

# Newsletter

Q2

June 30, 2022

5477 200 Street, Langley, BC

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

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 second quarter of 2022 (“Q2 2022”), which includes 128 days of operating activity.

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 communities that demonstrate 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.

As of August 15, 2022, the Fund had acquired seven multi-family real estate communities in British Columbia (the “Initial Communities”), consisting of 733 Goldstream Avenue, Langford , 6035 Linley Valley Drive & 4800 Uplands Drive, Nanaimo (“Nanaimo Community”), 2699 Peatt Road, Langford, 3400 Centennial Drive, Vernon, 1803 31A Street, Vernon and 1085 Goldstream Avenue, Langford (“Langford 3 Community”) and 5477 200 Street (“Langley Community” and with the Langford 3 Community the “Subsequently Acquired Communities”) totaling 718 multi-family suites. Since the closing of the \$125 million initial public offering net of issuance cost (the “Offering”) the Fund to date has total debt raised net of finance costs of (\$207) million, deployed (\$286) million in acquisitions including related costs, distributions to unitholders (\$1) million, net cash used in operations of (\$4) million which leaves approximately \$41 million remaining to pursue acquisitions of multi-family communities across Vancouver Island and the mainland of the Province of British Columbia (the “Primary Markets”).

The Fund’s investment strategy is focused on achieving stable monthly cash distributions and enhancing earnings from its communities through active asset management. To meet its investment objectives, attractive multi-family acquisition opportunities in the Primary Markets will continue to be identified through a strong pipeline of exclusive acquisition opportunities presented by the Manager.

**Average Annual Distribution Yield**

**3.1%**

**Total Amount Raised**

**\$130M**



# Significant Events

## New Community Acquisition

On June 7, 2022, the Fund acquired the Langley Community in Langley, British Columbia for a purchase price of approximately **\$23.3 million**. Constructed in 2016 this four-storey multi-family apartment building consists of 57 multi-family suites comprised of both 9 one-bedroom suites and 48 two-bedroom suites. The multi-family suites are pet friendly and have fully furnished kitchens featuring stainless steel appliances and a dishwasher. The building has controlled entry and is monitored by security cameras, includes elevators, in-suite laundry and 82 parking spots (above and underground).

The Langley Community is located in the heart of Langley, a short drive away from Downtown Langley, equipped with several shopping centres, restaurants, grocery and retail stores along with a variety of schools and parks. This community presents significant potential to create value through market rent spreads and further optimization of parking and storage locker income.

## Leed Gold Certification - 6035 Linley Valley Drive & 4800 Uplands Drive

The Fund is pleased to announce that the Nanaimo Community has been awarded LEED® BD+C Gold certification. The Fund pursued LEED® certification specifically due to the direct benefits the certification delivers to residents. The Nanaimo Community achieved LEED® BD+C: Multifamily Midrise certification on March 10, 2022, and the building boasts numerous end-user-focused features including triple glaze windows, CO2 and indoor air quality sensors, and a green roof to establish maximum comfort and efficiency. Additional amenities include electric vehicle charging stations, a state-of-the-art fitness centre and a rain garden. Achieving LEED® BD+C aligns with the high expectations our residents and our stakeholders hold regarding sustainability. Meeting this global standard ensures the Fund is performing at an industry standard around green design and management practices.

## Performance Update

Over the course of Q2 2022, the Fund achieved stabilized rents per multi-family suite equal to **\$269** over existing rents compared to **\$147** in the first quarter 2022. The Fund's net operating income ("NOI") margin was **71%** as of June 30, 2022, due to higher than expected vacancy at the Nanaimo Community which was offset by a favorable variance in total operating expenses. In addition, the Fund demonstrated its strong tenant profile collecting **99%** of rents for Q2 2022, with further amounts expected to be collected in future periods.

