



NEWSLETTER MAY 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 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.

First quarter 2018 average monthly rent growth was 3.8% (same property – 1.5%) in comparison to the same period in the prior year and same property net operating income growth was 1.1%, in comparison to the same period in the prior year.



Altis at Sand Lake (Orlando, FL 2016)



Carrick Bend (Denver, CO 2014)



The Allure (Austin, TX 2012)

Significant Events

On January 31, 2018, The Fund acquired Altis at Sand Lake (built in 2016) located in Orlando, Florida. Altis at Sand Lake is comprised of 315 suites consisting of 13, three-storey garden style apartment buildings on a 13.5 acre site. Suites feature gourmet kitchens with granite countertops, under mount sinks, stainless steel appliances, pendant lighting, kitchen islands or breakfast bars and a full-size chef’s pantry. Suites also include wood-style plank flooring, in-suite washers and dryers, spacious soaking tubs, designer tile flooring, private balconies, additional storage, and, in select suites, direct access parking garages. Indoor amenities consist of a 24-hour fitness centre, a high energy game room, a luxurious modern clubhouse with an ultra-luxe theatre, free Wi-Fi, a Starbucks lounge, kitchen, billiards table and flat screen televisions, and a business centre. Exterior features include a resort-style saltwater swimming pool, an entertainment area with a fire pit, an outdoor kitchen with grills and televisions, a pet park, a community garden, a playground and an expansive courtyard with fountains.

On March 2, 2018 the Fund entered into a variable rate collar contract to provide protection from the impact of any potential weakening of the U.S. dollar on the Fund’s Canadian dollar distributions. The nine-month contract allows the Fund to exchange U.S. funds each month within a range of C\$1.27 to C\$1.3220 to fund Canadian dollar distributions.

On March 15, 2018, the Fund disposed of Greenhaven Apartments (2009) located in Dallas, Texas. The proceeds from the sale combined with the proceeds from the sale of The Villages at Sunset Ridge were utilized on a tax-deferred basis to purchase Alexander Village (2015) located in Charlotte, North Carolina on March 29, 2018.

Alexander Village is 320 suites, consisting of twelve, three and four storey walk-up buildings and four, one storey cottages on an 18.5 acre site. Alexander Village’s suites feature modern interior finishes including stainless steel appliances, granite countertops, custom cabinetry, tile backsplashes, under mount sinks, new carpet and wood-style plank flooring, walk-in closets, soaker tubs and a full size kitchen. Amenities include an elite health club with separate cross-training room and outdoor yoga lawn, scenic pond surrounded by a walking trail, outdoor kitchen and fireplace, 24/7 Starbucks coffee bar and an elegant meeting house with a private clubroom, gaming area, business centre and catering kitchen.

On March 29, 2018, the Fund entered into an interest rate collar agreement to provide protection on the rate of interest payable on its second pooled mortgage facility. This agreement provides for a London Interbank Offered Rate (“LIBOR”) floor rate of 1.9% and a LIBOR ceiling rate of 2.5% and covers approximately \$305,000 face value of mortgages payable across seven properties.

On April 24, 2018, the Fund entered into an interest rate collar agreement to provide protection on the rate of interest payable on its first pooled mortgage facility. This agreement provides for a LIBOR floor rate of 1.9% and a LIBOR ceiling rate of 2.5% and covers approximately \$280,000 in face value of mortgages payable across eight properties. The Fund has hedged its interest rate risk on 86% of its outstanding debt.

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
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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 March 2018 at 4.1%. The Fund’s target market, 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 unchanged at 64.2% in the first quarter of 2018. Apartment occupancy rates and rental growth continue to be strong with MPF Research (“MPF”) reporting first quarter 2018 U.S. apartment occupancy of 95.0%. Year-over-year rent growth across these markets was 2.6%.

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	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	+1.7%	4.0%	94.1%	3.0%	93.4%	3.7%
Northeast Atlanta			92.4%	0.6%	93.8%	
Northeast Gwinnett County			94.8%	4.2%	94.2%	
Austin	+3.6%	3.1%	93.7%	-0.4%	93.4%	2.0%
Round Rock/Georgetown			93.9%	-1.5%	93.3%	
Northwest Austin			93.9%	-1.9%	93.7%	
Cedar Park			93.6%	-0.9%	93.2%	
Charlotte	+3.0%	3.5%	94.6%	2.0%	93.7%	2.5%
UNC Charlotte			94.2%	5.2%	93.7%	
Dallas Fort Worth	+2.8%	3.7%	94.2%	2.0%	94.2%	3.2%
Allen/McKinney			93.7%	-0.2%	93.3%	
Northeast Dallas			93.1%	4.5%	91.0%	
Denver/Boulder	+2.5%	2.8%	94.5%	3.0%	93.5%	3.6%
Thornton/Northglenn			94.0%	4.0%	93.0%	
Houston	+2.1%	4.6%	93.8%	4.2%	92.9%	3.9%
Bear Creek			94.3%	6.0%	93.5%	
Humble/Kingwood			95.3%	7.4%	93.0%	
Las Vegas	+2.4%	5.1%	94.6%	6.3%	93.7%	4.4%
South Las Vegas			95.3%	4.7%	94.7%	
Nashville	+2.4%	2.7%	94.9%	0.3%	93.9%	1.4%
Murfreesboro/Smyrna			95.3%	4.2%	93.6%	
Orlando	+3.5%	3.3%	96.4%	6.7%	95.1%	4.7%
Kissimmee/Osceola County			97.0%	6.6%	96.0%	
Sanford/Lake Mary			95.9%	7.2%	94.4%	
East Orange County			96.2%	8.6%	94.4%	
Phoenix	+3.2%	4.1%	94.9%	4.7%	93.8%	4.2%
Deer Valley			94.8%	1.3%	94.0%	
Raleigh/Durham	+2.5%	3.8%	93.9%	1.9%	93.6%	2.7%
South Cary/Apex			92.4%	-1.3%	93.0%	
San Antonio	+3.2%	3.5%	92.4%	1.7%	93.2%	1.8%
Medical Center			91.3%	1.3%	92.6%	
Tampa	+2.2%	3.6%	95.4%	3.4%	94.6%	3.3%
New Tampa/East Pasco County			94.5%	2.3%	94.2%	

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 3.07% as at May 16, 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

At Yorktown Crossing, building 3 (24 units) which was being reconstructed due to fire damage, received its certificate of occupancy at the end of Q1 2018 and is expected to be stabilized during Q2 2018. The addition of a pet park at South Blvd. Apartments was completed in Q4 2017. At Sorelle Apartments, the multi-year corridor upgrade project that began in Q2 2017 is targeted to be completed in Q2 2018. Fitness room upgrades at Sorelle Apartments began in March with expected completion in Q2 2018. Main pool furniture upgrades were completed at Falls at Eagle Creek in Q4 2017 with lap pool furniture upgrades scheduled for completion in Q2 2018. Pool upgrades at The Allure began Q1 2018 with completion expected by end of Q2 2018. Dog park, hammock area and clubhouse upgrade are scheduled to be completed at Marquee Station in Q2 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 with a total of 2,312 suites. Alliance Residential Company, the seventh largest third-party manager in the U.S., provides property management for seven properties with a total of 2,324 suites. The Pinnacle Family of Companies, the third largest third-party manager in the U.S., provides property management for five properties with a total of 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 with a total of 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 with a total of 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 The Falls at Eagle Creek, Palm Valley Apartments, Soho Parkway Apartments, Travesia Apartments, City North at Sunrise Ranch, Copperfield Apartments, Falls at Copper Lake, The Village at Marquee Station and Reserves at Alafaya which generate approximately \$100 per month of additional ancillary income per yard. All properties continue to offer trash pick-up services.

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.



Alexander Village (Charlotte, NC 2015)



Sorelle Apartments (Atlanta, GA 2009)



Reserves at Alafaya Orlando, FL 2014)

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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.