

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND ANNOUNCES FIRST QUARTER RESULTS WITH STRONG COLLECTIONS AND OCCUPANCY FOLLOWING SUCCESSFUL INITIAL PUBLIC OFFERING



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Toronto – **May 11, 2021** – Starlight U.S. Multi-Family (No. 2) Core Plus Fund (TSXV: SCPT.A and SCPT.U) (the “Fund”) announced today its results of operations and financial condition for the three months ended March 31, 2021 (“Q1-2021”), which includes one day of operating activity for March 31, 2021 (the “Initial Reporting Period”), the closing date of the Fund’s initial public offering (the “Offering”).

All amounts in this press release are in thousands of United States (“U.S.”) dollars except for average monthly rent (“AMR”) or unless otherwise stated. All references to “C\$” are to Canadian dollars.

“Following the successful completion of the Offering, the Fund was able to take advantage of strong leasing trends with the Fund’s average physical occupancy on May 10, 2021 at approximately 94.4%, increasing from 93.3% as at March 31, putting the Fund in a favourable position to capture rent growth increases as the economic recovery continues across the Fund’s primary markets” commented Evan Kirsh, the Fund’s President. “Throughout the remainder of 2021, the Fund will be focused on optimizing operating results through the implementation of asset management plans which include light value-add and operation initiatives for each property.”

FIRST QUARTER HIGHLIGHTS

- The Fund completed the Offering on March 31, 2021 and raised gross subscription proceeds of \$85,408.
- Using the proceeds from the Offering, the Fund completed the acquisition Broadstone Montane and Hudson at East on March 31, 2021 which included a total of 675 suites geographically diversified across the states of Florida and Colorado (the “Properties”).
- The Fund’s initial AMR was \$1,528 as at March 31, 2021, slightly above forecasted AMR, with the Fund achieving economic occupancy of 93.3% for Q1-2021.
- As at May 10, 2021, the Fund collected approximately 98.3% of rents for March 2021. The Fund also anticipates an increase in collections for April 2021 with the Fund collecting approximately 98.3% of rents up to May 10, 2021 and further amounts expected to be collected in future periods.
- Revenue, property operating costs, property taxes and NOI were in line with the forecast for Q1-2021.
- On April 15, 2021, the Fund declared its first monthly distribution for April 2021, the first full month of operations of the Fund, payable on May 17, 2021 to unitholders of record at April 30, 2021.

COVID-19 IMPACT

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic (“COVID-19”). Although COVID-19 has resulted in a volatile economy, the Fund is well positioned to navigate through this challenging time and continues to undertake proactive measures at the Properties to combat the spread, assist tenants where needed and implement other measures to minimize business interruption.

The Fund intends to actively monitor any impact COVID-19 may have on the Fund’s operating results in future periods specifically as they relate to rent collections, occupancy, rent growth, ancillary fees and expenses incurred for preventative measures in response to COVID-19 at the Fund’s properties.

COVID-19 immunization programs have commenced across the U.S. to varying degrees in different states and jurisdictions with the immunization efforts widely considered to have been successful to date relative to other countries globally. According to the U.S. Department of Labor, unemployment rates for March 2021 declined to 6.0% (from a peak of approximately 15% in April 2020) with employment gains broadly diversified across many industries and driven by the continued economic reopening linked to the successful vaccination program across the U.S. The sustained rollout of the vaccination program is expected to continue to improve economic growth and employment throughout the U.S., although there can be no certainty with respect to the timing of these improvements.

Certain market data published during March and April 2021 also highlights a positive outlook for key multi-family fundamentals including strengthening occupancy, rent growth and collection rates which have started to translate into the operating results of various owners of multi-family properties, including those in the markets the Fund operates in. These trends, in conjunction with the markets the Fund operates in exhibiting sustained job and population growth historically as a result of lifestyle choices as well as positive net migration, should continue to support further demand for multi-family apartments in future periods. In addition, previous economic downturns have typically been followed by periods of above market rent growth for multi-family properties in the U.S.

COVID-19 has also significantly disrupted active and new construction of comparable product in the markets the Fund operates in which may create a temporary imbalance in supply of comparable, multi-suite residential properties. This imbalance, alongside the continued economic recovery and improving fundamental statistics, could be supportive of favourable supply and demand conditions for the Properties and could result in future increases in occupancy and rent growth. The Fund believes it is well positioned to take advantage of these conditions should they transpire given the quality of its properties and the benefit of having a tenant pool employed across a diverse job base. Since the COVID-19 outbreak commenced, based on available investment sales information, capitalization rates in the markets the Fund operates in have compressed on average by approximately 50-75 basis points.

Further disclosure surrounding the impact of COVID-19 are included in the Fund Management’s Discussion and Analysis (“MD&A”) for Q1-2021 under the Fund’s profile, which is available on www.sedar.com.

FINANCIAL CONDITION AND OPERATING RESULTS

Highlights of the financial and operating performance of the Fund as at March 31, 2021 and for the Initial Reporting Period is provided below:

	As at March 31, 2021
Operational Information ⁽¹⁾	
Number of properties	2
Total suites	675
Economic occupancy ⁽²⁾	93.3%
AMR (in actual dollars)	\$ 1,528
AMR per square foot (in actual dollars)	\$ 1.57
Summary of Financial Information	
Gross Book Value	\$ 204,952
Indebtedness	\$ 127,434
Indebtedness to Gross Book Value	62.2%
Weighted average interest rate - as at period end ⁽³⁾	2.44%
Weighted average loan term to maturity	2.8 years
Q1-2021 ⁽⁷⁾	
Summary of Financial Information	
Revenue from property operations	\$ 35
Property operating costs	\$ (9)
Property taxes ⁽⁴⁾	\$ (4)
Adjusted Income from operations / NOI	\$ 22
Fund and trust expenses	\$ (3)
Finance costs	\$ (11)
Unrealized foreign exchange gain	\$ 5
Deferred income taxes	\$ (4)
Net income and comprehensive income	\$ 9
Funds from operations ("FFO")	\$ 8
FFO per Unit - basic and diluted	\$ -
Adjusted funds from operations ("AFFO")	\$ 10
AFFO per Unit - basic and diluted	\$ -
Weighted average interest rate - average during period ⁽⁵⁾	2.44%
Interest coverage ratio	2.08 x
Indebtedness coverage ratio	2.08 x
FFO payout ratio ⁽⁶⁾	- %
AFFO payout ratio ⁽⁶⁾	- %
Weighted Average Units Outstanding (000s) - basic/diluted	10,902

(1) The Fund commenced operations following the acquisition of the Properties on March 31, 2021.

(2) Economic occupancy for the Initial Reporting Period.

(3) The weighted average loan interest rate is presented as at March 31, 2021 reflecting the prevailing index rate, U.S. 30-day London Interbank Offered Rate or U.S. 30-day Secured Overnight Financing Rate, as applicable to each loan, as at that date.

(4) Property taxes were adjusted to exclude the International Financial Reporting Interpretations Committee interpretation 21, Levies fair value adjustment and treat property taxes as an expense that is amortized during the fiscal year for the purpose of calculating NOI.

(5) The weighted average loan interest rate presented for Q1-2021 reflects the average prevailing index rate, LIBOR or SOFR as applicable to each of the loans payable, throughout each period presented.

(6) Since the Offering was completed on March 31, 2021 and only one operating day is included in Q1-2021, there were no distributions paid to Unitholders in the quarter. The first distribution for the Fund's first full month of operations in April 2021 will be paid on May 17, 2021.

(7) Figures represent the actual results of the Initial Reporting Period.

CASH USED IN OPERATING ACTIVITIES RECONCILIATION TO AFFO

FFO and FFO per unit for Q1-2021 were \$8 and \$nil, respectively (Forecast - \$8 and \$nil) both in line with the forecast. FFO per Unit for Q1-2021 was \$nil due to the Fund only generating one day of operating results in Q1-2021. Given the Fund's operations commenced on March 31, 2021, there were no distributions paid in the quarter resulting in no payout metrics to report. In addition, basic and diluted AFFO were in line with the forecast.

The Fund was formed as a "closed-end" limited partnership with an initial term of three years, a targeted yield of 4.0% and a targeted minimum 11% pre-tax investor internal rate of return across all classes of Units of the Fund.

A reconciliation of cash used in operating activities determined in accordance with International Financial Reporting Standards ("IFRS") to AFFO for Q1-2021 is provided below:

		Q1-2021
Cash used in operating activities	\$	(325)
Less: interest paid		(9)
Cash used in operating activities - including interest paid	\$	(334)
Add / (Deduct):		
Change in non-cash operating working capital		11
Change in restricted cash		333
Sustaining capital expenditures and suite renovation reserves		-
AFFO	\$	10

NON-IFRS FINANCIAL MEASURES

The Fund's consolidated financial statements are prepared in accordance with IFRS. Certain terms that may be used in this press release including AFFO, AFFO payout ratio, AMR, economic occupancy, FFO, FFO payout ratio, gross book value, indebtedness, indebtedness coverage ratio, indebtedness to gross book value, interest coverage ratio and NOI (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 Q1-2021 are available on the Fund's profile on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release constitute forward-looking information within the meaning of Canadian securities laws and which reflect the Fund's current expectations regarding future events, including the overall financial performance of the Fund and its properties, including the impact of COVID-19 on the business and operations of the Fund.

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, the impact of COVID-19 on the Fund's portfolio as well as the impact of COVID-19 on the markets in which the Fund operates, including the Manager's belief of the increased desire to live in less densely populated areas, and the potential for favourable market conditions for multi-family real estate following

economic downturns and the trading price of the Fund's listed units, acquisitions, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, acquisitions, budgets, litigation, projected costs, capital expenditures, financial results, 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. Those risks and uncertainties include: the impact of COVID-19 on the Fund's portfolio as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Fund's listed Units; changes in government legislation or tax laws which would impact any potential income taxes or other taxes rendered or payable with respect to the Fund's properties or the Fund's legal entities; and the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise. 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 impact of COVID-19 on the Fund's portfolio as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Fund's listed units; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at, which such properties may be acquired; the availability of loan financing and current interest rates; the ability to complete value-add initiatives; 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 the Manager to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

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.

About Starlight U.S. Multi-Family (No. 2) Core Plus 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 interests in two properties, consisting of 675 suites with an average year of construction in 2019.

For the Fund's complete unaudited financial statement for the three months ended March 31, 2021 and MD&A for the three months ended March 31, 2021 and any other information related to the Fund, please visit 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 May 2021 Newsletter which is available on the Fund's profile at www.starlightus.com.

Please visit us at www.starlightus.com and connect with us on LinkedIn at www.linkedin.com/company/starlight-investments-ltd-

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