Pure Multi-Family REIT LP

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2015

Expressed in United States dollars

Expressed in United States dollars

	March 31, 2015	December 31, 2014
ASSETS		
Non-current assets		
Investment properties (note 3)	**$ 452,568,400**	$ 468,518,077
Current assets		
Prepaid expenses	**960,219**	1,087,631
Mortgage reserve fund (note 5)	**1,714,535**	6,208,641
Amounts receivable	**889,127**	486,118
Cash and cash equivalents (note 6)	**26,680,926**	16,490,085
	30,244,807	24,272,475
TOTAL ASSETS	**$ 482,813,207**	$ 492,790,552
LIABILITIES		
Non-current liabilities		
Mortgages payable (note 7)	**$ 239,191,177**	$ 255,126,917
Convertible debentures (note 8)	**19,983,694**	19,876,109
Preferred units of subsidiary (note 9)	**125,000**	125,000
	259,299,871	275,128,026
Current liabilities		
Mortgages payable – current portion (note 7)	**1,385,898**	1,608,076
Credit facility (note 10)	**5,485,128**	5,474,301
Rental deposits	**752,920**	802,296
Unearned revenue	**839,278**	910,674
Accounts payable and accrued liabilities	**5,404,741**	11,069,372
	13,867,965	19,864,719
TOTAL LIABILITIES	**273,167,836**	294,992,745
PARTNERS' CAPITAL (note 11)	**209,645,371**	197,797,807
TOTAL LIABILITIES AND PARTNERS' CAPITAL	**$ 482,813,207**	$ 492,790,552

Nature of business and basis of presentation (note 1 and 2)

Subsequent event (note 19)

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

Expressed in United States dollars

	Limited Partners Class A	Limited Partners Class B	General Partner	Other Equity Items (Note 11)	Accumulated Earnings	Total
Balance, December 31, 2014	$ 159,153,127	$ 1,000,000	$ 20	$ 2,683,024	$ 34,961,636	$ 197,797,807
Distributions to limited partners	-	-	-	-	(3,437,647)	(3,437,647)
Net income for the period	-	-	-	-	15,285,211	15,285,211
Balance, March 31, 2015	**$ 159,153,127**	**$ 1,000,000**	**$ 20**	**$ 2,683,024**	**$ 46,809,200**	**$ 209,645,371**

	Limited Partners Class A	Limited Partners Class B	General Partner	Other Equity Items (Note 11)	Accumulated Earnings	Total
Balance, December 31, 2014	$ 111,876,144	$ 1,000,000	$ 20	$ 1,985,429	$ 4,931,260	$ 119,792,853
Distributions to limited partners	-	-	-	-	(2,377,204)	(2,377,204)
Net income for the period	-	-	-	-	3,109,673	3,109,673
Balance, March 31, 2014	**$ 111,876,144**	**$ 1,000,000**	**$ 20**	**$ 1,985,429**	**$ 5,663,729**	**$ 120,525,322**

Expressed in United States dollars

Three months ended	**March 31, 2015**	March 31, 2014
REVENUES		
Rental	**$ 13,048,675**	$ 10,495,897
OPERATING EXPENSES		
Insurance	**323,528**	270,635
Property management	**391,664**	314,833
Property taxes	**8,565,976**	6,791,964
Property operating expenses	**2,978,891**	2,615,332
	12,260,059	9,992,764
NET RENTAL INCOME	**788,616**	503,133
NET FINANCE INCOME (EXPENSES)		
Interest income	**492**	443
Interest expense (note 12)	**(2,920,516)**	(2,290,134)
Distributions to subsidiary's preferred unitholders	**(3,906)**	(3,906)
	(2,923,930)	(2,293,597)
NET OTHER INCOME (EXPENSES)		
Other income (expense)	**1,117**	(24)
General and administrative	**(191,872)**	(194,200)
Fair value adjustments to investment properties (note 3)	**11,718,786**	-
IFRIC 21 fair value adjustments to investment properties (note 3)	**5,969,510**	5,121,471
Gain on disposal of investment property (note 3)	**9,782**	-
Franchise taxes	**(86,798)**	(73,471)
	17,420,525	4,853,776
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENT (note 4)	**-**	46,361
NET INCOME AND COMPREHENSIVE INCOME	**$ 15,285,211**	$ 3,109,673
Earnings per Class A unit		
Basic and diluted	**$ 0.42**	$ 0.12
Weighted average number of Class A units		
Basic and diluted	**34,834,824**	24,089,000
Earnings per Class B unit		
Basic and diluted	**$ 3.82**	$ 0.78
Weighted average number of Class B units		
Basic and diluted	**200,000**	200,000

