PURE MULTI-FAMILY REIT LP

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

For the year ended December 31, 2018

Dated: March 7, 2019

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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 year ended December 31, 2018 should be read in conjunction with Pure Multi-Family's consolidated financial statements for the year ended December 31, 2018, 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 "Overview", "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 with unique features 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) increasing unitholder value through improved efficiencies from the internalization of the property management function and recycling of the investment properties to newer properties;
(iv) 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;
(v) tax status of Pure US Apartments REIT Inc., which can be impacted by regulatory changes enacted by governmental authorities;
(vi) adequacy of cash flows from operations and debt and equity financings sufficient to meet ongoing obligations and growth;
(vii) anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions;
(viii) obtaining and maintaining adequate insurance for Pure Multi-Family's properties;
(ix) anticipated interest rates and exchange rates;
(x) growing revenue, net income and cash flows available for distribution; and
(xi) anticipated use and benefits from the 1031 Exchange (as 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: property ownership; geographic focus; asset-class focus; 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; cybersecurity; 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: the multi-family residential real estate market in the "Sunbelt" region in the United States will remain strong; property acquisition and disposition prospects and opportunities will be consistent with Pure Multi-Family's experience over the past 24 months; proposed acquisitions will be completed on the terms and basis agreed to by Pure Multi-Family, acquisition capitalization rates remain reasonably constant; 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 24 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, the equity and debt markets continue to provide Pure Multi-Family with access to capital at a reasonable cost to fund future growth and potentially refinance mortgage debt as it matures, 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. Although the forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these 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. All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer.

These forward-looking statements are made as of March 7, 2019 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 year ended December 31, 2018 includes material information up to March 7, 2019. 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., which may include 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, among other things, the removal of the Managing GP as a general partner of Pure Multi-Family. 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'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.

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		
	December 31, 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	**94.2%**	93.7%	92.8%
Leased occupancy	**95.5%**	95.0%	94.9%
Investment properties *(000's)*	**$ 1,157,616**	$ 1,133,501	$ 778,547
Mortgages payable *(000's)*	**$ 577,486**	$ 576,253	$ 447,827
Credit facility *(000's)*	**$ 26,844**	$ 25,762	-
Weighted average effective interest rate on mortgages payable	**3.75%**	3.72%	3.74%
Loan to gross book value	**52.6%**	53.4%	55.2%

Pure Multi's interest *($000s, except per unit basis)* *(all per unit amounts based on basic weighted average number of units outstanding)*	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Total rental revenue [(2)]	**$ 27,600**	$ 26,200	**$ 109,612**	$ 93,099
Total operating expense [(2)]	**11,844**	11,124	**48,579**	43,240
Total net rental income [(2)]	**15,756**	15,076	**61,033**	49,859
Net rental income margin	**57.1%**	57.5%	**55.7%**	53.6%
Basic weighted average number of units outstanding				
Class A units	**76,734,488**	76,729,771	**76,732,128**	68,926,987
Class B units	**200,000**	200,000	**200,000**	200,000
Funds from operations ("FFO") [(2)]	**7,342**	7,526	**27,317**	22,684
per Class A unit	**0.09**	0.10	**0.34**	0.32
per Class B unit	**1.23**	1.26	**4.59**	4.22
Payout ratio	**101.4%**	98.9%	**109.0%**	119.9%
Adjusted funds from operations ("AFFO") [(2)]	**6,905**	7,073	**25,558**	21,146
per Class A unit	**0.09**	0.09	**0.32**	0.30
per Class B unit	**1.16**	1.19	**4.29**	3.94
Payout ratio	**107.8%**	105.2%	**116.5%**	128.6%

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 95.6% of total entity level debt and variable interest rate debt representing only 4.4% as at December 31, 2018. At the property level, the mortgages payable have a weighted average interest rate of 3.75% per annum and an average mortgage term to maturity of 8.1 years.

Based on Pure Multi's interest, for the three months ended December 31, 2018, rental revenue was $27,599,738 and net rental income was $15,756,379, representing increases of $1,399,367, or 5.3%, and $680,401, or 4.5%, respectively, compared to the same period in the prior year. For the year ended December 31, 2018, rental revenue was $109,611,962 and net rental income was $61,032,821, representing increases of $16,513,306, or 17.7%, and $11,174,659, or 22.4%, respectively, compared to the prior year.

For the three months and year ended December 31, 2018, the net rental income margin decreased to 57.1% from 57.5%, and for the year ended December 31, 2018, net rental income margin increased to 55.7% from 53.6%, compared to the same periods in the prior year. While the net rental income margin remained relatively stable for the three months ended December 31, 2018 compared to the three months ended December 31, 2017, the increase in net rental income margin for the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to the elimination of property management fees resulting from the internalization of property management.

For the three months ended December 31, 2018, Pure Multi-Family earned an average monthly rent per occupied unit of $1,281, or $1.407 per square foot, across its portfolio (three months ended December 31, 2017 - $1,264 and $1.388, respectively), representing an increase in the average monthly rent per occupied unit of 1.3%, or 1.4% per square foot, compared to the same period in the prior year. For the year ended December 31, 2018, Pure Multi-Family earned an average monthly rent per occupied unit of $1,275, or $1.400 per square foot, across its portfolio (year ended December 31, 2017 - $1,250 and $1.370, respectively), representing an increase in the average monthly rent per occupied unit of 2.0%, or 2.2% per square foot, compared to the prior year.

For the three months ended December 31, 2018, the FFO payout ratio increased to 101.4% from 98.9% and the AFFO payout ratio increased to 107.8% from 105.2% compared to the three months ended December 31, 2017. The FFO and AFFO payout ratio increase, during the three months ended December 31, 2018, was primarily due to the mortgage refinancing costs incurred of $324,728 relating to the refinancing of the Bear Creek investment property. For the year ended December 31, 2018, the FFO payout ratio improved to 109.0% from 119.9% and the AFFO payout ratio improved to 116.5% from 128.6% compared to the year ended December 31, 2017. The reduction in the FFO and AFFO payout ratios for the year ended December 31, 2018 compared to the prior year were primarily due to the elimination of the property management fees for the periods in 2018, as the investment properties were not fully transitioned to internal management until September 30, 2017. These improvements were partially offset by increased costs relating to the previously disclosed Strategic Review Process (as defined herein) implemented earlier in the year (see "Outlook").

