

# STARLIGHT U.S. MULTI-FAMILY (NO. 1) CORE PLUS FUND ANNOUNCES Q2-2021 FINANCIAL RESULTS INCLUDING SAME PROPERTY NOI GROWTH OF 10.4%



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Toronto – **August 10, 2021** – Starlight U.S. Multi-Family (No. 1) Core Plus Fund (TSXV: SCPO.UN) (the “Fund”) announced today its results of operations and financial condition for the three months ended June 30, 2021 (“Q2-2021”) and six months ended June 30, 2021 (“YTD-2021”). Certain comparative figures are included for the three months ended June 30, 2020 (“Q2-2020”) and six months ended June 30, 2020 (“YTD-2020”), respectively.

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 continue to be pleased with the strong operating performance of the Fund with significant improvements in the Fund’s key performance indicators” commented Evan Kirsh, the Fund’s President. “The Fund achieved annualized rent growth of 7.3% and economic occupancy of 95.9% during the quarter, leading to same property NOI growth of 10.4% and a 66.5% AFFO payout ratio. The Fund continues to be well positioned to take advantage of favorable market conditions as the economic recovery continues.”

## **Q2-2021 HIGHLIGHTS**

- The Fund increased the number of value-add upgrades completed during Q2-2021 as the Fund upgraded and re-leased 54 suites, achieving an average rent premium of \$178 and average return on investment of 27.1%.
- The Fund recognized a fair value gain on investment properties of \$27,099 during Q2-2021 contributing to a cumulative 16.2% increase over the aggregate purchase price of the Properties. The fair value gain during Q2-2021 was driven by net operating income (“NOI”) growth and capitalization rate compression from increasing demand in the investment market for multi-family properties across the primary markets.
- Q2-2021 total portfolio revenue and NOI increased substantially over Q2-2020 primarily as a result of property acquisitions that occurred during or subsequent to Q2-2020 as the Fund completed the deployment of proceeds of the initial public offering.
- Same property NOI for Q2-2021 was \$2,368, representing an increase of \$223 or 10.4% over Q2-2020 driven by strong revenue growth and cost management.
- Significant increases in rent growth and occupancy were achieved during Q2-2021 with the Fund reporting 7.3% annualized rent growth and economic occupancy of 95.9%, representing increases of 510 and 240 basis points above the three months ended March 31, 2021 (“Q1-2021”), respectively.
- As at August 9, 2021, the Fund had collected approximately 98.7% of rents for Q2-2021 with further amounts expected to be collected in future periods.
- Adjusted funds from operations (“AFFO”) for Q2-2021 was \$2,985 with the Fund’s AFFO payout ratio improving to 66.5% from 79.8% and 74.4% in Q2-2020 and Q1-2021, respectively, on a fully deployed basis.

## 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 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 immunization 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. However, there is a risk that delays in the timely administration, changing strains of the virus 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 June 2021 declined to 5.9% (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.

During Q2-2021, key multi-family fundamentals improved significantly including strengthening occupancy, rent growth and collection rates which translated into the operating results of various owners of multi-family properties, including those in the primary markets. These trends, in conjunction with the primary markets 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. Consistent with this trend, many of the Fund’s properties achieved rent growth on new leases in excess of 10% during Q2 2021.

COVID-19 has also significantly disrupted active and new construction of comparable product in the primary markets which may create a temporary imbalance in supply of comparable, multi-suite residential properties. Since the COVID-19 outbreak commenced, based on available investment sales information, capitalization rates in the primary markets have compressed on average by approximately 50-100 basis points. 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.

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 Q2-2021 under the Fund’s profile, which is available on [www.sedar.com](http://www.sedar.com).

## FINANCIAL CONDITION AND OPERATING RESULTS

Highlights of the financial and operating performance of the Fund as at June 30, 2021, for Q2-2021 and YTD-2021, including a comparison to December 31, 2020, for Q2-2020 and YTD-2020, respectively are provided below:

	As at June 30, 2021		As at December 31, 2020					
<b>Operational Information <sup>(1)</sup></b>								
Number of properties	7		7					
Total suites	2,219		2,219					
Economic Occupancy <sup>(2)</sup>	95.9%		94.3%					
AMR (in actual dollars)	\$	1,347	\$	1,319				
AMR per square foot (in actual dollars)	\$	1.40	\$	1.37				
<b>Summary of Financial Information</b>								
Gross Book Value	\$	567,850	\$	508,403				
Indebtedness	\$	335,755	\$	339,657				
Indebtedness to Gross Book Value	59.1%		66.8%					
Weighted average interest rate - as at period end <sup>(3)</sup>	2.33%		2.53%					
Weighted average loan term to maturity	2.99 years		3.47 years					
	<b>Q2-2021</b>	<b>Q2-2020</b>	<b>YTD-2021</b>	<b>YTD-2020</b>				
<b>Summary of Financial Information</b>								
Revenue from property operations	\$	9,396	\$	4,791	\$	18,439	\$	6,145
Property operating costs	\$	(2,515)	\$	(1,345)	\$	(5,027)	\$	(1,714)
Property taxes <sup>(4)</sup>	\$	(1,233)	\$	(661)	\$	(2,465)	\$	(836)
Adjusted income from operations / NOI	\$	5,648	\$	2,785	\$	10,947	\$	3,595
Fund and trust expenses	\$	(513)	\$	(320)	\$	(1,046)	\$	(420)
Finance costs	\$	(2,221)	\$	(765)	\$	(4,546)	\$	(1,252)
Other income and expenses <sup>(5)</sup>	\$	11,253	\$	(2,295)	\$	25,858	\$	(3,070)
Net income (loss) and comprehensive income (loss)	\$	14,167	\$	(595)	\$	31,213	\$	(1,147)
FFO	\$	2,856	\$	1,494	\$	5,362	\$	1,866
FFO per Unit - basic and diluted	\$	0.13	\$	0.07	\$	0.24	\$	0.08
AFFO	\$	2,985	\$	1,564	\$	5,583	\$	1,941
AFFO per Unit - basic and diluted	\$	0.13	\$	0.07	\$	0.25	\$	0.09
Weighted average interest rate - average during period <sup>(3)</sup>	2.32%		2.16%		2.37%		2.57%	
Interest coverage ratio	2.56 x		3.07 x		2.43 x		2.86 x	
Indebtedness coverage ratio	2.56 x		3.07 x		2.43 x		2.86 x	
FFO payout ratio	69.5%		118.3%		73.1%		126.3%	
AFFO payout ratio	66.5%		113.0%		70.2%		121.4%	
Weighted Average Units Outstanding (000s) - basic and diluted	22,171		22,181		22,176		22,181	

(1) The Fund commenced operations following the acquisition of the Initial Properties (as defined below) on February 28, 2020 and subsequently acquired Southpoint Crossing on April 30, 2020, 401 Teravista on May 28, 2020, The Bluffs at Highlands Ranch on December 15, 2020 and LaVie Southpark on December 15, 2020.

(2) Economic occupancy for Q2-2021 and for the three months ended December 31, 2020.

(3) The weighted average interest rates presented as at June 30, 2021 and December 31, 2020 as well as during Q2-2021, Q2-2020, YTD-2021 and YTD-2020 reflect the prevailing index rate, U.S. 30-day London Interbank Offered Rate ("LIBOR") or U.S. 30-day Secured Overnight Financing Rate ("SOFR"), 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 ("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.

(5) Includes distributions to Unitholders, dividends to preferred shareholders, fair value adjustment IFRIC 21, unrealized foreign exchange gain (loss), realized foreign exchange gain, fair value adjustment of investment properties, provision for carried interest, current income taxes and deferred income taxes.