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

Expressed in United States dollars

Three months ended	**March 31, 2015**	March 31, 2014
Cash provided by (used in)		
OPERATIONS		
Net income	**$ 15,285,211**	$ 3,109,673
Items not involving cash:		
Amortization of transaction costs and accretion of convertible debentures	**354,531**	102,466
Amortization of mark to market mortgage adjustment	**(175,791)**	(169,710)
Fair value adjustments to investment property (note 3)	**(11,718,786)**	-
IFRIC 21 fair value adjustments to investment properties (note 3)	**(5,969,510)**	(5,121,471)
Property tax adjustments on sale	**585,021**	-
Share of profit of equity-accounted investee (note 4)	**-**	(46,361)
Gain on disposal of investment property (note 3)	**(9,782)**	-
Interest income	**(492)**	(443)
Interest expense	**2,741,777**	2,357,378
Distributions to subsidiary's preferred unitholders	**3,906**	3,906
Net change in non-cash working capital items (note 13)	**652,350**	1,645,955
	1,748,435	1,881,393
INVESTING		
Capital additions to investment properties	**(516,558)**	(336,978)
Proceeds received on disposal of investment property	**12,051,950**	-
Disposition costs on disposal of investment property	**(340,218)**	-
Interest received	**492**	443
	11,195,666	(336,535)
FINANCING		
Distributions paid to limited partners	**(3,761,394)**	(2,619,262)
Interest paid	**(3,165,777)**	(2,959,797)
Funds from mortgage reserve fund	**4,494,106**	3,914,934
Repayment of mortgages payable	**(320,195)**	(160,137)
Credit facility proceeds received	**-**	150,000
	(2,753,260)	(1,674,262)
Net change in cash and cash equivalents	**10,190,841**	(129,404)
Cash and cash equivalents, beginning of period	**16,490,085**	6,673,381
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 26,680,926**	$ 6,543,977
Supplemental cash flow information:		
Non-cash financing and investing activity:		
Cash distributions to the limited partners included in accounts payable and accrued liabilities	**$ 1,260,471**	$ 871,641

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

1) PURE MULTI-FAMILY REIT LP INFORMATION

Pure Multi-Family REIT LP ("Pure Multi") is a limited partnership formed under the *Limited Partnership Act* (Ontario) to invest in multi-family real estate properties in the United States. Pure Multi was established by Pure Multi-Family Management Limited Partnership (the "Managing GP"), its managing general partner, and Pure Multi-Family REIT (GP) Inc. (the "Governing GP"), its governing general partner, pursuant to the terms of the Limited Partnership Agreement ("LP Agreement"). Pure Multi's head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. A copy of the Limited Partnership Agreement can be obtained from Pure Multi or on SEDAR at www.sedar.com.

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

a) acquiring Common Shares and a Series A Preferred Share of Pure US Apartments REIT Inc. (the "US REIT");

b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of Pure Multi and making distributions to Unitholders;

c) in connection with the undertaking set out above, reinvesting income and gains of Pure Multi and taking other actions besides the mere protection and preservation of Pure Multi property.

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

These condensed interim consolidated financial statements for the three months ended March 31, 2015 were authorized for issue by the Board of Directors of the Governing GP (the "Board") on May 12, 2015.

2) BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance and basis of presentation

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

Other than as subsequently disclosed, the significant accounting policies applied by Pure Multi in these unaudited condensed interim consolidated financial statements are the same as those applied to Pure Multi's audited consolidated financial statements for the year ended December 31, 2014. Additional disclosures are required in annual financial statements; therefore, these unaudited condensed interim consolidated financial statements should be read in conjunction with Pure Multi's audited consolidated financial statements for the year ended December 31, 2014.

b. Basis of measurement

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

The preparation of these condensed interim consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying Pure Multi's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(P) to Pure Multi's audited consolidated financial statements for the year ended December 31, 2014.

c. Functional and presentation currency

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

d. Presentation of financial statements

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

e. Future changes in accounting policies

Financial instruments: classification and measurement

In November 2009, as part of the IASB's project to replace International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, *Financial Instruments*, which introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2018. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

Revenue recognition

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Pure Multi has not yet reviewed the impact of IFRS 15 on the consolidated financial statements.

3) INVESTMENT PROPERTIES

Investment Properties as at March 31,		2015
Balance, at December 31, 2014	$	468,518,077
Dispositions		(27,600,000)
Property tax adjustment on disposition		(585,021)
Capital additions		516,558
Fair value adjustments to investment properties		11,718,786
		452,568,400
IFRIC 21 property tax liability adjustment		(5,969,510)
IFRIC 21 fair value adjustment to investment properties		5,969,510
Balance, March 31, 2015	**$**	**452,568,400**

Expressed in United States dollars

On January 14, 2015, Pure Multi, through the US REIT, sold Sunset Point Apartments, a multi-family apartment community ("Sunset Point"), located in Arlington, Texas, for a sale price of $27,950,000, less standard closing costs and adjustments.

The gain on disposal of Sunset Point is determined as follows:

Sunset Point		
Sale price	$	27,950,000
Selling costs		(340,218)
Net proceeds		27,609,782
Fair value of investment property		(27,600,000)
Gain on disposal of investment property	**$**	**9,782**

The mortgage payable of $15,898,050, secured by Sunset Point, was assumed by the purchaser on the same date and net cash proceeds received by Pure Multi were $12,051,950.

Investment Properties as at December 31,		2014
Balance, at December 31, 2013	$	332,002,818
Acquisitions		110,625,439
Dispositions		(10,014,899)
Transfer from equity-accounted investment		5,660,000
Property tax adjustments on acquisitions and dispositions		580,496
Capital additions		2,157,679
Fair value adjustments to investment properties		27,506,544
		468,518,077
IFRIC 21 property tax liability adjustment		-
IFRIC 21 fair value adjustment to investment properties		-
Balance, December 31, 2014	**$**	**468,518,077**

On June 27, 2014, Pure Multi, through the US REIT, acquired Walker Commons, a multi-family apartment community ("Walker Commons"), located in Houston, Texas, for a purchase price of $43,800,000, plus standard closing costs and adjustments. As part of the adjustments made on closing, Pure Multi agreed to pay to the seller, Sunstone U.S. Opportunity (No. 2) Realty Trust (see related party note 16), an amount of $1,689,631, for a portion of the mortgage buyout costs that were equal to the fair market value adjustment that Pure Multi would have incurred if it had assumed the mortgage as part of the acquisition. This additional cost was treated as an acquisition cost at the time of the acquisition. This acquisition was financed with cash and a new 5 year mortgage in the amount of $28,470,000.

On August 28, 2014, Pure Multi, through the US REIT, acquired Preserve at Arbor Hills, a multi-family apartment community ("Preserve"), located in Plano, Texas, for a purchase price of $41,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 7 year mortgage in the amount of $24,600,000.

Expressed in United States dollars

On August 28, 2014, Pure Multi, through the US REIT, acquired the remaining 80% interest in San Brisas Apartments, a multi-family apartment community (“San Brisas”), located in Chandler, Arizona, for a purchase price of $22,640,000, plus standard closing costs and adjustments. As part of the adjustments made on closing, Pure Multi agreed to pay to the seller, Sunstone U.S. Opportunity (No. 2) Realty Trust (see related party note 16), an amount of $1,236,807, for a portion of the mortgage buyout costs that were equal to the fair market value adjustment that Pure Multi would have incurred if it had assumed the mortgage as part of the acquisition. This additional cost was treated as an acquisition cost at the time of the acquisition. After this acquisition, Pure Multi had a 100% ownership interest in San Brisas, as it first acquired a 20% interest in the investment property on October 1, 2013. Pure Multi’s initial 20% ownership interest is reflected in the table above by way of a transfer-in from an equity-accounted investment at fair market value of $5,660,000. This acquisition was financed with cash and a new 7 year mortgage in the amount of $16,980,000.

