Consolidated Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO.5) CORE FUND

For the period from August 26, 2016 (date of formation) to December 31, 2016

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Independent Auditor's Report

To the Unitholders of
Starlight U.S. Multi-Family (No.5) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S. Multi-Family (No.5) Core Fund, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of net loss and comprehensive loss, changes in net liabilities attributable to unitholders and cash flows for the period from August 26, 2016 (date of formation) to December 31, 2016, and a summary of significant account policies and other explanatory information.

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 controls 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 the auditor's 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, the auditor considers 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 principles 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 is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No.5) Core Fund as at December 31, 2016 and the results of its operations and its cash flows for the period from August 26, 2016 (date of formation) to December 31, 2016 in accordance with International Financial Reporting Standards.

BDO Canada LLP [Signed]

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2017
Toronto, Ontario

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STARLIGHT U.S. MULTI-FAMILY (NO.5) CORE FUND

Consolidated Statement of Financial Position
As at December 31, 2016
(In thousands of U.S. dollars)

	Note		2016
ASSET			
Non-current assets:			
Investment properties	5	$	1,056,414
Derivative financial instruments	12		8
Utility deposits			381
Total non-current assets			1,056,803
Current assets:			
Tenant and other receivables	6		1,007
Prepaid expenses and other assets	7		983
Restricted cash	8		11,648
Cash			7,669
Total current assets			21,307
TOTAL ASSETS		**$**	**1,078,110**
LIABILITIES			
Non-current liabilities:			
Mortgages payable	9	$	583,459
Preferred shares – U.S. REIT's series A	10		625
Deferred income tax	2(h)		79,961
Total non-current liabilities excluding net liabilities attributable to Unitholders			664,045
Current liabilities:			
Mortgages payable	9		92,564
Credit facility	11		8,792
Tenant rental deposits			1,232
Accounts payable and accrued liabilities	13		4,642
Finance cost payable			1,455
Distributions payable			2,089
Total current liabilities			110,774
Net liabilities attributable to Unitholders	15		303,291
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**1,078,110**

Commitments and contingencies (Note 20).

Subsequent Events (Note 24).

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc., as General Partner for Starlight U.S. Multi-Family (No.5) Core Fund on March 7, 2017, and signed on its behalf:

Daniel Drimmer Director   Graham Rosenberg Director

STARLIGHT U.S. MULTI-FAMILY (NO.5) CORE FUND

Consolidated Statement of Net Loss and Comprehensive Loss
For the period from August 26, 2016 (date of formation) to December 31, 2016
(In thousands of U.S. dollars)

	Note		2016
Revenue from property operations		$	19,679
Property operating costs			5,241
Income from rental operations			14,438
Finance costs	18		5,273
Distributions to Unitholders			5,108
Dividends to Preferred Shareholders – U.S. REIT's series A			31
Fund and trust expenses	14		7,906
Unrealized foreign exchange gain			(204)
Realized foreign exchange gain			(444)
Fair value adjustment of investment properties	5		(1,090)
Fair value adjustment IFRIC 21			3,027
Loss before income taxes			(5,169)
Income taxes - current	2(h)		49
- deferred	2(h)		2,680
Total income taxes			2,729
Net loss and comprehensive loss		**$**	**(7,898)**

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO.5) CORE FUND

Consolidated Statement of Changes in Net Liabilities Attributable to Unitholders
For the period from August 26, 2016 (date of formation) to December 31, 2016
(In thousands of U.S. dollars)

	Class A	Class C	Class D	Class F	Class H	Class U	Class E	Total
Net liabilities attributable to Unitholders, August 26, 2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Changes during the period:								
Units issued upon Plan of Arrangement (note 3), net of issue costs	111,235	80,970	33,334	12,720	2,031	20,008	8,114	268,412
Units issued on offering, net of issue costs	14,068	3,720	10,299	10,827	-	1,116	4,043	44,073
Units repurchased and cancelled under normal course issuer bid (“NCIB”)	(1,296)	-	-	-	-	-	-	(1,296)
Re-allocation due to unit conversions	(35,153)	1,346	37,033	(2,015)	(1,121)	(6,306)	6,216	-
Net loss and comprehensive loss	(2,255)	(2,184)	(2,047)	(547)	(23)	(376)	(466)	(7,898)
Net liabilities attributable to Unitholders, December 31, 2016	**$ 86,599**	**$ 83,852**	**$78,619**	**$20,985**	**$ 887**	**$ 14,442**	**$17,907**	**$303,291**

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO.5) CORE FUND

Consolidated Statement of Cash Flows
For the period from August 26, 2016 (date of formation) to December 31, 2016
(In thousands of U.S. dollars)

		2016
Operating activities:		
Net loss and comprehensive loss	$	(7,898)
Adjustments for financing activities included in net loss and comprehensive loss:		
Finance costs (note 18)		5,273
Distributions to Unitholders		5,108
Dividends to Preferred Shareholders – U.S. REIT's series A		31
Adjustments for items not involving cash:		
Fair value adjustment of investment properties including IFRIC 21		(5,750)
Unrealized foreign exchange gain		(204)
Change in non-cash operating working capital (note 19)		5,918
Change in restricted cash		3,148
Deferred tax		2,680
Cash provided by operating activities		**8,306**
Financing activities:		
Cash from Plan of Arrangement (note 3)		5,185
Proceeds from the issuance of units, net of issuance costs		44,073
Repurchase of units under NCIB (note 15)		(1,296)
Proceeds from credit facility (note 11)		8,782
Mortgages payable:		
Proceeds from new financing		261,501
Repayment of mortgages		(137,158)
Repayment of mezzanine loans		(29,723)
Principal payments on mortgages		(212)
Finance costs paid		(2,651)
Distributions to Unitholders		(5,108)
Dividends to Preferred Shareholders – U.S. REIT's Series A		(31)
Cash provided by financing activities		**143,362**
Investing activities:		
Acquisitions of investment properties (note 4)		(142,807)
Capital additions to investment properties (note 5)		(1,192)
Cash used in investing activities		**(143,999)**
Increase in cash		7,669
Cash, beginning of period		-
Cash, end of period	**$**	**7,669**

The Plan of Arrangement was a non-cash transaction (note 3).
See accompanying notes to the consolidated financial statements.

1. Nature of operations and basis of presentation:

a) Nature of Operations

Starlight U.S. Multi-Family (No. 5) Core Fund (the “Fund”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario. The term of the Fund is targeted to be three years, with two one-year extension options available through approval by the General Partner. The Fund may be extended beyond five years through the passing of a special resolution by the Fund Unitholders. The Fund was established for the primary purpose of indirectly owning an aggregate of 5,882 multi-family apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas, in the United States. The properties were indirectly acquired through the exchange of the limited partnership units of Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, Starlight U.S. Multi-Family (No. 4) Core Fund and the exchange of common shares of Campar Capital Corporation for limited partnership units of the Fund (the “Plan of Arrangement”).

Subsequent to the completion of the Plan of Arrangement and following completion of the Fund’s public offering of limited partnership units, the Fund indirectly acquired three additional properties comprised of an aggregate of 910 multi-family apartment suites located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively, in the United States.

On July 27, 2016, Starlight U.S. Multi-Family (No. 5) Investment L.P. (“Investment LP No. 5”), which became a subsidiary of the Fund in connection with the Plan of Arrangement, pursuant to an amended and restated limited partnership agreement dated as of October 14, 2016, registered as a limited partnership under the laws of the Province of Ontario under its predecessor name, Boardwalk Acquisition Partnership. The limited partner of Investment LP No.5 is the Fund and the general partner is Starlight U.S. Multi-Family (No. 5) Investment GP, Inc.

On July 27 2016, Starlight U.S. Multi-Family (No. 5) Core REIT Inc. (“U.S. REIT No. 5”) was formed pursuant to articles of incorporation under the laws of the State of Maryland. On September 28, 2016, Starlight U.S. Multi-Family (No. 5) Core Holding LP (“Holding LP No. 5”) was formed pursuant to a limited partnership agreement and the general partner is Starlight U.S. Multi-Family (No. 5) Core Holding (GP) L.P. The shareholder of U.S. REIT No. 5 became Holding LP No. 5 as of October 14, 2016.

On August 26, 2016, the General Partner made a capital contribution of $10.00 to acquire a 0.01% interest in the Fund and the initial limited partner of the Fund, Daniel Drimmer, subscribed for one limited partnership unit of the Fund for $10.00.

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1. Nature of operations and basis of presentation (continued):

a) Nature of Operations (continued):

Pursuant to an agency agreement dated October 12, 2016, the Fund and Starlight Investments Ltd., a predecessor entity to Starlight Group Property Holdings Inc., (the "Manager"), in its capacity as the asset manager of the Fund, engaged CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Raymond James Ltd., TD Securities Inc., GMP Securities L.P., Canaccord Genuity Corp. and Desjardins Securities Ltd. to offer for sale to the public, pursuant to a final prospectus dated October 12, 2016, a maximum of $200,000 of limited partnership units of the Fund at a price of C$10.00 per class A unit, class D unit, class F unit, class H unit and class C unit and $10.00 per class U unit and class E unit (the "Offering"). Costs relating to the Offering included agents' fees of C$0.525 for each class A unit, class D unit and class H unit, C$0.225 for each class F unit, $0.525 for each class E unit and class U unit and no fee for each class C unit.

On October 12, 2016, the Fund's limited partnership agreement was amended and restated in order to reflect the terms and provisions of the final prospectus of the Fund in connection with the Offering.

On October 15, 2016, the Fund pursuant to a second amended and restated partnership agreement, became a partner of Starlight Investment Partnership ("SIP") through its acquisition of 100% of the class A units of SIP in connection with the Plan of Arrangement. On October 18, 2016, the Plan of Arrangement was completed.

On October 18, 2016, the Fund completed an initial public offering (the "Offering") comprised of 1,995,760 class A units, 500,000 class C units, 1,461,100 class D units, 436,500 class E units, 1,488,850 class F units and 120,450 class U units. The class A units and class U units distributed under the Offering were listed on the TSX Venture Exchange (the "Exchange") under the symbols STUS.A and STUS.U, respectively.

b) Basis of presentation:

(i) Statement of compliance:

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and approved by the General Partner on March 7, 2017.

1. Nature of operations and basis of presentation (continued):

b) Basis of presentation (continued):

(ii) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value.

(iii) Functional and presentation currency:

These consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statement of net loss and comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. All intercompany transactions and account balances have been eliminated upon consolidation.

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

The following significant entities operate as wholly owned subsidiaries of Fund:

- Starlight U.S. Multi-Family Core Fund ("Fund 1")
- Starlight U.S. Multi-Family Core Investment L.P. ("Investment L.P.")
- Starlight U.S. Multi-Family Core Holding L.P. ("Holding L.P.")
- Starlight U.S. Multi-Family Core REIT Inc. ("U.S. REIT 1")
- Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund 2")
- Starlight U.S. Multi-Family (No. 2) Core Investment L.P. ("Investment L.P. No. 2")
- Starlight U.S. Multi-Family (No. 2) Core Holding L.P. ("Holding L.P. No. 2")
- Starlight U.S. Multi-Family (No. 2) Core REIT Inc. ("U.S. REIT 2")
- Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund 3")
- Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment L.P. No. 3")
- Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding L.P. No. 3")
- Starlight U.S. Multi-Family (No. 3) Core REIT Inc. ("U.S. REIT 3")
- Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund 4")
- Starlight U.S. Multi-Family (No. 4) Core Investment L.P. ("Investment L.P. No. 4")
- Starlight U.S. Multi-Family (No. 4) Core Holding L.P. ("Holding L.P. No. 4")
- Starlight U.S. Multi-Family (No. 4) Core REIT Inc. ("U.S. REIT 4")
- Investment LP No. 5
- Holding LP No. 5
- U.S. REIT No. 5
- Starlight Investments Acquisition (No. 2) Partnership ("SIA 2")
- Campar Capital Corporation ("Campar")

Fund 1, Fund 2, Fund 3, Fund 4 and the Fund are collectively referred to as the "Funds".

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

Investment L.P., Investment L.P. No. 2, SIA 2, Investment L.P. No. 3, Investment L.P. No. 4 and Investment L.P. No. 5 shall collectively be referred to as the “Investment L.P.s”.

Holding L.P., Holding L.P. No. 2, Holding L.P. No. 3, Holding L.P. No. 4 and Holding L.P. No. 5 shall collectively be referred to as the “Holding L.P.s”.

U.S. REIT 1, U.S. REIT 2, U.S. REIT 3, U.S. REIT 4 and U.S. REIT 5 shall collectively be referred to as the “U.S. REITs”.

Starlight Investments Partnership (“SIP”) is an associate and recognized applying equity accounting and therefore excluded from consolidation. SIP class A limited partnership units and general partnership interest are owned by the Fund and its class B limited partnership units are owned 75% by the Manager and 25% by the President of the Fund.

(b) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

2. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction. The acquisition of Fund 1, Fund 2, Fund 3 and Fund 4 and their subsidiaries was considered by management to be out of the scope of IFRS 3 – business combinations as the Funds are commonly controlled.

(ii) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows, and discount rates.

(iii) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

2. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(iv) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

(v) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

The Fund's estimate of deferred taxes is based on the assumption that the Fund's liquidating event occurs either through a direct sale of the Fund's investment properties or through a disposition of its ownership interests in its U.S. subsidiaries.

(vi) Carried Interest:

The determination by the Fund as at each Statement of Financial Position date as to whether a provision for carried interest should be recognized to holders of the class B limited partnership units of SIP is based, among other criteria, on the Fund's analysis of the net liabilities attributable to Unitholders, distributions paid to Unitholders since the formation of the Fund and the Fund's ability to meet the requirement to return the initial investment amount contributed from the limited partners of the Fund. See note 15.

2. Significant accounting policies (continued):

(c) Investment properties:

The Fund selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of net loss and comprehensive loss in the period in which they arise.

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Gains and losses arising from changes in the fair value or disposal of investment properties are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(d) Cash and restricted cash:

Cash includes unrestricted cash and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. Tenant security deposits held by the Fund are also restricted cash.

(e) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

2. Significant accounting policies (continued):

(e) Revenue recognition (continued):

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured. Revenue is recognized pursuant to the terms of the lease agreement.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants. All amounts outstanding for greater than 90 days are provided for through the consolidated statement of net loss and comprehensive loss.

(f) Finance costs:

Finance costs consist of interest on mortgages payable, amortization of financing costs related to mortgages payable, amortization of mortgage premiums and discounts, distributions to Unitholders, fair value changes on interest rate caps and service fees associated with class A and class U limited partnership units of the Fund.

(g) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss (“FVTPL”), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards ("IAS") 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement	2016
Financial assets:			
Derivative financial instruments	FVTPL	Fair value	**$ 8**
Utility deposits	Loans and receivables	Amortized cost	**381**
Tenant and other receivables	Loans and receivables	Amortized cost	**1,007**
Prepaid expenses and other assets	Loans and receivables	Amortized cost	**983**
Restricted cash	Loans and receivables	Amortized cost	**11,648**
Cash	Loans and receivables	Amortized cost	**7,669**
Financial liabilities:			
Mortgages payable	Other liabilities	Amortized cost	**676,023**
Preferred shares – U.S. REIT's series A	Other liabilities	Amortized cost	**625**
Credit facility	Other liabilities	Amortized cost	**8,792**
Tenant rental deposits	Other liabilities	Amortized cost	**1,232**
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**4,642**
Finance costs payable	Other liabilities	Amortized cost	**1,455**
Distributions payable	Other liabilities	Amortized cost	**2,089**
Net liabilities attributable to Unitholders	Other liabilities	Amortized cost	**303,291**

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred. At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is 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 EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

The Fund's net assets attributable to Unitholders have been classified as financial liabilities under IAS 32, Financial Instruments - Presentation.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

2. Significant accounting policies (continued):

(h) Income taxes:

(i) Canadian status:

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”). Each Unitholder of the Fund is required to include in computing the Unitholder’s income for a particular taxation year the Unitholder’s share of the income or loss of the Fund allocated to the Unitholder for its year ended in or on the Unitholder’s taxation year-end, whether or not any of that income or loss is distributed to the Unitholder 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 specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings“ (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. However, the Funds continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(i) Canadian status (continued):

Canadian subsidiary corporations:

The Fund from time to time may own certain properties in whole or in part through subsidiaries which are subject to entity-level taxation under the Tax Act. The application of entity-level tax under the Tax Act to all or a portion of the income generated by such properties could impact the Fund's ability to distribute the cash flow generated thereby to Unitholders. The Fund has estimated the entity-level income tax to be payable by the Canadian subsidiary corporations under the Tax Act to be $10 for the period August 26, 2016 to December 31, 2016, taking into account foreign taxes expected to be payable by and foreign tax credits expected to be available to such corporations. See "U.S. Status."

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code").

Furthermore, the U.S. REITs intend to make and maintain elections as real estate investment trusts under the Code. In order for the U.S. REITs to qualify, they must meet a number of organizational and operational requirements, including a requirement to make annual distributions to their Unitholders equal to a minimum of 90% of their taxable income, computed without regards to dividends paid deductions and net capital gains.

The U.S. REITs generally will not be subject to U.S. federal income tax on their taxable income to the extent such income is distributed as a dividend to their stockholders annually. Each of the U.S. REITs has elected, or intends to elect, to be treated as a real estate investment trust and believe the U.S. REITs' organization, ownership, method of operations, future assets and future income will enable the U.S. REITs to qualify as real estate investment trusts under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REITs.

The Fund intends to operate the U.S. REITs in such a manner so as to qualify as real estate investment trusts on a continuous basis in the future. However, actual qualification as a real estate investment trust will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code.

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status (continued):

If the U.S. REITs fail to qualify as real estate investment trusts in any taxable year, they will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REITs may not be able to requalify as real estate investment trusts for the four subsequent taxable years. Even if the U.S. REITs qualify for taxation as real estate investment trusts, the U.S. REITs may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on their undistributed taxable income and/or specified types of income in certain circumstances.

The Investment L.P.s and SIP are treated as partnerships for Canadian tax purposes but have elected to be treated as corporations for U.S. federal income tax purposes. As such, the Investment L.P.s and SIP are generally subject to U.S. tax in respect of their allocable share of (i) capital gains distributions made by the U.S. REITs, (ii) gain upon a sale of the shares of the U.S. REITs and (iii) distributions made by the U.S. REITs in excess of both their (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (b) the adjusted tax basis in the U.S. REITs shares held by the Holding L.P.s. The Investment L.P.s and SIP are also liable for U.S. withholding taxes with respect to their allocable share of the above specified gains and/or distributions from the applicable Holding LPs and/or the applicable U.S. REITs.

Taxes paid or considered to have been paid by Investment L.P.s or SIP will be allocated pursuant to their limited partnership agreements and the Fund's allocated share will be allocated to Unitholders pursuant to the Fund's amended and restated limited partnership agreement. The availability of a foreign tax credit or foreign tax deduction in respect of foreign source income allocated to Unitholders by the Fund will be subject to the detailed rules contained in the Tax Act and each Unitholder's particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status (continued):

Foreign taxes paid or considered to have been paid by a subsidiary Canadian corporation will not be allocated to Unitholders and, accordingly, no foreign tax credit or foreign tax deduction will be available to Unitholders in respect of such foreign taxes. While the subsidiary Canadian corporations will generally be entitled to claim foreign tax credits or foreign tax deductions in respect of such taxes, the maximum credit available to the subsidiary Canadian corporations will generally be limited to their Canadian tax otherwise payable in respect of the underlying U.S. source income.

Accordingly, if the Canadian tax rate applicable to such income is less than the applicable foreign tax rate, double taxation may arise.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 0.331% of a taxable entity's total revenue if the taxable entity qualifies and chooses to file using the EZ computation; or (ii) 0.75% of the taxable entity's margin which is the lesser of 70% of total revenues or 100% of the total revenues less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REITs own their properties indirectly through Delaware limited liability companies. For the period August 26, 2016 to December 31, 2016, the current tax expense relating to Texas franchise tax was $39.

Deferred taxes

As at December 31, 2016 a deferred tax liability of $79,961 for the Fund has been accrued based on a 38% tax rate and relates to differences between the fair value of the investment properties and their tax basis as of December 31, 2016. The Investment LPs and SIA 2 would bear this tax liability on the disposition of the real estate directly or the Fund's interest in its U.S. subsidiaries, avoiding any tax filing obligations or payment of taxes by the Unitholders.

2. Significant accounting policies (continued):

(i) Levies:

Levies are outflows from the properties imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and based on property value. IFRIC 21, Levies, confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the time the obligation is crystallized, which is at the beginning of the fiscal year, in most cases.

(j) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment considering the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as a finance cost.

(k) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the period ended December 31, 2016. Management is assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments complete the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

2. Significant accounting policies (continued):

(k) Future accounting changes (continued):

(i) Financial Instruments ("IFRS 9") (continued):

The Fund is currently assessing the impact on its consolidated financial statements and intends to adopt the amended standard on the required effective date.

(ii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Fund is currently assessing the impact on its consolidated financial statements and intends to adopt the amended standard on the required effective date.

(iii) Leases ("IFRS 16"):

IFRS 16 was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Fund is currently assessing the impact on its consolidated financial statements and intends to adopt the amended standard on the required effective date.