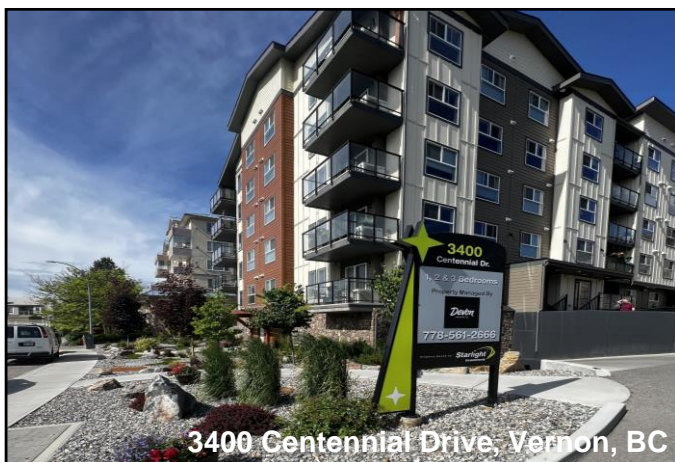
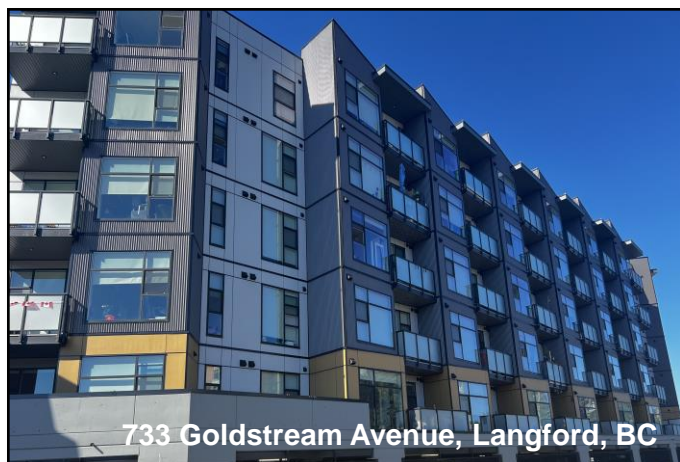
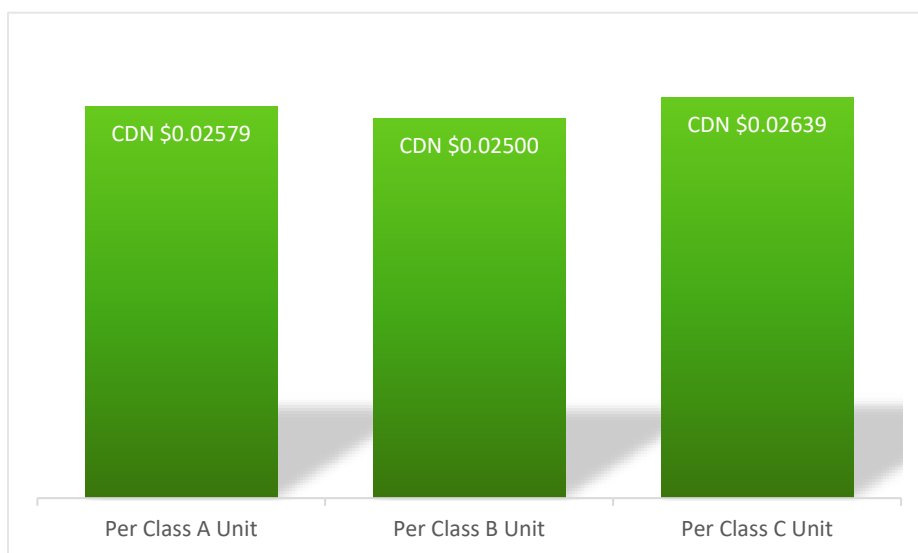
## Future Acquisition – 4735 & 4745 Ledgerwood Road

During Q2 2022, the Fund entered into an agreement to acquire a 2022 constructed multi-family community which would add an additional 120 multi-family suites in Nanaimo, British Columbia. The acquisition is scheduled to close on or about **August 29, 2022**.

