



Park At West Ave, San Antonio, TX

2015 ANNUAL REPORT

For the year ended December 31, 2015

TABLE OF CONTENTS

Letter to Our Unitholders | **01**

2015 Financial Report | **10**

Management Discussion and Analysis | **11**

Consolidated Financial Statements | **48**

Management and Directors | **80**

Corporate Information | **81**

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



Livingston, Dallas, TX

TO OUR UNITHOLDERS,

“Strong performance equals strong results” summarizes 2015 for Pure Multi-Family REIT LP (“Pure Multi-Family”). Throughout the year we increased our revenues, improved and increased our NOI and increased the quality and quantity of our apartment portfolio. We achieved these successes through diligent, pro-active management resulting in very strong, same-property rental rate growth, operating expense rationalization and strategic asset management wherein we executed our “value-add/asset recycling program”, which renewed our portfolio age significantly.

From an acquisition perspective, we continued to demonstrate our disciplined, targeted and accretive acquisition strategy acquiring three new, Class A apartment communities in two of our target markets, Dallas and San Antonio. We successfully completed these acquisitions using a combination of new equity issuances and the net proceeds from the disposition of three of our oldest assets. With these proceeds we acquired \$173 million of apartment communities, consisting of 1,037 individual apartment units.

The Park at West Ave and Brackenridge Apartments were two of the three properties acquired in 2015 and both communities are located in San Antonio and represent our initial acquisitions in this market. The properties were built in 2014 and each offers a luxury amenities package to the residents. Amalfi at Stonebriar was the third property we acquired and the community is very well located in the heart of the incredible job growth currently taking place in the Plano and Frisco sub-markets of Dallas. Amalfi was built in 2014 and offers our residents a luxury, urban-lifestyle by providing easy access to work, shops and entertainment. With the addition of the three new properties, we increased our total number of units from 4,308 at the end of 2014 to 4,437 at the end of 2015.



Recycling Capital into New Acquisitions

As previously discussed, a key component to our acquisition strategy is to recycle capital by profitably selling our older (by age of construction) assets and redeploying the net proceeds into new construction, Class A properties. In 2015, we executed the disposition of three of our oldest properties that were more capital intensive and had lower operating margins than our newly constructed properties: Sunset Point Apartments, Oakchase Apartments and Windsong Apartments.

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 executed our value-add strategy that we have implemented at other properties in our portfolio. We sold the property for \$27.95 million representing an annualized gain on equity of over 22%. The net proceeds from this sale were combined with other equity to acquire Park at West Ave, located in San Antonio. A similar value-add approach was followed at Oakchase Apartments. This property was acquired in July 2012 for \$13.6 million and successfully sold in September 2015 for \$17.85 million. The sale represented an annualized gain on equity of approximately 27%. The net cash proceeds were used to acquire Brackenridge Apartments.

In December 2015, Pure Multi-Family announced the sale of Windsong Apartments. Acquired in July 2013 for a purchase price of \$16.5 million, we profitably sold Windsong for \$22.0 million, representing an annualized gain on equity of approximately 26%. With the net proceeds from the sale of Windsong, together with the proceeds from the equity raise in December, we completed the acquisition of two Class A properties in San Antonio subsequent to year end.

Pure Estates at TPC and Pure View at TPC were acquired on March 1, 2016. Pure Estates at TPC was constructed in 2007 and consists of 344 luxury residential units averaging 1,135 square feet. The 34.8 acre Class A community is located in the San Antonio sub-market of Cibolo Canyons and features a luxurious 13,000 square foot clubhouse, a 3,500 square foot fitness centre, an onsite European Grand Spa, townhome buildings with attached garages, a resort style swimming pool and barbeque areas with grills for outdoor entertaining.

Pure View at TPC was constructed in 2014 and consists of 416 brand-new luxury residential units averaging 943 square feet. The 19.4 acre Class A community is also located in the San Antonio sub-market of Cibolo Canyons and sits on top of the highest hilltop in San Antonio, giving expansive views of downtown San Antonio and the neighbouring TPC golf courses. Pure Multi-Family's portfolio now consists of 5,197 apartments (4,308 apartments in 2014) and over 4.8 million square feet of rentable space situated on over 298 acres of land (236 acres of land in 2014).



Livingston, Dallas, TX

DISPOSITION
OF SUNSET POINT
\$27.95M
JANUARY

DISPOSITION
OF OAKCHASE
\$17.85M
SEPTEMBER

SEPTEMBER
ACQUISITION
OF BRACKENRIDGE
\$51.0M

DECEMBER
EQUITY OFFERING
\$39.2M

OUR RESULTS



Prairie Creek Villas, Dallas, TX

PURE RESULTS

Pure Multi-Family achieved strong financial results in 2015:

- **5.7% same property total rental revenue growth (2015 vs 2014)**
- **Total rental revenues increased 21.5% over 2014 - \$58.9 million in 2015 compared to \$48.5 million in 2014**
- **2015 net operating income margin of 55.5%, an increase from 53.9% in 2014**
- **7.2% same property net operating income (“NOI”) growth (2015 vs. 2014)**

We believe that not only is it important to highlight Pure Multi-Family’s strong 2015 operating results, but also that Pure Multi-Family is unique in that we provide investors with a truly aligned management structure. As a reminder to our unitholders, Pure Multi-Family does not permit external asset management or transaction fees to be paid to management. 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-Family will internalize asset management at no cost to the REIT. As management of Pure Multi-Family we remain committed to fully aligning our interests with those of our unitholders.

MAY
ACQUISITION
OF PARK WEST
\$54.25M

MAY
EQUITY OFFERING
\$35.2M

AUGUST
ACQUISITION
OF AMALFI
STONEBRIAR
\$67.5M

DISPOSITION
OF WINDSONG
\$22.0M
DECEMBER



Fairways at Prestonwood, Dallas, TX

OUR LOCATIONS - LEADERS IN POPULATION

PURE STRATEGY

Pure Multi-Family'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. It has been our experience that newer construction, Class A properties have stronger 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 target markets. We believe our operational focus on increasing revenues and maintaining strong NOI margins will continue to drive shareholder value.

PURE APARTMENTS

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;
- Favourable debt financing terms.

These drivers are evident across Pure Multi-Family's portfolio. The current portfolio has a leased occupancy rate of 97.3% which remains in-line with our 2014 occupancy rate of 98.2% and has minimal capex requirements. It is important to note that our occupancy takes into account our 2015 acquisitions that were in the final stages of lease up during this period.

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-Family from its competitors is the quality of our apartment communities. With a weighted average year of construction of 2003 at year end, compared to 1996 at year-end 2014, our properties can be classified as newer construction. As highlighted above, and as further supported by our results, we continue to believe that 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.

Our current core markets, Dallas-Fort Worth, Houston, Phoenix and San Antonio, have been consistently ranked in the top performing metropolitan areas in the U.S. for both employment and population growth. The concern regarding the Houston market is still present. Pure Multi-Family currently owns two properties in the greater Houston area, which represent approximately 13% of our total revenues and units. While we have not experienced any weakness that can be attributed to the layoffs in the oil and gas sectors of the economy, we will continue to monitor the market closely. Houston is a more diversified economy than in previous downturns and our two properties are in sub-markets with employers that have benefitted from lower oil prices including agriculture, manufacturing and



Pure Estates, San Antonio, TX

AND EMPLOYMENT GROWTH

transportation industries as well as the significant expansion of the Port of Houston. We do expect that moderate rental rate growth will continue at our properties and the general consensus is that job growth should continue in our Houston sub-markets in 2016, albeit at slower levels than in 2015.

Phoenix is also continuing to experience job and population growth. Current unemployment rates remain lower than the national average and Phoenix is expected to achieve higher than average population growth throughout 2016. Businesses continue to be drawn to Phoenix not only as a hub in the southwestern region of the United States, but also due to its close proximity to Los Angeles and Las Vegas, low taxes and affordable operating costs.

In 2015, Pure Multi-Family expanded into its fourth metroplex. San Antonio has a strong, diversified economy anchored by five key industries: healthcare, biotechnology, government/military, tourism and energy. Located at the crossroads of several major interstate highways and railroads serving both coasts, as well as the NAFTA corridor San Antonio is considered to be an international trade centre, as more than half of the trade flow between Mexico and the United States travels through San Antonio. Considered to be one of the five least expensive metros in the U.S. to do business, the City of San Antonio has been actively encouraging startups and corporate relocations to the metro area. As a result the city continues to attract Millennials and young families drawn to the lower cost of living, and easy lifestyle that the city affords.

Both Park at West and Brackenridge were in the final stages of lease up on acquisition and we anticipate that as we move into 2016 both properties will stabilize as we implement our tenant, management and leasing standards.

The majority of our portfolio is located within the Dallas-Forth Worth metroplex, and more specifically in the north-Dallas sub-markets which continue to experience very strong job and population growth. DFW has one of the most diversified economies in the United States. DFW has benefited 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 in 2016.

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-Family to execute our growth strategy with discipline.

PURE LIVING

It is our goal at Pure Multi-Family to offer the best experience for our residents, who are as varied as our properties.



LOOKING FORWARD

Our residents 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. But across our entire portfolio of properties, the common thread is quality of service, the quality of our amenities and units, and the pride our on-site teams take in creating a happy, safe and vibrant apartment community.

One of the key drivers of the strong demand for U.S. multi-family apartments continues to be the Millennials. 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 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. Millennials 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. As in past years, negative sentiment continues to cloud home ownership and when combined with the lifestyle choices of the Millennials, most analysts anticipate that this generation will continue to put upward pressure on rental rates which will in turn to drive profitability and values in the apartment sector for several 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 repeatedly demonstrated that we can rework our portfolio to enhance its value by recycling our equity through profitable sales of our oldest assets.



Pure Estates, San Antonio, TX



San Brisas, Phoenix, AZ

Management's calculated net asset value is US\$6.24 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 NOI growth of 7.2% year over year
- Strong and consistent occupancy levels
- A trend of decreasing our payout ratio on a run rate basis

Despite these strong results, delivered quarter after quarter, and our net asset value of US\$6.24, 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 a very robust 5.7%. With our solid rental rate growth, combined with long term, fixed mortgage interest rates, our very low cost structure and improving net operating income margins, we believe that Pure Multi-Family will continue to position itself as a 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 strategic, disciplined acquisitions. We are looking forward to an exciting and busy 2016. We would like to sincerely thank all of our unitholders for their continued support and our Board of Directors and the Pure Multi-Family team for their continued commitment to our goals.

Yours truly,

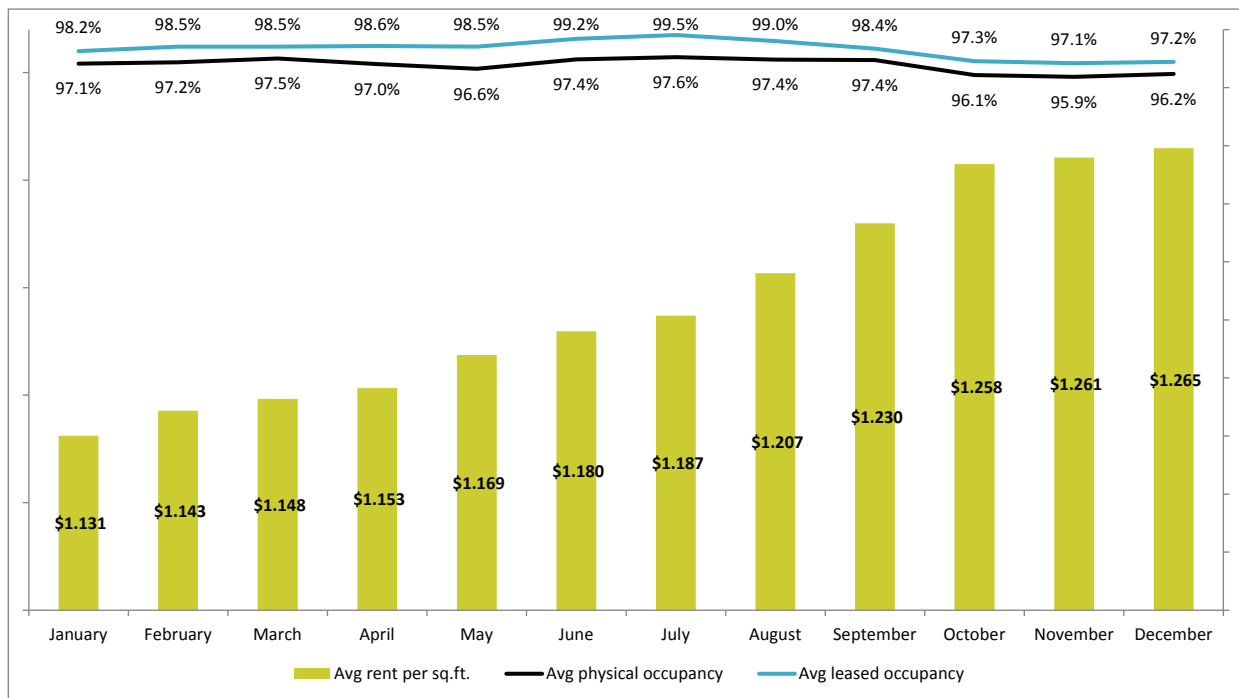
Steve Evans, CEO and Unitholder

PORTFOLIO SUMMARY



Deer Park, Houston, TX

IN-PLACE RENTS AND OCCUPANCY TRENDS JANUARY 2015 TO DECEMBER 2015



2015
AVERAGE
LEASED
OCCUPANCY
98.3%



Preserve at Arbor hills, Dallas, TX

2015
SAME PROPERTY
NOI GROWTH
7.2%



Park at West, San Antonio, TX

FINANCIAL HIGHLIGHTS

(\$000's except per unit amounts)	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	\$58,876	\$48,475
Property NOI	\$32,696	\$26,111
NOI margin	55.5%	53.9%
Income for the year	\$51,179	\$41,949
Funds from operations	\$18,363	\$14,399
FFO per class A unit	\$0.439	\$0.463
Distributions per unit	\$0.375	\$0.375
FFO payout ratio	86.1%	82.8%
	As at December 31, 2015	As at December 31, 2014
Total assets	\$691,153	\$492,791
Mortgages payable	\$354,202	\$256,735
Total debt to gross book value	54.6%	57.9%
Weighted average interest rate on mortgages payable	3.72%	3.86%

PORTFOLIO HIGHLIGHTS*

- Number of units: 4,437
- Number of acres: 243
- Rentable square feet: 4.1 million
- Portfolio employs only property level debt
- Target loan to gross book value range: 50% to 60% (to a maximum of 70%)
- Loan to portfolio value: 58.2%

* As at December 31, 2015

2015
TOTAL REVENUE GROWTH
21.5%



Walker Commons, League City, TX

2015 FINANCIAL REPORT

Management's Discussion and Analysis
Consolidated Financial Statements
For the year ended December 31, 2015



PURE MULTI-FAMILY REIT LP

Management's Discussion and Analysis
For the year ended December 31, 2015
Dated: March 10, 2016



Pure View, San Antonio, TX

SECTION I

FORWARD-LOOKING DISCLAIMER

The following management's discussion and analysis ("MD&A") of the results of operations and the financial condition of Pure Multi-Family REIT LP ("Pure Multi") for the year ended December 31, 2015 should be read in conjunction with Pure Multi's audited consolidated financial statements for the year ended December 31, 2015, available on SEDAR at www.sedar.com and 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 10, 2016 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, 2015 includes material information up to March 10, 2016. Except as otherwise stated in this MD&A, all dollar amounts in this MD&A, including per unit amounts, are stated in U.S. dollars.

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

Certain figures in this MD&A are non-IFRS measures, including, Pure Multi's interest, Funds from Operations or FFO, Adjusted Funds from Operations or AFFO, Distributable Income or DI, same property net rental income, same property revenue, same property average monthly rent per occupied unit, rental revenue - same property, rental revenue - properties acquired/sold, net rental income - same property and net rental income - properties acquired/sold. For an IFRS to non-IFRS reconciliation, see "Results of Operations Reconciliation", "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 of quality apartment assets located in core cities within the Southwestern and Southeastern portions of the U.S., including states such as Texas, Arizona, Georgia and Nevada (collectively, the "Sunbelt").

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”), as may be amended from time to time. 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 the Chief Financial Officer of 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⁾)*

During the year ended December 31, 2015, Pure Multi acquired three investment properties, each completing construction in 2014, for a combined purchase price of \$112,100,000 and profitably sold three of its oldest assets, each being constructed during the mid-1980’s, for combined proceeds of \$67,800,000. This resulted in Pure Multi renewing its portfolio average year of construction to 2003, at December 31, 2015, compared to 1996, at December 31, 2014.

During the fourth quarter of 2015, Pure Multi increased total revenues by 18.2% compared to the same period in 2014, and realized an increase of 6.6% in same property net rental income growth⁽²⁾, an increase of 5.7% in same property revenue growth⁽³⁾ and an increase of 5.7% in same property average monthly rent per occupied unit⁽⁴⁾, compared to the same period in 2014. During the year ended December 31, 2015, Pure Multi increased total revenues by 21.5% compared to the same period in 2014, and realized an increase of 7.2% in same property net rental income growth⁽²⁾, an increase of 5.7% in same property revenue growth⁽³⁾ and an increase of 5.8% in same property average monthly rent per occupied unit ⁽⁴⁾, compared to the same period in 2014.

Pure Multi earned an average monthly rent per occupied unit of \$1,131, or \$1.257 per square foot, on its entire portfolio during the three months ended December 31, 2015 (three months ended December 31, 2014 - \$989 and \$1.117, respectively), representing an increase of 14.4% per occupied unit over the same period in the prior year. For the year ended December 31, 2015, Pure Multi earned average monthly rent per occupied unit of \$1,078, or \$1.194 per square foot, on its entire portfolio (year ended December 31, 2014 - \$958 and \$1.090, respectively), representing an increase of 12.5% per occupied over the same period in the prior year.

At December 31, 2015, Pure Multi had mortgages payable of \$354.2 million, with a weighted average interest rate of 3.72% and a weighted average term remaining until maturity of 9.4 years (December 31, 2014 - \$256.7 million, 3.86% and 6.8 years, respectively).

Pure Multi had a loan to gross book value of 54.6% as at December 31, 2015 (December 31, 2014 – 57.9%), well below the maximum indebtedness level of 70% stipulated in the LP Agreement. See “Capital Structure”.

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) prorates 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.
- (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>	As at December 31, 2015	As at December 31, 2014
Number of properties	14	14
Number of residential units	4,437	4,308
Physical Occupancy	96.2%	97.6%
Leased Occupancy	97.3%	98.2%
Investment properties (000's)	\$ 613,682	\$ 468,518
Mortgages payable (000's)	\$ 354,202	\$ 256,735
Weighted average effective interest rate on mortgages payable	3.72%	3.86%
Loan to gross book value	54.6%	57.9%

<i>Pure Multi's interest</i> (<i>\$000s, except per unit basis</i>) (<i>all per unit amounts based on basic weighted average number of units outstanding</i>)	For the year ended December 31, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Rental revenue - same property ⁽¹⁾	\$ 35,124	\$ 33,235	\$ 12,093	\$ 11,440
Rental revenue - properties acquired/sold ⁽²⁾	23,752	15,240	4,454	2,556
Total rental revenue - Pure Multi's interest ⁽³⁾	58,876	48,475	16,547	13,996
Net rental income - same property ⁽⁴⁾	19,408	18,105	6,827	6,402
Net rental income - properties acquired/sold ⁽⁵⁾	13,288	8,007	2,283	1,258
Total net rental income - Pure Multi's interest ⁽³⁾	32,696	26,112	9,110	7,660
Net rental income margin	55.5%	53.9%	55.1%	54.7%
Basic weighted average number of units outstanding				
Class A units	39,761,071	29,512,727	43,429,172	34,834,824
Class B units	200,000	200,000	200,000	200,000
Distributions	15,810	11,919	4,362	3,438
per Class A unit	0.38	0.38	0.10	0.09
per Class B unit	3.95	2.98	1.09	0.86
Distributable income ⁽³⁾	18,652	14,467	4,959	4,413
per Class A unit	0.45	0.47	0.11	0.12
per Class B unit	4.66	3.62	1.24	1.10
Payout ratio	84.8%	82.4%	88.0%	77.9%
Funds from operations ⁽³⁾	18,364	14,399	4,885	4,345
per Class A unit	0.44	0.46	0.11	0.12
per Class B unit	4.59	3.60	1.22	1.09
Payout ratio	86.1%	82.8%	89.3%	79.1%
Adjusted funds from operations ⁽³⁾	17,363	13,280	4,607	4,080
per Class A unit	0.42	0.43	0.10	0.11
per Class B unit	4.34	3.32	1.15	1.02
Payout ratio	91.1%	89.8%	94.7%	84.3%

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/sold (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 "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.
- (5) Net rental income - properties acquired/sold (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, 2015, Pure Multi's portfolio consists of 14 investment properties, with an aggregate of 4,437 residential units, located within four metropolitan areas: (i) Dallas - Fort Worth ("DFW"), Texas, (ii) Houston, Texas, (iii) San Antonio, Texas and (iv) Phoenix, Arizona.

The weighted average physical occupancy rate was 96.2% and weighted average leased occupancy rate was 97.3% for all properties owned as at December 31, 2015 (December 31, 2014 – 97.6% and 98.2%, respectively). Typical residential property leases have terms between one to 12 months.

Property Name	Location	Year of Acquisition	Year of Construction	Units	As at December 31, 2015				
					Fair Market Value (\$000s)	Debt to Fair Market Value	Cap Rate	Physical Occupancy	Leased Occupancy
Amalfi at Stonebriar	DFW, TX	2015	2014	395	\$ 67,529	66.6%	5.00%	94.9%	95.4%
Preserve at Arbor Hills	DFW, TX	2014	1998	330	46,136	53.3%	5.50%	98.5%	99.1%
Fairways at Prestonwood	DFW, TX	2013	1991	156	20,800	41.7%	5.50%	96.2%	97.4%
Vistas at Hackberry Creek	DFW, TX	2013	1984	560	53,460	55.2%	6.00%	97.7%	98.6%
Fountainwood Apartments	DFW, TX	2013	1986	288	26,100	48.8%	6.00%	97.2%	99.3%
Livingston Apartments	DFW, TX	2013	1998	180	30,614	50.7%	5.50%	96.7%	97.8%
Stoneleigh at Valley Ranch	DFW, TX	2012	1999	210	28,068	48.7%	5.50%	97.1%	97.6%
Prairie Creek Villas	DFW, TX	2012	1997	464	75,277	61.6%	5.65%	97.0%	98.7%
Stoneleigh at Bear Creek	DFW, TX	2012	2004	436	56,895	56.4%	5.50%	98.4%	99.5%
DFW, TX			1999	3,019	404,879	56.4%	5.54%	97.2%	98.3%
Walker Commons	Houston, TX	2014	2008	352	47,954	59.4%	6.00%	98.3%	99.1%
The Boulevard at Deer Park	Houston, TX	2013	2000	216	25,731	63.6%	5.75%	98.6%	99.1%
Houston, TX			2005	568	73,685	60.9%	5.91%	98.4%	99.1%
Brackenridge at Midtown	San Antonio, TX	2015	2014	282	51,002	60.0%	5.00%	90.1%	91.8%
Park at West Avenue	San Antonio, TX	2015	2014	360	54,362	67.1%	5.20%	90.0%	91.8%
San Antonio, TX			2014	642	105,364	63.7%	5.10%	90.0%	91.1%
San Brisas Apartments	Phoenix, AZ	2013 & 2014	1996	208	29,754	57.1%	5.35%	95.2%	97.6%
Portfolio Total/Average			2003	4,437	\$ 613,682	58.2%	5.50%	96.2%	97.3%

Properties Acquired During 2015

On May 7, 2015, Pure Multi, through the US REIT, acquired Park at West Avenue, a multi-family apartment community (“Park West”), located in San Antonio, Texas, for a purchase price of \$54,250,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15 year mortgage in the amount of \$36,500,000.

