Consolidated Financial Statements
(Expressed in Canadian dollars)

RISE PROPERTIES TRUST

Year ended December 31, 2016

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Rise Properties Trust

We have audited the accompanying consolidated financial statements of Rise Properties Trust, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of comprehensive income, changes in equity, changes in net assets attributable to holders of redeemable units and cash flows for the year ended December 31, 2016, 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 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 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 audit 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 Rise Properties Trust as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 in accordance with International Financial Reporting Standards.

Other Matter

We draw attention to the fact that the supplementary information included in note 14 does not form part of the audited consolidated financial statements. We have not audited this supplementary information and, accordingly, we do not express an opinion on this supplementary information.

KPMG LLP

Chartered Professional Accountants

March 24, 2017
Vancouver, Canada

RISE PROPERTIES TRUST

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Non-current assets:		
Investment properties (note 4)	$ 275,723,240	$ 200,368,600
Current assets:		
Mortgage reserve fund	1,277,674	1,600,847
Accounts receivable and prepaid expenses	2,769,379	997,099
Subscriptions receivable	1,994,179	-
Property held for development and resale (note 5)	15,793,639	20,281,689
Cash	12,321,953	8,091,596
	34,156,824	30,971,231
	$ 309,880,064	$ 231,339,831
Equity		
Accumulated other comprehensive income	$ 12,481,488	$ 15,617,170
Non-controlling interests (note 9)	10,360,237	5,984,895
Unitholders' equity	-	65,106,260
	$ 22,841,725	$ 86,708,325
Liabilities		
Non-current liabilities:		
Mortgages payable (note 6)	$ 153,910,757	$ 116,907,261
Deferred income taxes	20,873,169	11,803,193
	174,783,926	128,710,454
Current liabilities:		
Mortgages payable – current portion (note 6)	10,896,247	11,473,144
Income taxes payable	927,040	-
Accounts payable and accrued liabilities	5,009,460	4,447,908
	16,832,747	15,921,052
Net assets attributable to holders of redeemable units	95,421,666	-
	$ 287,038,339	$ 144,631,506
Net assets attributable to holders of redeemable units:		
Class F Units (note 8)	95,271,666	-
Class A Units (note 8)	150,000	-
	$ 95,421,666	$ -

Subsequent events (note 6)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Trustees:

Director

Director

RISE PROPERTIES TRUST

Consolidated Statement of Comprehensive Income
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Rental revenue and recoveries	$ 17,728,380	$ 12,153,311
Property operating expenses	7,261,029	5,456,629
Income from property operations	10,467,351	6,696,682
Property sales	24,100,354	4,635,600
Cost of property sales	19,606,138	3,981,135
Marketing expense	1,046,633	-
Income from property sales	3,447,583	654,465
Other income:		
Fair value adjustments to investment properties	21,521,756	13,170,017
Recovery from insurance claim (note 5)	1,949,961	-
	23,471,717	13,170,017
Other expenses:		
Consulting and advisory expenses	384,953	397,549
Administration fees and other expenses	991,829	689,113
Impairment of inventories (note 5)	1,949,961	-
Finance expense:		
Interest expense and other	4,875,007	3,204,381
Distributions to holders of redeemable units (note 8 (b))	2,215,521	-
	10,417,271	4,291,043
Income before income taxes	26,969,380	16,230,121
Income taxes (note 7):		
Current taxes	1,007	-
Deferred income taxes	10,217,553	5,861,038
	10,218,560	5,861,038
Net income	16,750,820	10,369,083
Net income		
Unitholders of the Trust	15,521,557	10,139,553
Non-controlling interests (note 9)	1,229,263	229,530
	$ 16,750,820	$ 10,369,083
Other comprehensive income:		
Foreign currency translation on US operations	(2,205,783)	11,071,453
Net comprehensive income	14,545,037	21,440,536
Net comprehensive income attributable to:		
Unitholders of the Trust	13,477,646	20,965,928
Non-controlling interests (note 9)	1,067,391	474,608
	$ 14,545,037	$ 21,440,536

See accompanying notes to consolidated financial statements.

RISE PROPERTIES TRUST

Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)

Year ended December 31, 2016

	Unitholders' equity		Accumulated other comprehensive income	Non-controlling interest
	Units	Carrying value		
Unitholders' equity, January 1, 2016	4,675,499	$ 65,106,260	$ 15,617,170	$ 5,984,895
Issuance of units, net of issuance cost (note 8)	679,049	10,810,104	-	-
Redemption of units	(148,500)	(2,364,170)	-	-
Distributions	-	(1,979,874)	-	(303,352)
Net income (note 8 (a))	-	9,652,442	-	777,665
	5,206,048	81,224,762	15,617,170	6,459,208
Reclassification of units to liability (note 8)	(5,206,048)	(81,224,762)	-	-
	-	-	15,617,170	6,459,208
Net income (note 8 (a))	-	-	-	451,598
Increase in equity of non-controlling interest (note 9)	-	-	(1,091,771)	3,611,303
Foreign currency translation adjustment	-	-	(2,043,911)	(161,872)
Balance, December 31, 2016	-	$ -	$ 12,481,488	$ 10,360,237

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
(Expressed in Canadian dollars)

	2016		2015	
	Class F	Class A	Class F	Class A
Balance, January 1	-	-	-	-
Reclassification of units to liability (note 8)	81,224,762	-	-	-
Net income (note 8 (a))	5,869,115	-	-	-
Increase in equity of non-controlling interest (note 9)	(2,519,532)	-	-	-
Issuance of units	12,567,910	150,000	-	-
Redemption of units	(1,870,589)	-	-	-
Balance, December 31	95,271,666	150,000	-	-

RISE PROPERTIES TRUST

Consolidated Statement of Changes in Equity (continued)
(Expressed in Canadian dollars)

Year ended December 31, 2015

	Unitholders 'equity		Accumulated other comprehensive income	Non-controlling interest
	Units	Carrying value		
Unitholders' equity, January 1, 2015	3,309,861	$ 42,231,012	$ 4,790,795	$ 1,390,752
Issuance of units, net of issuance cost (note 8)	1,497,322	21,200,874	-	-
Redemption of units	(131,684)	(2,064,325)	-	-
Distributions	-	(2,224,299)	-	(57,020)
Net income	-	10,139,553	-	229,530
Increase in equity of non-controlling interest (note 9)	-	(4,176,555)	-	4,176,555
Foreign currency translation adjustment	-	-	10,826,375	245,078
Balance at December 31, 2015	4,675,499	$ 65,106,260	$ 15,617,170	$ 5,984,895

See accompanying notes to consolidated financial statements.

