

# STARLIGHT U.S. MULTI-FAMILY (NO. 1) VALUE-ADD FUND ANNOUNCES THIRD QUARTER RENT GROWTH AHEAD OF FORECAST



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Toronto – **November 9 , 2017** – Starlight U.S. Multi-Family (No. 1) Value-Add Fund (TSX.V: SUVA.A, SUVU.U) (the “Fund”) today announced its results of operations and financial condition for the three months ended September 30, 2017 (“Third Quarter”) and for the period from April 24, 2017 to September 30, 2017 (“Period to Date”), a 107-day operating period that commenced following the closing of the Fund’s initial public offering (the “Offering”) and the acquisitions of The Landing at Round Rock and Spectra South, (collectively the “Initial Properties”) on June 16, 2017.

All amounts in this press release are in thousands of United States dollars unless otherwise stated. All references to “C\$” are to Canadian dollars. The forecast figures below represent the financial forecast (the “Forecast”) as set out in the Fund’s final long form prospectus dated June 12, 2017.

## Key Highlights

- Average market rent (“AMR”) at September 30, 2017 at \$1,223 was 1.3% higher than the Forecast.
- Revenue from property operations for the Third Quarter was \$3,505, \$89 or 2.5% lower than the Forecast due to lower economic occupancy being partly offset by higher AMR.
- Property operating costs including property taxes were \$1,509, \$20 or 1.3% below the Forecast during the Third Quarter.
- Net operating income (“NOI”) was \$1,996, \$69 or 3.3% lower than Forecast for the Third Quarter. Period to Date NOI was \$2,345, \$54 or 2.3% lower than in the Forecast.
- NOI margin for the Third Quarter was 57.0% compared to the forecasted 57.5%. Period to Date NOI margin was 57.3% compared to Forecast at 57.4%.
- The Fund recognized a fair value increase on its Initial Properties of \$5,678 during the Third Quarter driven by capitalization rate compression.
- The Fund’s adjusted funds from operations (“AFFO”) for the Third Quarter was \$865, \$69 or 7.4% below Forecast due to the decrease in NOI.
- The Fund’s AFFO payout ratio Period to Date was 102.3%, however after adjusting for the fact that the Fund had not yet fully deployed the equity raised in the Offering, the revised AFFO payout ratio was 84.8% compared to Forecast of 81.8%.
- Net income and comprehensive income was \$2,924 for the Third Quarter (Forecast – net loss of \$355) driven by the fair value increase on the Initial Properties.
- Indebtedness to gross book value was 65.3% as at September 30, 2017, within the Fund’s targeted range.



- Interest coverage ratio and indebtedness coverage ratio was 2.06 times for the Third Quarter.
- As at September 30, 2017, the weighted average interest rate on mortgages payable was 3.23% and the weighted average term to maturity was 2.75 years.
- As at September 30, 2017, the Fund had cash on hand of \$10,021. Subsequent to September 30, 2017, the Fund announced that it will be acquiring a 50% interest in Landmark at Coventry Pointe, a 250 suite value-add property completed in 2002 and located in Atlanta, Georgia. The Fund will be fully deployed following the closing of the acquisition. See Subsequent Events.

Evan Kirsh, President of Starlight U.S. Multifamily commented, “We continue to be encouraged by the strong response from both existing and new residents to our properties and apartment suite upgrades. This is reflected in the Fund’s strong performance on rental rate growth as compared to the Fund’s Forecast.

## Financial Condition and Operating Results

As at September 30, 2017		
<b>Operational Information</b>		
Number of properties		2
Total suites		943
Weighted average portfolio occupancy %		93.3%
AMR (in actual dollars)	\$	1,223
Average monthly rent per square foot (in actual dollars)	\$	1.12
<b>Summary of Financial Information</b>		
Gross book value		\$160,833
Indebtedness		\$104,950
Indebtedness to gross book value <sup>(1)</sup>		65.25%
Weighted average mortgage interest rate		3.23%
Weighted average mortgage term to maturity		2.75 years
For the three months ended September 30, 2017		
Period from April 24, 2017 to September 30, 2017 <sup>(1)</sup>		
<b>Summary of Financial Information</b>		
Revenue from property operations	\$3,505	\$4,091
Property operating costs	\$895	\$1,030
Property taxes <sup>(2)</sup>	\$614	\$716
NOI	\$1,996	\$2,345
Net income and comprehensive income	\$2,924	\$2,987
FFO	\$863	\$995
FFO per unit - basic and diluted	\$0.10	\$0.12
AFFO	\$865	\$997
AFFO per unit - basic and diluted	\$0.10	\$0.12
Interest coverage ratio	2.06 x	2.07 x
Indebtedness coverage ratio	2.06 x	2.07 x
FFO payout ratio	118.2%	102.5%
AFFO payout ratio	117.9%	102.3%
Weighted average units Outstanding (000s) - basic and diluted	8,180	8,180
(1) The Fund commenced operations following the acquisition of the Initial Properties on June 16, 2017.		
(2) Property taxes were adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year for purposes of calculating NOI.		