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

Pure Multi's interest ***Rental revenue – same property*** [(1)] (by location) *($000's)*	**For the three months ended** **December 31, 2018**	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 11,892**	$ 11,650	$ 242	2.1%
Houston, Texas	**2,183**	2,167	16	0.7%
San Antonio, Texas	**5,611**	5,496	115	2.1%
Phoenix, Arizona	**796**	742	54	7.3%
Total – same property [(1)]	**20,482**	20,055	427	2.1%
Total – properties acquired/sold [(2)]	**7,118**	6,145	973	15.8%
Total rental revenue	**$ 27,600**	$ 26,200	$ 1,400	5.3%

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.*

Pure Multi's interest ***Rental revenue – same property*** [(1)] (by location) *($000's)*	**For the year ended** **December 31, 2018**	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 47,380**	$ 46,294	$ 1,086	2.4%
Houston, Texas	**8,782**	8,421	361	4.3%
San Antonio, Texas	**22,036**	21,101	935	4.4%
Phoenix, Arizona	**3,110**	2,997	113	3.8%
Total – same property [(1)]	**81,308**	78,813	2,495	3.2%
Total – properties acquired/sold [(2)]	**28,304**	14,286	14,018	98.1%
Total rental revenue	**$ 109,612**	$ 93,099	$ 16,513	17.7%

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.*

Pure Multi's interest ***Net rental income – same property*** [(1)] (by location) *($000's)*	**For the three months ended** **December 31, 2018**	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 7,013**	$ 6,801	$ 212	3.1%
Houston, Texas	**1,376**	1,351	25	1.9%
San Antonio, Texas	**2,954**	3,071	(117)	(3.8%)
Phoenix, Arizona	**575**	467	108	23.1%
Total – same property [(1)]	**11,918**	11,690	228	2.0%
Total – properties acquired/sold [(2)]	**3,838**	3,386	452	13.3%
Total net rental income	**$ 15,756**	$ 15,076	$ 680	4.5%

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.*

Pure Multi's interest ***Net rental income – same property*** [1] (by location) ***($000's)***	For the year ended			
	December 31, 2018	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 26,949**	$ 25,609	$ 1,340	5.2%
Houston, Texas	**5,433**	4,936	497	10.1%
San Antonio, Texas	**11,189**	9,946	1,243	12.5%
Phoenix, Arizona	**2,108**	1,840	268	14.6%
Total – same property [1]	**45,679**	42,331	3,348	7.9%
Total – properties acquired/sold [2]	**15,354**	7,528	7,826	104.0%
Total net rental income	**$ 61,033**	$ 49,859	$ 11,174	22.4%

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.*

Average monthly rent per occupied unit -same property [1] (by location)	For the three months ended			
	December 31, 2018	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 1,250**	$ 1,240	$ 10	0.8%
Houston, Texas	**1,230**	1,219	11	0.9%
San Antonio, Texas	**1,341**	1,325	16	1.2%
Phoenix, Arizona	**1,220**	1,174	46	3.9%
Portfolio weighted average – same property [1]	**1,271**	1,258	13	1.0%

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.*

Average monthly rent per occupied unit -same property [1] (by location)	For the year ended			
	December 31, 2018	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 1,246**	$ 1,231	$ 15	1.2%
Houston, Texas	**1,225**	1,212	13	1.1%
San Antonio, Texas	**1,334**	1,333	1	0.1%
Phoenix, Arizona	**1,201**	1,157	44	3.8%
Portfolio weighted average – same property [1]	**1,266**	1,253	13	1.0%

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.*

Average physical occupancy – same property [1] (by location)	For the three months ended		
	December 31, 2018	December 31, 2017	% Change
Dallas - Fort Worth, Texas	**95.5%**	95.2%	0.3%
Houston, Texas	**96.6%**	98.4%	(1.8%)
San Antonio, Texas	**94.8%**	95.0%	(0.2%)
Phoenix, Arizona	**98.2%**	94.4%	3.8%
Portfolio weighted average – same property [1]	**95.6%**	95.5%	0.1%

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.*

Average physical occupancy – same property [(1)] (by location)	For the year ended December 31, 2018	December 31, 2017	% Change
Dallas - Fort Worth, Texas	**95.3%**	95.1%	0.2%
Houston, Texas	**97.4%**	95.9%	1.5%
San Antonio, Texas	**93.9%**	92.5%	1.4%
Phoenix, Arizona	**96.8%**	96.3%	0.5%
Portfolio weighted average – same property [(1)]	**95.2%**	94.6%	0.6%

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.*

Adjusted Same Property Net Rental Income Analysis *(all metrics stated at Pure Multi's interest)*

Pure Multi's interest ***Adjusted net rental income – same property*** [(1)] (by location) ***($000's)***	For the three months ended December 31, 2018	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 6,715**	$ 6,437	$ 278	4.3%
Houston, Texas	**1,322**	1,303	19	1.5%
San Antonio, Texas	**2,814**	2,740	74	2.7%
Phoenix, Arizona	**555**	448	107	23.9%
Adjusted total – same property [(1)]	**11,406**	10,928	478	4.4%
Total adjustments [(2)]	**512**	762	(250)	(32.8%)
Total same property net rental income (as disclosed in tables above)	**$ 11,918**	$ 11,690	$ 228	2.0%

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) *Adjustments made from same property net rental income include normalizing property management fees at 2.5% of revenues throughout the comparative periods and removing the impact of any property tax refunds received relating to a prior period.*

Pure Multi's interest ***Adjusted net rental income – same property*** [(1)] (by location) ***($000's)***	For the year ended December 31, 2018	December 31, 2017	$ Change	% Change
Dallas - Fort Worth, Texas	**$ 25,704**	$ 25,327	$ 377	1.5%
Houston, Texas	**5,207**	4,894	313	6.4%
San Antonio, Texas	**10,638**	9,669	969	10.0%
Phoenix, Arizona	**2,031**	1,833	198	10.8%
Adjusted total – same property [(1)]	**43,580**	41,723	1,857	4.5%
Total adjustments [(2)]	**2,099**	608	1,491	245.2%
Total same property net rental income (as disclosed in tables above)	**$ 45,679**	$ 42,331	$ 3,348	7.9%

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) *Adjustments made from same property net rental income include normalizing property management fees at 2.5% of revenues throughout the comparative periods and removing the impact of any property tax refunds received relating to a prior period.*

Same property rental revenue increased by 2.1% and 3.2%, respectively, for the three months and year ended December 31, 2018 compared to the same periods in the prior year. These increases were primarily driven by increases in occupancy and average monthly rent, combined with a reduction in resident concessions.

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 an increase of 4.4% in adjusted same property net rental income for the three months ended December 31, 2018 compared to the three months ended December 31, 2017, and an increase of 4.5% in adjusted same property net rental income for the year ended December 31, 2018, compared to the year ended December 31, 2017. The increase in adjusted same property net rental income was primarily a result of increased revenues and increased efficiency managing operating expenses, all of which were partially offset by an increase in property tax expense.

Phoenix and San Antonio were two markets that incurred changes greater than 10% in adjusted same property net rental income compared to the same periods in the prior year. Within the same property results, Phoenix is represented by the San Brisas investment property which produced adjusted same property net rental income increases of 23.9% and 10.8%, respectively, during the three months ended and year ended December 31, 2018 compared to the same periods in the prior year. These increases were primarily driven by increases in rental revenues, combined with a decrease in payroll expenses due to the temporary reduction of staffing levels. The San Antonio market, which is represented by all four of the investment properties in that location, produced and increase in adjusted same property net rental income of 10.0% during the year ended December 31, 2018 compared to the same period in the prior year. This increase was primarily driven by an increase in rental revenues, which was mostly comprised by a 46.3% reduction in resident concessions compared to the prior year.

