

STARLIGHT U.S. RESIDENTIAL FUND ANNOUNCES Q4 2021 RESULTS AHEAD OF FORECAST DRIVEN BY STRONG OCCUPANCY AND RENT GROWTH



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Toronto – **January 31, 2021** – Starlight U.S. Residential Fund (TSXV: SURF.A and SURF.U) (the “Fund”) announced today its results of operations and financial condition for the period from September 23, 2021 (date of formation) to December 31, 2021 (“YTD-2021”), which includes 47 days of operating activity (the “Initial Reporting period”) from the Fund’s initial public offering on November 15, 2021 (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 reported strong operating results for its first quarter with occupancy at 95.6% and strong rental growth leading to in-place rents at the end of 2021 being approximately 1.9% ahead of forecast,” commented Evan Kirsh, the Fund’s President. “Throughout the remainder of 2022, the Fund will be focused on optimizing operating results for the existing portfolio while deploying the remaining proceeds from the Offering by actively pursuing potential acquisition opportunities for both multi-family properties and single-family rental homes in the Fund’s target markets to complement the existing portfolio.”

YTD-2021 HIGHLIGHTS

- The Fund completed the Offering and raised gross subscription proceeds of \$249,568.
- On closing of the Offering, the proceeds were used to acquire Bainbridge Sunlake (“Sunlake”) and Indigo Apartments (“Indigo”), which included a total of 757 multi-family suites in Tampa, Florida and Raleigh, North Carolina, respectively, as well as 28 single-family rental homes in Atlanta, Georgia.
- Subsequent to the Offering, the Fund acquired Lyric Apartments (“Lyric”) and Emerson at Buda (“Emerson”) on November 16, 2021 and December 21, 2021, respectively, adding 680 multi-family suites in Las Vegas, Nevada and Austin, Texas as well as an additional 21 single-family rental homes in Atlanta, Georgia.
- As at December 31, 2021, the Fund had cash on hand of \$10,407 and an additional \$25,403 of liquidity available, including \$5,330 to draw from the capital lines associated with the loans payable at the Fund’s properties to fund future eligible capital expenditures and \$20,073 of available credit on a credit facility (“SFR Credit Facility”) available to fund the acquisition of single-family rental homes.
- The Fund acquired Emerson in December 2021 using a portion of the cash remaining from the Offering. The Fund has commenced the process of entering into debt financing for Emerson which is expected to close in the quarter ended March 31, 2022. The loan proceeds, in addition to the available liquidity outlined above, is expected to be used for potential future property acquisitions which the Fund is actively pursuing.
- YTD-2021 total portfolio revenue and net operating income (“NOI”) were \$2,692 and \$1,971, respectively, representing a 70.3% and 75.6% increase relative to the financial forecast included in the Fund’s prospectus dated October 28, 2021 (“Forecast”) primarily as a result of Lyric, Emerson, and the single-family rental homes not being included in the Forecast

("Non-Forecast Properties"). For Indigo and Sunlake ("Forecast Properties"), YTD-2021 revenue and NOI were \$1,648 and \$1,203, ahead of Forecast by 4.2% and 7.1%, respectively.

- As at January 30, 2022, the Fund had collected approximately 97.8% of rents for YTD-2021, with further amounts expected to be collected in future periods, demonstrating the Fund's strong operating performance.
- The adjusted funds from operations ("AFFO") payout ratio for YTD-2021 was 121.3% (Forecast - 83.2%), with the increase over the Forecast primarily as a result of higher than forecasted distributions partially offset by higher than forecasted AFFO. The Fund elected to pay the targeted 4.0% annualized distribution on the total proceeds from the Offering during YTD-2021 even though 100% of the Offering proceeds were not fully deployed. Assuming the Fund had paid distributions based on the actual equity deployed during YTD-2021 and adjusting annual general and administrative costs to be calculated on a pro rata basis for the Initial Reporting Period, the normalized AFFO payout ratio, as calculated below, would have been 77.3%, below the forecasted AFFO payout ratio of 83.2%.
- On December 16, 2021, the Fund entered into a twelve-month variable rate collar contract which allows the Fund to establish a guaranteed monthly exchange rate between C\$1.2575 and C\$1.3200 for the conversion of U.S. dollar funds to Canadian dollar funds. The contract was entered into to protect against the potential impact of any weakening of the U.S. dollar on a portion of the amount required to pay the Fund's monthly Canadian dollar distributions and ensure a more favorable exchange rate for conversion of these funds when compared to the rate used to convert the proceeds from the Offering into U.S. dollars of C\$1.2502.

COVID-19 IMPACT

On March 11, 2020, the World Health Organization characterized the outbreak of the coronavirus (SARS – CoV2) and its variants ("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 COVID-19 booster 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, changing strains of the virus, including the current rise in various variants of COVID-19 (such as the Omicron variant), 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 December 2021 declined to 3.9% (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 are included in the Fund Management's Discussion and Analysis ("MD&A") in the "COVID-19" and "Future Outlook" sections for YTD-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 December 31, 2021 and for YTD-2021 and the Initial Reporting Period is provided below:

As at December 31, 2021			
Key Multi-Family Operational Information⁽¹⁾			
Number of multi-family properties owned ⁽¹⁾			4
Total multi-family suites			1,437
Economic occupancy			95.6%
AMR (in actual dollars)		\$	1,412
AMR per square foot (in actual dollars)		\$	1.49
Number of Single-Family Rental Homes⁽¹⁾			49
	Single-Family	Multi-Family	Total
Selected Financial Information as at December 31, 2021			
Gross book value	\$ 12,534	\$ 437,005	\$ 449,539
Indebtedness	\$ 4,927	\$ 216,719	\$ 221,646
Indebtedness to gross book value	39.3%	49.6%	49.3%
Weighted average interest rate - as at period end ⁽²⁾	2.85%	1.95%	1.97%
Weighted average loan term to maturity	0.82 years	2.88 years	2.84 years
		YTD-2021⁽⁵⁾	Forecast⁽⁵⁾
Summarized Income Statement			
Revenue from property operations		\$ 2,692	\$ 1,581
Property operating costs		\$ (561)	\$ (367)
Property taxes ⁽⁴⁾		\$ (161)	\$ (91)
Adjusted Income from operations / NOI		\$ 1,970	\$ 1,123
Fund and trust expenses		\$ (378)	\$ (139)
Finance costs		\$ (750)	\$ (385)
Distributions to unitholders of the Fund ("Unitholders")		\$ (1,224)	\$ (507)
Unrealized foreign exchange gain		\$ (45)	-
Income taxes: - current		\$ (82)	-
- deferred		\$ (476)	\$ (186)
Net loss and comprehensive loss		\$ (985)	\$ (94)
Other Selected Financial Information			
Funds from operations ("FFO")		\$ 808	\$ 599
FFO per Unit - basic and diluted		\$ 0.03	\$ 0.05
AFFO		\$ 1,009	\$ 610
AFFO per Unit - basic and diluted		\$ 0.03	\$ 0.05
Weighted average interest rate - average during period ⁽⁵⁾		1.96%	2.12%
Interest coverage ratio		2.64 x	2.86 x
Indebtedness coverage ratio		2.64 x	2.86 x
Distributions to Unitholders		\$ 1,224	\$ 507
FFO payout ratio		151.5%	84.8%
AFFO payout ratio		121.3%	83.2%
Normalized FFO payout ratio ⁽⁶⁾		93.0%	84.8%
Normalized AFFO payout ratio ⁽⁶⁾		77.3%	83.2%
Weighted Average Units Outstanding (000s) - basic/diluted		31,820	12,520

(1) The Fund commenced operations following the acquisition of Sunlake, Indigo, and 28 single-family homes on November 15, 2021. Number of multi-family properties and single-family rental homes presented is as at December 31, 2021.

(2) The weighted average interest rate on loans payable is presented as at December 31, 2021 reflecting the prevailing index rate, U.S. 30-day London Interbank Offered Rate ("LIBOR"), as at that date or based on the average rate for the applicable periods as it relates to quarterly and year to date rates.

(3) Property taxes were adjusted to exclude the International Financial Reporting Interpretations Committee interpretations 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 consolidated financial statements for the period from September 23, 2021 (date of formation) to December 31, 2021.

(4) The weighted average interest rate on loans payable reflects the average prevailing index rate applicable to each of the loans payable throughout each period presented.

(5) Figures represent the actual results of the Initial Reporting Period (YTD-2021) with YTD-2021 Forecast representing the Forecast adjusted for the Initial Reporting Period.

(6) A reconciliation of normalized FFO and AFFO payout ratios are presented below.

CASH PROVIDED BY OPERATING ACTIVITIES RECONCILIATION TO AFFO

The Fund was formed as a “closed-end” fund 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 (“Units”) of the Fund.

AFFO and AFFO per unit for YTD-2021 were \$1,009 and \$0.03, respectively (Forecast - \$610 and \$0.05), representing an increase of \$399 or 65.3%, primarily due to higher than forecasted NOI at the Fund’s properties as well as the Fund electing to pay the 4.0% annualized targeted distribution for the Fund even though 100% of the Offering proceeds has not yet been fully deployed.

SUBSEQUENT EVENTS

Subsequent to December 31, 2021, Starlight U.S. Residential (Multi-Family) REIT Inc. and Starlight U.S. Residential (Single-Family) REIT Inc. each issued 125 series A, preferred shares (“Shares”) that are redeemable at the option of the REIT, at a redemption value of \$1 per share. The Shares pay a cumulative dividend at 12% per annum, semi-annually on June 30 and December 31, have no voting rights and the Fund incurs a penalty if redeemed before December 31, 2024.

Subsequent to December 31, 2021, the Fund acquired an additional six single-family rental homes for an aggregate purchase price of \$1,102.

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, 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. 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. AFFO payout ratio is calculated by taking distributions declared and dividing by AFFO in a given reporting period. FFO payout ratio is calculated by taking distributions declared and dividing by FFO in a given reporting period. 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 YTD-2021 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	YTD-2021 ⁽¹⁾	Forecast ⁽¹⁾
Net loss and comprehensive loss	\$ (985)	\$ (94)
Add: non-cash or one-time items and distributions ⁽²⁾	\$ 1,924	\$ 734
Adjusted net income and comprehensive income	\$ 939	\$ 640
Interest coverage ratio ⁽³⁾	2.64x	2.86x
Indebtedness coverage ratio ⁽⁴⁾	2.64x	2.86x

(1) Figures represent the actual results of the Initial Reporting Period (YTD-2021) with YTD-2021 Forecast representing the Forecast adjusted for the Initial Reporting Period.

(2) Non-cash or one-time items consist of deferred taxes, amortization of financing costs and loan premiums, fair value adjustments on derivative instruments, and unrealized foreign exchange losses.

(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.

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

	YTD-2021	
Cash provided by operating activities	\$	1,901
Less: interest costs		(750)
Cash provided by operating activities - including interest costs	\$	1,151
Add / (Deduct):		
Change in non-cash operating working capital		(1,395)
Change in restricted cash		(220)
Distributions to Unitholders		1,224
Fair value adjustment on derivative financial instruments		48
FFO	\$	808
Add / (Deduct):		
Amortization of financing costs		130
Vacancy costs associated with the home upgrade program		119
Sustaining capital expenditures and suite or home renovation reserves		(48)
AFFO	\$	1,009

A reconciliation of the Fund's normalized FFO payout ratio and normalized AFFO payout ratio are provided below:

Adjusted distributions	YTD-2021 ⁽¹⁾	
Cash paid for acquisitions of Indigo, Sunlake, Lyric, Emerson and the single-family rental homes and costs of the Offering ⁽²⁾	\$	242,214
Weighted average equity deployed ⁽³⁾		23,086
Adjusted distributions on weighted average equity deployed ⁽⁴⁾		923
Normalized FFO and AFFO payout ratios	YTD-2021 ⁽¹⁾	Forecast ⁽¹⁾
FFO	\$ 808	\$ 599
Add:		
Adjustment for pro-rated general and administrative costs ⁽⁵⁾	\$ 185	\$ -
Normalized FFO ⁽⁶⁾	\$ 993	\$ 599
Normalized FFO payout ratio ⁽⁷⁾	93.0%	84.8%
AFFO	\$ 1,009	\$ 610
Add:		
Adjustment for pro-rated general and administrative costs ⁽⁵⁾	\$ 185	\$ -
Normalized AFFO ⁽⁶⁾	\$ 1,194	\$ 610
Normalized AFFO payout ratio ⁽⁷⁾	77.3%	83.2%

(1) Figures represent the actual results of the Initial Reporting Period (YTD-2021) with YTD-2021 Forecast representing the Forecast adjusted for the Initial Reporting Period.

(2) This figure represents the cash paid for acquisitions of Indigo, Sunlake, Lyric and Emerson (collectively, the "MF Properties") and for acquisitions of the single-family rental homes ("SF Properties") of \$232,025 as well as costs incurred for the Offering of \$10,189, as reported in the consolidated financial statements of the Fund for YTD-2021.

(3) The acquisition date of each individual property acquired by the Fund in YTD-2021 varied and, as a result, the weighted average equity deployed is calculated assuming the equity used (cash paid) in each acquisition was deployed on the date of such acquisition. The cash paid for the acquisition of MF Properties was pro-rated for the number of days each individual property was held in YTD-2021. For the purposes of this calculation, the costs of the Offering and the cash paid for the acquisition of SF Properties were pro-rated from November 15, 2021, the date of the Offering, to December 31, 2021.

(4) The Fund elected to pay the 4.0% annualized targeted distribution on the gross subscription proceeds from the Offering during YTD-2021 even though 100% of the Offering proceeds have not yet been fully deployed. Adjusted distributions on weighted average equity deployed is calculated as 4.0% of the weighted average equity deployed, as described above, during YTD-2021.

(5) The general and administrative costs incurred by the Fund for YTD-2021, which include but are not limited to annual audit and tax compliance costs, represent amounts that would be relatively consistent with the costs incurred by the Fund had it been formed on January 1, 2021 and operated for a typical 12 month fiscal year as these costs do not typically vary significantly based on the length of any given fiscal year. As a result, these general and administrative costs have been pro-rated for the purposes of the normalized FFO and normalized AFFO calculations to illustrate a normalized level of general and administrative costs during the period between November 15, 2021 to December 31, 2021 (i.e. YTD-2021 general and administrative costs divided by twelve months times the number of applicable months during the period from November 15, 2021 to December 31, 2021).

(6) Normalized FFO and normalized AFFO are calculated as FFO and AFFO adjusted for a pro-rated amount of general and administrative costs.

(7) Normalized FFO payout ratio and normalized AFFO payout ratio are calculated as adjusted distributions on weighted average equity deployed divided by normalized FFO and normalized AFFO, respectively.

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 and its variants 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 and the trading price of the Fund's TSX Venture Exchange listed and unlisted Units, acquisitions, 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. 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 will not be achieved. Those risks and uncertainties include: the impact of COVID-19 and variants thereof 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; 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 realization of property value appreciation and timing thereof, and the availability of residential properties for acquisition; the availability of debt financing; and the price at which such properties may be acquired. 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 ability to deploy the remaining proceeds from the Offering; the impact of COVID-19 and variants thereof on the Fund's portfolio as well as the impact of COVID-19 on the markets in which the Fund operates; 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 residential real estate properties; the availability of residential properties for acquisition and the price at which such properties may be acquired; the ability of the Fund to benefit from any value-add program the Fund conducts at certain properties; 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 capital structure of the Fund; the extent of competition for residential properties; the growth in NOI generated from value-add initiatives; the population of residential 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 properties of the Fund; 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. Residential Fund

The Fund is a "closed-end" fund formed under and governed by the laws of the Province of Ontario, pursuant to an initial declaration of trust dated September 23, 2021. The Fund was established for the primary purpose of directly or indirectly acquiring, owning and operating a portfolio primarily composed of income producing residential properties in the U.S. residential real estate market that can achieve significant increases in rental rates as a result of undertaking high return, value-add capital expenditures and active asset management. As at December 31, 2021, the Fund owned interests in four multi-family properties consisting of 1,437 suites as well as 49 single-family homes.

For the Fund's complete audited consolidated financial statements and MD&A for the period from September 23, 2021 to December 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 December 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-

Evan Kirsh
President
Starlight U.S. Residential Fund
+1-647-725-0417
ekirsh@starlightus.com

Martin Liddell
Chief Financial Officer
Starlight U.S. Residential Fund
+1-647-729-2588
mliddell@starlightinvest.com

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