Consolidated Financial Statements
(Expressed in Canadian dollars)

RISE PROPERTIES TRUST

Year ended December 31, 2017

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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, 2017, the consolidated statements of net income and comprehensive income, changes in net assets attributable to holders of redeemable units, changes in equity, and cash flows for the year ended December 31, 2017, 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, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 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 2, 2018
Vancouver, Canada

RISE PROPERTIES TRUST

Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

	December 31 2017	December 31 2016
Assets		
Non-current assets:		
Investment properties (note 4)	$ 292,244,002	$ 275,723,240
Current assets:		
Mortgage reserve fund and restricted cash	1,499,170	1,277,674
Accounts receivable and prepaid expenses	563,333	2,769,379
Loan receivable (note 5)	1,756,300	-
Subscriptions receivable	1,095,044	1,994,179
Property held for development and resale (note 5)	5,914,055	15,793,639
Cash	9,560,288	12,321,953
	20,388,190	34,156,824
	$ 312,632,192	$ 309,880,064
Equity		
Accumulated other comprehensive income	4,449,128	12,481,488
Non-controlling interests (note 9)	8,806,327	10,360,237
	$ 13,255,455	$ 22,841,725
Liabilities		
Non-current liabilities:		
Mortgages payable (note 6)	$ 147,096,937	$ 153,910,757
Deferred income taxes	14,925,016	20,873,169
	162,021,953	174,783,926
Current liabilities:		
Mortgages payable – current portion (note 6)	909,854	10,896,247
Income taxes payable	124,409	927,040
Accounts payable and other liabilities	2,410,916	5,009,460
	3,445,179	16,832,747
Net assets attributable to holders of redeemable units		
Class F	124,579,015	95,271,666
Class A	9,330,590	150,000
	$ 299,376,737	$ 287,038,339

See accompanying notes to consolidated financial statements.

Approved on behalf of the Trustees:

_____________ Director   _____________ Director

RISE PROPERTIES TRUST

Consolidated Statement of Net Income and Comprehensive Income
(Expressed in Canadian dollars)

	Year Ended December 31, 2017	2016
Rental income and recoveries	$ 21,877,700	$ 17,728,380
Property operating expenses	9,285,866	7,261,029
Earnings from property operations	12,591,834	10,467,351
Net sales and revenues	17,118,553	24,100,354
Cost of sales and revenues	13,563,987	19,606,138
Marketing expense	452,154	1,046,633
Earnings from property held for sale	3,102,412	3,447,583
Other income:		
Fair value adjustments to investment properties (note 4)	13,308,070	21,521,756
Loss on disposal of investment properties (note 4)	(457,964)	-
Gain from Insurance claim coverage	326,850	1,949,961
	13,176,956	23,471,717
Other expenses:		
Consulting and advisory expenses	522,331	384,953
Administration fees and other expenses	1,277,471	991,829
Impairment of inventories	-	1,949,961
Finance expense: (note 6)		
Interest expense and other	5,774,454	4,875,007
Distributions to holders of redeemable units	5,496,279	2,215,521
	13,070,535	10,417,271
Net income before income taxes	15,800,667	26,969,380
Income tax expense (recovery): (note 7)		
Current	2,470,779	1,007
Deferred	(4,735,356)	10,217,553
	(2,264,577)	10,218,560
Net income:		
Unitholders of the Trust	16,095,589	15,521,557
Non-controlling interests (note 9)	1,969,655	1,229,263
	18,065,244	16,750,820
Other comprehensive loss:		
Foreign currency translation on US operations	(8,972,697)	(2,205,783)
Net comprehensive income	9,092,547	14,545,037
Comprehensive income attributable to:		
Unitholders of the Trust	7,872,976	13,477,646
Non-controlling interests (note 9)	1,219,571	1,067,391
	$ 9,092,547	$ 14,545,037

See accompanying notes to consolidated financial statements.

RISE PROPERTIES TRUST

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

Year ended December 31, 2017

	Class F		Class A	
	Units	Amount	Units	Amount
Balance, January 1	5,857,618	$ 95,271,666	9,187	$ 150,000
Net income		16,095,589		-
Increase in equity of non-controlling interests (note 9)		(380,187)		-
Issuance of units, net of issuance costs (note 8)	1,155,347	19,820,501	535,385	9,277,736
Redemption of units	(361,268)	(6,228,554)	(5,898)	(97,146)
Balance, December 31, 2017 -	6,651,697	$ 124,579,015	538,674	$ 9,330,590

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

Year ended December 31, 2016

	Class F		Class A	
	Units	Amount	Units	Amount
Balance, January 1		$ -		$ -
Reclassification of units to liability, September 1, 2016 (note 8)	5,206,048	81,224,762	-	-
Net income (note 8 (a))		5,869,115		-
Increase in equity of non-controlling interests (note 9)		(2,519,532)		-
Issuance of units, net of issuance costs	762,132	12,567,910	9,187	150,000
Redemption of units	(110,562)	(1,870,589)	-	-
Balance, December 31, 2016	5,857,618	$ 95,271,666	9,187	$ 150,000

See accompanying notes to consolidated financial statements.

RISE PROPERTIES TRUST

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

Year ended December 31, 2017

	Accumulated other comprehensive income	Non-controlling interests
Balance, January 1	$ 12,481,488	$ 10,360,237
Special distribution to non-controlling interests (note 9)	-	(2,500,000)
Distributions	-	(463,415)
Increase in equity of non-controlling interests (note 9)	190,253	189,934
Net income	-	1,969,655
Foreign currency translation adjustment	(8,222,613)	(750,084)
Balance, December 31, 2017	$ 4,449,128	$ 8,806,327

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	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

RISE PROPERTIES TRUST

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

Year Ended December 31, 2017, with comparative information for 2016	2017	2016
Cash provided by (used in):		
Operating activities:		
Net income	$ 18,065,244	$ 16,750,820
Items not affecting cash:		
Fair value adjustments to investment properties	(13,308,070)	(21,521,756)
Deferred income taxes	(5,502,942)	10,217,553
Amortization of deferred financing fees	284,687	242,810
Loss on refinancing or disposition (fees and repayment):		
Write off of unamortized deferred finance fees	116,009	141,537
Prepayment penalty on refinance	-	114,434
Acquisition of Inventories:		
Cost of sales	13,563,987	19,606,138
Impairment Loss	-	1,949,961
Additions	(4,511,550)	(16,993,173)
Changes in non-cash operating items:		
Accounts receivable and prepaid expenses	277,104	(1,779,106)
Accounts payable and other liabilities	(2,411,016)	584,753
Mortgage interest expense	5,373,756	4,375,688
Distributions to holders of redeemable units	5,496,279	2,215,521
Cash provided by operating activities	17,443,488	15,905,180
Investing activities:		
Acquisition of investment properties	(34,501,647)	(55,092,646)
Disposition of investment properties	14,277,358	-
Capital additions to investment properties	(1,104,798)	(4,442,077)
Cash used in investing activities	(21,329,087)	(59,534,723)
Financing activities:		
Proceeds from issuance of units, net	28,003,193	21,533,835
Distributions to unitholders	(5,959,694)	(4,498,747)
Redemption of units by unitholders	(6,184,495)	(4,234,759)
Special distribution to non-controlling interest	(2,500,000)	-
Proceeds from mortgages payable	22,694,511	40,736,054
Principal repayment of mortgages payable	(29,046,680)	(859,741)
Increase in mortgage reserve fund	(316,001)	271,898
Mortgage interest paid	(5,452,014)	(4,796,609)
Cash received from prior period subscriptions	1,994,179	-
Cash provided by financing activities	3,232,999	48,151,931
Effect of exchange rate fluctuations on cash held	(2,109,065)	(292,031)
Change in cash during the year	(2,761,665)	4,230,357
Cash, beginning of year	12,321,953	8,091,596
Cash, end of year	$ 9,560,288	$ 12,321,953

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 2, 2018.