Portfolio Summary

As at December 31, 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 94.2% and weighted average leased occupancy rate was 95.5% for all properties owned as at December 31, 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.

			As at December 31, 2018			**For the three months ended December 31, 2018**		
Property Locations	**Average Year of Construction**	**Residential Units**	**Fair Market Value** *($000's)*	**Debt to Fair Market Value**	**Cap Rate**	**Physical Occupancy**	**Leased Occupancy**	**Average Rent per Occupied Unit**
DFW, TX	2005	3,985	634,326	50.8%	4.99%	94.3%	95.6%	$ 1,266
Houston, TX	2005	568	82,102	53.6%	5.75%	96.6%	97.4%	1,230
San Antonio, TX	2012	1,402	223,268	63.1%	5.06%	94.8%	96.2%	1,341
Phoenix, AZ	2006	854	176,323	31.1%	4.99%	97.2%	98.6%	1,313
Austin, TX	2016	276	41,597	48.1%	4.75%	85.9%	86.5%	1,200
	2007	**7,085**	**$1,157,616**	**50.3%**	**5.05%**	**94.6%**	**95.9%**	**$ 1,281**

OUTLOOK

Pure Multi-Family is a vertically integrated organization, providing a scalable platform which management believes will enhance unitholder value going forward through improved efficiencies, streamlined processes, and the direct real-time insights into trends within its markets. Management continues to employ a portfolio asset and property management focus in order to:

- grow same property revenues and same property net rental income;
- enhance net rental income operating margins;
- improve the occupancy levels on the stabilizing investment properties;
- enhance unitholder value through the recycling of its current investment portfolio;
- maintain a debt to gross book value ratio between 50% and 55%; and
- grow cash flows available for distributions.

Job and population growth are fundamental drivers of apartment demand and Pure Multi-Family's core and target markets continue to experience considerable economic growth and are nearing full employment levels, which management believes will continue through 2019. Corporate office relocations and household migration from high-cost locations to low-cost locations are major trends that continue to drive growth in markets such as Texas and Arizona. Pure Multi-Family maintains 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. Convenience and proximity to job centres, entertainment and services remain strong drivers when selection an asset. Pure Multi-Family's residents are looking for ease of access, and minimal commuting whether it is to their place of employment or services. Management believes such attention to detail on asset selection pays dividends in terms of top-line revenue growth and reduced tenant turnover.

Looking ahead into 2019, management is preparing for Pure Multi-Family to migrate to the Toronto Stock Exchange from the TSX Venture Exchange which management believes will assist with liquidity and enhanced visibility to new unitholders. Management is undertaking a review of its corporate branding, social media and environmental (PURE Green) initiatives across the portfolio. Management will also consider using the U.S. 1031 tax exchange program ("1031 Exchange") for the potential disposition and acquisition of several investment properties. The 1031 Exchange, provides the opportunity for the repositioning of the portfolio, on a tax deferral basis, by acquiring investment properties in markets that are displaying strong rental income growth and better net rental income margins and disposing of investment properties in markets where rental income growth appears to be slowing down or underperforming expectations, thus enhancing the overall value of Pure Multi-Family's portfolio. Management believes the 1031 Exchange creates a significant advantage to real estate investors within the U.S. compared to real estate investors within Canada, as the in-place tax deferral program allows investors to reinvest all of the net proceeds received on the disposition of an investment property into a newly acquired investment property, rather than only being able to apply the after-tax proceeds within the Canadian market.

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 periods indicated.

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

For the year ended December 31, 2018, there were no investment property acquisitions or dispositions, which resulted in no differences to reconcile between Pure Multi-Family's consolidated financial statements prepared in accordance with IFRS and Pure Multi's interest.

Year ended December 31, 2017 ***($000's)***	Consolidated [1]	IFRIC 21 Property Tax Adjustment [2]	Pure Multi's Interest [3]
OPERATING EXPENSES			
Property taxes	$ 15,647	$ 2,910	$ 18,557
TOTAL OPERATING EXPENSES	40,330	2,910	43,240
NET RENTAL INCOME (LOSS)	52,769	(2,910)	49,859
NET OTHER INCOME			
Fair value adjustments to investment properties	17,602	2,910	20,512
TOTAL NET OTHER INCOME	12,435	2,910	15,345
NET INCOME AND COMPREHENSIVE INCOME	$ 43,196	$ -	$ 43,196

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 December 31, 2018 *($000's)*	Consolidated [1]	IFRIC 21 Property Tax Adjustment [2]	Pure Multi's Interest [3]
OPERATING EXPENSES (RECOVERIES)			
Property taxes	$ (352)	$ 5,706	$ 5,354
TOTAL OPERATING EXPENSES	6,138	5,706	11,844
NET RENTAL INCOME (LOSS)	21,462	(5,706)	15,756
NET OTHER INCOME (EXPENSES)			
IFRIC 21 fair value adjustment to investment properties	(5,706)	5,706	-
TOTAL NET OTHER INCOME (EXPENSES)	(4,596)	5,706	1,110
NET INCOME AND COMPREHENSIVE INCOME	$ 10,156	$ -	$ 10,156

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 December 31, 2017 *($000's)*	Consolidated [1]	IFRIC 21 Property Tax Adjustment [2]	Pure Multi's Interest [3]
OPERATING EXPENSES (RECOVERIES)			
Property taxes	$ (372)	$ 5,247	$ 4,875
TOTAL OPERATING EXPENSES	5,877	5,247	11,124
NET RENTAL INCOME (LOSS)	20,323	(5,247)	15,076
NET OTHER INCOME (EXPENSES)			
Fair value adjustments to investment properties	(5,749)	1,301	(4,448)
IFRIC 21 fair value adjustment to investment properties	(3,946)	3,946	-
TOTAL NET OTHER INCOME (EXPENSES)	(11,083)	5,247	(5,836)
NET INCOME AND COMPREHENSIVE INCOME	$ 3,078	$ -	$ 3,078

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

Pure Multi's interest *($000's, except per unit basis)*	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Revenues				
Rental	**$ 27,600**	$ 26,200	**$ 109,612**	$ 93,099
Operating Expenses				
Insurance	**537**	526	**2,160**	1,908
Property management	**-**	-	**-**	1,859
Property taxes [(1)]	**5,354**	4,875	**22,311**	18,557
Property operating expenses	**5,953**	5,723	**24,108**	20,916
	11,844	11,124	**48,579**	43,240
Net Rental Income [(1)]	**15,756**	15,076	**61,033**	49,859
Net Finance Income (Expenses)				
Interest income	**5**	13	**23**	112
Interest expense	**(6,711)**	(6,171)	**(25,612)**	(22,104)
Distributions to subsidiary's preferred unitholders	**(4)**	(4)	**(16)**	(16)
	(6,710)	(6,162)	**(25,605)**	(22,008)
Other Income (Expenses)				
Other income	**38**	425	**409**	663
General and administrative	**(1,604)**	(1,683)	**(7,992)**	(5,369)
Fair value adjustments to investment properties [(1)]	**2,802**	(4,448)	**18,689**	20,512
Franchise taxes	**(126)**	(130)	**(508)**	(461)
	1,110	(5,836)	**10,598**	15,345
Net Income and Comprehensive Income	**$ 10,156**	$ 3,078	**$ 46,026**	$ 43,196
Earnings per Class A unit – basic	**$ 0.13**	$ 0.04	**$ 0.58**	$ 0.60
Weighted average number of Class A units – basic	**76,734,488**	76,729,771	**76,732,128**	68,926,987
Earnings per Class A unit – diluted	**$ 0.13**	$ 0.04	**$ 0.58**	$ 0.60
Weighted average number of Class A units – diluted	**76,734,488**	76,729,771	**80,757,084**	72,958,845
Earnings per Class B unit – basic	**$ 1.71**	$ 0.52	**$ 7.73**	$ 8.04
Weighted average number of Class B units – basic	**200,000**	200,000	**200,000**	200,000
Earnings per Class B unit – diluted	**$ 1.71**	$ 0.52	**$ 7.68**	$ 7.96
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 year ended December 31, 2018, based on Pure Multi's interest, Pure Multi-Family recorded rental revenue of $109,611,962, net rental income of $61,032,821, fair value adjustments to investment properties of $18,688,804 and net income of $46,025,927 (year ended December 31, 2017 - $93,098,656, $49,858,162, $20,512,477 and $43,196,301, respectively). During the year ended December 31, 2018, Pure Multi-Family incurred $7,991,894 of general and administrative expenses (year ended December 31, 2017 - $5,369,059) and incurred franchise tax expense of $508,073 (year ended December 31, 2017 - $460,952). The increase in revenues and operating expenses is primarily attributable to Pure Multi-Family operating additional investment properties, coupled with same property rental revenue growth during the year ended December 31, 2018 compared to the prior year. The increase in general and administrative expenses was primarily due to the internalization of the property management function, which commenced during the second quarter of 2017 and also from one-time costs associated with the Strategic Review Process, which began in the first quarter of 2018 and accounted for an additional $1,406,980 of expenditures during the year. The increase in net income during the year ended December 31, 2018 is primarily due to achieving a higher net rental income margin as a result of increased revenues and the lack of management fees due to the internalization of the property management function compared to 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 year ended December 31, 2018 compared to 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 $11,843,359 during the three months ended December 31, 2018 and $48,579,141 during the year ended December 31, 2018 (December 31, 2017 - $11,124,393 and $43,240,494, respectively). The increase in operating expenses was primarily due to Pure Multi-Family operating additional investment properties and residential units during the periods in 2018 combined with an increase in property tax expense, which was partially offset by a reduction in property management fees. Pure Multi-Family's operating margin during the three months ended December 31, 2018 decreased to 57.1% from 57.5% over the same period in the prior year and increased to 55.7% from 53.6% for the year ended December 31, 2018 over 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:

Pure Multi's interest	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Insurance	**4.5%**	4.7%	**4.5%**	4.4%
Property management	**-**	-	**-**	4.3%
Property taxes	**45.2%**	43.8%	**45.9%**	42.9%
Property operating expenses	**50.3%**	51.5%	**49.6%**	48.4%
	100.0%	100.0%	**100.0%**	100.0%
Net rental income margin	**57.1%**	57.5%	**55.7%**	53.6%

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 $15,625 to the subsidiary's preferred unitholders during the year ended December 31, 2018 (year ended December 31, 2017 - $15,625).

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 3.75% per annum as at December 31, 2018 (December 31, 2017 - 3.72%) and the mortgages mature between 2019 and 2032 with a weighted average mortgage term of 8.1 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 year ended December 31, 2018, Pure Multi-Family incurred additional G&A expenses of approximately $1.4 million 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 year ended December 31, 2018, was 6.0% and 5.8% for the three months ending December 31, 2018. The Strategic Review Process costs are included as professional fees in the table below.

During 2017, Pure Multi-Family went through the process of internalizing its property management function. During the year ended December 31, 2018, property management related expenses were included within G&A expense, whereas during the same period in the prior year the majority of the property management function was managed by an external party and these costs were included within operating expenses.

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

Pure Multi's interest	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Insurance	**2.5%**	1.8%	**2.0%**	1.3%
Professional fees	**4.4%**	8.7%	**21.8%**	8.2%
Legal and filing fees	**3.8%**	4.8%	**5.9%**	7.1%
Director's fees	**5.5%**	3.8%	**4.8%**	5.4%
Administrative expenses	**83.8%**	80.9%	**65.5%**	78.0%
	100.0%	100.0%	**100.0%**	100.0%
G&A expense as a percentage of rental revenue	**5.8%**	6.4%	**7.3%**	5.8%
Adjusted G&A expense as a percentage of rental revenue [1]	**5.8%**	6.4%	**6.0%**	5.8%

Notes:
[1] *Represents G&A expense excluding costs associated with the Strategic Review Process.*

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 year ended December 31, 2018, based on Pure Multi's interest, Pure Multi-Family recorded an increase of $18,688,804 in the fair value of its investment properties (year ended December 31, 2017 - $20,512,447). The weighted average capitalization rate of the investment properties at December 31, 2018, based on Pure Multi's interest, was 5.05% (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 year ended December 31, 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 $508,073 for the year ended December 31, 2018 (year ended December 31, 2017 - $460,952).

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 December 31, 2018, investment properties were valued at $1,157,615,896 (December 31, 2017 - $1,133,501,407). The increase in the fair value of the investment properties was primarily driven by an increase in net rental income and a decrease in capitalization 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 December 31, 2018, the term for the current mortgage reserve fund is less than 12 months. The mortgage reserve fund is $7,322,383 as at December 31, 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 52.6% of the gross book value as at December 31, 2018 (December 31, 2017 – 53.4%).

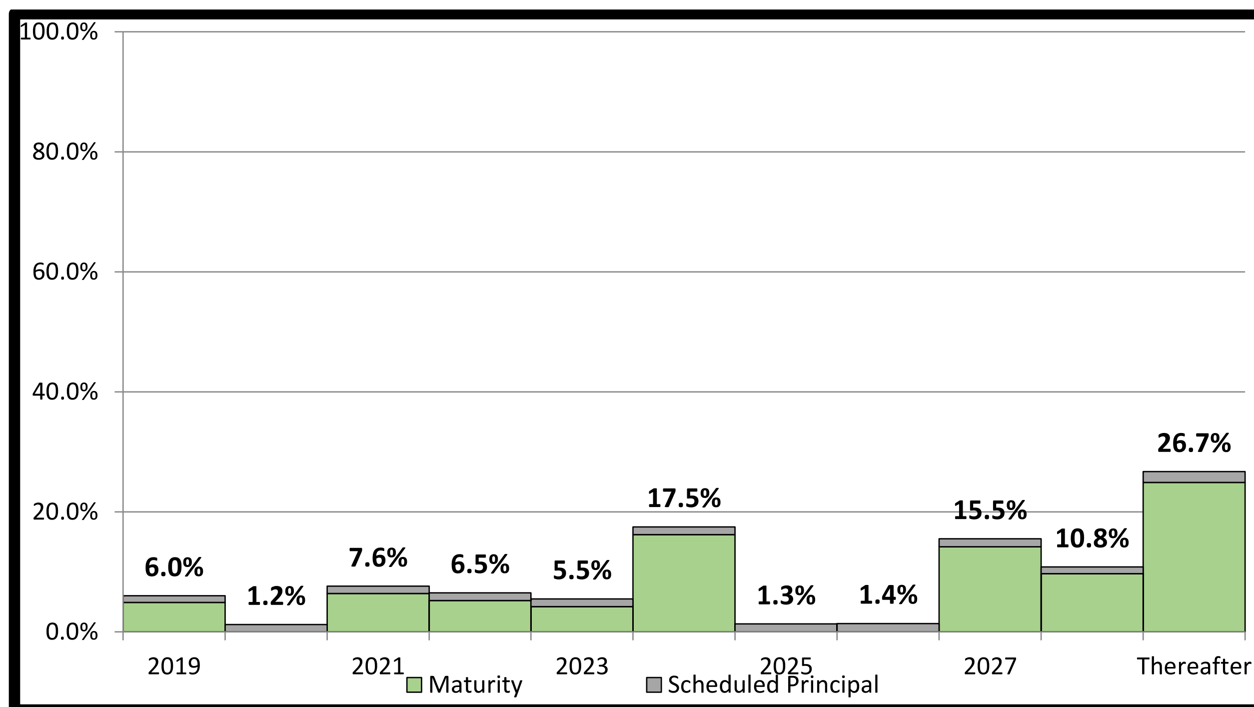
Mortgages Payable

The mortgages bear interest at a weighted average effective rate of 3.75% per annum as at December 31, 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:

December 31, 2018 *($000's, except percentage amounts)*	**Weighted Average Effective Rate (on expiry)**	**Scheduled Principal Repayments**	**Principal Maturities**	**Total Repayments**
2019	3.11%	6,164	28,470	34,634
2020	-	7,017	-	7,017
2021	3.26%	7,224	37,060	44,284
2022	3.38%	7,483	30,180	37,663
2023	4.32%	7,681	24,679	32,360
2024	3.84%	7,414	93,992	101,406
2025	-	7,528	-	7,528
2026	-	8,120	-	8,120
2027	3.83%	7,799	82,425	90,224
2028	3.60%	6,149	56,337	62,486
Thereafter	3.91%	10,436	145,699	156,135
	3.75%	$ 83,015	$ 498,842	581,857
Unamortized mortgage transaction costs				(4,371)
				$ 577,486

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 4.13% for the year ended December 31, 2018 (year ended December 31, 2017 – 3.64%). Amounts drawn under the Facility bear interest at a variable rate equal to: (i) LIBOR plus a margin ranging from 1.55% to 2.20% per annum, or (ii) a base rate plus a margin ranging from 0.55% to 1.20% per annum. As at December 31, 2018, a balance of $27,000,000 was outstanding (December 31, 2017 - $26,000,000). The Facility is secured by the Fillmore investment property located in Phoenix, Arizona.

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

(000's)	**Face Value**	**Carrying Value**
Balance as at December 31, 2017	$ 26,000	$ 25,762
Credit facility draws	1,000	1,000
Amortization of transaction costs	-	82
Balance as at December 31, 2018	$ 27,000	$ 26,844
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") of Pure Multi-Family at a conversion price of $5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. After September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi-Family at any time.

During the year ended December 31, 2018, 39 of the originally issued 23,000 6.5% convertible debentures were converted into Class A Units (year ended December 31, 2017 – 210). At December 31, 2018, $22,741,000 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:

($000's)	**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	(39)	(35)	(4)
Amortization of transaction costs	-	195	-
Accretion of liability component	-	367	-
Balance as at December 31, 2018	$ 22,741	$ 21,642	$ 1,961
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 September 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

Deferred Unit Plan Liability

The Board adopted the Deferred Unit Plan (the "DUP") effective as of January 1, 2018. The purpose of the DUP is to promote a greater alignment of interests between the non-executive directors (each, a "Director") of the Governing GP 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 DUP, 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 DUP) on such dates. Under the DUP, one Deferred Unit shall be equivalent in value to one Class A 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 DUP 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 Class A Unit on the award date.

Upon any cash distribution being paid on the Class A Units prior to a participant's Redemption Date (as defined in the DUP), Pure Multi-Family will credit additional Deferred Units (each, a "Distribution Deferred Unit") to the participant's Deferred Unit account. The number of such Distribution 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 Class A Unit; by (ii) the Market Value of a Class A Unit on the distribution payment date for such distribution.

The Deferred Units (including any Distribution 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 (including any Distribution 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 Class A 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 DUP.

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 Class A Unit price increases) or gain (when Pure Multi-Family's Class A Unit price decreases) to compensation expense. For the year ended December 31, 2018, $114,905 in compensation expense (year ended December 31, 2017 - $nil), was included in G&A expenses.

($000's, except unit amounts)	**Deferred Unit Plan Units**	**Carrying Value**
Balance, December 31, 2017	-	$ -
Granting of units	17,421	111
Distribution units	396	3
Fair value adjustment	-	1
Balance as at December 31, 2018	17,817	$ 115

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 Class A 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 year ended December 31, 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 December 31, 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 year ended December 31, 2018, $112,978 in compensation expense (year ended December 31, 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 December 31, 2018.

($000's, except unit amounts)	Restricted Unit Plan Units	Carrying Value
Balance, December 31, 2017	-	$ -
Granting of units	15,848	115
Distribution units	2,709	18
Fair value adjustment	-	(20)
Balance as at December 31, 2018	18,557	$ 113

In determining the fair value of the RUP liability at each reporting period, the closing price of the Class A Units 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 Class A Unit, per month	$ 0.03125
Closing Class A Unit price as at December 31, 2018	$ 6.20

Included in compensation expense for the year ended December 31, 2018 is a fair value adjustment of $20,391 (year ended December 31, 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.

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 year ended December 31, 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.

(b) On October 12, 2018, five 6.5% convertible debentures were converted at a conversion price of $5.65 into 884 Class A Units. Pure Multi-Family issued the Class A Units from treasury.

(c) On November 15, 2018, twenty-four 6.5% convertible debentures were converted at a conversion price of $5.65 into 4,247 Class A Units. Pure Multi-Family issued the Class A Units from treasury.