On December 18, 2014, Pure Multi, through the US REIT, sold Windscape Apartment Homes, a multi-family apartment community (“Windscape”), located in Dallas, Texas, for a sale price of $10,500,000, less standard closing costs and adjustments. The mortgage payable, secured by Windscape, was paid off in full as of the same date.

The loss on disposal of Windscape is determined as follows:

Windscape		
Sale price	$	10,500,000
Selling costs		(720,522)
Net proceeds		9,779,478
Fair value of investment property		(10,014,899)
Loss on disposal of investment property	**$**	**(235,421)**

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

The fair value of the investment properties has been determined on a market value basis. As set out in note 3(P), to Pure Multi’s audited annual consolidated financial statements for the year ended December 31, 2014, in arriving at their estimates of market values, management and the independent appraisers have used their market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

When obtained, appraisals were performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management reviews each appraisal and ensures that the assumptions used below are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

Pure Multi does not expect to obtain appraisals for each property at each reporting date. Where Pure Multi does not obtain an appraisal for a specific investment property at the reporting date, management uses specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred. During the three months ended March 31, 2015, Pure Multi obtained independent appraisals on three investment properties, representing 23% of the investment properties, held at March 31, 2015 (year ended December 31, 2014 – 93%). Therefore management undertook its own valuation process, as described above, on the investment properties where no independent appraisal was obtained.

Expressed in United States dollars

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

	March 31, 2015		December 31, 2014	
	Weighted average	Range	Weighted average[1]	Range[1]
Capitalization rate	5.83%	5.35% - 6.25%	5.90%	5.35% - 6.25%

[1] *Capitalization rates are based on Pure Multi's proportionate share of stabilized NOI of its entire portfolio, including its equity-accounted investment.*

4) EQUITY-ACCOUNTED INVESTMENT

On October 1, 2013, Pure Multi, through the US REIT, acquired a 19.99% interest in Sunstone San Brisas LP and a 20% interest in Sunstone San Brisas Apartments, LLC (collectively referred to as "San Brisas"), located in Chandler, Arizona, for a purchase price of $5,600,000, plus standard closing costs and adjustments. This acquisition was financed with cash and the assumption of a mortgage in the amount of $2,755,967 bearing a rate of interest of 5.63%. As the stated rate of the assumed mortgage is greater than the current market rate of interest, an adjustment of $206,913 was determined to increase the assumed mortgage to market value and has been included in the determination of the cost of this acquisition. The mark to market adjustment of the assumed mortgage is amortized over the remaining term on an effective interest rate basis, which reduces the effective interest rate over the current term of the mortgage.

On August 28, 2014, Pure Multi acquired the remaining 80% interest in San Brisas, resulting in a 100% ownership interest of the investment property. As a result of this transaction, as of August 28, 2014, Pure Multi's interest in San Brisas is no longer measured using the equity method but instead the consolidation method.

During the periods reported below, Pure Multi's significant interest in the joint venture was a 20% share in the ownership of a 208-unit property, San Brisas, located in Chandler, Arizona. This investment was measured using the equity method:

	March 31, 2015	December 31, 2014
Balance, beginning of period	$ -	$ 2,830,709
Additions	-	-
Share of net income (loss)	-	(357,696)
Equity value at time of acquisition of control	-	(2,473,013)
Balance, end of period	**$ -**	**$ -**

For the three months ended March 31,		2015		2014
Revenues	$	-	$	650,323
Operating expenses		-		237,324
Net rental income		-		412,999
Net finance income (expenses)		-		(192,931)
Net income and comprehensive income		**-**		**220,068**
Pure Multi's share of net income and comprehensive income, before adjustments		-		44,014
Adjustment for Pure Multi's net finance income related to joint venture		-		2,347
Pure Multi's share of net income and comprehensive income, for the period	**$**	**-**	**$**	**46,361**

5) MORTGAGE RESERVE FUND

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

6) CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is $16,415,667 of cash held in trust by an escrow agency. This cash represents the net proceeds received from the sale of the Windscape and Sunset Point investment properties. This cash is readily available and will be released in less than 12 months, therefore is classified as a current asset.

