# STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND ANNOUNCES 2018 SECOND QUARTER FINANCIAL RESULTS AND FIXED RATE REFINANCING

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TORONTO, ON – **August 29, 2018** – Starlight U.S. Multi-Family (No. 5) Core Fund (TSX.V: STUS.A, STUS.U) (the "Fund") announced today its results of operations and financial condition for the three months ended June 30, 2018 (the "Second Quarter").

All amounts in this press release are in thousands of United States ("U.S.") dollars except for average market rent ("AMR") or unless otherwise stated. All references to "C$" are to Canadian dollars.

**Second Quarter Highlights**

- Revenue from property operations for the Second Quarter was $27,551, a 12.1% increase over the same period in the prior year ($24,568) reflecting growth from net acquisition activity and same property AMR growth of 2.3%.
- Economic occupancy improved 90 basis points to 92.6% compared to the three months ended March 31, 2018.
- Net operating income ("NOI") for the three months ended June 30, 2018 was $15,704, a 10.9% increase over the same period in the prior year ($14,166) and was primarily due to new properties acquired as part of the Fund's strategic capital recycling program.
- Net income and comprehensive income for the Second Quarter was $20,521, in comparison to $3,278 for the same period in the prior year. Net income and comprehensive income for the Second Quarter was primarily driven by a $41,734 positive fair value adjustment on investment properties compared to $8,301 for the same period in 2017.
- Adjusted funds from operations ("AFFO") for the Second Quarter was $4,716 (three months ended June 30, 2017 - $6,884). AFFO payout ratio was 133.3% for the Second Quarter (three months ended June 30, 2017 – 88.3%). The decrease in AFFO and the increase in the payout ratio was primarily related to higher interest on mortgages payable due to increases in the U.S. 30-day London Interbank Offered Rate ("LIBOR") being partly offset by NOI growth across the portfolio.
- Subsequent to quarter end, the Fund entered into agreements to lock the interest rate on a proposed new mortgage financing anticipated to close during the fourth quarter of 2018, totaling approximately $612,000 in two tranches at a weighted average fixed rate of 3.93% and a weighted average term to maturity of 6.4 years.

**Property Highlights for the Second Quarter including a comparison to the same period in the prior year:**

- Portfolio AMR as at June 30, 2018 was $1,224, representing an increase of 3.7% from $1,181 at June 30, 2017. AMR growth was particularly strong in Orlando/Tampa (7.7%), Dallas (6.3%) and Houston (2.7%) reflecting the acquisition of properties with higher average rents. Economic occupancy for the Second Quarter at 92.6% was consistent with the same period in the prior year.
- Same property AMR as at June 30, 2018 was $1,108, representing a 2.3% increase from $1,083 at June 30, 2017. Same property AMR growth was particularly strong in Orlando/Tampa (4.7%). Same property economic occupancy for the Second Quarter was 93.0%, representing an 80 basis point decrease in comparison to the same period in the prior year.
- Same property NOI at $11,804 for the Second Quarter decreased by $280 or 2.3% in comparison to the same period in the prior year, due to impact of settlements of prior year property taxes. Excluding these amounts, same property NOI increased by $283 or 2.4%.

## Financial Condition and Operating Results

| | As at June 30, 2018 | As at December 31, 2017 |
|---|---|---|
| **Operational Information** | | |
| Number of properties | 23 | 23 |
| Total suites | 7,289 | 7,127 |
| Economic occupancy [(1)] | 91.7% | 91.8% |
| AMR (in actual dollars) | $ 1,224 | $ 1,196 |
| AMR per square foot (in actual dollars) | $ 1.26 | $ 1.25 |
| **Summary of Financial Information** | | |
| Gross Book Value [(2)] | $1,386,058 | $1,267,840 |
| Indebtedness | $892,257 | $787,294 |
| Indebtedness to Gross Book Value [(3)] | 64.37% | 62.10% |
| Weighted average mortgage interest rate | 4.15% | 3.60% |
| Weighted average mortgage term to maturity | 4.18 years | 4.16 years |

| | Second Quarter | Three months ended June 30, 2017 | Six months ended June 30, 2018 [(4)] | Six months ended June 30, 2017 |
|---|---|---|---|---|
| **Summary of Financial Information** | | | | |
| Revenue from property operations | $27,551 | $24,568 | $54,084 | $48,879 |
| Property operating costs | ($7,299) | ($6,483) | ($14,222) | ($12,715) |
| Property taxes [(5)] | ($4,548) | ($3,919) | ($9,022) | ($8,172) |
| NOI | $15,704 | $14,166 | $30,840 | $27,992 |
| Net income and comprehensive income | $20,521 | $3,278 | $11,460 | $7,612 |
| FFO | $4,662 | $3,796 | $5,875 | $10,447 |
| FFO per unit - basic and diluted | $0.10 | $0.08 | $0.12 | $0.13 |
| AFFO | $4,716 | $6,884 | $9,978 | $13,881 |
| AFFO per unit - basic and diluted | $0.10 | $0.14 | $0.20 | $0.28 |
| Interest Coverage Ratio | 1.57 x | 2.16 x | 1.58 x | 2.45 x |
| Indebtness Coverage Ratio | 1.57 x | 1.95 x | 1.55 x | 2.27 x |
| FFO payout ratio | 134.8% | 160.2% | 213.1% | 117.4% |
| AFFO payout ratio | 133.3% | 88.3% | 125.5% | 88.3% |
| Weighted average units Outstanding (000s) - basic and diluted | 49,019 | 49,085 | 49,021 | 49,179 |

**Notes:**

(1) Economic occupancy for the six months ended June 30, 2018 and year-ended December 31, 2017.