RISE PROPERTIES TRUST

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Net income	$ 16,750,820	$ 10,369,083
Items not affecting cash:		
Fair value adjustments to investment properties	(21,521,756)	(13,170,017)
Deferred income taxes	10,217,553	5,861,038
Amortization of deferred financing fees	242,810	-
Loss on refinancing (fees and repayment):		
Write off of unamortized deferred finance fees	141,537	-
Prepayment penalty on refinance	114,434	-
Changes in non-cash operating working capital items:		
Accounts receivable and prepaid expenses	(1,779,106)	(766,696)
Accounts payable and other liabilities	584,753	3,708,102
Acquisition of, and capitalized expenditures relating to, property held for development and resale		
Cost of sales	19,606,138	2,669,072
Impairment of inventories	1,949,961	-
Additions	(16,993,173)	(20,155,495)
Interest expense	4,375,688	3,204,381
Distributions to holders of redeemable units	2,215,521	
Cash provided by (used in) operating activities	15,905,180	(8,370,532)
Investing activities:		
Acquisition of investment properties	(55,092,646)	(67,676,123)
Capital additions to investment properties	(4,442,077)	(4,182,759)
Deposits on land	-	2,706,566
Cash used in investing activities	(59,534,723)	(69,152,316)
Financing activities:		
Proceeds from issuance of units, net of issuance costs	23,528,014	21,200,874
Distributions to unitholders	(4,498,747)	(2,281,319)
Redemption of units	(4,234,759)	(2,064,325)
Proceeds from mortgages payable	40,736,054	54,063,610
Principal repayment of mortgage payable	(859,741)	(150,822)
Decrease (increase) in mortgage reserve fund	271,898	(1,026,896)
Interest paid	(4,796,609)	(3,222,062)
Subscription receivable	(1,994,179)	-
Cash provided by financing activities	48,151,931	66,519,060
Effect of exchange rate fluctuations on cash held	(292,031)	2,078,450
Increase (decrease) in cash	4,230,357	(8,925,338)
Cash, beginning of year	8,091,596	17,016,934
Cash, end of year	$ 12,321,953	$ 8,091,596

See accompanying notes to consolidated financial statements.

1. Nature of the business:

Rise Properties Trust (the “Trust” or “RISE”) is an unincorporated, open-ended limited purpose trust formed under, and governed by, the laws of the Province of British Columbia and created pursuant to the Declaration of Trust dated January 24, 2012 and as amended September 1, 2016. The Trust’s Head Office is located at 500 - 2609 Granville Street, Vancouver, British Columbia, Canada.

The Trust and its direct and indirect subsidiaries, were established for the purposes of acquiring, holding, financing, maintaining, improving, redeveloping, marketing and selling a diversified portfolio of revenue-producing real estate properties in the United States.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements were authorized for issue by the Trustees on March 24, 2017.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, with the exception of the investment properties, which have been measured at fair value.

(c) Functional and presentation currencies:

These consolidated financial statements are presented in Canadian dollars. The Trust owns and manages investment properties in the United States and the Trust’s functional currency is determined to be US dollars.

(d) Presentation of financial statements:

The Trust 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 noncurrent assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. The Trust classifies the statements of net earnings and comprehensive earnings using the function of expense method, which classifies expenses according to their functions, such as costs of operations or administrative activities. The Trust 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.

2. Basis of presentation (continued):

(e) Use of estimates and judgments:

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

(*i*) Estimates:

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 areas of estimation include the following:

(A) Fair value of investment properties:

The fair value of the investment properties disclosed in the notes to the financial statements is determined by management, in conjunction with independent real estate valuation experts using recognized valuation techniques.

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

(B) Properties held for development and resale:

The cost of sale of a property or unit is allocated on the basis of the estimated total cost of the project prorated by the selling price of the property or unit over the anticipated sales proceeds from the entire project.

The determination of the cost of the project is determined by management based on proformas, which includes costs incurred to date and estimated costs to complete. The proformas are updated on a regular basis to reflect changes in the estimated sales proceeds and costs to complete. These estimates are based on market conditions existing at the reporting date.

2. Basis of presentation (continued):

(e) Use of estimates and judgments (continued):

(*ii*) Judgments:

In the process of applying the Trust's accounting policies, management has made the following critical judgments:

(A) Deferred income taxes:

The Trust qualifies as a "mutual fund trust" for Canadian income tax purposes under Part I of the Income Tax Act (Canada) (the "Tax Act"). The Trust intends to distribute all of its taxable income to unitholders and to deduct such distributions for income tax purposes. Canadian income tax obligations relating to distributions of the Trust are the obligations of the unitholders. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains certain provisions (the "SIFT Measures") which levy tax on certain trusts and partnerships that are specified investment flow-through entities ("SIFTs") in defined circumstances. Certain distributions attributable to a SIFT's "non-portfolio earnings" will not be deductible in computing a SIFT's income and the SIFT will be subject to Canadian income tax on such distributions at regular Canadian corporate rates. Management believes that the Trust is not a SIFT and therefore not subject to the SIFT Measures. Management further believes that the Trust would not have any non-portfolio earnings for the reporting period. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to operate the Trust in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If the Trust becomes a SIFT, it will be subject to federal and provincial income taxes at regular Canadian corporate rates on its non-portfolio earnings, if any, distributed to unitholders.

(B) Business combinations:

The Trust acquires real estate properties in its normal course of business. At the time of acquisition, the Trust considers whether or not the acquisition represents the acquisition of a business. The Trust 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 made to date by the Trust have been deemed to be asset acquisitions.

3. Significant accounting policies:

(a) Basis of consolidation:

These consolidated financial statements include the assets, liabilities and result of operations of the Trust and its subsidiaries (note 9), after elimination of inter-company transactions and balances. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Trust obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Trust is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period as the Trust using consistent accounting policies.

When the Trust does not own all of the equity in a subsidiary, the non-controlling equity interest is disclosed in the consolidated statement of financial position as a separate component of total equity (note 9).

(b) Investment properties:

Investment properties comprise property held to earn rental revenue or for capital appreciation or both, but not for sale in the ordinary course of business. Investment property is measured initially at cost, including acquisition costs. Acquisition costs include applicable transfer taxes and professional fees which are directly attributable to the acquisition of the asset.

Subsequent to initial recognition, investment properties are measured at fair value with any change therein recognized in income. The Trust defines fair value to be the value a third party is willing to pay, in an arm's length transaction, for an investment property. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property.

As set out in note 2(e)(*i*), in arriving at their estimates of market values, management will determine whether a property in its portfolio of investment properties requires an independent appraisal.

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

(*i*) 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 method and/or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

(*ii*) 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.

3. Significant accounting policies (continued):

(b) Investment properties (continued):

Management reviews each independent appraisal 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.

Any gains and losses on the disposal of investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

Gains and losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

(c) Property held for development and resale:

Property held for development and resale is recorded at the lower of cost and net realizable value. Cost includes all costs of acquisition, costs of development (including direct development costs and capitalized interest) and other costs incurred in bringing the property to the condition where it is ready for sale. The costs are identified as either specific costs attributable to a specific unit or common costs which are then allocated to each saleable unit in proportion to the anticipated revenue.

As set out in note 2 (e) *(i)* management estimates the net realizable value of its inventory using estimates and assumptions about future selling prices and future development costs.

The Trust records an impairment provision where the carrying value of a particular property exceeds its estimated net realizable value.

(d) Revenue recognition:

(*i*) Rental revenue:

Rental revenue is recognized in income on a straight-line basis over the lease term subject to collectability being reasonably assured.

Rental 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.

(*ii*) Property sales:

Revenue from the sale of property is recognized when title passes to the purchaser upon closing and at which time all proceeds are received or collectability is reasonably assured.

3. Significant accounting policies (continued):

(e) Cash:

Cash consists of cash on hand and cash held at financial institutions.

(f) Deposits on land:

Deposits on land consists of deposits held in trust and due diligence costs incurred for specific acquisitions of investment properties expected to close.

(g) Mortgage reserve fund:

The mortgage reserve fund consists of cash on deposit required 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.

(h) Finance expenses:

Finance expenses consist of mortgage interest, amortization of deferred financing fees, the write-off of deferred financing fees on the extinguishment of an existing mortgage and from September 1, 2016, distributions to Class A and Class F unitholders. Finance expenses are recognized in the period in which they are incurred.

Deferred financing fees are capitalized and amortized over the life of the loan using the effective interest rate method. When a mortgage is extinguished and refinanced with a new mortgage, all costs associated with the original mortgage, including the unamortized deferred financing fees, are charged to income in the period that this occurs.

(i) Leases:

Leases are classified according to the substance of the transaction to determine whether substantially all the risks and benefits of ownership in the investment property have been transferred. All tenant leases, where a subsidiary of the Trust is the lessor, have been determined to be operating leases.

(j) Segment reporting:

The Trust owns only residential property in one primary market in the United States. The primary format for segment reporting is based on geographic region and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the directors. Accordingly, segment reporting has not been presented.

3. Significant accounting policies (continued):

(k) Redeemable units and distributions on redeemable units:

Effective September 1, 2016, the Trust re-designated its then existing class of trust units as Class F Units and created the additional Class A Units (collectively the “Units”). All classes of units have the same objectives, strategies and restrictions, but differ with respect to the fee structure. Class A Units incur a 2% asset management fee and Class F Units incur a 1% asset management fee (note 10). The Units do not meet the exception criteria in IAS 32 for classification as equity due to the dissimilarity of features between classes and accordingly, effective September 1, 2016, the Units have been reclassified as financial liabilities and presented as “net assets attributable to holders of redeemable units” in the consolidated statement of financial position.

Units redeemed are accounted for in the period during which the redemption is effective. Resultant gains on redemption are recognized in the consolidated statement of net income (loss) in the same period.

Distributions to unitholders on each class of redeemable units are made on a quarterly basis in arrears. Subsequent to September 1, 2016, distributions on redeemable units are treated as finance expense within the consolidated statement of comprehensive income, corresponding with the units’ classification as liabilities. Distributions are accrued in the period to which they relate.

(l) Financial instruments:

(*i*) Non-derivative financial assets and liabilities:

Non-derivative financial assets and 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 the Trust’s designation of such instruments.

The Trust classifies its financial instruments as follows:

Cash and mortgage reserve funds	Loans and receivables
Accounts receivable and prepaid expenses	Loans and receivables
Mortgages payable	Other financial liabilities
Accounts payable and other liabilities	Other financial liabilities
Net assets attributable to holders of redeemable units	Other financial liabilities

3. Significant accounting policies (continued):

(l) Financial instruments (continued):

(*i*) Non-derivative financial assets and liabilities (continued):

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.

The Trust's 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 method. The Trust's non-derivative financial liabilities include mortgages payable, accounts payable and other liabilities and, effective September 1, 2016, Class A and Class F units which are also classified as liabilities, and are no longer recorded as equity in the statement of unitholders' equity.

(*ii*) Impairment of financial assets:

At each reporting date, the Trust 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.

