

Starlight™

Newsletter



2699 Peatt Road, Langford, BC

Starlight Western Canada Multi-Family (No. 2) Fund

Q4 2022 – For The Three Months And Year Ended December 31, 2022

Starlight Western Canada Multi-Family (No. 2) Fund

Fund Management

Starlight Investments CDN AM Group LP (the “Manager”), as asset manager of Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”), is pleased to provide an update for the Fund’s fourth quarter and for the year end of 2022 (“Q4 2022”). Since the Fund’s inception on February 23, 2023 there has been 311 days of operating activity for the period ending December 31, 2022.

Investment Strategy

The Fund’s investment strategy is focused on achieving stable monthly cash distributions and enhancing earnings from its properties through active asset management. The Fund delivers value based on pricing and local supply and demand trends to achieve the Fund’s target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management.

Fund Investment Overview

The Fund raised proceeds net of issuance costs of \$125 million (the “Offering”). Together with net proceeds of the offering the Fund’s total debt raised net of finance costs was \$242 million, resulting in property acquisitions valued at \$332 million. Less distributions to unitholders of \$3 million, and net cash used in operations of \$1.9 million, consolidating the Fund’s cash in approximation of \$30.1 million to pursue acquisitions of multi-family properties across Vancouver Island and the mainland of the Province of British Columbia (the “Primary Markets”).

Weighted Average Interest Rate*

3.7%

Average Annual Distribution Yield

3.1%

Weighted Average Debt Term*

4.8 years

Total Amount Raised

\$130M

**As of February 15, 2023*

Starlight Western Canada Multi-Family (No. 2) Fund

The Primary Markets

The Fund was established for the primary purpose of acquiring, owning, operating, and stabilizing a portfolio of newer vintage and newly constructed income-producing, multi-family real estate properties in the Primary Markets.

To meet its investment objectives, attractive multi-family acquisition opportunities in the Primary Markets are expected to be identified through a strong pipeline of acquisition opportunities presented by the Manager.



Vernon, BC

- ✓ 3400 Centennial Avenue⁽¹⁾
- ✓ 1803 31A Street⁽¹⁾



Langley, BC

- ✓ 5477 200 Street⁽²⁾



Nanaimo, BC

- ✓ 6035 Linley Valley Drive & 4800 Uplands Drive⁽¹⁾
- ✓ 4735 – 4745 Ledgerwood Road⁽²⁾



Langford, BC

- ✓ 733 Goldstream Avenue⁽¹⁾
- ✓ 2699 Peatt Road⁽¹⁾
- ✓ 1085 Goldstream Avenue⁽²⁾

Locations of Forecast and Non-Forecast Properties



(1) Forecast Properties– Acquired February 23, 2022

(2) Non-Forecast Properties

Monthly Distributions

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The Fund expects to pay monthly distributions of not less than 3.1% on an annualized basis on each of its outstanding Unit classes. The following is a summary of the monthly distribution amounts for each outstanding Unit class.



CDN
\$0.02579

Per Class A Unit

CDN
\$0.02500

Per Class B Unit

CDN
\$0.02639

Per Class C Unit

Monthly Distributions Per Unit

The Fund currently owns 838 multi-family suites across the Primary Markets. The following highlights certain key macroeconomic data.

British Columbia Market Trends

Employment

According to Statistics Canada, British Columbia gained approximately 57,700 jobs from December 2021 to December 2022. The unemployment rate in December 2022 was 3.7% which was lower than the national average of 4.4%. The Manager continues to monitor national and local economic market conditions as part of its response to the COVID-19 pandemic as well as inflation and interest rates and is well-positioned to take advantage of any continued improvement in the sector's performance.

Occupancy & Rental Growth

According to CoStar Market Analytics ("CoStar"), Q4 2022 occupancy levels for British Columbia were 99.1% up from 98.3% in the fourth quarter of 2021. Year-over-year rent growth was 8.0% with average rents per suite increasing from \$1,820/month to \$1,966/month.

Quarterly Highlight: Nanaimo Submarket Trends

Employment

According to Statistics Canada, the Vancouver Island Metropolitan Area (in which Nanaimo is located) gained approximately 8,400 jobs from December 2021 to December 2022. The unemployment rate in December 2022 was 2.7% in the Vancouver Island Metropolitan Area which is below the provincial average of 3.7% and below the national average of 4.4%.

Occupancy & Rental Growth

According to CoStar, Q4 2022 occupancy levels for Nanaimo were 99.3%, down from 99.4% in Q4 2021. Year-over-year rent growth was 3.6% with average rent per suite increasing from \$1,556/month to \$1,612/month.

Quarterly Highlight: Vernon Submarket Trends

Employment

According to Statistics Canada, the Thompson/Okanagan Area (in which Vernon is located) gained approximately 6,200 jobs from December 2021 to December 2022. The unemployment rate in December 2022 was 4.3% in the Thompson/Okanagan Area which is slightly above the provincial average of 3.7% and below the national average of 4.4%.

Occupancy & Rental Growth

According to CoStar, Q4 2022 occupancy levels for Vernon were 99% in line with Q4 2021. Year-over-year rent growth was 4.0% with average rent per suite increasing from \$1,493/month to \$1,552/month.

Q4 Performance

OPERATIONAL PERFORMANCE

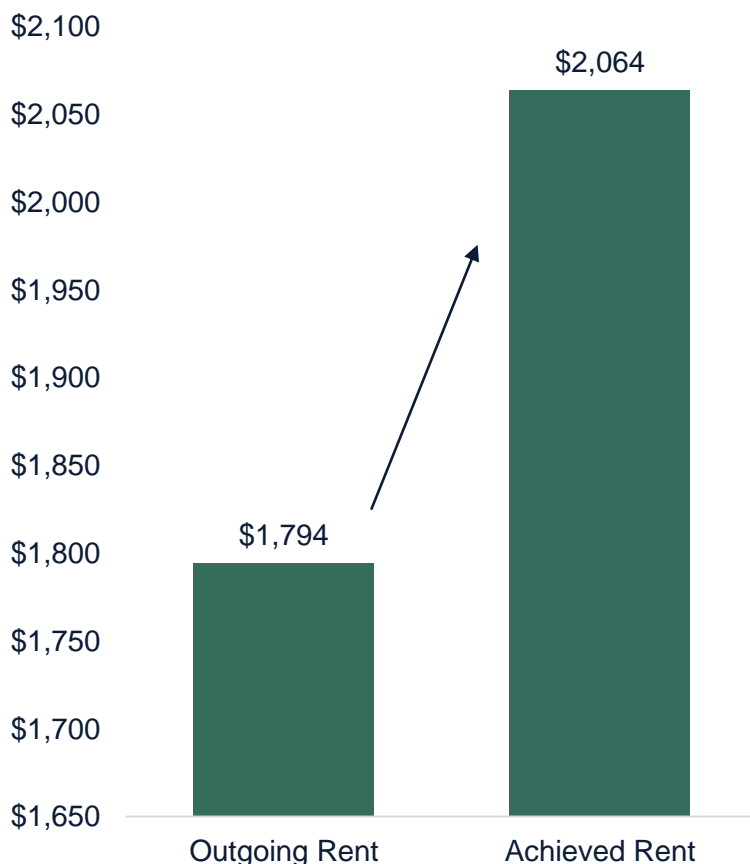
The Fund executed **39*** new leases during Q4 2022 which is in line with winter leasing seasonality. At **1085 Goldstream Avenue** in Langford, BC, **15** new leases were executed with an average spread to outgoing rent of **\$315**. In addition **12** new leases were executed at **6035 Linley Valley Drive & 4800 Uplands Drive** in Nanaimo, BC, with an average spread to outgoing rent of **\$140**. After the Q3 acquisition of **4735-4745 Ledgerwood Road** in Nanaimo, BC, residents in **18** suites moved in following the property's initial lease up. Leasing velocity is expected to increase in Q1 2023, with more leases signed by residents across the Fund's properties.

Leases Signed

39

Increase on
Outgoing Rent

\$270 (15.0%)



Performance Update

Over the course of Q4 2022, the Fund achieved an average rent increase per multi-family suite of **\$270** or **15%**. The Fund's net operating income ("NOI") margin was **71.7%** for Q4 2022. The Manager continues to execute on its asset management strategy maintaining lower vacancy levels. The Fund carries a debt amount of **\$242** million with a weighted average debt term of **4.8** years, and a weighted average interest rate at period end of **3.7%**.

**Excludes 4735-4745 Ledgerwood Road due to the new leases signed from first occupancy*

Q4 2022 HIGHLIGHTS

The Fund concluded its fourth quarter of operations with a total of 838 multi-family suites across eight communities throughout the Province of British Columbia.

- ✓ As of December 31, 2022, the Fund had cash on hand of **\$30,105**, which is expected to be used to support operations and acquire additional multi-family properties.
- ✓ Revenue from operations in Q4 2022 was **\$4,655**. This represents an increase of **\$1,887** or **68.2%** compared to the financial forecast included in the Fund's prospectus (the "Forecast"), with the primary increase attributable to the Non-Forecast Properties.
- ✓ Total portfolio NOI for Q4 2022 was **\$3,339**. This represents an increase of **\$1,389** or **71.2%** compared to Forecast. This was primarily a result of the Non-Forecast Properties not being included in the Forecast. For the Forecast Properties, NOI was **\$1,950**, inline with the Forecast.
- ✓ Since the Funds inception the gross asset value of the Fund's portfolio has increased by **\$21,850***.
- ✓ The Manager continues to deploy its asset management strategy delivering strong monthly cash flows and monitoring market trends to yield high occupancy levels.



**Based on external year-end appraisals*

New Branded Monument Signage



QR codes direct prospects right to our microsites.



Suite Highlights

6035 Linley Valley Drive, Nanaimo, BC

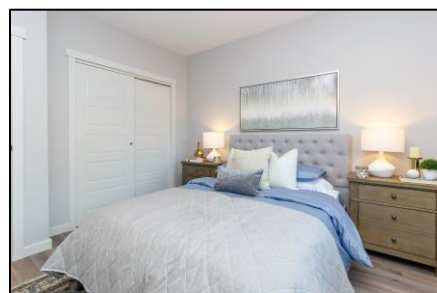
MODEL SUITE KITCHEN



MODEL SUITE LIVING AREA



MODEL SUITE Bedroom



3400 Centennial Drive, Vernon

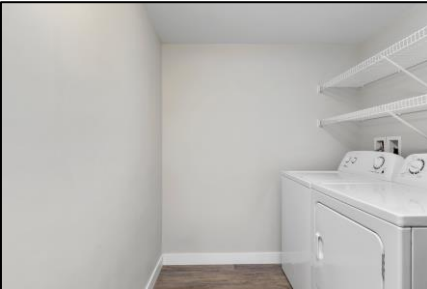
SUITE KITCHEN



SUITE LIVING AREA



SUITE LAUNDRY ROOM



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Forward Looking Information And Outlook

This Newsletter is intended for informational purposes only and is not, and should not be construed, as investment advice to any individual. Particular investments should be evaluated relative to each individual's circumstances and individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Past performance may not be repeated and nothing in this Newsletter should be construed as an indication of future values of the Fund or future returns on any investment in the Fund.

This Newsletter is not intended for distribution in any jurisdiction that would require the filing of a prospectus, registration statement, offering memorandum or similar document under the applicable laws of such jurisdiction or would result in the Fund having any reporting or other obligation in such jurisdiction. Accordingly, neither the Fund nor the Manager has done anything that would permit the possession or distribution of this Newsletter in any jurisdiction where action for that purpose is required.

The Fund's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain terms used in this Newsletter do not have a standardized definition prescribed by IFRS such as NOI and 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 Management Discussion & Analysis and are available on the Fund's profile on SEDAR at www.sedar.com.

This Newsletter contains statements that may constitute forward-looking information within the meaning of Canadian securities laws and which reflect current expectations of the Fund's management regarding future events, including statements concerning the impact of the coronavirus (SARS – CoV2) and its variants ("COVID-19"), on the markets in which the Fund operates, cost inflation, interest rates, 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, average monthly rent, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook and COVID-19" 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.

Since early 2022, concerns over rising cost inflation have contributed to a significant increase in interest rates with the Bank of Canada raising its target interest rate from 0.25% to 4.50% as at March- 8, 2023. The increases in target interest rates typically lead to increases in borrowing costs related to variable rate debt. As at December 31, 2022, 38.9% (subsequently reduced to 25.1% effective February 15, 2023) of the Fund's debt was variable rate. Historically, investments in multi-family properties have provided an effective hedge against cost inflation given the short-term nature of lease terms, reflected in the higher average monthly rent achieved during Q4 2022. Given the Fund was formed as a closed-end fund with an initial term of three years, it is the Fund's intention to maintain its targeted yield of 3.0% to 4.0% across all classes of units despite potential periods of increasing interest rates. The Fund continues to actively monitor the current interest rate environment and any associated impact this may have on the Fund's financial performance.

Information contained in forward-looking statements 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 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; inflation and interest rates; and the applicability of any government regulation concerning the Fund's residents or rents as a result of COVID-19 or otherwise.

The forward-looking statements made relate only to events or information as of the date on which the statements are made in this newsletter. Except as specifically required by applicable law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, 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. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed.