

Starlight™

Newsletter



6035 Linley Valley & 4800 Uplands Drive, Nanaimo, BC

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

Q3 2023 – For The Three And Nine Months Ended September 30, 2023

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 third quarter of operations for 2023 (“Q3 2023”).

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 which together with the Fund’s total debt raised net of financing costs equal to \$242 million, resulted in property acquisitions valued at approximately \$360 million. Less distributions to unitholders of \$6 million, and net cash used in operations of \$7.7 million, the Fund has maintained cash of approximately \$21.3 million to pursue acquisitions of multi-family properties across Vancouver Island and the mainland of the Province of British Columbia (the “Primary Markets”).



\$360M

Q3 2023 Valuation*

3.74%

**Weighted Average
Interest Rate***

3.1%

**Average Annual
Distribution Yield**

**4.8
Years**

**Weighted Average
Debt Term***

\$130M

**Total Gross
Amount Raised**

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



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 have been, and are expected to be, identified through a strong pipeline presented by the Manager.

Locations of Properties



Vernon, BC

- ✓ 3400 Centennial Avenue
- ✓ 1803 31A Street



Langley, BC

- ✓ 5477 200 Street



Nanaimo, BC

- ✓ 6035 Linley Valley Drive & 4800 Uplands Drive
- ✓ 4735 – 4745 Ledgerwood Road



Langford, BC

- ✓ 733 Goldstream Avenue
- ✓ 2699 Peatt Road
- ✓ 1085 Goldstream Avenue



Monthly Distributions

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.



1085 Goldstream Avenue, Langford, BC

**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

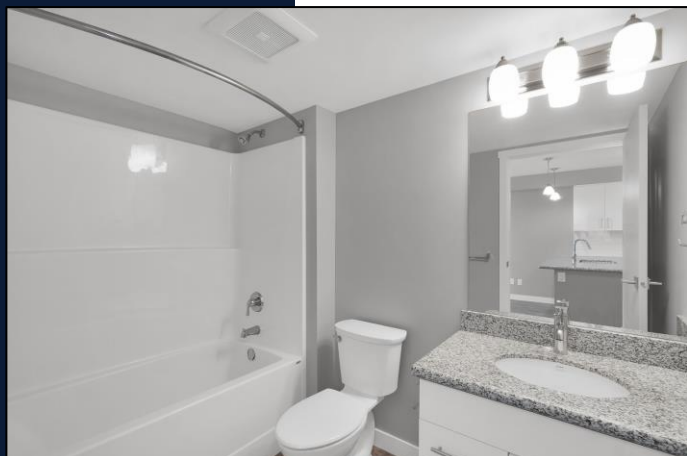
New Acquisition

The Fund announced on November 14, 2023, that it has acquired a multi-family property located at **728 Meaford Avenue** in Langford, BC (the “**Property**”) for a purchase price below replacement cost of approximately **\$43.5** million. The Property is a six-storey mid-rise building that was completed in 2018 and consists of 106 residential suites

The Property is comprised of Bachelor, 1 Bedroom, 2 Bedroom and 3 Bedroom. Suites that provide enticing condo-style living including in-suite laundry and private balconies. The suite finishes feature open-concept designs, quartz countertops, stainless-steel appliances, and luxury-vinyl plank flooring.

There is both surface level and underground parking, video-controlled entry, bicycle storage as well as a communal gym for residents. The Property is located near Victoria, BC requiring a 15–20-minute drive to the downtown core. In the Langford community, the Property is near several regional parks and golf clubs which provide a great wealth of options for residents on Vancouver Island.

The acquisition was financed by the assumption of a fixed rate mortgage loan of approximately **\$20.1** million bearing an interest rate of **2.43%** and a new variable rate loan of approximately **\$8.4** million. The balance of the purchase price and additional costs associated with the purchase were settled using **\$15.9** million of the remaining cash proceeds from the Fund’s initial public offering.



728 Meaford Avenue, Langford, BC

Operational Performance

The Fund executed **113** new leases during Q3 2023 with an average rent increase per multi-family suite of **\$114** demonstrating a strong rental growth on turnover. According to CoStar Market Analytics data, Q3 2023 occupancy levels for British Columbia were **99%** which were in line with Q2 2022 levels of **99%**, while year-over-year rent growth continues to increase. The Fund realized physical occupancy levels of **98%** as of September 30, 2023. The Manager anticipates occupancy levels to remain high under favorable market conditions and market demand for multi-family properties.

The Fund's net operating income ("NOI")¹ margin was **73%** for Q3 2023 derived from increasing revenues year-over-year while maintaining operating expenses. The Manager continues to execute on its asset management strategy to enhance earnings by increasing market rents, pursuing ancillary revenue opportunities and achieving operating expense reductions.



(1) This metric is a Non – IFRS measure. Non – IFRS financial measures do not have standardized meanings presented by IFRS (see “Forward Looking Information and Outlook”).

Highlights

Q3 2023 HIGHLIGHTS

The Fund concluded Q3 2023 with a total of 838 multi-family suites across eight properties throughout the Province of British Columbia.

The Fund's presentation currency used in the highlights are expressed in thousands of Canadian dollars.

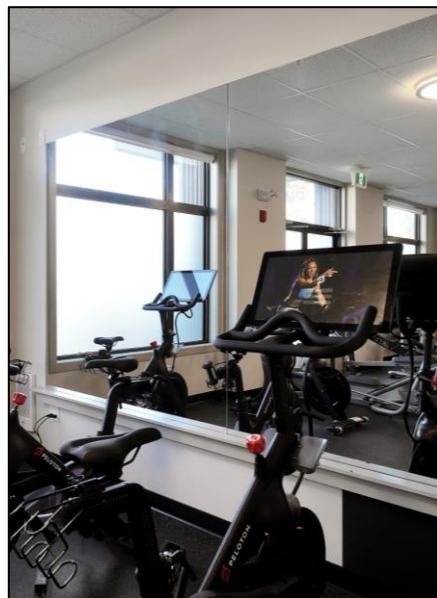
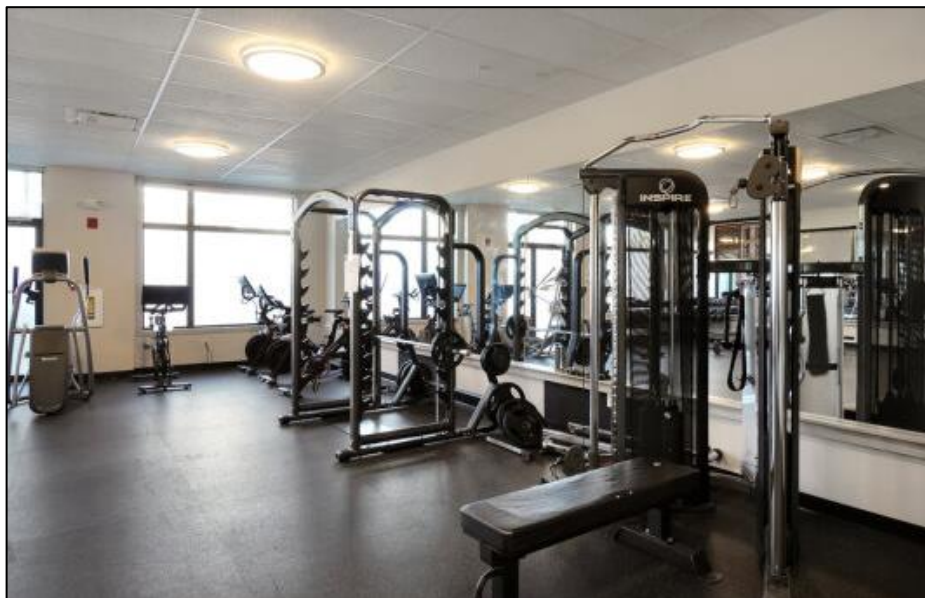
- ✓ As of September 30, 2023, the Fund had cash on hand of **\$21,336** which is expected to be primarily used to acquire additional multi-family properties and support operations.
- ✓ In Q3 2023, the Fund generated **\$4,815** in revenue from operations, which was sourced from rental income, parking income and other ancillary income.
- ✓ The Fund continued to deliver strong rent collections of approximately **99%** in Q3 2023 validating the Fund's strong resident base and operating performance.
- ✓ Total NOI for Q3 2023 was **\$3,517**.
- ✓ The Manager continues to deploy its asset management strategy delivering strong monthly cash flows and monitoring market trends to yield high occupancy levels.



Property Highlight

1085 Goldstream Avenue, Langford, BC

Common Area Highlights



Fitness Centre and Peloton Bikes

Model Suite Highlights



Kitchen and Living Area



Primary Bedroom

Contact Information



starlightinvest.com



linkedin.com/company/starlight

Daniel Drimmer

Founder and
Chief Executive Officer
416 234 8444

ddrimmer@starlightinvest.com

Martin Liddell

Chief Financial Officer
647 729 2588

mliddell@starlightinvest.com

Neil Fischler

Senior Vice President
Asset Management, Canadian Residential
647 729 2591

nfischler@starlightinvest.com

Forward Looking Information and Outlook

Forward Looking Information

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 at www.sedarplus.ca.

Forward-looking information may relate to future results, the impact of cost inflation levels, 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 rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described in "Future Outlook" 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.

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 may not be achieved. Those risks and uncertainties include: the extent and sustainability of potential higher levels of cost inflation and the potential impact on the Fund's operating costs; 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 residents or rents; the realization of property value appreciation and the timing thereof, and the availability of residential properties for acquisition; the extent and pace at which any changes in interest rates that impact the Fund's weighted average interest rate may occur; the availability of debt financing; and the availability and the price at which 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.

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.

Outlook

Throughout 2022 and into 2023, 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 5.00% as at November 15, 2023. Increases in target interest rates typically lead to increases in borrowing costs. As at September 30, 2023, 81.8% of the Fund's debt was fixed rate. Although inflation in Canada persists, it has declined from its peak with improvements in global supply chains and the effects of higher interest rates moving through the economy. The significant increases in interest rates have also contributed to an increase in volatility across capital markets, leading banks and other debt providers to reduce their lending capacity while increasing the cost of new loans. Although operating fundamentals continue to be favorable as evidenced by the operating results achieved by the Fund, the Fund's financial results continue to be impacted by the significant increases in interest rates. 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 annual yield of 3.0% to 4.0% across all classes of units despite 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 and ability to pay distributions.