# Monthly Distributions

The Fund expects to pay monthly distributions equal to **3.1%** on an annualized basis on all outstanding Unit classes. The following is a summary of the monthly distribution amounts for each outstanding Unit class.

## Monthly Distributions Per Unit



The Fund currently owns 718 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 90,000 jobs from June 2021 to June 2022. The unemployment rate in June 2022 was 4.5% in British Columbia which was lower than the national average of 4.7%. In the second quarter of 2022 key multi-family valuations and trends were observed to grow market rents and improve collection rates. 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"), Q2 2022 occupancy levels for British Columbia were 98.7% up from 98.5% in the second quarter of 2021. Year-over-year rent growth was 5.8% with average rents per suite increasing from \$1,725/month to \$1,825/month.

## Quarterly Highlight: Langford Submarket Trends

### Employment

According to Statistics Canada, the Victoria Metropolitan Area (in which Langford is located) gained approximately 4,000 jobs from June 2021 to June 2022. The unemployment rate in June 2022 was 4.1% in the Victoria Metropolitan Area which is below the provincial average of 4.5% and below the national average of 4.7%.

### Occupancy & Rental Growth

According to CoStar, Q2 2022 occupancy levels for Langford were 99.4% up from 98.2% in Q2 2021. Year-over-year rent growth was 3.9% with average rents per suite increasing from \$1,652/month to \$1,716/month.

# Community Overview



## ADDRESS

6035 Linley Valley Drive  
Nanaimo, BC

## AVERAGE SUITE SIZE

832 SF

## YEAR BUILT

2020

## NET RENTABLE AREA

208,906 SF

## SUITE MIX

Bachelor		
One-bed	67	27%
Two-bed	184	73%
Three-bed		
<b>Total Suites</b>	<b>251</b>	<b>100%</b>

## PARKING

Indoor	310
Outdoor	23



## ADDRESS

2699 Peatt Road  
Langford, BC

## AVERAGE SUITE SIZE

753 SF

## YEAR BUILT

2020

## NET RENTABLE AREA

60,958 SF

## SUITE MIX

Bachelor	3	4%
One-bed	38	47%
Two-bed	40	49%
Three-bed		
<b>Total Suites</b>	<b>81</b>	<b>100%</b>

## PARKING

Indoor	72
Outdoor	13



## ADDRESS

3400 Centennial Drive  
Vernon, BC

## AVERAGE SUITE SIZE

877 SF

## YEAR BUILT

2020

## NET RENTABLE AREA

52,605 SF

## SUITE MIX

Bachelor		
One-bed	18	30%
Two-bed	32	53%
Three-bed	10	17%
<b>Total Suites</b>	<b>60</b>	<b>100%</b>

## PARKING

Indoor	35
Outdoor	37



## ADDRESS

1803 31A Street  
Vernon, BC

## AVERAGE SUITE SIZE

915 SF

## YEAR BUILT

2020

## NET RENTABLE AREA

39,331 SF

## SUITE MIX

Bachelor		
One-bed	11	26%
Two-bed	20	47%
Three-bed	12	28%
<b>Total Suites</b>	<b>43</b>	<b>100%</b>

## PARKING

Outdoor	32
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# Community Overview



## ADDRESS

733 Goldstream Avenue  
Langford, BC

## AVERAGE SUITE SIZE

694 SF

## YEAR BUILT

2020

## NET RENTABLE AREA

41,618 SF

## SUITE MIX

Bachelor		
One-bed	40	67%
Two-bed	20	33%
Three-bed		
<b>Total Suites</b>	<b>60</b>	<b>100%</b>

## PARKING

Indoor 60



## ADDRESS

1085 Goldstream Avenue  
Langford, BC

## AVERAGE SUITE SIZE

660 SF

## YEAR BUILT

2020

## NET RENTABLE AREA

109,490 SF

## SUITE MIX

Bachelor	81	49%
One-bed	68	41%
Two-bed	17	10%
Three-bed		
<b>Total Suites</b>	<b>166</b>	<b>100%</b>

## PARKING

Indoor 171



## ADDRESS

5477 200 Street  
Langley, BC

## AVERAGE SUITE SIZE

869 SF

## YEAR BUILT

2020

## NET RENTABLE AREA

49,428 SF

## SUITE MIX

Bachelor		
One-bed	9	16%
Two-bed	48	84%
Three-bed		
<b>Total Suites</b>	<b>57</b>	<b>100%</b>

## PARKING

Indoor 59  
Outdoor 23

# Highlights

## Q2 2022 HIGHLIGHTS

The Fund concluded its second quarter of operations with a total of 718 multi-family suites across seven communities throughout the Province of British Columbia.

- ✓ As of June 30<sup>th</sup> 2022, the Fund had cash on hand of **\$41,883**, which includes cash remaining from the Offering to be used to acquire additional multi-family communities.
- ✓ Revenue from community operations for Q2 2022 was **\$3,535**, representing an increase of **\$813** or **29.9%** compared to the financial forecast included in the Fund's prospectus (the "Forecast"), primarily as a result of the Subsequently Acquired Communities not being included in the Forecast. Excluding the Subsequently Acquired Communities Revenue from community operations in Q2 2022 was below the Forecast by **\$53** or **1.9%**.
- ✓ Total portfolio NOI for Q2 2022 was **\$2,507**, representing an increase of **\$586** or **30.5%** compared to Forecast, primarily as a result of the Subsequently Acquired Communities not being included in the Forecast. For the Initial Communities, NOI was **\$60** or **3.1%** behind Forecast driven by higher than forecasted vacancy.



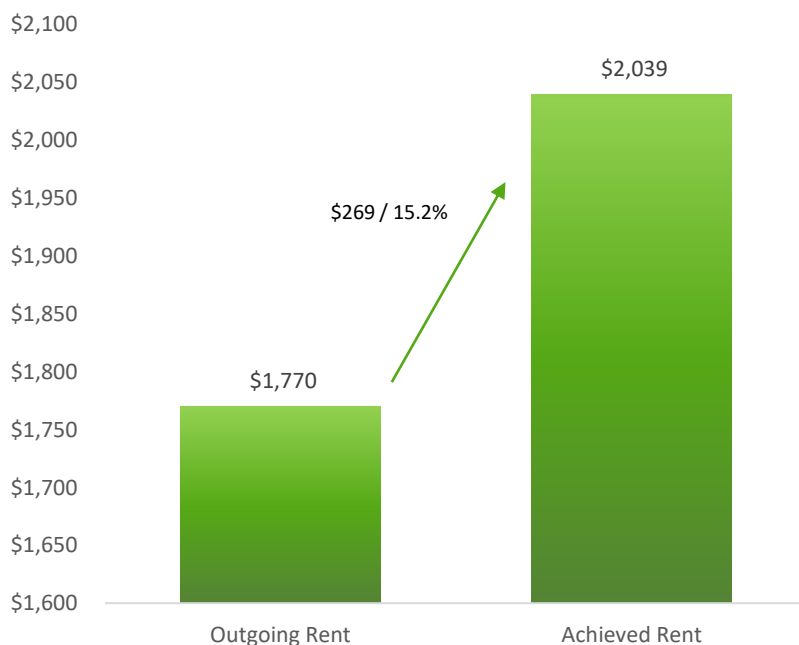


# Performance

## OPERATIONAL PERFORMANCE

The Fund executed 66 new leases during Q2 2022 operations where the Langford 3 Community had an average increase over outgoing rents of \$371 or 22.9%.

On average, rents for new residents have increased by \$269 or 15.2% over outgoing rent in Q2 2022.



Leases Signed

66

Increase on Outgoing Rent

\$269 (15.2%)

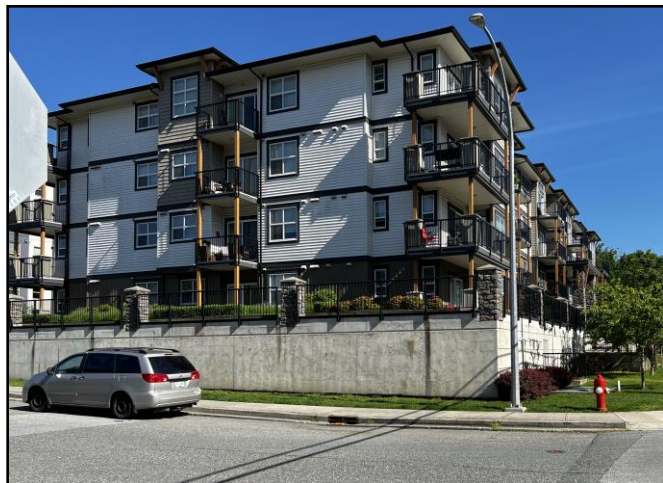
### Occupancy

Despite higher turnover throughout Q2 2022 the Fund maintained economic occupancy of 95.5%. The forecasted occupancy was 97.9% for the Initial Communities in Q2 2022. The Manager continues to monitor occupancy levels and market demand for new multi-family suites.

# Photos

## Common Area Highlights

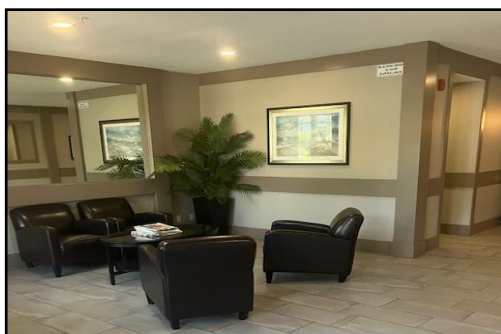
5477 200 Street



GROUND FLOOR PATIOS



LOBBY



## Suite Highlights

3400 Centennial Drive

**MODEL SUITE KITCHEN**



**MODEL SUITE LIVING AREA**



**MODEL SUITE BATHROOM**



5477 200 Street

**MODEL SUITE KITCHEN**



**MODEL SUITE LIVING AREA**



**MODEL SUITE BATHROOM**



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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 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 Management Discussion & Analysis and are available on the Fund's profile on SEDAR at [www.sedar.com](http://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 COVID-19 on the Fund's portfolio, inflation, interest rates, 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, 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.

The forward-looking statements involve risks and uncertainties, including those discussed in the Fund's materials filed with the Canadian securities regulatory authorities from time to time at [www.sedar.com](http://www.sedar.com), which could cause the actual results and performance of the Fund to differ materially from the forward-looking statements contained in this Newsletter. 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; inflation, interest rate 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 Communities 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.

Since the fourth quarter of 2021, the Bank of Canada (the "Bank") has increased its target interest rate from 0.25% to 2.5%. Increase in rate were 0.25% on March 5, 2022, 0.5% on April 13, 2022, 0.5% on June 1, 2022 and 1.0% on July 13, 2022, bringing the target interest rate to 1.0%. The interest rate increases are supported by stronger than anticipated growth in the fourth quarter of 2021, as well as rising inflation, which is currently at 7.7%. The Bank continues to signal further rate hikes amid new forecasts for higher inflation levels brought on by the war in the Ukraine which has elevated prices on commodities such as gasoline and food. The Fund continues to actively monitor the current interest rate environment and any associated impact this may have on the Fund's financial performance. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) the impact of the COVID-19 on the Fund's business, operations and performance; (b) the Fund's ability to mitigate such impacts; (c) credit, market and operational risks generally; (d) 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.

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; 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.