

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND ANNOUNCES STRONG Q2-2023 OPERATING RESULTS INCLUDING SAME PROPERTY NOI GROWTH OF 7.2%

Toronto – August 15, 2023 – Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”) announced today its results of operations and financial condition for the three months ended June 30, 2023 (“Q2-2023”) and six months ended June 30, 2023 (“YTD-2023”). Certain comparative figures are included for the three months ended June 30, 2022 (“Q2-2022”) and six months ended June 30, 2022 (“YTD-2022”), which includes 128 days of operating activity following the closing of the Fund’s initial public offering on February 22, 2022 (the “Offering”) through June 30, 2022 (the “Initial Reporting Period”).

All amounts in this press release are in thousands of Canadian dollars except for average monthly rent¹ (“AMR”) or unless otherwise stated.

“We are pleased to announce another quarter of strong operating results with the Fund achieving AMR growth of 6.7%,” commented Daniel Drimmer, the Fund’s Chief Executive Officer. “The Fund continues to concentrate on increasing net operating income at its properties through an active asset management strategy generating Same Property NOI growth of 7.2%, while deploying the remaining proceeds from the initial public offering by actively pursuing acquisition opportunities in the Fund’s target markets to complement its existing portfolio”.

Q2-2023 HIGHLIGHTS

- The Fund achieved approximately 6.7% AMR growth between Q2-2022 and Q2-2023, continuing to be driven by the demand for multi-family suites due to the economic strength in Canada and in particular on Vancouver Island and the mainland of the Province of British Columbia (the “Primary Markets”).
- Revenue from property operations and net operating income (“NOI”)¹ for Q2-2023 were \$4,744 and \$3,402 (Q2-2022 - \$3,535 and \$2,507), respectively, representing an increase of \$1,209 and \$895 relative to Q2-2022. The significant increase is primarily due to the difference in operating days between periods and Q2-2022 representing seven properties owned including the first six properties (collectively, the “Initial Properties”) and one property in Langley, whereas Q2-2023 included eight properties owned (collectively, the “Properties”).
- Same property NOI¹ for Q2-2023 was \$2,672 (Q2-2022 - \$2,492), representing an increase of \$180 or 7.2% relative to Q2-2022 driven by strong revenue growth and cost management.
- On May 1, 2023, the Fund secured a fixed rate mortgage of \$15,907 for Langley, increasing the Fund’s exposure to fixed rate debt to 81.9% with a weighted average fixed interest rate of 2.88% and fixed loan term to maturity of 6.04 years.
- The Fund had approximately \$22,425 of available liquidity as at June 30, 2023, which included cash remaining from the Offering to be primarily used to acquire additional multi-family properties.
- As at August 15, 2023, the Fund had collected approximately 98.7% of rents for Q2-2023, with further amounts expected to be collected in future periods, demonstrating the Fund’s strong resident base and operating performance.
- Net income and comprehensive income attributable to the unitholders of the Fund (“Unitholders”) for Q2-2023 was \$4,434 (Q2-2022 - net loss and comprehensive loss of \$575), representing an increase of \$5,009 relative to Q2-2022, primarily due to the fair value gain on the Fund’s Properties and increased NOI, partially offset by higher finance costs and fund and trust expenses.
- Adjusted funds from operations (“AFFO”)¹ for Q2-2023 was \$511 (Q2-2022 - \$633), representing a decrease of \$122 or 19.3% relative to Q2-2022, primarily due to higher finance costs and fund and trust expenses, partially offset by higher NOI between and Q2-2022 and Q2-2023.

¹ This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see “Non-IFRS Financial Measures and Reconciliations”).



YTD-2023 HIGHLIGHTS

- During YTD-2023, the Fund recorded a fair value gain on its Properties of \$7,590, a 7.94% increase over the aggregate purchase price since the Properties were acquired by the Fund. The fair value gain during YTD-2023 was entirely driven by NOI growth.
- Revenue from property operations and NOI for YTD-2023 were \$9,315 and \$6,620 (YTD-2022 - \$4,946 and \$3,617), respectively, representing an increase of \$4,369 and \$3,003 relative to YTD-2022. The significant increase is primarily due to the difference in operating days and the number of Properties owned between YTD-2022 and YTD-2023.
- Net income and comprehensive income attributable to Unitholders for YTD-2023 was \$5,290 (YTD-2022 - net loss and comprehensive loss of \$661), representing an increase of \$5,951 relative to YTD-2022, primarily due to the fair value gain on the Fund's Properties and increased NOI, partially offset by higher finance costs, fund and trust expenses and distributions to Unitholders.
- AFFO for YTD-2023 was \$614 (YTD-2022 - \$1,032), representing a decrease of \$418 or 40.5% relative to YTD-2022 primarily due to higher finance costs and fund and trust expenses, partially offset by higher NOI between YTD-2022 and YTD-2023.
- The Fund increased the amount of fixed rate debt to 81.9%, reducing its weighted average interest rate from 4.35% to 3.72% in YTD-2023.