2. Significant accounting policies (continued):

(k) Future accounting changes (continued):

(iv) Investment Properties ("IAS 40")

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Fund is currently assessing the impact on its consolidated financial statements and intends to adopt the amended standard on the required effective date.

3. Plan of Arrangement:

On October 15, 2016, the Plan of Arrangement was completed. See below for assets and liabilities assumed and consideration paid.

	Fund 1	Fund 2	Fund 3	Fund 4	Campar / Boardwalk Acquisition Partnership	Total
Investment properties	$ 264,701	$ 187,856	$ 207,584	$ 211,566	$ 37,411	$ 909,118
Derivative financial instruments	-	-	-	2	-	2
Utility deposits	114	28	65	107	8	322
Tenant and other receivables	243	193	254	87	15	792
Prepaid expenses and other assets	1,041	79	716	752	26	2,614
Restricted cash	4,455	1,683	3,613	3,641	-	13,392
Cash	1,108	1,233	733	697	1,414	5,185
Loans payable	171,221	92,264	146,191	140,765	30,029	580,470
Preferred Shares – U.S. REIT's Series A	125	125	125	125	-	500
Deferred income tax	28,580	19,520	16,120	12,267	794	77,281
Tenant rental deposits	236	154	240	369	24	1,023
Accounts payable and accrued liabilities	813	403	676	543	78	2,513
Finance cost payable	181	111	228	199	19	738
Distributions payable	121	85	129	153	-	488
Net assets acquired	$ 70,385	$ 78,410	$ 49,256	$ 62,431	$ 7,930	$ 268,412
Consideration paid:						
The exchange of units held by unitholders pursuant to the Plan of Arrangement (i)	$ 70,385	$ 78,410	$ 49,256	$ 62,431	$ 7,930	$ 268,412

(i) The exchange consideration for limited partnership units of Fund 1, Fund 2, Fund 3, Fund 4, Boardwalk Acquisition Partnership and shares of Campar for limited partnership units of the Fund was determined as the amount equal to (i) the aggregate appraised value of the investment properties owned, plus (ii) the cash on hand and net working capital (excluding any deferred tax liability), less the aggregate of (iii) the total outstanding debt and (iv) the pro rata share of the costs associated with the Plan of Arrangement.

4. Acquisitions:

The following asset acquisitions were completed during the period ended December 31, 2016. The fair value consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	South Blvd (i)	Coolray (ii)	City North (iii)	Total
Acquisition date	18-Oct	20-Oct	31-Oct	
Investment properties (iv)	$ 53,873	$ 35,956	$ 51,670	$ 141,499
Tenant rental deposits	(85)	(61)	(47)	(193)
Prepaid expenses and other assets	-	94	4	98
Restricted Cash	-	77	1,326	1,403
Net asset acquired	$ 53,788	$ 36,066	$ 52,953	$ 142,807
Consideration paid, funded by:				
New financing obtained and used for acquisition	$ 34,615	$ 22,638	$ 35,201	$ 92,454
Cash Paid	19,173	13,428	17,752	50,353
	$ 53,788	$ 36,066	$ 52,953	$ 142,807

(i) The Fund completed the acquisition of South Blvd located in Las Vegas, Nevada, which is comprised of 320 multi-family residential suites.

(ii) The Fund completed the acquisition of Coolray located in Atlanta, Georgia which is comprised of 206 multi-family residential suites.

(iii) The Fund completed the acquisition of City North located in Austin, Texas which is comprised of 384 multi-family residential suites.

(iv) Investment properties are net of IFRIC 21 adjustment relating to property taxes of $142 and $1,003, respectively, for South Blvd and City North.

5. Investment properties:

The following table summarizes the change in the investment properties for the period ended December 31, 2016:

Balance, August 26, 2016	$	-
Acquisitions relating to the Plan of Arrangement (note 3)		909,118
Acquisitions of investment properties (note 4)		141,499
Capital additions		1,192
Fair value adjustment		1,090
IFRIC 21 realty tax liability adjustment		3,515
Balance, December 31, 2016	$	1,056,414

The following table reconciles the cost base of investment properties to their fair value:

		December 31, 2016
Cost	$	1,051,809
Fair value adjustment		1,090
IFRIC 21 realty tax liability adjustment		3,515
Fair value	$	1,056,414

The key valuation assumptions for investment properties are set out in the following table:

	December 31, 2016
Capitalization rates - range	4.75% to 5.50%
Capitalization rate - weighted average	5.06%

Purchase prices for acquisitions relating to the Plan of Arrangement were based on valuations prepared by independent qualified valuators. The Fund determined the fair value of each investment property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

5. Investment properties (continued):

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

			As at December 31, 2016
Weighted average:			
Capitalization rate	10 basis-point increase	$	(20,709)
Capitalization rate	10 basis-point decrease	$	21,549

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2016 would affect the fair value by approximately $10,654.

6. Tenant and other receivables:

Tenant and other receivables as at December 31, 2016 consist of the following:

Tenant receivables	$	399
Other receivables		608
	$	1,007

The Fund holds no collateral in respect of tenant and other receivables.

7. Prepaid expenses and other assets:

Prepaid expenses as at December 31, 2016 consist of the following:

Prepaid insurance	$	661
Prepaid realty tax		67
Prepaid expenses		255
	$	983

8. Restricted cash:

Restricted cash as at December 31, 2016 consists of the following:

Escrowed funds:		
Real estate taxes	$	8,111
Replacement/repairs		1,098
Property insurance		1,187
Interest rate caps		304
Restricted Cash:		
Security deposits		574
Insurance proceeds		374
	$	11,648

Restricted cash includes cumulative amounts that are paid monthly into reserves for real estate taxes and property insurance obligations coming due within a 12 month period. Replacement/repairs restricted cash includes cumulative amounts that are paid monthly to lenders that are reserved for planned capital improvements either for specific repairs or non-specific operating maintenance. Escrowed interest rate caps relate to funds restricted to meet lender requirements to purchase interest rate cap agreements, if mortgages with floating rates reach specific interest rate levels as defined in each mortgage agreement.

Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to their lease, as applicable.

Insurance proceeds relate to partial settlement funds received to cover fire-related expenses at Yorktown Crossing caused by a fire that took place on August 17, 2016. The fire was caused by a lightning strike. One of the 13 buildings comprising 24 suites at the property was impacted. As of December 31, 2016, $115 has been recognized in revenue from property operations in connection with the insurance claim for loss of income since the fire occurred. Subsequent to December 31, 2016, the Manager has reached an agreement with the Fund's insurer on the settlement proceeds required to replace the subject building. The Fund is in the process of settling the amount to be paid to the Fund for business interruption loss.

9. Mortgages payable:

Mortgages payable are secured by investment properties and bear interest at various fixed and variable rates. The Funds variable rate mortgages include a spread interest rate plus U.S. 30-day LIBOR ("LIBOR").

Property Name	Payment Terms	Maturity Date	Interest Rate	Amount
Eagle Creek	Interest only until December 2016.	December 2021	LIBOR + 1.94%	$34,350
Greenhaven	Interest only until December 2016.	December 2021	LIBOR + 1.97%	19,700
Villages of Towne Lake	monthly blended principal and interest payments	November 2022	4.02%	8,670
Sorelle	Interest only	September 2018 + two one-year extension options	LIBOR + 2.00%	44,651
Belle Haven	Interest only	March 2018 + two one-year extension options	LIBOR + 2.00%	17,820
Villages of Sunset Ridge	Interest only until August 2019	July 2025	LIBOR + 1.98%	21,695
Palm Valley	Interest only until April 2017	March 2025	LIBOR + 1.84%	31,575
Soho	Interest only until July 2017	June 2022	LIBOR + 1.96%	33,900
Travesia	Interest only	April 2018 + an one-year extension option	LIBOR + 1.75%	36,000
Allure	Interest only until July 2019	July 2025	LIBOR + 1.98%	36,909
Cinco Ranch	Interest only	July 2017 + two one-year extension options	LIBOR + 2.00%	23,900
Jones Road	Interest only	December 2017 + two one-year extension options	LIBOR + 2.00%	9,200
Grand Cypress	Interest only until February 2018	January 2023	LIBOR + 2.25%	37,600
Verano	Interest only until March 2017	February 2023	LIBOR + 2.56%	38,000
Boardwalk (i)	Interest only	January 2017 + a two-month extension option	LIBOR + 1.75%	23,238
South Blvd	Interest only	July 2017 + a three-month extension option	LIBOR + 1.75%	34,840
City North	Interest only	November 2019 + two one-year extension options	LIBOR + 2.00%	35,496
Coolray	Interest only	November 2019 + two one-year extension options	LIBOR + 1.90%	23,075
Pooled Mortgage (ii)	Interest only	November 2021 + one-year extension option.	LIBOR + 2.40%	171,679
Face value				682,298
Mortgage discount				(80)
Unamortized financing costs				(6,195)
Carrying value, December 31, 2016				$ 676,023

9. Mortgages payable (continued):

(i) The Fund exercised its option to extend the mortgage on Boardwalk due January 27, 2017 to March 28, 2017.

(ii) On November 21, 2016, the Fund completed a pooled refinancing of mortgages payable on the Falls at Copper Lake, Marquee Station, Yorktown Crossing, Pure Living and Alafaya properties for gross proceeds of $171,679, at an interest rate of LIBOR plus 2.40%. The proceeds were used to repay all of the existing debt on the five properties, as well as to repay additional mezzanine loans on the Sorelle, Belle Haven and Boardwalk properties. $166,881 in principal was repaid as part of the refinancing with a weighted average interest rate of 3.89% and a weighted average term to maturity of approximately eleven months. The pooled refinancing has a term of five years plus a one year extension at the option of the Fund.

The following table provides a breakdown of current and non-current portions of mortgages payable as at December 31, 2016:

Current:	
Mortgages payable	$ 94,308
Mortgage discount	(13)
Unamortized financing costs	(1,731)
	92,564
Non-current:	
Mortgages payable	587,990
Mortgage discount	(67)
Unamortized financing costs	(4,464)
	583,459
Balance	$ 676,023

Future principal payments on mortgages payable are as follows:

	Principal payments	Balloon payments	Total
2017	$ 3,130	$ 91,178	$ 94,308
2018	4,525	98,470	102,995
2019	5,140	58,571	63,711
2020	5,755	-	5,755
2021	5,478	219,285	224,763
Thereafter	7,818	182,948	190,766
Total	$ 31,846	$ 650,452	$ 682,298

10. Preferred shares – U.S. REIT's series A:

The Funds subsidiary U.S. REITs collectively have issued and outstanding 625 Series A, Preferred shares that are held by U.S. residents. The shares are redeemable at the option of the U.S. REITs, at a redemption value of $1 per share. The shares pay a cumulative dividend at 12.5% per annum, semi-annually on June 30 and December 31. The shares have no voting rights.

11. Credit facility:

On October 19, 2016, the Fund entered into a credit facility agreement (the "Credit facility") with a Canadian chartered bank with a maturity date of October 19, 2017 which is secured by a general charge over all of the Fund properties, assets and undertakings and is subordinate to any permitted liens. The Credit facility has two tranches: Tranche A allows the Fund to borrow up to C$10,000; and Tranche B allows the Fund to borrow up to C$13,000.

Both tranches consist of interest and fees payable on the first day of each month in arrears, up to and including the maturity date, at either the prime rate plus a weighted average of 3.39% over the life of the Credit facility or the banker's acceptance ("BA") stamping fee plus a weighted average of 4.39% over the life of the Credit facility. As at December 31, 2016, the Fund had drawn $8,792 net of unamortized financing costs of $145 on the Credit facility including C$10,000 from Tranche A and C$2,000 from Tranche B. All amounts drawn were BA advances. A 0.50% standby fee is charged on any undrawn amount under the Credit facility.

Included in finance costs is interest of $62 relating to the BA advances and $7 of standby fees for the period ended December 31, 2016.

12. Derivative financial instruments:

The Fund utilizes interest rate cap agreements to protect its interest costs on eight of its variable rate mortgages as required by the applicable lenders. As the Fund has elected not to use hedge accounting, an unrealized fair value adjustment gain of $6 was recorded as an unrealized gain in finance costs in the consolidated statement of net loss and comprehensive loss for the period ended December 31, 2016.

12. Derivative financial instruments (continued):

The following is a summary of the Fund's interest rate cap agreements as at December 31, 2016:

	Notional Amount	Maturity Date	Interest Rate Cap	Carrying Value and Fair Value at December 31, 2016
Commonwealth Bank of Australia	$ 19,700	1-Nov-17	3.78%	$ -
Commonwealth Bank of Australia	34,350	1-Nov-17	4.06%	-
SMBC Capital Markets, Inc.	31,575	1-Mar-18	4.00%	-
Commonwealth Bank of Australia	33,900	1-Jun-18	3.54%	-
Commonwealth Bank of Australia	21,695	1-Jul-18	4.08%	-
Commonwealth Bank of Australia	36,909	1-Jul-18	4.00%	-
Commonwealth Bank of Australia	37,600	1-Jan-19	4.00%	3
SMBC Capital Markets, Inc.	38,000	1-Feb-19	3.75%	5
	$ 253,729			$ 8

The following table represents a summary of the changes in fair value for the period ended December 31, 2016 for the interest rate cap agreements carried at fair value:

Opening balance	$ -
Acquisitions during the period, attributable to the Plan of Arrangement (note 3)	2
Unrealized gain for the period (note 18)	6
Balance	$ 8

13. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities as at December 31, 2016 consist of the following:

Tenant prepayments	$ 841
Operating payables	956
Accrued property management fees, utilities, payroll, other	2,378
Accrued asset management fees (note 17)	316
Accrued service fees (note 17)	134
Deferred revenue	17
	$ 4,642

14. Fund and trust expenses:

Fund and trust expenses during the period ended December 31, 2016 consist of the following:

General and administrative expenses	$	386
Asset management fees (note 17)		753
Service fees (note 17)		134
One-time Plan of Arrangement costs		6,633
	$	7,906

15. Net liabilities attributable to Unitholders:

The beneficial limited partnership interest in the net liabilities and net loss and comprehensive loss of the Fund is held in seven classes of units: class A, C, D, E, F, H and U. The Fund is authorized to issue an unlimited number of units in the classes as described above.

Each Unitholder is entitled to one vote for each limited partnership unit held. Each class of unit entitles the holder to the same rights as a Unitholder in another class of units and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of units' rights. As there are varying economic values per class of units, the net liabilities attributable to Unitholders will be distributed disproportionately on a per unit basis upon liquidation.

	Units (000s')		**Value**
Units issued, August 26, 2016 (date of formation)	-	$	-
Units issued relating to the Plan of Arrangement, October 18, 2016	43,597		268,412
Units issued on initial public offering	6,003		47,020
Units issued	49,600		315,432
Less issuance costs			(2,947)
Class A units repurchased and cancelled under NCIB	(196)		(1,296)
Additional units on conversion	4		-
Net loss and comprehensive loss			(7,898)
As at December 31, 2016	49,408	$	303,291

As at December 31, 2016, the Fund had 49,407,735 total limited partnership units outstanding comprised of 14,727,721 class A units, 13,511,722 class C units, 13,370,598 class D units, 3,459,420 class F units, 150,947 class H units, 2,317,979 class E units and 1,869,298 class U units.

15. Net liabilities attributable to Unitholders (continued):

The following table represents a summary of the changes in thousands of units by class:

	Class A	Class C	Class D	Class F	Class H	Class U	Class E	Total
Units outstanding, as at August 26, 2016	-	-	-	-	-	-	-	-
Units issued in connection with the Plan of Arrangement, October 18, 2016	18,866	13,012	5,654	2,091	344	2,583	1,047	43,597
Units issued in connection with the Offering, October 18, 2016	1,996	500	1,461	1,489	-	120	437	6,003
Units reallocated due to conversions	(5,938)	-	6,256	(121)	(193)	(385)	385	4
Units repurchased and cancelled under NCIB	(196)							(196)
Units outstanding, as at December 31, 2016	14,728	13,512	13,371	3,459	151	2,318	1,869	49,408

On October 26, 2016, the Fund announced that the Exchange had accepted the Fund's notice of intention to make the NCIB. Under the NCIB, the Fund may purchase for cancellation up to a maximum of 2,042,526 class A units and 268,912 class U units, representing 10% of the Fund's public float of class A units and class U units, respectively. The Fund may not purchase more than 2% of the issued and outstanding class A units or class U units during any 30 day period, which as at October 21, 2016 represented 417,231 class A units and 54,066 class U units, respectively. The NCIB commenced on November 1, 2016 and will remain in effect until the earlier of (i) October 31, 2017 and (ii) the date on which the Fund has purchased the maximum number of units permitted under the NCIB. During the period ended December 31, 2016, the Fund purchased and cancelled 196,000 class A units at a total cost of C$1,730, the U.S. dollar equivalent of $1,296.