Expressed in United States dollars

7) MORTGAGES PAYABLE

	Nominal interest rate	Year of maturity	March 31, 2015 Face value	December 31, 2014 Face value
Oakchase	3.28%	2017	$ 8,661,113	$ 8,706,995
Valley Ranch	3.51%	2022	13,680,000	13,680,000
Sunset Point	3.54%	2022	-	15,921,585
Prairie Creek	6.02%	2019	31,589,817	31,712,271
Bear Creek	3.45%	2019	32,080,000	32,080,000
Prestonwood	3.46%	2023	8,670,000	8,670,000
Hackberry Creek	3.90%	2028	29,500,000	29,500,000
Deer Park	4.21%	2023	16,480,000	16,480,000
Fountainwood	4.46%	2023	12,895,571	12,948,076
Livingston	3.51%	2018	15,749,023	15,824,842
Walker Commons	3.11%	2019	28,470,000	28,470,000
Preserve	3.26%	2021	24,600,000	24,600,000
San Brisas	3.26%	2021	16,980,000	16,980,000
Total mortgages principal payable			239,355,524	255,573,769
Unamortized mortgage transaction costs			(1,812,097)	(2,048,215)
Unamortized mark to market mortgage adjustment			3,033,648	3,209,439
Total carrying value of mortgages payable			**$ 240,577,075**	**$ 256,734,993**

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 3.88% as at March 31, 2015 (December 31, 2014 – 3.86%).

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

Principal repayments, as of March 31, 2015, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2015 remaining	$ 1,013,143
2016	1,775,447
2017	10,564,451
2018	17,112,872
2019	92,188,531
Thereafter	116,701,080
	$ 239,355,524

Expressed in United States dollars

8) CONVERTIBLE DEBENTURES

On August 7, 2013, Pure Multi issued $23,000,000 of 6.5% convertible unsecured subordinated debentures ("6.5% convertible debentures") due on September 30, 2020. Each of the 6.5% convertible debentures is denominated with a face value of $1,000 and is convertible at the holder's option at any time into Class A Units at conversion price of $5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. On or after September 30, 2016, but prior to September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest thereon, provided the weighted average trading price of the Class A Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is at least 125% of the conversion price. After September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi at any time. During the three months ended March 31, 2015, none of the 6.5% convertible debentures have been converted into Class A Units. At March 31, 2015, $23,000,000 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 at March 31, 2015:

	Convertible Debentures Face Value	**Liability Component** Carrying Value	**Equity Component** Carrying Value
Balance as at December 31, 2014	$ 23,000,000	$ 19,876,109	$ 1,985,429
Amortization of transaction costs	-	37,740	-
Accretion of liability component	-	69,845	-
Balance as at March 31, 2015	**$ 23,000,000**	**$ 19,983,694**	**$ 1,985,429**

9) PREFERRED UNITS OF SUBSIDIARY

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

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

The US REIT may redeem the preferred units at any time, for a price equal to $1,000 per preferred unit, plus accumulated and unpaid distributions and a redemption premium if the preferred units are redeemed before January 1, 2015. The redemption premium is equal to $100 per preferred unit if redemption occurs on or before December 31, 2014. There is no redemption premium for redemptions after December 31, 2014.

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

Pure Multi declared distributions of $3,906 during the three months ended March 31, 2015 to the preferred unitholders (three months ended March 31, 2014 – $3,906).