FINANCIAL CONDITION AND OPERATING RESULTS

Highlights of the financial and operating performance of the Fund as at June 30, 2023, for Q2-2023 and YTD-2023, including a comparison to December 31, 2022, Q2-2022 and YTD-2022 as applicable, are provided below:

					June 30, 2023	December 31, 2022	
Key Multi-Family Operational Information ⁽¹⁾							
Number of multi-family properties owned ⁽¹⁾					8	8	
Total multi-family suites					838	838	
Economic occupancy ⁽²⁾⁽³⁾					95.2 %	95.2 %	
AMR (in actual dollars)				\$	1,889	\$ 1,848	
AMR per square foot (in actual dollars)				\$	2.41	\$ 2.35	
Summary of Financial Information							
Gross Book Value ⁽³⁾				\$	358,300	\$ 350,400	
Indebtedness ⁽³⁾				\$	240,326	\$ 244,227	
Indebtedness to Gross Book Value ⁽³⁾					67.1 %	69.7 %	
Weighted average interest rate - as at period end ⁽⁴⁾					3.72 %	4.35 %	
Weighted average loan term to maturity ⁽³⁾					5.06 years	3.44 years	
				Q2-2023	Q2-2022	YTD-2023	YTD-2022 ⁽⁵⁾
Summary of Financial Information							
Revenue from property operations	\$	4,744	\$	3,535	\$	9,315	\$ 4,946
Property operating costs		(991)		(756)		(2,056)	(981)
Property taxes		(351)		(272)		(639)	(348)
Income from rental operations / NOI	\$	3,402	\$	2,507	\$	6,620	\$ 3,617
Net income (loss) and comprehensive income (loss)	\$	4,434	\$	(575)	\$	5,290	\$ (661)
Other Selected Financial Information							
Funds from operations ("FFO") ⁽³⁾	\$	280	\$	424	\$	130	\$ 754
FFO per Unit - basic and diluted ⁽³⁾	\$	0.02	\$	0.03	\$	0.01	\$ 0.06
AFFO	\$	511	\$	633	\$	614	\$ 1,032
AFFO per Unit - basic and diluted ⁽³⁾	\$	0.04	\$	0.05	\$	0.05	\$ 0.08
Weighted average interest rate		3.67 %		3.04 %		3.66 %	2.95 %
Interest coverage ratio ⁽³⁾		1.29x		1.53x		1.19x	1.62x
Indebtedness coverage ratio ⁽³⁾		0.62x		1.05x		0.65x	1.18x
Weighted average Units outstanding (000s) - basic and diluted		12,994		13,000		12,996	13,000

(1) The Fund commenced operations following the acquisition of five Properties on February 23, 2022 and subsequently acquired three additional Properties on March 1, 2022, June 7, 2022 and August 29, 2022, respectively.

(2) Economic occupancy for Q2-2023 and the three months ended December 31, 2022, respectively.

(3) This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "Non-IFRS Financial Measures and Reconciliations").

(4) The weighted average interest rate on loans payable is presented as at June 30, 2023 and December 31, 2022, respectively.

(5) Figures represent the actual results for the Initial Reporting Period.

NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

The Fund's condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain terms that may be used in this press release such as AFFO, AFFO payout ratio, AMR, adjusted net income and comprehensive income, cash provided by operating activities including interest costs, economic occupancy, FFO, FFO payout ratio, gross book value, indebtedness, indebtedness coverage ratio, indebtedness to gross book value, interest coverage ratio, same property NOI and NOI (collectively, the "Non-IFRS Measures") as well as other measures discussed elsewhere in this press release, are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have a standardized meanings prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures as reported by other issuers. The Fund uses these measures to better assess its underlying performance and financial position and provides these additional measures so that investors may do the same. Further details on Non-IFRS Measures are set out in the Fund's management's discussion and analysis ("MD&A") in the "Non-IFRS Financial Measures" section for Q2-2023 and are available on the Fund's profile on SEDAR+ at www.sedarplus.ca.



A reconciliation of the Fund's interest coverage ratio and indebtedness coverage ratio are provided below:

Interest and indebtedness coverage ratio	Q2-2023	Q2-2022	YTD-2023	YTD-2022 ⁽¹⁾
Net income (loss) and comprehensive income (loss)	\$ 4,434	\$ (575)	\$ 5,290	\$ (661)
(Deduct) / Add: non-cash or one-time items including distributions ⁽²⁾	(3,779)	1,308	(4,389)	1,837
Adjusted net income and comprehensive income ⁽³⁾	\$ 655	\$ 733	\$ 901	\$ 1,176
Interest coverage ratio ⁽⁴⁾	1.29x	1.53x	1.19x	1.62x
Indebtedness coverage ratio ⁽⁵⁾	0.62x	1.05x	0.65x	1.18x

(1) Figures represent the actual results for the Initial Reporting Period.

(2) Non-cash or one-time items consist of amortization of financing costs, other finance costs, fair value gain on investment properties and provision for carried interest.

(3) This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "Non-IFRS Financial Measures and Reconciliations").

(4) Interest coverage ratio is calculated as adjusted net income (loss) and comprehensive income (loss) plus interest expense, divided by interest expense.

(5) Indebtedness coverage ratio is calculated as adjusted net income (loss) and comprehensive income (loss) plus interest expense, divided by interest expense and mandatory principal payments on the Fund's loans payable for a specific reporting period.

For Q2-2023, the interest coverage ratio and the indebtedness coverage ratio were 1.29x and 0.62x, respectively (Q2-2022 - 1.53x and 1.05x). The decrease in both ratios during Q2-2023 relative to Q2-2022 was primarily due to increased interest rates, partially offset by strong operating results. To the extent that these ratios are below 1.0x, any shortfall is covered by cash on hand.

CASH PROVIDED BY OPERATING ACTIVITIES RECONCILIATION TO FFO and AFFO

The Fund was formed as a "closed-end" fund with an initial term of three years, a targeted annual yield of 3.0% to 4.0% and a targeted minimum 12.0% pre-tax total investor internal rate of return across all classes of units of the Fund ("Units").

Basic and diluted AFFO and AFFO per Unit for Q2-2023 were \$511 and \$0.04 (Q2-2022 - \$633 and \$0.05), respectively, representing a decrease in AFFO of \$122 or 19.3%, primarily due to higher finance costs driven by increased interest rates between Q2-2022 and Q2-2023.

A reconciliation of the Fund's cash provided by operating activities determined in accordance with IFRS to FFO and AFFO for Q2-2023, Q2-2022, YTD-2023 and YTD-2022 are provided below:

	Q2-2023	Q2-2022	YTD-2023	YTD-2022
Cash provided by (used in) operating activities	\$ 2,399	\$ (1,306)	\$ 5,023	\$ (1,420)
Less: interest and finance costs	(2,345)	(1,475)	(4,903)	(2,003)
Cash provided by (used in) operating activities - including interest and finance costs	\$ 54	\$ (2,781)	\$ 120	\$ (3,423)
Add / (Deduct):				
Change in non-cash operating working capital	485	2,972	537	3,371
Change in restricted cash	14	458	40	1,107
Amortization of deferred financing costs	(273)	(225)	(567)	(301)
FFO	\$ 280	\$ 424	\$ 130	\$ 754
Add / (Deduct):				
Amortization of deferred financing costs	273	225	567	301
Sustaining capital expenditures and suite renovation reserves	(42)	(16)	(83)	(23)
AFFO	\$ 511	\$ 633	\$ 614	\$ 1,032

The Fund's cash provided by operating activities, including interest and finance costs for Q2-2023 was \$54 (Q2-2022 - cash used in operating activities - \$2,781), which was lower than distributions declared to Unitholders by \$945 (Q2-2022 - \$3,780). The shortfall for Q2-2023 was primarily due to higher interest costs related to variable rate debt and distributions to Unitholders being paid on the full proceeds from the Offering despite the fact that all of the Offering proceeds had not yet been fully deployed. The shortfall between cash provided by operating activities and distributions paid is covered by cash on hand.



A reconciliation of the Fund's FFO payout ratio and AFFO payout ratio adjusted for equity deployed is provided below:

Adjusted distributions	Q2-2023	Q2-2022	YTD-2023	YTD-2022 ⁽¹⁾
Cash paid for acquisition of Properties ⁽²⁾	\$ —	\$ 6,160	\$ —	\$ 78,154
Adjusted distributions for equity deployed ⁽³⁾	\$ 739	\$ 610	\$ 1,478	\$ 851
FFO and AFFO payout ratios adjusted for equity deployed	Q2-2023	Q2-2022	YTD-2023	YTD-2022 ⁽¹⁾
FFO payout ratio adjusted for equity deployed ⁽⁴⁾	263.9 %	144.0 %	1,136.9 %	112.9 %
AFFO payout ratio adjusted for equity deployed ⁽⁴⁾	144.6 %	96.4 %	240.7 %	82.5 %

(1) Figures represent the actual results for the Initial Reporting Period.

(2) Figures represent the cash paid for the acquisitions of Properties as well as costs incurred for the Offering as reported in the condensed consolidated interim financial statements of the Fund.

(3) The Fund elected to pay the 3.1% annualized targeted distribution on the gross subscription proceeds from the Offering during Q2-2023, Q2-2022, YTD-2023 and YTD-2022, despite the fact that 100% of the Offering proceeds had not yet been fully deployed. Adjusted distributions for equity deployed is calculated assuming the Fund had paid distributions based on the actual equity deployed on the acquisition of the Properties.

(4) This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "Non-IFRS Financial Measures and Reconciliations").

FUTURE OUTLOOK

Throughout 2022 and 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% in early 2022 to 5.00% as at August 15, 2023. Increases in target interest rates typically lead to increases in borrowing costs. As at June 30, 2023, 81.9% 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.

According to Statistics Canada, the June 2023 unemployment rate in Canada was 5.2% as compared to the unemployment rate of 5.4% in British Columbia, including the Vancouver Island and Coast Region. British Columbia gained approximately 31,600 jobs between June 2022 and June 2023, which demonstrates the economic strength of the Primary Markets.

Each year, the Federal Department of Immigration, Refugees and Citizenship Canada ("IRCC") releases a new Immigration Levels Plan which it uses to guide its operations. In 2022, IRCC welcomed more than 437,000 immigrants to Canada. Between 2023 and 2025, Canada's target is to welcome more than 450,000 new permanent residents each year. The Primary Markets, including Langford, Nanaimo, Vernon and Langley, possess attractive qualities such as some of the fastest growing populations in British Columbia with strong demographics of highly educated young professionals and families, diverse local job sectors, desirable dwelling locations with waterfront and mountain views, as well as significant economic growth and a limited supply of multi-family suites creating an environment for continued demand for suites which drive occupancy and rent growth. The Fund believes it is well positioned to take advantage of increasing levels of immigration and favourable conditions.

Further disclosure surrounding the Future Outlook is included in the Fund's management's discussion and analysis in the "Future Outlook" section for Q2-2023 under the Fund's profile, which is available on www.sedarplus.ca.



FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release constitute forward-looking information within the meaning of Canadian securities laws and reflect the Fund's current expectations regarding future events, including the overall financial performance of the Properties, as well as the impact of elevated levels of inflation and interest rates.

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. Readers are cautioned that such statements may not be appropriate for other purposes. 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, AMR, 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 Properties or the Fund's legal entities; the ability of the Fund to deploy the remaining proceeds of the Offering; 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.

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 ability to deploy the remaining proceeds from the Offering; the applicability of any government regulation concerning the Fund's residents or rents; the realization of property value appreciation and the timing thereof; the inventory of residential real estate properties; the availability of residential properties for acquisition and the price at which such properties may be acquired; the ability of the Fund to benefit from any asset management initiatives at certain Properties; the price at which the Properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of the Properties; availability of mortgage financing and current rates and market expectations for future interest rates; the capital structure of the Fund; the extent of competition for residential properties; the growth in NOI generated from asset management initiatives; the population of residential real estate market participants; assumptions about the markets in which the Fund operates; expenditures and fees in connection with the maintenance, operation and administration of the Properties; the ability of Starlight Investments CDN AM Group LP (the "Manager") to manage and operate the Properties; the global and Canadian economic environment; the impact, if any, of cost inflation on the Fund's operating costs; and governmental regulations or tax laws. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) cost inflation or changes in interest rates on the Fund's business, operations or performance; (b) the Fund's ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; (d) that 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.

The forward-looking information included in this press release relates 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 securities law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether because 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 WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

The Fund is a trust formed under the laws of Ontario for the primary purpose of indirectly acquiring, owning and operating a portfolio of income producing multi-family rental properties located in British Columbia. The Fund has interests in and operates a portfolio comprising interests in 838 income producing multi-family suites located in British Columbia.

For the Fund's complete condensed consolidated interim financial statements and MD&A for the three and six months ended June 30, 2023 and any other information related to the Fund, please visit www.sedarplus.ca. 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 2023 Newsletter which is available on the Fund's profile at www.starlightinvest.com.

Please visit us at www.starlightinvest.com and connect with us on LinkedIn at www.linkedin.com/company/starlight-investments-ltd-.

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