Carried Interest:

The Manager and the President of the Fund, as holders of the class B limited partnership units of SIP, are entitled to 25% of the excess distributable cash after returning: (i) 6.5% per annum on the initial investment amount contributed, less the aggregate agents fees payable, if any, in respect of the limited partnership units of the Fund calculated on a cumulative basis from the effective date of the Plan of Arrangement (the "Minimum Return"); and (ii) the return of the initial investment amount contributed from limited partnership units of the Fund pursuant to the Plan of Arrangement and the Offering, less the aggregate agents fees payable.

In the event that the Minimum Return is not received by Unitholders of the Fund, an amount of up to 20% of the deemed value, net of taxes payable, paid as a carried interest in connection with the Plan of Arrangement will be payable to the Fund.

15. Net liabilities attributable to Unitholders (continued):

As of December 31, 2016, the Fund has not recognized a carried interest derived from the net liabilities attributable to Unitholders and after taking into account the Minimum Return to Unitholders.

16. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

17. Transactions with related parties:

The consolidated financial statements as at December 31, 2016 include the following transactions with related parties:

The Fund engaged the Manager to perform certain management services, as outlined below. The Manager is a related party as it is controlled by a significant Unitholder of the Fund.

(a) Pursuant to the management agreement dated October 15, 2016 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the sum of:

   I. the appraised values of the Properties acquired in connection with the Plan of Arrangement, or in the case of future acquisitions, the purchase price of the Fund's properties in U.S. dollars; and
   II. the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars

(b) In addition, an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

   Included in Fund and trust expenses is $753 in asset management fees and $134 in service fees charged by the Manager for the period ended December 31, 2016, of which $450 is payable at December 31, 2016 (Note 13).

17. Transactions with related parties (continued):

(c) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by the Manager calculated as follows:

I. 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;

II. 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each calendar year; and

III. 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each calendar year.

For the period ended December 31, 2016, the Fund incurred acquisition fees of $1,596 under the Management Agreement and were initially capitalized to investment properties on acquisition.

(d) Key management compensation:

Aggregate compensation to key management personnel was C$140 for the period from August 26, 2016 to December 31, 2016. Compensation includes salaries and bonuses paid by the Manager, pursuant to the Management Agreement.

18. Finance costs:

Finance costs during the period ended December 31, 2016 consist of the following:

Interest on mortgages payable	$	3,790
Interest on mezzanine loans payable		240
Interest and standby charges on Credit facility (note 11)		69
Amortization of mortgage discount		(7)
Amortization of financing costs		591
Loss on early extinguishment of debt		596
Fair value gain on derivative financial instruments (note 12)		(6)
	$	5,273

19. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital during the period ended December 31, 2016:

Utility deposits	$	(59)
Prepaid expenses and other assets		1,729
Tenant and other receivables		(215)
Tenant rental deposits		16
Accounts payable and accrued liabilities		2,129
Finance cost payable		717
Distribution payable		1,601
	$	5,918

20. Commitments and contingencies:

At December 31, 2016, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2016 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable, to pay service fees on outstanding class A units and class U units and to distribute excess cash to Unitholders.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

21. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of mortgages payable, credit facility and net liabilities attributable to Unitholders. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the Unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at December 31, 2016.

22. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of net loss and comprehensive loss.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for all its floating rate mortgages. Loan agreements for some of the Fund's properties require the Fund to enter into an interest rate cap agreement once LIBOR reaches stipulated levels. For the period since the Plan of Arrangement to December 31, 2016, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net loss and comprehensive loss by $138.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its mortgage portfolio over a number of years and has options to extend certain mortgages.

All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of mortgages payable, see note 9.

22. Risk management (continued):

(d) Currency risk:

Currency risk is the risk that the Fund encounters from fluctuations in the Canadian/U.S. dollar exchange rate. The revenues and expenses of the investment properties are denominated in U.S. dollars and distributions made to the Fund Unitholders are in both Canadian and U.S. dollars. The Fund converts such distribution amounts into Canadian dollars, as applicable, before distributions are paid to Unitholders. As a consequence, distributions are impacted by the prevailing exchange rates. As at December 31, 2016 the Fund had not entered into any hedging or forward contract arrangements to limit the impact of the changes in the Canadian/U.S. dollar exchange rate.

23. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(i) The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, Preferred shares – U.S. REIT's series A, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).

(ii) Derivative financial instruments are considered as Level 2 financial instruments.

(iii) The fair value of mortgages payable and Credit facility is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable and Credit facility as at December 31, 2016 approximated their carrying value.

23. Fair value measurement of financial instruments (continued):

(iv) Investment properties and net liabilities attributable to Unitholders are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

24. Subsequent events:

Subsequent to December 31, 2016, the Fund purchased and cancelled 155,900 Class A units at a total cost of C$1,426, the U.S, dollar equivalent of $1,082.