As at September 30, 2017 the Fund's occupancy was 93.3%. As of September 30, 2017, the Fund's AMR was \$1,223, an increase of \$16 or 1.3% over Forecast. The Fund's occupancy Period to Date was 92.8% compared to the Forecast of 94.7%. Indebtedness to gross book value was 65.3% as at September 30, 2017.

The Fund's revenue from property operations for the Third Quarter was \$3,505 (Forecast - \$3,594). Property operating costs were \$895 for the Third Quarter (Forecast - \$893). Property taxes for the Third Quarter were \$614 (Forecast - \$636). NOI for the Third Quarter was \$1,996 (Forecast - \$2,065). The Fund's net income and comprehensive income for the Third Quarter was \$2,924 (Forecast – net loss and comprehensive loss of \$355), significantly above the Forecast due to the fair value adjustment on the Initial Properties in the Third Quarter of \$5,678.

AFFO and AFFO per unit for the Third Quarter was \$865 and \$0.10 (Forecast - \$934 and \$0.13) and Period to Date was \$997 and \$0.12 (Forecast - \$1,033 and \$0.13). The weighted average interest rate on the Fund's mortgages payable was 3.23% as at September 30, 2017 and the weighted average term to maturity was 2.75 years. For the Third Quarter interest coverage ratio and indebtedness coverage ratio were 2.06 times and 2.06 times, respectively.

Reconciliation of cash provided by operating activities determined in accordance with IFRS to AFFO for the three months ended September 30, 2017 and for the period from April 24, 2017 to September 30, 2017 is provided below:

	For the three months ended		Period from April 24, 2017	
	September 30, 2017		to September 30, 2017	
Cash provided by operating activities	\$	2,458	\$	1,912
Less: interest paid		(857)		(992)
Cash provided by operating activities - including interest paid	\$	1,601	\$	920
Add / (Deduct):				
Change in non-cash operating working capital		(812)		(1,240)
Change in restricted cash		752		752
Fair value adjustment of investment properties relating to IFRIC 21		(623)		631
Unrealized foreign exchange loss		6		3
Sustaining capital expenditures and suite renovation reserves		(59)		(69)
AFFO	\$	865	\$	997

## Subsequent Events

On October 27, 2017, the Fund announced that it will be acquiring a 50% interest in Landmark at Coventry Pointe, a 250 suite value-add property completed in 2002 and located in Atlanta, Georgia for \$17,650. The Fund's interest will be partly financed by a first mortgage of \$12,070 with the balance provided by cash proceeds from the Offering. As part of the Fund's business plan, the newly acquired property will be repositioned to a modern standard with upgraded suite finishes and attractive common areas and amenity spaces.



## **About Starlight U.S. Multi-Family (No. 1) Value-Add Fund**

The Fund is a limited partnership formed under the Limited Partnerships Act (Ontario) for the primary purpose of indirectly acquiring, owning and operating a portfolio of value-add, income producing rental properties in the United States multi-family real estate market. The Fund currently owns two properties, consisting of interests in 943 suites with an average year of construction in 2003.

For the Fund's complete condensed consolidated interim financial statements and management's discussion and analysis ("MD&A") for the Third Quarter and Period to Date, and any other information relating to the Fund, please visit [www.sedar.com](http://www.sedar.com). Further details regarding the Fund's unit performance and distributions, market conditions where the Fund's properties are located, performance by the Fund's properties and a capital investment update are also available in the Fund's November 2017 Newsletter which is available on the Fund's profile at [www.starlightus.com](http://www.starlightus.com).

### **Non-IFRS Financial Measures**

The Fund's condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain terms used in this press release including AMR, NOI, AFFO, AFFO payout ratio, indebtedness to gross book value, interest coverage ratio, indebtedness coverage ratio and economic occupancy (collectively, the "non-IFRS measures") as well as other measures discussed elsewhere in this press release, do not have a standardized definition prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting issuers. The Fund uses these measures to better assess the Fund's underlying performance and financial position and provides these additional measures so that investors may do the same. Details on non-IFRS measures are set out in the Fund's MD&A for the Three months ended September 30, 2017 and for the period from April 24, 2017 (date of formation) to September 30, 2017 and are available on the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

### **Forward-looking Statements**

Certain statements contained in this press release constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, economic occupancy levels, AMR, taxes, and plans and objectives of or involving the Fund. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.



Forward-looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; deploying the remaining cash on hand for an additional value-add multi-family real estate property, the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of Starlight Group Property Holdings Inc., the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information.

Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.



The forward-looking information included in this press release relate only to events or information as of the date on which the statements are made in this press release. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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To learn more about Starlight U.S. Multi-Family (No. 1) Value-Add Fund, visit [www.starlightus.com](http://www.starlightus.com) or contact:

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