

Newsletter

Starlight U.S. Multi-Family
(No. 2) Core Plus Fund

May 29, 2025



Montane Apartments (Denver, CO)

Newsletter | May 2025

Starlight U.S. Multi-Family (No. 2) Core Plus Fund (the “Fund”) is listed on the TSX Venture Exchange (TSXV: SCPT.A and SCPT.U). The Fund currently owns 995 suites in three apartment communities, Hudson at East (“Hudson”), Montane Apartments (“Montane”) and Summermill at Falls River (“Summermill”, and collectively, the “Properties”) and is asset managed by Starlight Investments US AM Group LP (the “Manager”). The Fund was established in February 2021 to indirectly acquire, own, and operate a portfolio primarily comprised of light value-add income-producing Class “A”, institutional quality multi-family real estate communities constructed in 1990 or later, located in Arizona, California, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington (the “Primary Markets”).

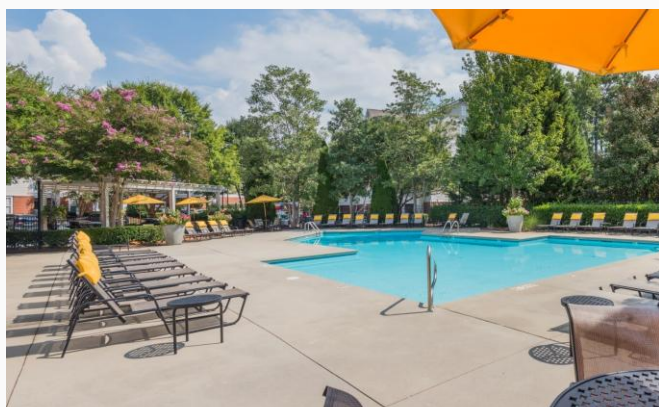
The Fund’s core plus strategy is focused on achieving increases in rental rates through high return, light value-add capital expenditures to rental suites, clubhouses and amenities in targeted, geographic locations experiencing compelling demand increases due to population and employment growth, as well as lifestyle preferences. The light value-add strategy also includes active asset management utilizing reputable, best-in-class United States (“U.S.”) based third-party property managers to implement net operating income (“NOI”)¹ growth by maximizing rental rates and ancillary revenue opportunities with rigorous operational controls to manage and reduce costs. The Fund’s presentation currency is U.S. dollars. Unless otherwise stated, dollar amounts expressed are in U.S. dollars.



Hudson at East (Orlando, FL)



Montane Apartments (Denver, CO)



Summermill at Falls River (Raleigh, NC)



Hudson at East (Orlando, FL)

¹This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS. See “Disclaimer” for further details on non-IFRS financial measures.

Significant Events

Revenue from property operations and NOI for the three months ended March 31, 2025 (“Q1-2025”) increased by 1.7% and 4.1% relative to the three months ended March 31, 2024 (“Q1-2024”) demonstrating the Fund’s resilient operating performance.

The Fund completed five in-suite light value-add upgrades at Summermill during Q1-2025, which generated an average rental premium of \$212 and an average return on cost of approximately 18.4%.

The Fund achieved economic occupancy¹ of 94.5% during Q1-2025 and as at May 28, 2025, had collected approximately 99.3% of rents for Q1-2025, with further amounts expected to be collected in future periods, demonstrating the Fund’s high quality resident base and operating performance.

For Hudson and Summermill, certain extension conditions for the applicable loans payable secured by such properties were not achieved as of the initial maturity date of May 7, 2025. The Fund continues to actively engage in negotiations with the respective lenders to pursue a modification and longer-term extension of these loans.

U.S. Multi-Family Market Trends

The Federal Funds Rate has remained steady since Q4 2024 at 425 basis points. As of March 2025, year over year inflation was 2.4% (down from 3.5% in March 2024), and the U.S. unemployment rate was 4.2% (an increase from 3.8% in March 2024).

Metropolitan Market Information

The Fund owns 995 suites in three cities across three markets. The following highlights key macroeconomic and property data in each city and submarket.

Denver Market Trends

Employment

According to the U.S. Bureau of Labor Statistics, the unemployment rate in the Denver Metropolitan Area was 4.6% in March 2025, remaining stable since December 2024 and above the national average of 4.2%.

