



San Brisas Apartments, Phoenix, Arizona

2014 ANNUAL REPORT

For the year ended December 31, 2014

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* All amounts disclosed in this report are expressed in U.S. dollars



TO OUR UNITHOLDERS,

2014 was a very good year for Pure Multi-Family REIT LP. Our goals of demonstrating disciplined growth through increased same property revenues, accretive acquisitions of Class A, high quality properties and recycling capital through the disposition of older, higher maintenance properties were successfully met. Our results were further enhanced by the continued rationalization of expenses and we are very pleased to report that our funds from operations ("FFO") grew 25.2% per share to \$0.463 per share.

During the year, Pure Multi raised \$50.2 million. With these proceeds, we acquired \$107 million of Class A, high quality apartment communities consisting of 848 apartments. On the operations side, we focused on several key areas: rental rate growth through accretive acquisitions and value-add strategies, occupancy, operational efficiencies and recycling our capital to improve our portfolio's overall performance.

As we focused on increasing our revenues, we also executed the disposition of our oldest properties that are more capital intensive and have lower operating-margins. The end result was the very successful sale in December 2014 of Windscape Apartments. This property was acquired in July 2012 for a purchase

price of \$8.4 million. We sold the property for \$10.5 million, representing an annualized gain on equity of over 24%. At year end, our portfolio consisted of 4,308 apartments and over 3.8 million square feet of rentable space situated on over 236 acres of land.

It is important to note that subsequent to year end, we completed the successful sale of Sunset Point Apartments in January 2015. We acquired Sunset Point in September 2012 for \$24.6 million and it was originally acquired as two separate but neighbouring properties. We combined the property operations on acquisition in order to achieve almost immediate operational efficiencies and deployed a similar value-add strategy that was implemented at Windscape. We sold the property for \$27.95 million representing an annualized gain on equity of over 22%. The net proceeds from both properties have been combined to acquire Park at West Ave, a 2014 built Class A property located in North San Antonio, Texas.



Walker Commons, Houston, Texas

OUR RESULTS

Pure Multi achieved strong financial results in 2014:

- **25.2% FFO per unit growth** (2014 vs 2013)
- **5.6% same property total rental revenue growth** (2014 vs 2013)
- **\$48.5 million 2014 rental revenues** - an increase from \$31.6 million during 2013
- **2014 net operating income margin of 53.9%**, an increase from 51.8% in 2013
- **8.5% same property net operating income ("NOI") growth** (2014 vs. 2013)

We believe that not only is it important to highlight Pure Multi's strong 2014 operating results and FFO growth, but also that Pure Multi is unique in that we provide investors with a truly aligned management structure. Our structure does not permit external asset management or transaction fees. We have established a structure, through the issuance of our Class B units, that is success driven. Management is not remunerated in any other manner until we reach a \$300 million market capitalization, at which point Pure Multi will internalize asset management at no cost to the REIT. The savings to

the unitholders is significant. If Pure Multi had utilized a REIT compensation model with a 0.4% external asset management fee based on GBV, the cost to unitholders would have been significantly greater than what actually was incurred. Since IPO, Pure Multi's efficient model has resulted in net cash savings to unitholders of greater than \$2 million.

OUR STRATEGY

Pure Multi's core strategy remains unchanged since IPO, focusing on Class A, high quality multi-family apartment communities in primary markets that produce a steady, sustainable yield while offering investors significant annual organic growth. Newer construction, Class A properties tend to have better operating efficiencies, lower maintenance and capital expenses and benefit from the ability to generate stronger rental rate growth as the residents generally have higher disposable incomes. The stable and growing income produced by these high quality properties stems from the strong demand in the multi-family real estate sector. This demand continues to be driven by employment and population growth, lifestyle choices and limited new supply in our



Walker Commons, Houston, Texas

MAY
PRIVATE
PLACEMENT
\$20M

STEADY, CONSISTENT
MONTHLY DIVIDEND
US\$0.375

LISTED ON **OTCQX**
PMULF
JANUARY

JUNE
ACQUISITION
OF WALKER COMMONS
\$43.8M



Prairie Creek Villas, Dallas, Texas

target markets. We believe our operational focus on increasing revenues and maintaining strong NOI margins will continue to drive shareholder value.

OUR APARTMENT COMMUNITIES

By way of a summary, U.S. multi-family real estate has generated strong investor returns over the last 20 years, driven by:

- very diverse and thus stable income streams;
- steady and predictable operating costs;
- manageable capital expenditure requirements;
- favorable debt financing terms.

These drivers are evident across Pure Multi's portfolio. The current portfolio has a leased occupancy rate of 98.4% and has minimal capex requirements. Our portfolio produces an attractive sustainable yield and allows us to maintain conservative leverage with a targeted debt to gross book value ratio of 55% - 60%.

However, we believe that as in previous years, what continues to differentiate Pure Multi from its competitors is the quality of our apartment communities, which we believe are unparalleled in the Canadian REIT universe. With a weighted average year of construction of 1996 at year end, our properties can be classified as newer construction. As highlighted above, and as further supported by our results, there is a clear advantage to acquiring and managing a Class A portfolio of assets.

Our communities offer luxurious amenities such as resort-style swimming pools, outdoor kitchens and lounge areas, tennis courts, sand volleyball courts, gated dog parks, clubhouses with 24-hour fitness centres, private function and meeting facilities, business centres, movie theatres and ample lush green space. The units offer high-end condominium style finishes as well as attached and detached garages.

JULY
CDN DOLLAR
LISTING ON TSX-V
RUF.UN

AUGUST
ACQUISITION
OF THE PRESERVE
AND SAN BRISAS
\$63.6M

DISPOSITION
OF SUNSET POINT
\$27.95M
JANUARY 2015

JULY
EQUITY OFFERING
\$30.2M

DISPOSITION
OF WINDSCAPE
\$10.5M
DECEMBER



Livingstone, Dallas, Texas 3

OUR LOCATIONS - LEADERS IN POPULATION AND EMPLOYMENT GROWTH



Our current core markets, Dallas-Fort Worth, Houston and Phoenix, are consistently ranked in the top performing metropolitan areas in the U.S. for both employment and population growth.

There has been some concern expressed recently regarding the Houston market. Pure Multi currently owns two properties in the greater Houston area, which represent approximately 13% of our total revenues and units. We have not experienced any weakness that can be attributed to the layoffs in the oil field areas. We will continue to monitor the market closely, but Houston is a far more diversified economy today than in previous downturns. We expect that growth will continue at our locations and the general consensus is that job growth should continue in 2015, albeit at slower levels than in 2014.

Phoenix is also continuing to experience job and population growth. Current unemployment rates remain lower than the national average and Phoenix is expected to continue with higher than average population growth throughout 2015.

The majority of our portfolio is currently located within the Dallas-Forth Worth metroplex. DFW has one of the most diversified economies in the United States, ranking higher than Boston and Los Angeles in terms of diversity. DFW has benefitted from increasing concentrations of technology firms, corporate headquarters, distribution and infrastructure warehouses, health centres, related manufacturing businesses and construction industry operations. DFW is expected to continue experiencing strong job and population growth which will further contribute to above-average performance at our multi-family properties.

We believe that strong returns can be achieved by continuing to target high quality properties in these markets and other leading markets that are also displaying strong economic fundamentals. The U.S. multi-family

market is large and features an abundant supply of acquisition opportunities at attractive price levels, permitting Pure Multi to execute our growth strategy with discipline.

OUR RESIDENTS

Our residents are as varied as our properties and range from single professionals to young families and retirees. Our larger overall average unit size allows us to attract a varied group of residents that enables us to diversify our income stream.

One of the key drivers of the strong demand for U.S. multi-family apartments continues to be the Echo Boom Generation. Just as their parents (the Baby Boomers) drove dramatic long term growth in certain areas of the economy, this demographic is estimated to be between 72-80 million strong in the United States and they have a very high (almost 70%) propensity to rent.

Lifestyle amenities continue to be a priority for many of this generation and luxury amenities like those found at our properties serve as additional draws to attract this group of renters. Echo Boomers generally choose to rent rather than own during their career-building years as renting affords a great low-maintenance standard of living with the flexibility to transfer from one city to another with ease to pursue their career paths. This generation tends to prefer to live in close proximity to their jobs, shops and entertainment, as well as public transportation.

Negative sentiment continues to cloud home ownership. Lenders continue to require a significant down payment, a static career position and strong credit scores. This negative sentiment combined with the lifestyle choices of the Echo Boom Generation should continue to drive profitability, rental growth rates and values in the apartment sector for many years to come.



LOOKING FORWARD

In summary, we continue to build a Class A apartment portfolio spread across the strongest growth markets in the U.S. sunbelt, and we have demonstrated that we can rework our portfolio to enhance its value by recycling our equity through profitable sales.

Management's calculated net asset value is \$5.91(USD) and trending upwards with our most recent acquisition announcement located in San Antonio, Texas. We are among the leaders in the Canadian REIT sector, with operational results that drive shareholder value including:

- very robust same-store net operating income growth of 8.5% year over year;
- strong year over year funds from operations (FFO) and/adjusted funds from operations (AFFO) per unit growth (25.2% and 26.7% respectively);
- a trend of decreasing our payout ratio.

Despite these leading results, delivered quarter after quarter, and our net asset value of \$5.91, there has been, and in fact still continues to be, a valuation disconnect in terms of our current trading range which offers investors an exciting growth prospect in what is generally considered to be the most conservative sector of commercial real estate.

Our same property revenue growth, year over year, was 5.6%. With our rental rate growth, combined with long term, fixed mortgage interest rates, our very low REIT cost structure and improving net operating income margins, we believe that Pure Multi will continue to position itself as the leader in our asset class.

Our goals remain unchanged - build the best Class A portfolio across key markets in the U.S. sunbelt, while enhancing shareholder value through our unique structure, hands-on management, capital recycling and accretive acquisitions. We are looking forward to an exciting and busy 2015. We would like to sincerely thank all of our unitholders for their continued support and and to our Board of Directors and the Pure Multi team for their continued commitment to our goals.

Yours truly,



Steve Evans, CEO and Unitholder

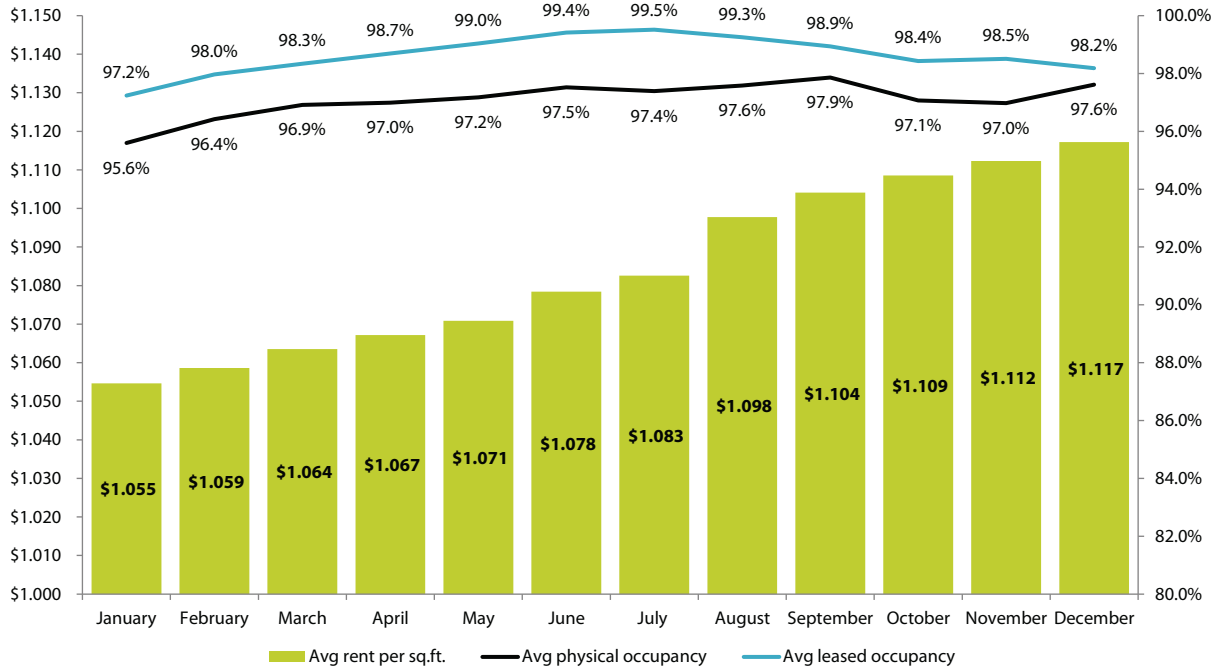


PORTFOLIO SUMMARY



Deer Park, Houston, Texas

IN-PLACE RENTS AND OCCUPANCY TRENDS JANUARY 2014 TO DECEMBER 2014



2014
AVERAGE
LEASED
OCCUPANCY
98%



Fairways at Prestonwood, Dallas, Texas

2014
SAME PROPERTY
NOI GROWTH
8.5%



Bear Creek, Dallas, Texas

FINANCIAL HIGHLIGHTS

(\$000's except per unit amounts)	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	\$48,475	\$31,583
Property NOI	\$26,111	\$16,357
NOI margin	53.9%	51.8%
Income for the year	\$41,949	\$14,202
Funds from operations	\$14,399	\$8,437
FFO per class A unit	\$0.463	\$0.370
Distributions per unit	\$0.375	\$0.365
FFO payout ratio	82.8%	99.2%
	As at December 31, 2014	As at December 31, 2013
Total assets	\$492,791	\$351,007
Mortgages payable	\$256,735	\$196,333
Total debt to gross book value	57.9%	64.0%
Weighted average interest rate on mortgages payable	3.86%	4.12%

PORTFOLIO HIGHLIGHTS*

- Number of units: 4,308
- Number of acres: 236
- Rentable square feet: 3.83 million
- Portfolio employs only property level debt
- Target loan to gross book value range: 55% to 60% (to a maximum of 70%)
- Debt to gross book value: 57.9%
- Loan to portfolio value: 55.7%

* As at December 31, 2014

2014
FFO GROWTH PER UNIT
25.2%



Valley Ranch, Dallas, Texas

2014 FINANCIAL REPORT

Management's Discussion and Analysis
Consolidated Financial Statements
For the year ended December 31, 2014



PURE MULTI-FAMILY REIT LP

Management's Discussion and Analysis
For the year ended December 31, 2014
Dated: March 6, 2015



Fairways at Prestonwood, Dallas TX

SECTION I

FORWARD-LOOKING DISCLAIMER

The following management's discussion and analysis ("MD&A") of the financial position and the results of operations of Pure Multi-Family REIT LP ("Pure Multi") for the year ended December 31, 2014 should be read in conjunction with Pure Multi's audited consolidated financial statements for the year ended December 31, 2014, available on SEDAR at www.sedar.com or on Pure Multi's website at www.puremultifamily.com. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Outlook", "Results of Operations", "Financial Condition", "Liquidity and Capital Resources" and "Risks and Uncertainties" relating to Pure Multi'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's anticipated future events. These statements include, but are not limited to:

- (i) Pure Multi's growth strategy, including the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;
- (ii) maintaining occupancy levels and rental revenue, which could be impacted by changes in demand for Pure Multi'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's properties;
- (iii) overall indebtedness levels, which could be impacted by the level of acquisition activity Pure Multi is able to achieve, fair value of its properties and future financing opportunities;
- (iv) tax status of Pure US Apartments REIT Inc., which can be impacted by regulatory changes enacted by governmental authorities;
- (v) anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions;
- (vi) obtaining and maintaining adequate insurance for Pure Multi's properties; and
- (vii) anticipated interest rates and exchange rates.

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

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available, which include, management's current expectations, estimates and assumptions that: proposed acquisitions will be completed on the terms and basis agreed to by Pure Multi, property acquisition and disposition prospects and opportunities will be consistent with Pure Multi's experience over the past 12 months, the multi-family residential real estate market in the "Sunbelt" region in the United States will remain strong, the global economic environment will remain stable, interest rates will remain at current levels, and Pure Multi's business strategy, plans, outlook, projections, targets and operating costs will be consistent with Pure Multi's

experience over the past 12 months, Pure Multi 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's business and financial results, and Pure Multi will be able to obtain adequate insurance and financing; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

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

These forward-looking statements are made as of March 6, 2015 and Pure Multi 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, 2014 includes material information up to March 6, 2015. 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.