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 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 conditions existing at the reporting date.

2. Basis of presentation (continued):

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

(ii) Judgments (continued):

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, 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.

(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.

3. Significant accounting policies (continued):

(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 and the write-off of deferred financing fees on the extinguishment of an existing mortgage and distributions to Class A and Class F unitholders. Mortgage interest and distributions to Class F and Class A unitholders 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.

(k) Redeemable units and distributions on redeemable units:

Effective on 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.

3. Significant accounting policies (continued):

(k) Redeemable units and distributions on redeemable units (continued):

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 an 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
Subscriptions receivable	Loans and receivables
Mortgages payable	Other financial liabilities
Accounts payable and other liabilities	Other financial liabilities
Class A and Class F units	Other financial liabilities

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

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.

3. Significant accounting policies (continued):

(l) Financial instruments (continued):

(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) 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.

(n) 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.

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.

3. Significant accounting policies (continued):

(n) Income taxes (continued):

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.

(o) 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.

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 Trust has determined that the new standards will have no material effect on its consolidated financial statements.

3. Significant accounting policies (continued):

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

(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.

(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:

	2017	2016
Balance, beginning of year	$ 275,723,240	$ 200,368,600
Cost of acquisitions	34,501,647	55,092,646
Capital additions	1,104,798	4,442,077
Change in fair value	13,308,068	21,521,756
Disposals	(14,277,358)	-
Foreign currency translation	(18,116,393)	(5,701,839)
	$ 292,244,002	$ 275,723,240

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

(a) Acquisitions:

During the year ended December 31, 2017 and 2016, acquisitions were as follows:

- On December 20, 2017, the Trust acquired Citywalk, a 102-unit apartment community located in Seattle, Washington, for a purchase price of $34,544,980 (US$26,900,000) plus standard closing costs and adjustments of approximately $706,270 (US$549,969). This acquisition was initially financed with cash and a new seven-year mortgage in the amount of $22,454,237 (US$17,485,000).
- On September 22, 2017, the Trust acquired one condominium unit located within the same community as Starboard (the "Starboard Condominiums") for $240,000 (US $195,000) plus standard closing costs and adjustments of approximately $29,061 (US $23,594). This acquisition was financed with cash.
- 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).

(b) Disposals:

On July 27, 2017 The Trust sold Station at Mill Creek, a 46-unit apartment community located in Mill Creek, Washington, for a sales price of $14,374,311 (US$11,000,000) less standard closing costs and adjustments of approximately $461,074 (US$352,839). This property was initially purchased in 2013 for US$6,880,000.

(c) Valuation:

Management obtained independent appraisals on all investment properties held at December 31, 2017, with the exception of Citywalk which was purchased in December 2017 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). There have been no transfers during the period between levels.

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

	2017	2016
Number of properties	9	9
Value as at December 31	$ 292,244,002	$ 275,723,240
Weighted Average DCR	5.23%	5.34%
Foreign exchange rate at December 31	1.2545	1.3427

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, 2017:

		-10%	-5%	As reported	+5%	+10%
FX Rate		1.1291	1.1918	1.2545	1.3172	1.3800
Cap rate						
-0.25%	4.98%	$ 276,233,412	$ 291,579,713	$ 306,926,013	$ 322,272,314	$ 337,618,615
Actual	5.23%	263,019,602	277,631,802	292,244,002	306,856,203	321,468,403
+0.25%	5.48%	251,012,263	264,957,389	278,902,514	292,847,640	306,792,766

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

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 2017, 6 units were completed and sold (2016 - 13 units were sold). The sales price of one unit was settled partially by cash and partially by a loan receivable of $1,756,300 (US$1,400,000) entered into by the third-party purchaser. The loan receivable bears interest at 6% per annum, and is due in full on July 13, 2018, and is secured on the property.

At December 31, 2017, three 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 three homes held for sale were damaged by a fire which occurred during renovation work. In fiscal year 2016, an impairment loss of $1,949,961 was recorded, due to the damage caused by the fire. The Trust made a claim under the insurance policy held on these homes and recorded other income receivable as of December 31, 2016, for the expected insurance proceeds, of $1,949,961. In 2017 the Trust received insurance proceeds totaling $326,850 in excess of the other income receivable recorded in 2016. This excess was recorded as an additional gain from insurance claim coverage on the statement of income.

During 2017, interest expense of $200,963 was capitalized to the Fort Lawton property being developed for resale (2016 - $530,450).

(Expressed in Canadian dollars, unless otherwise indicated)

6. Mortgages payable:

	Nominal Interest rate	Year of maturity	December 31 2017	December 31 2016
Mortgages on investment properties				
Bentley House (a)	3.19%	2019	$ 15,107,338	$ 16,515,159
Station Nine (b)	3.98%	2021	15,304,900	16,380,940
Station at Mill Creek (c)	n/a	2025	-	7,227,836
Northline (d)	4.30%	2024	13,086,435	14,098,350
Borgata (e)	3.68%	2021	16,909,925	18,126,450
Starboard (f)	4.06%	2019	5,018,000	17,455,100
Woodcreek (g)	4.08%	2022	28,709,233	30,727,690
Artesia by the Lake (h)	4.06%	2024	32,930,625	35,245,875
Citywalk (i)	3.57%	2025	21,934,933	-
Total mortgages on investment properties			149,001,389	155,777,400
Mortgages on properties held for development and resale				
Fort Lawton – Land (j)	n/a	2017	-	2,674,323
Fort Lawton – Construction (j)	n/a	2017	-	7,596,709
			-	10,271,032
Total mortgages principal payable			149,001,389	166,048,432
Less: Unamortized mortgage transaction costs			994,598	1,241,428
			$ 148,006,791	$ 164,807,004

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 was sold on July 27, 2017, and the remaining mortgage balance was settled at the time of closing.

(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, 2017, The Trust drew on $5,018,100 ($4,000,000 USD) of the credit facility. The loan bears interest at 2.50% above the one month USD LIBOR rate (December 31, 2017 at 1.56%). Monthly only interest payments are required until September 1, 2019 when the term expires.

(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 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 entered into upon purchase (December 20, 2017) of Citywalk bears interest at a variable rate of 2.01% above the one month USD LIBOR rate (December 31, 2017 at 1.56%). Monthly only interest payments are required until January 1, 2021, after which principal and interest payments are required for the remainder of the term. The term expires in 2025.

(j) Both the mortgage on the Fort Lawton land and the construction loan were fully repaid in 2017.

(Expressed in Canadian dollars, unless otherwise indicated)

6. Mortgages payable (continued):

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, 2017, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

	CAD	USD
2018	$ 909,854	$ 725,272
2019	20,901,810	16,661,467
2020	1,195,282	952,796
2021	32,570,171	25,962,671
2022	30,074,173	23,973,036
Thereafter	63,350,099	50,498,285
	$ 149,001,389	$ 118,773,527

7. Income taxes:

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

	2017	2016
Current income tax expense	$ 2,470,779	$ 1,007
Deferred income tax expense (recovery)	(4,735,356)	10,217,553
	$ (2,264,577)	$ 10,218,560

The Trust has not recognized deferred tax liabilities in respect of historical unremitted earnings of foreign subsidiaries for which it is able to control the timing of the remittance and which are considered reinvested for the foreseeable future. At December 31, 2017, these earnings and appreciation totaled $63,544,339 (2016 – $48,417,369). 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) Income tax expense differs from the amount that would be computed by applying the US domestic income tax rates of 35% (2016 - 35%) to earnings before income taxes as a result of the following:

	2017	2016
Income tax at US statutory rate of 35% (2016: 35%)	$ 5,530,233	$ 9,439,283
Permanent differences	1,923,698	775,432
Temporary differences and other	(4,983,152)	3,845
Change in substantively enacted tax legislation	(4,735,356)	-
Income tax expense (recovery)	$ (2,264,577)	$ 10,218,560

On December 22, 2017, the United States signed into law the Tax Cuts and Jobs Act ("U.S. Tax Reform"). The U.S. Tax Reform reduces the U.S. federal corporate income tax rate from 35% to 21% effective as of January 1, 2018.

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

	2017	2016
Deferred tax assets:		
Non-capital losses carry forwards	$ -	$ -
Deferred tax liabilities:		
Investment properties	11,795,038	20,873,169
	$ 11,795,038	$ 20,873,169

(Expressed in Canadian dollars, unless otherwise indicated)

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”).

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 on 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 interest	Total
Net income reported pre re-designation	$ 9,652,442	$ 777,665	$ 10,430,107
Net income reported 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:

Net income is allocated between the Trust and non-controlling interest based on the weighted daily average capital outstanding during the period.

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 paid distributions of $5,496,279 (2016 - $4,195,395) to unitholders during the year.

(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):

Distributions per unit consisted of the following:

	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Distributions per unit				
Class F	$ 0.205	$ 0.220	$ 0.220	$ 0.220
Class A	0.192	0.194	0.196	0.189

	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

Prior to the 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	
	2017	2016	2017	2016	2017	2016
Finance expense	$ 5,320,840	$ 2,213,904	$175,439	$ 1,617	$ 5,496,279	2,215,521
Equity distribution	-	1,979,874	-	-	-	1,979,874
	$ 5,320,840	$ 4,193,778	$175,439	$ 1,617	$ 5,496,279	4,195,395

(Expressed in Canadian dollars, unless otherwise indicated)

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, 2017. The remaining interest of the subsidiaries is held by the non-controlling interests:

	Place of business	Ownership interest
Rise Properties Limited Partnership	Canada	94.02%
Rise Properties Canada Ltd.	Canada	94.02%
Rise Properties US Holdings Inc.	US	94.02%
Rise Properties US Inc.	US	94.02%
Rise Properties Master Limited Partnership	US	93.92%
Rise Properties (Bentley House) Limited Partnership	US	93.92%
Rise Properties (Station Nine) Limited Partnership	US	93.92%
Rise Properties (Surrey Park) Limited Partnership	US	93.92%
Rise Properties (Woodland Pointe) Limited Partnership	US	93.92%
Rise Properties (Borgata) Limited Partnership	US	93.92%
Rise Properties (Fort Lawton) Limited Partnership	US	93.92%
Rise Properties (Fort Lawton Condos) Limited Partnership	US	93.92%
Rise Properties (Juanita Beach) Limited Partnership	US	93.92%
Rise Properties (Starboard Condos) Limited Partnership	US	93.92%
Rise Properties (Woodcreek) Limited Partnership	US	93.92%
Rise Properties (Artesia) Limited Partnership	US	93.92%

(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 (2016 - 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, as amended, on a quarterly basis and awarded annually. The amount of the return awarded at December 31, 2017 was $189,934 (2016 - $3,611,303) which was all settled through an increase in equity of the non-controlling interest. On August 31, 2017 Rise Properties Limited Partnership declared a special distribution to its non-controlling interest for $2,500,000 which reduced the non-controlling interest's ownership in the Limited Partnership.

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 Memoranda, 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:

	2017	2016
Acquisition fees	$ 351,677	$ 536,874
Asset Management fees	1,206,057	898,194
Repositioning fees	271,973	173,965
Developer Management fees	393,269	1,182,181
Developer Conversion profit (refund)	(194,993)	2,583,506

(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:

	2017	2016
Property management fees	$ 646,713	$ 525,250

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, 2017, 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 disclosed 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 a Level 3 investment. 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, 2017		December 31, 2016	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Cash	$ 9,560,288	$ 9,560,288	$ 12,321,953	$ 12,321,953
Mortgage reserve fund	1,499,170	1,499,170	1,277,674	1,277,674
Accounts receivable and prepaid expenses	2,319,634	2,319,634	2,769,379	2,769,379
Subscriptions receivable	1,095,044	1,095,044	1,994,179	1,994,179
Accounts payable and accrued liabilities	2,218,597	2,218,597	5,009,460	5,009,460
Mortgages payable	149,001,389	149,267,299	166,048,432	166,555,107
Net assets attributable to holders of redeemable units	134,099,858	134,099,858	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, subscriptions receivable, 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, 2017.The Class A and Class F units are classified as a Level 2 investment.

(Expressed in Canadian dollars, unless otherwise indicated)

12. Capital management:

The Trust defines capital as the aggregate of non-controlling interest, accumulated other comprehensive income, mortgages payable 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, 2017.

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 $25,090,000 (US$20,000,000) and liquid assets of $3,293,063 (US$2,625,000). On December 31, 2017, the subsidiary had a net worth of $159,885,634 (US$127,449,686) and liquid assets of $4,072,599 (US$3,246,394).

The capital structure of the Trust consisted of the following:

	2017	2016
Non-controlling interests	$ 8,806,327	$ 10,360,237
Accumulated other comprehensive income	4,258,875	12,481,488
Mortgages payable	148,006,791	164,807,004
Net assets attributable to unitholders	134,099,858	95,421,666
	$ 295,171,851	$ 283,920,395

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, 2017 was $41,617 (2016 - $113,577), of which $12,551 (2016 - $59,341) was past due. Subscriptions receivable outstanding do not present a significant credit risk, as all funds are received within a few days after their trade date. All subscriptions receivable were received by the Trust subsequent to December 31, 2017.

(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 $270,000 annually, based on the outstanding balance of the mortgages payable as at December 31, 2017.

13. Risk management (continued):

(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.

A reasonably possible strengthening or weakening of the Canadian dollar against the US dollar at December 31, 2017 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, 2017	$ (14,520,000)	$ 14,520,000
December 31, 2016	(11,498,000)	11,498,000

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.

(Expressed in Canadian dollars, unless otherwise indicated)

13. Risk management (continued):

(d) Liquidity risk (continued):

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 4.9 years.

The Trust's scheduled payments are:

Year ended December 31,	Accounts payable and other	Mortgage payments (principal, interest and maturities)	Total
2018	$ 2,410,916	$ 6,723,638	$ 9,134,554
2019	-	26,568,226	26,568,226
2020	-	6,254,991	6,254,991
2021	-	22,210,037	22,210,037
2022	-	34,423,992	34,423,992
Thereafter	-	82,526,062	82,526,062
	$ 2,410,916	$ 178,706,946	$ 181,117,862

14. Supplementary disclosure – unitholders' equity reconciliation:

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)	2017	2016
Total equity [(a)]	$ 13,065,202	$ 22,841,725
Less:		
Allowance for transaction costs [(b)]	8,767,320	8,271,697
Mortgages payable adjustment [(c)]	994,598	1,241,428
GST liability of GP interest [(d)]	437,149	-
Non-controlling interest and initial trust contribution	8,806,337	10,360,247
	19,005,404	19,873,372
Add:		
Carrying Value of Class F and Class A Units [(e)]	134,099,858	95,421,666
Deferred income taxes transaction costs [(f)]	1,841,100	2,812,300
Increase in inventory value for implied sale [(g)]	250,611	628,150
	136,191,569	98,862,116
Net asset value	$ 130,251,367	$ 101,830,469
Units outstanding	7,190,370	5,866,805
Net asset value unit	18.1147	17.3571

14. Supplementary disclosure – unitholders' equity reconciliation (continued):

(a) Unitholders equity per the financial statements is 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) As of September 8, 2017 the Canadian Revenue Agency issued new guidance that certain limited partnership distributions may now be subject to additional GST/HST where they were paid or became payable to general partners. As the Trust would be subject to this new guidance, an additional liability equal to 5% of the Trust's non-controlling interest has been added to the Net Asset Value calculation.

(e) 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.

(f) 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.

(g) As of December 31, 2017, 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.