Occupancy and Rent

According to RealPage Market Analytics, Q1-2025 occupancy levels for Denver were 94.2%. Quarter over quarter average rents decreased by 1.4%, while year over year rents decreased by 4.1%. The forecasted occupancy rate for the first quarter of 2026 (“Q1-2026”) is expected to increase to 94.1% with rental growth projected to remain stable over the next year.

Denver Submarkets

According to RealPage Market Analytics, the Denver submarket in which the Fund has invested – Parker/Castle Rock – had a Q1-2025 occupancy rate of 94.7%, with rents decreasing by 1.6% year over year. Occupancy rates in this submarket are expected to decrease slightly to 94.0% over the next year.

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Orlando Market Trends

Employment

According to the U.S. Bureau of Labor Statistics, the unemployment rate in the Orlando Metropolitan Area was 3.4% in March 2025, an increase from 3.0% in December 2024 but still well below the national average of 4.2%.

Occupancy and Rent

According to RealPage Market Analytics, Q1-2025 occupancy levels for Orlando were 94.4%. Quarter over quarter average rents increased marginally by 0.1% while year over year rents decreased by 1.1%. Orlando's forecasted occupancy rate for Q1-2026 is expected to decrease slightly to 94.2%, while rents are expected to grow by 4.0% over the next year.

Orlando Submarkets

According to RealPage Market Analytics, the Orlando submarket in which the Fund has invested – East Orange County – had a Q1-2025 occupancy rate of 94.3%, with year over year rents decreasing by 1.7%. Occupancy rates in this submarket are expected to increase slightly to 94.1% over the year.

Raleigh Market Trends

Employment

According to the U.S. Bureau of Labor Statistics, the unemployment rate in the Raleigh Metropolitan Area was 3.1% in March 2025, increased from 2.8% in December 2024 and below the national average of 4.2%.

Occupancy and Rent

According to RealPage Market Analytics, Q1-2025 occupancy in Raleigh was 94.0%. Quarter over quarter rents increased marginally by 0.1% while year over year rents decreased by 2.1%. The one-year forecast for occupancy suggests a slight decrease to 93.6%, with rental growth projected to be 3.6% over the next twelve months.

Raleigh Submarkets

According to RealPage Market Analytics, the Raleigh submarket in which the Fund has invested – Far North Raleigh – had a Q1-2025 occupancy rate of 93.9%, with year over year rents decreasing by 2.5%. Occupancy rates in this submarket are expected to decrease to 94.2% over the year.

Interest Rate Update

As at May 28, 2025, 10-year U.S. Treasury bonds were yielding approximately 4.43% and the Secured Overnight Financing Rate was approximately 433 basis points.

Property Management

The Fund benefits from the local real estate expertise and market intelligence of best-in-class property managers. The Bainbridge Companies, a third-party manager with local market expertise in Orlando, provides property management for Hudson. Avenue5 Residential, a national third-party manager with local market expertise in Denver and Raleigh, provides property management for Montane and Summermill.

Future Outlook

The Primary Markets saw an elevated level of new supply delivered during 2023 and 2024 which contributed to the deceleration in rent growth in the Primary Markets during late 2023, relative to levels achieved in 2022 and earlier in 2023. Interest rates also continue to remain elevated which, along with higher levels of inflation and a softening in market conditions in late 2023, has significantly disrupted active and new construction of comparable communities in the Primary Markets that would otherwise have been delivered in the second half of 2025 or 2026. This potential reduction in construction may create a temporary imbalance in the supply of comparable multi-suite residential properties in future periods. This imbalance, alongside the continued economic strength and solid operating fundamentals may be supportive of favourable supply and demand conditions for the Properties in future periods and could result in future increases in occupancy and rent growth.

The Fund is actively pursuing negotiations on the extension of each of the Fund's loans payable with the respective lenders and certain modifications and continues to focus on managing its liquidity position and mortgage renewals.