(m) The effects of changes in foreign exchange rates:

(*i*) Translation of foreign currency transactions:

Each entity within the consolidated group records transactions using its functional currency, being the currency of the primary economic environment in which it operates. Foreign currency transactions are translated into the functional currency of the respective entity using the prevailing exchange rates at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated into the respective functional currency of each entity using the prevailing exchange rates at the period end date. Foreign currency gains and losses arising from the settlement of foreign currency transactions are recognized in earnings, except for intercompany loans to foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in other comprehensive income.

3. Significant accounting policies (continued):

(m) The effects of changes in foreign exchange rates (continued):

(*ii*) *Translation of foreign operations:*

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange in effect at the period end date. Revenues and expenses are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. Foreign currency translation gains and losses are recognized in other comprehensive income. Upon disposal of a foreign operation, the cumulative exchange differences relating to that foreign operation that have been recognized in other comprehensive income and equity, are reclassified into earnings.

(n) Provisions:

Provisions are recognized by the Trust when:

(*i*) the Trust 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 reasonably be 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 a finance cost.

(o) Income taxes:

For the Canadian and U.S. corporate subsidiaries of the Trust, income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued):

(o) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting dates.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Accounting standards issued but not yet effective:

(*i*) IFRS 9 - *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.

3. Significant accounting policies (continued):

(p) Accounting standards issued but not yet effective (continued):

(*i*) IFRS 9 - *Financial Instruments: Classification and Measurement (continued)*:

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.

The Trust 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.

(*ii*) IFRS 15 - *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.

The Trust intends to adopt IFRS 15 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.

3. Significant accounting policies (continued):

(p) Accounting standards issued but not yet effective (continued):

(*iii*) 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.

The Trust 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.

(Expressed in Canadian dollars, unless otherwise indicated)

4. Investment properties:

	2016	2015
Balance, beginning of year	$ 200,368,600	$ 95,766,255
Cost of acquisitions	55,092,646	67,676,123
Capital additions	4,442,077	4,182,759
Change in fair value	21,521,756	13,170,017
Foreign currency translation	(5,701,839)	19,573,446
	$ 275,723,240	$ 200,368,600

Acquisitions during the year ended December 31, 2016 and 2015 are as follows:

- On December 15, 2016, the Trust acquired Artesia by the Lake, a 192-unit apartment community located in Everett, Washington, for a purchase price of $54,379,350 (US$40,500,000) plus standard closing costs and adjustments of approximately $974,802 (US$726,001). This acquisition was initially financed with cash and a new seven year mortgage in the amount of $35,245,875 (US$26,250,000).
- On February 4, 2015, the Trust acquired Village at Juanita Beach, which was subsequently renamed Starboard, an 80-unit apartment community located in Kirkland, Washington, for a purchase price of $19,641,000 (US$15,650,000) plus standard closing costs and adjustments of approximately $346,000 (US$276,000). This acquisition was initially financed with cash and a new seven year mortgage in the amount of $10,730,000 (US$8,550,000).
- The Trust acquired two condominium units located within the same community as Starboard (the "Starboard Condominiums") during the first six months of 2015 for $387,000 (US $305,000) plus standard closing costs and adjustments of approximately $3,870. These acquisitions were financed with cash.
- On November 16, 2015, the Trust acquired Woodcreek located in Lynnwood, Washington, for a purchase price of $44,198,000 (US$31,100,000) plus standard closing costs and adjustments of approximately $470,000 (US$352,000). This acquisition was initially financed with cash and a new seven year mortgage in the amount of $30,558,000 (US$22,885,000).

Management obtained independent appraisals on all investment properties held at December 31, 2016, with the exception of Artesia by the Lake which was purchased in December 2016 and Starboard Condominiums. Management have incorporated the appraisals obtained in its determination of fair value for each of the investment properties.

4. Investment properties (continued):

The fair value of investment properties is based on Level 3 inputs (see note 11 for definition of levels).

The significant inputs used to determine the fair value of the Trust's investment properties are as follows:

	2016	2015
Number of properties	9	8
Fair value as at December 31	$ 275,723,240	$ 200,368,600
Weighted Average DCR	5.34%	5.36%
Foreign exchange rate at December 31	1.3427	1.3840

Valuations determined by the DCR method are sensitive to changes in the capitalization rates. Additionally, as the investment properties are valued in US dollars, the fair value reported in Canadian dollars is also sensitive to changes in foreign exchange rates. The table below summarizes the sensitivity of the fair value of investment properties to changes in capitalization rates and foreign exchange rates.

As at December 31, 2016:

		-10%	-5%	As reported	+5%	+10%
FX Rate		1.2084	1.2756	1.3427	1.4098	1.4770
Cap rate						
-0.25%	5.09%	$ 260,344,634	$ 274,808,225	$ 289,271,816	$ 303,735,407	$ 318,198,997
Actual rate	5.34%	248,150,916	261,937,078	275,723,240	289,509,402	303,295,564
0.25%	5.59%	237,048,323	250,217,675	263,387,026	276,556,377	289,725,729

As at December 31, 2015:

FX Rate		-10%	-5%	As reported	+5%	+10%
		1.2456	1.3148	1.3840	1.4532	1.5224
Cap rate						
-0.25%	5.11%	$ 189,159,799	$ 199,668,677	$ 210,177,554	$ 220,686,432	$ 231,195,310
As reported	5.36%	180,331,740	190,350,170	200,368,600	210,387,030	220,405,460
+0.25%	5.61%	172,290,948	181,862,667	191,434,386	201,006,106	210,577,825

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

(Expressed in Canadian dollars, unless otherwise indicated)

5. Property held for development and resale:

On February 13, 2015, the Trust acquired Fort Lawton ("Fort Lawton"), a property consisting of 26 residential units located in Seattle, Washington, for a purchase price of $13,072,000 (US$10,500,000) plus standard closing costs and adjustments of approximately $861,000 (US$692,000). The property was acquired with the intention to renovate and sell the units.

During 2016, 13 units were completed and sold (2015 - 4 units were sold). At December 31, 2016, nine units remain in property held for development and resale. As the remaining units are expected to be sold within a year, they are presented as current assets in the consolidated statement of financial position.

On October 24, 2016, a duplex containing two of the remaining nine units held for sale were damaged by a fire which occurred during development work. An impairment loss was recorded due to the damage caused by the fire for $1,949,961. The Trust has made a claim under the insurance policy held on these units and other income for the expected insurance proceeds of $1,949,961 was recorded.

During 2016, interest expense of $530,450 was capitalized to the Fort Lawton property being developed for resale (2015 - $298,109).

6. Mortgages payable:

	Nominal Interest rate	Year of maturity	December 31 2016	December 31 2015
Mortgages on investment properties				
Bentley House (a)	3.19%	2019	$ 16,515,159	$ 17,366,604
Station Nine (b)	3.98%	2021	16,380,940	16,884,800
Station at Mill Creek (c)	3.95%	2025	7,227,836	7,586,950
Northline (d)	4.30%	2024	14,098,350	14,532,000
Borgata (e)	3.68%	2021	18,126,450	18,684,000
Starboard (f)	3.27%	2019	17,455,100	11,833,200
Woodcreek (g)	4.08%	2022	30,727,690	31,672,840
Artesia by the Lake (h)	4.06%	2024	35,245,875	-
Total mortgages on investment properties			155,777,400	118,560,394
Mortgages on properties held for development and resale				
Fort Lawton – Land (i)	5.50%	2017	2,674,323	6,380,398
Fort Lawton – Construction (i)	4.75%	2017	7,596,709	4,612,495
Total mortgages on properties held for development and resale			10,271,032	10,992,893
Total mortgages principal payable			166,048,432	129,553,287
Less: Unamortized mortgage transaction costs			1,241,428	1,172,882
			$ 164,807,004	$ 128,380,405

6. Mortgages payable (continued):

(a) Bentley House bears interest at fixed a rate of 3.19%. Monthly interest only payments were required until November 1, 2015, after which principal and interest payments are required for the remainder of the term. The term expires in 2019.

(b) Station Nine bears interest at a fixed rate of 3.98%. Monthly interest only payments are required until May 1, 2021 when the term expires.

(c) Station at Mill Creek bears interest at a fixed rate of 3.95%. Monthly principal and interest payments are required until January 1, 2025 when the term expires.

(d) Northline bears interest at a fixed rate of 4.30%. Monthly interest only payments are required until August 1, 2017, after which principal and interest payments are required for the remainder of the term. The term expires in 2024.

(e) Borgata bears interest at a fixed rate of 3.68%. Monthly interest only payments are required until December 1, 2017, after which principal and interest payments are required for the remainder of the term. The term expires in 2021.

(f) The Trust refinanced Starboard in 2016 into a line of credit with HomeStreet Bank. The maximum facility is $17,455,100 (US$13,000,000). As of December 31, 2016, The Trust drew on the entire credit facility of $13,000,000 USD. The loan bears interest at 2.50% above the one month USD LIBOR rate (December 31, 2016 at 0.77%). Monthly only interest payments are required until September 1, 2019 when the term expires. As a result of the refinancing, the unamortized deferred financing fees of $143,361 (US$106,771) relating to the original mortgage were written off in 2016.

(g) The mortgage on Woodcreek bears interest at a fixed rate of 4.08%. Monthly interest only payments are required until December 1, 2022, when the term expires.

(h) The mortgage entered into upon purchase (December 15, 2016) on Artesia by the Lake bears interest at a fixed rate of 4.06%. Monthly interest only payments are required until February 1, 2019, after which principal and interest payments are required for the remainder of the term. The term expires in 2024.

(i) The mortgage on the Fort Lawton land bears interest at 1.75% above the respective bank's prime rate (December 31, 2016 at 3.75%). Monthly interest only payments are required until February 27, 2017 when the term expires. The total loan balance includes a construction loan which bears interest at 1.0% above the respective bank's prime rate and becomes due as Fort Lawton units are sold. During the year, principal repayments of $12,014,106 (US$9,692,490) were made from the eleven units sold. The mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 3.92% (December 31, 2015 - 3.80%).

(Expressed in Canadian dollars, unless otherwise indicated)

6. Mortgages payable (continued):

(i) (continued):

On February 9, 2017, the Trust paid down the Fort Lawton land loan by $2,122,553 (US$1,615,214).

On February 15, 2017, the Trust extended the maturity date of the Fort Lawton construction loan from February 27, 2017 to May 31, 2017. All other terms of the loan remain the same.

The mortgages are secured by a first charge on the Trust's investment properties and a guarantee by a subsidiary of the Trust.

Principal repayments, as of December 31, 2016, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

	CAD	USD
2017	$ 10,896,247	$ 8,115,176
2018	1,118,447	832,984
2019	34,622,116	25,785,444
2020	1,459,626	1,087,083
2021	34,610,632	25,776,891
Thereafter	83,341,364	62,069,981
	$ 166,048,432	$ 123,667,559

7. Income taxes:

(a) Income tax expense in respect of the Canadian and US corporate subsidiaries of the Trust comprises current and deferred tax. Total income tax expense consists of the following:

	2016	2015
Current income tax expense	$ 1,007	$ -
Deferred tax expense	10,217,553	5,861,038
	$ 10,218,560	$ 5,861,038

The Trust has not recognized deferred tax liabilities in respect of historical earnings of foreign subsidiaries for which we are able to control the timing of the remittance to the Trust and are considered reinvested for the foreseeable future. At December 31, 2016, these earnings and appreciation totaled approximately $48,400,000 (2015 – $31,300,000. These earnings and appreciation would be subject to withholding taxes if they were remitted by the foreign subsidiaries.

(Expressed in Canadian dollars, unless otherwise indicated)

7. Income taxes (continued):

(b) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and future tax liabilities are presented below:

	2016	2015
Deferred tax assets:		
Non-capital losses carry forwards	$ -	$ 303,910
Deferred tax liabilities:		
Investment properties	20,873,169	12,107,103
	$ 20,873,169	$ 11,803,193

(c) At December 31, 2016, the US subsidiaries of the Trust have accumulated net operating losses available for carry forward for US income tax purposes of nil (2015 - $893,830).

8. Redeemable Class F and Class A units: representing net assets attributable to holders of redeemable units

(a) Units:

Under the terms of the declaration of Trust, on January 24, 2012 the settlor of the Trust contributed the sum of $10 to the Trust in order to constitute and settle the Trust. No units were exchanged for the contribution.

Effective on September 1, 2016, the Trust re-designated its then existing class of trust units as Class F Units and created an additional class of Class A Units (collectively the “Units”).

From the date of reclassification as liabilities the Trust had the following unit transactions, all of which were settled in cash:

	Class F		Class A		Total
	Units	Amount	Units	Amount	Amount
Balance, January 1, and December 31, 2015	-	$ -	-	$ -	$ -
Re-classification of units as liabilities, September 1, 2016	5,206,048	81,224,762	-	-	81,224,762
Net income attributable to units post re-classification	-	5,869,115	-	-	5,869,115
Increase in equity of NCI	-	(2,519,532)	-	-	(2,519,532)
Issuance of units	762,132	12,567,910	9,187	150,000	12,717,910
Redemption of units	(110,562)	(1,870,589)	-	-	(1,870,589)
Balance, December 31, 2016	5,857,618	$ 95,271,666	9,187	$ 150,000	$ 95,421,666

(Expressed in Canadian dollars, unless otherwise indicated)

8. Redeemable Class F and Class A units: representing net assets attributable to holders of redeemable units (continued):

(a) Units (continued):

Since existing trust units were re-designated as Class F Units on a one-for-one basis, any unit transactions that occurred prior to September 1, 2016 have been represented as Class F Units for comparative purposes.

Net income attributed to units pre re-designation on September 1, 2016 was derived from the June 30, 2016 interim financial statements.

Year ended December 31, 2016	Unitholders Of the Trust	Non-controlling interests	Total
Net income attributed pre re-designation	$ 9,652,442	$ 777,665	$ 10,430,107
Net income attributed post re-designation	5,869,115	451,598	6,320,713
Total net income	$ 15,521,557	$ 1,229,263	$ 16,750,820

(b) Distributions:

Each Class F unitholder is entitled to participate equally with respect to any and all distributions of net income and net realized capital gains subject to an adjustment in each unit's proportionate share as a result of the date of the first issue of a trust unit in the first fiscal year of the Trust.

Each Class A unitholder is entitled to the same proportionate share of discretionary distributions from the Trust as holders of the Class F Units, less an adjustment to reflect the additional Management Fee (note 10).

On termination, the unitholders of record are entitled to receive all the assets of the Trust remaining after payment of all debts, liabilities, and liquidation expenses of the Trust.

The Trust distributed cash of $4,195,395 (2015 - $2,224,229) to unitholders during the year.

Distributions per unit consisted of the following:

	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Distributions per unit				
Class F	$ 0.205	$ 0.205	$ 0.205	$ 0.205
Class A	-	-	0.205	0.176

	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Distributions per unit				
Class F	$ 0.120	$ 0.135	$ 0.135	$ 0.150
Class A	-	-	-	-

(Expressed in Canadian dollars, unless otherwise indicated)

8. Redeemable Class F and Class A units: representing net assets attributable to holders of redeemable units (continued):

(b) Distributions:

Prior to the re-designation of Trust units to Class F and creation of Class A units, all distributions from the Trust were determined to be distributions from equity. Commencing after September 1, 2016, all distributions for Class F and Class A units were classified as finance expense.

Year ended December 31:

	Class F units		Class A units		Total	
	2016	2015	2016	2015	2016	2015
Finance expense	$ 2,213,904	$ -	$ 1,617	$ -	$ 2,215,521	-
Equity distribution	1,979,874	2,224,299	-	-	1,979,874	2,224,299
	$ 4,193,778	$ 2,224,299	$ 1,617	$ -	$ 4,195,395	2,224,299

9. Non-controlling interests:

The non-controlling interests represent those of general partners (“the General Partners”) of certain of the Trust’s subsidiaries.

Set out below are the significant subsidiaries of the Trust and the Trust’s % interest in each entity at December 31, 2016. The remaining interest of the subsidiaries is held by the non-controlling interests:

	Place of business	Ownership interest
Rise Properties Limited Partnership	Canada	91.24%
Rise Properties Canada Ltd.	Canada	91.24%
Rise Properties US Holdings Inc.	US	91.24%
Rise Properties US Inc.	US	91.24%
Rise Properties Master Limited Partnership	US	91.15%
Rise Properties (Bentley House) Limited Partnership	US	91.15%
Rise Properties (Station Nine) Limited Partnership	US	91.15%
Rise Properties (Surrey Park) Limited Partnership	US	91.15%
Rise Properties (Woodland Pointe) Limited Partnership	US	91.15%
Rise Properties (Borgata) Limited Partnership	US	91.15%
Rise Properties (Fort Lawton) Limited Partnership	US	91.15%
Rise Properties (Fort Lawton Condos) Limited Partnership	US	91.15%
Rise Properties (Juanita Beach) Limited Partnership	US	91.15%
Rise Properties (Starboard Condos) Limited Partnership	US	91.15%
Rise Properties (Woodcreek) Limited Partnership	US	91.15%
Rise Properties (Artesia) Limited Partnership	US	91.15%

(Expressed in Canadian dollars, unless otherwise indicated)

9. Non-controlling interests (continued):

The unitholders of the Trust receive a preferred, pre-tax return equal to 8% per annum (2015 - 8% per annum) on contributed capital, and once this hurdle has been met, the non-controlling interests will be entitled to a return equal to 20% of the return in excess of 8%. The remaining 80% of the excess return will be allocated to unitholders. Only after unitholders achieve their minimum 8% return in cash will any portion of the non-controlling interests' return be paid in cash. The portion of the non-controlling interests' return not able to be paid in cash will automatically result in an increased allocation of equity of the same amount in the Trust's subsidiaries, to the non-controlling interests.