On August 10, 2015, Pure Multi, through the US REIT, acquired Amalfi Stonebriar, a multi-family apartment community (“Amalfi”), located in Frisco, Texas, for a purchase price of \$67,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash from the May 2015 Offering (as defined below) and a new 12 year mortgage in the amount of \$45,000,000.

On September 30, 2015, Pure Multi, through the US REIT, acquired Brackenridge at Midtown, a multi-family apartment community (“Brackenridge”), located in San Antonio, Texas, for a purchase price of \$51,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash May 2015 Offering and a new 12 year mortgage in the amount of \$30,600,000.

Properties Sold During 2015

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

On September 2, 2015, Pure Multi, through the US REIT, sold Oakchase Apartments, a multi-family apartment community (“Oakchase”), located in Arlington, Texas, for a sale price of \$17,850,000, less standard closing costs and adjustments. The mortgage payable, secured by Oakchase, was paid in full as of the same date.

On December 30, 2015, Pure Multi, through the US REIT, sold Windsong, a multi-family apartment community, located in Dallas, Texas, for a sale price of \$22,000,000, less standard closing costs and adjustments.

May 2015 Class A Unit Offering

On May 8, 2015, Pure Multi completed a public offering (the “May 2015 Offering”) of 6,900,000 Class A Units, at a price of \$5.10 per Class A Unit, for gross proceeds of \$35,190,000, less offering costs.

The May 2015 Offering was completed on a “blind-pool” basis, meaning there were no properties identified for acquisition at the time of the offering. The net proceeds from the May 2015 Offering were used to fund the purchase price of Amalfi on August 10, 2015 and to partially fund the purchase price of Brackenridge on September 30, 2015.

December 2015 Class A Unit Offering

On December 11, 2015, Pure Multi completed a public offering (the “December 2015 Offering”) of 7,250,000 Class A Units, at a price of \$5.40 per Class A Unit, for gross proceeds of \$39,150,000, less offering costs.

The December 2015 Offering was completed on a “blind-pool” basis, meaning there were no properties identified for acquisition at the time of the offering. The net proceeds from the December 2015 Offering were used to fund the purchase price of PURE Estates at TPC and partially fund the purchase price of PURE View at TPC, both of which were acquired on March 1, 2016, subsequent to Pure Multi’s December 31, 2015 year end (see Section VI – “Subsequent Events”).

OUTLOOK

Pure Multi's strategy is to acquire a high-quality apartment portfolio located in the strongest growth markets within the U.S. Sunbelt region. A judicious use of mortgage financing results in a conservative balance sheet that boasts one of the longest average mortgage terms in the sector at 9.4 years, with an average mortgage interest rate of 3.72%, at the end of 2015.

Job and population growth are fundamental drivers of apartment demand and our core markets of DFW, San Antonio and Phoenix continue to project robust growth rates in both categories for the coming years. Although Houston has recently suffered an economic slowdown due to the collapse of oil prices, our two assets held within the Greater Houston market have been significantly insulated from this and continue to generate very solid rental rate growth, as they are located in areas that do not have significant direct exposure to oil and gas related industries.

Pure Multi has a particular focus on asset selection that involves choosing assets that include unique features that inherently create a barrier-to-entry from competition, either in their unique in-fill locations, or through other locational attributes such as golf course frontages, large water features, or expansive views of neighbouring nature preserves. Such attention to detail on asset selection pays dividends in terms of top-line revenue growth and reduced tenant turnover.

Our diligent and active management style includes re-positioning some assets through value-add initiatives and ultimately renewing our portfolio over time to harvest the profits of such value-add programs through the profitable divesting of non-core holdings in order to re-invest such capital into newer, higher-quality, assets thus effecting our urban-renewal approach to our overall portfolio asset management.

Going forward we intend to continue our active management of Pure Multi through executing more value-add initiatives and improving the quality of our portfolio to enhance unitholder value. Our intention is to increase our portfolio holdings in our current existing strong growth markets, as well as to expand our platform operations to include additional markets that offer similar compelling demand drivers, which are highly beneficial to apartment ownership. With the robust pipeline of high-quality apartment properties available for sale in these markets, we believe Pure Multi is well positioned to continue its strong growth over the coming years, thus enhancing unitholder value even further.

SECTION II

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

Year ended December 31, 2015 (\$000s)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 58,876	\$ -	\$ 58,876
OPERATING EXPENSES			
Insurance	1,543	-	1,543
Property management	1,764	-	1,764
Property taxes	8,500	718	9,218
Property operating expenses	13,655	-	13,655
	25,462	718	26,180
NET RENTAL INCOME	33,414	(718)	32,696
NET FINANCE INCOME (EXPENSES)			
Interest income	14	-	14
Interest expense	(15,998)	-	(15,998)
Distributions to subsidiary's preferred unitholders	(16)	-	(16)
	(16,000)	-	(16,000)
NET OTHER INCOME (EXPENSES)			
Other income	13	-	13
General and administrative	(914)	-	(914)
Fair value adjustments to investment properties	34,519	718	35,237
Gain on disposal of investment properties	525	-	525
Franchise taxes	(378)	-	(378)
	33,765	718	34,483
NET INCOME AND COMPREHENSIVE INCOME	\$ 51,179	\$ -	\$ 51,179

Notes:

- (1) Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS.
- (2) Represents Pure Multi's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.
- (3) Represents Pure Multi's interest, as described herein.

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, 2015 (\$000s)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 16,547	\$ -	\$ 16,547
OPERATING EXPENSES (RECOVERIES)			
Insurance	507	-	507
Property management	499	-	499
Property taxes	(66)	2,596	2,530
Property operating expenses	3,901	-	3,901
	4,841	2,596	7,437
NET RENTAL INCOME	11,706	(2,596)	9,110
NET FINANCE INCOME (EXPENSES)			
Interest income	4	-	4
Interest expense	(3,981)	-	(3,981)
Distributions to subsidiary's preferred unitholders	(4)	-	(4)
	(3,981)	-	(3,981)
NET OTHER INCOME (EXPENSES)			
Other income	1	-	1
General and administrative	(278)	-	(278)
Fair value adjustments to investment properties	3,679	684	4,363
IFRIC 21 fair value adjustment to investment properties	(1,912)	1,912	-
Gain on disposal of investment properties	1,321	-	1,321
Franchise taxes	(121)	-	(121)
	2,690	2,596	5,286
NET INCOME AND COMPREHENSIVE INCOME	\$ 10,415	\$ -	\$ 10,415

Notes:

- (1) Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS.
- (2) Represents Pure Multi's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.
- (3) Represents Pure Multi's interest, as described herein.

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)	26,112
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	(771)	-	-	(771)
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	26,780
SHARE OF PROFIT (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 on 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.
- (4) Represents Pure Multi's interest, as described herein.

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 on 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.
- (4) Represents Pure Multi's interest, as described herein.

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, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Revenues				
Rental	\$ 58,876	\$ 48,475	\$ 16,547	\$ 13,996
Operating Expenses				
Insurance	1,543	1,291	507	395
Property management	1,764	1,454	499	420
Property taxes	9,218	7,304	2,530	1,953
Property operating expenses	13,655	12,314	3,901	3,568
	26,180	22,363	7,437	6,336
Net Rental Income	32,696	26,112	9,110	7,660
Net Finance Income (Expenses)				
Interest income	14	5	4	1
Interest expense	(15,998)	(10,932)	(3,981)	(3,036)
Distributions to subsidiary's preferred unitholders	(16)	(16)	(4)	(4)
	(16,000)	(10,943)	(3,981)	(3,039)
Other Income (Expenses)				
Other income	13	1	1	1
General and administrative	(914)	(771)	(278)	(209)
Fair value adjustments to investment properties	35,237	28,114	4,363	15,132
Gain (loss) on disposal of investment properties	525	(235)	1,321	(235)
Franchise taxes	(378)	(329)	(121)	(94)
	34,483	26,780	5,286	14,595
Net Income and Comprehensive Income	\$ 51,179	\$ 41,949	\$ 10,415	\$ 19,216
Earnings per Class A unit – basic	\$ 1.22	\$ 1.35	\$ 0.23	\$ 0.52
Weighted average number of Class A units – basic	39,761,071	29,512,727	43,429,172	34,834,824
Earnings per Class A unit – diluted	\$ 1.15	\$ 1.23	\$ 0.22	\$ 0.48
Weighted average number of Class A units – diluted	43,831,867	33,583,523	47,979,552	38,905,620
Earnings per Class B unit – basic and diluted	\$ 12.79	\$ 10.49	\$ 2.60	\$ 4.80
Weighted average number of Class B units – basic and diluted	200,000	200,000	200,000	200,000

During the year ended December 31, 2015, based on Pure Multi's interest, Pure Multi recorded rental revenue of \$58,875,799, net rental income of \$32,695,784, fair value adjustments to investment properties of \$35,237,335 and net income of \$51,179,380 (year ended December 31, 2014 - \$48,474,655, \$26,111,241, \$28,114,209 and \$41,949,277, respectively). During the year ended December 31, 2015, based on Pure Multi's interest, Pure Multi incurred \$913,588 of general and administrative expenses (year ended December 31, 2014 - \$769,883), incurred franchise tax expense of \$378,175 (year ended December 31, 2014 - \$329,145), and recorded a gain on disposal of investment properties of \$525,088 (year ended December 31, 2014 – loss on disposal of \$235,421). The increase in revenues, expenses and net income are primarily attributable to Pure Multi operating additional investment properties during the year ended December 31, 2015, compared to the same period in the prior year, 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 54.6% at December 31, 2015 (December 31, 2014 – 57.9%) and its distribution payout ratio on Distributable Income was 84.8% for the year ended December 31, 2015 (year ended December 31, 2014 – 82.4%). The decrease in the loan to gross book value ratio and increase in the distribution payout ratio on Distributable Income, compared to prior periods, was primarily due to excess cash and cash equivalents on the balance sheet during the current period compared to the same period in the prior year. 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 certain operating expenses as a percentage of total operating expenses:

<i>Pure Multi's interest</i>	For the year ended December 31, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Insurance	5.9%	5.8%	6.8%	6.2%
Property management	6.7%	6.5%	6.7%	6.6%
Property taxes	35.2%	32.7%	34.0%	30.8%
Property operating expenses	52.2%	55.0%	52.5%	56.4%
	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 and distributions to subsidiary's preferred unitholders (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, 2015 (year ended December 31, 2014 - \$15,625).

Interest Expense

Interest expense consists of mortgage interest, mortgage prepayment expense, convertible debenture interest, credit facility interest, amortization of transaction costs, amortization of mark-to-market mortgage adjustment and accretion of convertible debentures. On September 9, 2015, Pure Multi obtained new mortgage financing on Prairie Creek Villas and incurred a mortgage prepayment expense of \$5,188,836, related to paying off its prior mortgage. This prepayment expense was partially offset by the write-off of the unamortized portion of the mark-to-market mortgage adjustment in the amount of \$2,737,202 on the same date.

The weighted average interest rate on the mortgages, based on Pure Multi's interest, is 3.72% per annum as at December 31, 2015 (December 31, 2014 – 3.86%) and the mortgages mature between 2018 and 2030 with a weighted average mortgage term of 9.4 years remaining (December 31, 2014 – 6.8 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, 2015, total general and administrative expenses amounted to 1.6% of rental revenue (year ended December 31, 2014 – 1.6%). 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, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Insurance	4.8%	4.4%	4.8%	4.8%
Professional fees	32.6%	43.6%	22.2%	48.6%
Legal and filing fees	15.6%	17.3%	12.5%	18.7%
Director's fees	23.0%	12.6%	44.5%	11.6%
Administrative expenses	24.0%	22.1%	16.0%	16.3%
	100.0%	100.0%	100.0%	100.0%
G&A expense as a percentage of rental revenue	1.6%	1.6%	1.7%	1.5%

Other Income (Expenses)

Other income (expenses) results from transactions in foreign currency entered into by Pure Multi, as a small number of transactions occur in Canadian dollars while cash and cash equivalents are held in United States dollars.

Fair Value Adjustments to Investment Properties

Pure Multi revalues its investment properties at fair value on each reporting date and records the fair value adjustments as an income or expense item. For the year ended December 31, 2015, based on Pure Multi's interest, Pure Multi recorded an increase in fair value of its investment properties of \$35,237,335 (year ended December 31, 2014 - \$28,114,209). The weighted average capitalization rate of the investment properties at December 31, 2015, based on Pure Multi's interest, was 5.50% (December 31, 2014 – 5.90%).

Gain (Loss) on Disposal of Investment Properties

During the year ended December 31, 2015, Pure Multi sold Sunset Point, Oakchase and Windsong for a combined sales price of \$67,800,000. Pure Multi recorded a gain on disposal of the investment properties in the amount of \$525,088 (year ended December 31, 2014 – loss on disposal of \$235,421). The gain or loss on disposal is calculated by taking the difference between the fair value of each investment property and its selling price, less any disposition costs associated with sale of the properties.

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 during the year ended December 31, 2015, is equal to 0.95% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; (iii) 100% of total revenue less compensation expense; or (iv) 100% of total revenue less \$1 million. Pure Multi recorded a provision for Texas Franchise Tax of \$378,175 for the year ended December 31, 2015 (year ended December 31, 2014 - \$329,145).

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, 2015, Pure Multi incurred offering costs of \$3,515,918 (year ended December 31, 2014 - \$2,188,921).

Distributions to Limited Partners

Pure Multi declared distributions in the amount of \$15,019,778 to Class A unitholders and \$790,515 to Class B unitholders during the year ended December 31, 2015 (year ended December 31, 2014 - \$11,322,956 and \$595,945, 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 described herein, 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, mortgage prepayment 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, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Net cash provided from operating activities	\$ 29,155	\$ 26,902	\$ 6,159	\$ 7,545
Adjustment:				
Changes in non-cash operating working capital	2,262	(1,889)	4,465	1,522
IFRIC 21 property tax liability adjustment, net	-	-	(1,912)	(1,709)
Interest income	14	5	4	1
Interest expense	(17,952)	(10,535)	(3,753)	(2,942)
Mortgage prepayment expense	5,189	-	-	-
Distributions to subsidiary's preferred unitholders	(16)	(16)	(4)	(4)
Distributable Income	\$ 18,652	\$ 14,467	\$ 4,959	\$ 4,413
Class A units	17,719	13,744	4,711	4,192
Class B units	933	723	248	221
Distributions to Unitholders				
Class A units	\$ 15,020	\$ 11,323	\$ 4,144	\$ 3,266
Class B units	790	596	218	172
Total distributions paid	\$ 15,810	\$ 11,919	\$ 4,362	\$ 3,438
Total distributions paid as a % of Distributable Income	84.8%	82.4%	88.0%	77.9%
Weighted average number of units (<i>000s</i>)				
Class A units	39,761	29,513	43,429	34,835
Class B units	200	200	200	200
Diluted weighted average number of units (<i>000s</i>)				
Class A units	43,832	33,584	47,980	38,906
Class B units	200	200	200	200
Basic DI per unit				
Class A units	\$ 0.45	\$ 0.47	\$ 0.11	\$ 0.12
Class B units	4.66	3.62	1.24	1.10
Diluted DI per unit				
Class A units	0.44	0.45	0.11	0.12
Class B units	4.66	3.62	1.24	1.10
Distributions paid per weighted average unit				
Class A units	0.38	0.38	0.10	0.09
Class B units	3.95	2.98	1.09	0.86

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. At the rate of current monthly distributions, on an annualized basis, unitholders would receive \$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, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Distributable income	\$ 18,652	\$ 14,467	\$ 4,959	\$ 4,413
IFRIC 21 property tax liability adjustment, net	-	-	1,912	1,709
Interest income	(14)	(5)	(4)	(1)
Interest expense	17,952	10,535	3,753	2,942
Mortgage prepayment expense	(5,189)	-	-	-
Distributions to subsidiary's preferred unitholders	16	16	4	4
(Increase) decrease in amounts receivable	(325)	(453)	315	(429)
Increase in prepaid expenses	(369)	(129)	(451)	(365)
Increase (decrease) in rental deposits	202	235	(90)	(12)
Increase (decrease) in unearned revenue	(94)	247	233	252
Increase (decrease) in accounts payable and accrued liabilities	(1,676)	1,989	(4,472)	(968)
Standardized Distributable Cash (net cash from operating activities)	\$ 29,155	\$ 26,902	\$ 6,159	\$ 7,545

SEGMENTED INFORMATION

Pure Multi currently operates in one business segment, indirectly 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 and utility deposits.

Mortgage Reserve Fund

The mortgage reserve fund consists of cash on deposit requested by the lenders to be retained in escrow to pay for any repairs to the properties and certain costs. These funds will be released to pay the respective obligations once certain conditions are met, such as completion of repairs. As at December 31, 2015, the term for the current mortgage reserve fund is less than 12 months. The amortized cost of the mortgage reserve fund is \$6,570,597, based on Pure Multi's interest, as at December 31, 2015, (December 31, 2014 - \$6,208,641).

Liabilities

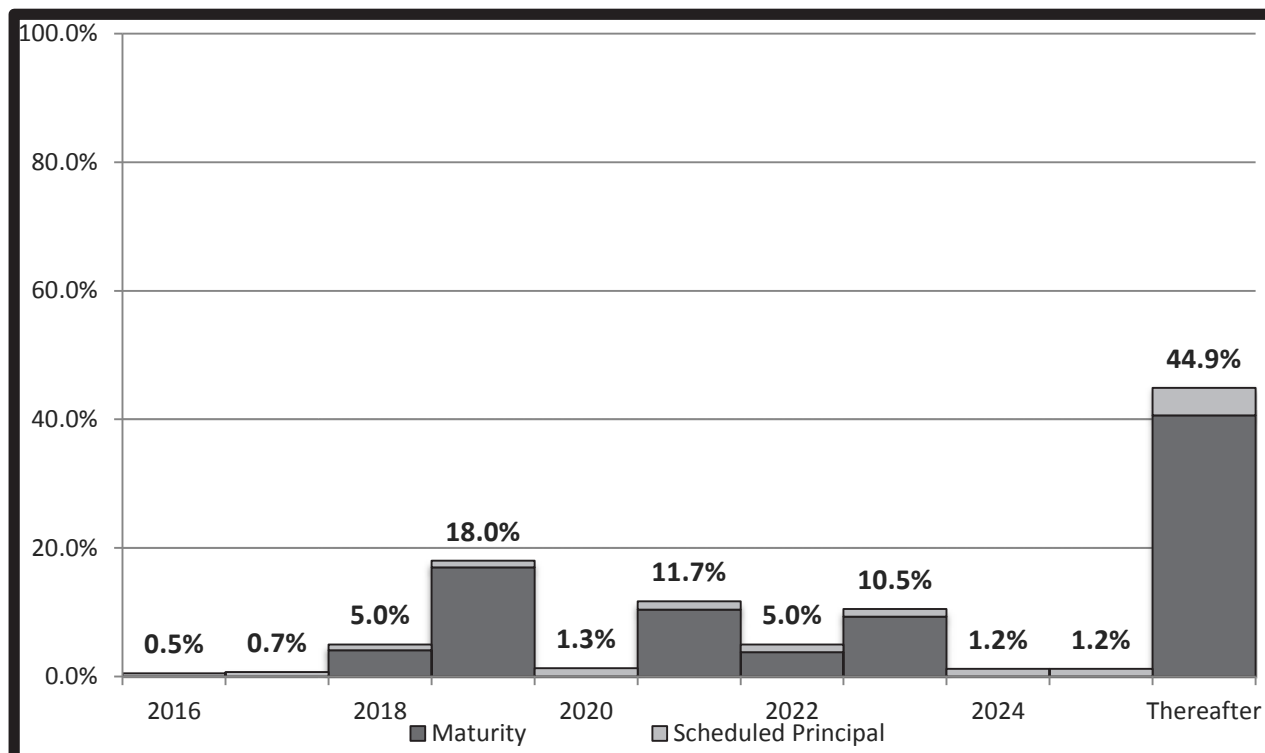
The LP Agreement limits the indebtedness of Pure Multi to a maximum of 70% of the gross book value. The gross book value is defined as the total book value of the assets plus accumulated depreciation and amortization in respect of such assets. The indebtedness is 54.6% of the gross book value as at December 31, 2015 (December 31, 2014 – 57.9%).

Mortgages Payable

The mortgages bear interest at a weighted average effective rate of 3.72%, based on Pure Multi's interest, as at December 31, 2015 (December 31, 2014 – 3.86%) and mature between 2018 and 2030. The scheduled principal payments, principal maturities and weighted average effective rate are as follows:

<i>Pure Multi's interest</i> December 31, 2015 <i>(\$000s)</i>	Weighted Average Effective Rate (on expiry)	Scheduled Principal Repayments	Principal Maturities	Total Repayments
2016	-	\$ 1,871	\$ -	\$ 1,871
2017	-	2,511	-	2,511
2018	3.51%	3,100	14,615	17,715
2019	3.29%	3,749	60,550	64,299
2020	-	4,505	-	4,505
2021	3.26%	4,541	37,060	41,601
2022	3.51%	4,456	13,680	18,136
2023	4.12%	4,405	33,349	37,754
2024	-	4,117	-	4,117
2025	-	4,287	-	4,287
Thereafter	3.92%	15,363	144,916	160,279
	3.72%	\$ 52,905	\$ 304,170	357,075
Unamortized mortgage transaction costs				(2,873)
				\$ 354,202

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



Preferred Units of Subsidiary

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

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

The US REIT may redeem the preferred units at any time, for a price equal to \$1,000 per preferred unit, plus accrued and unpaid distributions.

Due to the fixed distributions and preferred treatment for preferred units, they meet the definition of a liability. In addition, the board 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 6.5% convertible unsecured subordinated debentures (each, a “6.5% convertible debenture”) at a price of \$1,000 per 6.5% convertible debenture, for gross proceeds of \$23,000,000. The 6.5% convertible debentures mature on September 30, 2020 and are convertible at the holder’s option at any time into Class A Units at a conversion price of \$5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. On or after September 30, 2016, but prior to September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi, 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, 2015, none of the 6.5% convertible debentures were converted into Class A Units. At December 31, 2015, \$23,000,000 of the face value of the 6.5% convertible debentures was outstanding (December 31, 2014 - \$23,000,000).

The following summarizes the face and carrying values of the 6.5% convertible debentures at December 31, 2015:

	Convertible Debentures	Liability Component	Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2014	\$ 23,000,000	\$ 19,876,109	\$ 1,985,429
Amortization of transaction costs	-	155,350	-
Accretion of liability component	-	288,431	-
Balance as at December 31, 2015	\$ 23,000,000	\$ 20,319,890	\$ 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. On December 11, 2015, Pure Multi paid off its outstanding balance on the credit facility and extinguished the facility on the same date. The revolving credit facility was interest bearing at a variable interest rate based at 2.00% plus the London Interbank Offered Rate (“LIBOR”). The revolving credit facility was secured by a charge in respect of Windsong Apartments prior to its extinguishment.

Partners’ Capital

The capital of Pure Multi consists of an unlimited number of Class A Units and Class B Units 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.

On May 30, 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, 2014, Pure Multi issued 34,834,824 Class A Units for gross proceeds of \$171,446,849, less offering costs. On May 8, 2015, Pure Multi completed a public offering of 6,900,000 Class A Units, on a bought deal basis, at a price of \$5.10 per Class A Unit for gross proceeds of \$35,190,000, less offering costs. On October 27, 2015, 55,000 Class A Unit purchase warrants (each, a “Warrant”) were exercised for 55,000 Class A Units, at an exercise price of \$5.15, for gross proceeds of \$283,250. Pure Multi issued the 55,000 Class A Units from treasury. On December 11, 2015, Pure Multi completed a public offering of 7,250,000 Class A Units, on a bought deal basis, at a price of \$5.40 per Class A Unit, for gross proceeds of \$39,150,000, less offering costs.

As at December 31, 2015, Pure Multi had 49,039,824 Class A Units, 200,000 Class B Units and 2,142,912 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, July 22, 2014, May 4, 2015 and December 7, 2015, which are 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, referred to as 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.

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.

Subject to the terms of 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 effective as of the date that Pure Multi receives a notice of exercise of the Conversion Rights. Upon such occurrence (and the exercise of the Conversion Rights (as defined in the LP Agreement) by the Class B Unitholders, 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 take-over 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 described herein, and should not be construed as an alternative to net earnings or cash flows, as applicable, determined in accordance with IFRS. However, FFO is an operating performance measure which is widely used by the real estate industry 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, IFRIC 21 adjustments, mortgage prepayment expenses, and gains or losses from property dispositions, it provides a performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes; acquisition activities; and interest costs, and provides a perspective of financial performance that is not immediately apparent from net earnings determined in accordance with IFRS.

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

Adjusted funds from operations ("AFFO") is also a non-IFRS measure, using Pure Multi's interest as described herein, and should not be construed as an alternative to net earnings or cash flows, as applicable, determined in accordance with IFRS. However, AFFO is widely accepted as a performance measurement tool in the real estate industry. AFFO is calculated by adjusting the FFO for non-cash compensation items, accretion of debentures, 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, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Net income and comprehensive income	\$ 51,179	\$ 41,949	\$ 10,415	\$ 19,216
Adjustment:				
Amortization of transaction costs	967	1,219	154	200
Amortization of mark to market mortgage adjustments	(3,209)	(890)	-	(174)
Fair value adjustment to investment properties	(34,519)	(27,534)	(3,679)	(14,790)
(Gain) loss on disposal of investment properties	(525)	235	(1,321)	235
Property tax adjustments on acquisition or sale	(718)	(580)	(684)	(342)
Mortgage prepayment expense	5,189	-	-	-
IFRIC 21 fair value adjustment to investment properties	-	-	1,912	1,709
IFRIC 21 property tax liability adjustment, net	-	-	(1,912)	(1,709)
Funds from operations	\$ 18,364	\$ 14,399	\$ 4,885	\$ 4,345
Maintenance capital provision ⁽¹⁾	(1,289)	(1,187)	(352)	(333)
Accretion of convertible debentures	288	68	74	68
Adjusted funds from operations	\$ 17,363	\$ 13,280	\$ 4,607	\$ 4,080
Weighted average number of units (000s)				
Class A units	39,761	29,513	43,429	34,835
Class B units	200	200	200	200
Diluted weighted average number of units (000s)				
Class A units	43,832	33,584	47,980	38,906
Class B units	200	200	200	200
FFO per unit - Basic				
Class A units	\$ 0.44	\$ 0.46	\$ 0.11	\$ 0.12
Class B units	4.59	3.60	1.22	1.09
FFO per unit - Diluted				
Class A units	\$ 0.44	\$ 0.45	\$ 0.11	\$ 0.12
Class B units	4.59	3.60	1.22	1.09
Payout Ratio on FFO	86.1%	82.8%	89.3%	79.1%
AFFO per unit - Basic				
Class A units	\$ 0.42	\$ 0.43	\$ 0.10	\$ 0.11
Class B units	4.34	3.32	1.15	1.02
AFFO per unit – Diluted				
Class A units	\$ 0.41	\$ 0.42	\$ 0.10	\$ 0.11
Class B units	4.34	3.32	1.15	1.02
Payout Ratio on AFFO	91.1%	89.8%	94.7%	84.3%

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> <i>(\$000s)</i>	For the year ended December 31, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Adjusted funds from operations	\$ 17,363	\$ 13,280	\$ 4,607	\$ 4,080
Maintenance capital provision	1,289	1,187	352	333
Accretion of convertible debentures	(288)	(68)	(74)	(68)
Funds from operations	18,364	14,399	4,885	4,345
(Increase) decrease in accounts receivable	(325)	(453)	315	(429)
Increase in prepaid expenses	(369)	(129)	(451)	(365)
Increase (decrease) in rental deposits	202	235	(90)	(12)
Increase (decrease) in accounts payable and accrued liabilities	(1,676)	1,989	(4,472)	(968)
Increase (decrease) in unearned revenue	(94)	247	233	252
IFRIC 21 property tax liability adjustment, net	-	-	1,912	1,709
Accretion of convertible debentures	288	68	74	68
Interest income	(14)	(5)	(4)	(1)
Interest expense	17,952	10,535	3,753	2,942
Mortgage prepayment expense	(5,189)	-	-	-
Distributions to subsidiary's preferred unitholders	16	16	4	4
Net cash provided from operating activities	\$ 29,155	\$ 26,902	\$ 6,159	\$ 7,545

Capital Resources

Cash generated by investment properties represents the primary source of funds to fund total distributions to unitholders of \$15,810,293 for the year ended December 31, 2015 (year ended December 31, 2014 - \$11,918,901).

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 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, 2015, cash provided from operating activities, less interest paid (“adjusted cash provided from (used by) operating activities”), was less than cash distributions declared due to the mortgage prepayment expense, a non-recurring expense, in the amount of \$5,188,836, incurred by Pure Multi on the mortgage refinancing of Prairie Creek Villas and the timing of property tax payable amounts paid during the three months ended December 31, 2015. For the three months and year ended December 31, 2014, adjusted cash provided from (used by) operating activities, was more than cash distributions declared. Management expects that adjusted cash provided from operating activities, after adjusting for non-recurring items, will exceed cash distributions declared.

<i>Pure Multi's interest</i> <i>(\$000s)</i>	For the year ended December 31, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Cash provided from operating activities	\$ 29,155	\$ 26,902	\$ 6,159	\$ 7,545
Less interest paid	(17,674)	(10,605)	(3,118)	(2,576)
Adjusted cash provided from operating activities	11,481	16,297	3,041	4,969
Actual cash distributions declared	15,810	11,919	4,362	3,438
Surplus (shortfall) of cash from (used by) operating activities over cash distributions declared	\$ (4,329)	\$ 4,378	\$ (1,321)	\$ 1,531

For the three months and years ended December 31, 2015 and 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> <i>(\$000s)</i>	For the year ended December 31, 2015	For the year ended December 31, 2014	For the three months ended December 31, 2015	For the three months ended December 31, 2014
Net income	\$ 51,179	\$ 41,949	\$ 10,415	\$ 19,216
Actual cash distributions declared	15,810	11,919	4,362	3,438
Surplus of net income over cash distributions declared	\$ 35,369	\$ 30,030	\$ 6,053	\$ 15,778

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 unitholders' 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 54.6% as at December 31, 2015 (December 31, 2014 – 57.9%).

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, 2015 was \$15,019,778 (year ended December 31, 2014 - \$11,322,956). The total distributions declared to Class B unitholders during the year ended December 31, 2015 was \$790,515 (year ended December 31, 2014 - \$595,945).

The capital structure consisted of the following components at December 31, 2015 and 2014:

<i>Pure Multi’s interest (\$000s)</i>	December 31, 2015	December 31, 2014	Change
Capital			
Mortgages payable	\$ 354,202	\$ 256,735	\$ 97,467
Convertible debentures	20,320	19,876	444
Preferred units of subsidiary	125	125	-
Partners’ capital	304,274	197,798	106,476
Total Capital	\$ 678,921	\$ 474,534	\$ 204,387

The total capital of Pure Multi increased from December 31, 2014 to December 31, 2015 primarily due to the May 2015 Offering and the December 2015 Offering, both of which increased partners’ capital, the new mortgages obtained and net income earned from operations. This was partially offset by the repayment of mortgages payable and distributions declared to the unitholders.

FINANCIAL INSTRUMENTS

For certain of Pure Multi’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> <i>(\$000s)</i>	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	\$ 354,202	\$ 366,040	\$ 256,735	\$ 262,023
Preferred units of subsidiary	125	125	125	125
Convertible debentures	20,320	23,000	19,876	22,885

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, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013
Rental revenue	\$ 58,876	\$ 48,475	\$ 31,583
Net rental income	32,696	26,112	16,357
Net income and comprehensive income	51,179	41,949	14,202
Total assets	691,153	492,791	351,007
Total non-current assets	613,682	468,518	337,603
Total liabilities	386,879	294,993	231,214
Total non-current liabilities	372,776	275,128	215,279
Distributions	15,810	11,919	8,371
Per Class A Unit	\$ 0.38	\$ 0.38	\$ 0.37
Per Class B Unit	\$ 3.95	\$ 2.98	\$ 2.09
Basic net income per Class A Unit	\$ 1.22	\$ 1.35	\$ 0.62
Basic net income per Class B Unit	\$ 12.79	\$ 10.49	\$ 3.55

Pure Multi's total assets and liabilities have increased significantly during the year ended December 31, 2015 due to investment property acquisitions and their related mortgages, the issuance of equity, and fair value increases of its investment properties. As at December 31, 2015, Pure Multi held 14 investment properties comprising 4,437 residential units and 4,052,934 gross rentable square feet, compared to 14 investment properties with 4,308 residential units and 3,830,279 gross rentable square feet as at December 31, 2014.

Total rental revenue from the investment properties totaled \$58.9 million for the year ended December 31, 2015 compared to \$48.5 million for the year ended December 31, 2014. This increase is reflective of the increase in the number of days the investment properties were operating during 2015 compared to 2014, due to the timing of acquisitions and dispositions, 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, 2015, based on Pure Multi's interest:

- Assets increased to \$691,152,766 from \$654,498,958 as at September 30, 2015. This increase was primarily due to the December 2015 Offering and the fair value adjustments to investment properties, and was partially offset by the disposition of Windsong. As at December 31, 2015, Pure Multi had cash and cash equivalents of \$68,632,392 and investment properties of \$613,681,875, compared to \$17,483,232 and \$629,037,708, respectively, as at September 30, 2015.
- Liabilities decreased to \$386,878,540 from \$393,863,005 as at September 30, 2015. This decrease was primarily due to the repayment of a credit facility.
- Partners' capital increased to \$304,274,226 from \$260,635,953 as at September 30, 2015. This increase was primarily due to the December 2015 Offering and 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 \$16,547,369 from investment properties (three months ended December 31, 2014 - \$13,995,547). These properties incurred operating expenses of \$7,437,439, resulting in net rental income of \$9,109,930 during the three months ended December 31, 2015 (three months ended December 31, 2014 - \$6,335,869 and \$7,659,678, respectively). The significant increase in rental revenue, operating expenses and net rental income was as a result of Pure Multi operating additional investment properties throughout the current period compared to the comparative period.
- Pure Multi incurred interest expense of \$3,980,708 and distributions to subsidiary's preferred unitholders of \$3,906 (three months ended December 31, 2014 - \$3,035,975 and \$3,906, respectively). This resulted in net finance expenses of \$3,980,477 during the three months ended December 31, 2015 (three months ended December 31, 2014 - \$3,038,989). The increases in net finance expenses was primarily due to the additional mortgage interest costs during the period.
- Pure Multi incurred general and administrative expenses of \$277,740, fair value adjustments to investment properties gain of \$4,362,671, incurred franchise tax expense of \$121,654 and gain on disposal of investment properties of \$1,321,039 (three months ended December 31, 2014 - \$208,671, \$15,132,158, \$93,608 and a loss on disposal of \$235,421, respectively).
- Pure Multi had net income of \$10,414,868 (three months ended December 31, 2014 - \$19,215,762), as a result of the above transactions.