Expressed in United States dollars

10) CREDIT FACILITY

On July 19, 2013, Pure Multi established a revolving credit facility with a lender in the amount of $9,900,000. At March 31, 2015, $5,546,485 (December 31, 2014 - $5,546,485) was drawn on the facility. The revolving credit facility is interest bearing at a variable interest rate based at 2.00% plus the London Interbank Offered Rate ("LIBOR"). The revolving credit facility is secured by a charge in respect of Windsong Apartments and matures on July 19, 2016.

	March 31, 2015	December 31, 2014
Revolving credit facility	$ 9,900,000	$ 9,900,000
Less: Line of credit outstanding	(5,546,485)	(5,546,485)
Remaining unused credit facility	$ 4,353,515	$ 4,353,515

The amount payable on the credit facility at March 31, 2015 was $5,485,128 (December 31, 2014 - $5,474,301). Included in this amount are the related unamortized transaction costs of $61,357 (December 31, 2014 - $72,184), which are amortized over the term of the credit facility, on a straight-line basis.

11) PARTNERS' CAPITAL

a) *Limited Partners and General Partner*

The capital of Pure Multi consists of an unlimited number of units of Pure Multi and the interest held by the Governing GP. The Governing GP has made a capital contribution of $20 to Pure Multi and has no further obligation to contribute capital.

From date of formation on May 8, 2012 to December 31, 2012 ("period ended December 31, 2012"), the Managing GP subscribed for 200,000 Class B units (each a "Class B Unit") of Pure Multi, at a price of $5.00 per Class B Unit, for gross proceeds to Pure Multi of $1,000,000, which entitles the Class B Unitholders, initially, a 5% interest in Pure Multi. Pure Multi did not issue any additional Class B Units subsequent to this.

From the date of formation, May 8, 2012, to March 31, 2015, Pure Multi issued 34,834,824 Class A Units for gross proceeds of $171,446,849, less offering costs.

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

b) *Other Equity Items*

	March 31, 2015			December 31, 2014		
	Convertible Debentures Equity Component (Note 8)	**Warrants**	**Total**	Convertible Debentures Equity Component (Note 8)	Warrants	Total
Balance at beginning of year	**$ 1,985,429**	**$ 697,595**	**$ 2,683,024**	$ 1,985,429	$ -	$ 1,985,429
Issuance of warrants, net of offering costs	**-**	**-**	**-**	-	697,595	697,595
Balance at end of period	**$ 1,985,429**	**$ 697,595**	**$ 2,683,024**	$ 1,985,429	$ 697,595	$ 2,683,024

Expressed in United States dollars

As at March 31, 2015, Pure Multi had outstanding Warrants as follows:

Number of Warrants	Exercise Price	Expiry
2,197,912	$5.15	November 20, 2016

12) INTEREST EXPENSE

Interest expense consists of the following:

Three months ended		March 31, 2015		March 31, 2014
Mortgage payable interest	$	2,343,033	$	1,958,914
Credit facility interest		30,113		29,730
Convertible debenture interest		368,630		368,734
Amortization of transaction costs and accretion of convertible debentures		354,531		102,466
Amortization of mark to market mortgage adjustment		(175,791)		(169,710)
	$	**2,920,516**	**$**	**2,290,134**

13) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Three months ended			
Cash provided by (used in)		March 31, 2015		March 31, 2014
Amounts receivable	$	(403,009)	$	(151,878)
Prepaid expenses		127,412		4,988
Accounts payable and accrued liabilities		1,048,719		1,807,996
Unearned revenue		(71,396)		(51,854)
Rental deposits		(49,376)		36,703
	$	**652,350**	**$**	**1,645,955**

14) CAPITAL MANAGEMENT

Pure Multi defines capital as the aggregate of partners' capital, preferred units of subsidiary and long term debt. Pure Multi'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's capital structure is approved by the board of directors of the Governing GP through its periodic reviews.

Expressed in United States dollars

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 for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of Pure Multi arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by Pure Multi for which Pure Multi 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 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. Pure Multi's indebtedness is 55.8% as at March 31, 2015 (December 31, 2014 – 57.9%). Pure Multi was in compliance with all restrictions during the three months ended March 31, 2015 and the year ended December 31, 2014.

There were no changes in Pure Multi's approach to capital management during the three months ended March 31, 2015. The capital structure consisted of the following components at March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014
Capital		
Mortgages payable	$ 240,577,075	$ 256,734,993
Convertible debentures	19,983,694	19,876,109
Preferred units of subsidiary	125,000	125,000
Partners' capital	209,645,371	197,797,807
Total capital	**$ 470,331,140**	**$ 474,533,909**

15) FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of Pure Multi's financial instruments, including cash and cash equivalents, amounts receivable, mortgage reserve fund, credit facility, 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 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 has been calculated using quoted prices in active markets.

The following table presents the carrying amounts and fair values of Pure Multi's non-current financial instruments:

	March 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	$ 240,577,075	$ 245,202,187	$ 256,734,993	$ 262,022,675
Preferred units of subsidiary	125,000	125,000	125,000	125,000
Convertible debentures	19,983,694	23,057,500	19,876,109	22,885,000

Financial risk management

The board of directors of the Governing GP has the overall responsibility for the establishment and oversight of Pure Multi's risk management framework. Pure Multi's risk management policies are established to identify and analyze the risks faced by Pure Multi, 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's activities.

In the normal course of business, Pure Multi, through the US REIT, is exposed to a number of risks that can affect its operating performance. These risks include, but are not limited to, credit risk, interest rate risk, liquidity risk, currency risk and environmental risk.

There have been no changes to Pure Multi's assessment of its risk factors since December 31, 2014. Please refer to Pure Multi's audited consolidated financial statements and management discussion and analysis for the year ended December 31, 2014 for a discussion of risk factors that have been identified by Pure Multi.

16) RELATED PARTY TRANSACTIONS AND COMMITMENTS

Managing GP

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

During the three months ended March 31, 2015, Pure Multi declared distributions to the Managing GP in the amount of $171,882 (year ended December 31, 2014 - $595,945). Included in accounts payable and accrued liabilities at March 31, 2015 was $171,882 (December 31, 2014 - $495,630).

Sunstone U.S. Opportunity (No. 2) Realty Trust

Pure Multi is related to Sunstone U.S. Opportunity (No. 2) Realty Trust, by virtue of having officers and directors in common (Stephen Evans, Robert King and James Redekop).

There has been no related party transactions between Pure Multi and Sunstone U.S. Opportunity (No. 2) Realty Trust during the three months ended March 31, 2015. During the year ended December 31, 2014, Pure Multi acquired the following investment properties from Sunstone U.S. Opportunity (No. 2) Realty Trust:

- Walker Commons acquired on June 27, 2014;
- 50% interest in Preserve acquired on August 28, 2014; and
- 80% interest in San Brisas acquired on August 28, 2014

Pure Multi negotiated the purchase price of the properties above with reference to independently prepared third party appraisals.

As disclosed in note 3 to these condensed consolidated financial statements, as part of the closing adjustments on the acquisitions of Walker Commons and the 80% interest in San Brisas, Pure Multi paid to Sunstone U.S. Opportunity (No. 2) Realty Trust an amount equal to the fair market value adjustment that Pure Multi would have incurred if it had assumed the mortgage as part of the acquisition. The total amount paid, related to these adjustments, to Sunstone U.S. Opportunity (No. 2) Realty Trust during the year ended December 31, 2014 was $2,926,438.

Sunstone U.S. Opportunity (No. 3) Realty Trust

Pure Multi is related to Sunstone U.S. Opportunity (No. 3) Realty Trust, by virtue of having officers and directors in common (Stephen Evans, Robert King and James Redekop).

There has been no related party transactions between Pure Multi and Sunstone U.S. Opportunity (No. 3) Realty Trust during the three months ended March 31, 2015. During the year ended December 31, 2014, Pure Multi acquired the following investment property from Sunstone U.S. Opportunity (No. 3) Realty Trust:

- 50% interest in Preserve acquired on August 28, 2014

Pure Multi negotiated the purchase price of the property above with reference to an independently prepared third party appraisal.