The non-controlling interests' return will be calculated and accrued in accordance with the Rise Properties Limited Partnership Agreement on a quarterly basis and awarded annually. The amount of the return awarded at December 31, 2016 was $3,611,303 (2015 - $4,176,555) which was all settled through an increase in equity of the non-controlling interest.

10. Related party transactions and balances:

The Trust and its subsidiaries may employ or retain related parties to provide goods or services, provided that the cost of such goods or services are competitive with the cost of similar goods or services provided by an independent third party.

The fees outlined in the table below, and as defined in the Trust's Offering Memorandum, may be paid directly to the General Partner or to related parties of the General Partner, pursuant to agreements between the Trust and its subsidiaries and the General Partner and its subsidiaries and related parties:

Fee	Details
Asset management fee	Class F: 1.0% per annum of the consolidated Net Asset Value of Rise Properties Limited Partnership
	Class A: 2.0% per annum of the consolidated Net Asset Value of Rise Properties Limited Partnership
Acquisition fee	1.0% of the gross purchase price of an investment property or a property to be developed and held for resale
Property management fee	3% per annum of the gross rental revenue from managed investment properties of the Trust
Repositioning fee	5% of repositioning costs, which are defined as costs incurred in updating, renovating, repairing, replacing and refurbishing a property upon acquisition in order to reposition it in its surrounding market

(Expressed in Canadian dollars, unless otherwise indicated)

10. Related party transactions and balances (continued):

Fee	Details
Development management fee	5% of all costs of a Conversion (defined as the redevelopment, repair, renovation and conversion into condominiums or other subdivided or undivided interest in one or more of the properties and the marketing and sale of such condominium or other subdivided or undivided interests), including the fair value of the property at the commencement of Conversion
Developer conversion profit	35% of the net profits from a Conversion, calculated as if the property were acquired at its fair value as at the commencement of its Conversion

(a) The General Partners of certain subsidiaries of the Trust provide asset management services to the Trust. The Trust was charged the following for these services during the period:

	2016	2015
Acquisition fees	$ 536,874	$ 760,942
Asset Management fees	898,194	610,664
Repositioning fees	173,965	165,105
Developer Management fees	1,182,181	1,082,105
Developer Conversion profit	2,583,506	321,012

(b) An entity related by virtue of common ownership with the Trustee of the Trust, provides property management and construction management services to the Trust. The Trust was charged the following fees for these services during the period:

	2016	2016
Property management fees	$ 525,250	$ 350,356

Acquisition fees, repositioning fees and development management fees have been capitalized to the properties to which the fees relate. Asset management fees are recorded in administration and other expenses. Property management fees are recorded in property expenses. Developer conversion profit is recognized in cost of property sold at the time that the property sale is recorded.

(c) As of December 31, 2016, there were no receivables or payables within the balance sheet, from or to related parties.

(Expressed in Canadian dollars, unless otherwise indicated)

11. Fair value:

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.

Assets and liabilities measured at fair value in the statement of financial position or for which fair value disclosure is required in the notes to the financial statements are classified based on a three-level hierarchy that reflects the significance of the inputs used when determining the fair value as follows:

Level 1 - determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2 - determined by using inputs other than the quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 - determined using inputs that are not based on observable market data.

For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment properties are the only assets measured at fair value by the Trust. These are classified as Level 3 investments. The Trust does not have any liabilities designated as fair value through profit or loss.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Cash	$ 12,321,953	$ 12,321,953	$ 8,091,596	$ 8,091,596
Mortgage reserve fund	1,277,674	1,277,677	1,600,847	1,600,847
Accounts receivable and prepaid expenses	2,769,379	2,769,379	997,099	997,099
Accounts payable and accrued liabilities	5,009,460	5,009,460	4,447,908	4,447,908
Mortgages payable	166,048,432	166,555,107	129,553,287	130,360,467
Net assets attributable to holders of redeemable units	95,421,666	95,421,666	-	-

11. Fair value (continued):

The valuation techniques and inputs for the Trust's financial instruments are as follows:

(i) Other assets and other liabilities

The carrying values of financial assets and financial liabilities not measured at fair values, such as cash, mortgage reserve funds, accounts receivable and prepaid expenses and accounts payable and other liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand

(ii) Mortgages payable

The fair values of the mortgages payable have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions and therefore are classified as Level 2 in the fair value hierarchy.

(iii) Net assets attributable to holders of redeemable units

Effective September 1, 2016, Class A units and Class F units were reclassified as liabilities. Upon reclassification of the units as liability, the Trust measured the Class A and Class F units initially at fair value; subsequently, the Class A and Class F units are measured at amortized cost using the effective interest rate method.

The Trust routinely redeems and issues redeemable units at the amounts equal to the proportionate share of net assets of the Trust at the time of redemption, calculated on a basis consistent with that used in the financial statements. Accordingly, the carrying amount of the net assets attributable to the holders of redeemable units approximates their fair value and are based on Level 2 inputs.

There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2016.

(Expressed in Canadian dollars, unless otherwise indicated)

12. Capital management:

The Trust defines capital as the aggregate of unitholders' equity, non-controlling interests, accumulated other comprehensive income, long-term debt and net assets attributable to unitholders. The term "long-term debt" means any financial liabilities of the Trust beyond one year from the balance sheet date. The Trust's objective in managing capital is to maintain a level of capital that complies with investment and debt restrictions pursuant to the Trust Declaration. The Trust's capital structure is approved by its Trustee through its periodic reviews. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants.

The Trust Declaration allows the Trustee, at its discretion, to distribute to the Trust's unitholders in each year all or a portion of the Trust's income for the year, as calculated in accordance with the Income Tax Act after all permitted deductions under the Act have been taken. The Trustee also reviews the cash distribution paid to unitholders on a regular basis.