<i>Pure Multi's interest</i> Quarter ended (\$000s, except per unit amounts)	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Rental revenue	\$ 16,547	\$ 15,378	\$ 13,902	\$ 13,049
Operating expenses	7,437	6,950	6,087	5,706
Net rental income	9,110	8,428	7,815	7,343
Interest expense	(3,981)	(6,117)	(2,980)	(2,921)
General and administrative expenses	(278)	(183)	(261)	(192)
Fair value adjustments to investment properties	4,363	10,340	9,401	11,134
Net income and comprehensive income	10,415	11,583	13,896	15,285
Basic net income per unit				
Class A units	0.23	0.26	0.34	0.42
Class B units	2.60	2.90	3.47	3.82

<i>Pure Multi's interest</i> Quarter ended (\$000s, except per unit amounts)	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)	(2,357)	(2,326)
General and administrative expenses	(209)	(141)	(226)	(194)
Fair value adjustments to investment properties	15,132	7,117	5,865	-
Net income and comprehensive income	19,216	10,637	8,987	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> As at (\$000s)	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Total assets	\$ 691,153	\$ 654,499	\$ 565,553	\$ 482,813
Total liabilities	386,879	393,863	312,382	273,168
Partners' capital	304,274	260,636	253,171	209,645
Investment properties	613,682	629,035	517,148	452,568
Mortgages payable	354,202	354,455	276,338	240,577

<i>Pure Multi's interest</i> As at (\$000s)	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	120,526
Investment properties	468,518	462,725	389,797	337,945
Mortgages payable	256,735	262,183	223,995	196,046

SECTION IV

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions during the reporting period that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Pure Multi's significant accounting policies are described in note 3 to the December 31, 2015 audited consolidated financial statements, available on SEDAR at www.sedar.com and on Pure Multi's website at www.puremultifamily.com.

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

Valuation of Investment Properties

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

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

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

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

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

ACCOUNTING STANDARDS NOT YET ADOPTED

Pure Multi's significant accounting policies are described in note 3 to the December 31, 2015 audited consolidated financial statements, available on SEDAR at www.sedar.com and on Pure Multi's website at www.puremultifamily.com.

Standards issued but not yet effective

(a) IFRS 9 - Financial instruments

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9 (2014)").

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

Pure Multi intends to adopt IFRS 9 (2014) for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined, however it is not expected to have a material impact on Pure Multi’s consolidated financial statements.

(b) IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The new standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

Pure Multi intends to adopt IFRS 15 for the annual period beginning on January 1, 2018. Pure Multi does not expect the standard to have a material impact on the consolidated financial statements.

(c) IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases* (“IAS 17”).

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Pure Multi intends to adopt IFRS 16 for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined, however it is not expected to have a material impact on Pure Multi’s 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%. As all of the mortgages payable bear interest at fixed rates, Pure Multi does not face 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, 2015	December 31, 2014
Fixed rate instruments		
Mortgages payable	\$ 357,075,437	\$ 255,573,769
Convertible debentures	23,000,000	23,000,000
Preferred units of subsidiary	125,000	125,000
	380,200,437	278,698,769
Variable rate instruments		
Credit facility	-	5,546,485

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 as a relatively small portion of the expenses are in Canadian dollars.

Lease Rollover Risk

Lease rollover risk arises from the possibility that Pure Multi 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.

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

Year ended December 31,	2016	2017	2018	2019	2020 and thereafter
Mortgages payable (principal and interest)	\$ 15,219,689	\$ 15,756,027	\$ 30,685,613	\$ 76,152,422	\$ 337,941,459
Convertible debentures payable (principal and interest)	1,495,000	1,495,000	1,495,000	1,495,000	24,122,274
Preferred units of subsidiary (principal and interest)	15,625	15,625	15,625	15,625	140,625
Accounts payable and accrued liabilities	10,409,972	-	-	-	-
Total	\$ 27,140,286	\$ 17,266,652	\$ 32,196,238	\$ 77,663,047	\$ 362,204,358

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, 2015, Pure Multi declared distributions to the Managing GP in the amount of \$790,515 (year ended December 31, 2014 - \$595,945). Included in accounts payable and accrued liabilities at December 31, 2015 was \$nil (December 31, 2014 - \$495,630).

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

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

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

- Walker Commons acquired on June 27, 2014 for a purchase price of \$43,800,000;
- 50% interest in Preserve acquired on August 28, 2014 for a purchase price of \$20,500,000; and
- 80% interest in San Brisas acquired on August 28, 2014 for a purchase price of \$22,640,000.

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).

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

- 50% interest in Preserve acquired on August 28, 2014 for a purchase price of \$20,500,000.

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. 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 \$1,764,027 in property management fees during the year ended December 31, 2015 (year ended December 31, 2014 - \$1,454,305). Included in accounts payable and accrued liabilities at December 31, 2015 was \$nil (December 31, 2014 - \$nil).

Compensation

Currently, the directors of the Governing GP who are not affiliated with or employees of the Managing GP receive annual compensation, in addition to fees for attending meetings of the directors or any committee, and acting as committee chairs and members. As well, the Governing GP will indirectly reimburse such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi will reimburse the Governing GP for such amounts. In addition, Pure Multi will obtain insurance coverage for such directors. Compensation will be reviewed on an annual basis, giving consideration to Pure Multi’s growth and the extent of its portfolio. The amount incurred during the year ended December 31, 2015 was \$210,293 (year ended December 31, 2014 - \$96,797).

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, at no cost, 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. 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, without bonus or penalty, upon not less than 60 days notice. 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 10, 2016, 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. See "Financial Condition – Partners' Capital";
- (b) 49,039,824 Class A Units;
- (c) 2,142,912 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****Pure View at TPC ("Pure View")**

On March 1, 2016, Pure Multi, through the US REIT, acquired Pure View, a multi-family apartment community located in San Antonio, Texas, for a purchase price of \$61,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and proceeds from a new mortgage financing.

Pure Estates at TPC ("Pure Estates")

On March 1, 2016, Pure Multi, through the US REIT, acquired Pure Estates, a multi-family apartment community located in San Antonio, Texas, for a purchase price of \$56,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and proceeds from a new mortgage financing.

ADDITIONAL INFORMATION

Additional information relating to Pure Multi is available on SEDAR at www.sedar.com and 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, 2015
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 statements of financial position as at December 31, 2015 and 2014, 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 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 and fair presentation 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 consolidated financial position of Pure Multi-Family REIT LP as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants

March 9, 2016
Vancouver, Canada

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

	December 31, 2015	December 31, 2014
ASSETS		
Non-current assets		
Investment properties (note 4)	\$ 613,681,875	\$ 468,518,077
Current assets		
Prepaid expenses	1,456,482	1,087,631
Mortgage reserve fund (note 6)	6,570,597	6,208,641
Amounts receivable	811,420	486,118
Cash and cash equivalents (note 7)	68,632,392	16,490,085
	77,470,891	24,272,475
TOTAL ASSETS	\$ 691,152,766	\$ 492,790,552
LIABILITIES		
Non-current liabilities		
Mortgages payable (note 8)	\$ 352,331,209	\$ 255,126,917
Convertible debentures (note 9)	20,319,890	19,876,109
Preferred units of subsidiary (note 10)	125,000	125,000
	372,776,099	275,128,026
Current liabilities		
Mortgages payable – current portion (note 8)	1,870,858	1,608,076
Credit facility (note 11)	-	5,474,301
Rental deposits	1,004,731	802,296
Unearned revenue	816,880	910,674
Accounts payable and accrued liabilities	10,409,972	11,069,372
	14,102,441	19,864,719
TOTAL LIABILITIES	386,878,540	294,992,745
PARTNERS' CAPITAL (note 12)	304,274,226	197,797,807
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 691,152,766	\$ 492,790,552

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

Subsequent events (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 12)	Accumulated Earnings	Total
Balance, December 31, 2014	\$ 159,153,127	\$ 1,000,000	\$ 20	\$ 2,683,024	\$ 34,961,636	\$ 197,797,807
Issuance of units	74,623,250	-	-	-	-	74,623,250
Conversion of warrants, net of offering costs	17,456	-	-	(17,456)	-	-
Offering costs	(3,515,918)	-	-	-	-	(3,515,918)
Distributions to limited partners	-	-	-	-	(15,810,293)	(15,810,293)
Net income for the year	-	-	-	-	51,179,380	51,179,380
Balance, December 31, 2015	\$ 230,277,915	\$ 1,000,000	\$ 20	\$ 2,665,568	\$ 70,330,723	\$ 304,274,226

	Limited Partners Class A	Limited Partners Class B	General Partner	Other Equity Items (note 12)	Accumulated Earnings (Deficit)	Total
Balance, December 31, 2013	\$ 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 year	-	-	-	-	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