On January 1, 2014, Pure Multi adopted IFRIC 21, *Levies* ("IFRIC 21"), and such standard is reflected on a retrospective basis with restatement of prior period comparative information as of and subsequent to January 1, 2013. IFRIC 21 removes Pure Multi's ability to accrue and recognize property taxes on a pro-rata basis throughout the given reporting year. As a result, property taxes must be recognized when the obligating event occurs, which is deemed to be January 1 of the given reporting year.

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 assuming Pure Multi did not adopt the IFRIC 21 accounting policy change. For a reconciliation of Pure Multi's statement of financial position and results of operations, see "Statement of Financial Position and 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, Distributable Income or DI, same property net rental income growth, same property revenue growth, same property average monthly rent per occupied unit, rental revenue, same property, rental revenue, property acquired, net rental income, same property and net rental income, properties acquired. For an IFRS to non-IFRS reconciliation, see "Statement of Financial Position and Results of Operations Reconciliation", "Distributable Income" and "Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations".

OVERVIEW

About Pure Multi

Pure Multi is a Canadian-based publically 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 in quality apartment assets located in core cities within the "Sunbelt" region of the U.S.

Pure Multi 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 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 a Limited Partnership Agreement (the “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 LP Agreement can be obtained from Pure Multi or on SEDAR at www.sedar.com.

Pure Multi, 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⁾)*

On May 21, 2014, Pure Multi completed a private placement offering of 4,395,824 units (each, a “Unit”), at a price of \$4.55 per Unit for gross proceeds of \$20,000,999 (the “May 2014 Offering”). Each Unit consists of one Class A unit (each, a “Class A Unit”) of Pure Multi and one-half of one Class A Unit purchase warrant (each whole warrant, a “Warrant”). On June 27, 2014, Pure Multi used the proceeds from the May 2014 Offering to complete the acquisition of a 352 residential unit, multi-family apartment community (“Walker Commons”), located in Houston, Texas, for a purchase price of \$43,800,000.

On July 29, 2014, Pure Multi completed a bought deal offering of 6,350,000 Class A Units, at a price of \$4.75 per Class A Unit, for gross proceeds of \$30,162,500 (the “July 2014 Offering”). On August 28, 2014, Pure Multi used the proceeds from the July 2014 Offering to complete the acquisition of two investment properties (the “July 2014 Target Properties”), consisting of 496 residential units, for an aggregate purchase price of \$63,600,000. The July 2014 Target Properties consist of a multi-family apartment property (the “Preserve”) located in Dallas, Texas and the remaining 80% interest in a multi-family property (“San Brisas”) located in Phoenix, Arizona, which was previously partially owned by Pure Multi.

On December 18, 2014, Pure Multi sold Windscape Apartment Homes (“Windscape”), a multi-family apartment community, located in Dallas, Texas, for a sale price of \$10,500,000. From the date of acquisition on July 12, 2012, until the date of sale on December 18, 2014, Pure Multi earned an average annualized return of over 24% on the equity invested in Windscape. Pure Multi intends to use the net proceeds from the sale of Windscape to acquire a newer investment property within the first six months of 2015.

As at December 31, 2014, Pure Multi’s portfolio consisted of 14 investment properties comprising an aggregate of 4,308 residential units and situated on over 236 acres of land.

During the fourth quarter of 2014, Pure Multi was able to increase total revenues by 34.0% compared to the same period in 2013, and obtain an increase of 8.1% in same property net rental income growth⁽²⁾, an increase of 7.1% in same property revenue growth⁽³⁾ and an increase of 5.3% in same property average monthly rent per occupied unit⁽⁴⁾, during the same period.

Pure Multi earned an average monthly rent per occupied unit of \$989.48, or \$1.117 per square foot, on its entire portfolio during the three months ended December 31, 2014 (three months ended December 31, 2013 - \$916.62 and \$1.053, respectively) and average monthly rent per occupied unit of \$957.89, or \$1.090 per square foot, on its entire portfolio during the year ended December 31, 2014 (year ended December 31, 2013 - \$912.62 and \$1.038, respectively).

Pure Multi had mortgages payable of \$256.7 million, with a weighted average interest rate of 3.86% as at December 31, 2014 (December 31, 2013 - \$196.3 million and 4.12%, respectively).

The resulting loan to gross book value, after the transactions described above, was 57.9% as at December 31, 2014 (December 31, 2013 – 64.0%), well below the maximum indebtedness level of 70% stipulated within the LP Agreement. See “Capital Structure”.

<i>Pure Multi's interest</i>	As at December 31, 2014	As at December 31, 2013
Number of properties	14	13
Number of residential units	4,308	3,614
Physical Occupancy	97.6%	95.7%
Leased Occupancy	98.2%	96.9%
Investment properties (000's)	\$ 468,518	\$ 337,603
Mortgages payable (000's)	\$ 256,735	\$ 196,333
Weighted average effective interest rate on mortgages payable	3.86%	4.12%
Loan to gross book value	57.9%	64.0%

Notes:

- (1) Pure Multi's interest (non-IFRS measure); (1) represents the proportionate share of all assets, liabilities, revenues and expenses of all its portfolio investments, and (2) prorate and accrues property tax liability and expense, on all portfolio investments, based on the time period of ownership throughout the given reporting year;
- (2) Same property net rental income growth (non-IFRS measure) represents property net rental income for properties owned during the entire comparative periods;
- (3) Same property revenue growth (non-IFRS measure) represents total property revenues, including other income, for properties owned during the entire comparative periods; and
- (4) Same property average monthly rent per occupied unit (non-IFRS measure) represents average monthly rental income for occupied units, net of concessions and discounts, for properties owned during the entire comparative periods.

<i>Pure Multi's interest</i> (\$000s, except per unit basis) (all per unit amounts based on weighted average number of units outstanding)	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Rental revenue, same property ⁽¹⁾	\$ 21,890	\$ 20,725	\$ 10,659	\$ 9,952
Rental revenue, properties acquired/sold ⁽²⁾	26,585	10,858	3,337	491
Total rental revenue - Pure Multi's interest ⁽³⁾	48,475	31,583	13,996	10,443
Net rental income, same property ⁽⁴⁾	12,112	11,162	5,745	5,313
Net rental income, properties acquired/sold ⁽⁵⁾	13,999	5,195	1,915	220
Total net rental income - Pure Multi's interest ⁽³⁾	26,111	16,357	7,660	5,533
Distributions	11,919	8,371	3,438	2,377
per Class A unit (basic and diluted)	0.38	0.37	0.09	0.09
per Class B unit (basic and diluted)	2.98	2.09	0.86	0.59
Distributable income ⁽³⁾	14,467	8,437	4,413	2,650
per Class A unit (basic and diluted)	0.47	0.37	0.12	0.10
per Class B unit (basic and diluted)	3.62	2.11	1.10	0.66
Payout ratio	82.4%	99.2%	77.9%	89.7%
Funds from operations ⁽³⁾	14,399	8,437	4,344	2,650
per Class A unit (basic and diluted)	0.46	0.37	0.12	0.10
per Class B unit (basic and diluted)	3.60	2.11	1.09	0.66
Payout ratio	82.8%	99.2%	79.1%	89.7%
Adjusted funds from operations ⁽³⁾	13,280	7,691	4,080	2,413
per Class A unit (basic and diluted)	0.43	0.34	0.11	0.10
per Class B unit (basic and diluted)	3.32	1.92	1.02	0.60
Payout ratio	89.8%	108.8%	84.3%	98.5%

Notes:

- (1) Rental revenue, same property (non-IFRS measure) represents total property revenues, including other income, for properties owned during the entire comparative periods;
- (2) Rental revenue, properties acquired (non-IFRS measure) represents total property revenues, including other income, for properties which were acquired or sold, therefore not owned during the entire comparative periods;
- (3) For an IFRS to non-IFRS reconciliation, see “Statement of Financial Position and Results of Operations Reconciliation”, “Distributable Income”, and “Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations”;
- (4) Net rental income, same property (non-IFRS measure) represents property net rental income for properties owned during the entire comparative periods; and
- (5) Net rental income, properties acquired (non-IFRS measure) represents property net rental income for properties which were acquired or sold, therefore not owned during the entire comparative periods.

Portfolio Summary

As at December 31, 2014, Pure Multi’s portfolio consists of 14 investment properties, with an aggregate of 4,308 residential units, located within three metropolitan areas: (i) Dallas - Fort Worth (“DFW”), Texas, (ii) Houston, Texas and (iii) Phoenix, Arizona.

The weighted average physical occupancy rate was 97.6% and weighted average leased occupancy rate was 98.2% for all properties owned as at December 31, 2014 (December 31, 2013 – 95.7% and 96.9%, respectively). Typical residential property leases have terms between one to 12 months.

As at December 31, 2014								
Property Name	Location	Year of Acquisition	Units	Fair Market Value (\$000s)	Debt to Fair Market Value	Cap Rate	Physical Occupancy	Leased Occupancy
Preserve at Arbor Hills	DFW, TX	2014	330	\$ 41,034	60.0%	5.85%	97.0%	97.0%
Fairways at Prestonwood	DFW, TX	2013	156	19,000	45.6%	5.75%	97.4%	98.1%
Vistas at Hackberry Creek	DFW, TX	2013	560	48,190	61.2%	6.25%	99.6%	100.0%
Windsong Apartments	DFW, TX	2013	264	19,200	28.9%	6.25%	97.0%	98.1%
Fountainwood Apartments	DFW, TX	2013	288	23,251	55.7%	6.25%	99.7%	100.0%
Livingston Apartments	DFW, TX	2013	180	28,300	55.9%	5.85%	98.3%	98.3%
Oakchase Apartments	DFW, TX	2012	236	16,500	52.8%	6.25%	96.2%	97.0%
Stoneleigh at Valley Ranch	DFW, TX	2012	210	25,642	53.4%	5.75%	98.6%	98.6%
Sunset Point Apartment Homes	DFW, TX	2012	408	27,600	57.7%	6.25%	97.3%	97.8%
Prairie Creek Villas	DFW, TX	2012	464	70,900	44.7%	5.75%	97.4%	98.3%
Stoneleigh at Bear Creek	DFW, TX	2012	436	52,587	61.0%	5.75%	98.6%	99.3%
DFW, TX			3,532	372,204	53.5%	5.95%	98.0%	98.6%
Walker Commons	Houston, TX	2014	352	43,866	64.9%	6.00%	94.9%	95.5%
The Boulevard at Deer Park	Houston, TX	2013	216	24,148	68.2%	5.65%	98.6%	99.1%
Houston, TX			568	68,014	66.1%	5.88%	96.3%	96.8%
San Brisas Apartments ⁽¹⁾	Phoenix, AZ	2013 & 2014	208	28,300	60.0%	5.35%	93.8%	95.2%
Portfolio Total			4,308	\$ 468,518	55.7%	5.90%	97.6%	98.2%

Note:

⁽¹⁾ Pure Multi acquired a 20% ownership interest in San Brisas during 2013 and acquired the remaining 80% ownership interest during 2014.

Properties Acquired During 2014

On June 27, 2014, Pure Multi, through the US REIT, acquired Walker Commons, a multi-family apartment community, 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 Transactions”), \$1,689,631, which is equal to the fair market value adjustment that Pure Multi would have incurred if it had assumed the mortgage as part of the acquisition, for a portion of the mortgage buyout costs. This additional cost was treated as an acquisition cost at the time of the acquisition. The acquisition was financed with proceeds from the May 2014 Offering and a new five year mortgage in the amount of \$28,470,000.

On August 28, 2014, Pure Multi, through the US REIT, acquired the Preserve, a multi-family apartment community, located in Plano, Texas, for a purchase price of \$41,000,000, plus standard closing costs and adjustments. This acquisition was financed with proceeds from the July 2014 Offering and a new seven year mortgage in the amount of \$24,600,000.

On August 28, 2014, Pure Multi, through the US REIT, acquired the remaining 80% interest in San Brisas, a multi-family apartment community, 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 Transactions”), \$1,236,807, which is equal to the fair market value adjustment that Pure Multi would have incurred if it had assumed the mortgage as part of the acquisition, for a portion of the mortgage buyout costs. This additional cost was treated as an acquisition cost at the time of the acquisition. This acquisition was financed with proceeds from the July 2014 Offering and a new seven year mortgage in the amount of \$16,980,000.

Properties Sold During 2014

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

July 2014 Class A Unit Offering

On July 29, 2014, Pure Multi completed the July 2014 Offering of 6,350,000 Class A Units, at a price of \$4.75 per Class A Unit, for gross proceeds of \$30,162,500.

Proceeds from the July 2014 Offering were used to acquire the July 2014 Target Properties. The following tables provide a description about Pure Multi’s previous disclosure regarding the proposed use of proceeds from the July 2014 Offering, as identified in Pure Multi’s short form prospectus dated July 22, 2014 (the “July 2014 Prospectus”), available on SEDAR at www.sedar.com, and its actual use of such proceeds, including purchase prices (before closing adjustments), mortgage proceeds and balance of funds to complete the acquisitions:

Proposed Use of Proceeds <i>(\$000s)</i>	Purchase Price (Before Closing Adjustments)	Estimated Mortgage Proceeds	Estimated Balance Required to Close
Proposed property purchases	\$ 63,340	\$ 41,171	\$ 22,169
Unallocated working capital	-	-	6,036
Totals	\$ 63,340	\$ 41,171	\$ 28,205

Actual Use of Proceeds <i>(\$000s)</i>	Purchase Price (Before Closing Adjustments)	Mortgage Proceeds	Balance Required to Close
Property purchases to date	\$ 63,640 ⁽¹⁾	\$ 38,184 ⁽²⁾	\$ 25,456
Unallocated working capital	-	-	2,749
Totals	\$ 63,640	\$ 38,184	\$ 28,205

Notes:

⁽¹⁾ Pure Multi completed the acquisitions of the July 2014 Target Properties, which closed on August 28, 2014, with proceeds from the July 2014 Offering.

⁽²⁾ Pure Multi acquired the July 2014 Target Properties with proceeds from the July 2014 Offering and mortgages in the amount of \$24,600,000 and \$13,584,000, respectively.

Pure Multi had anticipated acquiring the July 2014 Target Properties for an aggregate purchase price of \$63,340,000 with \$41,171,000 in estimated mortgage financing, as disclosed in the July 2014 Prospectus. Pure Multi subsequently acquired the July 2014 Target Properties for \$63,640,000 with \$38,184,000 in actual mortgage financing, as indicated in the table above. The decrease in actual mortgage financing resulted in Pure Multi using a greater amount of the proceeds from the July 2014 Offering to complete the acquisitions and correspondingly reduced the unallocated working capital compared to the disclosure in the July 2014 Prospectus.

OUTLOOK

Pure Multi has raised approximately \$194.5 million, through public and private offerings, since it began operations in July of 2012 to the date of this report. This includes the issuance of 34,834,824 Class A Units and 2,197,912 share purchase warrants for gross proceeds of \$171.5 million, and the issuance of 23,000 Convertible Debentures for gross proceeds of \$23 million. These proceeds have been used to acquire a high-quality portfolio of apartment communities, predominantly located within the Dallas-Fort Worth area, but also with exposure to the Houston and Phoenix sub-markets. Pure Multi's strategy is one of strong growth combined with steady cash distributions to unitholders. Management continues to focus on core "Sunbelt" markets within the U.S. and the acquisition of well located, quality apartment communities, with a conservative mix of medium to long-term conventional mortgage debt.

As at December 31, 2014, Pure Multi's portfolio consists of 14 investment properties, 4,308 high-quality apartment units, comprising approximately 3.83 million rentable square feet and situated on 236 acres, located in Texas and Arizona. Pure Multi's platform in the U.S. consists of 85 employees, undertaking marketing, due diligence and management, at its property level.

Looking back at the 2014 fiscal year, Pure Multi raised over \$50.1 million, through the issuance of equity instruments, and used these proceeds to acquire three investment properties located in Dallas-Fort Worth, Houston, Texas and Phoenix, Arizona markets, thus increasing its presence into strong "Sunbelt" markets. In addition to building the portfolio through acquisitions, management also began to work its base portfolio by strategically divesting two of its assets, including one subsequent to December 31, 2014, at substantial return on equity gains, with the intention to re-invest that capital into newer, Class A type assets. Pure Multi's equity gains were enhanced due to the execution of its value-add strategy, on both of these mid-1980's built assets, since acquisition by way of cosmetic physical improvements and aggressive property management. The first of these sales occurred on December 18, 2014, when Pure Multi sold Windscape, located in Dallas, Texas, for gross proceeds of \$10.5 million, resulting in an average annualized return on equity of over 24%, since acquisition. Subsequent to the 2014 year end, on January 14, 2015, Pure Multi completed its second divestiture, when it sold Sunset Point Apartment Homes ("Sunset Point"), located in Arlington, Texas, for gross proceeds of \$27.95 million, which resulted in an average annualized return on equity over 22%, since acquisition. With the net proceeds obtained from these sales, approximately \$16.4 million, Pure Multi intends on upgrading its portfolio by acquiring a newer, Class A type asset, within the first half of 2015. Not only is Pure Multi upgrading the age of its portfolio, by way of these transactions, but it is enhancing the value of its portfolio by acquiring a newer, Class A type asset, which typically have lower maintenance costs and higher rents than a Class B type property. Pure Multi will continue to monitor the capitalization rates within its markets throughout 2015, continue to execute on its value-add strategy, and will look to recycle capital, by way of strategic upgrades, where management can create additional shareholder value, as they have with their two most recent divestitures.

In addition to generating shareholder value through acquisitions, Pure Multi is experiencing strong organic growth on its current portfolio. On a year over year basis, during the 2014 fiscal year, Pure Multi achieved same property revenue growth of over 5.6%, which led to same property net rental income growth of over 8.5%, when compared to the 2013 fiscal year. Looking ahead at the 2015 fiscal year, Pure Multi does not expect the current decline in the price of oil to have a significant impact on its current operations. The majority of Pure Multi's portfolio is located within the Dallas-Fort Worth area, which is a largely diversified market, and is not expected to be significantly impacted by the current decline in the price of oil. Should oil prices remain at current levels for an extended period of time, management expects there could be more of an impact in southern Texas, where Pure Multi has only two investment properties, representing 13% of its residential units at December 31, 2014. Notwithstanding this potential impact at this time, management is still expecting rental revenue to grow over prior year in this market, perhaps just not to the same degree as in the prior year. On an overall portfolio basis, management believes Pure Multi is well positioned to continue its strong organic rental revenue and net rental income growth into the 2015 year. Pure Multi will also look to grow through acquisitions of newer, Class A type assets, in markets across the U.S. that are near the top in both population and job growth. There continues to be a large supply of acquisition opportunities that come to the market, permitting Pure Multi to execute its growth plans with discipline. Management is excited about the growth prospects of the Pure Multi investment platform over the coming months.

SECTION II**STATEMENT OF FINANCIAL POSITION AND RESULTS OF OPERATIONS RECONCILIATION**

“Pure Multi’s interest” is a non-IFRS measure representing: (1) Pure Multi’s proportionate share of the financial position and results of operations of its entire portfolio, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting; and (2) 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 reconciliations from Pure Multi’s financial statements prepared in accordance with IFRS to Pure Multi’s interest, as described above, for the affected current and comparative periods.

Reconciliation of Consolidated Statement of Financial Position to Statement of Financial Position at Pure Multi's Interest:

As at December 31, 2013 (\$000s)	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	Pure Multi's Interest ⁽³⁾
ASSETS			
Non-current assets			
Investment properties	\$ 332,003	\$ 5,600	\$ 337,603
Equity-accounted investment	2,831	(2,831)	-
	334,834	2,769	337,603
Current assets			
Prepaid expenses	950	9	959
Mortgage reserve fund	5,657	15	5,672
Amounts receivable	33	-	33
Cash and cash equivalents	6,673	67	6,740
	13,313	91	13,404
TOTAL ASSETS	\$ 348,147	\$ 2,860	\$ 351,007
LIABILITIES			
Non-current liabilities			
Mortgages payable	\$ 192,733	\$ 2,757	\$ 195,490
Convertible debentures	19,664	-	19,664
Preferred units of subsidiary	125	-	125
	212,522	2,757	215,279
Current liabilities			
Mortgages payable – current portion	798	45	843
Credit facility	5,281	-	5,281
Rental deposits	559	9	568
Unearned revenue	650	14	664
Accounts payable and accrued liabilities	8,544	35	8,579
	15,832	103	15,935
TOTAL LIABILITIES	228,354	2,860	231,214
PARTNERS' CAPITAL	119,793	-	119,793
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 348,147	\$ 2,860	\$ 351,007

Notes:

- (1) Represents Pure Multi's consolidated statement of financial position prepared in accordance with IFRS;
- (2) Represents Pure Multi's proportionate share of assets and liabilities of its joint venture that is accounted for on the equity basis of accounting; and
- (3) Represents Pure Multi's proportionate ownership interest in assets and liabilities of all of its portfolio investments.

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

Year ended December 31, 2014 (\$000s)	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	IFRIC 21 Property Tax Adjustment ⁽³⁾	Pure Multi's Interest ⁽⁴⁾
REVENUES				
Rental	\$ 48,133	\$ 342	\$ -	\$ 48,475
OPERATING EXPENSES				
Insurance	1,287	4	-	1,291
Property management	1,444	10	-	1,454
Property taxes	6,696	28	580	7,304
Property operating expenses	12,218	96	-	12,314
	21,645	138	580	22,363
NET RENTAL INCOME	26,488	204	(580)	26,111
NET FINANCE INCOME (EXPENSES)				
Interest income	5	-	-	5
Interest expense	(10,343)	(589)	-	(10,932)
Distributions to subsidiary's preferred unitholders	(16)	-	-	(16)
	(10,354)	(589)	-	(10,943)
NET OTHER INCOME (EXPENSES)				
Other income	1	-	-	1
General and administrative	(770)	-	-	(770)
Fair value adjustments to investment properties	27,507	27	580	28,114
Loss on disposal of investment property	(235)	-	-	(235)
Franchise taxes	(329)	-	-	(329)
	26,173	27	580	26,781
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENT	(358)	358	-	-
NET INCOME AND COMPREHENSIVE INCOME	\$ 41,949	\$ -	\$ -	\$ 41,949

Notes:

- (1) Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS;
- (2) Represents Pure Multi's proportionate share of revenues and expenses of its joint venture that is accounted for using the equity basis of accounting;
- (3) Represents Pure Multi's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21; and
- (4) Represents Pure Multi's interest, as previously described.

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

Three months ended December 31, 2014 (\$000s)	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	IFRIC 21 Property Tax Adjustment ⁽³⁾	Pure Multi's Interest ⁽⁴⁾
REVENUES				
Rental	\$ 13,996	\$ -	\$ -	\$ 13,996
OPERATING EXPENSES (RECOVERIES)				
Insurance	395	-	-	395
Property management	420	-	-	420
Property taxes	(96)	(2)	2,051	1,953
Property operating expenses	3,566	2	-	3,568
	4,285	-	2,051	6,336
NET RENTAL INCOME	9,711	-	(2,051)	7,660
NET FINANCE INCOME (EXPENSES)				
Interest income	1	-	-	1
Interest expense	(3,036)	-	-	(3,036)
Distributions to subsidiary's preferred unitholders	(4)	-	-	(4)
	(3,039)	-	-	(3,039)
NET OTHER INCOME (EXPENSES)				
Other income	1	-	-	1
General and administrative	(209)	-	-	(209)
Fair value adjustments to investment properties	14,790	-	342	15,132
IFRIC 21 fair value adjustment to investment properties	(1,709)	-	1,709	-
Loss on disposal of investment property	(235)	-	-	(235)
Franchise taxes	(94)	-	-	(94)
	12,544	-	2,051	14,595
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENT	-	-	-	-
NET INCOME AND COMPREHENSIVE INCOME	\$ 19,216	\$ -	\$ -	\$ 19,216

Notes:

- ⁽¹⁾ Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS;
- ⁽²⁾ Represents Pure Multi's proportionate share of revenues and expenses of its joint venture that is accounted for using the equity basis of accounting;
- ⁽³⁾ Represents Pure Multi's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21; and
- ⁽⁴⁾ Represents Pure Multi's interest, as previously described.

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

Year ended December 31, 2013 (\$000s)	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	IFRIC 21 Property Tax Adjustment ⁽³⁾	Pure Multi's Interest ⁽⁴⁾
REVENUES				
Rental	\$ 31,456	\$ 127	\$ -	\$ 31,583
OPERATING EXPENSES				
Insurance	761	2	-	763
Property management	942	4	-	946
Property taxes	3,467	9	1,423	4,899
Property operating expenses	8,584	34	-	8,618
	13,754	49	1,423	15,226
NET RENTAL INCOME	17,702	78	(1,423)	16,357
NET FINANCE INCOME (EXPENSES)				
Interest income	2	-	-	2
Interest expense	(6,526)	(38)	-	(6,564)
Distributions to subsidiary's preferred unitholders	(15)	-	-	(15)
Preferred units of subsidiary offering costs	(50)	-	-	(50)
	(6,589)	(38)	-	(6,627)
NET OTHER INCOME (EXPENSES)				
Other income	6	-	-	6
General and administrative	(617)	-	-	(617)
Fair value adjustments to investment properties	4,141	(226)	1,423	5,339
Franchise taxes	(256)	-	-	(256)
	3,275	(226)	1,423	4,472
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENT	(186)	186	-	-
NET INCOME AND COMPREHENSIVE INCOME	\$ 14,202	\$ -	\$ -	\$ 14,202

Notes:

- (1) Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS;
- (2) Represents Pure Multi's proportionate share of revenues and expenses of its joint venture that is accounted for using the equity basis of accounting;
- (3) Represents Pure Multi's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21; and
- (4) Represents Pure Multi's interest, as previously described.

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

Three months ended December 31, 2013 (\$000s)	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	IFRIC 21 Property Tax Adjustment ⁽³⁾	Pure Multi's Interest ⁽⁴⁾
REVENUES				
Rental	\$ 10,316	\$ 127	\$ -	\$ 10,443
OPERATING EXPENSES				
Insurance	247	2	-	249
Property management	310	4	-	314
Property taxes	-	9	1,464	1,473
Property operating expenses	2,840	34	-	2,874
	3,397	49	1,464	4,910
NET RENTAL INCOME	6,919	78	(1,464)	5,533
NET FINANCE INCOME (EXPENSES)				
Interest income	1	-	-	1
Interest expense	(2,331)	(38)	-	(2,369)
Distributions to subsidiary's preferred unitholders	(4)	-	-	(4)
	(2,334)	(38)	-	(2,372)
NET OTHER INCOME (EXPENSES)				
Other income	1	-	-	1
General and administrative	(186)	-	-	(186)
Fair value adjustments to investment properties	5,047	(226)	712	5,533
IFRIC 21 fair value adjustment to investment properties	(752)	-	752	-
Franchise taxes	(256)	-	-	(256)
	3,853	(226)	1,464	5,091
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENT	(186)	186	-	-
NET INCOME AND COMPREHENSIVE INCOME	\$ 8,252	\$ -	\$ -	\$ 8,252

Notes:

- (1) Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS;
- (2) Represents Pure Multi's proportionate share of revenues and expenses of its joint venture that is accounted for using the equity basis of accounting;
- (3) Represents Pure Multi's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21; and
- (4) Represents Pure Multi's interest, as previously described.

RESULTS OF OPERATIONS

All of the information presented below relates to Pure Multi's interest, unless noted otherwise.

<i>Pure Multi's interest</i> <i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Revenues				
Rental	\$ 48,475	\$ 31,583	\$ 13,996	\$ 10,443
Operating Expenses				
Insurance	1,291	763	395	249
Property management	1,454	946	420	314
Property taxes	7,304	4,899	1,953	1,473
Property operating expenses	12,314	8,618	3,568	2,874
	22,363	15,226	6,336	4,910
Net Rental Income	26,111	16,357	7,660	5,533
Net Finance Income (Expenses)				
Interest income	5	2	1	1
Interest expense	(10,932)	(6,564)	(3,036)	(2,369)
Distributions to subsidiary's preferred unitholders	(16)	(15)	(4)	(4)
Preferred units of subsidiary offering costs	-	(50)	-	-
	(10,943)	(6,627)	(3,039)	(2,372)
Other Income (Expenses)				
Other income	1	6	1	1
General and administrative	(770)	(617)	(209)	(186)
Fair value adjustments to investment properties	28,114	5,339	15,132	5,533
Loss on disposal of investment property	(235)	-	(235)	-
Franchise taxes	(329)	(256)	(94)	(256)
	26,781	4,472	14,595	5,091
Net Income and Comprehensive Income	\$ 41,949	\$ 14,202	\$ 19,216	\$ 8,252
Earnings per Class A unit – basic and diluted	\$ 1.35	\$ 0.62	\$ 0.52	\$ 0.33
Weighted average number of Class A units – basic and diluted	29,512,727	21,653,384	34,834,824	24,089,000
Earnings per Class B unit – basic and diluted	\$ 10.49	\$ 3.55	\$ 4.80	\$ 2.06
Weighted average number of Class B units – basic and diluted	200,000	200,000	200,000	200,000

During the year ended December 31, 2014, based on Pure Multi's interest, Pure Multi recorded rental revenue of \$48,474,655, net rental income of \$26,111,241 and net income of \$41,949,277 from its investment properties, compared to \$31,582,947, \$16,356,863 and \$14,202,208, respectively, during the year ended December 31, 2013. During the year ended December 31, 2014, based on Pure Multi's interest, Pure Multi incurred \$769,883 of general and administrative expenses (year ended December 31, 2013 - \$617,168), realized a fair value adjustment to investment properties gain of \$28,114,209 (year ended December 31, 2013 - \$5,338,983) and incurred franchise tax expense of \$329,145 (year ended December 31, 2013 - \$255,670). The increase in revenues, expenses and net income are primarily attributable to Pure Multi operating additional investment properties during the year ended December 31, 2014, compared to the year ended December 31, 2013, in addition to strong organic rental revenue growth experienced from the investment properties operated during both periods.

Pure Multi's loan to gross book value ratio decreased to 57.9% at December 31, 2014 from 64.0% at December 31, 2013 and its distribution payout ratio on Distributable Income was 82.4% for the year ended December 31, 2014 (year ended December 31, 2013 – 99.2%). For further clarity, Pure Multi's loan to gross book value ratio is defined as the ratio between Pure Multi's overall borrowed money, including the face amount outstanding of any convertible debentures, and the total book value of the assets plus accumulated depreciation and amortization in respect of such assets. Pure Multi defines distribution payout ratio as the percentage of Distributable Income that is paid out to unitholders (see "Distributable Income"). For additional information, see "Liquidity and Capital Resources – Distributed Cash".

Rental Revenue

Rental revenue from investment properties includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements.

Operating Expenses

Operating expenses include costs relating to such items as cleaning, building repairs and maintenance, property repairs and maintenance, HVAC, property payroll, insurance, property taxes, utilities and property management fees among other items. The following table illustrates operating expenses as a percentage of total operating expenses:

<i>Pure Multi's interest</i>	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Insurance	5.8%	5.0%	6.2%	5.1%
Property management	6.5%	6.2%	6.6%	6.4%
Property taxes	32.7%	32.2%	30.8%	30.0%
Property operating expenses	55.0%	56.6%	56.4%	58.5%
	100.0%	100.0%	100.0%	100.0%

Finance Income

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

Finance Expenses

Finance expenses consist of interest expense, distributions to subsidiary's preferred unitholders and preferred units of subsidiary offering costs (see "Financial Condition – Preferred Units of Subsidiary"). Pure Multi declared distributions in the amount of \$15,625 to the subsidiary's preferred unitholders during the year ended December 31, 2014 (year ended December 31, 2013- \$14,888). Preferred units of subsidiary offering costs are the costs incurred by Pure Multi that relate to the issuance of the preferred units of subsidiary. During the year ended December 31, 2014, Pure Multi did not incur any costs relating to the preferred units of subsidiary offering costs (year ended December 31, 2013 - \$50,454).

Interest Expense

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

The weighted average interest rate on the mortgages, based on Pure Multi's interest, is 3.86% per annum as at December 31, 2014 (December 31, 2013 - 4.12%) and the mortgages mature between 2017 and 2028 with a weighted average mortgage term of 6.8 years remaining (December 31, 2013 - 8.0 years remaining). Pure Multi intends to refinance any mortgages which mature within six months of the maturity date.

General and Administrative Expenses

General and administrative expenses are primarily comprised of directors' fees, directors' and officers' liability insurance, professional fees, legal fees, filing fees, and administrative expenses. Professional fees include auditing and tax fees. Administrative expenses include US REIT compliance expenditures, investor relations expenses and bank charges. For the year ended December 31, 2014, total general and administrative expenses amounted to 1.6% of rental revenue (year ended December 31, 2013 - 2.0%). Pursuant to the Asset Management Agreement with the Managing GP, as described under "Related Party Transactions", Pure Multi will not compensate the Managing GP for its services, which include providing asset management, administrative and reporting services. 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 following table illustrates corporate expenses as a percentage of overall general and administrative expenses:

<i>Pure Multi's interest</i>	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Insurance	4.4%	4.7%	4.8%	3.9%
Professional fees	43.6%	53.3%	48.6%	50.1%
Legal and filing fees	17.3%	12.0%	18.7%	19.9%
Director's fees	12.6%	10.9%	11.6%	14.6%
Administrative expenses	22.1%	19.1%	16.3%	11.5%
	100.0%	100.0%	100.0%	100.0%
As a percentage of rental revenue	1.6%	2.0%	1.5%	1.8%

Other Income (Expenses)

Other income (expenses), is income (expenses) incurred on foreign exchange gains (losses) incurred by Pure Multi as a minor amount of transactions occur in Canadian dollars while cash and cash equivalents are held in United States dollars.

Fair Value Adjustment to Investment Properties

As Pure Multi revalues its investment properties at fair value each reporting date, it records the fair value adjustments as an income or expense item. For the year ended December 31, 2014, based on Pure Multi's interest, Pure Multi recorded a gain of \$28,114,209 in fair value adjustments to its investment properties (year ended December 31, 2013 - \$5,338,983). The weighted average capitalization rate of the investment properties at December 31, 2014, based on Pure Multi's interest, was 5.90% (December 31, 2013 - 6.16%).

Loss on Disposal of Investment Property

During the year ended December 31, 2014, Pure Multi sold Windscape for a sale price of \$10,500,000. As a result of the sale, Pure Multi incurred a loss on disposal of the investment property in the amount of \$235,421. The loss on disposal is a result of the selling costs incurred during the sales process, which reduced the net proceeds received below the fair market value of the investment property on the date of the sale. Pure Multi did not sell any properties during the year ended December 31, 2013.

Income Taxes

Pure Multi is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner (or "unitholder") of Pure Multi 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 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. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

Franchise Taxes

Texas Franchise Tax applicable to Pure Multi, for its investment properties operated in Texas, is equal to 1% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; or (iii) 100% of total revenue less compensation expense. Pure Multi recorded a provision for Texas Franchise Tax of \$329,145 for the year ended December 31, 2014 (year ended December 31, 2013 - \$255,670).

Offering Costs

Offering costs are the costs incurred by Pure Multi that relate to the issuance of equity instruments, which are included in the statement of partners' capital. During the year ended December 31, 2014, Pure Multi incurred \$2,188,921 of offering costs (year ended December, 2013 - \$2,350,475).

Distributions to Limited Partners

Pure Multi declared distributions in the amount of \$11,322,956 to Class A unitholders and \$595,945 to Class B unitholders during the year ended December 31, 2014 (year ended December 31, 2013 - \$7,952,485 and \$418,552, respectively).

DISTRIBUTABLE INCOME

Pure Multi uses Distributable Income ("DI") to measure its ability to earn and distribute cash to unitholders. DI is a non-IFRS measurement, using Pure Multi's interest as previously disclosed, and should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of Pure Multi's performance. DI as computed by Pure Multi may differ from similar computations as reported by other similar business entities and, accordingly, may not be comparable to DI as reported by such business entities. DI does not have any standardized meaning prescribed by IFRS. Management calculates DI by adding to or deducting the following items from net cash from operating activities: non-cash working capital items, IFRIC 21 adjustments, interest income, interest expense, distributions to preferred unitholders and preferred units of subsidiary offering costs.

<i>Pure Multi's interest</i> <i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Net cash provided from operating activities	\$ 26,902	\$ 19,998	\$ 7,545	\$ 5,577
Adjustment:				
Changes in non-cash operating working capital	(1,889)	(4,507)	1,522	267
IFRIC 21 property tax liability adjustment, net	-	-	(1,709)	(752)
Interest income	5	2	1	-
Interest expense	(10,535)	(6,990)	(2,942)	(2,438)
Distributions to subsidiary's preferred unitholders	(16)	(15)	(4)	(4)
Preferred units of subsidiary offering costs	-	(51)	-	-
Distributable Income	\$ 14,467	\$ 8,437	\$ 4,413	\$ 2,650
Class A units	13,744	8,015	4,192	2,517
Class B units	723	422	221	133
Distributions to Unitholders				
Class A units	\$ 11,323	\$ 7,952	\$ 3,266	\$ 2,258
Class B units	596	419	172	119
Total distributions paid	\$ 11,919	\$ 8,371	\$ 3,438	\$ 2,377
Total distributions paid as a % of Distributable Income	82.4%	99.2%	77.9%	89.7%
Weighted average number of units (<i>000s</i>)				
Class A units	29,513	21,653	34,835	24,089
Class B units	200	200	200	200
Diluted weighted average number of units (<i>000s</i>)				
Class A units	29,513	21,653	34,835	24,089
Class B units	200	200	200	200
Basic DI per unit				
Class A units	\$ 0.47	\$ 0.37	\$ 0.12	\$ 0.10
Class B units	3.62	2.11	1.10	0.66
Diluted DI per unit				
Class A units	0.47	0.37	0.12	0.10
Class B units	3.62	2.11	1.10	0.66
Distributions paid per unit				
Class A units	0.38	0.37	0.09	0.09
Class B units	2.98	2.09	0.86	0.59

Pure Multi may distribute to unitholders on each distribution date such percentage of the DI of Pure Multi for the month immediately preceding the month in which the distribution date falls, as the board of directors of the Governing GP may determine at their discretion. Currently, the board of directors of the Governing GP intends to make an annual cash distribution to unitholders of \$0.375 per Class A Unit. Monthly distributions will be paid on the distribution date to unitholders of record on the last business day of such month. See "Financial Condition – Partners' Capital".

The board of directors of the Governing GP looks beyond quarter-to-quarter fluctuations in working capital when making decisions regarding monthly distributions. As a result, management believes that the measure of DI, which excludes the impact of changes in non-cash working capital, is a better measure for determining operating performance. Management believes that the calculation of Standardized Distributable Cash, defined as cash flow from operations, distorts Pure Multi's quarter-to-quarter distributable cash and payout ratios, as non-cash operating working capital fluctuates.

For the purpose of this MD&A, management defines "Diluted DI per unit" as Distributable Income divided by the diluted weighted average number of units outstanding.

STANDARDIZED DISTRIBUTABLE CASH

The following is a reconciliation of Pure Multi's DI to standardized distributable cash.

<i>Pure Multi's interest</i> (<i>\$000s</i>)	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Distributable income	\$ 14,467	\$ 8,437	\$ 4,413	\$ 2,650
IFRIC 21 property tax liability adjustment, net	-	-	1,709	752
Interest income	(5)	(2)	(1)	-
Interest expense	10,535	6,990	2,942	2,438
Distributions to subsidiary's preferred unitholders	16	15	4	4
Preferred units of subsidiary offering costs	-	51	-	-
(Increase) decrease in amounts receivable	(453)	329	(429)	100
(Increase) decrease in prepaid expenses	(129)	(547)	(365)	(492)
Increase (decrease) in rental deposits	235	333	(12)	24
Increase (decrease) in unearned revenue	247	565	252	238
Increase (decrease) in accounts payable and accrued liabilities	1,989	3,827	(968)	(137)
Standardized Distributable Cash (net cash from operating activities)	\$ 26,902	\$ 19,998	\$ 7,545	\$ 5,577

SEGMENTED INFORMATION

Pure Multi currently operates in one business segment, the owning and operating of multifamily apartment properties in the Sunbelt region in the United States. 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.

FINANCIAL CONDITION

Assets

Investment Properties

Investment properties are stated at fair value. Fair value adjustments to investment properties arising from changes in fair values are included in the statement of income and comprehensive income in the period which they arise.

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

Prepaid Expenses

Prepaid expenses primarily consist of insurance, utility deposits and property taxes.

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. As at December 31, 2014, the term for the current mortgage reserve fund is less than 12 months. The amortized cost of the mortgage reserve fund is \$6,208,641, based on Pure Multi's interest, as at December 31, 2014, (December 31, 2013 - \$5,672,435).

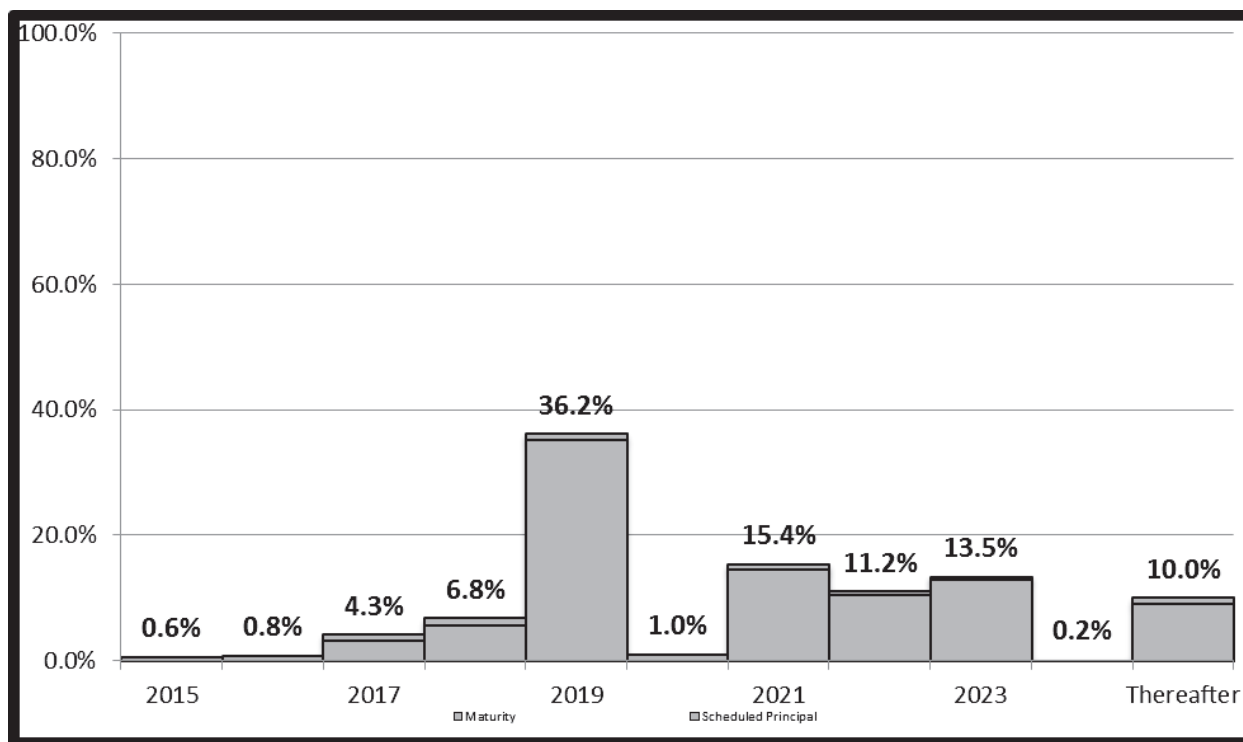
Liabilities

The LP Agreement limits the indebtedness of Pure Multi to a maximum of 70% of the gross book value. The gross book value is defined as the total book value of the assets plus accumulated depreciation and amortization in respect of such assets. The indebtedness is 57.9% of the gross book value as at December 31, 2014 (December 31, 2013 - 64.0%).

Mortgages Payable

The mortgages bear interest at a weighted average effective rate of 3.86%, based on Pure Multi's interest, as at December 31, 2014 (December 31, 2013 - 4.12%) and mature between 2017 and 2028. The scheduled mortgage payments, principal maturities and weighted average effective rate are as follows:

<i>Pure Multi's interest</i> December 31, 2014 (\$000s)	<i>Weighted Average</i> <i>Effective Rate</i> <i>(on expiry)</i>	Scheduled Principal Repayments	Principal Maturities	Total Repayments
2015	-	\$ 1,608	\$ -	\$ 1,608
2016	-	2,083	-	2,083
2017	3.28%	2,676	8,209	10,885
2018	3.51%	2,830	14,615	17,445
2019	4.23%	2,503	90,030	92,533
2020	-	2,434	-	2,434
2021	3.26%	2,287	37,060	39,347
2022	3.53%	1,572	26,955	28,527
2023	4.13%	1,074	33,317	34,391
2024	-	655	-	655
Thereafter	3.90%	2,567	23,099	25,666
	3.86%	\$ 22,289	\$ 233,285	255,574
Unamortized mortgage transaction costs				(2,048)
Unamortized mark to market mortgage adjustment				3,209
				\$ 256,735



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 of directors of the Governing GP does not expect to redeem any preferred units within the next year. Thus, the preferred units are classified as non-current liabilities.

Convertible Debentures

On August 7, 2013, Pure Multi issued \$23,000,000 of 6.5% convertible unsecured subordinated debentures (the “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 year ended December 31, 2014, none of the 6.5% convertible debentures were converted into Class A Units. At December 31, 2014, \$23,000,000 of the face value of the 6.5% convertible debentures was outstanding (December 31, 2013 - \$23,000,000).

The following summarizes the face and carrying values of the 6.5% convertible debentures at December 31, 2014:

	Convertible Debentures	Liability Component	Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2013	\$ 23,000,000	\$ 19,663,721	\$ 1,985,429
Amortization of transaction costs	-	144,000	-
Accretion of liability component	-	68,388	-
Balance as at December 31, 2014	\$ 23,000,000	\$ 19,876,109	\$ 1,985,429

Credit Facility

On July 19, 2013, Pure Multi established a revolving credit facility with a lender in the amount of \$9,900,000, bearing interest at a variable interest rate based at 2.00% plus the London Interbank Offered Rate (“LIBOR”). At December 31, 2014, Pure Multi had drawn down \$5,546,485 (December 31, 2013 - \$5,396,485) of the revolving credit facility bearing an interest rate at 2.1570% (December 31, 2013 – 2.1675%). The revolving credit facility is secured by a charge in respect of Windsong Apartment Homes (“Windsong”), a multi-family apartment community located in Dallas, Texas, and matures on July 19, 2016.

Partners’ Capital

The capital of Pure Multi consists of an unlimited number of Class A Units and Class B 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 the date of formation on May 8, 2012 to December 31, 2012, the Managing GP subscribed for 200,000 Class B Units 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, to a 5% interest in Pure Multi. As of the date hereof, Pure Multi has 200,000 Class B Units outstanding.

From the date of formation on May 8, 2012 to December 31, 2013, Pure Multi issued 24,089,000 Class A Units for gross proceeds of \$121,283,350, less offering costs.

On May 21, 2014, Pure Multi completed the May 2014 Offering, a private placement offering of 4,395,824 Units, at a price of \$4.55 per Unit, for gross proceeds of \$20,000,999. Each Unit consists of one Class A Unit and one-half of one Warrant. Each Warrant entitles the holder to acquire one additional Class A Unit from Pure Multi at a price of \$5.15 per Class A Unit until November 20, 2016.

On July 29, 2014, Pure Multi completed the July 2014 Offering, a bought deal offering of 6,350,000 Class A Units, at a price of \$4.75 per Class A Unit for gross proceeds of \$30,162,500.

As at December 31, 2014, Pure Multi has 34,834,824 Class A Units, 200,000 Class B Units and 2,197,912 Warrants outstanding.

The capital of Pure Multi is divided into Class A Units and Class B Units. The Class A Units are the subject of the public offerings described in Pure Multi's prospectuses dated July 3, 2012, October 12, 2012, May 1, 2013 and July 22, 2014, available on SEDAR at www.sedar.com. The Class B Units were subscribed for by the Managing GP on May 30, 2012. 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 will share in a 95% equity interest in all distributions and all net assets of Pure Multi and the Managing GP, as the holder of the Class B Units, will share in a 5% equity interest in all distributions and all net assets of Pure Multi. These respective interests, which are called the "Class A Unit Percentage Interest" and "Class B Unit Percentage Interest", will remain fixed, notwithstanding the issue of further Class A Units, until the occurrence of a Determination Event, as described below. Following the occurrence of a Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising the Conversion Rights (as defined in the LP Agreement) attached thereto becomes fixed, and future issuances of Class A Units will result in a decline in the Class B Unit Percentage Interest.

All distributions will be made to the holders of the Class A Units and the Class B Units in accordance with the Class A Unit Percentage Interest and Class B Unit Percentage Interest, respectively. As described in the LP Agreement, until a Determination Event occurs, distributions from Pure Multi will generally be made 95% to the Class A Units and 5% to the Class B Units.

Pursuant to the LP Agreement, the Class B Unitholders as a class are entitled to convert some or all of their Class B Units into Class A Units based on the Specified Ratio (as defined in the LP Agreement). Upon the Class B Unitholders exercising their Conversion Rights, they will own that number of Class A Units which is equal to the Class B Unit Percentage Interest (initially 5%) of all Class A Units outstanding after such conversion. The Class B Unit Percentage Interest will remain fixed at 5% notwithstanding the issue of further Class A Units, until the occurrence of a Determination Event. Following the occurrence of a Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising Conversion Rights becomes fixed, and future issuances of Class A Units will result in a decline in the Class B Unit Percentage Interest. A Determination Event is the earliest to occur of the following: (a) Pure Multi's market capitalization exceeding \$300,000,000 for a period of 10 consecutive trading days; (b) an arm's length take-over bid being made for the Class A Units, provided that not less than 51% of the Class A Units not held by the offer or are taken-up in such bid; and (c) substantially all of the assets of Pure Multi being sold or Pure Multi being liquidated.

The Conversion Rights may be exercised by the Managing GP at any time provided that:

- (a) Pure Multi 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 that number of Class A Units which is equal to the Specified Ratio multiplied by the number of outstanding Class B 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 as was previously designated in the form of Class B Units. Subject to applicable laws, Pure Multi will redesignate all the interests of Class B Unitholders into Class A Units at the Specified Ratio, as defined in LP Agreement, effective as of the date that Pure Multi receives a notice of exercise of the Conversion Rights. Upon such occurrence, the interests of Class B Unitholders will be redesignated as Class A Units. The Class B Units will not be required to be redeemed or cancelled.

Pursuant to the LP Agreement, the Managing GP or any affiliate or associate of the Managing GP which is then the Class B Unitholder, has agreed that it will not dispose of more than one-third of the Class A Units received by it upon the conversion of the Class B Units in each consecutive twelve month period ending after the first anniversary of the earlier of: (i) the date a Determination Event occurs; and (ii) the date upon which the conversion is completed. This limitation will not apply where the Conversion Rights have been exercised in connection with a takeover bid or a sale of substantially all of Pure Multi's assets.

LIQUIDITY AND CAPITAL RESOURCES

Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") is a non-IFRS measure, using Pure Multi's interest as previously disclosed, 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 and Pure Multi has calculated FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac"). Pure Multi'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 companies operating results more meaningful.

As FFO excludes fair value adjustments, amortization, and gains and 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 measure of operating performance.

Adjusted funds from operations ("AFFO") is also a non-IFRS measure, using Pure Multi's interest as previously disclosed, 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 non-cash compensation items, and maintenance capital expenditures. Pure Multi's method of calculating AFFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

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

<i>Pure Multi's interest</i> <i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Net income and comprehensive income	\$ 41,949	\$ 14,202	\$ 19,216	\$ 8,252
Adjustment:				
Amortization of transaction costs	1,218	242	200	104
Amortization of mark to market mortgage adjustments	(890)	(669)	(174)	(173)
Valuation (gain) loss from investment properties	(27,534)	(3,916)	(14,790)	(4,821)
Loss on disposal of investment property	235	-	235	-
Property tax adjustments on acquisition or sale	(580)	(1,423)	(342)	(712)
IFRIC 21 fair value adjustment to investment properties	-	-	1,709	752
IFRIC 21 property tax liability adjustment, net	-	-	(1,709)	(752)
Funds from operations	\$ 14,399	\$ 8,437	\$ 4,345	\$ 2,650
Maintenance capital provision ⁽¹⁾	(1,187)	(826)	(333)	(271)
Accretion of convertible debentures	68	-	68	-
Capital expenditures (recoveries) related to acquisition of investment properties ⁽¹⁾	-	80	-	34
Adjusted funds from operations	\$ 13,280	\$ 7,691	\$ 4,080	\$ 2,413
Weighted average number of units (000s)				
Class A units	29,513	21,653	34,835	24,089
Class B units	200	200	200	200
Diluted weighted average number of units (000s)				
Class A units	29,513	21,653	34,835	24,089
Class B units	200	200	200	200
FFO per unit - Basic				
Class A units	\$ 0.46	\$ 0.37	\$ 0.12	\$ 0.10
Class B units	3.60	2.11	1.09	0.66
FFO per unit - Diluted				
Class A units	\$ 0.46	\$ 0.37	\$ 0.12	\$ 0.10
Class B units	3.60	2.11	1.09	0.66
Payout Ratio on FFO	82.8%	99.2%	79.1%	89.7%
AFFO per unit - Basic				
Class A units	\$ 0.43	\$ 0.34	\$ 0.11	\$ 0.10
Class B units	3.32	1.92	1.02	0.60
AFFO per unit – Diluted				
Class A units	\$ 0.43	\$ 0.34	\$ 0.11	\$ 0.10
Class B units	3.32	1.92	1.02	0.60
Payout Ratio on AFFO	89.8%	108.8%	84.3%	98.5%

Notes:

- ⁽¹⁾ Based on an industry estimate of \$300 per residential unit per year. This maintenance capital provision is estimated to be incurred on the property portfolio as to sustain its current revenue rental income-generating potential into future periods. Pure Multi does not include capital expenditures that increase the value of the current rental revenue, or initial capital expenditures that are required to be performed upon acquisition of an investment property.

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

<i>Pure Multi's interest</i> (\$000s)	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Adjusted funds from operations	\$ 13,280	\$ 7,691	\$ 4,080	\$ 2,413
Maintenance capital provision	1,187	826	333	271
Accretion of convertible debentures	(68)	-	(68)	-
Capital expenditures (recoveries) related to acquisition of investment properties	-	(80)	-	(34)
Funds from operations	14,399	8,437	4,345	2,650
(Increase) decrease in accounts receivable	(453)	329	(429)	100
(Increase) decrease in prepaid expenses	(129)	(547)	(365)	(492)
Increase (decrease) in rental deposits	235	333	(12)	24
Increase (decrease) in accounts payable and accrued liabilities	1,989	3,827	(968)	(137)
Increase (decrease) in unearned revenue	247	565	252	238
IFRIC 21 property tax liability adjustment, net	-	-	1,709	752
Accretion of convertible debentures	68	-	68	-
Interest income	(5)	(2)	(1)	-
Interest expense	10,535	6,990	2,942	2,438
Distributions to subsidiary's preferred unitholders	16	15	4	4
Preferred units of subsidiary offering costs	-	51	-	-
Net cash provided from operating activities	\$ 26,902	\$ 19,998	\$ 7,545	\$ 5,577

Capital Resources

Cash generated by investment properties represents the primary source of funds to fund total distributions to limited partners of \$11,918,901 for the year ended December 31, 2014 (year ended December 31, 2013 - \$8,371,037).

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's properties to transfer funds to Pure Multi.

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

Management expects to be able to meet all of Pure Multi's ongoing obligations and to finance future growth through cash generated by operations, the issuance of securities and by using conventional mortgages. Pure Multi 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 is required to provide additional disclosure relating to cash distributions.

For the three months and year ended December 31, 2014, cash provided from operating activities less interest paid (“adjusted cash provided from operating activities”), was more than cash distributions declared. Management expects that adjusted cash provided from operating activities will continue to exceed cash distributions declared.

<i>Pure Multi's interest</i> (\$000s)	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Cash provided from operating activities	\$ 26,902	\$ 19,998	\$ 7,545	\$ 5,577
Less interest paid	(10,605)	(6,091)	(2,576)	(2,033)
Adjusted cash provided from operating activities	16,297	13,907	4,969	3,544
Actual cash distributions paid or payable	11,919	8,371	3,438	2,377
Surplus (shortfall) of cash provided from operating activities over cash distributions paid	\$ 4,378	\$ 5,536	\$ 1,531	\$ 1,167

For the three months and year ended December 31, 2014, net income was more than cash distributions declared. Management expects net income to continue to exceed cash distributions declared.

<i>Pure Multi's interest</i> (\$000s)	For the year ended December 31, 2014	For the year ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Net income	\$ 41,949	\$ 14,202	\$ 19,216	\$ 8,252
Actual cash distributions paid or payable	11,919	8,371	3,438	2,377
Surplus (shortfall) of net income over cash distributions paid	\$ 30,030	\$ 5,831	\$ 15,778	\$ 5,875

CAPITAL STRUCTURE

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.

The LP Agreement provides for a maximum indebtedness (or “loan”) 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 57.9% as at December 31, 2014 (December 31, 2013 – 64.0%).

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

The LP Agreement allows the board of directors of the Governing GP, at their discretion, to allocate to the unitholders in each year all or a portion of Pure Multi'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 of directors of the Governing GP also reviews the cash distribution paid to the unitholders on a regular basis. The total distributions declared to Class A unitholders during the year ended December 31, 2014 was \$11,322,956 (year ended December 31, 2013 - \$7,952,485). The total distributions declared to Class B unitholders during the year ended December 31, 2014 was \$595,945 (year ended December 31, 2013 - \$418,552).

Pure Multi was in compliance with all restrictions during the years ended December 31, 2014 and 2013.

The capital structure consisted of the following components at December 31, 2014 and 2013:

<i>Pure Multi's interest</i> (\$000s)	December 31, 2014	December 31, 2013	Change
Capital			
Mortgages payable	\$ 256,735	\$ 196,333	\$ 60,402
Convertible debentures	19,876	19,664	212
Preferred units of subsidiary	125	125	-
Partners' capital	197,798	119,793	78,005
Total Capital	\$ 474,534	\$ 335,915	\$ 138,619

The total capital of Pure Multi increased during the year ended December 31, 2014 primarily due to the issuance of additional Class A Units, proceeds of mortgages related to the acquisitions and net income earned from operations. These increases were partially offset by the repayment of mortgages payable and distributions to the limited partners.

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 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 has been calculated using quoted prices in active markets.

<i>Pure Multi's interest</i> (\$000s)	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	\$ 256,735	\$ 262,023	\$ 196,333	\$ 201,598
Preferred units of subsidiary	125	125	125	125
Convertible debentures	19,876	22,885	19,664	21,390

OFF-BALANCE SHEET ITEMS

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

SECTION III**SUMMARY OF SELECTED ANNUAL INFORMATION**

<i>Pure Multi's interest</i> <i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2014	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012
Rental revenue	\$ 48,475	\$ 31,583	\$ 6,071
Net rental income	26,111	16,357	3,097
Net income and comprehensive income	41,949	14,202	1,700
Total assets	492,791	351,007	194,636
Total non-current assets	468,518	337,603	175,916
Total liabilities	294,993	231,214	115,309
Total non-current liabilities	275,128	215,279	111,188
Distributions	11,919	8,371	2,599
Per Class A Unit	\$ 0.38	\$ 0.37	\$ 0.18
Per Class B Unit	\$ 2.98	\$ 2.09	\$ 0.65
Basic and diluted net income per Class A Unit	\$ 1.35	\$ 0.62	\$ 0.12
Basic and diluted net income per Class B Unit	\$ 10.49	\$ 3.55	\$ 0.42

Pure Multi's total assets and liabilities have increased significantly during the year ended December 31, 2014 due to acquisitions and fair value increases of its investment properties. As at December 31, 2014, Pure Multi held 14 investment properties comprising 4,308 residential units and 3,830,279 gross rentable square feet, compared to 13 investment properties with 3,614 residential units and 3,145,166 gross rentable square feet as at December 31, 2013.

Total rental revenue from the investment properties was \$48.5 million in 2014 compared to \$31.6 million in 2013. This increase is reflective of the increase in the number of days the investment properties were operating during 2014 compared to 2013, due to the timing of acquisitions, coupled with the organic growth in rental revenue achieved at the investment properties operated during both periods.

SUMMARY OF QUARTERLY RESULTS

During the three months ended December 31, 2014, based on Pure Multi's interest:

- Assets increased to \$492,790,552 from \$480,829,616 as at September 30, 2014. This increase was primarily due to the fair value increase adjustment on current investment properties. As at December 31, 2014, Pure Multi had cash and cash equivalents of \$16,490,085 and amounts receivable of \$486,118, compared to \$11,280,271 and \$57,063, respectively, as at September 30, 2014. The increase in cash and cash equivalents is primarily due to the net proceeds received from the sale of Windscape.

- Liabilities decreased to \$294,992,745 from \$298,809,924 as at September 30, 2014. This decrease was primarily due to the Windscape mortgage being paid upon sale of the investment property.
- Partners' capital increased to \$197,797,807 from \$182,019,692 as at September 30, 2014. This increase was primarily due to the net income earned by Pure Multi during the period, and was partially offset by the distributions declared to unitholders.
- Pure Multi earned rental revenue of \$13,995,547 from investment properties held during the quarter (three months ended December 31, 2013 - \$10,443,174). These properties incurred operating expenses of \$6,335,869, resulting in net rental income of \$7,659,678 during the same period (three months ended December 31, 2013 - \$4,910,324 and \$5,532,850, respectively). The significant increase in rental revenue, operating expenses and net rental income was as a result of Pure Multi operating additional investment properties in the current period compared to the comparative period.
- Pure Multi incurred interest expense of \$3,035,975 and distributions to subsidiary's preferred unitholders of \$3,906 (three months ended December 31, 2013 - \$2,368,995 and \$3,907, respectively). This resulted in net finance expenses of \$3,038,989 during the same period (three months ended December 31, 2013 - \$2,372,453). The significant increases in net finance expenses was a direct result the additional number of mortgages and investment properties operated by Pure Multi in the current period compared to the comparative period.
- Pure Multi incurred general and administrative expenses of \$208,671, fair value gain on investment properties of \$15,132,158, incurred franchise tax expense of \$93,608 and incurred a loss on disposal of investment property of \$235,421 (three months ended December 31, 2013 - \$186,460, \$5,533,088, \$255,670 and \$nil, respectively).

During the three months ended December 31, 2014, based on Pure Multi's interest, Pure Multi had net income of \$19,215,762 (three months ended December 31, 2013 - \$8,251,860), as a result of the above transactions.

<i>Pure Multi's interest</i> Quarter ended <i>(\$000s, except per unit amounts)</i>	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Rental revenue	\$ 13,996	\$ 12,953	\$ 10,900	\$ 10,626
Operating expenses	6,336	5,990	5,118	4,919
Net rental income	7,660	6,963	5,782	5,707
Interest expense	(3,036)	(3,213)	(2,356)	(2,326)
General and administrative expenses	(209)	(141)	(226)	(194)
Net income and comprehensive income	19,216	10,637	5,565	3,110
Basic net income per unit				
Class A units	0.52	0.31	0.33	0.12
Class B units	4.80	2.66	2.25	0.78

<i>Pure Multi's interest</i> Quarter ended (<i>\$000s, except per unit amounts</i>)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Rental revenue	\$ 10,443	\$ 9,269	\$ 6,371	\$ 5,500
Operating expenses	4,910	4,461	3,296	2,560
Net rental income	5,533	4,808	3,075	2,940
Interest expense	(2,369)	(1,954)	(1,206)	(1,034)
General and administrative expenses	(186)	(156)	(152)	(122)
Net income and comprehensive income	8,252	2,609	1,647	1,695
Basic net income per unit				
Class A units	0.33	0.10	0.07	0.09
Class B units	2.06	0.65	0.41	0.42

<i>Pure Multi's interest</i> As at (<i>\$000s</i>)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total assets	\$ 492,791	\$ 480,830	\$ 403,967	\$ 347,489
Total liabilities	294,993	298,810	257,326	226,963
Partners' capital	197,798	182,020	146,641	120,525
Investment properties	468,518	462,725	389,797	337,945
Mortgages payable	256,735	262,183	223,995	196,046

<i>Pure Multi's interest</i> As at (<i>\$000s</i>)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total assets	\$ 351,007	\$ 341,174	\$ 282,265	\$ 202,321
Total liabilities	231,214	227,254	170,402	122,919
Partners' capital	119,793	113,920	111,863	79,403
Investment properties	337,603	325,725	262,943	193,469
Mortgages payable	196,333	193,795	165,380	119,997

SECTION IV

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions 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's significant accounting policies are described in note 3 to the December 31, 2014 audited consolidated financial statements.

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, for each investment property, and estimates the fair value.

FUTURE ACCOUNTING CHANGES

Pure Multi's significant accounting policies are described in note 3 to the December 31, 2014 audited consolidated financial statements, available on SEDAR at www.sedar.com or on Pure Multi's website at www.puremultifamily.com.

Adoption of new accounting policies

(a) IAS 32 – Financial instruments: presentation

In December 2011, the IASB made amendments to IAS 32, Financial Instruments: Presentation. The amendments to IAS 32 clarify the requirements for offsetting financial instruments. The amended version of IAS 32 is effective for Pure Multi's year-end beginning January 1, 2014, with early adoption permitted. The adoption of amendments to IAS 32 did not have an impact on Pure Multi's consolidated financial statements.

(b) IFRIC 21 – Levies

January 1, 2014, Pure Multi has retrospectively adopted IFRIC interpretation 21, *Levies* (“IFRIC 21”) for the period beginning January 1, 2013. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. IFRIC 21 is applicable to all levies imposed by governments under legislation, including property taxes, but does not apply to accounting for income taxes, fines and penalties or for the acquisition of assets from governments. The adoption of IFRIC 21 requires Pure Multi to recognize the full amount of annual property tax liabilities at the point in time when the property tax obligation is imposed. Pure Multi previously recognized property tax liabilities and related expenses on a pro rata basis throughout the year. Therefore, the adoption of IFRIC 21 has resulted in Pure Multi recording an annual property tax expense earlier than previously recognized. Typically property taxes are adjusted for when the property is sold between buyer and seller based on days of ownership in the year. To avoid double counting, a fair value adjustment to investments properties has been recorded by an amount equivalent to the property tax expense which pertains to the periods beyond the current reporting period. The effect of the implementation of IFRIC 21 has been applied retrospectively to the comparative periods and is disclosed in note 4 to the December 31, 2014 audited consolidated financial statements.

Standards issued but not yet effective

(c) IFRS 9 - Financial instruments

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.

(d) IFRS 15 – Revenue from Contracts with Customers

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.

SECTION V

RISKS AND UNCERTAINTIES

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

The board of directors 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 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 is exposed to financial risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

Pure Multi manages its financial instruments and interest rate risks based on its cash flow needs. Pure Multi 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 55% to 65% and is restricted under the LP Agreement to a maximum of 70%. The credit facility is the only financial instrument that bears interest at a variable rate, as currently all mortgages payable bear interest at fixed rates; therefore Pure Multi currently is not exposed to significant interest rate risk.

The profile of Pure Multi's interest-bearing financial instruments was:

<i>Pure Multi's interest</i>	Face Value	
	December 31, 2014	December 31, 2013
Fixed rate instruments		
Mortgages payable	\$ 255,573,769	\$ 194,160,399
Convertible debentures	23,000,000	23,000,000
Preferred units of subsidiary	125,000	125,000
	278,698,769	217,285,399
Variable rate instruments		
Credit facility	5,546,485	5,396,485

Credit Risk

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

Pure Multi's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. Pure Multi, 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 is exposed to minimal currency risk since a small portion of the expenses is in Canadian dollars.

Lease Rollover Risk

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

Class A Unit Prices

It is not possible to predict the price at which 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. Accordingly, the Class A Units may trade at a premium or discount to the value implied by the value of Pure Multi'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's control.

Environmental Risk

As an owner of real property, Pure Multi 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's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Pure Multi were required to liquidate a real property investment, the proceeds to Pure Multi might be significantly less than the aggregate carrying value of such property.

Liquidity risk is the risk that Pure Multi will not be able to meet its financial obligations as they fall due. Pure Multi'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 intends to refinance any mortgages which mature within six months.

<i>Pure Multi's interest</i>	Nominal interest rate	Year of maturity	December 31, 2014 Face value	December 31, 2013 Face value
Oakchase Apartments	3.28%	2017	\$ 8,706,995	\$ 8,882,920
Windscape Apartment Homes	3.52%	-	-	5,090,000
Stoneleigh at Valley Ranch	3.51%	2022	13,680,000	13,680,000
Sunset Point Apartment Homes	3.54%	2022	15,921,585	15,970,000
Prairie Creek Villas	6.02%	2019	31,712,271	32,158,701
Stoneleigh at Bear Creek	3.45%	2019	32,080,000	32,080,000
Fairways at Prestonwood	3.46%	2023	8,670,000	8,670,000
Vistas at Hackberry Creek	3.90%	2028	29,500,000	29,500,000
The Boulevard at Deer Park	4.21%	2023	16,480,000	16,480,000
Fountainwood Apartments	4.46%	2023	12,948,076	13,000,000
Livingston Apartments	3.51%	2018	15,824,842	15,900,000
San Brisas Apartments ⁽¹⁾	3.26%	2021	16,980,000	2,748,778
Walker Commons	3.11%	2019	28,470,000	-
Preserve at Arbor Hills	3.26%	2021	24,600,000	-
Total mortgages principal payable			255,573,769	194,160,399
Unamortized mortgage transaction costs			(2,048,215)	(1,926,918)
Unamortized mark to market mortgage adjustment			3,209,439	4,099,337
Total carrying value of mortgages payable			\$ 256,734,993	\$ 196,332,818

Notes:

⁽¹⁾On August 28, 2014, Pure Multi acquired a new mortgage payable on San Brisas Apartments and repaid its' previous mortgage payable, bearing an interest rate of 5.63%.

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.

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 or its unitholders.

RELATED PARTY TRANSACTIONS**Managing GP**

Pure Multi is related to the Managing GP, by virtue of having an officer and director in common (Stephen Evans). During the year ended December 31, 2014, Pure Multi declared distributions to the Managing GP in the amount of \$595,945 (year ended December 31, 2013 - \$418,552). Included in accounts payable and accrued liabilities at December 31, 2014 was \$495,630 (December 31, 2013 - \$357,956).

Sunstone U.S. Opportunity Realty Trust

Pure Multi is related to Sunstone U.S. Opportunity Realty Trust, by virtue of having officers and directors in common (Stephen Evans, Robert King and James Redekop).

There have been no related party transactions between Pure Multi and Sunstone U.S. Opportunity Realty Trust during the year ended December 31, 2014. During the year ended December 31, 2013, Pure Multi acquired the following investment properties from Sunstone U.S. Opportunity Realty Trust:

- Windsong acquired on July 19, 2013;
- Fountainwood acquired on August 30, 2013;
- Livingston acquired on August 30, 2013; and
- 20% interest in San Brisas acquired on October 1, 2013.

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

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).

During 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 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).

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.

Tipton Asset Group, Inc.

Sunstone Multi-Family Management Inc. provides property management services to the US REIT pursuant to a Property Management Agreement, dated May 9, 2012, as amended July 9, 2012. Sunstone Multi-Family Management Inc. has subcontracted Tipton Asset Group, Inc. (“Tipton”) as 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 \$1,454,305 in property management fees during the year ended December 31, 2014 (year ended December 31, 2013 - \$942,461). Included in accounts payable and accrued liabilities at December 31, 2014 was \$nil (December 31, 2013 - \$nil).

Compensation

Currently, the directors of the Governing GP who are not affiliated with or employees of the Managing GP 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 indirectly reimburses such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi reimburses the Governing GP for such amounts. In addition, Pure Multi has obtained insurance coverage for such directors. Compensation is reviewed on an annual basis, giving consideration to Pure Multi’s growth and the extent of its portfolio.

Pure Multi compensates the directors of the Governing GP, who are not affiliated with or employees of the Managing GP, through annual compensation. The amount incurred during the year ended December 31, 2014 was \$96,797 (year ended December 31, 2013 - \$67,335).

Asset Management Agreement

The Managing GP, pursuant to the Asset Management Agreement, provides 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.

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.

Upon completion of the offerings and exercise of the over-allotment option, holders of Class A Units share in a 95% equity interest in all distributions and all net assets of Pure Multi, and the Managing GP, as the holder of Class B Units, shares in a 5% equity interest in all distributions and all net assets of Pure Multi.

As at March 6, 2015, the following of Pure Multi'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 convert some or all of their Class B Units into Class A Units based on the Specified Ratio (as defined in the LP Agreement). See "Financial Condition – Partners' Capital";
- (b) 34,834,824 Class A Units;
- (c) 2,197,912 Warrants; and
- (d) 23,000 Convertible Debentures. The Convertible Debentures are convertible at the option of the holder and redeemable by Pure Multi in accordance with the terms of the trust indenture dated August 7, 2013. See "Financial Condition – Convertible Debentures".

SECTION VI

SUBSEQUENT EVENTS

On January 14, 2015, Pure Multi, through the US REIT, sold Sunset Point Apartments ("Sunset Point"), a multi-family apartment community, located in Arlington, Texas, for a sale price of \$27,950,000, plus standard closing costs and adjustments. The mortgage payable, secured by Sunset Point, was assumed by the purchaser on the same date.

ADDITIONAL INFORMATION

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

TRADING SYMBOLS

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

OTCQX: PMULF

PURE MULTI-FAMILY REIT LP

Consolidated Financial Statements
Year ended December 31, 2014
Expressed in United States dollars



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INDEPENDENT AUDITORS' REPORT

To the Directors of Pure Multi-Family REIT (GP) Inc.

We have audited the accompanying consolidated financial statements of Pure Multi-Family REIT LP, which comprise the consolidated statement of financial position as at December 31, 2014 and 2013, the consolidated statements of partners' capital, income and comprehensive income, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pure Multi-Family REIT LP as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 5, 2015
Vancouver, Canada

Pure Multi-Family REIT LP
Consolidated Statement of Financial Position
Expressed in United States dollars

	December 31, 2014	December 31, 2013
ASSETS		
Non-current assets		
Investment properties (note 5)	\$ 468,518,077	\$ 332,002,818
Equity-accounted investment (note 6)	-	2,830,709
	468,518,077	334,833,527
Current assets		
Prepaid expenses	1,087,631	949,752
Mortgage reserve fund (note 7)	6,208,641	5,657,019
Amounts receivable	486,118	33,051
Cash and cash equivalents (note 8)	16,490,085	6,673,381
	24,272,475	13,313,203
TOTAL ASSETS	\$ 492,790,552	\$ 348,146,730
LIABILITIES		
Non-current liabilities		
Mortgages payable (note 9)	\$ 255,126,917	\$ 192,732,808
Convertible debentures (note 10)	19,876,109	19,663,721
Preferred units of subsidiary (note 11)	125,000	125,000
	275,128,026	212,521,529
Current liabilities		
Mortgages payable – current portion (note 9)	1,608,076	797,854
Credit facility (note 12)	5,474,301	5,280,990
Rental deposits	802,296	558,862
Unearned revenue	910,674	649,867
Accounts payable and accrued liabilities	11,069,372	8,544,775
	19,864,719	15,832,348
TOTAL LIABILITIES	294,992,745	228,353,877
PARTNERS' CAPITAL (note 13)	197,797,807	119,792,853
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 492,790,552	\$ 348,146,730

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

Subsequent event (note 21)

Approved on behalf of the Board of Directors of the General Partner,
Pure Multi-Family REIT (GP) Inc.:

“Robert W. King” Director
Robert W. King

“Stephen J. Evans” Director
Stephen J. Evans

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

Pure Multi-Family REIT LP
Consolidated Statement of Partners' Capital
Expressed in United States dollars

	Limited Partners Class A	Limited Partners Class B	General Partner	Other Equity Items (Note 13)	Accumulated Earnings (Deficit)	Total
Balance, January 1, 2014	\$ 111,876,144	\$ 1,000,000	\$ 20	\$ 1,985,429	\$ 4,931,260	\$ 119,792,853
Issuance of units	49,460,167	-	-	-	-	49,460,167
Issuance of warrants	-	-	-	703,332	-	703,332
Offering costs	(2,183,184)	-	-	(5,737)	-	(2,188,921)
Distributions to limited partners	-	-	-	-	(11,918,901)	(11,918,901)
Net income for the period	-	-	-	-	41,949,277	41,949,277
Balance, December 31, 2014	\$ 159,153,127	\$ 1,000,000	\$ 20	\$ 2,683,024	\$ 34,961,636	\$ 197,797,807

	Limited Partners Class A	Limited Partners Class B	General Partner	Other Equity Items (Note 13)	Accumulated Earnings (Deficit)	Total
Balance, January 1, 2013	\$ 79,226,619	\$ 1,000,000	\$ 20	\$ -	\$ (899,911)	\$ 79,326,728
Issuance of units	35,000,000	-	-	-	-	35,000,000
Equity component of convertible debentures	-	-	-	1,985,429	-	1,985,429
Offering costs	(2,350,475)	-	-	-	-	(2,350,475)
Distributions to limited partners	-	-	-	-	(8,371,037)	(8,371,037)
Net income for the period	-	-	-	-	14,202,208	14,202,208
Balance, December 31, 2013	\$ 111,876,144	\$ 1,000,000	\$ 20	\$ 1,985,429	\$ 4,931,260	\$ 119,792,853

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

Pure Multi-Family REIT LP
Consolidated Statement of Income and Comprehensive Income
Expressed in United States dollars

Year ended	December 31, 2014	December 31, 2013 (Restated – note 4)
REVENUES		
Rental	\$ 48,132,585	\$ 31,455,849
OPERATING EXPENSES		
Insurance	1,286,961	760,574
Property management	1,443,890	942,461
Property taxes	6,696,196	3,466,948
Property operating expenses	12,217,725	8,583,507
	21,644,772	13,753,490
NET RENTAL INCOME	26,487,813	17,702,359
NET FINANCE INCOME (EXPENSES)		
Interest income	4,851	2,298
Interest expense (note 14)	(10,343,424)	(6,525,823)
Distributions to subsidiary's preferred unitholders	(15,625)	(14,888)
Preferred units of subsidiary offering costs	-	(50,454)
	(10,354,198)	(6,588,867)
NET OTHER INCOME (EXPENSES)		
Other income	1,263	6,101
General and administrative	(769,883)	(617,168)
Fair value adjustments to investment properties (note 5)	27,506,544	4,141,486
Loss on disposal of investment property (note 5)	(235,421)	-
Franchise taxes	(329,145)	(255,670)
	26,173,358	3,274,749
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENT (note 6)	(357,696)	(186,033)
NET INCOME AND COMPREHENSIVE INCOME	\$ 41,949,277	\$ 14,202,208
Earnings per Class A unit		
Basic and diluted	\$ 1.35	\$ 0.62
Weighted average number of Class A units		
Basic and diluted	29,512,727	21,653,384
Earnings per Class B unit		
Basic and diluted	\$ 10.49	\$ 3.55
Weighted average number of Class B units		
Basic and diluted	200,000	200,000

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

Pure Multi-Family REIT LP
Consolidated Statement of Cash Flows
Expressed in United States dollars

Year ended	December 31, 2014	December 31, 2013 (Restated – note 4)
Cash provided by (used in)		
OPERATIONS		
Net income	\$ 41,949,277	\$ 14,202,208
Items not involving cash:		
Amortization of transaction costs and accretion of convertible debentures	586,744	239,053
Amortization of mark to market mortgage adjustment	(687,895)	(664,099)
Fair value adjustments to investment property (note 5)	(27,506,544)	(4,141,486)
Property tax adjustments on acquisition	(587,949)	(1,423,429)
Property tax adjustments on sale	7,453	-
Share of loss of equity-accounted investee (note 6)	357,696	186,033
Loss on disposal of investment property (note 5)	235,421	-
Interest income	(4,851)	(2,298)
Interest expense	10,444,575	6,950,869
Distributions to subsidiary's preferred unitholders	15,625	14,888
Preferred units of subsidiary offering costs	-	50,454
Net change in non-cash working capital items (note 15)	1,923,977	4,472,509
	26,733,529	19,884,702
INVESTING		
Acquisitions of investment properties	(110,625,439)	(147,904,162)
Transfer of investment property from equity-accounted investment	(5,660,000)	-
Capital additions to investment properties	(2,157,679)	(2,617,282)
Proceeds received on disposal of investment property	10,500,000	-
Disposition costs on disposal of investment property	(720,522)	-
Investments (to) from equity-accounted investment	2,473,013	(3,016,742)
Interest received	4,851	2,298
	(106,185,776)	(153,535,888)
FINANCING		
Distributions paid to subsidiary's preferred unitholders	(15,625)	(14,888)
Distributions paid to limited partners	(11,348,066)	(7,828,952)
Interest paid	(10,501,496)	(6,064,945)
Credit facility proceeds received	150,000	5,396,485
Convertible debenture proceeds received	-	23,000,000
Mortgage proceeds received	70,050,000	83,550,000
Mortgage reserve fund	(551,622)	(2,672,502)
Payment of finance transaction costs	(600,966)	(2,248,165)
Proceeds from the issuance of limited partner units	49,460,167	35,000,000
Proceeds from the issuance of subsidiary units	-	125,000
Proceeds from the issuance of warrants	703,332	-
Repayment of mortgages	(5,887,852)	(477,144)
Unit offering costs	(2,188,921)	(2,400,929)
	89,268,951	125,363,960

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

Pure Multi-Family REIT LP
Consolidated Statement of Cash Flows (continued)
Expressed in United States dollars

Net change in cash and cash equivalents	9,816,704	(8,287,226)
Cash and cash equivalents, beginning of period	6,673,381	14,960,607
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 16,490,085	\$ 6,673,381

Supplemental cash flow information:

Non-cash financing and investing activity:

Cash distributions to the limited partners included in accounts payable and accrued liabilities	\$ 1,584,218	\$ 1,110,736
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The accompanying notes are an integral part of these 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 consolidated financial statements for the year ended December 31, 2014 were authorized for issue by the Board of Directors of the Governing GP (the “Board”) on March 5, 2015.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance and basis of presentation

These 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”).

b. Basis of measurement

These 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 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).

c. Functional and presentation currency

These 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been applied consistently by group entities unless otherwise stated.

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of Pure Multi and its subsidiaries, over which Pure Multi has control. Control exists when Pure Multi has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

On October 1, 2013, Pure Multi entered into a co-ownership agreement with another party in the form of a limited partnership. The entity operated in the same way as other entities, except that contractual arrangements between the two partners established joint control over the economic activities of the entity. Each partner did not have rights to individual assets or liabilities of the entities, but was entitled to a share of the outcome of activities of the arrangement. Pure Multi accounted for its interest in the jointly controlled entity using the equity method. Under the equity method, the interest in the joint venture is carried in the consolidated statement of financial position at purchase price plus any post acquisition changes in Pure Multi's share of the net assets. On August 28, 2014, Pure Multi acquired the remaining ownership interest in the jointly controlled entity, giving it 100% control of the entity and its underlying investment property. As of August 28, 2014, the date control was established, Pure Multi began accounting for this investment property using the consolidation method.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of Pure Multi and its subsidiaries.

B. Property acquisitions and business combinations

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of a property or a business combination. The basis of the judgment is set out in note 3(P).

Where such acquisitions are not judged to be a business combination, they are treated as asset acquisitions. The cost to acquire the property, including transaction costs, is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

C. Investment properties

Investment properties are comprised of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value and related gains or losses on the disposal of an investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred. Pure Multi defines fair value to be the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after the acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of income and comprehensive income in the period in which they arise.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income and comprehensive income in the period of retirement or disposal.

D. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from Pure Multi to the lessees are accounted for as finance leases. All current leases of Pure Multi are operating leases.

E. Convertible debentures

Convertible debentures issued by Pure Multi are converted into Class A units (each a “Class A Unit”) of Pure Multi at the option of the holder, and the number of Class A units to be issued does not vary with changes in their fair value.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into Class A Units at the holder’s option. As a result of this obligation, the convertible debentures are exchangeable into equity (the Class A Units are equity by definition) and accordingly the conversion feature component of the convertible debentures is also equity. Accordingly, the conversion feature component of the convertible debentures is recorded in the consolidated statement of partners’ capital.

Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

F. Revenue recognition

Rental revenue is recognized on a straight line basis over the term of the lease subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

G. Finance income (expenses)

Finance income (expenses) consists of interest income, mortgage interest, credit facility interest, convertible debenture interest, distributions to preferred unitholders and preferred unit offering costs. Finance income is recognized in the period in which it is earned, while finance expenses are recognized in the period in which they are incurred.

H. Translation of foreign currency

The functional and reporting currency of Pure Multi is United States dollars. Pure Multi has certain transactions in Canadian dollars. Monetary items are translated at the exchange rate in effect at the statement of financial position date and non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the exchange rate in effect on the dates they occur. Realized and unrealized exchange gains and losses are included in earnings.

I. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Pure Multi's designation of such instruments.

Pure Multi classifies its financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Credit facility	Other financial liabilities
Convertible debentures	Other financial liabilities
Preferred units of subsidiary	Other financial liabilities
Mortgages payable	Other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

J. Fair value

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.

K. Impairment of financial assets

At each reporting date, Pure Multi assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

L. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and cash held at banks or other financial institutions where cash is readily available to access.

M. Earnings per unit

Basic and diluted earnings per Class A and Class B unit have been calculated based on the proportion of the earnings allocated to the respective class of units, and the respective weighted average number of Class A units and Class B units outstanding.

N. Taxes

a. Income Taxes

Pure Multi is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner of Pure Multi 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 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. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A specified investment flow-through partnership (a “SIFT partnership”, as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership. Management believes that the Pure Multi does not hold any “non-portfolio property” and should not be a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate Pure Multi in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If Pure Multi becomes a SIFT partnership it will be generally subject to income taxes at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations on its taxable non-portfolio earnings, if any.

Pure Multi made a protective election to be treated as a partnership for U.S. federal income tax purposes. In addition, at least 90% of Pure Multi’s gross income is expecting to be qualifying income within the meaning of U.S. Internal Revenue Code (the “Code”) section 7704 and Pure Multi is not required to register as an investment company under the Investment Company Act of 1940. As such, it is generally not subject to U.S. federal income tax under the Code. Furthermore, Pure Multi’s subsidiary, the US REIT, timely made and intends to maintain an election to be taxed as a U.S. real estate investment trust (“REIT”) under the Code and to take the necessary steps to qualify as a REIT pursuant to the Code. In order for the US REIT to qualify as a REIT, the US REIT must meet a number of organizational and operational requirements, including a requirement to make annual dividend distributions to its shareholders equal to a minimum of 90% of its REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. As a REIT, the US REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to shareholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the reporting period have been met, and accordingly no provision for US federal and state income taxes has been made.

Management intends to operate the US REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual and quarterly operating results, the various conditions imposed by the Code. If the US REIT fails to qualify as a REIT in any taxable year, it will be subject to US federal and state income taxes at regular US corporate rates, including any applicable alternative minimum tax. In addition, the US REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the US REIT qualifies for taxation as a REIT, the US REIT may be subject to certain US state and local taxes on its income and property, and to US federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

b. Texas Franchise Tax

Texas Franchise Tax applicable to Pure Multi, for its investment properties operated in Texas, is equal to 1% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; or (iii) 100% of total revenue less compensation expense. Pure Multi has recorded a provision for Texas Franchise Tax of \$329,145 for the year ended December 31, 2014 (year ended December 31, 2013 - \$255,670), which is included within other expenses in the consolidated statement of income and comprehensive income.

O. Operating segments

Pure Multi currently operates in one business segment, the owning and operating of multifamily apartment properties in the sun-belt area in the United States. 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.

P. Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. Judgments

In the process of applying Pure Multi's accounting policies, management has made the following critical judgments, which have the most significant effects on the amounts recognized in the consolidated financial statements:

(i) Asset acquisitions

Pure Multi, through the US REIT, acquires individual real estate properties. At the time of acquisition, Pure Multi considers whether or not the acquisition represents the acquisition of a business. Pure Multi accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition, including transaction costs, is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

All acquisitions to date by Pure Multi have been determined to be asset acquisitions.

b. Estimates

The significant areas of estimation include the following:

(i) 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, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment properties are set out in note 5.

Q. Provisions

Provisions are recognized by Pure Multi when: i) Pure Multi has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount can be reasonably estimated. If the time value of money is material, provisions are discounted using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as interest expenses.

R. Future changes in accounting policies

(i) Adoption of new accounting policies

Offsetting financial assets and liabilities

In December 2011, the IASB made amendments to IAS 32, *Financial Instruments: Presentation*. The amendments to IAS 32 clarify the requirements for offsetting financial instruments. The amended version of IAS 32 is effective for Pure Multi's year-end beginning January 1, 2014, with early adoption permitted. The adoption of amendments to IAS 32 did not have an impact on Pure Multi's consolidated financial statements.

Levies

Effective January 1, 2014, Pure Multi has retrospectively adopted IFRIC interpretation 21, *Levies* ("IFRIC 21") for the period beginning January 1, 2013. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. IFRIC 21 is applicable to all levies imposed by governments under legislation, including property taxes, but does not apply to accounting for income taxes, fines and penalties or for the acquisition of assets from governments. The adoption of IFRIC 21 requires Pure Multi to recognize the full amount of annual property tax liabilities at the point in time when the property tax obligation is imposed. Pure Multi previously recognized property tax liabilities and related expenses on a pro rata basis throughout the year. Therefore, the adoption of IFRIC 21 has resulted in Pure Multi recording an annual property tax expense earlier than previously recognized. Typically property taxes are adjusted for when the property is sold between buyer and seller based on days of ownership in the year. To avoid double counting, a fair value adjustment to investments properties has been recorded by an amount equivalent to the property tax expense which pertains to the periods beyond the current reporting period. The effect of the implementation of IFRIC 21 has been applied retrospectively to the comparative periods and is disclosed in note 4.

(ii) *Future accounting policy changes*

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.

4. ADOPTION OF IFRIC 21

Effective January 1, 2014, Pure Multi has adopted IFRIC 21, as disclosed in note 3, in accordance with the transitional provisions. The following table provides a reconciliation of the impact of the adoption of IFRIC 21 on Pure Multi's consolidated financial statements.

IFRS Impact on the consolidated statements of cash flows

The IFRS adjustments made to the comparative Statement of Income and Comprehensive Income for the year ended December 31, 2013 have been made to the Statement of Cash Flows as at the same date.

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements
Expressed in United States dollars

Reconciliation of Net Income and Comprehensive Income for the year ended December 31, 2013:

Year ended December 31, 2013	As previously reported	Adjustments	As restated
REVENUES			
Rental	\$ 31,455,849	\$ -	\$ 31,455,849
OPERATING EXPENSES			
Insurance	760,574	-	760,574
Property management	942,461	-	942,461
Property taxes	4,890,377	(1,423,429)	3,466,948
Property operating expenses	8,583,507	-	8,583,507
	15,176,919	(1,423,429)	13,753,490
NET RENTAL INCOME	16,278,930	1,423,429	17,702,359
NET FINANCE INCOME (EXPENSES)			
Interest income	2,298	-	2,298
Mortgage interest	(6,525,823)	-	(6,525,823)
Distribution to subsidiary's preferred unitholders	(14,888)	-	(14,888)
Preferred units of subsidiary offering costs	(50,454)	-	(50,454)
	(6,588,867)	-	(6,588,867)
NET OTHER INCOME (EXPENSES)			
Other income	6,101	-	6,101
General and administrative	(617,168)	-	(617,168)
Fair value adjustments to investment properties	5,564,915	(1,423,429)	4,141,486
Franchise taxes	(255,670)	-	(255,670)
	4,698,178	(1,423,429)	3,274,749
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENT	(186,033)	-	(186,033)
NET INCOME AND COMPREHENSIVE INCOME	\$ 14,202,208	\$ -	\$ 14,202,208
Earnings per Class A unit			
Basic and diluted	\$ 0.62	\$ -	\$ 0.62
Weighted average number of Class A units			
Basic and diluted	21,653,384	-	21,653,384
Earnings per Class B unit			
Basic and diluted	\$ 3.55	\$ -	\$ 3.55
Weighted average number of Class B units			
Basic and diluted	200,000	-	200,000

5. INVESTMENT PROPERTIES

	2014
Balance, at January 1, 2014	\$ 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 18), 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.

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 18), 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, plus 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 as at December 31, 2014, is determined as follows:

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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)

	2013
Balance, at January 1, 2013	\$ 175,916,459
Acquisitions	147,904,162
Property tax adjustments on acquisition	1,423,429
Capital additions	2,617,282
Fair value adjustments to investment properties	4,141,486
	332,002,818
IFRIC 21 property tax liability adjustment	-
IFRIC 21 fair value adjustment to investment properties	-
Balance, December 31, 2013	\$ 332,002,818

On March 15, 2013, Pure Multi, through the US REIT, acquired Laguna Luxury Apartments, which was subsequently renamed as Fairways at Prestonwood (“Prestonwood”), located in Dallas, Texas, for a purchase price of \$17,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$8,670,000.

On June 6, 2013, Pure Multi, through the US REIT, acquired Vistas at Hackberry Creek Apartments (“Hackberry Creek”), located in Dallas, Texas, for a purchase price of \$45,400,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15 year mortgage in the amount of \$29,500,000.

On June 21, 2013, Pure Multi, through the US REIT, acquired Deer Park Apartments, which was subsequently renamed as The Boulevard at Deer Park (“Deer Park”), located in Deer Park, Texas, for a purchase price of \$23,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$16,480,000.

On July 19, 2013, Pure Multi, through the US REIT, acquired Windsong Apartments (“Windsong”), located in Dallas, Texas, for a purchase price of \$16,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and proceeds from a new credit facility.

On August 30, 2013, Pure Multi, through the US REIT, acquired Fountainwood Apartments (“Fountainwood”), located in Euless, Texas, for a purchase price of \$19,800,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$13,000,000.

On August 30, 2013, Pure Multi, through the US REIT, acquired Livingston Apartments (“Livingston”), located in Plano, Texas, for a purchase price of \$25,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 5 year mortgage in the amount of \$15,900,000.

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), 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 year ended December 31, 2014, Pure Multi obtained independent appraisals on 93% of the investment properties at December 31, 2014 (December 31, 2013 – 100%). Therefore management undertook its own valuation process, as described above, on the investment properties where no independent appraisal was obtained.

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

	December 31, 2014		December 31, 2013	
	Weighted average	Range	Weighted average	Range
Capitalization rate*	5.90%	5.35% - 6.25%	6.16%	5.50% - 7.00%

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

6. 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, as described in note 5 to these consolidated financial statements, 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:

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	Period from January 1, 2014 to August 28, 2014		December 31, 2013
Balance, beginning of period	\$	2,830,709	\$ -
Additions		-	3,016,742
Share of net income (loss)		(357,696)	(186,033)
Equity value at time of acquisition of control		(2,473,013)	-
Balance, end of period	\$	-	\$ 2,830,709

As at	December 31, 2014	December 31, 2013
Current assets	\$ -	\$ 452,939
Non-current assets	-	28,000,000
Current liabilities	-	(513,874)
Non-current liabilities	-	(13,518,632)
Net assets	-	14,420,433
Pure Multi's share of net assets, before adjustments	-	2,884,087
Adjustment for Pure Multi's unamortized mortgage transaction fee	-	148,624
Adjustment for Pure Multi's unamortized mark to market mortgage adjustment	-	(202,002)
Pure Multi's share of net assets	\$ -	\$ 2,830,709

For the year ended December 31,	2014	2013
Revenues	\$ 1,710,348	\$ 635,487
Operating expenses	690,732	245,822
Net rental income	1,019,616	389,665
Net finance income (expenses)	(453,183)	(198,008)
Fair value adjustment to investment properties	135,844	(28,486)
Net income (loss) and comprehensive income (loss)	702,277	163,171
Pure Multi's share of net income (loss) and comprehensive income (loss), before adjustments	140,456	32,634
Adjustment for Pure Multi's net finance income (expenses) related to joint venture	(498,152)	1,567
Adjustment for Pure Multi's fair value adjustment related to joint venture	-	(220,234)
Pure Multi's share of net income (loss) and comprehensive income (loss), for the period	\$ (357,696)	\$ (186,033)

7. 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.

8. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is \$4,720,490 of cash held in trust by an escrow agency. This cash represents the net proceeds received from the sale of the Windscape investment property. This cash is readily available and will be released in less than 12 months, therefore is classified as a current asset.

9. MORTGAGES PAYABLE

	Nominal interest rate	Year of maturity	December 31, 2014 Face value	December 31, 2013 Face value
Oakchase	3.28%	2017	\$ 8,706,995	\$ 8,882,920
Windscape	3.52%	-	-	5,090,000
Valley Ranch	3.51%	2022	13,680,000	13,680,000
Sunset Point	3.54%	2022	15,921,585	15,970,000
Prairie Creek	6.02%	2019	31,712,271	32,158,701
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	12,948,076	13,000,000
Livingston	3.51%	2018	15,824,842	15,900,000
Walker Commons	3.11%	2019	28,470,000	-
Preserve	3.26%	2021	24,600,000	-
San Brisas	3.26%	2021	16,980,000	-
Total mortgages principal payable			255,573,769	191,411,621
Unamortized mortgage transaction costs			(2,048,215)	(1,778,294)
Unamortized mark to market mortgage adjustment			3,209,439	3,897,335
Total carrying value of mortgages payable			\$ 256,734,993	\$ 193,530,662

The mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 3.86% as at December 31, 2014 (December 31, 2013 – 4.10%).

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

Principal repayments, as of December 31, 2014, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2015	\$	1,608,078
2016		2,083,032
2017		10,884,833
2018		17,444,944
2019		92,532,719
Thereafter		131,020,163
	\$	255,573,769

10. 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 year ended December 31, 2014, none of the 6.5% convertible debentures have been converted into Class A Units. At December 31, 2014, \$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 December 31, 2014:

	Convertible Debentures	Liability Component	Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2013	\$ 23,000,000	\$ 19,663,721	\$ 1,985,429
Amortization of transaction costs	-	144,000	-
Accretion of liability component	-	68,388	-
Balance as at December 31, 2014	\$ 23,000,000	\$ 19,876,109	\$ 1,985,429

11. 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 \$15,625 during the year ended December 31, 2014 to the preferred unitholders (year ended December 31, 2013 – \$14,888).

12. CREDIT FACILITY

On July 19, 2013, Pure Multi established a revolving credit facility with a lender in the amount of \$9,900,000. At December 31, 2014 there was \$5,546,485 outstanding (December 31, 2013 - \$5,396,485). 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 and matures on July 19, 2016.

	December 31, 2014	December 31, 2013
Revolving credit facility	\$ 9,900,000	\$ 9,900,000
Less: Line of credit outstanding	(5,546,485)	(5,396,485)
Remaining unused credit facility	\$ 4,353,515	\$ 4,503,515

The amount payable on the credit facility at December 31, 2014 was \$5,474,301 (December 31, 2013 - \$5,280,990). Included in this amount are the related unamortized transaction costs of \$72,184 (December 31, 2013 - \$115,495), which are amortized over the term of the credit facility, on a straight-line basis.

13. 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 December 31, 2013, Pure Multi issued 24,089,000 Class A Units for gross proceeds of \$121,283,350, less offering costs.

On May 21, 2014, Pure Multi issued, through a private placement, a total of 4,395,824 units (the “Units”), at a price of \$4.55 per Unit, for gross proceeds of \$20,000,999, less offering costs. Each Unit consists of one Class A Unit and one-half Class A Unit purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to acquire one additional Class A Unit from Pure Multi at a price of \$5.15 per Class A Unit until November 20, 2016.

On July 29, 2014, Pure Multi completed the closing of a public offering of 6,350,000 Class A Units on a bought deal basis, at a price of \$4.75 per Class A Unit for gross proceeds of \$30,162,500, less offering costs.

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

The capital of Pure Multi is divided into Class A Units and Class B Units. The Class A Units are the subject of the public offerings described in the Prospectus’ dated July 3, 2012, October 12, 2012, May 1, 2013 and July 22, 2014. The Class B Units were subscribed for by the Managing GP on May 30, 2012. 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 share in a 95% equity interest in all distributions and all net assets of Pure Multi and the Managing GP, as the holder of the Class B Units, share in a 5% equity interest in all distributions and all net assets of Pure Multi. These respective interests, which are called the Class A Unit Percentage Interest and Class B Unit Percentage Interest, will remain fixed, notwithstanding the issue of further Class A Units, until the occurrence of a Determination Event, as described below. Following the occurrence of a Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising Conversion Rights becomes fixed, and future issuances of Class A Units will result in a decline in the Class B Unit Percentage Interest.

All distributions are made to the holders of the Class A Units and the Class B Units in accordance with the Class A Unit Percentage Interest and Class B Unit Percentage Interest, respectively. As further detailed in the LP Agreement, until a Determination Event occurs, distributions from Pure Multi will generally be made 95% to the Class A Units and 5% to the Class B Units.

Pursuant to the LP Agreement, the Class B Unitholders as a class are entitled to convert some or all of their Class B Units into Class A Units based on the Specified Ratio. Upon the Class B Unitholders exercising their Conversion Rights, they will own that number of Class A Units which is equal to the Class B Unit Percentage Interest (initially 5%) of all Class A Units outstanding after such conversion. The Class B Unit Percentage Interest will remain fixed at 5% notwithstanding the issue of further Class A Units, until the occurrence of a Determination Event. Following the occurrence of a Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising the Conversion Rights attached thereto becomes fixed, and future issuances of Class A Units will result in a decline in the Class B Unit Percentage Interest. A Determination Event is the earliest to occur of the following: (a) Pure Multi’s Market Capitalization exceeding \$300,000,000 for a period of 10 consecutive trading days; (b) an arm’s length take-over bid being made for the Units, provided that not less than 51% of the Class A Units not held by the offer or are taken-up in such bid; and (c) substantially all of the assets of Pure Multi being sold or Pure Multi being liquidated.

The Conversion Rights may be exercised by the Managing GP at any time provided that:

- (a) Pure Multi 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 that number of Class A Units which is equal to the Specified Ratio multiplied by the number of outstanding Class B 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 as was previously designated in the form of Class B Units. Subject to applicable laws, Pure Multi will redesignate all the interests of Class B Unitholders into Units at the Specified Ratio, as defined in LP Agreement, effective as of the date that Pure Multi receives a notice of exercise of the Conversion Rights. Upon such occurrence, the interests of Class B Unitholders will be redesignated as Class A Units. The Class B Units will not be required to be redeemed or cancelled.

Pursuant to the LP Agreement, the Managing GP or any Affiliate or Associate of the Managing GP which is then the Class B Unitholder, has agreed that it will not dispose of more than one-third of the Class A Units received by it upon the conversion of the Class B Units in each consecutive twelve month period ending after the first anniversary of the earlier of: (i) the date a Determination Event occurs; and (ii) the date upon which the conversion is completed. This limitation will not apply where the Conversion Rights have been exercised in connection with a takeover bid or a sale of substantially all of Pure Multi's assets.

Allocation of net income or net loss

Where Distributable Cash, as described in the LP Agreement, is paid in respect of Pure Multi's year ended December 31 ("Fiscal Year"), the Net Income of Pure Multi in respect of that Fiscal Year shall be allocated among the Partners on the following basis:

- a) first, to the Governing GP 0.01% of the Net Income of Pure Multi to a maximum of \$100 per annum;
- b) as to the balance:
 - (i) to the Class A Unitholders, as a class, an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by the Class A Unitholders in respect of the Fiscal Year and the denominator of which is the total distributions made by Pure Multi in respect of the Fiscal Year and the amount so determined shall be allocated to each Class A Unitholder by multiplying such amount distributed by a fraction, the numerator of which is the sum of distributions received by such Class A Unitholder with respect to such Fiscal Year and the denominator of which is the aggregate amount of distributions made by Pure Multi to the Class A as a group with respect to such Fiscal Year; and
 - (ii) to the Class B Unitholders, *pro rata*, an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by the Class B Unitholders in respect of the Fiscal Year and the denominator of which is the total distributions made by Pure Multi in respect of the Fiscal Year.

Where no Distributable Cash is paid in respect of a Fiscal Year, Net Income of Pure Multi in respect of that Fiscal Year shall be allocated among the Partners on the following basis:

- a) first, to the Governing GP 0.01% of the Net Income of Pure Multi to a maximum of \$100 per annum;
- b) as to the balance:
 - (i) to the Class A Unitholders of record at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective number of units held by such Unitholder divided by the aggregate number of units outstanding in the same Class ("Proportionate Shares"), 95% (the "Class A Unit Percentage") of the balance divided by 12; and
 - (ii) to the Class B Unitholders of record at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares, 5% (the "Class B Unit Percentage") of the balance divided by 12. Net Loss of Pure Multi in respect of that Fiscal Year shall be allocated among the Partners on the following basis:

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- c) to the Class A Unitholders who were holders of Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares and to the extent of their capital accounts, the Class A Unit Percentage of the Net Loss divided by 12;
- d) to the Class B Unitholders who were holders of Class B Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares and to the extent of their capital accounts, the Class B Unit Percentage of the Net Loss divided by 12; and.
- e) as to the balance, to the Governing GP.

B. Other Equity Items

	December 31, 2014			December 31, 2013		
	Convertible Debentures Equity Component (Note 10)	Warrants	Total	Convertible Debentures Equity Component (Note 10)	Warrants	Total
Balance at beginning of year	\$ 1,985,429	\$ -	\$ 1,985,429	\$ -	\$ -	\$ -
Issuance of convertible debentures, net of offering costs	-	-	-	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	\$ -	\$ 1,985,429

As at December 31, 2014, Pure Multi had outstanding Warrants as follows:

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

14. INTEREST EXPENSE

Interest expense consists of the following:

Year ended	December 31, 2014	December 31, 2013
Mortgage interest	\$ 8,815,187	\$ 6,293,287
Credit facility interest	134,284	55,486
Convertible debenture interest	1,495,104	602,096
Amortization of transaction costs and accretion of convertible debentures	586,744	239,052
Amortization of mark to market mortgage adjustment	(687,895)	(664,098)
	\$ 10,343,424	\$ 6,525,823

15. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

Cash provided by (used in)	Year ended	
	December 31, 2014	December 31, 2013
Amounts receivable	\$ (453,067)	\$ 329,573
Prepaid expenses	(137,879)	(538,223)
Accounts payable and accrued liabilities	2,010,682	3,805,566
Unearned revenue	260,807	551,129
Rental deposits	243,434	324,464
	\$ 1,923,977	\$ 4,472,509

16. 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.

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 57.9% as at December 31, 2014 (December 31, 2013 – 64.0%). Pure Multi was in compliance with all restrictions during the years ended December 31, 2014 and 2013.

There were no changes in Pure Multi's approach to capital management during the year ended December 31, 2014. The capital structure consisted of the following components at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Capital		
Mortgages payable	\$ 256,734,993	\$ 193,530,662
Convertible debentures	19,876,109	19,663,721
Preferred units of subsidiary	125,000	125,000
Partners' capital	197,797,807	119,792,853
Total capital	\$ 474,533,909	\$ 333,112,236

17. 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 financial instruments:

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	\$ 256,734,993	\$ 262,022,675	\$ 193,530,662	\$ 198,636,203
Preferred units of subsidiary	125,000	125,000	125,000	125,000
Convertible debentures	19,876,109	22,885,000	19,663,721	21,390,000

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. These risks, and the actions taken to manage them, are as follows:

a. Credit risk

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

Pure Multi’s exposure to credit risk is influenced mainly by the individual characteristics of each tenant. Pure Multi minimizes the risk by checking tenants’ credit histories, requesting security deposits and initiating a prompt collection process. All trade receivables are current.

b. Interest rate 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 is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

Pure Multi manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. Whenever possible, Pure Multi, through the US REIT, tries to secure fixed interest rate mortgages. As all of the mortgages payable bear interest at fixed rates and only the bank credit facility bears a variable interest rate, Pure Multi does not face significant interest rate risk.

c. Liquidity risk

Liquidity risk is the risk that Pure Multi will not be able to meet its financial obligations as they fall due. Real estate 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's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Pure Multi were required to liquidate the investment properties, the proceeds to Pure Multi might be significantly less than the aggregate carrying value of such property.

Pure Multi'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 intends to refinance any mortgages which mature within six months.

d. Currency risk

Pure Multi is exposed to minimal currency risk since a small portion of the expenses is in Canadian dollars.

e. Environmental risk

Pure Multi, through the US REIT, is subject to various federal, state and municipal laws relating to the environment. On acquisition, Pure Multi conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

18. 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 year ended December 31, 2014, Pure Multi declared distributions to the Managing GP in the amount of \$595,945 (year ended December 31, 2013 - \$418,552). Included in accounts payable and accrued liabilities at December 31, 2014 was \$495,630 (December 31, 2013 - \$357,956).

Sunstone U.S. Opportunity Realty Trust

Pure Multi is related to Sunstone U.S. Opportunity Realty Trust, by virtue of having officers and directors in common (Stephen Evans, Robert King and James Redekop).

There have been no related party transactions between Pure Multi and Sunstone U.S. Opportunity Realty Trust during the year ended December 31, 2014. During the year ended December 31, 2013, Pure Multi acquired the following investment properties from Sunstone U.S. Opportunity Realty Trust:

- Windsong acquired on July 19, 2013;
- Fountainwood acquired on August 30, 2013;
- Livingston acquired on August 30, 2013; and
- 20% interest in San Brisas acquired on October 1, 2013

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

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).

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 5 to these 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).

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 \$1,454,305 in property management fees during the year ended December 31, 2014 (year ended December 31, 2013 - \$942,461). Included in accounts payable and accrued liabilities at December 31, 2014 was \$nil (December 31, 2013 - \$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.

Pure Multi compensates the directors of the Governing GP, who are not affiliated with or employees of the Managing GP, through annual compensation. The amount incurred during the year ended December 31, 2014 was \$96,797 (year ended December 31, 2013 - \$67,335).

19. 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 \$22,072,084 as at December 31, 2014 (December 31, 2013 - \$16,382,301).

20. 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.

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements
Expressed in United States dollars

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:

(000's)	December 31, 2014			December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 468,518	\$ -	\$ -	\$ 332,003
Mortgages payable	-	262,023	-	-	198,636	-
Preferred units of subsidiary	-	125	-	-	125	-
Convertible debentures	22,885	-	-	21,390	-	-

There have been no transfers among all 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 5, 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 December 31, 2014 and December 31, 2013 have been valued using the overall capitalization rate ("OCR") method, an income based approach, whereby the stabilized net operating income is capitalized at the requisite OCR.

Valuations determined by the OCR method are most sensitive to changes in capitalization rates. The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate at December 31, 2014:

Rate sensitivity	OCR Sensitivity	
	Fair value	Change in fair value
+ 75 basis points	\$ 415,619,823	\$ (52,898,254)
+ 50 basis points	431,871,207	(36,646,870)
+ 25 basis points	449,447,544	(19,070,533)
Base rate (5.90%)	468,518,077	-
- 25 basis points	489,282,217	20,764,140
- 50 basis points	511,976,597	43,458,520
- 75 basis points	536,884,203	68,366,126

21. SUBSEQUENT EVENT

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, plus standard closing costs and adjustments. The mortgage payable, secured by Sunset Point, was assumed by the purchaser on the same date.

MANAGEMENT

STEPHEN EVANS

Director and Chief Executive Officer

SAMANTHA ADAMS

Vice President

SCOTT SHILLINGTON, CA

Chief Financial Officer

ANDREW GREIG

Director of Investor Relations

DIRECTORS

ROBERT KING

Lead Independent Director

JAMES REDEKOP

Independent Director

DOUGLAS SCOTT, CA

Independent Director

JOHN O'NEILL

Independent Director

JAMES SPEAKMAN

Director

Corporate Legal Counsel

FRASER BERRILL

Independent Director



Fountainwood Apartments, Dallas, TX

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STOCK EXCHANGE LISTING

TSX Venture
OTCQX

LISTING SYMBOL

TSX-V: RUF.U, RUF.UN, RUF.DB.U
OTCQX: PMULF

ANNUAL MEETING OF SHAREHOLDERS

9:00 am Pacific Daylight Time
Thursday May 28, 2015
Shangri-La Hotel
Mallinson Room, 6th Floor
1128 West Georgia Street
Vancouver, BC V6E 0A8



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