The Trust is in compliance with all investment and debt restrictions pursuant to the Trust Declaration for the period ended December 31, 2016.

Under the terms of the mortgages payable, a subsidiary of the Trust, as guarantor of the mortgages payable, is required to maintain a net worth of $26,854,000 (US$20,000,000) and liquid assets of $3,524,588 (US$2,625,000). On December 31, 2016, the subsidiary had a net worth of $137,065,014 (US$102,081,637) and liquid assets of $5,093,412 (US$3,793,407).

The capital structure of the Trust consisted of the following:

	2016	2015
Unitholders' equity	$ -	$ 65,106,260
Non-controlling interests	10,360,237	5,984,895
Accumulated other comprehensive income	12,481,488	15,617,170
Mortgages payable	164,807,004	128,380,405
Net assets attributable to unitholders	95,271,666	-
	$ 283,920,395	$ 215,088,730

13. Risk management:

In the normal course of business, the Trust is exposed to a number of risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk and economic dependence:

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The Trust is exposed to credit risk in the event of non-payment of rent and recoveries by its tenants. This risk is mitigated by obtaining advance deposits and initiating a prompt collection process. The amount of rent receivables at December 31, 2016 was $113,577 (2015 - $39,583), of which $59,341 (2015 - $7,004) was past due.

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

Some of the Trust's mortgages payable bear interest at a floating rate based on LIBOR or Prime Rates. The impact of a 1.0% change in the LIBOR or Prime rate will increase or decrease the Trust's interest expense or income by $277,000 annually, based on the outstanding balance of the mortgages payable as at December 31, 2016.

(c) Currency risk:

The Trust's reporting currency is in Canadian dollars, but the underlying investment in the Properties is denominated in US dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to other currencies. Consequently, income and expense or any ultimate gain on sale will be earned or incurred in US dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Units and the return on the original investment, when expressed in Canadian dollars, may be greater or less than that determined only with reference to US dollars. Accordingly, the Trust is subject to currency exchange rate risk.

13. Risk management (continued):

(c) Currency risk (continued):

A reasonably possible strengthening or weakening of the Canadian dollar against the US dollar at December 31, 2016 would have affected the measurement of US dollar denominated balances and increased (decreased) comprehensive income and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Comprehensive Income (Loss)	
	Strengthening +10%	Weakening -10%
December 31, 2016	$ (11,498,000)	$ 11,498,000
December 31, 2015	(8,758,000)	8,758,000

There would be minimal impact on net income as the Trust’s functional currency is US dollars and the majority of its assets and liabilities are denominated in US dollars, thus the foreign exchange difference arises primarily upon translation for presentation purposes.

(d) 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 the Trust’s ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Trust were required to liquidate a real property investment, the proceeds to the Trust might be significantly less than the aggregate carrying value of such property.

The Trust diligently monitors the repayment dates of its mortgages and intends to refinance all mortgages as they become due. The mortgage due dates represent a weighted average remaining term of 5.1 years.

The Trust’s scheduled payments are:

Year ended December 31,	Accounts payable and other	Mortgage payments (principal, interest and maturities)	Total
2017	$ 5,009,460	$ 16,890,936	$ 21,900,396
2018	-	7,107,642	7,107,642
2019	-	40,327,737	40,327,737
2020	-	6,268,537	6,268,537
2021	-	22,921,327	22,921,327
Thereafter	-	106,112,759	106,112,759
	$ 5,009,460	$ 199,628,938	$ 204,638,398

RISE PROPERTIES TRUST

Supplementary disclosure: unitholders' equity reconciliation – Unaudited

Year ended December 31, 2016

The following provides supplementary information prepared by management to show a reconciliation of unitholders' equity and net asset value per unit.

The net asset value and net asset value per unit have been calculated in accordance with the Rise Properties Limited Partnership Agreement.

The supplementary information in this note has been prepared by management and is unaudited:

(unaudited)	2016	2015
Total equity [a]	$ 22,841,725	$ 86,708,325
Less:		
Allowance for transaction costs [b]	8,271,697	6,011,058
Mortgages payable adjustment [c]	1,241,428	1,172,882
Non-controlling interest and initial $10 Trust contribution	10,360,247	5,984,905
	19,873,372	13,168,480
Add:		
Net assets attributable to unitholders [d]	95,421,666	-
Deferred income taxes transaction costs [e]	2,812,300	2,042,000
Increase in inventory value for implied sale [f]	628,150	-
	98,862,116	2,042,000
Net asset value	$ 101,830,469	$ 75,581,480
Units outstanding	5,866,805	4,675,499
Net asset value per unit	$ 17.3571	$ 16.1654

(a) Equity per the financial statements prepared in accordance with IFRS.

(b) The appraised value of the investment properties assumes no transaction costs on disposition of the properties. Management believes that if the investment properties were sold a disposition cost of approximately 3% of the appraised value of the properties would be incurred. As such, a reserve has been taken for this amount.

(c) The mortgages payable balance per the financial statement includes amounts that reduce the actual payable amount for mortgages payable, in compliance with IFRS. This adjustment increases the mortgages payable balance to that which would be required to actually be paid on disposition of the investment properties.

(d) Effective on September 1, 2016, the Trust re-designated its then existing class of trust units as Class F Units and created additional classes of Class A Units. These two unit classes were designated as liabilities for presentation purposes. This adjustment adds these values back as they are the carrying value of each unitholders investment.

(e) As Management has reduced the fair value of the investment properties to reflect a 3% transaction cost on disposition, deferred income taxes have been reduced by a proportionate amount, which is 3% of the appraised value of the investment properties multiplied by the applicable tax rate in effect.

(f) As of year-end, a nonrefundable deposit has been paid for the sale of a property held as inventory. As such, the sale is considered reasonably assured and an increase in fair value for the property to be sold has been included for the calculation of net asset value.