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, 2015	December 31, 2014
REVENUES		
Rental	\$ 58,875,799	\$ 48,132,585
OPERATING EXPENSES		
Insurance	1,542,422	1,286,961
Property management	1,764,027	1,443,890
Property taxes	8,500,250	6,696,196
Property operating expenses	13,655,094	12,217,725
	25,461,793	21,644,772
NET RENTAL INCOME	33,414,006	26,487,813
NET FINANCE INCOME (EXPENSES)		
Interest income	14,202	4,851
Interest expense (note 13)	(15,998,065)	(10,343,424)
Distributions to subsidiary's preferred unitholders	(15,625)	(15,625)
	(15,999,488)	(10,354,198)
NET OTHER INCOME (EXPENSES)		
Other income	12,424	1,263
General and administrative	(913,588)	(769,883)
Fair value adjustments to investment properties (note 4)	34,519,113	27,506,544
Gain (loss) on disposal of investment properties (note 4)	525,088	(235,421)
Franchise taxes	(378,175)	(329,145)
	33,764,862	26,173,358
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENT (note 5)	-	(357,696)
NET INCOME AND COMPREHENSIVE INCOME	\$ 51,179,380	\$ 41,949,277
Earnings per Class A unit		
Basic	\$ 1.22	\$ 1.35
Diluted (note 20)	\$ 1.15	\$ 1.23
Weighted average number of Class A units		
Basic	39,761,071	29,512,727
Diluted (note 20)	43,831,867	33,583,523
Earnings per Class B unit		
Basic and diluted	\$ 12.79	\$ 10.49
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, 2015	December 31, 2014
Cash provided by (used in)		
OPERATIONS		
Net income	\$ 51,179,380	\$ 41,949,277
Items not involving cash:		
Amortization of transaction costs and accretion of convertible debentures	1,255,192	586,744
Amortization and write-off of mark to market mortgage adjustment	(3,209,439)	(687,895)
Fair value adjustments to investment properties (note 4)	(34,519,113)	(27,506,544)
Property tax adjustments on acquisition	(1,479,908)	(587,949)
Property tax adjustments on sale	761,686	7,453
Share of loss of equity-accounted investee (note 5)	-	357,696
(Gain) loss on disposal of investment properties (note 4)	(525,088)	235,421
Interest income	(14,202)	(4,851)
Interest expense	17,952,312	10,444,575
Distributions to subsidiary's preferred unitholders	15,625	15,625
Net change in non-cash working capital items (note 14)	(2,261,582)	1,923,977
	29,154,863	26,733,529
INVESTING		
Acquisitions of investment properties	(172,850,553)	(110,625,439)
Capital additions to investment properties	(2,920,095)	(2,157,679)
Proceeds received on disposal of investment properties	51,901,950	10,500,000
Disposition costs on disposal of investment properties	(1,430,727)	(720,522)
Transfer of investment property from equity-accounted investment	-	(5,660,000)
Investments from equity-accounted investment	-	2,473,013
Interest received	14,202	4,851
	(125,285,223)	(106,185,776)
FINANCING		
Distributions paid to subsidiary's preferred unitholders	(15,625)	(15,625)
Distributions paid to limited partners	(15,071,502)	(11,348,066)
Interest paid	(17,674,432)	(10,501,496)
Mortgage proceeds received	158,600,000	70,050,000
Funds to mortgage reserve fund	(361,956)	(551,622)
Payment of finance transaction costs	(1,564,383)	(600,966)
Proceeds from the issuance of limited partner units	74,623,250	49,460,167
Repayment of mortgages payable	(41,200,282)	(5,887,852)
Repayment of bank credit facility	(5,546,485)	-
Unit offering costs	(3,515,918)	(2,188,921)
Credit facility proceeds received	-	150,000
Proceeds from the issuance of warrants	-	703,332
	148,272,667	89,268,951

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	52,142,307	9,816,704
Cash and cash equivalents, beginning of year	16,490,085	6,673,381
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 68,632,392	\$ 16,490,085

Supplemental cash flow information:

Non-cash financing and investing activity:

Cash distributions to the limited partners included in accounts payable and accrued liabilities	\$ 1,532,495	\$ 1,584,218
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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 for, among other things, 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 for, among other things, 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, 2015 were authorized for issue by the Board of Directors of the Governing GP (the “Board”) on March 9, 2016.

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 income tax rate applicable to Canadian corporations. The “taxable non-portfolio earnings” of a SIFT partnership less SIFT tax payable by a SIFT partnership is deemed to be a taxable dividend received by the SIFT partnership from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. Any such deemed taxable dividend would be allocated to the partners of a SIFT partnership and be taxable as taxable dividends in their hand. 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, management believes at least 90% of Pure Multi’s gross income for the taxation year is 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 during the year ended December 31, 2015, is equal to 0.95% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; (iii) 100% of total revenue less compensation expense; or (iv) 100% of total revenue less \$1 million. Pure Multi has recorded a provision for Texas Franchise Tax of \$378,175 for the year ended December 31, 2015 (year ended December 31, 2014 - \$329,145), 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 4.

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. Accounting standards not yet adopted

Financial instruments: classification and measurement

On July 24, 2014 the IASB issued the complete IFRS 9, *Financial Instruments* (“IFRS 9 (2014)”).

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

Pure Multi intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined, however it is not expected to have a material impact on Pure Multi’s consolidated financial statements.

Revenue recognition

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

Pure Multi intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. Pure Multi does not expect the standard to have a material impact on the consolidated financial statements.

Leases

On January 13, 2016 the IASB issued IFRS 16, *Leases* (“IFRS 16”). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases* (“IAS 17”).

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Pure Multi intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined, however it is not expected to have a material impact on Pure Multi’s consolidated financial statements.

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

4) **INVESTMENT PROPERTIES**

	2015
Balance, at December 31, 2014	\$ 468,518,077
Acquisitions	172,850,553
Dispositions	(65,844,185)
Property tax adjustments on acquisitions and dispositions	718,222
Capital additions	2,920,095
Fair value adjustments to investment properties	34,519,113
	613,681,875
IFRIC 21 property tax liability adjustment	-
IFRIC 21 fair value adjustment to investment properties	-
Balance, December 31, 2015	\$ 613,681,875
	2014
Balance, at December 31, 2013	\$ 332,002,818
Acquisitions	110,625,439
Dispositions	(10,014,899)
Transfer from equity-accounted investment	5,660,000
Property tax adjustments on acquisitions and dispositions	580,496
Capital additions	2,157,679
Fair value adjustments to investment properties	27,506,544
	468,518,077
IFRIC 21 property tax liability adjustment	-
IFRIC 21 fair value adjustment to investment properties	-
Balance, December 31, 2014	\$ 468,518,077

On January 14, 2015, Pure Multi, through the US REIT, sold Sunset Point Apartments, a multi-family apartment community (“Sunset Point”), located in Arlington, Texas, for a sale price of \$27,950,000, less standard closing costs and adjustments. The mortgage payable of \$15,898,050, secured by Sunset Point, was assumed by the purchaser on the same date and net cash proceeds received by Pure Multi were \$12,051,950.

On May 7, 2015, Pure Multi, through the US REIT, acquired Park at West Avenue, a multi-family apartment community (“Park West”), located in San Antonio, Texas, for a purchase price of \$54,250,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15 year mortgage in the amount of \$36,500,000.

On August 10, 2015, Pure Multi, through the US REIT, acquired Amalfi Stonebriar, a multi-family apartment community (“Amalfi”), located in Frisco, Texas, for a purchase price of \$67,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 12 year mortgage in the amount of \$45,000,000.

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

On September 2, 2015, Pure Multi, through the US REIT, sold Oakchase Apartment Homes, a multi-family apartment community (“Oakchase”), located in Arlington, Texas, for a sale price of \$17,850,000, less standard closing costs and adjustments. The mortgage payable, secured by Oakchase, was paid in full as of the same date.

On September 30, 2015, Pure Multi, through the US REIT, acquired Brackenridge at Midtown, a multi-family apartment community (“Brackenridge”), located in San Antonio, Texas, for a purchase price of \$51,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 12 year mortgage in the amount of \$30,600,000.

On December 30, 2015, Pure Multi, through the US REIT, sold Windsong Apartments, a multi-family apartment community (“Windsong”), located in Dallas, Texas, for a sale price of \$22,000,000, less standard closing costs and adjustments.

The gain (loss) on disposal of investment properties is calculated as follows:

For the year ended December 31,	2015		2014	
Sales price	\$	67,800,000	\$	10,500,000
Disposition costs		(1,430,727)		(720,522)
Net proceeds		66,369,273		9,779,478
Fair value of investment properties		(65,844,185)		(10,014,899)
Gain (loss) on disposal of investment properties	\$	525,088	\$	(235,421)

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

Investment properties are carried at fair value. As set out in note 3(P), in arriving at their estimates of fair value, management and the independent appraisers have used their market knowledge and professional judgment and have not relied solely on historical transactional comparisons.

Independent appraisals were performed by accredited appraisers 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 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 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, 2015, Pure Multi obtained independent appraisals on all investment properties held at December 31, 2015 (year ended December 31, 2014 – obtained independent appraisals on all investment properties held at December 31, 2014). As disclosed in note 3(P), where appropriate, management incorporated these appraisals in its determination of fair value for each of the investment properties.

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

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

	December 31, 2015		December 31, 2014	
	Weighted average	Range	Weighted average	Range
Capitalization rate	5.50%	5.00% - 6.00%	5.90%	5.35% - 6.25%

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

The tables below show Pure Multi's investment in San Brisas, while measured measured using the equity method:

Balance, December 31, 2013	\$	2,830,709
Additions		-
Share of net loss		(357,696)
Equity value at time of acquisition of control		(2,473,013)
Balance, August 28, 2014	\$	-

For the year ended December 31 2014 (from January 1, 2014 until acquisition of remaining interest by Pure Multi on August 28, 2014)		
Revenues	\$	1,710,348
Operating expenses		690,732
Net rental income		1,019,616
Net finance expenses		(453,183)
Fair value adjustment to investment properties		135,844
Net income and comprehensive income		702,277
Pure Multi's share of net income and comprehensive income, before adjustments		140,456
Adjustment for Pure Multi's net finance expenses related to joint venture		(498,152)
Pure Multi's share of net loss and comprehensive loss, for the period	\$	(357,696)

6) 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.

7) CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is \$21,705,731 of cash held in trust by an escrow agency. This cash represents the net proceeds received from the sale of the Windsong investment property. This cash is readily available and will be released in less than 12 months, therefore it is classified as a current asset.

8) MORTGAGES PAYABLE

	Nominal interest rate	Year of maturity	December 31, 2015 Face value	December 31, 2014 Face value
Valley Ranch	3.51%	2022	\$ 13,680,000	\$ 13,680,000
Prairie Creek ⁽¹⁾	4.07%	2030	46,372,718	31,712,271
Bear Creek	3.45%	2019	32,080,000	32,080,000
Prestonwood	3.46%	2023	8,670,000	8,670,000
Hackberry Creek	3.90%	2028	29,500,000	29,500,000
Deer Park	4.21%	2023	16,370,676	16,480,000
Fountainwood	4.46%	2023	12,734,504	12,948,076
Livingston	3.51%	2018	15,517,539	15,824,842
Walker Commons	3.11%	2019	28,470,000	28,470,000
Preserve	3.26%	2021	24,600,000	24,600,000
San Brisas	3.26%	2021	16,980,000	16,980,000
Park West	4.02%	2030	36,500,000	-
Amalfi	3.83%	2027	45,000,000	-
Brackenridge	3.72%	2027	30,600,000	-
Oakchase	3.28%	-	-	8,706,995
Sunset Point	3.54%	-	-	15,921,585
Total mortgages principal payable			357,075,437	255,573,769
Unamortized mortgage transaction costs			(2,873,370)	(2,048,215)
Unamortized mark to market mortgage adjustment			-	3,209,439
Total carrying value of mortgages payable			\$ 354,202,067	\$ 256,734,993

⁽¹⁾ On September 9, 2015, Pure Multi obtained new mortgage financing on Prairie Creek Villas in the amount of \$46,500,000, with a term of 15 years and bearing a fixed interest rate of 4.07%. The prior mortgage payable, secured by Prairie Creek Villas, was paid in full as of the same date and the balance of the unamortized mark to market mortgage adjustment of \$2,737,202 was written off (note 13).

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

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 3.72% as at December 31, 2015 (December 31, 2014 – 3.86%).

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

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

2016	\$	1,870,858
2017		2,510,654
2018		17,714,902
2019		64,298,911
2020		4,505,456
Thereafter		266,174,656
	\$	357,075,437

9) CONVERTIBLE DEBENTURES

On August 7, 2013, Pure Multi issued 23,000 6.5% convertible unsecured subordinated debentures (each a “6.5% convertible debenture”) at a price of \$1,000 per 6.5% convertible debenture, for gross proceeds of \$23,000,000. The 6.5% convertible debentures mature of September 30, 2020 and are convertible at the holder’s option at any time into Class A Units at a conversion price of \$5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. 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, 2015, none of the 6.5% convertible debentures have been converted into Class A Units. At December 31, 2015, \$23,000,000 of the face value of the 6.5% convertible debentures was outstanding.

The following summarizes the face and carrying values of the 6.5% convertible debentures at December 31, 2015:

	Convertible Debentures	Liability Component	Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2014	\$ 23,000,000	\$ 19,876,109	\$ 1,985,429
Amortization of transaction costs	-	155,350	-
Accretion of liability component	-	288,431	-
Balance as at December 31, 2015	\$ 23,000,000	\$ 20,319,890	\$ 1,985,429

10) PREFERRED UNITS OF SUBSIDIARY

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

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

The US REIT may redeem the preferred units at any time, for a price equal to \$1,000 per preferred unit, plus accrued and unpaid distributions.

Due to the fixed distributions and preferred treatment for preferred units, they meet the definition of a liability. In addition, the Board does not 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, 2015 to the preferred unitholders (year ended December 31, 2014 – \$15,625).

11) CREDIT FACILITY

On July 19, 2013, Pure Multi established a revolving credit facility with a lender in the amount of \$9,900,000. On December 11, 2015, Pure Multi paid its outstanding balance on the credit facility and extinguished the facility on the same date. The revolving credit facility was interest bearing at a variable interest rate based at 2.00% plus the London Interbank Offered Rate (“LIBOR”). The revolving credit facility was secured by a charge in respect of Windsong Apartments prior to its extinguishment.

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

The amount payable on the credit facility at December 31, 2014 was \$5,474,301. This amount is net of the related unamortized transaction costs of \$72,184, which were amortized, on a straight-line basis, over the term of the credit facility.

12) 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.

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

On May 30, 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 initially entitles the Class B Unitholders to a 5% interest in Pure Multi. Pure Multi did not issue any additional Class B Units subsequent to this.

From the date of formation on May 8, 2012, to December 31, 2014, Pure Multi issued 34,834,824 Class A Units for gross proceeds of \$170,743,517, less offering costs.

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

On October 27, 2015, 55,000 Class A Unit purchase warrants (each a “Warrant”) were exercised for 55,000 Class A Units, at an exercise price of \$5.15, for gross proceeds of \$283,250. Pure Multi issued the 55,000 Class A Units from treasury.

On December 11, 2015, Pure Multi completed a public offering of 7,250,000 Class A Units, on a bought deal basis, at a price of \$5.40 per Class A Unit for gross proceeds of \$39,150,000, less offering costs.

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

b) Other Equity Items

	December 31, 2015			December 31, 2014		
	Convertible Debentures Equity Component (note 9)	Warrants	Total	Convertible Debentures Equity Component (note 9)	Warrants	Total
Balance at beginning of year	\$ 1,985,429	\$ 697,595	\$ 2,683,024	\$ 1,985,429	\$ -	\$ 1,985,429
Issuance of warrants, net of offering costs	-	-	-	-	697,595	697,595
Warrants exercised, net of offering cost	-	(17,456)	(17,456)	-	-	-
Balance at end of year	\$ 1,985,429	\$ 680,139	\$ 2,665,568	\$ 1,985,429	\$ 697,595	\$ 2,683,024

During the year ended December 31, 2014, Pure Multi issued 2,197,912 Warrants. 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. During the year ended December 31, 2015, 55,000 Warrants were exercised and converted into Class A units. As at December 31, 2015, Pure Multi had outstanding Warrants as follows:

Number of Warrants	Exercise Price	Expiry
2,142,912	\$5.15	November 20, 2016

13) INTEREST EXPENSE

Interest expense consists of the following:

	Year ended	
	December 31, 2015	December 31, 2014
Mortgage interest	\$ 11,156,074	\$ 8,815,187
Credit facility interest	112,402	134,284
Convertible debenture interest	1,495,000	1,495,104
Amortization of transaction costs and accretion of convertible debentures	1,255,192	586,744
Amortization and write-off of mark to market mortgage adjustment ⁽¹⁾	(3,209,439)	(687,895)
Mortgage prepayment expense ⁽¹⁾	5,188,836	-
	\$ 15,998,065	\$ 10,343,424

⁽¹⁾ On September 9, 2015, Pure Multi obtained new mortgage financing on Prairie Creek Villas and incurred a mortgage prepayment expense of \$5,188,836, related to paying off its prior mortgage. This prepayment expense was partially offset by the write-off of the unamortized portion of the market to market mortgage adjustment in the amount of \$2,737,202, on the same date.

14) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Year ended	
	December 31, 2015	December 31, 2014
Cash provided by (used in)		
Amounts receivable	\$ (325,302)	\$ (453,067)
Prepaid expenses	(368,851)	(137,879)
Accounts payable and accrued liabilities	(1,676,070)	2,010,682
Unearned revenue	(93,794)	260,807
Rental deposits	202,435	243,434
	\$ (2,261,582)	\$ 1,923,977

15) 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.

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

The LP Agreement provides for a maximum indebtedness level of up to 70% of the gross book value. The term "indebtedness" means any obligation of Pure Multi for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of Pure Multi arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by Pure Multi for which Pure Multi has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, preferred units of subsidiary, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The LP Agreement defines "gross book value" as the book value of the assets of Pure Multi plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by Pure Multi. Pure Multi's indebtedness is 54.6% as at December 31, 2015 (December 31, 2014 – 57.9%). Pure Multi was in compliance with all restrictions during the years ended December 31, 2015 and 2014.

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

	December 31, 2015	December 31, 2014
Capital		
Mortgages payable	\$ 354,202,067	\$ 256,734,993
Convertible debentures	20,319,890	19,876,109
Preferred units of subsidiary	125,000	125,000
Partners' capital	304,274,226	197,797,807
Total capital	\$ 678,921,183	\$ 474,533,909

16) FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of Pure Multi's financial instruments, including cash and cash equivalents, amounts receivable, mortgage reserve fund, credit facility, and accounts payable and accrued liabilities, the carrying amounts approximate the fair values due to the short-term nature of the instruments.

The fair values of the mortgages payable and preferred units have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates are either provided by lenders or are observable in the open market. The fair value of the convertible debentures has been calculated using quoted prices in active markets.

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

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	\$ 354,202,067	\$ 366,039,986	\$ 256,734,993	\$ 262,022,675
Preferred units of subsidiary	125,000	125,000	125,000	125,000
Convertible debentures	20,319,890	23,000,000	19,876,109	22,885,000

Financial risk management

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

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

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

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

Year ended December 31,	2016	2017	2018	2019	2020 and thereafter
Mortgages payable (principal and interest)	\$ 15,219,689	\$ 15,756,027	\$ 30,685,613	\$ 76,152,422	\$ 337,941,459
Convertible debentures payable (principal and interest)	1,495,000	1,495,000	1,495,000	1,495,000	24,122,274
Preferred units of subsidiary (principal and interest)	15,625	15,625	15,625	15,625	140,625
Accounts payable and accrued liabilities	10,409,972	-	-	-	-
Total	\$ 27,140,286	\$ 17,266,652	\$ 32,196,238	\$ 77,663,047	\$ 362,204,358

d. Currency risk

Pure Multi is exposed to minimal currency risk since only 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.

17) 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, 2015, Pure Multi declared distributions to the Managing GP in the amount of \$790,515 (year ended December 31, 2014 - \$595,945). Included in accounts payable and accrued liabilities at December 31, 2015 was \$nil (December 31, 2014 - \$495,630).

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

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

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

- Walker Commons acquired on June 27, 2014 for a purchase price of \$43,800,000;
- 50% interest in Preserve acquired on August 28, 2014 for a purchase price of \$20,500,000; and
- 80% interest in San Brisas acquired on August 28, 2014 for a purchase price of \$22,640,000.

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

Pure Multi paid to Sunstone U.S. Opportunity (No. 2) Realty Trust an amount equal to the fair market value adjustment that Pure Multi would have incurred if it had assumed the mortgage as part of the acquisition. The total amount paid, related to these adjustments, to Sunstone U.S. Opportunity (No. 2) Realty Trust during the year ended December 31, 2014 was \$2,926,438.

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

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

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

- 50% interest in Preserve acquired on August 28, 2014 for a purchase price of \$20,500,000.

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, at no cost, 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. 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, without bonus or penalty, upon not less than 60 days notice. 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 \$1,764,027 in property management fees during the year ended December 31, 2015 (year ended December 31, 2014 - \$1,454,305). Included in accounts payable and accrued liabilities at December 31, 2015 was \$nil (December 31, 2014 - \$nil).

Compensation

Currently, the directors of the Governing GP who are not affiliated with or employees of the Managing GP receive annual compensation, in addition to fees for attending meetings of the directors or any committee, and acting as committee chairs and members. As well, the Governing GP will indirectly reimburse such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi will reimburse the Governing GP for such amounts. In addition, Pure Multi will obtain insurance coverage for such directors. Compensation will be reviewed on an annual basis, giving consideration to Pure Multi’s growth and the extent of its portfolio. The amount incurred during the year ended December 31, 2015 was \$210,293 (year ended December 31, 2014 - \$96,797).

18) 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 \$27,215,236 as at December 31, 2015 (December 31, 2014 - \$22,072,084).

19) 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, acting at arms-length, at the measurement date under current market conditions. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

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

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

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

<i>(000's)</i>	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 613,682	\$ -	\$ -	\$ 468,518
Mortgages payable	-	366,040	-	-	262,023	-
Preferred units of subsidiary	-	125	-	-	125	-
Convertible debentures	23,000	-	-	22,885	-	-

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

As disclosed above, the fair value methodology for Pure Multi's investment properties is considered Level 3, as significant unobservable inputs are required to determine fair value. Refer to note 4, 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, 2015 and 2014 have been valued using the overall capitalization rate ("OCR") method, an income based approach, whereby the stabilized net operating income is capitalized at the requisite OCR.

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

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

Rate sensitivity	OCR Sensitivity	
	Fair value	Change in fair value
+ 75 basis points	\$ 539,850,418	\$ (73,831,457)
+ 50 basis points	562,397,913	(51,283,962)
+ 25 basis points	586,917,834	(26,764,041)
Base rate (5.50%)	613,681,875	-
- 25 basis points	643,014,251	29,332,376
- 50 basis points	675,305,096	61,623,221
- 75 basis points	711,028,203	97,346,328

20) DILUTED EARNINGS PER CLASS A UNIT

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

	Year ended	
	December 31, 2015	December 31, 2014
Basic net income and comprehensive income	\$ 51,179,380	\$ 41,949,277
Dilutive interest expense ⁽¹⁾	1,938,780	1,707,492
Diluted net income and comprehensive income	53,118,160	43,656,769
Diluted net income and comprehensive income allocated to Class A unitholders	\$ 50,462,252	\$ 41,473,931

Notes:

⁽¹⁾ Dilutive interest expense includes the removal of the interest expense related to the dilutive 6.5% convertible debentures.

	Year ended	
	December 31, 2015	December 31, 2014
Weighted average number of Class A units - basic	39,761,071	29,512,727
Dilutive effect of the conversion of convertible debentures using the treasury stock method ⁽¹⁾	4,070,796	4,070,796
Weighted average number of Class A units - dilutive	43,831,867	33,583,523

Notes:

⁽¹⁾ Conversion of 6.5% convertible debentures based on exercise price of \$5.65 per Class A Unit.

21) SUBSEQUENT EVENTS

a) Pure View at TPC (“Pure View”)

On March 1, 2016, Pure Multi, through the US REIT, acquired Pure View, a multi-family apartment community located in San Antonio, Texas, for a purchase price of \$61,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and proceeds from a new mortgage financing.

b) Pure Estates at TPC (“Pure Estates”)

On March 1, 2016, Pure Multi, through the US REIT, acquired Pure Estates, a multi-family apartment community located in San Antonio, Texas, for a purchase price of \$56,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and proceeds from a new mortgage financing.

MANAGEMENT

STEPHEN EVANS

Director and Chief Executive Officer

SAMANTHA ADAMS

Vice President

SCOTT SHILLINGTON, CA

Chief Financial Officer

ANDREW GREIG

Director of Investor Relations

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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



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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

2:30 PM Eastern Daylight Time
Friday May 13, 2016
KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON



WWW.PUREMULTIFAMILY.COM