	2018	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	**6,900**	37,165
Class A Units outstanding, end of period	**76,736,671**	76,729,771

As at December 31, 2018, Pure Multi-Family had 76,736,671 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. After the Determination Event (as defined in the LP Agreement), 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 year ended December 31, 2018, 3.36% of net income was allocated to the Class B Units (year ended December 31, 2017 – 3.72%).

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 year ended December 31, 2018 (year ended December 31, 2017 - $6,135,519).

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 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 to commence a normal course issuer bid (“NCIB”), allowing for the purchase for cancellation of up to 1,000,000 Class A Units. The NCIB commenced on October 3, 2017 and expired on October 2, 2018, with no Class A Units being purchased by Pure Multi-Family.

In November 2018, Pure Multi-Family received approval from the TSX Venture Exchange to commence a new NCIB, allowing for the purchase for cancellation of up to 1,500,000 Class A Units. The NCIB commenced on November 20, 2018 and expires on November 19, 2019, or such earlier date as Pure Multi-Family completes its purchases pursuant to the NCIB. Purchases subject to this NCIB will be carried out pursuant to open market transactions through the facilities of the TSX-V by CIBC on behalf of Pure Multi-Family in accordance with applicable regulatory requirements. All Class A Units purchased by Pure Multi-Family under the NCIB will be returned to treasury and cancelled. During the year ended December 31, 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.

Pure Multi-Family's reported FFO is consistent with the REALPAC definition of FFO.

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 as a cash flow measure.

Pure Multi-Family's reported AFFO is consistent with the REALPAC definition of AFFO, except for the add-back of certain non-cash costs associated with the convertible debentures. These non-cash costs represent the accretion of the book value to the face value of the outstanding convertible debentures. Pure Multi-Family is in the view that this non-cash item, has no impact on its operations and therefore should not be included in its reported AFFO.

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

Pure Multi's interest (\$000's, except per unit basis)	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Net income and comprehensive income	**\$ 10,156**	\$ 3,078	**\$ 46,026**	\$ 43,196
Adjustment:				
Fair value adjustment to investment properties	**(2,802)**	5,750	**(18,689)**	(17,602)
Property tax adjustments on acquisition or sale	**-**	(1,302)	**-**	(2,910)
IFRIC 21 fair value adjustment to investment properties	**5,706**	3,946	**-**	-
IFRIC 21 property tax liability adjustment, net	**(5,706)**	(3,946)	**-**	-
Fair value adjustment to unit-based compensation expense	**(12)**	-	**(20)**	-
Funds from operations	**\$ 7,342**	\$ 7,526	**\$ 27,317**	\$ 22,684
Maintenance capital provision [1]	**(532)**	(540)	**(2,126)**	(1,870)
Accretion of convertible debentures	**95**	87	**367**	332
Adjusted funds from operations	**\$ 6,905**	\$ 7,073	**\$ 25,558**	\$ 21,146
Weighted average number of units *(000's)*				
Class A Units	**76,734**	76,730	**76,732**	68,927
Class B Units	**200**	200	**200**	200
Diluted weighted average number of units *(000's)*				
Class A Units	**76,734**	76,730	**80,757**	72,959
Class B Units	**200**	200	**200**	200
FFO per unit – Basic and Diluted				
Class A Units	**\$ 0.09**	\$ 0.10	**\$ 0.34**	\$ 0.32
Class B Units	**1.23**	1.26	**4.59**	4.22
Payout Ratio on FFO [2]	**101.4%**	98.9%	**109.0%**	119.9%
AFFO per unit – Basic and Diluted				
Class A Units	**\$ 0.09**	\$ 0.09	**\$ 0.32**	\$ 0.30
Class B Units	**1.16**	1.19	**4.29**	3.94
Payout Ratio on AFFO [3]	**107.8%**	105.2%	**116.5%**	128.6%

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 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 December 31, 2018 was 101.3% and for the year ended December 31, 2018 was 103.7%.*

(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 December 31, 2018 was 107.7% and for the year ended December 31, 2018 was 110.4%.*

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:

	For the year ended December 31,		
($000's, except per percent and residential unit basis)	**2018**	**2017**	**2016**
Value enhancing capital expenditures	$ 3,300	$ 3,052	$ 2,393
Maintenance capital expenditures	2,126	1,870	1,540
Total capital expenditures	$ 5,426	$ 4,922	$ 3,933
Maintenance capital - % of total capital	39%	38%	39%
Portfolio average year of construction	2007	2007	2006
# of residential units [1]	7,085	6,233	5,132
Maintenance capital expenditures per residential unit	$ 300	$ 300	$ 300
Value enhancing capital expenditures per residential unit	$ 466	$ 490	$ 466

Notes:
[1] *Weighted average number of residential units within the 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 the investment properties, based on the location and year of construction of such properties. As presented in the table above, the "Maintenance capital - % of total capital" has remained consistent over the prior three 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:

Pure Multi's interest *($000's)*	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Adjusted funds from operations	**$ 6,905**	$ 7,073	**$ 25,558**	$ 21,146
Maintenance capital provision	**532**	540	**2,126**	1,870
Accretion of convertible debentures	**(95)**	(87)	**(367)**	(332)
Funds from operations	**7,342**	7,526	**27,317**	22,684
(Increase) decrease in accounts receivable	**(198)**	(485)	**988**	451
(Increase) decrease in prepaid expenses	**(1,372)**	(2,574)	**97**	(1,492)
Increase (decrease) in rental deposits	**(19)**	158	**(70)**	380
Increase (decrease) in accounts payable and accrued liabilities	**(3,643)**	(2,181)	**681**	12,167
Increase in other liabilities	**65**	-	**228**	-
Increase (decrease) in unearned revenue	**(108)**	(316)	**(258)**	782
IFRIC 21 property tax liability adjustment, net	**5,706**	3,946	**-**	-
Accretion of convertible debentures	**95**	87	**367**	332
Amortization of transaction costs	**248**	181	**848**	638
Interest income	**(5)**	(13)	**(23)**	(112)
Interest expense	**6,367**	5,903	**24,397**	21,134
Decrease in unit-based compensation expense	**12**	-	**20**	-
Distributions to subsidiary's preferred unitholders	**4**	4	**16**	16
Net cash provided from operating activities	**$ 14,494**	$ 12,236	**$ 54,608**	$ 56,980

Capital Resources

Cash generated by investment properties represents the primary source of funds to fund total distributions to unitholders of $29,774,309 for the year ended December 31, 2018 (year ended December 31, 2017 - $27,193,282).

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, the issuance of 6.5% 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 three months and year ended December 31, 2018, cash provided from operating activities, less interest paid ("adjusted cash provided from operating activities"), was greater than cash distributions declared. Management expects that adjusted cash provided from operating activities, on an annual basis, will continue to exceed cash distributions declared.

Pure Multi's interest ($000's)	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Cash provided from operating activities	**$ 14,494**	$ 12,236	**$ 54,608**	$ 56,979
Less interest paid	**(6,118)**	(5,547)	**(24,415)**	(20,759)
Adjusted cash provided from operating activities	**8,376**	6,689	**30,193**	36,220
Actual cash distributions declared	**7,444**	7,443	**29,774**	27,193
Surplus (shortfall) of cash from operating activities over cash distributions declared	**$ 932**	$ (754)	**$ 419**	$ 9,027

For the three months and year ended December 31, 2018, net income was greater than cash distributions declared. Management expects annual net income to continue to exceed cash distributions declared.

Pure Multi's interest ($000's)	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Net income	**$ 10,156**	$ 3,078	**$ 46,026**	$ 43,196
Actual cash distributions declared	**7,444**	7,443	**29,774**	27,193
Surplus (shortfall) of net income over cash distributions declared	**$ 2,712**	$ (4,365)	**$ 16,252**	$ 16,003

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 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 52.6% as at December 31, 2018 (December 31, 2017 – 53.4%). Pure Multi-Family was in compliance with all of its investment and debt restrictions during the year ended December 31, 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 $28,774,621 to Class A Unitholders and $999,688 to Class B Unitholders during the year ended December 31, 2018 (year ended December 31, 2017 - $26,193,594 and $999,688 respectively).

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

($000's)	**December 31, 2018**	December 31, 2017	Change
Capital			
Mortgages payable	**$ 577,486**	$ 576,253	$ 1,233
Credit facility	**26,844**	25,762	1,082
Convertible debentures	**21,642**	21,115	527
Preferred units of subsidiary	**125**	125	-
Partners' capital	**534,894**	518,607	16,287
Total Capital	**$ 1,160,991**	$ 1,141,862	$ 19,129

The total capital of Pure Multi-Family increased from December 31, 2017 to December 31, 2018 primarily due to the net income earned from operations. This was partially offset by 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, deferred unit plan 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:

	December 31, 2018		December 31, 2017	
($000's)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Mortgages payable	**$ 577,486**	**$ 521,720**	$ 576,253	$ 547,121
Credit facility	**26,844**	**27,000**	25,762	26,000
Convertible debentures	**21,642**	**24,560**	21,115	23,919

OFF-BALANCE SHEET ITEMS

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

SECTION III

SUMMARY OF SELECTED ANNUAL INFORMATION

Pure Multi's interest *($000's, except per unit basis)*	**For the year ended December 31, 2018**	For the year ended December 31, 2017	For the year ended December 31, 2016
Rental revenue	**$ 109,612**	$ 93,099	$ 76,414
Net rental income	**61,033**	49,859	41,692
Net income and comprehensive income	**46,026**	43,196	48,164
Total assets	**1,191,368**	1,170,675	853,372
Total non-current assets	**1,157,616**	1,133,501	778,547
Total liabilities	**656,474**	652,068	483,210
Total non-current liabilities	**591,691**	618,692	465,139
Distributions	**29,774**	27,193	20,504
Per Class A Unit	**0.38**	0.38	0.38
Per Class B Unit	**5.00**	5.00	4.95
Basic net income per Class A Unit	**0.58**	0.60	0.89
Diluted net income per Class A Unit	**0.58**	0.60	0.86
Basic net income per Class B Unit	**7.73**	8.04	11.67
Diluted net income per Class B Unit	**$ 7.68**	$ 7.96	$ 11.67

Pure Multi-Family's total assets and liabilities marginally increased during the year ended December 31, 2018 primarily due to a fair value increase on the investment properties and the refinancing of a mortgage payable. As at December 31, 2018, Pure Multi held 22 investment properties comprising 7,085 residential units and 6,450,687 gross rentable square feet, which remained unchanged from December 31, 2017.

Total rental revenue from the investment properties totaled $109.6 million for the year ended December 31, 2018 compared to $93.1 million for the year ended December 31, 2017. This increase is reflective of the increase in the number of days the investment properties were operating during 2018 compared to 2017, due to the timing of acquisitions, coupled with the organic growth in rental revenue achieved at the investment properties operated during the comparative periods.

SUMMARY OF QUARTERLY RESULTS

During the three months ended December 31, 2018, based on Pure Multi's interest:

- Total assets increased to $1,191,367,521 at December 31, 2018 from $1,182,090,748 at September 30, 2018. This increase was primarily due to an increase in the fair value of investment properties during the fourth quarter of 2018. As at December 31, 2018, Pure Multi-Family had cash and cash equivalents of $22,624,546, and investment properties of $1,157,615,896 compared to $18,098,380 and $1,153,225,955, respectively, as at September 30, 2018.

- Total liabilities increased to $656,473,609 at December 31, 2018 from $649,935,780 at September 30, 2018. This increase was primarily due to an increase of accounts payable related to property tax accruals and an increase in mortgages payable related to a $5,620,000 upsized refinancing of the Bear Creek mortgage, which was set to mature in 2019.

- Partners' capital increased to $534,893,912 at December 31, 2018 from $532,154,968 at September 30, 2018. This increase was a result of net income for the quarter, being offset by distributions declared to unitholders in the period.

- Pure Multi-Family earned rental revenue of $27,599,738 from investment properties (three months ended December 31, 2017 - $26,200,371). These properties incurred operating expenses of $11,843,359 resulting in net rental income of $15,756,379 during the three months ended December 31, 2018 (three months ended December 31, 2017 - $11,124,393 and $15,075,978, respectively). The increase in rental revenue, operating expenses and net rental income, compared to the same quarter in the prior year, are primarily attributable to Pure Multi-Family operating additional investment properties throughout the current period, coupled with organic rental revenue growth, which was partially offset by an increase in property tax expense.

- Pure Multi-Family incurred interest expense of $6,710,656 and distributions to subsidiary's preferred unitholders of $3,906 (three months ended December 31, 2017 - $6,170,566 and $3,906, respectively). The increase in net finance expense was primarily due to the additional mortgage and credit facility interest costs incurred during the period.

- Pure Multi-Family incurred G&A expenses of $1,603,780, fair value increase to investment properties of $2,802,322 and franchise tax expense of $126,636 (three months ended December 31, 2017 - $1,683,447, $4,448,216 and $129,407, respectively). G&A expenses decreased to 5.8% of revenue in the quarter compared to 6.4% in the same quarter in the prior year primarily due to non-recurring property management internalization costs included in the prior year.

- Pure Multi-Family earned net income of $10,156,462 (three months ended December 31, 2017 - $3,077,869).

Pure Multi's interest Quarter ended *($000's, except per unit amounts)*	**December 31, 2018**	September 30, 2018	June 30, 2018	March 31, 2018
Rental revenue	**$ 27,600**	$ 27,540	$ 27,359	$ 27,113
Operating expenses	**11,844**	12,892	11,867	11,977
Net rental income	**15,756**	14,648	15,492	15,136
Interest expense	**(6,711)**	(6,333)	(6,292)	(6,277)
General and administrative expenses	**(1,604)**	(2,208)	(2,545)	(1,634)
Fair value adjustments to investment properties	**2,802**	3,144	8,115	4,628
Net income and comprehensive income	**10,156**	9,248	14,563	12,059
Basic net income per Class A Unit	**0.13**	0.12	0.18	0.15
Diluted net income per Class A Unit	**0.13**	0.12	0.18	0.15
Basic net income per Class B Unit	**1.71**	1.55	2.44	2.02
Diluted net income per Class B Unit	**1.71**	1.55	2.41	2.01

Pure Multi's interest Quarter ended *($000's, except per unit amounts)*	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Rental revenue	$ 26,200	$ 24,257	$ 21,804	$ 20,837
Operating expenses	11,124	11,888	10,491	9,738
Net rental income	15,076	12,369	11,313	11,099
Interest expense	(6,171)	(5,704)	(5,187)	(5,042)
General and administrative expenses	(1,683)	(1,645)	(1,240)	(799)
Fair value adjustments to investment properties	(4,448)	1,730	11,615	11,615
Net income and comprehensive income	3,078	6,668	16,407	17,043
Basic net income per Class A Unit	0.04	0.08	0.24	0.29
Diluted net income per Class A Unit	0.04	0.08	0.23	0.28
Basic net income per Class B Unit	0.52	1.12	3.19	3.87
Diluted net income per Class B Unit	0.52	1.12	3.10	3.72

As at *($000's)*	**December 31, 2018**	September 30, 2018	June 30, 2018	March 31, 2018
Total assets	**$ 1,191,368**	$ 1,182,091	$ 1,175,263	$ 1,162,700
Total liabilities	**656,474**	649,936	644,913	639,468
Partners' capital	**534,894**	532,155	530,350	523,232
Investment properties	**1,157,616**	1,153,226	1,148,815	1,139,533
Mortgages payable	**577,486**	573,583	574,642	575,449

As at *($000's)*	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total assets	$ 1,170,675	$ 1,115,602	$ 1,061,323	$ 898,779
Total liabilities	652,068	592,618	537,571	517,142
Partners' capital	518,607	522,984	523,752	381,637
Investment properties	1,133,501	1,013,652	961,684	871,129
Mortgages payable	576,253	543,906	497,002	483,090

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 cyclicality. During the nine months ended September 30, 2017, Pure Multi-Family internalized its property management function, which eliminated all property management related fees, at the time of the internalization, previously recorded under operating expenses as these amounts were subsequently recorded within general and administrative expenses. In addition, during the year ended December 31, 2018, Pure Multi-Family incurred certain one-time costs associated with the Strategic Review Process, which began in the first quarter of 2018 and accounted for an additional $1,406,980 of expenditures during the period, which were included in G&A expenses. 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 the 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 3 to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2018, 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 3 to Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2018, 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*. Effective January 1, 2018, Pure Multi-Family implemented IFRS 3 *Business Combinations* ("IFRS 3"). The impacts on implementation of IFRS 15, IFRS 9 and IFRS 3 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-Family's revenue is rental revenue, which is outside the scope of IFRS 15. Property management and ancillary income (such as utilities, parking and laundry) are considered non-lease components and are within the scope of IFRS 15. The performance obligation for the property management and ancillary services is satisfied over time, which is generally the lease term.

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.

IFRS 3

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations* that seek to clarify whether a transaction results in an asset or a business combination. The amendment applies to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Early adoption is permitted.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

Pure Multi-Family implemented the new requirement as of January 1, 2018. There were no acquisitions during the year to be assessed using the amendment.

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 adopted 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 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 maturing within the next 6 months 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:

	Face Value	
($000's)	**December 31, 2018**	December 31, 2017
Fixed rate instruments		
Mortgages payable	**$ 577,486**	$ 580,756
Convertible debentures	**22,741**	22,780
Preferred units of subsidiary	**125**	125
	$ 600,352	$ 603,661
Variable rate instruments		
Credit facility	**$ 27,000**	$ 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:

($000's)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 and thereafter**
Mortgages payable (principal and interest)	$ 55,930	$ 27,615	$ 64,302	$ 55,793	$ 49,405	$ 492,994
Credit facility (principal and interest)	1,095	28,005	-	-	-	-
Convertible debentures payable (principal and interest)	1,478	23,850	-	-	-	-
Preferred units of subsidiary (principal and interest)	16	16	16	16	16	140,625
Accounts payable and accrued liabilities	27,162	-	-	-	-	-
Total	**$ 85,681**	**$ 79,486**	**$ 64,318**	**$ 55,809**	**$ 49,421**	**$ 633,619**

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.

Cybersecurity Risk

The efficient operation of Pure Multi-Family's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of Pure Multi-Family's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Pure Multi-Family's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with users, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. Pure Multi-Family takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. Additionally, Pure Multi-Family monitors and assesses risks surrounding collection, usage, storage, protection, and retention/destruction practices of personal data. These measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Real Estate Risk

Pure Multi-Family is subject to the conventional risks associated with the ownership of real estate. Pure Multi-Family strives to mitigate these risks by remaining fully informed on best practices, trends and legislative and demographic changes in the real estate markets within which it operates. Pure Multi-Family additionally strives to mitigate these risks by focusing intently on execution.

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.

RELATED PARTY TRANSACTIONS

Managing GP

Pure Multi-Family is related to the Managing GP, by virtue of having an officer and director in common (Mr. Stephen Evans). Pure Multi-Family declared distributions to the Managing GP in the amount of $999,688 during the year ended December 31, 2018 ($999,688 during the year ended December 31, 2017). Included in accounts payable and accrued liabilities at December 31, 2018 was $939,688 (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. During the year ended December 31, 2017, Tipton charged property management fees in the amount of $1,858,703 and charged due diligence and acquisition analysis fees of $706,741, which were capitalized upon the acquisition of the related properties.

Compensation

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, Senior Vice President, Executive Vice President and the directors. Salaries, bonuses, Directors' fees and other short-term employee benefits and incentives are recorded within G&A expense and accrued when earned as follows:

($000's)	**For the three months ended December 31, 2018**	For the three months ended December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Salaries, Directors' fees, and other short-term benefits	**$ 512**	$ 507	**$ 2,208**	$ 1,897
Unit based compensation expense	**61**	-	**219**	-

The increase to key corporate personnel compensation during the three months and year ended December 31, 2018, compared to the same periods in the prior year, was primarily driven by the addition of a key management employee, due to the internalization of the property management function, which occurred part way through the year ended December 31, 2017, an increase in Directors' fees, which was largely driven by the formation of the Special Committee, and the inclusion of unit based compensation for the first time during the year ended December 31, 2018.

There were no Restricted Units or Distribution Restricted Units eligible for redemption at December 31, 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 March 7, 2019, 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) 76,736,671 Class A Units; and

(c) 22,741 6.5% convertible debentures. The 6.5% 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

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