

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND ANNOUNCES Q1 2022 RESULTS INCLUDING ANNUALIZED RENT GROWTH OF 8.8%



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Toronto – **May 10, 2022** – 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, 2022 (“Q1-2022”). Certain comparative figures are included for the period from January 8, 2021 (date of formation) to March 31, 2021 (“Q1-2021”).

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.

“We are pleased to announce another quarter of strong operating results for Q1-2022 with the Fund achieving annualized rent growth of 8.8% and strong occupancy of 94.5%,” commented Evan Kirsh, the Fund’s President. “The Fund continued to achieve rent growth in excess of 10% on new and renewal leases during April 2022, positioning the Fund to take advantage of favorable market conditions.”

Q1-2022 HIGHLIGHTS

- During Q1-2022, the Fund recorded a fair value gain on its properties of \$12,648, contributing to the cumulative \$62,092 or 32.3% increase over the aggregate purchase price since the properties were acquired by the Fund on March 31, 2021. The fair value gain during Q1-2022 was driven by net operating income (“NOI”) growth and capitalization rate compression from strong demand in the investment market for multi-family properties across the primary markets in which the Fund operates.
- Subsequent to March 31, 2022, the Fund completed the refinancing of the loan payable secured by Hudson at East (“Hudson”) which generated net proceeds of \$26,623 reflecting the significant increase in the fair value of Hudson, which along with cash on hand in the Fund was used to acquire Summermill at Falls River (“Summermill”), a 320-suite multi-family property located in Raleigh, North Carolina (see “Subsequent Events”).
- Revenue from property operations and NOI for Q1-2022 were \$3,453 and \$2,295 (Q1-2021 - \$35 and \$22), respectively, representing a \$3,418 and \$2,273 increase relative to Q1-2021. The significant increases are primarily due to the difference in the Fund’s days of operation between Q1-2022 and Q1-2021, with Q1-2021 only having one day of operations given its initial public offering was completed on March 31, 2021 (Q1-2022 - 90 days).
- Significant increases in rent growth continued during Q1-2022 with the Fund achieving annualized rent growth of 8.8% and year over year rent growth of 8.1%. These increases were driven by continued growth in demand for multi-family suites due to the economic strength shown in the U.S. and the primary markets in which the Fund operates following the downturn created by coronavirus (SARS – CoV2) and its variants (“COVID-19”).
- The Fund achieved occupancy of 94.5% for Q1-2022, ahead of Q1-2021 and the three months ended December 31, 2021 by 120 and 90 basis points, respectively, positioning the Fund well to take advantage of favorable market conditions as the economic recovery in the U.S. continues.

- As at May 9, 2022, the Fund had collected 98.9% of rents for Q1-2022, with further amounts expected to be collected in future periods, demonstrating the Fund's strong tenant profile.
- Net income for Q1-2022 was \$8,820 (Q1-2021 - \$9) representing a \$8,811 increase relative to Q1-2021, primarily due to the difference in days of operating activity between Q1-2022 and Q1-2021 as well as the fair value gain on investment properties described above.
- Adjusted funds from operations ("AFFO") for Q1-2022 was \$1,158 or \$1,148 ahead of Q1-2021, primarily due to the difference in days of operating activity between Q1-2022 and Q1-2021.

COVID-19 IMPACT

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. Although COVID-19 has resulted in a volatile economy, the Fund believes it is well positioned to navigate through this challenging time and continues to undertake proactive measures at the Fund's properties to combat the spread of COVID-19, assist tenants where needed and implement other measures to minimize business interruption. The Fund intends to actively monitor any continued 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.

COVID-19 vaccination programs continue 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 and the approval of a third and fourth COVID-19 dose by the U.S. Food and Drug Administration to help further advance immunization efforts in preventing the spread of COVID-19. However, there is a risk that delays in the timely administration of vaccination programs, changing strains of the virus, including the occurrence of new variants of COVID-19, or reluctance to receive vaccinations could prolong the impacts of COVID-19 and have the potential to cause further adverse economic conditions. According to the U.S. Department of Labor, unemployment rates for March 2022 declined to 3.6% (from a peak of approximately 15% in April 2020) with such 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. Further disclosure surrounding the impact of COVID-19 is included in the Fund Management's Discussion and Analysis ("MD&A") in the "COVID-19" and "Future Outlook" sections for Q1-2022 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, 2022 and for Q1-2022, including a comparison to December 31, 2021 and Q1-2021 are provided below:

	March 31, 2022		December 31, 2021	
Operational Information ⁽¹⁾				
Number of properties		2		2
Total suites		675		675
Economic occupancy ⁽²⁾		94.5%		93.6%
AMR (in actual dollars)	\$	1,652	\$	1,617
AMR per square foot (in actual dollars)	\$	1.70	\$	1.67
Summary of Financial Information				
Gross book value	\$	268,084	\$	255,200
Indebtedness	\$	131,063	\$	131,063
Indebtedness to gross book value		48.9%		51.4%
Weighted average interest rate - as at period end ⁽³⁾		2.74%		2.49%
Weighted average loan term to maturity		4.65 years		4.86 years
	Q1-2022		Q1-2021 ⁽⁷⁾	
Summarized Income Statement				
Revenue from property operations	\$	3,453	\$	35
Property operating costs		(791)		(9)
Property taxes ⁽⁴⁾		(367)		(4)
Adjusted income from operations / NOI	\$	2,295	\$	22
Fund and trust expenses		(265)		(3)
Finance costs (including non-cash items) ⁽⁵⁾		556		(11)
Distributions to unitholders of the Fund ("Unitholders")		(844)		-
Distributions to preferred shareholders		(4)		-
Unrealized foreign exchange gain		1		5
Realized foreign exchange loss		(2)		-
Fair value adjustment on investment properties		12,648		-
Provision for carried interest		(3,102)		-
Deferred income taxes		(2,463)		(4)
Net income and comprehensive income	\$	8,820	\$	9
Other Selected Financial Information				
Funds from operations ("FFO")	\$	1,133	\$	8
FFO per unit of the Fund ("Unit") - basic and diluted	\$	0.10	\$	-
AFFO	\$	1,158	\$	10
AFFO per Unit - basic and diluted	\$	0.11	\$	-
Weighted average interest rate - average during period ⁽⁶⁾		2.54%		2.44%
Interest coverage ratio		2.47 x		2.08 x
Indebtedness coverage ratio		2.47 x		2.08 x
Distributions to Unitholders	\$	844	\$	-
Weighted Average Units Outstanding (000s) - basic/diluted		10,902		10,902

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

(2) Economic occupancy for Q1-2022 and the three months ended December 31, 2021.

(3) The weighted average interest rate on loans payable is presented as at March 31, 2022 reflecting the prevailing index rate, U.S. 30-day London Interbank Offered Rate ("LIBOR") or U.S. 30-day New York Federal Reserve Secured Overnight Financing Rate ("NY SOFR"), as applicable to each loan, as at that date. The figures presented do not include the impact of the refinancing of the loan payable at Hudson.

(4) Property taxes were adjusted to exclude the International Financial Reporting Interpretations Committee Interpretation 21, Levies ("IFRIC 21") fair value adjustment and treat property taxes as an expense that is amortized during the fiscal year for the purpose of calculating NOI. These amounts have been reported under fair value adjustment IFRIC 21 under the Fund's condensed consolidated interim financial statements for Q1-2022 and Q1-2021.

(5) Finance costs include interest expense on loans payable, non-cash amortization of deferred financing costs, as well as fair value changes in derivative financial instruments.

(6) The weighted average interest rate on loans payable presented reflects the average prevailing index rate, LIBOR or NY SOFR, as applicable to each of the loans payable, throughout each period presented. The figures presented do not include the impact of the refinancing of the loan payable at Hudson.

(7) Figures represent one day of operating activity for the Fund on March 31, 2021.

SUBSEQUENT EVENTS

(a) Hudson refinancing:

On April 20, 2022, the Fund entered into a new loan payable secured by Hudson for \$67,000, bearing interest at the one-month term Secured Overnight Financing Rate (“Term SOFR”) + 2.70%, subject to a Term SOFR floor of 0.10%, which requires interest-only payments until maturity in April 2025 (“Hudson Refinancing”). The refinancing of the Hudson loan payable generated net proceeds of approximately \$26,623 after costs incurred and the repayment of the previously outstanding loan payable, which was used to fund a portion of the acquisition of Summermill.

(b) Unsecured loan:

On April 25, 2022, the Fund entered into an unsecured loan (“Unsecured Loan”) amounting to \$5,000, bearing interest-only payments at 9% per annum and has a one-year term plus a six-month extension option. The proceeds from the Unsecured Loan are expected to be used for working capital purposes.

(c) Acquisition of Summermill property:

On April 27, 2022, the Fund acquired Summermill, a 320-suite multi-family property located in Raleigh, North Carolina for \$106,000. The acquisition was financed using cash on hand in the Fund (including cash from the Hudson Refinancing), deposits made to date (including those deposits included in prepaid expenses and other assets as at March 31, 2022) as well as a first mortgage loan payable of \$76,500, with an additional \$6,395 available to draw on to fund future capital expenditures at the property. The first mortgage loan payable carries a three-year term and requires interest-only payments until maturity at Term SOFR + 2.95%, subject to a Term SOFR floor of 0.10%. In connection with the Summermill loan payable, the Fund also entered into an interest rate cap agreement which effectively provides a maximum interest rate of 5.95% for the first 18 months of the loan’s term.

NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

The Fund’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Certain terms that may be used in this press release including AFFO, AMR, economic occupancy, FFO, 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. Gross book value is defined as the fair market value of the investment properties as determined in accordance with IFRS. Indebtedness is defined as the principal amount of loans payable outstanding as at a specific reporting date. 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. Further details on Non-IFRS Measures are set out in the Fund’s MD&A in the “Non-IFRS Financial Measures” section for Q1-2022 and are available on the Fund’s profile on SEDAR at www.sedar.com.

A reconciliation of the Fund's interest coverage ratio and indebtedness coverage ratio are provided below:

Interest and indebtedness coverage ratios	Q1-2022	Q1-2021 ⁽²⁾
Net income and comprehensive income	\$ 8,820	\$ 9
(Deduct) / Add: non-cash or one-time items and distributions ⁽¹⁾	(7,616)	1
Adjusted net income and comprehensive income	\$ 1,204	\$ 10
Interest coverage ratio ⁽³⁾	2.47 x	2.08 x
Indebtedness coverage ratio ⁽⁴⁾	2.47 x	2.08 x

(1) Comprised of unrealized foreign exchange gain, deferred income taxes, amortization of financing costs, fair value adjustment on derivative instruments, fair value adjustment on investment properties, and provision for carried interest.

(2) Figures represent one day of operating activity for the Fund on March 31, 2021.

(3) Interest coverage ratio is calculated as adjusted net income and comprehensive income plus interest expense divided by interest expense.

(4) Indebtedness coverage ratio is calculated as adjusted net income and comprehensive income plus interest expense divided by interest expense and mandatory principal payments on the Fund's loans payable.

CASH PROVIDED BY OPERATING ACTIVITIES RECONCILIATION TO FFO and AFFO

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.

AFFO and AFFO per Unit for Q1-2022 were \$1,158 and \$0.11, respectively (Q1-2021 - \$10 and \$nil), representing an increase in AFFO of \$1,148, primarily due to Q1-2022 reflecting the operations for the three months from January 1, 2022 to March 31, 2022 for the Fund's properties in comparison to Q1-2021 reflecting one day of operating activity for the Fund's properties.

A reconciliation of the Fund's cash provided by operating activities determined in accordance with IFRS to FFO and AFFO for Q1-2022 and Q1-2021 are provided below:

	Q1-2022	Q1-2021
Cash provided by (used in) operating activities	\$ 267	\$ (325)
Less: interest costs	(820)	(9)
Cash used in operating activities - including interest costs	\$ (553)	\$ (334)
Add / (Deduct):		
Change in non-cash operating working capital	1,616	11
Change in restricted cash	145	333
Amortization of financing costs	(75)	(2)
FFO	\$ 1,133	\$ 8
Add / (Deduct):		
Amortization of financing costs	75	2
Sustaining capital expenditures and suite renovation reserves	(50)	-
AFFO	\$ 1,158	\$ 10

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 the COVID-19 global pandemic 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 properties as well as the impact of COVID-19 on the markets in which the Fund

operates and the trading price of the Fund's TSX Venture Exchange listed and unlisted Units, financing, 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, occupancy levels, AMR, taxes, and plans and objectives of or involving the Fund. Particularly, matters described in "COVID-19" and "Future Outlook" are forward-looking information. 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 statements involve 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, that assumptions may not be correct and that objectives, strategic goals and priorities may not be achieved. Those risks and uncertainties include: the impact of COVID-19 on the Fund's properties as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Units and unlisted 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; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the extent and pace at which any changes in interest rates that impact the Fund's weighted average interest rate may occur; the use of the proceeds of the Unsecured Loan; and the availability of debt financing for any future financing requirements of the Fund. 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 Units; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the realization of property value appreciation and timing thereof; the inventory of multi-family real estate properties; the use of the proceeds of the Unsecured Loan; the availability of properties for potential future acquisition, if any, and the price at which such properties may be acquired; the price at which the Fund's properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of the Fund's properties; the availability of mortgage financing and current interest rates; the extent of competition for properties; the growth in NOI and the ability of the Fund to benefit from its light value-add initiatives; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; expenditures and fees in connection with the maintenance, operation and administration of the Fund's properties; the ability of Starlight Investments US AM Group LP or its affiliates (the "Manager") to manage and operate the Fund's properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) the impact of COVID-19 on the Fund's business, operations and performance or the volatility of the Units; (b) the Fund's ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; (d) that the Manager or any of

its affiliates, will continue its involvement as asset manager of the Fund in accordance with its current asset management agreement; and (e) other risks inherent to the Fund's business and/or factors beyond its control which could have a material adverse effect on the Fund.

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 securities law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether because 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 U.S. 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 condensed consolidated interim financial statements and MD&A for the three months ended March 31, 2022 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 2022 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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