Asset Management Agreement

The Managing GP, pursuant to the Asset Management Agreement, will provide asset management, administrative and reporting services to Pure Multi as its managing general partner. The Asset Management Agreement also requires the Managing GP to provide Pure Multi with support services consisting of office space and equipment and the necessary clerical and secretarial personnel for the administration of its day-to-day activities, at no cost. The Asset Management Agreement may be terminated by Pure Multi at any time upon the occurrence of certain events of default and at any other time upon not less than 60 days notice, without bonus or penalty. In lieu of the fees typically associated with a third party asset management agreement, the Managing GP will only be entitled to a reimbursement of any reasonable costs and expenses (including legal and audit costs but excluding personnel costs) that it incurs providing asset management services to Pure Multi and will not be entitled to any other remuneration or compensation for its services.

Tipton Asset Group, Inc. (“Tipton”) is the property manager for Pure Multi. Pure Multi is related to Tipton by virtue of having an officer and director in common with a subsidiary of Pure Multi (Bryan Kerns). Tipton charged $391,664 in property management fees during the three months ended March 31, 2015 (year ended December 31, 2014 - $1,454,305). Included in accounts payable and accrued liabilities at March 31, 2015 was $nil (December 31, 2014 - $nil).

Compensation

Currently, the directors of the Governing GP who are not affiliated with or employees of the Managing GP will receive annual compensation in the amount of $12,500, plus $500 for attendance at meetings of the directors or any committee. As well, the Governing GP will indirectly reimburse such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi will reimburse the Governing GP for such amounts. In addition, Pure Multi will obtain insurance coverage for such directors. Compensation will be reviewed on an annual basis, giving consideration to Pure Multi’s growth and the extent of its portfolio. The amount incurred during the three months ended March 31, 2015 was $24,039 (year ended December 31, 2014 - $96,797).

17) LEASES

Pure Multi, through the US REIT, has entered into lease agreements on its investment properties. The residential property leases typically have lease terms of 1 to 12 months. Future minimum rental revenue to be earned under non–cancellable operating leases is $18,801,925 as at March 31, 2015 (December 31, 2014 - $22,072,084).

18) FAIR VALUE MEASUREMENT

Pure Multi measures investment properties at fair value at each balance sheet date, the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

	March 31, 2015			December 31, 2014		
(000's)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	$ -	$ -	$ 452,568	$ -	$ -	$ 468,518
Mortgages payable	-	245,202	-	-	262,023	-
Preferred units of subsidiary	-	125	-	-	125	-
Convertible debentures	23,058	-	-	22,885	-	-

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

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

Investment properties as at March 31, 2015 and December 31, 2014 have been valued using the overall capitalization rate ("OCR") method, an income based approach, whereby the stabilized net operating income is capitalized at the requisite OCR.

Expressed in United States dollars

Valuations determined by the OCR method are most sensitive to changes in capitalization rates. The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate at March 31, 2015:

	OCR Sensitivity			
Rate sensitivity		Fair value		Change in fair value
+ 75 basis points	$	401,346,295	$	(51,222,105)
+ 50 basis points		417,079,466		(35,488,934)
+ 25 basis points		434,098,607		(18,469,793)
Base rate (5.83%)		452,568,400		-
- 25 basis points		472,682,956		20,114,556
- 50 basis points		494,672,713		42,104,313
- 75 basis points		518,813,374		66,244,974

19) SUBSEQUENT EVENT

a) Park at West Avenue ("Park at West Ave")

On May 7, 2015, Pure Multi, through the US REIT, acquired Park at West Avenue, a multi-family apartment community located in San Antonio, Texas, for a purchase price of $54,250,000, plus standard closing costs and adjustments. This acquisition was financed with cash and proceeds from a new mortgage financing.

b) Issuance of Units

On May 8, 2015, Pure Multi completed the closing of a public offering of 6,900,000 Class A Units on a bought deal basis, at a price of $5.10 per Class A Unit for gross proceeds of $35,190,000.