(2) The December 31, 2017 Gross Book Value includes Sunset Ridge w hich w as classified as held for sale.

(3) Defined as Indebtedness divided by Gross Book Value.

(4) Revenue from property operations, property operating costs and property taxes include amounts relating to Sunset Ridge w hich w as classified as held for sale at December 31, 2017 and subsequently sold during the six months ended June 30, 2018.

(5) Property taxes w ere adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year for the purposes of calculating NOI.

## Financial Position

As at June 30, 2018, the Fund’s indebtedness to gross book value was 64.37%, representing an increase from 63.81% at December 31, 2017. The increase in indebtedness to gross book value was primarily related to the refinancing of five of the Fund’s properties during the three months ended March 31, 2018. The Fund’s interest coverage ratio for the Second Quarter was 1.57x in comparison to 2.16x for the three months ended June 30, 2018. The decrease in the interest coverage ratio, in comparison to the same period in the prior year was primarily related to the increase in interest expense as a result of increases in LIBOR and a higher mortgages payable balance relating to net acquisitions and refinancing activity being partially offset by NOI growth. As at June 30, 2018, the Fund’s weighted average interest rate on mortgages payable and weighted average term to maturity were 4.15% and 4.18 years, respectively.

Reconciliation of cash provided by operating activities determined in accordance with International Financial Reporting Standards ("IFRS") to AFFO for the Second Quarter along with the comparative 2017 period was as follows**:**

| | Second Quarter | Three months ended June 30, 2017 | Six months ended June 30, 2018 | Six months ended June 30, 2017 |
|---|---|---|---|---|
| **Cash provided by operating activities** | $ 14,008 | $ 14,235 | $ 28,942 | $ 24,682 |
| Less: interest paid | (9,003) | (5,482) | (16,864) | (10,537) |
| **Cash provided by operating activities - including interest paid** | 5,005 | 8,753 | 12,078 | 14,145 |
| Add / (Deduct): | | | | |
| Change in non-cash operating working capital (1) | (173) | (1,372) | (3,910) | (2,009) |
| Change in restricted cash | 4,553 | 3,604 | (1,804) | 964 |
| One-time Plan of Arrangement costs | - | - | - | 152 |
| Fair value adjustment of investment properties (including IFRIC 21) (1) | (4,231) | (4,096) | 3,555 | 916 |
| Realized foreign exchange loss | - | 325 | 208 | 421 |
| Current taxes - U.S. withholding taxes and tax on dispositions | 2 | 12 | 734 | 24 |
| Service fees related to class A and class U units | 152 | 156 | 301 | 319 |
| Purchase of Interest rate cap agreement | - | 54 | - | 54 |
| Sustaining capital expenditures and suite renovation reserve | (592) | (552) | (1,184) | (1,104) |
| **AFFO** | $ 4,716 | $ 6,884 | $ 9,978 | $ 13,881 |

(1) Includes portion of fair value adjustment relating to Sunset Ridge, which was classified as held for sale at December 31, 2017 and subsequently disposed of during the six month period ended June 30, 2018.

## Subsequent Events

- On July 13, 2018, the Fund entered into index lock agreements to fix the interest rate on a proposed new mortgage financing totaling $612,000. The new fixed rate financing which the Fund expects to close during the three months ended December 31, 2018 comprises a six year tranche at a fixed rate of 3.92% with five years of interest only payments and a seven year tranche at a fixed rate of 3.95% with five years of interest only payments.
- On July 27, 2018, the Fund entered into a second amending agreement to its Credit facility providing for a $8,500 tranche C facility bearing interest at an interest rate spread of 3.15% over LIBOR. The tranche C facility matures on the same date as the tranche A and B facilities on October 19, 2018.

## About Starlight U.S. Multi-Family (No. 5) Core Fund

The Fund is a limited partnership formed under the *Limited Partnerships Act* (Ontario) for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified income producing rental properties in the U.S. multi-family real estate market. The Fund currently owns 23 properties, consisting of 7,289 suites with an average year of completion of 2012.

For the Fund's complete consolidated financial statements and management's discussion and analysis ("MD&A") for the First Quarter and any other information relating to the Fund, please visit www.sedar.com. 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 2018 Newsletter which is available on the Fund's profile at www.starlightus.com.

**Non-IFRS Financial Measures**

The Fund's consolidated financial statements are prepared in accordance with IFRS. Certain terms used in this press release including AFFO, AFFO payout ratio, AMR, economic occupancy, FFO, FFO payout ratio, Gross Book Value, Indebtedness, Indebtedness coverage ratio, Indebtedness to gross book value, Interest coverage ratio, NOI, same property AMR, same property economic occupancy, same property NOI and same property NOI margin (collectively, the "non-IFRS measures") as well as other measures discussed elsewhere in this press release, do not have a standardized definition prescribed by IFRS 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 MD&A for the First Quarter and are available on the Fund's profile on SEDAR at www.sedar.com.

**Forward-looking Statements**

Certain statements contained in this press release constitute forward-looking information within the meaning of Canadian securities laws. 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 and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, 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, acquisitions, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, AMR, taxes, the Fund's use of its normal course issuer bid, and plans and objectives of or involving the Fund. 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 information necessarily involves 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, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. 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 inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of Starlight Investments US AM Group LP., the manager of the Fund, to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information.

Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this press release relate 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 law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, 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.

To learn more about Starlight U.S. Multi-Family (No. 5) Core Fund, visit www.starlightus.com or contact:


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