



NEWSLETTER AUGUST 2018

Starlight U.S. Multi-Family (No. 5) Core Fund (the “Fund”) is listed on the TSX Venture Exchange (TSXV: STUS.A/STUS.U). The Fund currently owns 7,289 suites in 23 apartment communities with a 2012 average vintage (the “Properties”). The Fund is sponsored and asset managed by a wholly-owned subsidiary of Starlight Group Property Holdings Inc. (the “Manager”). The Fund’s mandate is to invest in recently constructed, stabilized, Class “A” multi-family properties in the Southern United States (“U.S.”). The Fund’s primary objective is to generate stable monthly cash distributions for its unitholders and enhance the value of its assets through active management.

Second quarter 2018 average monthly rent growth was 3.7% (same property – 2.3%) in comparison to the same period in the prior year and same property net operating income growth was 2.4% (excluding prior year property tax adjustments), in comparison to the same period in the prior year.



Altis at Sand Lake (Orlando, FL 2016)



The Views at Coolray Field (Atlanta, GA 2015)



Boardwalk Med Center (San Antonio, TX 2014)



The Allure (Austin, TX 2013)



The Reserves at Alafaya (Orlando, FL 2014)



Alexander Village (Charlotte, NC 2015)

Unit Information and Distributions

Monthly Distributions

Since inception, the Fund has paid monthly distributions equal to 6.5% on an annualized basis, with the exception of Class H units which are equal to 3.5% on an annualized basis.

CDN\$0.05417
per Class A Unit

CDN\$0.05417
per Class C Unit

CDN\$0.05417
per Class D Unit

US\$0.05417
per Class E Unit

CDN\$0.05417
per Class F Unit

CDN\$0.02917
per Class H Unit

US\$0.05417
per Class U Unit

U.S. Multi-Family Market Trends

National Occupancy Levels and Home Ownership Rates

According to the U.S. Bureau of Labor Statistics, the U.S. unemployment rate was unchanged in June 2018 at 4.2%. The Fund's target demographic, the 20 to 34-year-old cohort, has continued to fuel apartment rental demand for newly constructed apartments. According to the U.S. Census Bureau, home ownership was 64.3% in the second quarter of 2018. Apartment occupancy rates and rental growth continue to be strong with MPF Research ("MPF") reporting second quarter 2018 U.S. apartment occupancy of 95.4%. Year-over-year rent growth across these markets was 2.5%.



The Callie (Dallas, TX 2016)



Carrick Bend (Denver, CO 2014)



Spectra North (Phoenix, AZ 2012)



The Village at Marquee Station (Raleigh, NC 2013)

Metropolitan Market Information

The Fund owns 7,289 suites in 23 properties located in 13 cities across eight states. The following table highlights the key macroeconomic and property data in each city and sub-market.

Market	Period ending June Year over Year Job Growth	Unemployment Rate	Occupancy	Last 12 Months Rental Growth	One Year Occupancy Forecast	One Year Rental Growth Forecast
Atlanta-Sandy Springs-Roswell	+1.8%	4.0%	94.5%	3.1%	94.0%	3.3%
Northeast Atlanta			92.3%	1.3%	93.5%	
Northeast Gwinnett County			95.2%	4.5%	95.0%	
Austin	+3.4%	3.2%	94.2%	0.6%	94.3%	3.0%
Round Rock/Georgetown			94.9%	0.4%	94.7%	
Near North Austin			94.2%	0.4%	94.3%	
Cedar Park			94.4%	-0.3%	95.0%	
Charlotte	+2.6%	3.1%	95.2%	2.8%	93.9%	1.6%
UNC Charlotte			94.3%	4.3%	93.3%	
Dallas Fort Worth	+3.0%	3.8%	94.7%	1.5%	94.4%	2.6%
Allen/McKinney			94.2%	-0.4%	93.7%	
Northeast Dallas			93.2%	2.2%	91.6%	
Denver/Boulder	+2.9%	2.9%	95.0%	2.1%	94.5%	3.1%
Thornton/Northglenn			94.8%	3.2%	94.2%	
Houston	+3.1%	4.6%	93.8%	4.3%	93.5%	3.8%
Bear Creek			94.3%	3.0%	94.2%	
Humble/Kingwood			94.7%	7.8%	93.8%	
Las Vegas	+3.0%	4.7%	95.0%	5.9%	94.5%	3.9%
South Las Vegas			95.6%	5.5%	95.3%	
Nashville	+2.1%	3.2%	94.8%	1.2%	94.6%	2.0%
Murfreesboro/Smyrna			95.8%	4.0%	95.2%	
Orlando	+3.6%	3.5%	95.3%	4.9%	94.3%	3.1%
Kissimmee/Osceola County			97.4%	6.3%	96.5%	
Sanford/Lake Mary			96.1%	5.3%	95.1%	
East Orange County			95.9%	7.1%	94.5%	
Phoenix	+3.1%	4.2%	95.3%	4.9%	94.3%	3.1%
Deer Valley			94.8%	0.6%	94.2%	
Raleigh/Durham	+3.2%	3.7%	93.4%	2.2%	94.0%	2.3%
South Cary/Apex			93.5%	0.7%	93.4%	
San Antonio	+1.5%	3.6%	93.2%	1.3%	93.3%	2.6%
Medical Center			92.4%	0.5%	92.5%	
Tampa	+2.2%	3.8%	95.8%	4.5%	95.1%	3.8%
New Tampa/East Pasco County			95.2%	4.2%	94.5%	

Investment Market Update

Commercial real estate investment demand continues to be strong nationally. There is significant demand from real estate private equity firms that have recently raised funds. Capitalization rates for suburban, Class "A", multi-family products in the Fund's metropolitan markets are approximately 4.25% to 5.25%, depending on the quality and location of the apartment community.

Ten Year U.S. Treasury bonds were yielding approximately 2.89% as at August 29, 2018. Lender spreads have compressed to offset increases in treasury yields and all-in interest rates continue to remain low versus historical levels with debt readily available at lower leverage levels.

Property Improvements

Building 3 (24 units) at Yorktown Crossing, which commenced occupancy in Q1 2018 after being closed due to fire damage incurred in Q3 2016, reached stabilized occupancy in Q2 2018. In addition, an exterior upgrade project at Yorktown Crossing was completed in Q2 2018 that includes exterior building and railing painting as well as perimeter fence repairs. Falls at Copper Lake completed a conversion of its laundry room into a fob-access secured Amazon package locker hub. Boardwalk Med Center awarded a clubhouse and model unit upgrade project in Q2 2018 that will be completed in Q4 2018. At South Blvd Apartments, a pool upgrade project was completed in Q2 2018 that included new furniture and gazebo staining. At Sorelle Apartments, the multi-year corridor upgrade project that began in Q2 2017 and the fitness room upgrades were completed in Q2 2018. At The Village at Marquee Station, the dog park and hammock park were completed in Q2 2018. Clubhouse renovations are underway with expected completion of Q3 2018.

The Manager continues to undertake in-suite upgrades including the installation of plank flooring, kitchen backsplash, bathroom framed mirror, smart technology thermostats and screened in porches where possible throughout the portfolio in order to generate rental premiums of \$50-\$100 per suite per month.

Property Management and Rental Rates

Property Management

The Fund benefits from the local real estate expertise and market intelligence of best-in-class property managers. Greystar Real Estate Partners, the largest third-party, multi-family property manager in the U.S. provides property management for seven properties totaling 2,312 suites. Alliance Residential Company, the seventh largest third-party manager in the U.S., provides property management for seven properties totaling 2,324 suites. The Pinnacle Family of Companies, the third largest third-party manager in the U.S., provides property management for five properties totaling 1,485 suites. The Altman Companies, a third-party manager in the U.S. with local market expertise and experience, provides property management for two properties totaling 619 suites. Crestmarc Residential Inc. a third-party manager in the U.S. with local market expertise and experience, provides property management for one property totaling 261 suites. High 5 Realty Advisors, LLC a local third-party manager in the U.S. with local market expertise and experience, provides property management for one property with a total of 288 suites.

Implementation of Yield Management Software

The Manager continues to utilize yield management software at all of its Properties. This software provides updated pricing on a daily basis, optimizing asking rents and renewal rents in real time, based on supply and demand for different suite types. This rental rate optimization system is similar to those employed by the hotel and airline industries to manage their room rates and flight prices.

Ancillary Services Update

The Manager continues to maximize ancillary revenue by ensuring the ancillary rates are at market levels. Privacy yards for select suites are being installed at Alexander Village, The Falls at Eagle Creek, Palm Valley Apartments, Soho Parkway Apartments, Travesia Apartments, City North at Sunrise Ranch, Copperfield Apartments, Falls at Copper Lake and The Village at Marquee Station which generate approximately \$100 per month of additional ancillary income per yard. All properties continue to offer trash pick-up services.

The Manager has implemented a new cable contract at Properties that were due for negotiation. The new agreement will provide high quality, wireless internet and multiple premium television channels under an arrangement where the Manager will purchase internet and cable from the provider and resell to residents.

Outlook

The Manager believes the portfolio will continue to benefit from strong demand for residential rental accommodation based on the quality of its apartment communities, low unemployment rates and strong job growth. The performance of the U.S. economy, home ownership rates and local markets continue to support improved multi-family real estate fundamentals. The Fund expects to continue to produce consistent investment returns for unitholders while continuing to seek opportunities to recycle capital into new properties in its primary markets that will increase the portfolio's average vintage and enhance its geographical diversification.

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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 payment of distributions; the value of the Fund's properties; the trading price of units; national and local real estate market conditions and economic variables; rental rates; occupancy rates; currency exchange rates; the potential results from yield management software; and type, timing and cost of capital improvements.

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, among other things, risks related to: the reliance on the Manager; the experience of the Fund's officers and directors; real estate ownership; substitutes for residential real estate rental suites; government regulation; financing; interest rate fluctuations; reliance on property management; competition for real property tenants; fluctuations in capitalization rates; U.S. market factors; and currency exchange rates.

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 mortgage financing and current interest rates; the extent of competition between properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund intends to or does operate; the ability of the Manager to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws. Readers are cautioned against placing undue reliance on forward-looking statements. Except as required by applicable Canadian securities laws, neither the Fund nor the Manager undertakes any 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.

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.