



Newsletter

Q3

September 30, 2022

4745 Ledgerwood Road, Nanaimo, 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 third quarter of 2022 (“Q3 2022”), which includes 220 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 September 30, 2022, the Fund had acquired eight 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, 1085 Goldstream Avenue, Langford (“Langford 3 Community”), 5477 200 Street, Langley (“Langley Community”) and 4735 - 4745 Ledgerwood Road, Nanaimo (“Nanaimo 2 Community” together with the Langley Community, Langford 3 Community the “Subsequently Acquired Communities”) totaling 838 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 (\$242) million, deployed (\$332) million in acquisitions including related costs, distribution to unitholders of (\$2) million, net cash used in operations of (\$0.4) million which leaves approximately \$31.6 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.

**Weighted Average Interest
Rate – At Period End**

3.97%

Average Annual Distribution Yield

3.1%

Weighted Average Debt Term

4 years

Total Amount Raised

\$130M

Significant Events

New Community Acquisition

On **August 29, 2022**, the Fund acquired the Nanaimo 2 Community in Nanaimo, British Columbia for a purchase price of approximately **\$45.8** million including financing and acquisition costs. The property is comprised of two buildings (four and five storeys), with a suite count of 120 consisting of bachelors, one, two and three bedrooms. The suites features large kitchen islands with quartz countertops, stainless steel appliances, and in-suite laundry, with ground floor suites having patio walkouts to street level parking. The property features a club amenity room outfitted with a bar top kitchen and social games area for relaxing with friends. The Nanaimo 2 Community has both outdoor and indoor parking totaling 189 spots.

The Nanaimo 2 Community is located adjacent to a natural park and with easy access to Highway 1, and in close proximity to several shopping centres, restaurants, grocery and retails stores along with a variety of schools and parks. With this acquisition, the Fund was able to participate in the initial lease up of the Nanaimo 2 Community implementing it's asset management strategy to achieve occupancy quickly and at a favorable market rent. The initial lease up of the property reached **100%** on the closing date providing extended value and cash flow heading into the fourth quarter of 2022.

Performance Update

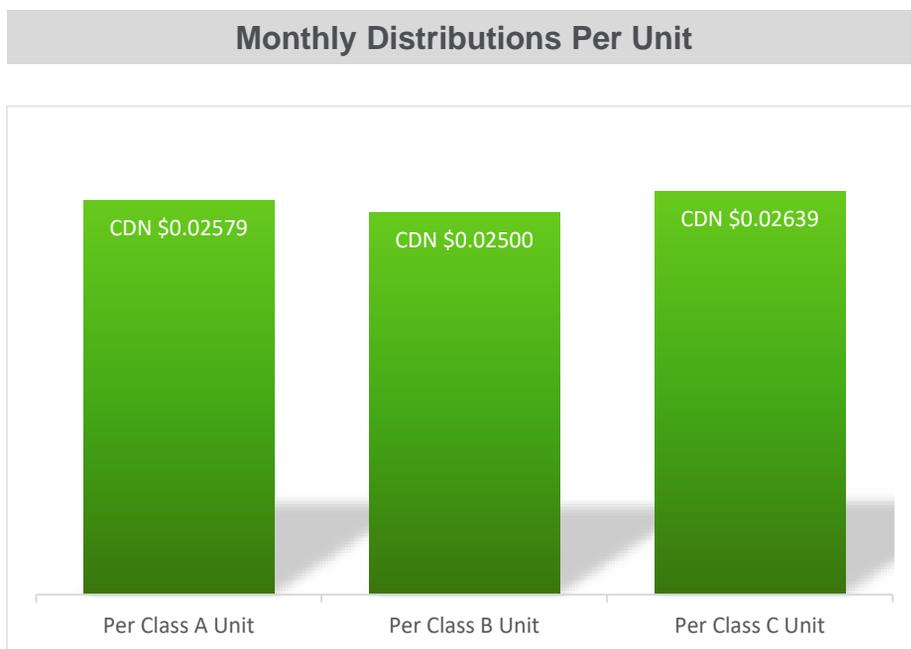
Over the course of Q3 2022, the Fund achieved stabilized rents per multi-family suite over existing rents. The Fund's net operating income ("NOI") margin was **74.4%** for Q3 2022. In the quarter ending September 30, 2022 the Nanaimo 2 Community completed **107** leases, with the remaining **13** leases signed for Q4 2022 move-ins. The Manager continues to execute on it's asset management strategy to keep vacancy levels low. The Fund also carries a debt amount of **(\$242)** million with a weighted average debt term of **4** years, and a weighted average interest rate at period end of **3.97%**.



**Excludes the Nanaimo 2 Community*

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.



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 73,500 jobs from September 2021 to September 2022. The unemployment rate in September 2022 was 3.9% in British Columbia which was lower than the national average of 4.7%. In Q3 2022 key multi-family valuations and trends were observed resulting in increased market rents and improved 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"), Q3 2022 occupancy levels for British Columbia were 99.0% up from 98.4% in the third quarter of 2021. Year-over-year rent growth was 7.1% with average rents per suite increasing from \$1,755/month to \$1,880/month.

Quarterly Highlight: Nanaimo Submarket Trends

Employment

According to Statistics Canada, the Vancouver Island Metropolitan Area (in which Nanaimo is located) gained approximately 21,000 jobs from September 2021 to September 2022. The unemployment rate in September 2022 was 4.3% in the Vancouver Island Metropolitan Area which is slightly above the provincial average of 3.9% and below the national average of 4.7%.

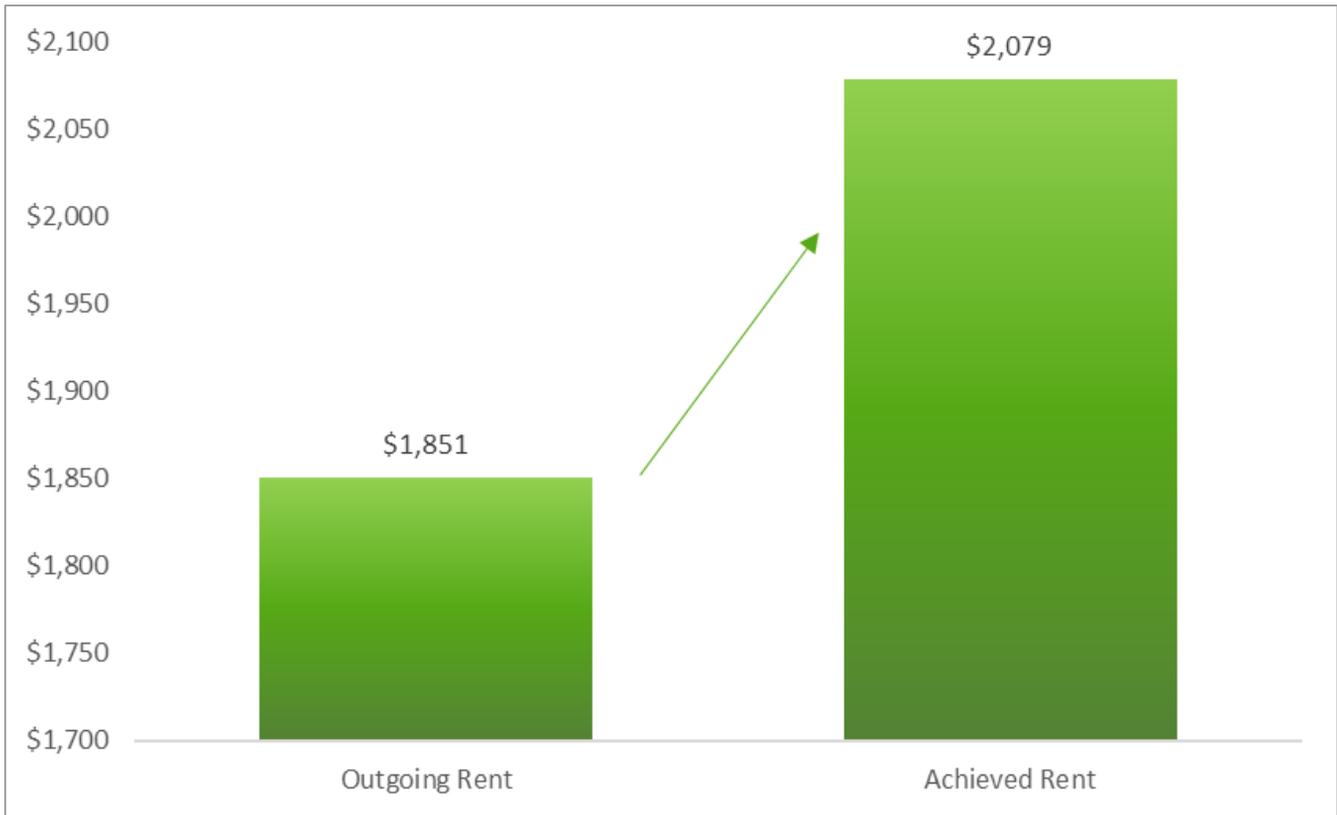
Occupancy & Rental Growth

According to CoStar, Q3 2022 occupancy levels for Nanaimo were 99.6% up from 98.8% in Q3 2021. Year-over-year rent growth was 3.7% with average rents per suite increasing from \$1,457/month to \$1,511/month.

Performance

OPERATIONAL PERFORMANCE

The Fund executed 84* new leases during Q3 2022 compared to 66 in Q2 2022. This was led by the Nanaimo Community which signed 47 new leases in Q3 2022. Following suit was the Langford 3 Community executing 14 leases during Q3 2022, showing the Fund's strong asset management strategy.



Leases Signed

84

Increase on Outgoing Rent

\$228 (12.3%)

*Excludes the Nanaimo 2 Community

Q3 2022 HIGHLIGHTS

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

- ✓ As of September 30th 2022, the Fund had cash on hand of **\$31,604**, derived from operating and financing activities which is expected to be used to support operations and acquire additional multi-family communities.
- ✓ Revenue from operations in Q3 2022 was **\$4,121** while Q2 2022 was **\$3,535**. This represents an increase of **\$1,380** or **50.3%** compared to the financial forecast included in the Fund's prospectus (the "Forecast"), with the primary increase attributable to the Subsequently Acquired Communities.
- ✓ Total portfolio NOI for Q3 2022 was **\$3,067** while Q2 2022 was **\$2,507**, representing an increase of **\$1,120** or **57.5%** compared to Forecast. This was primarily a result of the Subsequently Acquired Communities not being included in the Forecast. For the Initial Communities, NOI was **\$1,947** or **2.8%** ahead of the Forecast.
- ✓ The Manager is effectively deploying its asset management strategy to continue strong monthly cash flows and is forecasting lower vacancy heading into the Q4 2022.



Photos

Common Area Highlights

4735 - 4745 Ledgerwood Road, Nanaimo, BC



CLUB ROOM – SOCIAL AREA



CLUB ROOM – KITCHEN & GAMES



Suite Highlights

4735 - 4745 Ledgerwood Road, Nanaimo, BC

MODEL SUITE KITCHEN



MODEL SUITE LIVING AREA



MODEL SUITE BATHROOM



5477 200 Street

SUITE KITCHEN



SUITE MASTER BEDROOM



SUITE BALCONY



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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 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.

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, 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; 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 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 3.75% as at November 15, 2022. The increases in target interest rates typically lead to increases in borrowing costs related to variable rate debt. As at September 30, 2022, 38.7% 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 Q3 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.