## CASH PROVIDED BY OPERATING ACTIVITIES RECONCILIATION TO AFFO

AFFO for Q2-2021 was \$2,985 (Q2-2020 - \$1,564) with the Fund's AFFO payout ratio on a fully deployed basis improving to 66.5% in Q2-2021 from 79.8% in Q2-2020. The increase in AFFO and decrease in the fully deployed AFFO payout ratio relative to Q2-2020 is primarily due to an increase in NOI, partially offset by higher fund and trust expenses resulting from the additional property acquisitions completed by the Fund throughout 2020 as well as higher distributions paid as a result

of the impact of the weakening U.S. dollar's on the amount of C\$ distributions paid on C\$ denominated units.

A reconciliation of cash provided by operating activities determined in accordance with International Financial Reporting Standards ("IFRS") to AFFO for Q2-2021, YTD-2021, Q2-2020 and YTD-2020 are provided below:

	Q2-2021	Q2-2020	YTD-2021	YTD-2020
<b>Cash provided by operating activities</b>	\$ 5,213	\$ 5,325	\$ 9,810	\$ 1,867
Less: interest paid	(1,978)	(772)	(4,058)	(1,075)
<b>Cash provided by operating activities - including interest paid</b>	<b>\$ 3,235</b>	<b>\$ 4,553</b>	<b>\$ 5,752</b>	<b>\$ 792</b>
Add / (Deduct):				
Change in non-cash operating working capital	(1,496)	(3,340)	(363)	(378)
Change in restricted cash	1,350	429	426	1,625
Vacancy costs associated with the suite upgrade program	62	16	98	22
Sustaining capital expenditures and suite renovation reserves	(166)	(94)	(330)	(120)
<b>AFFO</b>	<b>\$ 2,985</b>	<b>\$ 1,564</b>	<b>\$ 5,583</b>	<b>\$ 1,941</b>

## SUBSEQUENT EVENT

Subsequent to June 30, 2021, the Fund entered into an agreement for the sale of vacant excess land at Autumn Vista Apartments for a purchase price of \$1,025 to an entity controlled by Daniel Drimmer, the Chief Executive Officer and Director and a related party of the Fund. The sale constitutes a "related party transaction" under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Pursuant to Section 5.5(a) and 5.7(1)(a) of MI 61-101, the Fund is exempt from obtaining a formal valuation and minority approval of the unitholders because the fair market value of the sale price is below 25% of the Fund's market capitalization for the purposes of MI 61-101. The agreement was approved in accordance with the Fund's second amended and restated limited partnership agreement with Mr. Drimmer declaring his interest and recusing himself and contains terms consistent with an arm's length transaction. The purchase price was determined based on a third-party appraisal. The sale is expected to close on August 31, 2021 subject to the satisfaction of certain conditions.

## NON-IFRS FINANCIAL MEASURES

The Fund's audited consolidated financial statements are prepared in accordance with IFRS. Certain terms that may be used in this press release including AFFO, AFFO payout ratio, fully deployed AFFO payout ratio, AMR, economic occupancy, 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 in the "Non-IFRS Financial Measures" section for Q2-2021 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 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. 1) 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 seven properties, consisting of 2,219 suites with an average year of construction in 2003. The Fund's portfolio consists of Autumn Vista Apartments, Grand Oak at Town Park, Tuscan Bay Apartments, (the "Initial Properties") as well as Southpoint Crossing, 401 Teravista, The Bluffs at Highlands Ranch and LaVie Southpark.

For the Fund's complete unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020 and MD&A for the three and six months ended June 30, 2021 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 August 2021 Newsletter which is available on the Fund's profile at [www.starlightus.com](http://www.starlightus.com).

Please visit us at [www.starlightus.com](http://www.starlightus.com) and connect with us on LinkedIn at [www.linkedin.com/company/starlight-investments-](http://www.linkedin.com/company/starlight-investments-)

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