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Disclaimer

This Newsletter is intended for informational purposes only and is not, and should not be construed as, an offer to sell or a solicitation of an offer to buy any securities of the Fund, or 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 condensed consolidated interim financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS"). Certain terms used in this Newsletter do not have a standardized definition prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting issuers. Non-IFRS measures used in this presentation are identified with a footnote notation. 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. However, none of the non-IFRS measures should be construed as an alternative to financial measures calculated in accordance with IFRS. Information on the most directly comparable IFRS measures, composition of the non-IFRS measures, a description of how the Fund uses these measures, and an explanation of how these non-IFRS measures provide useful information to investors, and reconciliations to the most directly comparable IFRS figures, where applicable, are set out in the Fund's Management's Discussion & Analysis in the "Non-IFRS Financial Measures" section for Q1-2025 available on the Fund's profile on SEDAR+ at www.sedarplus.ca, which is incorporated by reference into this Newsletter.

Certain statements contained in this Newsletter constitute forward-looking information within the meaning of Canadian securities laws and which reflect the Fund's current expectations regarding future events, including the overall financial performance of the Fund and its Properties, as well as the impact of elevated levels of inflation and, interest rates, uncertainty surrounding U.S. tariffs, the ability of the Fund to repay indebtedness when due, and the Fund's capital management and liquidity measures.

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, the impact of inflation levels and interest rates, the ability of the Fund to make and the resumption of future distributions, the trading price of the Fund's TSX Venture Exchange listed units being class A units and class U units of the Fund ("Listed Units") and the value of the Fund's unlisted units, which include all units other than the Listed Units, 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 rent, 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 inflation and the potential impact on the Fund's operating costs; the impact of any tariffs and retaliatory tariffs on the economy; the pace at which and degree of any changes in interest rates that impact the Fund's weighted average interest rate may occur; the ability of the Fund to make and the resumption of future distributions; the trading price of the Listed Units; 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 impact of elevated interest rates and inflation as well as supply chain issues have on new supply of multi-family communities; the realization of property value appreciation and the timing thereof; the extent to which favorable operating conditions achieved during historical periods may continue in future periods; the applicability of any government regulation concerning the Fund's residents or rents; the Fund's ability to continue as a going concern; and the availability of debt financing or ability of the Fund to extend loans as loans payable become due during the Fund's term including any impact such extensions may have on the Fund's ability to hold such properties until the Manager desires to sell such properties. 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.

There are numerous risks and uncertainties which include, but are not limited to, risks related to the units and risks related to the Fund and its business. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements. 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 including the ability of the Fund to refinance or extend existing loans payable on favourable terms including any impact such extensions may have on the Fund's ability to hold such properties until the Manager desires to sell such properties, and general economic and market factors, including interest rates, inflation, 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.

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 impact of elevated levels of inflation on the Fund's operating costs; the impact of future interest rates on the Fund's financial performance; the availability of debt financing as loans payable become due during the Fund's term and any resulting impact on the Fund's liquidity; the trading price of the Listed Units; the applicability of any government regulation concerning the Fund's residents or rents; the realization of property value appreciation and timing thereof; the inventory of residential real estate properties; the availability of residential properties for potential future acquisition, if any, and the price at which such properties may be acquired; the ability of the Fund to benefit from any value add program the Fund conducts 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; the extent of competition for residential properties; the impact of interest costs, inflation and supply chain issues have on new supply of multi-family communities; the extent to which favorable operating conditions achieved during historical periods may continue in future periods; the growth in NOI; generated and from its value-add 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 the Manager to manage and operate the Properties or achieve similar returns to previous investment funds managed by the Manager; the global and North American economic environment; foreign currency exchange rates; the ability of the Fund to realize the estimated gap in market versus in-place rents through future rental rate increases; and governmental regulations or tax laws. Given this period of uncertainty, there can be no assurance regarding: (a) operations and performance or the volatility of the units; (b) the Fund's ability to mitigate such impacts; (c) credit, market, operational, and liquidity 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.

The forward-looking information included in this Newsletter relates only to events or information as of the date on which the statements are made in this Newsletter. 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.

This Newsletter contains statistical data, market research and industry forecasts that were obtained from government and industry publications and reports or are based on estimates derived from such publications and reports and the Manager's knowledge of, and experience in, the markets in which the Fund operates. Actual outcomes may vary materially from those forecast in such publications or reports. While the Fund and its Manager believe this data to be reliable, market and industry data cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed.