectively), representing an increase in the average monthly rent per occupied unit of 2.3%, or 2.4% per square foot, compared to the same period in the prior year.

For the three months ended June 30, 2018, compared to the three months ended June 30, 2017, the FFO payout ratio improved to 115.5% from 141.9% and the AFFO payout ratio improved to 124.0% from 153.6%. For the six months ended June 30, 2018, compared to the six months ended June 30, 2017, the FFO payout ratio improved to 107.3% from 120.4% and the AFFO payout ratio improved to 114.6% from 129.3%. The reductions in the FFO and AFFO payout ratios for the three and six months ended June 30, 2018 compared to the same periods in the prior year were primarily due to the elimination of the property management fees in the current period, as the investment properties were not fully transitioned to internal management until September 30, 2017, however these improvements were partially offset by increased costs relating to the previously disclosed strategic review process implemented earlier in the year.

Same Property Analysis (all metrics stated at Pure Multi's interest)

<i>Pure Multi's interest</i> <i>Rental revenue – same property</i> ⁽¹⁾ (by location) <i>(\$000's)</i>	For the three months ended			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 11,849	\$ 11,548	\$ 301	2.6%
Houston, Texas	2,186	2,087	99	4.7%
San Antonio, Texas	5,426	5,237	189	3.6%
Phoenix, Arizona	775	765	10	1.2%
Total – same property ⁽¹⁾	20,236	19,637	599	3.1%
Total – properties acquired/sold ⁽²⁾	7,123	2,167	4,956	228.7%
Total rental revenue	\$ 27,359	\$ 21,804	\$ 5,555	25.5%

Notes:

- ⁽¹⁾ Same property (non-IFRS measure) - represents properties owned as at January 1, 2017 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.
- ⁽²⁾ Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2017 and throughout the comparative periods.

<i>Pure Multi's interest</i> <i>Rental revenue – same property</i> ⁽¹⁾ (by location) <i>(\$000's)</i>	For the six months ended			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 23,585	\$ 22,949	\$ 636	2.8%
Houston, Texas	4,383	4,148	235	5.7%
San Antonio, Texas	10,872	10,404	468	4.5%
Phoenix, Arizona	1,522	1,498	24	1.6%
Total – same property ⁽¹⁾	40,362	38,999	1,363	3.5%
Total – properties acquired/sold ⁽²⁾	14,110	3,642	10,468	287.4%
Total rental revenue	\$ 54,472	\$ 42,641	\$ 11,831	27.7%

Notes:

(1) *Same property (non-IFRS measure) - represents properties owned as at January 1, 2017 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.*

(2) *Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2017 and throughout the comparative periods.*

<i>Pure Multi's interest</i> <i>Net rental income – same property</i> ⁽¹⁾ (by location) <i>(\$000's)</i>	For the three months ended			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 6,874	\$ 6,247	\$ 627	10.0%
Houston, Texas	1,360	1,190	170	14.3%
San Antonio, Texas	2,772	2,321	451	19.4%
Phoenix, Arizona	521	480	41	8.5%
Total – same property ⁽¹⁾	11,527	10,238	1,289	12.6%
Total – properties acquired/sold ⁽²⁾	3,965	1,075	2,890	268.8%
Total net rental income	\$ 15,492	\$ 11,313	\$ 4,179	36.9%

Notes:

(1) *Same property (non-IFRS measure) - represents properties owned as at January 1, 2017 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.*

(2) *Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2017 and throughout the comparative periods.*

<i>Pure Multi's interest</i> <i>Net rental income – same property</i> ⁽¹⁾ (by location) <i>(\$000's)</i>	For the six months ended			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 13,538	\$ 12,599	\$ 939	7.5%
Houston, Texas	2,728	2,407	321	13.3%
San Antonio, Texas	5,520	4,566	954	20.9%
Phoenix, Arizona	1,013	943	70	7.5%
Total – same property ⁽¹⁾	22,799	20,515	2,284	11.1%
Total – properties acquired/sold ⁽²⁾	7,828	1,898	5,930	312.4%
Total net rental income	\$ 30,627	\$ 22,413	\$ 8,214	36.6%

Notes:

(1) *Same property (non-IFRS measure) - represents properties owned as at January 1, 2017 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.*

(2) *Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2017 and throughout the comparative periods.*

<i>Average monthly rent per occupied unit -same property</i> ⁽¹⁾ (by location)	For the three months ended			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 1,244	\$ 1,228	\$ 16	1.3%
Houston, Texas	1,220	1,212	9	0.7%
San Antonio, Texas	1,333	1,338	(5)	(0.4%)
Phoenix, Arizona	1,192	1,151	41	3.6%
Portfolio weighted average – same property ⁽¹⁾	1,263	1,253	10	0.8%

Notes:

⁽¹⁾ Average monthly rent per occupied unit – same property (non-IFRS measure) - represents average monthly rental income for occupied units for properties owned as at January 1, 2017 and throughout the comparative periods.

<i>Average monthly rent per occupied unit -same property</i> ⁽¹⁾ (by location)	For the six months ended			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 1,244	\$ 1,224	\$ 20	1.6%
Houston, Texas	1,220	1,205	15	1.2%
San Antonio, Texas	1,326	1,339	(13)	(1.0%)
Phoenix, Arizona	1,187	1,144	43	3.8%
Portfolio weighted average – same property ⁽¹⁾	1,261	1,250	11	0.9%

Notes:

⁽¹⁾ Average monthly rent per occupied unit – same property (non-IFRS measure) - represents average monthly rental income for occupied units for properties owned as at January 1, 2017 and throughout the comparative periods.

<i>Average physical occupancy – same property</i> ⁽¹⁾ (by location)	For the three months ended		
	June 30, 2018	June 30, 2017	% Change
Dallas - Fort Worth, Texas	95.6%	95.0%	0.6%
Houston, Texas	97.3%	94.9%	2.3%
San Antonio, Texas	93.2%	90.8%	2.5%
Phoenix, Arizona	96.4%	97.8%	(1.4%)
Portfolio weighted average – same property ⁽¹⁾	95.2%	94.0%	1.2%

Notes:

⁽¹⁾ Average physical occupancy – same property (non-IFRS measure) - represents average physical occupancy for properties owned as at January 1, 2017 and throughout the comparative periods.

<i>Average physical occupancy – same property</i> ⁽¹⁾ (by location)	For the six months ended		
	June 30, 2018	June 30, 2017	% Change
Dallas - Fort Worth, Texas	95.2%	94.8%	0.4%
Houston, Texas	97.6%	94.9%	2.7%
San Antonio, Texas	93.4%	89.9%	3.5%
Phoenix, Arizona	95.4%	97.2%	(1.8%)
Portfolio weighted average – same property ⁽¹⁾	94.9%	93.6%	1.3%

Notes:

⁽¹⁾ Average monthly rent per occupied unit – same property (non-IFRS measure) - represents average monthly rental income for occupied units for properties owned as at January 1, 2017 and throughout the comparative periods.

For the three months ended June 30, 2018, same property rental revenue increased by 3.1%, and same property net rental income increased by 12.6%, compared to the same period in prior year. For the six months ended June 30, 2018, same property rental revenue increased by 3.5%, and same property net rental income increased by 11.1%, compared to the same period in prior year. The increase in same property rental revenue was primarily driven by

increases in both the same property average monthly rent per occupied unit and the same property physical occupancy.

The increase in same property net rental income was a result of increased revenues, the elimination of management fees resulting from the internalization of the property management function, and increased efficiency managing operating expenses, all of which were partially offset by an increase in property tax expense.

Normalizing the impact of the elimination of the property management fees and removing the impact resulting from the resolution of prior period property tax appeals, resulted in increases of 5.7% and 5.2% in adjusted same property net rental income for the three and six months ended June 30, 2018, respectively, compared to the three and six months ended June 30, 2017.

Due to the fluctuating nature of property tax expense and the resultant material short term variances quarter-over-quarter, management feels the most accurate measure of same property net rental income is to compare the twelve month periods ending December 31 year-over-year.

Portfolio Summary

As at June 30, 2018, Pure Multi-Family's portfolio consists of 22 investment properties, comprising an aggregate of 7,085 residential units, with an average size of 910 square feet per residential unit, located within five metropolitan areas: (i) Dallas - Fort Worth ("DFW"), Texas; (ii) San Antonio ("SA"), Texas; (iii) Houston, Texas; (iv) Austin, Texas; and (v) Phoenix, Arizona.

The weighted average physical occupancy rate was 95.5% and weighted average leased occupancy rate was 97.7% for all properties owned as at June 30, 2018 (December 31, 2017 – 93.7% and 95.0%, respectively). Pure Multi-Family's typical residential property leases have terms of between one to 12 months.

Property Name	Location	Year of Acquisition	Year of Construction	Units	As at June 30, 2018			For the three months ended June 30, 2018		
					Fair Market Value (\$'000's)	Debt to Fair Market Value	Cap Rate	Physical Occupancy	Leased Occupancy	Average Rent per Occupied Unit
Pure Farmers Market	DFW, TX	2017	2016	340	\$ 66,431	50.4%	5.00%	93.7%	98.3%	\$ 1,426
Pure at La Villita	DFW, TX	2017	2007	306	49,016	49.8%	5.00%	93.9%	95.3%	1,347
Lansbrook at Twin Creeks	DFW, TX	2017	2002	288	41,077	40.2%	5.15%	95.2%	97.4%	1,136
The Avenue on Fairmount	DFW, TX	2016	2015	368	67,369	63.8%	4.75%	93.6%	97.4%	1,463
Amalfi at Stonebriar	DFW, TX	2015	2014	395	66,974	67.2%	4.75%	91.9%	94.4%	1,245
Preserve at Arbor Hills	DFW, TX	2014	1998	330	54,900	43.2%	5.25%	96.3%	97.5%	1,270
Vistas at Hackberry Creek	DFW, TX	2013	1984	560	70,000	42.1%	5.75%	96.5%	98.1%	1,055
Fountainwood Apartments	DFW, TX	2013	1986	288	29,422	41.3%	6.00%	96.8%	97.9%	998
Stoneleigh at Valley Ranch	DFW, TX	2012	1999	210	33,000	41.5%	5.00%	96.6%	98.4%	1,276
Prairie Creek Villas	DFW, TX	2012	1997	464	85,238	51.9%	5.25%	96.9%	98.6%	1,371
Stoneleigh at Bear Creek	DFW, TX	2012	2004	436	68,750	46.7%	5.25%	96.0%	98.3%	1,312
DFW, TX			2005	3,985	632,177	50.3%	5.17%	95.3%	97.4%	1,260
Pure Estates at TPC	SA, TX	2016	2007	344	57,550	65.0%	5.00%	92.0%	95.0%	1,419
Pure View at TPC	SA, TX	2016	2014	416	58,937	63.6%	5.00%	93.3%	94.9%	1,244
Brackenridge at Midtown	SA, TX	2015	2014	282	51,444	59.5%	5.00%	94.1%	96.3%	1,464
Park at West Avenue	SA, TX	2015	2014	360	53,700	68.0%	5.25%	93.7%	96.5%	1,251
SA, TX			2012	1,402	221,631	64.1%	5.06%	93.2%	95.6%	1,333
Walker Commons	Houston, TX	2014	2008	352	53,929	52.8%	5.75%	96.5%	98.0%	1,236
The Boulevard at Deer Park	Houston, TX	2013	2000	216	27,817	56.3%	5.75%	98.5%	99.2%	1,195
Houston, TX			2005	568	81,746	54.0%	5.75%	97.3%	98.5%	1,220
Pure Creekside	Austin, TX	2017	2016	276	41,541	48.1%	4.75%	86.2%	90.2%	1,203
Pure Fillmore	Phoenix, AZ	2017	2016	230	56,017	-	5.00%	92.0%	95.0%	1,419
Pinnacle at Union Hills	Phoenix, AZ	2017	1996	264	48,800	48.7%	5.25%	93.3%	94.9%	1,244
Pure Park 28 Apartments	Phoenix, AZ	2017	2015	152	30,217	49.1%	5.00%	94.1%	96.3%	1,464
San Brisas Apartments	Phoenix, AZ	2013 & 2014	1996	208	36,686	44.6%	5.25%	93.7%	96.5%	1,251
Phoenix, AZ			2006	854	171,720	32.0%	5.12%	95.4%	98.2%	1,285
Portfolio Total/Average			2007	7,085	\$1,148,815	50.4%	5.17%	94.7%	97.0%	\$ 1,272

OUTLOOK

Job and population growth are fundamental drivers of apartment demand and our core and target markets continue to experience considerable economic growth and are nearing full employment levels, which we believe will continue with the passing of the most recent U.S. Tax Reform bill. U.S. Tax Reform has also reduced incentives for first time homeowners which may reinforce demand for rental apartments in the U.S. Pure Multi-Family has a particular focus on asset selection that involves choosing assets that include unique features that inherently create a barrier-to-entry from competition, either in their unique in-fill locations, or through other locational attributes such as golf course frontages, large water features, or expansive views of neighbouring nature preserves. We believe such attention to detail on asset selection pays dividends in terms of top-line revenue growth and reduced tenant turnover.

Having completed the internalization of the property management function during the prior year, Pure Multi-Family is a fully vertically integrated organization, which we believe will enhance unitholder value going forward through improved efficiencies, streamlined processes, and the elimination of external property management fees.

On April 5, 2018, Pure Multi-Family announced that it had recently formed a special committee of independent directors (the “Special Committee”) to oversee a review of strategic options (the “Strategic Review Process”) available to Pure Multi-Family, including the potential sale of Pure Multi-Family. As of the date hereof, the Strategic Review Process remains ongoing.

For the remainder of the 2018 fiscal year, in addition to the Strategic Review Process currently undertaken by the Special Committee, Pure Multi-Family intends to focus on:

- growing same property revenues and same property net rental income;
- improving the occupancy levels on the stabilizing investment properties;
- maintaining a debt to gross book value ratio between 50% and 55%; and
- growing cash flows available for distributions.

SECTION II

RESULTS OF OPERATIONS RECONCILIATION

“Pure Multi’s interest” is a non-IFRS measure representing the accrual of property tax liability and expense, on all portfolio investments, based on time period of ownership throughout the given reporting year. Pure Multi’s interest does not have any standardized meaning prescribed by IFRS.

The following tables provide a reconciliation of differences to Pure Multi-Family’s consolidated financial statements prepared in accordance with IFRS to Pure Multi’s interest, as described above, for the current and comparative periods.

Reconciliation of Consolidated Statement of Income and Comprehensive Income to Statement of Income and Comprehensive Income at Pure Multi's Interest:

Six months ended June 30, 2018 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
OPERATING EXPENSES			
Property taxes	\$ 22,584	\$ (11,372)	\$ 11,212
TOTAL OPERATING EXPENSES	35,217	(11,372)	23,845
NET RENTAL INCOME (LOSS)	19,255	11,372	30,627
NET OTHER INCOME (EXPENSES)			
IFRIC 21 fair value adjustment to investment properties	11,372	(11,372)	-
TOTAL NET OTHER INCOME (EXPENSES)	19,930	(11,372)	8,558
NET INCOME AND COMPREHENSIVE INCOME	\$ 26,621	\$ -	\$ 26,621

Notes:

⁽¹⁾ Represents amounts presented on Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents amounts presented as Pure Multi's interest, as described herein.

Six months ended June 30, 2017 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
OPERATING EXPENSES			
Property taxes	\$ 16,318	\$ (7,455)	\$ 8,863
TOTAL OPERATING EXPENSES	27,683	(7,455)	20,228
NET RENTAL INCOME (LOSS)	14,958	7,455	22,413
NET OTHER INCOME (EXPENSES)			
Fair value adjustments to investment properties	22,495	735	23,230
IFRIC 21 fair value adjustment to investment properties	8,190	(8,190)	-
TOTAL NET OTHER INCOME (EXPENSES)	28,663	(7,455)	21,208
NET INCOME AND COMPREHENSIVE INCOME	\$ 33,450	\$ -	\$ 33,450

Notes:

⁽¹⁾ Represents amounts presented on Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents amounts presented as Pure Multi's interest, as described herein.

Three months ended June 30, 2018 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
OPERATING EXPENSES (RECOVERIES)			
Property taxes	\$ (1,054)	\$ 6,356	\$ 5,302
TOTAL OPERATING EXPENSES	5,511	6,356	11,867
NET RENTAL INCOME (LOSS)	21,848	(6,356)	15,492
NET OTHER INCOME (EXPENSES)			
IFRIC 21 fair value adjustment to investment properties	(6,356)	6,356	-
TOTAL NET OTHER INCOME (EXPENSES)	(994)	6,356	5,362
NET INCOME AND COMPREHENSIVE INCOME	\$ 14,563	\$ -	\$ 14,563

Notes:

⁽¹⁾ Represents amounts presented on Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents amounts presented as Pure Multi's interest, as described herein.

Three months ended June 30, 2017 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
OPERATING EXPENSES			
Property taxes	\$ 24	\$ 4,556	\$ 4,580
TOTAL OPERATING EXPENSES	5,935	4,556	10,491
NET RENTAL INCOME (LOSS)	15,869	(4,556)	11,313
NET OTHER INCOME (EXPENSES)			
Fair value adjustments to investment properties	11,154	461	11,615
IFRIC 21 fair value adjustment to investment properties	(4,095)	4,095	-
TOTAL NET OTHER INCOME (EXPENSES)	5,683	(4,556)	10,239
NET INCOME AND COMPREHENSIVE INCOME	\$ 16,407	\$ -	\$ 16,407

Notes:

⁽¹⁾ Represents amounts presented on Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents amounts presented as Pure Multi's interest, as described herein.

RESULTS OF OPERATIONS

<i>Pure Multi's interest</i> <i>(\$000's, except per unit basis)</i>	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Revenues				
Rental	\$ 27,359	\$ 21,804	\$ 54,472	\$ 42,641
Operating Expenses				
Insurance	547	458	1,086	893
Property management	-	650	-	1,274
Property taxes ⁽¹⁾	5,302	4,580	11,212	8,863
Property operating expenses	6,018	4,803	11,547	9,198
	11,867	10,491	23,845	20,228
Net Rental Income ⁽¹⁾	15,492	11,313	30,627	22,413
Net Finance Income (Expenses)				
Interest income	5	46	12	67
Interest expense	(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)
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 ⁽¹⁾	8,115	11,615	12,742	23,230
Franchise taxes	(129)	(110)	(254)	(216)
	5,362	10,239	8,558	21,208
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
Weighted average number of Class A units – basic	76,731,540	65,867,109	76,731,227	60,994,875
Earnings per Class A unit – diluted	\$ 0.18	\$ 0.23	\$ 0.33	\$ 0.51
Weighted average number of Class A units – diluted	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
Weighted average number of Class B units – basic	200,000	200,000	200,000	200,000
Earnings per Class B unit – diluted	\$ 2.41	\$ 3.10	\$ 4.42	\$ 6.78
Weighted average number of Class B units – diluted	200,000	200,000	200,000	200,000

Notes:

⁽¹⁾ Represents Pure Multi's interest, see "Results of Operations Reconciliation" for adjustments from IFRS to Pure Multi's interest.

During the six months ended June 30, 2018, based on Pure Multi's interest, Pure Multi-Family recorded rental revenue of \$54,471,911, net rental income of \$30,627,488, fair value adjustments to investment properties of \$12,742,196 and net income of \$26,621,018 (six months ended June 30, 2017 - \$42,640,836, \$22,412,768, \$23,230,447 and \$33,450,449, respectively). During the six months ended June 30, 2018, Pure Multi-Family incurred \$4,179,164 of general and administrative expenses (six months ended June 30, 2017 - \$2,039,887) and incurred franchise tax expense of \$254,383 (six months ended June 30, 2017 - \$216,018). The increase in revenues and operating expenses, in general, are primarily attributable to Pure Multi-Family operating additional investment properties, coupled with rental revenue growth during the six months ended June 30, 2018, compared to the same period in the prior year. The increase in general and administrative expenses was due to the internalization of the property management function, which commenced during the second quarter of 2017 and also to one-time costs associated with the Strategic Review Process, which began in the first quarter of 2018. The decrease in net income during the six months ended June 30, 2018 is primarily due to recording a lesser fair value adjustment to investments properties, compared to the same period in the prior year.

Rental Revenue

Rental revenue from investment properties includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. The increase in rental revenue was primarily attributable to Pure Multi-Family operating additional investment properties and residential units during the three and six months ended June 30, 2018, compared to the same periods in the prior year, in addition to organic rental revenue growth experienced from the investment properties operated during such periods.

Operating Expenses

Operating expenses include costs relating to such items as cleaning, repairs and maintenance, turnover costs, HVAC, property payroll, insurance, property taxes, utilities and property management fees among other items. In aggregate, operating expenses totaled \$11,867,328 during the three months ended June 30, 2018 and \$23,844,423 during the six months ended June 30, 2018 (three and six months ended June 30, 2017 - \$10,490,677 and \$20,228,068, respectively). The increase in operating expenses was primarily due to Pure Multi-Family operating additional investment properties and residential units during the current periods combined with an increase in property tax expense, which was partially offset by a reduction in property management fees. The increase in property tax expense is primarily due to the acquisition of newly constructed investment properties across the portfolio. As the newly constructed investment properties transition from the lease-up phase to expected occupancy, their respective assessed tax values can, and most often do, significantly increase, which in turn increases the overall property tax expense compared to the prior year. Pure Multi-Family's operating margin during the three months ended June 30, 2018 increased to 56.6% from 51.9% over the same period in the prior year and increased to 56.2% from 52.6% for the six months ending June 30, 2018 over the same period in the prior year. The increase in property tax expense and the reduction in property management fees had the most significant impacts on the operating margin.

The following table illustrates certain operating expenses as a percentage of total operating expenses:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
<i>Pure Multi's interest</i>				
Insurance	4.6%	4.3%	4.6%	4.4%
Property management	-	6.2%	-	6.3%
Property taxes	44.7%	43.7%	47.0%	43.8%
Property operating expenses	50.7%	45.8%	48.4%	45.5%
	100.0%	100.0%	100.0%	100.0%
Net rental income margin	56.6%	51.9%	56.2%	52.6%

Finance Income

Finance income consists of interest income which was earned from bank deposits at Pure Multi-Family and the property level.

Finance Expenses

Finance expenses consist of interest expense and distributions to subsidiary's preferred unitholders (see "Financial Condition – Preferred Units of Subsidiary"). Pure Multi-Family declared distributions in the amount of \$7,813 to the subsidiary's preferred unitholders during the six months ended June 30, 2018 (six months ended June 30, 2017 - \$7,813).

Interest Expense

Interest expense consists of mortgage interest, convertible debenture interest, credit facility interest, amortization of transaction costs and accretion of convertible debentures.

The weighted average interest rate on the mortgages is 3.72% per annum as at June 30, 2018 (December 31, 2017 - 3.72%) and the mortgages mature between 2019 and 2032 with a weighted average mortgage term of 8.4 years remaining (December 31, 2017 – 8.9 years remaining). Pure Multi-Family intends to refinance any mortgages which mature within six months of the maturity date.

General and Administrative Expenses

General and administrative ("G&A") expenses are primarily comprised of corporate compensation, directors' fees, directors' and officers' liability insurance, professional fees, legal fees, filing fees, and administrative expenses. Professional fees include audit and tax fees. Administrative expenses include US REIT compliance expenditures, investor relations expenses, bank charges, office overhead and rent.

During the three and six months ended June 30, 2018, Pure Multi-Family incurred additional G&A expenses of approximately \$687,000 and \$857,000, respectively, relating to the Strategic Review Process. Excluding the costs relating to the Strategic Review Process, Pure Multi-Family's G&A expense as a percentage of rental revenue during the three and six months ended June 30, 2018, was 6.8% and 6.1%, respectively.

During 2017, Pure Multi-Family went through the process of internalizing its property management function. During the three and six months ended June 30, 2018, property management related expenses were included within G&A expense, whereas during the same period in the prior year, where the property management function was managed by an external party, all related expenses were included within operating expenses.

The following table illustrates expenses as a percentage of overall general and administrative expenses:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
<i>Pure Multi's interest</i>				
Insurance	1.6%	1.0%	1.9%	1.2%
Professional fees	34.3%	8.9%	25.6%	8.9%
Legal and filing fees	8.6%	11.2%	7.9%	11.2%
Director's fees	3.2%	6.9%	4.9%	7.6%
Administrative expenses	52.3%	72.0%	59.7%	71.1%
	100.0%	100.0%	100.0%	100.0%
G&A expense as a percentage of rental revenue	9.3%	5.7%	7.7%	4.8%

Other Income (Expenses)

Other income (expenses) includes proceeds resulting from acquisition guarantees, certain property or partnership due diligence expenses, GST, current income tax expense and foreign currency exchange gains and losses.

Fair Value Adjustments to Investment Properties

Pure Multi-Family revalues its investment properties at fair value on each reporting date and records the fair value adjustments as an income or expense item. For the six months ended June 30, 2018, based on Pure Multi's interest, Pure Multi-Family recorded an increase of \$12,742,196 in the fair value of its investment properties (six months ended June 30, 2017 - \$23,230,447). The weighted average capitalization rate of the investment properties at June 30, 2018, based on Pure Multi's interest, was 5.17% (December 31, 2017 – 5.17%).

Income Taxes

Pure Multi-Family is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Each partner (or "unitholder") of Pure Multi-Family is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of Pure Multi-Family for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Pure Multi-Family's indirect Canadian subsidiary, Pure Multi-Family Management Ltd., is a taxable Canadian corporation subject to Canadian income tax.

Franchise Taxes

Texas Franchise Tax applicable to Pure Multi-Family, for its investment properties operated in Texas during the six months ended June 30, 2018, is equal to 0.75% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; (iii) 100% of total revenue less compensation expense; or (iv) 100% of total revenue less \$1 million. Pure Multi-Family recorded a provision for Texas Franchise Tax of \$254,383 for the six months ended June 30, 2018 (six months ended June 30, 2017 - \$216,018).

Offering Costs

Offering costs are the costs incurred by Pure Multi-Family that relate to the issuance of securities, which are included in the statement of partners' capital. Pure Multi-Family did not incur any offering costs, during the six months ended June 30, 2018 (six months ended June 30, 2017 - \$6,142,613).

SEGMENTED INFORMATION

The primary format for segment reporting is based on geographical region and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the general partners. Pure Multi-Family currently operates in one business segment, indirectly owning and operating multifamily apartment properties in the Sunbelt region in the United States.

FINANCIAL CONDITION**Assets****Investment Properties**

Investment properties are stated at fair value. Fair value adjustments to investment properties arising from changes in fair value are included in the consolidated statement of income and comprehensive income in the period which they arise. As at June 30, 2018, investment properties were valued at \$1,148,815,521 (December 31, 2017 - \$1,133,501,407). The increase in investment properties is primarily due to a fair value increase adjustment. The increase in the fair value adjustment to investment properties was primarily driven by an increase in net rental income rates at certain properties.

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

Prepaid Expenses

Prepaid expenses primarily consist of insurance and utility deposits.

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 once certain conditions are met, such as completion of repairs. As at June 30, 2018, the term for the current mortgage reserve fund is less than 12 months. The mortgage reserve fund is \$5,951,319 as at June 30, 2018 (December 31, 2017 - \$6,421,458).

Liabilities

The LP Agreement limits the indebtedness of Pure Multi-Family to a maximum of 70% of gross book value. See “Capital Structure” for the definition of “gross book value”. Indebtedness is 53.0% of the gross book value as at June 30, 2018 (December 31, 2017 – 53.4%).

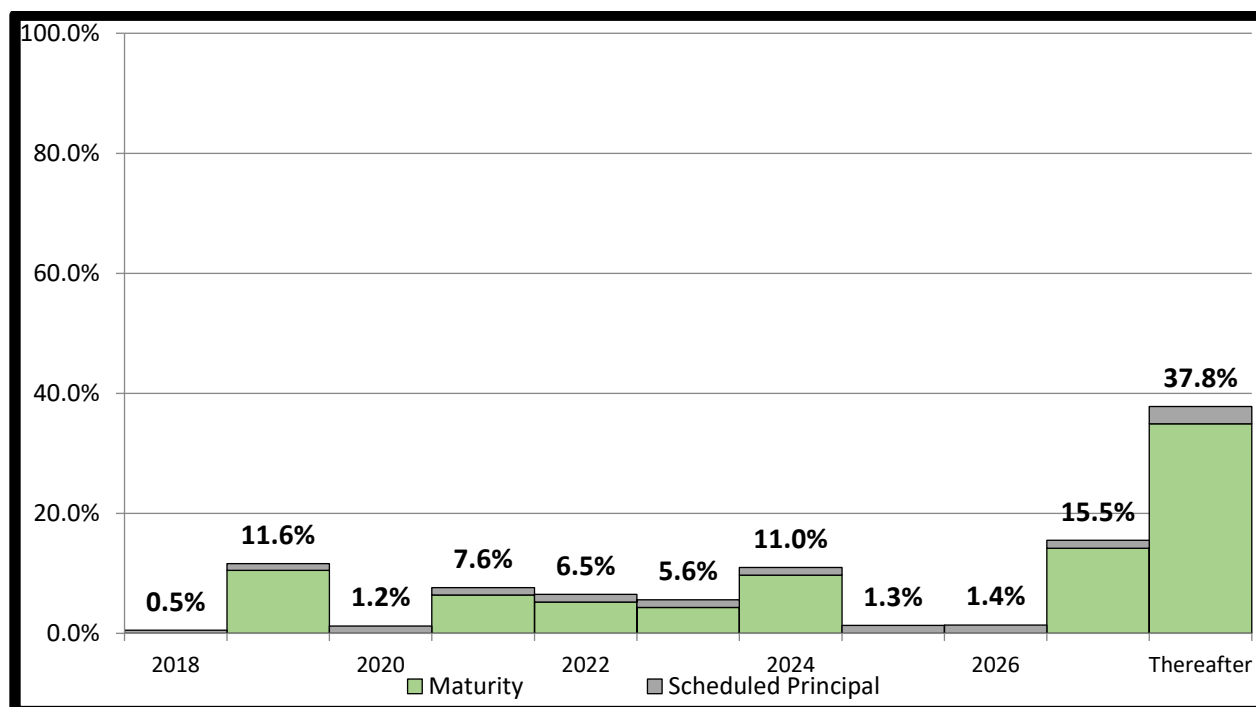
Mortgages Payable

The mortgages bear interest at a weighted average effective rate of 3.72% per annum as at June 30, 2018 (December 31, 2017 – 3.72%) and mature between 2019 and 2032.

The scheduled principal payments, principal maturities and weighted average effective rate are as follows:

June 30, 2018 <i>(\$000's, except percentage amounts)</i>	Weighted Average Effective Rate (on expiry)	Scheduled Principal Repayments	Principal Maturities	Total Repayments
2018 remaining	-	2,692	-	2,692
2019	3.29%	6,166	60,550	66,716
2020	-	7,019	-	7,019
2021	3.26%	7,226	37,060	44,286
2022	3.38%	7,485	30,180	37,665
2023	4.32%	7,683	24,679	32,362
2024	3.71%	7,416	56,292	63,708
2025	-	7,530	-	7,530
2026	-	8,122	-	8,122
2027	3.83%	7,801	82,425	90,226
Thereafter	3.83%	16,587	201,972	218,559
	3.72%	\$ 85,727	\$ 493,158	578,885
Unamortized mortgage transaction costs				(4,243)
				\$ 574,642

The following chart shows the remaining scheduled principal payments and principal maturities of the mortgages due within the next 10 years and thereafter:



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 three years and interest is calculated using the effective interest rate, which was 3.76% for the six months ended June 30, 2018. 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.

<i>(000's)</i>	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
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

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 (each a “Class A Unit”) 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 (six months ended June 30, 2017 – 210). 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:

<i>(000's)</i>	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	-	96	-
Accretion of liability component	-	179	-
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

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.

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.

<i>(\$000's, except unit amounts)</i>	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.

Deferred Unit Plan Liability

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.

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.

<i>(\$000's, except unit amounts)</i>	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

Partners' Capital

Class A Units and Class B Units

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, at a price of \$5.00 per Class B Unit, for gross proceeds to Pure Multi-Family of \$1,000,000. As of the date hereof, Pure Multi-Family has 200,000 Class B Units outstanding.

From the date of formation on May 8, 2012, to December 31, 2017, Pure Multi-Family has issued 76,729,771 Class A Units for gross proceeds of \$424,327,746 less offering costs. The Class A Units are the subject of the public offerings described in Pure Multi-Family's prospectuses dated July 3, 2012, October 12, 2012, May 1, 2013, July

22, 2014, May 4, 2015, December 7, 2015, July 22, 2016, March 31, 2017 and June 26, 2017, which are available on SEDAR at www.sedar.com.

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.

	Six months ended June 30, 2018	Year ended 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 period	76,731,540	76,729,771

As at June 30, 2018, Pure Multi-Family had 76,731,540 Class A Units and 200,000 Class B Units outstanding.

All distributions will be made to the holders of the Class A Units and the Class B Units in accordance with the Class A Unit Percentage Interest and Class B Unit Percentage Interest, respectively. As described in the LP Agreement, after the Determination Event, which occurred on August 12, 2016, the Class B unitholders' (each, a "Class B Unitholders") proportion of the total distribution will fluctuate depending on the number of Class A Units outstanding. 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%).

Class B Units – Conversion Rights

Following the occurrence of the Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising Conversion Rights (as defined in the LP Agreement) became fixed, and future issuances of Class A Units will result in a decline in the Class B Unit Percentage Interest. Upon the Determination Event, which occurred on August 12, 2016, the number of Class A Units into which the Class B Units may be converted was fixed at 2,665,835 Class A Units.

The Conversion Rights may be exercised by the Class B Unitholders at any time provided that:

- (a) Pure Multi-Family is legally entitled to comply with its obligations in connection with the exercise of the Conversion Rights; and
- (b) the Class B Unitholder who exercises the Conversion Rights complies with all applicable securities laws.

Upon the exercise of the Conversion Rights, the Class B Unitholders will receive 2,665,835 Class A Units. As such, pursuant to the terms of the LP Agreement, the Class B Unitholders will receive such number of Class A Units representing the same Class B Unit Percentage Interest in the net assets of Pure Multi-Family as was previously designated in the form of Class B Units. Subject to applicable laws, Pure Multi-Family will re-designate all the interests of Class B Unitholders into 2,665,835 Class A Units, effective as of the date that Pure Multi-Family receives a notice of exercise of the Conversion Rights. Upon such occurrence and the exercise of the Conversion Rights by the Class B Unitholders, the interests of Class B Unitholders will be re-designated as Class A Units pursuant to the terms of the LP Agreement.

Normal Course Issuer Bid

In September 2017, Pure Multi-Family received approval from the TSX Venture Exchange (the "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 will expire on October 2, 2018, or such earlier date as Pure Multi-Family completes purchases up to the maximum permitted pursuant to the NCIB. Purchases subject to the

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. From the date of commencement on October 3, 2017 through to June 30, 2018, Pure Multi-Family did not purchase and cancel any Class A Units under the NCIB.

LIQUIDITY AND CAPITAL RESOURCES

Funds from Operations and Adjusted Funds from Operations

Funds from operations (“FFO”) is a non-IFRS measure, as described herein, and should not be construed as an alternative to net earnings or cash flows, as applicable, determined in accordance with IFRS. However, FFO is an operating performance measure which is widely used by the real estate industry. Pure Multi-Family’s method of calculating FFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

The use of FFO, combined with the required IFRS presentations, has been presented for the purpose of improving the understanding of operating results in the real estate industry by the investing public and in making comparisons of the entities operating results more meaningful.

As FFO excludes fair value adjustments on investment properties, fair value adjustments relating to unit compensation liabilities, IFRIC 21 adjustments, and gains or losses from property dispositions, it provides a performance measure that, when compared period-over-period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes; acquisition activities; and interest costs, and provides a perspective of financial performance that is not immediately apparent from net earnings determined in accordance with IFRS.

FFO is a widely accepted supplemental measure of financial performance for real estate entities; however, it does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. FFO is simply one of several measures of operating performance.

Adjusted funds from operations (“AFFO”) is also a non-IFRS measure, as described herein, and should not be construed as an alternative to net earnings or cash flows, as applicable, determined in accordance with IFRS. However, AFFO is widely accepted as a performance measurement tool in the real estate industry. AFFO is calculated by adjusting the FFO for accretion of debentures and maintenance capital expenditures. Pure Multi-Family’s method of calculating AFFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies. Pure Multi-Family presents AFFO for both an earnings and cash flow measure.

The following table provides the analysis of Pure Multi-Family's FFO and AFFO performance:

<i>Pure Multi's interest</i> <i>(\$000's, except per unit basis)</i>	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Net income and comprehensive income	\$ 14,563	\$ 16,407	\$ 26,621	\$ 33,450
Adjustment:				
Fair value adjustment to investment properties	(8,115)	(11,154)	(12,742)	(22,496)
Property tax adjustments on acquisition or sale	-	(461)	-	(734)
IFRIC 21 fair value adjustment to investment properties	6,356	4,095	(11,372)	(8,190)
IFRIC 21 property tax liability adjustment, net	(6,356)	(4,095)	11,372	8,190
Fair value adjustment to unit based compensation expense	(2)	-	(2)	-
Funds from operations	\$ 6,446	\$ 4,792	\$ 13,877	\$ 10,220
Maintenance capital provision ⁽¹⁾	(531)	(441)	(1,063)	(864)
Accretion of convertible debentures	90	77	180	159
Adjusted funds from operations	\$ 6,005	\$ 4,428	\$ 12,994	\$ 9,515
Weighted average number of units (000's)				
Class A Units	76,732	65,867	76,731	60,995
Class B Units	200	200	200	200
Diluted weighted average number of units (000's)				
Class A Units	80,762	69,899	80,761	65,027
Class B Units	200	200	200	200
FFO per unit – Basic and Diluted				
Class A Units	\$ 0.08	\$ 0.07	\$ 0.17	\$ 0.16
Class B Units	1.08	0.93	2.33	2.14
Payout Ratio on FFO ⁽²⁾	115.5%	141.9%	107.3%	120.4%
AFFO per unit – Basic and Diluted				
Class A Units	\$ 0.08	\$ 0.07	\$ 0.16	\$ 0.15
Class B Units	1.01	0.86	2.18	1.99
Payout Ratio on AFFO ⁽³⁾	124.0%	153.6%	114.6%	129.3%

Notes:

⁽¹⁾ Calculated using an estimate of \$300 per residential unit per year. This maintenance capital provision is estimated to be incurred on the property portfolio as to sustain its current revenue rental income-generating potential into future periods. See "Liquidity and Capital Resources – Calculating Maintenance Capital Provision for AFFO".

⁽²⁾ The resulting FFO payout ratios, when excluding the additional G&A expenditures incurred relating to the Strategic Review Process (see "Results of Operations – General and Administrative Expenses"), for the three months ended June 30, 2018 was 104.4% and for the six months ended June 30, 2018 was 101.0%.

⁽³⁾ The resulting AFFO payout ratios, when excluding the additional G&A expenditures incurred relating to the Strategic Review Process (see "Results of Operations – General and Administrative Expenses"), for the three months ended June 30, 2018 was 111.2% and for the six months ended June 30, 2018 was 107.5%.

Calculating Maintenance Capital Provision for AFFO

In Q1 2017, REALpac issued updated guidance on maintenance capital expenditures to be used in the calculation of AFFO. As a high degree of significant judgement is involved in classifying capital expenditures as value enhancing or maintenance capital, Pure Multi-Family historically has applied a maintenance capital provision of \$300 per residential unit per annum, which is based on management's experience and the location of former and current investment properties. The \$300 maintenance capital provision includes capital expenditures incurred at the investment properties, in-suite or common area, which are required to maintain revenues at current levels and maintain the residential suites and apartment facilities in current operating conditions. Value enhancing capital expenditures include items such as in-suite upgrades and building enhancements that management believes will grow the investment property net rental income.

The following table provides Pure Multi-Family's total capital expenditures attributable to value enhancing and maintenance capital for each of the last three fiscal years:

<i>(\$000's, except per percent and residential unit basis)</i>	For the year ended December 31,		
	2017	2016	2015
Value enhancing capital expenditures	\$ 3,052	\$ 2,393	\$ 1,631
Maintenance capital expenditures	1,870	1,540	1,289
Total capital expenditures	\$ 4,922	\$ 3,933	\$ 2,920
Maintenance capital - % of total capital	38%	39%	44%
Portfolio average year of construction	2007	2006	2003
# of residential units ⁽¹⁾	6,233	5,132	4,295
Maintenance capital expenditures per residential unit	\$ 300	\$ 300	\$ 300
Value enhancing capital expenditures per residential unit	\$ 490	\$ 466	\$ 380

Notes:

⁽¹⁾ Weighted average number of residential units within portfolio during the year.

Management is of the view that the maintenance capital provision of \$300 per residential unit per annum is an appropriate provision to use in the calculation of AFFO, as it fairly represents the amount of maintenance capital required to maintain the current revenues and condition of its investment properties, based on the location and year of construction of such properties. As noted in the table above, the "Maintenance capital - % of total capital" has decreased compared to each of the prior years. This is primarily the result of the steps taken to improve the portfolio's average year of construction. As newly constructed properties require less maintenance capital to keep them in current condition, it would be expected that the trend of "Maintenance capital - % of total capital" will decrease as the "Portfolio average year of construction" continues to improve. Management will continue to monitor the maintenance capital provision currently being applied and adjust as necessary to reflect any changes as new locations are added where the portfolio operates and to any changes in the portfolio average year of construction.

The following is a reconciliation of the Pure Multi-Family's AFFO and FFO to cash provided by operations:

<i>Pure Multi's interest</i> <i>(\$000's)</i>	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Adjusted funds from operations	\$ 6,005	\$ 4,428	\$ 12,994	\$ 9,515
Maintenance capital provision	531	441	1,063	864
Accretion of convertible debentures	(90)	(77)	(180)	(159)
Funds from operations	6,446	4,792	13,877	10,220
Decrease in accounts receivable	111	592	753	479
Decrease in prepaid expenses	739	335	1,334	574
Increase (decrease) in rental deposits	22	148	(41)	247
Increase (decrease) in accounts payable and accrued liabilities	(448)	1,551	4,752	11,538
Increase in other liabilities	31	-	31	-
Increase (decrease) in unearned revenue	(102)	(94)	171	186
IFRIC 21 property tax liability adjustment, net	6,356	4,095	(11,372)	(8,190)
Accretion of convertible debentures	90	77	180	159
Amortization of transaction costs	200	153	397	298
Interest income	(5)	(46)	(12)	(67)
Interest expense	6,002	4,957	11,991	9,773
Decrease in unit based compensation expense	2	-	2	-
Distributions to subsidiary's preferred unitholders	4	4	8	8
Net cash provided from operating activities	\$ 19,448	\$ 16,564	\$ 22,071	\$ 25,225

Capital Resources

Cash generated by investment properties represents the primary source of funds to fund total distributions to unitholders of \$14,886,953 for the six months ended June 30, 2018 (six months ended June 30, 2017 - \$12,306,606).

There are no significant working capital requirements that currently exist and there are no pending items that may affect liquidity. There are no legal or practical restrictions on the ability of Pure Multi-Family's properties to transfer funds to Pure Multi-Family.

Proceeds from the issuance of Class A Units, Warrants and Convertible Debentures, the availability of the Facility and conventional mortgage financing have been used mainly to fund property acquisitions. Pure Multi-Family intends to refinance any mortgages which mature within six months of maturity.

Management expects to be able to meet all of Pure Multi-Family's ongoing obligations and to finance future growth through cash generated by operations, the issuance of securities and debt financing. Pure Multi-Family is not in default or arrears on any of its obligations including distribution payments, interest or principal payments on debt.

Distributed Cash

In accordance with National Instrument 41-201, Pure Multi-Family is required to provide additional disclosure relating to cash distributions.

For the six months ended June 30, 2018, cash provided from operating activities, less interest paid (“adjusted cash provided from operating activities”), was less than cash distributions declared primarily due to timing of the payment of prior year property taxes. Management expects that adjusted cash provided from operating activities, on an annual basis, will exceed cash distributions declared.

<i>Pure Multi's interest</i> <i>(\$000's)</i>	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Cash provided from operating activities	\$ 19,448	\$ 16,564	\$ 22,071	\$ 25,225
Less interest paid	(6,013)	(4,963)	(11,884)	(9,571)
Adjusted cash provided from operating activities	13,435	11,601	10,187	15,654
Actual cash distributions declared	7,444	6,800	14,887	12,307
Surplus (shortfall) of cash from operating activities over cash distributions declared	\$ 5,991	\$ 4,801	\$ (4,700)	\$ 3,347

For the three and six months ended June 30, 2018 and three and six months ended June 30, 2017, net income was greater than cash distributions declared. Management expects annual net income to continue to exceed cash distributions declared, over time.

<i>Pure Multi's interest</i> <i>(\$000's)</i>	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Net income	\$ 14,563	\$ 16,407	\$ 26,621	\$ 33,450
Actual cash distributions declared	7,444	6,800	14,887	12,307
Surplus (shortfall) of net income over cash distributions declared	\$ 7,119	\$ 9,607	\$ 11,734	\$ 21,143

CAPITAL STRUCTURE

Pure Multi-Family defines capital as the aggregate of partners' capital, preferred units of subsidiary and long-term debt. Pure Multi-Family's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the initial offering prospectus; complies with existing debt covenants, if any; funds its business strategies; and builds long-term partners' value. Pure Multi-Family's capital structure is approved by the Board of Directors of the Governing GP through its periodic reviews.

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.

Maintaining a relatively low indebtedness ratio is important in current economic conditions because it allows Pure Multi-Family to access additional financing, if necessary.

The LP Agreement allows the Board, in their discretion, to allocate to the unitholders in each year all or a portion of Pure Multi-Family's income for the year, as calculated in accordance with the Tax Act, after all permitted deductions under the Tax Act have been taken. The Board also reviews the cash distributions paid to the unitholders on a regular basis. Pure Multi-Family declared distributions in the amount of \$14,387,109 to Class A Unitholders and \$499,844 to Class B Unitholders during the six months ended June 30, 2018 (six months ended June 30, 2017 - \$11,806,762 and \$499,844 respectively).

The capital structure consisted of the following components at June 30, 2018 and December 31, 2017:

<i>(\$000's)</i>	June 30, 2018	December 31, 2017	Change
Capital			
Mortgages payable	\$ 574,642	\$ 576,253	\$ (1,611)
Credit facility	25,803	25,762	41
Convertible debentures	21,381	21,115	266
Preferred units of subsidiary	125	125	-
Partners' capital	530,350	518,607	11,743
Total Capital	\$ 1,152,301	\$ 1,141,862	\$ 10,439

The total capital of Pure Multi-Family increased from December 31, 2017 to June 30, 2018 primarily due to the net income earned from operations. This was partially offset by the repayment of mortgages payable and distributions declared to the unitholders.

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 values due to the short-term nature of the instruments.

The fair values of the mortgages payable and preferred units of subsidiary 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 the restricted unit plan have been calculated using quoted prices in active markets.

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

<i>(\$000's)</i>	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

OFF-BALANCE SHEET ITEMS

Pure Multi-Family does not have any off-balance sheet items.

SECTION III

SUMMARY OF QUARTERLY RESULTS

During the three months ended June 30, 2018, based on Pure Multi's interest:

- Total assets increased to \$1,175,263,406 from \$1,162,699,040 as at March 31, 2018. This increase was primarily due to an increase in fair value adjustment to investment properties during the current quarter. As at June 30, 2018, Pure Multi-Family had cash and cash equivalents of \$17,693,746, and investment properties of \$1,148,815,521, compared to \$16,410,459 and \$1,139,532,633, respectively, as at March 31, 2018.
- Total liabilities increased to \$644,913,382 from \$639,469,017 as at March 31, 2018. This increase was primarily due to an increase of accounts payable related to property tax accruals.
- Partners' capital increased to \$530,350,024 from \$523,231,023 as at March 31, 2018. This increase was a result of net income for the quarter, being partially offset by distributions declared to unitholders in the period.
- Pure Multi-Family earned rental revenue of \$27,358,851 from investment properties (three months ended June 30, 2017 - \$21,803,964). These properties incurred operating expenses of \$11,867,328 resulting in net rental income of \$15,491,523 during the three months ended June 30, 2018 (three months ended June 30, 2017 - \$10,490,677 and \$11,313,287, respectively). The increase in rental revenue, operating expenses and net rental income, compared to the prior year quarter, are primarily attributable to Pure Multi-Family operating additional investment properties, the elimination of property management fees in the current quarter compared to the same period in the prior year, due to the internalization of the property management function, and organic rental revenue growth, which was partially offset by an increase in property tax expense.
- Pure Multi-Family incurred interest expense of \$6,291,976 and distributions to subsidiary's preferred unitholders of \$3,907 (three months ended June 30, 2017 - \$5,186,960 and \$3,907, respectively). The increase in net finance expense was primarily due to the additional mortgage and credit facility interest costs during the period.
- Pure Multi-Family incurred G&A expenses of \$2,544,834, fair value adjustment gain to investment properties of \$8,114,728 and franchise tax expense of \$129,051 (three months ended June 30, 2017 - \$1,240,273, \$11,614,850 and \$110,469, respectively). G&A expenses increased in the quarter due to the internalization of the property management function, which resulted in additional costs such as office space, salaries and systems support. As a result of the internalization of property management and additional costs incurred as a result of the Strategic Review Process, G&A expenses increased to 9.3% of revenue in the quarter compared to 5.7% in the same quarter in the prior year.
- Pure Multi-Family earned net income of \$14,562,505 (three months ended June 30, 2017 - \$16,407,127), as a result of the above transactions.

<i>Pure Multi's interest</i> Quarter ended (\$000's, except per unit amounts)	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Rental revenue	\$ 27,359	\$ 27,113	\$ 26,200	\$ 24,257
Operating expenses	11,867	11,977	11,124	11,888
Net rental income	15,492	15,136	15,076	12,369
Interest expense	(6,292)	(6,277)	(6,171)	(5,704)
General and administrative expenses	(2,545)	(1,634)	(1,683)	(1,645)
Fair value adjustments to investment properties	8,115	4,628	(4,448)	1,730
Net income and comprehensive income	14,563	12,059	3,078	6,668
Basic net income per unit				
Class A Units	0.18	0.15	0.04	0.08
Class B Units	2.44	2.02	0.52	1.12

<i>Pure Multi's interest</i> Quarter ended (\$000's, except per unit amounts)	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Rental revenue	\$ 21,804	\$ 20,837	\$ 20,116	\$ 19,864
Operating expenses	10,491	9,738	9,845	9,158
Net rental income	11,313	11,099	10,271	10,706
Interest expense	(5,187)	(5,042)	(4,952)	(5,996)
General and administrative expenses	(1,240)	(799)	(568)	(322)
Fair value adjustments to investment properties	11,615	11,615	160	9,754
Net income and comprehensive income	16,407	17,043	3,259	14,163
Basic net income per unit				
Class A Units	0.24	0.29	0.06	0.26
Class B Units	3.19	3.87	0.75	3.42

As at (\$000's)	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Total assets	\$ 1,175,263	\$ 1,162,700	\$ 1,170,675	\$ 1,115,602
Total liabilities	644,913	639,468	652,068	592,618
Partners' capital	530,350	523,232	518,607	522,984
Investment properties	1,148,815	1,139,533	1,133,501	1,013,652
Mortgages payable	574,642	575,449	576,253	543,906

As at (\$000's)	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Total assets	\$ 1,061,323	\$ 898,779	\$ 853,372	\$ 868,683
Total liabilities	537,571	517,142	483,210	505,917
Partners' capital	523,752	381,637	370,162	362,766
Investment properties	961,684	871,129	778,547	834,465
Mortgages payable	497,002	483,090	447,827	463,837

The selected quarterly information noted above highlights fluctuations over the most recently completed eight quarters. The fluctuations are generally due to the timing of new investment property acquisitions, dispositions and fair value changes of the investment properties under IFRS and are not generally reflective of seasonality or cyclicity. Operating expenses include property tax expense related to the investment properties. Depending on when prior period property tax appeals are settled, the operating expenses can demonstrate volatility due to nature of the timing of when the property tax appeal settlement is recognized into the operating expenses.

SECTION IV

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions during the reporting period that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Pure Multi-Family's significant accounting policies are described in note 2 to the June 30, 2018 unaudited condensed interim consolidated financial statements and in note 3 to the December 31, 2017 audited consolidated financial statements, available on SEDAR at www.sedar.com and on Pure Multi-Family's website at www.puremultifamily.com.

The policies that are most subject to estimation and judgment are outlined below.

Valuation of Investment Properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

- The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.
- The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management uses the approaches described above to estimate the fair value of the investment properties.

ACCOUNTING STANDARDS – NEWLY IMPLEMENTED AND NOT YET ADOPTED

Pure Multi-Family's significant accounting policies are described in note 2 to the June 30, 2018 unaudited condensed interim consolidated financial statements and in note 3 to the December 31, 2017 audited consolidated financial statements, available on SEDAR at www.sedar.com and on Pure Multi-Family's website at www.puremultifamily.com.

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.

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 debenture	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.

Accounting Standards issued but not yet effective

IFRS 16 – 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. Management does not expect the standard to have a material impact on the consolidated financial statements.

SECTION V

RISKS AND UNCERTAINTIES

All income producing property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term financing whereas local conditions would relate to factors affecting specific properties in a particular geographic location, such as changes in market lease rates as a result of an over-supply of space or a reduction in demand for real estate. Management attempts to manage these risks by acquiring investment properties in various cities with strong economic and growth indicators, and engaging property management groups with local knowledge and experience.

The Board of Directors has the overall responsibility for the establishment and oversight of Pure Multi-Family’s risk management framework. Pure Multi-Family’s risk management policies are established to identify and analyze the risks faced by Pure Multi-Family, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to Pure Multi-Family’s activities.

In the normal course of business, Pure Multi-Family is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Interest Rate and Financial Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. Pure Multi-Family is exposed to financial risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

Pure Multi-Family manages its financial instruments and interest rate risks based on its cash flow needs. Pure Multi-Family minimizes interest rate risk by obtaining long-term, fixed rate mortgages whenever possible. It targets a conservative ratio of debt to gross book value within the range of 50% to 60% and is restricted under the LP Agreement to a maximum of 70%. As Pure Multi-Family does not have any mortgages payable maturing prior to 2019 and all of the mortgages payable bear interest at fixed rates, with only the outstanding credit facility bearing

interest at a variable rate, Pure Multi-Family does not face significant interest rate risk in the context of its outstanding debt.

The profile of Pure Multi-Family's interest-bearing financial instruments for the dates indicated is set out below:

<i>(\$000's)</i>	Face Value	
	June 30, 2018	December 31, 2017
Fixed rate instruments		
Mortgages payable	\$ 578,885	\$ 580,756
Convertible debentures	22,770	22,780
Preferred units of subsidiary	125	125
	\$ 601,780	\$ 603,661
Variable rate instruments		
Credit facility	\$ 26,000	\$ 26,000

Credit Risk

Credit risk is the risk of financial loss to Pure Multi-Family if a tenant, customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Pure Multi-Family's receivables from tenants.

Pure Multi-Family's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. Pure Multi-Family, through the US REIT, minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process. In addition, there is no concentration of credit risk due to the large number of individual tenants.

Currency Risk

Pure Multi-Family is exposed to minimal currency risk as a relatively small portion of the expenses are in Canadian dollars.

Lease Rollover Risk

Lease rollover risk arises from the possibility that Pure Multi-Family may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. All leases of Pure Multi-Family's investment properties have lease terms of one year or less. Typically, Pure Multi-Family instructs its property managers to initiate the renewal process before the existing leases expire. For any vacant spaces, Pure Multi-Family uses qualified leasing agents to actively market the spaces.

Class A Unit Prices

It is not possible to predict the price at which Class A Units will trade and there can be no assurance that an active trading market for the Class A Units will be sustained. The Class A Units will not necessarily trade at values determined solely by reference to the value of the investment properties of Pure Multi-Family. Accordingly, the Class A Units may trade at a premium or discount to the value implied by the value of Pure Multi-Family's investment properties. The market price for the Class A Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond Pure Multi-Family's control.

Environmental Risk

As an owner of real property, Pure Multi-Family is subject to various federal, state and municipal laws relating to environmental matters.

Management carries out environmental inspections, by qualified environmental consultants, before a property is purchased. Management is not aware of any material non-compliance with environmental laws with respect to the current portfolio and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the current portfolio.

Liquidity Risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Pure Multi-Family's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Pure Multi-Family were required to liquidate a real property investment, the proceeds to Pure Multi-Family might be significantly less than the aggregate carrying value of such property.

Liquidity risk is the risk that Pure Multi-Family will not be able to meet its financial obligations as they fall due. Pure Multi-Family's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. In addition, Pure Multi-Family intends to refinance any mortgages which mature within six months.

The following table provides the future non-discounted scheduled payments of financial liabilities, including estimated interest payments:

<i>(\$000's)</i>	2018 (remaining)	2019	2020	2021	2022	2023 and thereafter
Mortgages payable (principal and interest)	\$ 15,041	\$ 87,208	\$ 25,878	\$ 62,565	\$ 54,102	\$ 502,282
Credit facility (principal and interest)	449	891	26,817	-	-	-
Convertible debentures payable (principal and interest)	740	1,481	23,891	-	-	-
Preferred units of subsidiary (principal and interest)	8	16	16	16	16	140,625
Accounts payable and accrued liabilities	19,486	-	-	-	-	-
Total	\$ 35,724	\$ 89,596	\$ 76,602	\$ 62,581	\$ 54,118	\$ 642,907

Tax Risk

The US REIT currently qualifies as a real estate investment trust for U.S. federal income tax purposes. Thus, the US REIT is not subject to U.S. federal income tax. If the US REIT does not qualify or ceases to qualify as a REIT under the REIT exception, adverse consequences could arise including a material reduction of distributions to unitholders and Pure Multi-Family.

There can be no assurance that Canadian or U.S. federal income tax laws regarding the treatment of REITs will not be changed, or that administrative and assessment practices of the Canada Revenue Agency or IRS will not develop in a manner which adversely affects Pure Multi-Family or its unitholders.

Administration in the United States

The Administration in the United States may bring about changes in social, political, regulatory, tax and economic conditions or in laws and policies governing foreign trade, development and investment that could potentially cause significant volatility in global financial markets, including in global currency and debt markets. Such volatility could cause a slowdown in economic activities in the United States, Canada or globally, which could adversely affect Pure Multi-Family's operating results and growth prospects, the extent of which may not be identifiable as of the date hereof.

General

In addition to the risks set out above and elsewhere in this MD&A, readers should carefully consider all of the risk factors noted in Pure Multi-Family's annual information form for the year ended December 31, 2017, available on SEDAR at www.sedar.com.

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 three and six months ended June 30, 2017). Included in accounts payable and accrued liabilities at June 30, 2018 was \$499,844 (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 of the Governing GP 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:

<i>(\$000's)</i>	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Salaries, directors' fees, and other short-term benefits	\$ 597	\$ 448	\$ 1,193	\$ 838
Restricted unit based compensation expense	28	-	28	-

The increase to key corporate personnel compensation during the current period, compared to the prior year period, 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 amount, and an increase in directors' fees, which was largely driven by the formation of the 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.

OUTSTANDING UNIT DATA

Except as set out in the LP Agreement, no Class A Unit or Class B Unit has any preference or priority over another. The Class A Units and the Class B Units have voting rights as set out in the LP Agreement.

As at August 8, 2018, the following of Pure Multi-Family's securities were outstanding:

- (a) 200,000 Class B Units. Pursuant to the LP Agreement, the Class B Unitholders as a class are entitled to re-designate some or all of their Class B Units into a maximum of 2,665,835 Class A Units;
- (b) 76,731,540 Class A Units; and
- (c) 22,770 Convertible Debentures. The Convertible Debentures are convertible at the option of the holder and redeemable by Pure Multi-Family in accordance with the terms of the trust indenture dated August 7, 2013. See "Financial Condition – Convertible Debentures".

SECTION VI**SUBSEQUENT EVENTS**

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

ADDITIONAL INFORMATION

Additional information relating to Pure Multi-Family is available on SEDAR at www.sedar.com and on Pure Multi-Family's website at www.puremultifamily.com.

TRADING SYMBOLS

TSX Venture Exchange: RUF.U, RUF.UN, RUF.DB.U

OTCQX: PMULF